

Always putting healthier lives first

Integrated Report 2022





Always putting healthier lives first

The Sawai Group Holdings' corporate philosophy of "always putting healthier lives first" 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 to pursue the challenge of meeting the expectations of all stakeholders.



Sawai Group Mind



Sawai Group will serve every stakeholder wholeheartedly.

Sawai Group will continue the challenge to improve access to healthcare for more people.

Sawai Group aspires to play a pivotal role in healthcare through contribution to society.

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

Editorial policy

This report references the Value Reporting Foundation'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, 2021 - March 31, 2022 (some information herein falls outside of this period)

Reporting scope: Sawai Group Holdings and its consolidated subsidiaries

A caution concerning forward-looking statements: This report contains forward-looking statements regarding the Company's plans, outlook, strategies, and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication. Accordingly, please be aware that the impact of certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report.



Mitsuo Sawai

Representative Director,
Chairman and Group Chief Executive Officer

Further evolving group management to
become a healthcare corporate group
that develops with society

Review of the first year as a holding company

Clarified roles and responsibilities by promoting group management

It has been about one year since we transitioned to the current holding company structure with the founding of Sawai Group Holdings Co., Ltd. in April 1, 2021. However, the environment that Japanese pharmaceutical companies operate in is growing ever harsher for various reasons including fiercer competition due to drug price revisions and stronger regulation.

It was decided that to maintain sustainable growth in this environment, the Group must not only further reinforce its existing generic drug business but also foster new businesses in line with the demands of the times, such as longer healthy lives. We selected the holding company structure as the most appropriate way to respond to the changes in the environment.

One of the goals for transitioning to a holding company structure was to separate group management and supervision from business execution, and the transition further strengthened Board of Directors' supervision and clarified the division of duties for operating divisions so that they can quickly and responsibly execute business. The roles of the management team were also clarified with Deputy Chairman of the Company and President of Sawai Pharmaceutical Kenzo Sawai being put in charge of the core domestic generic drug business and President Kazuhiko Sueyoshi taking responsibility for managing the overall Group corporate division and executing overseas and new businesses. I also reinforced the foundation of corporate management by unifying the overall Group and strengthening compliance and governance.

Transitioning to a holding company made it possible for subsidiaries other than Sawai Pharmaceutical to participate in the system of compliance and governance-related meetings and exchange opinions throughout the Group. At a time when trust in our industry has been shaken, the most important action we can take is to move forward with meaningful items in line with the spirit of legal compliance. In the future, we want directors who serve on both the Group Board of Directors and Strategy Council and Sawai Pharmaceutical's Board of Directors and Management Meeting to switch between an overall group perspective to one of their detailed fields of responsibility depending on the issue and thus further reinforce operations.

On the other hand, looking back at the previous year, we recorded an impairment loss of about ¥69.0 billion for the U.S. business in fiscal 2021. After purchasing Upsher-Smith in 2017, competitors continued to enter the market for the main products, leading to a dramatic change in the business environment. I would like to apologize to all stakeholders, including shareholders, and we will work to rebuild the business by leveraging the strengths of the Company.

Background for establishing Trust Pharmatech Co., Ltd.

Contributing to a stable supply of drugs based on trust and reliability

The Group founded the new subsidiary Trust Pharmatech Co., Ltd. in December 2021 and took over the production facilities of the Fukui Prefecture-based generic drug manufacturer Kobayashi Kako Co., Ltd. in March, and the employees of related departments in April. One of the benefits of transitioning to a holding company is that it is possible to jointly conduct business as sibling companies within the Group without being incorporated into Sawai Pharmaceutical.

Trust Pharmatech Co., Ltd. was founded against a backdrop of a major crisis related to instability in the supply of generic drugs. Because several companies, including Kobayashi Kako, suspended production due to violations of the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, the industry as a whole was unable to fulfill its role of providing a stable supply of products. The Company received numerous comments from medical institutions, pharmacies, and customers regarding insufficient drugs and problems, but supply could not keep up with demand.



Factories operated by generic drug manufacturers undertake high-mix, low-volume production, and this makes it difficult to rapidly increase production. Therefore, we focused on Kobayashi Kako's factory, which boasts a production capacity of 3.0 billion tablets annually but was not operating. The factory had outstanding personnel involved in drug production. Making effective use of both this factory and its workers was considered indispensable to quickly resolve the supply problem. It would take some time for the factory to launch operations, however, if Kobayashi Kako's products continued to be manufactured there. Therefore, we proposed taking over only the production facilities, not any of Kobayashi Kako's products.

The transfer of assets related to production activities and employees in related departments was completed at the end of March and beginning of April 2022, respectively, and preparations are moving forward to launch shipments in April 2023. Under current conditions, supply shortages were expected to last for 3–4 years, but it now looks like a stable supply can quickly be achieved. Around 90% of Trust Pharmatech's employees came from Kobayashi Kako. Considering the problems that have occurred at that company, an important issue is getting the Sawai Pharmaceutical's corporate philosophy of "always putting patients first" and the corporate culture that stresses quality to take root. Immediately after Trust Pharmatech was founded, the employees studied about the Sawai philosophy, reflected on the work they did in the past, discussed what they want to become in the future, and gave presentations on the topic. The new employees experienced the quality policy firsthand during training at Sawai Pharmaceutical factories, and it is hoped that at some point in time they will become even more serious about quality than Sawai employees.

The name Trust Pharmatech incorporates the word "trust" and thus the idea that building trust and reliability with society is important. The name was selected because when employees hear it, they think of the company as one that nobody has doubts about its quality. In the future, we will carefully move forward with preparations to launch production while strengthening compliance and governance as one member of the Group and thoroughly introducing a quality management system.

Determination to lead Japan's generic drug industry

Even under harsh condition, our mission is to meet the expectations of patients

As mentioned at the beginning, Japan's drug industry is in a difficult situation because of the impact of annual drug price revisions. In particular, for generic drugs, which are based on high-mix, low-volume production, the cost structure is such that cost of sales account for a larger percentage of total costs than for original drug companies. In addition, active pharmaceutical ingredients (APIs) are impacted by increases in the cost of oil and exchange rates because they are chemical substances. However, as long as our social mission is to offer a stable supply of high-quality generic drugs and meet the expectations of patients, we cannot stop manufacturing a particular drug even if it is not very profitable.

For example, for Sawai Pharmaceutical, the unit price for the most inexpensive product is ¥5.10 per tablet. Even these products are manufactured at factories with thorough GMP management using APIs and additives that are managed according to our own standards that are stricter than Japanese government approved standards, and this entails costs. On the other hand, even for low-price drugs, we work to lower costs, which involves increasing productivity and taking other measures, so that we can continue to supply the product. We are focusing on disclosing quality information precisely because we are confident that we manufacture products that we can proudly provide information on.

What is demanded in our industry now is to regain trust by disclosing what quality-related efforts we are undertaking and getting patients to select generic drugs because of not simply the

price but also the peace of mind they provide. The Group considers being a leader in the industry in regard to this as its responsibility. It is our stance that this should be linked to sales and profits.

With the founding of Trust Pharmatech and construction of a new building at the Daini Kyushu Factory, we now possess the facilities to increase production to about 6.0 billion tablets a couple of years in the future. With a financial position that permits investments and both technology and brand, the Company still has room to grow. We will expand production in the future and want to switch to a business model that combines high-mix, low-volume production, a distinguishing aspect of generic drugs, with low-mix, high volume production, at some time in the future.

Ideas underlying the Group corporate philosophy

Desire to become indispensable for the healthier lives of all people

The Group's corporate philosophy is "always putting healthier lives first." Touting the corporate philosophy of "always putting patients first," Sawai Pharmaceutical contributes to the early recovery and healthier lives of patients suffering from diseases, and as a group, we want to contribute to lessening the burden on patients as much as possible and reducing, even if only slightly, the possibility of anyone becoming sick. This is the underlying idea behind our corporate philosophy.

Sawai Pharmaceutical has worked to undertake advertising activities in the fields of pre-symptomatic illness and disease prevention, which includes creating pamphlets for improving eating habits and providing those to medical institutions, etc. In addition to these activities, we are aiming to become indispensable by contributing to the actual prevention of disease through health foods and digital technology. When expanding the business in the future, we may establish a new company and want to become a group for which the name of each Group company matches its goal, just like for the Company's drug business, health food business, and digital business. While different companies focus on different customers, we will continue to aim to become a healthcare corporate group that contributes to the healthy life of all people and continues to develop with society.



Representative Director,
Chairman and Group Chief Executive Officer



Going beyond "always putting patients first" to "always putting healthier lives first"

History of developing non-financial capital

1981

Manufacturing capital



Completed the Kyushu Factory boasting advanced facilities

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.

1984

Intellectual capital



Opened the Osaka Laboratory to expand research

At that time, few generic drug manufacturers had independent facilities dedicated to R&D. Our stance toward quickly stressing R&D has been carried on by the Pharmaceutical Research Center, which opened in 1994, and the Pharmaceutical Development Center, which opened in 2015.

2006

Intellectual capital



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

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.

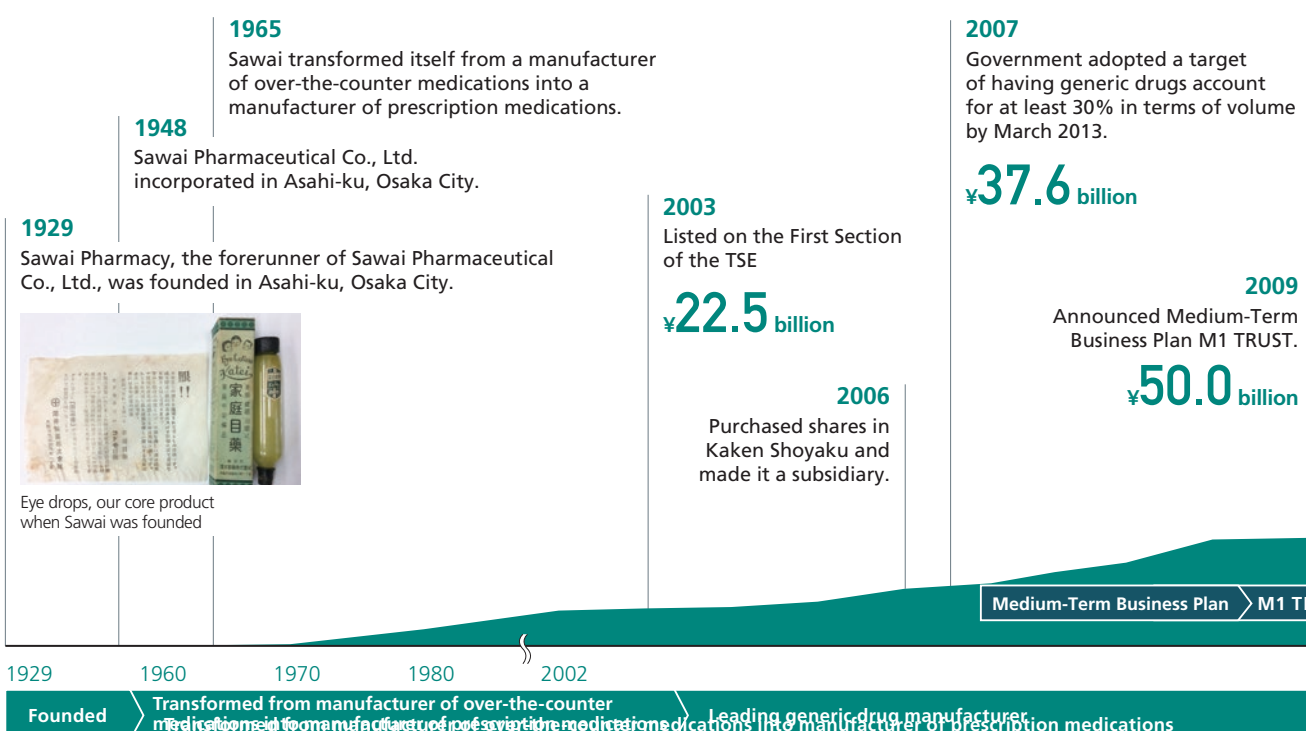
2007

Social and relationship capital



Established a new Corporate Philosophy and Code of Conduct

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.



2009

Social and relationship capital



Announced M1 TRUST, its Medium-Term Business Plan

We announced a plan to achieve ¥100.0 billion in consolidated net sales within five years by 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

Manufacturing capital



Kanto Factory

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

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

Intellectual capital



Built Pharmaceutical Development Center in Suita City, Osaka

We established a new Pharmaceutical Development Center in Suita City, Osaka Prefecture close to the Head Office. The Pharmaceutical 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.

2021

Social and relationship capital

sawai

Sawai Group Holdings Co., Ltd.

Transitioned to holding company structure through the transfer of shares

To continue to generate sustainable growth into the future, the Group considered it necessary to simultaneously reinforce existing businesses and foster new businesses that meet the demands of the time and determined that transitioning to a holding company structure would be optimal.

2010

Transformed Medisa Shinyaku Inc. into wholly-owned consolidated subsidiary.

2014

Consolidated net sales exceed ¥100.0 billion for the first time.

¥105.5 billion

2017

Acquired Upsher-Smith Laboratories, LLC and entered the U.S. market in earnest.

¥168.1 billion

Target

¥400.0 billion

2021

Founded Sawai Group Holdings Co., Ltd. (April)

Founded Trust Pharmatech Co., Ltd. (December)

Fiscal 2021 revenue

¥193.8 billion

M1 TRUST 2015

M1 TRUST 2018

M1 TRUST 2021

START 2024

2010

2020

2021

2030

(FY)

Expand globally

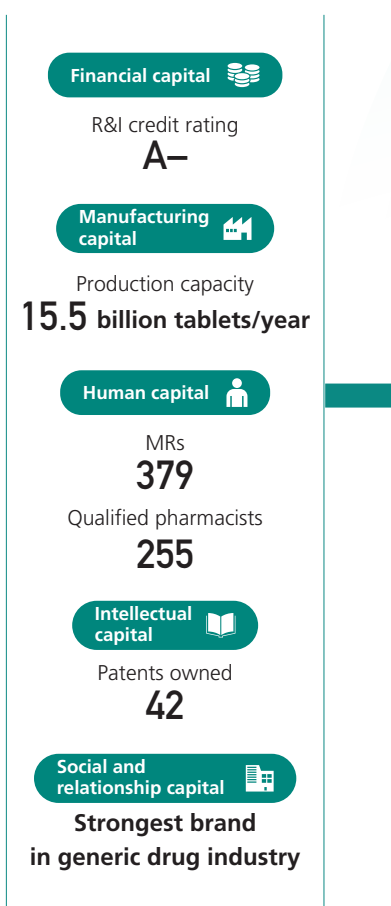
Take on challenge of new businesses



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 2021, 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.

Management capital (Input)



Value creation activities and Sawai's strengths

Research and development

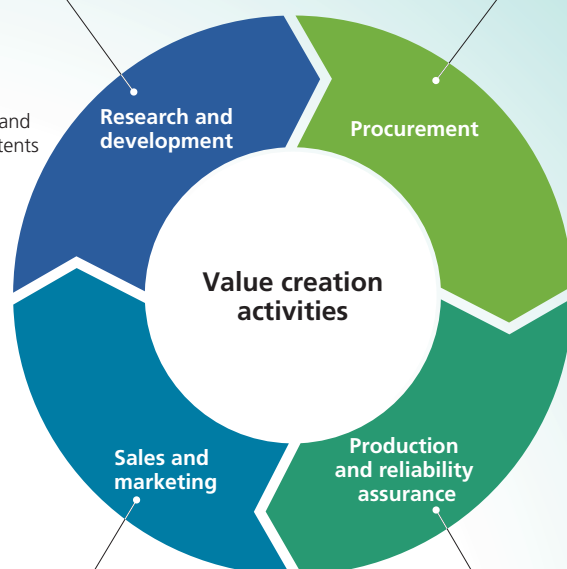
Sawai's strengths

- Ability to undertake research and analysis of originator drug patents
- Formulation technology capabilities based on human resources with expertise in API properties and formulation technology

Sales and marketing

Sawai's strengths

- Provision of accurate information
- Extensive product lineup
- Strong ties with wholesalers and retailers



Social issues

Rising medical expenses

Medical expenses
¥44.4 trillion
(FY2019)

The Hyper-aging society

Percentage of Japanese population aged 65 or older
29.1 %
(September 2021)

Need for affordable and safe drugs

Increasing interest in QOL

Value Provided

Always putting healthier lives first



Generic drug business

By offering a stable supply of high-quality, high-value added generic drugs to both the U.S. and Japanese markets, we form part of the social infrastructure that increases healthcare efficiency (reduces healthcare costs) without lowering its quality.

Procurement

Sawai's strengths

- Strong new product API research and procurement abilities
- Selection and procurement of raw materials with primary emphasis on quality and safety
- Use of multiple API sources to strengthen procurement system stability

Production and reliability assurance

Sawai's strengths

- Stringent quality management
- Own production factories located throughout Japan and external partner companies
- Manufacturing know-how for high-mix, low-volume production



New businesses

The Medium-Term Business Plan START 2024 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.

Improving healthcare access

Sales volume

Approx. **14.8** billion tablets

(Sawai Pharmaceutical)

Contributing to healthcare financing

Amount of reduction in healthcare costs

Approx. **¥338.2** billion (Japan business)

Approx. **¥99.4** billion (U.S. business)

Contributing to extension of healthy life expectancy

Investment in new businesses (FY2021 to FY2023)

Maximum of **¥30.0** billion

Developing talent

Use of childcare leave (FY2021)

Women **32**

Men **11** (Sawai Pharmaceutical)

Maintain social security system

Disparities in healthcare access





Production and reliability assurance

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 14.8 billion tablets, which accounts for approximately 8% of sales volume in Japan, we serve as an essential part of the Japanese healthcare infrastructure.

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.



Sawai's strengths

- Stringent quality management
- Ability to offer a stable supply of drugs using our own production factories located throughout Japan and external partner companies
- Manufacturing know-how for high-mix, low-volume production

Production capacity

Approx. **15.5 billion tablets**
Sawai Pharmaceutical

Approx. **3.6 billion tablets**
Upsher-Smith

Number of staff in Quality Management Department

393
Sawai Pharmaceutical

67
Upsher-Smith

Number of internal GMP audits

141
Sawai Pharmaceutical

69
Upsher-Smith

Message from the Group CQO

Working to establish a firm Sawai brand

Distrust of generic drugs (GE drugs) has grown because of problems related to quality and supply that have their roots in scandals at GE drug manufacturers. Last year, Sawai Pharmaceutical, the core of the Sawai Group, implemented various efforts to rebuild that trust. The management team issued a declaration both in-house and outside the Company that it would comply with laws and regulations and once again clearly indicated the role of each responsible party within the drug production and sales business. Furthermore, we worked to lead the industry by conducting voluntary inspections of approval forms, disclosing not only the name of formulation manufacturing companies but also the date of GMP local audits at API and formulation factories, and actively responding to the various laws and regulation. We will also listen to the opinion of all stakeholders and actively work on various fronts, including promptly sharing information.

This year, we newly added Trust Pharmatech Co., Ltd. to the Group. Under a uniform quality and safety policy for



Toru Terashima

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

the whole Group, we will strictly manage the quality and safety of the overall business, including new businesses. Society is keeping a wary eye on quality fraud by companies, and proper quality management is an important management issue. Under the motto "always putting healthier lives first," the Sawai Group wants to become a corporate group that continues to contribute to society and is always steadily improving.

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. Because it was difficult to conduct onsite audits during the COVID-19 pandemic, we launched remote audits as a new measure and aggressively moved forward with onsite audits by third-party organizations.

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.

Active pharmaceutical ingredients (APIs) country of manufacture disclosure

Sawai Pharmaceutical

Since July 2019, we have made public the “API country of manufacture” and “final drug substance manufacturing locations,” for our products on Sawai Pharmaceutical’s comprehensive information website for healthcare professionals and continue to disclose the name of formulation manufacturing companies.

We disclose information on the percentage of API manufacturing countries and final drug substance manufacturing locations by country and the date onsite audits were conducted at final drug substance manufacturing locations and formulation manufacturing companies so that healthcare professionals can use drugs sold by the Company with peace of mind.

Aiming to establish an in-house production system for more than 20.0 billion tablets

It was decided to construct a new solid dosage form facility at the Daini Kyushu Factory as one of the measures to establish an in-house production system for more than 20.0 billion tablets, which was included in the Medium-Term Business Plan START 2024. This is being done to respond to various problems that the industry faces, such as ones related to quality and supply, and to further increase the Company’s market share. Plans are broken into two steps.

In step 1, production capacity of 2.0 billion tablets will be added in 2024, and in step 2, production capacity of 1.0 billion tablets will be added while we keep an eye on market trends and new product development.



Daini Kyushu Factory
Image of New Solid Dosage Form Facility

Topics

Establishing Trust Pharmatech —the start of a new challenge to regain trust

On April 1, 2022, we officially launched a new business. Employees from Kobayashi Kako, Co., Ltd. which account for more than 90% of employees, not only reviewed operation details and completed supplementary operations but also energetically undertook various other activities, including retaking courses on compliance, GMP, and other topics, while also implementing various improvements and revising procedures. Since the announcement of the December 2021 transfer of assets related to production activities and employees to the Sawai Group, employees relearned compliance, the Pharmaceuticals and Medical Devices Act, and GMP; spent extensive time gaining an understanding of the various GMP procedures; set and announced action targets for each worksite at the end

of April; and launched work to build trust throughout the Company.

In order to use our production facilities, which can produce 3.0 billion tablets annually, and offer a stable supply as quickly as possible, numerous employees were dispatched to Sawai Pharmaceutical to receive training. Furthermore, technicians from Sawai Pharmaceutical were invited to work on in-house production preparations, and efforts to achieve Sawai Group standards moved forward through discussions and practical guidance.

Step-by-step preparations are steadily being made so that the company can manufacture pharmaceuticals that incorporate trust into each product.



Touring local facilities



Transferred employees receiving training

Toshiya Hasuo

President
Trust Pharmatech
Co., Ltd.





Research and development

We carefully select only the best APIs from around the world, conduct product formulation research in order to achieve even higher quality, and conduct tests that guarantee the quality of developed formulations. We also actively demonstrate product ingenuity, the goal of which is to make products comfortable for patients to take and easy for healthcare professionals to handle.



Research and development expenses

¥ **12.5** billion
Japan business

Number of R&D Division staff

253
Sawai Pharmaceutical

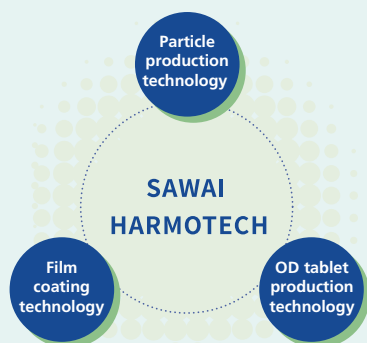
Sawai's strengths

- Ability to undertake research and analysis of original drug patents
- Formulation technology capabilities based on human resources with expertise in API properties and formulation technology

SAWAI HARMOTECH, Sawai Pharmaceutical's formulation technology

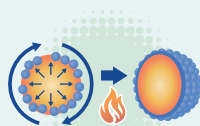
SAWAI HARMOTECH®

SAWAI HARMOTECH is the general name for Sawai Pharmaceutical's original formulation technologies that add value to medicines and create harmony in their formulation, such as technologies that make medicines more comfortable to take and the manufacturing of medicines more efficient.



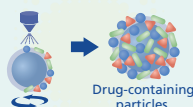
Particle production technology

MALCORE®



Technology for producing drug-containing particles that uses a dry coating

Technology for producing wet coating-type drug-containing particles



Technology for producing drug-containing particles that uses a wet coating

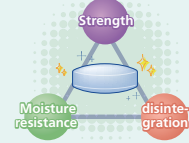
DRACORE®



Technology for producing drug-containing particles that uses a wet adsorption method

OD tablet production technology

SARAMEL®



Quickly dissolving prepared-mix additive technology

Film coating technology

THRUCOAT®



"Easy-to-take" film coating technology

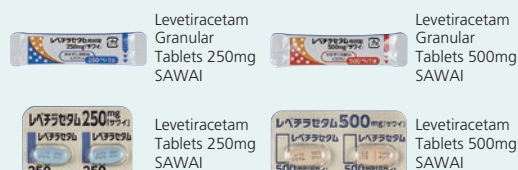
SARACOAT®



Technology for OD tablets using film that easily dissolves despite coating

Product ingenuity

In fiscal 2021, the Granular obtained approval for Levetiracetam Granular Tablets SAWAI and introduced the first granular tablet-form treatment for epilepsy. Out of consideration of the ingredient's bitterness and ease of taking, we employed a coating technology that uses moisture to add a gel coating to the tablet surface. Products come in three different forms, which include Levetiracetam tablets and DS, and this makes it possible to provide products that meet the needs of healthcare professionals and patients.





Procurement

Staff knowledgeable of items to be purchased select business partners who meet the Company's quality standards and closely work with them to achieve stable raw material procurement linked to sales forecasts and production plans. In order to achieve stable supply of raw materials, we have also built and maintain relations of trust by holding business partner explanatory meetings and working to continually evaluate business partners.

Suppliers

Procure a wide range of raw materials from around 500 companies in 30 countries throughout the world



Sawai's strengths

- Strong new product API research and procurement abilities
- Selection and procurement of raw materials with primary emphasis on quality and safety
- Use of multiple API sources to strengthen Procurement system stability



Sales and marketing

Promptly delivering accurate information on products is an important aspect of the quality we offer. We provide information to patients and healthcare professionals through three channels—approximately 380 medical representatives (MRs); the Medical Information Center, an inquiry desk open 24 hours a day, 365 days a year; and a website.

Number of products on sale

Approx. 800

Sawai Pharmaceutical

Approx. 130*

Upsher-Smith

* Calculated according to the counting standards of Japan

Number of MRs

Approx. 380

Sawai Pharmaceutical

Approx. 40

Upsher-Smith



Sawai's strengths

- Provision of accurate information
- Extensive product lineup
- Strong ties with wholesalers and retailers



Improving healthcare access

Throughout the world, including Japan, many people lack access to sufficient healthcare for financial reasons. The Sawai Group strives to improve access to healthcare by developing and offering a stable supply of high-quality, high valued-added generic drugs.

Sales volume

Approx. **14.8**
billion tablets

Sawai Pharmaceutical

Share of Japan's prescription drug market (volume)

Approx. **8%**

Sawai estimate

Contributing to healthcare financing

Through the manufacture and sale of high-quality, high value-added generic drugs which are more affordable than original 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.

Amount of reduction in healthcare costs

Approx. ¥ **338.2** billion
Japan business

Approx. ¥ **99.4** billion
U.S. business

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

The Sawai Group can provide the value of "people's healthier lives" by improving healthcare access, contributing to healthcare financing, extending healthy life expectancy, and developing talent.

Contributing to extension of healthy life expectancy

In not only its core generic drug business but also a wide range of fields that extend from prevention to treatment, the Sawai Group provides choices not limited to health foods and drug therapies, including digital and medical devices, but has also entered the new drug business for rare diseases.

Investment in new businesses (FY2021 to FY2023)

Maximum of ¥ **30.0** billion

Developing talent

In addition to developing talent that possesses various perspectives, has the ability to make decisions on their own by reading changes in conditions, and independently takes action, the Sawai Group strives to raise corporate value by creating an environment in which each employee can demonstrate their diverse, latent abilities.

Target ratio of female employees in managerial positions

8%
Sawai Pharmaceutical

Employees who took childcare leave (FY2021)

Women **32**
Men **11**
Sawai Pharmaceutical

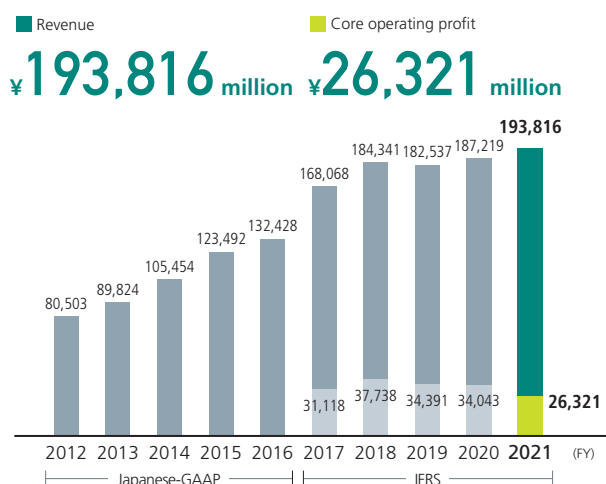




Financial highlights

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

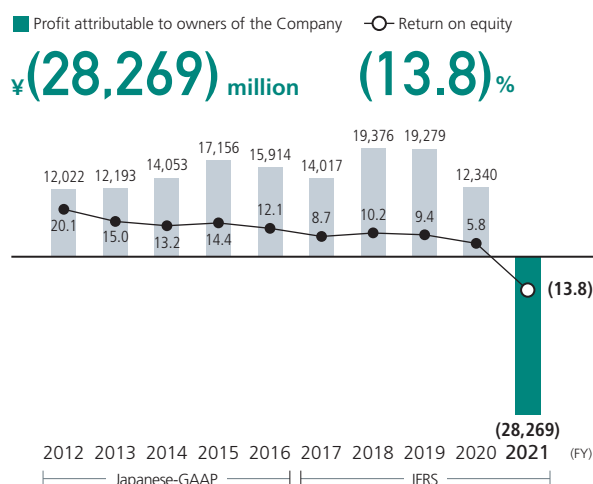
Revenue / Core operating profit



In fiscal 2021, the Sawai Group posted record revenue for various reasons, including an increase in fiscal 2020 product sales, despite drug price revisions and limited shipments due to the suspension of supplies by other companies. Core operating profit fell because of an increase in R&D expenses in Japan and the impact of major rival generic drugs in the U.S. business.

Note: Fiscal years 2012 through 2016 show figures for revenue based on Japanese-GAAP.

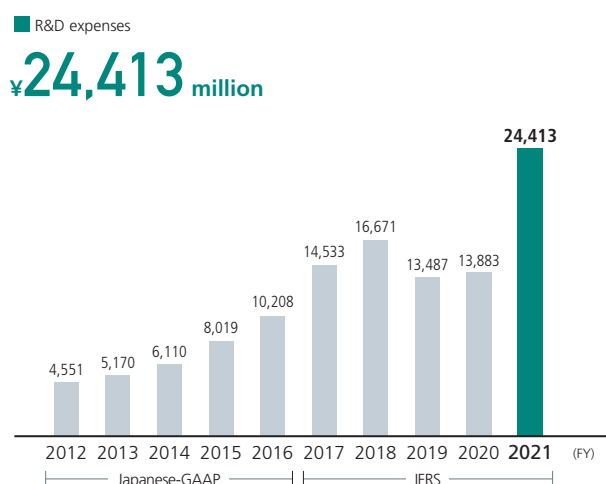
Profit attributable to owners of the Company / Return on equity



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. In fiscal 2021, the Group posted a loss attributable to owners of the Company of ¥28,269 million as a result of impairment on intangible assets, including goodwill for the U.S. business.

Note: Fiscal years 2012 through 2016 show figures for profit attributable to owners of parent and return on equity based on Japanese-GAAP.

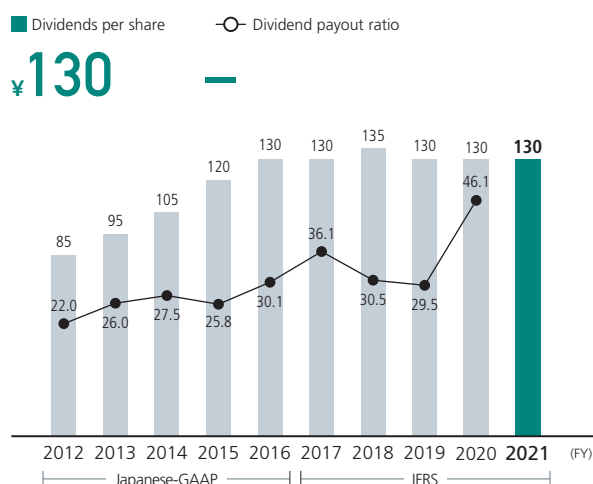
R&D expenses



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 2021, R&D expenses rose 75.8% year on year to ¥24,413 million for several reasons, including the recording of an impairment loss of ¥2,233 million for the Japan business and ¥5,724 million for the U.S. business.

Note: Fiscal years 2012 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 2021, the Company provided an annual return to shareholders of ¥130 per share.

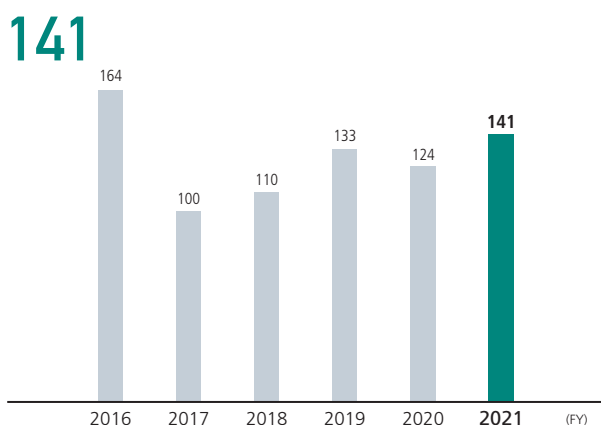
Note: As the Company implemented a two-for-one stock split of its common shares on October 1, 2013, figures for fiscal 2012 through 2013 were recalculated to reflect this split.

Non-financial highlights

Scope of data: Sawai Pharmaceutical Co., Ltd.

Number of GMP audits conducted by Sawai Pharmaceutical

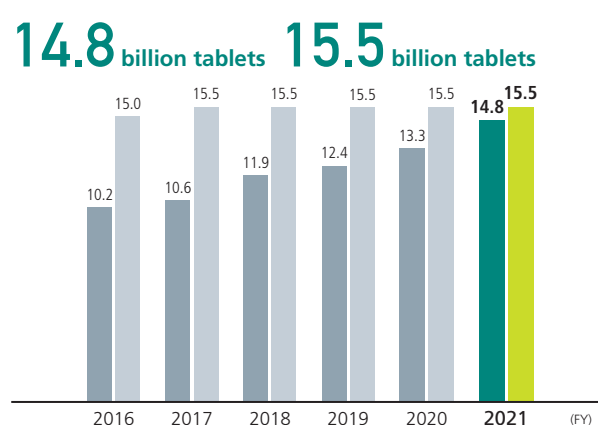
■ Number of GMP audits conducted by Sawai Pharmaceutical



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. Because of the COVID-19 pandemic, it was impossible to conduct onsite audits of manufacturing sites, particularly those overseas, but the work was supplemented through remote audits and (commissioned) third-party audits.

Sales volume / Production capacity

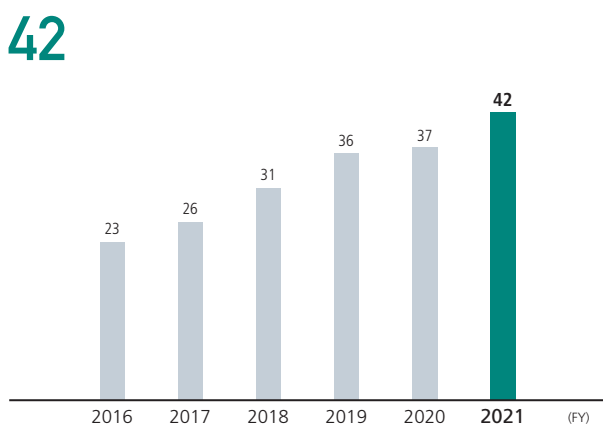
■ Sales volume ■ Production capacity



The Group's ability to supply a relatively 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

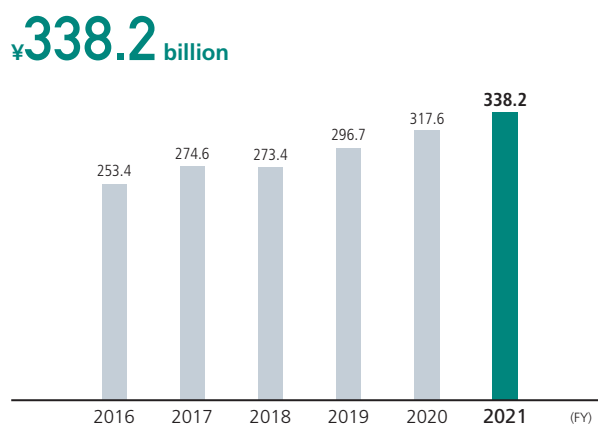
■ Number of patents held



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 (SAWAI HARMOTECH) that are not linked to specific active ingredients.

Amount of reduction in healthcare costs

■ Amount of reduction in healthcare costs



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 healthcare costs by approximately ¥300.0 billion.



Boldly taking on challenges in new fields that leverage Sawai's strengths while firming up our foothold

Kazuhiko Sueyoshi

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

Review of the first year since transitioning to new structure

Moving forward with management in line with Sawai Group Vision 2030

Having started on a new path as a holding company in 2021, the Sawai Group undertakes management in line with Sawai Group Vision 2030, its long-term vision for the future.

While the market for existing generic drugs continues to grow and will account for 80% of volume in the future, healthcare and medicine-related needs are growing more diverse and sophisticated at a quicker and quicker pace. We view this as a business opportunity and aim to create a “world where more people can receive healthcare services and live a full life with peace of mind among society” and to continue to contribute to people’s health, which we have set as our ideal state.

Let’s look back at the first year since we transitioned to this new structure. We started on this path with many employees who work in both holding company operations and business company operations learning how things have changed. Employees have struggled with switching between the perspective they should adopt and what they should communicate depending on which operations they are working in, but it seems that they are gradually figuring things out and moving forward.

One of the results of transitioning to a holding company structure was the founding of a new subsidiary that contributes to the stable supply of generic drugs. We founded the company Trust Pharmatech Co., Ltd., and acquired the production facilities and human resources of Kobayashi Kako Co., Ltd. I am sure that we were able to add Trust Pharmatech as a sibling company, not a subsidiary of Sawai Pharmaceutical Co., Ltd. and respect the numerous people who have worked with pride for many years because we created an entity to handle that task, a holding company. Of course, when manufacturing Sawai Pharmaceutical products, it will be necessary to thoroughly spread various elements, including the Sawai Pharmaceutical corporate culture and awareness of legal compliance.

Summary of business results for fiscal 2021

Year-on-year growth in revenue but massive operating loss because of impairment loss for U.S. business

In fiscal 2021, despite the impact of drug price revisions and limited shipments as a result of suspension of supplies from other companies and other developments, the Japan business saw an increase in sales in part because of new products. Both revenue and operating profit rose year on year even though core operating profit fell due to an increase in R&D expenses.

On the other hand, for the U.S. business, revenue contracted year on year for several reasons, including a dramatic decline in sales of its main generic drugs as competitors entered the market. An operating loss was also recorded as a result of a massive impairment loss.

Therefore, the Group recorded consolidated revenue of ¥193,816 million (+3.5% YoY), consolidated core operating profit of ¥26,321 million (-22.7% YoY), and a consolidated operating loss of ¥35,888 million (consolidated operating profit of ¥18,888 million for fiscal 2020).

Overview of FY2021

(Millions of yen)

	FY2020 Actual			FY2021 Actual			YoY
		Japan	US		Japan	US	
Revenue	187,219	153,584	33,635	193,816	163,841	29,975	+3.5% (+6,597)
Core operating profit	34,043	30,258	3,765	26,321	27,016	(708)	(22.7)% (7,722)
Operating profit	18,888	26,284	(7,396)	(35,888)	32,361	(68,249)	— (54,776)
Profit before tax	18,460	—	—	(36,214)	—	—	— (54,674)
Profit attributable to owners of the Company	12,340	—	—	(28,269)	—	—	— (40,609)
Average rate	US\$1= ¥106			US\$1= ¥112			

* Results by segment in Japan and the U.S. are not consistent with the overall figures, as each segment profit includes inter-segment transactions.

* Core operating profit is calculated by excluding profits and losses attributed to non-recurring factors from operating profit.

Recording impairment loss

Recording an impairment loss refers to lowering the carrying amount of fixed assets. For fixed assets, the purchase price is normally expensed (depreciated/amortized) over the useful life of the asset, but if it is not expected that an amount equivalent to the investment will be recovered for any number of various reasons, including a decline in profitability due to changes in the business environment, such as changes in the market or technology, an impairment loss is recorded when necessary. The size of the decline in the asset value is a loss, but there is no corresponding cash outflow.

As a result of examining how to generate sustainable growth for the U.S. business, which operates in a harsh environment that rivals continue to enter, and revising future plans, we expect sales to decline and growth to slow and determined that the recoverable amount of U.S. business assets was less than their carrying amount. Therefore, we posted an impairment loss of ¥68.8 billion, which consisted primarily of ¥39.9 billion for goodwill, ¥26.0 billion for intangible assets, such as trademarks, and ¥2.9 billion for property, plant, and equipment.

As a result, depreciation of intangible assets is expected to fall from the previously given ¥5.0 billion level to ¥1.9 billion for the current fiscal year. (See message from Mr. Rich Fisher on page 28 for concrete future efforts.)



Rebuilding the U.S. business

Aiming to provide high value added and quickly return to profitability by cutting costs, etc.

As discussed previously, a massive impairment loss was recorded for the U.S. business because of not only a dramatic decline in sales of its main generic drugs on account of the entry of competitors but also a review of future plans for the U.S. segment. As the person in charge of this business, I would like to apologize to all stakeholders, particularly shareholders. It is my responsibility to implement a strategy to rebuild the business and make it profitable.

The Sawai Group fully entered the world's largest generic drug market with the 2017 purchase of Upsher-Smith, a U.S. generic drug manufacturer that is more than one hundred years old. Since then, Upsher-Smith has contributed to the global expansion of the Sawai Group as a member of the Group.

In recent years, however, three major purchasing groups, which were formed by the merger of wholesalers, pharmacies, and similar entities, have captured approximately 90% of the U.S. generic drug market. Furthermore, at the same time that the U.S. Food and Drug Agency (FDA) has approved a large number of abbreviated new drug applications (ANDAs), price competition with India-based generic drug companies has grown fiercer. When rebuilding the business, therefore, we will not only shift to a business model and high value added products to avoid direct competition with those companies but also reorganize the various divisions, including the research, manufacturing, and marketing ones, and cut costs. In this way, we are aiming to quickly return the business to profitability.

For the Manufacturing Division, progress is being made in transferring products from the Denver Factory in Colorado to the new factory that is next to the company's headquarters in Maple Grove, Minnesota. Reducing operating costs by centralizing manufacturing at the new factory and further improving quality and efficiency is expected to contribute to profits. Efforts are also being made to reduce costs by reviewing API suppliers.

As for launching products, we are planning on conducting even stricter examinations of cost effectiveness and narrow down candidates to those that will definitely boost profit. For development, too, we have shifted our focus away from in-house development to collaborations with companies throughout the world that are already developing products for the U.S. and created success-based deal structures. This is how we are working to reduce development risks.

Corporate officer Taku Nakaoka, who previously worked at a trading company and has a long career overseas, took up the position of CEO as part of the new management team. We will not simply value the know-how of Upsher-Smith but demonstrate leadership by becoming more integrally involved in strategy and plans. Serious debates regarding the direction of new product development and other issues will be held with the company's management team under our leadership, and we will move forward while clarifying responsibility for decisions and results.

Progress with new businesses

Efforts to develop new growth fields for the Group to continue to develop

For the Group to continue to grow in the future, we must build and develop not only the generic drug business, which has grown because of the health insurance system, but also new businesses that go beyond the pharmaceutical industry while using the generic drug business as our core business. After reviewing opinions collected within the Company regarding what business fields to expand into when transitioning to a holding company, we came up with the three fields of digital medical devices, new drugs, and health foods, which leverage Sawai's knowledge and know-how. To create a society with health longevity through pre-symptomatic approaches, preventive measures, and data health reforms, which the government is aiming for, we are focusing the investment of resources into these three fields. I would like to explain the progress we have made and the future growth strategy for each field.

The digital medical device business is steadily moving toward commercialization. In January 2021, Sawai Pharmaceutical concluded an exclusive development and marketing agreement with Israel-based Neurolief Ltd. regarding a non-invasive neuromodulation device for migraines and depression for the Japanese market. The medical device, which treats migraines with electromagnetic waves, offers a new treatment method for patients when drug therapies are not effective. Although already available in the U.S., the device has never been used in Japan before, and it has drawn high expectations from physicians in the field of central nervous system. We will apply for approval in 2022, and if approval is obtained, it will be the only neuromodulation device in Japan that can be used at home. We plan to launch the product in 2024.

Furthermore, in October 2021, we released the personal health record (PHR) management app SaluDi, which offers functions for recording and managing daily state of health, making online appointments for doctor visits, and viewing information on pre-symptomatic and preventive measures. This has already drawn strong interest from a broad range of customers, including hospitals and pharmacies. There have also been inquiries from numerous medical institutions regarding whether it can be used for a broad range of businesses, including making appointments online and providing guidance on taking medications. Local governments, too, have commented that they would like to use the app for maintaining the health of residents. Since April 2022, in partnership with several entities, including Tokyo University, we have been moving forward with a verification test for building a business model linked to the flow from metabolic syndrome-specific health checkups to recommended general checkups and changes in behavior.

One activity that leverages Sawai efforts to differentiate the Company is the provision of information. It is now possible to access the health information site Sawai Kenko Suishinka,

Personal Health Record Business Management app, "SaluDi"

Personal health record, PHR, management app, "SaluDi" was launched in October 2021 with the functions of recording and managing daily health conditions, linkage with telemedicine and its reservation, and access to information on pre-symptomatic illness and disease prevention.

Main functions

1. Provision of health-related information

- Disease information.
- Information from one of the popular websites run by Sawai Pharmaceutical which offers health-related information.



2. Record and visualization of PHR data

- Automatically input PHR data linking with healthcare devices.
- Manage dietary photos, check-up result data, and prescription record books.



3. Communication features

- Messaging functions between medical institutions and patients.
- Medical institutions can cooperate to support patients.

Messaging function

It is possible to communicate shared data with physicians and patients.

PDF/CSV output

If the diabetes record book and blood pressure record book are saved in PDF format, they can be attached to e-mails, printed out, and carried around, making them more convenient.

4. Linkage with telemedicine

- Recorded PHR data can be used when using telemedicine as well as seeing doctors in person.



* SaluDi is an OEM app of Smart One Health provided by Integrity Healthcare.

* SaluDi is available only in Japan.



which Sawai Pharmaceutical has operated since 2008. Sawai Kenko Suishinka is an informational website that meets a wider range of needs by not only providing information on actual illnesses and symptoms but also offering suggestions on ways to improve routine health problems, beauty tips, and diets. The website is visited by many people and boasts an average monthly PV of more than 2.50 million. Furthermore, it can be used to help manage blood pressure by uploading blood pressure record book data, which is provided to parties such as pharmacies free of charge.

With SaluDi, it is possible to share data with family pharmacies and medical institutions, and if it becomes possible to also use the app for making appointments online and providing guidance on taking medications, medical institutions will feel that it is even more beneficial. The basic functions are now provided free of charge, but we would like to introduce it as a new business by further expanding services and content.

As for the new drug business that targets rare diseases, we are currently preparing for clinical trials in order to introduce an ALS medicine in the U.S. Furthermore, we have strengthened the in-house evaluation system and are continuing to examine expanding the pipeline.

Turning to health foods, we have already completed product development and filed a registration of “product with functional claims” to the Consumer Affairs Agency, and the filing has been accepted. We are moving forward with preparations for test marketing through the Internet, which offers high cost performance, as a channel. Although we are late to this field, drug treatments for life-style diseases is a field that Sawai Pharmaceutical is strong in. Therefore, we would like to introduce products using the trust that “if Sawai developed it, I am not worried” as a strength.

Investment decisions

Investment decisions and business management based on capital costs and improving corporate value

For the Japan business, we have made various growth investments, including constructing a solid dosage form facility at the Daini Kyushu Factory and acquiring assets from Kobayashi Kako Co., Ltd. These investments can be expected to result in greater future profits and ROE for the Company. Investment decisions are made taking into consideration capital efficiency.

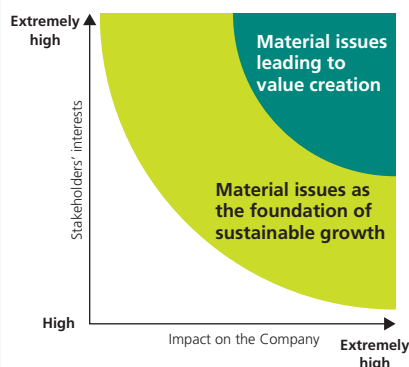
For investments of a certain amount or greater, the Board of Directors makes the decision after the Group Investment Committee carefully reviews the proposal based on the general rule that ROI, which uses NPV and IRR as indicators, surpasses the cost of capital. In order to make use of not only shareholder capital but also liabilities, we employ WACC (currently about 4%) when calculating the cost of capital. However, if an investment will contribute to an increase in corporate value in the medium and long term considering not only capital efficiency but also the corporate philosophy and social nature, it may be decided to make the investment. In addition, the cost of capital and state of various investments are regularly reviewed, and if investments fall short of original expectations, a strict investment decision, which includes the possibility of withdrawing from the investment, is made for not only the Japan business but also U.S. and new businesses.

Sustainability efforts

Promoting materiality-based sustainability and building long-term trust with various stakeholders

By providing generic drugs, the Group lessens the burden of healthcare costs and contributes to solutions to social issues, such as growing healthcare costs. In fiscal 2021, this contributed to healthcare cost savings of ¥338.2 billion in Japan and ¥99.4 billion in the U.S. In Japan, the volume of drugs sold by Sawai Pharmaceutical accounts for about 8% of total prescription drugs

Materiality



Material issues leading to value creation	
Improving healthcare access	Product quality and safety Maintaining a stable supply Providing meaningful information
Contributing to healthcare financing	Development of high-value-added generic drugs
Contributing to extension of healthy life expectancy	Expanding business to a wider range of healthcare domains, including pre-symptomatic illness and prevention
Developing talent	Training for future management candidates
Material issues as the foundation of sustainable growth	
Environmentally friendly business	Responding to climate change Recycling and waste control Water use reduction Biodiversity
Work styles/ motivation, respect for human rights	Realization of work-life balance Maintenance of a safe, healthy workplace environment Diversity promotion
Corporate governance	Stronger risk management/compliance Stakeholder engagement Prevention of bribery/corruption Supply chain management/fair, transparent transactions Stronger information security

(our analysis), making Sawai Pharmaceutical an indispensable part of the social infrastructure for Japan's healthcare.

As for our relationship with stakeholders, which is centered on value creation through the business, our earnest efforts to tackle environmental, social, and governance (ESG) issues form a foundation for the Group's sustainable growth. For the Group, we have identified improving access to medical treatment, contributing to healthcare financing and the extension of healthy life expectancy, and similar topics as material issues leading to value creation and environmentally friendly production, work styles / motivation, respect for human rights, corporate governance, and similar topics as material issues as the foundation of sustainable growth.

Within the field of sustainability, we particularly stress aspects related to people. This is because people are a company's greatest assets and are one of our strengths. What I have valued since taking up the position of president of the Company is creating a company at which employees can put their all into their work and can feel their dreams in their work. When creating the long-term vision with an eye toward 2030, we had both mid-career and young employees take part in the project to set the vision and conducted lively discussions that started from scratch. While undertaking two-way communication as much as possible, I want to create mechanisms that make it possible for anyone to volunteer for work they want to do and take on challenges related to interesting work. To do this, I think that we must implement measures that promote diversity so that we can break free of the current situation when women account for only below 8% of management and most employees in Japan are Japanese.

A company can only achieve sustainability by building long-term relations of trust with various stakeholders. We aim to jointly generate innovation with stakeholders and create a "healthcare corporate group which develops sustainably alongside society" by communicating Sawai's open corporate culture that values integrity to various stakeholders and working with those stakeholders.

Kazuhiko Sueyoshi

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



Japan Business (Sawai Pharmaceutical)



Continuing to offer a stable supply of high-quality drugs as a leading generic drug company

Kenzo Sawai

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

Japan business SWOT analysis

Strengths

- One of the top supply capabilities in Japan
- Proprietary product development capabilities
- Name recognition and brand strength as top manufacturer
- Stable financial base
- Integrity of employees based on corporate philosophy

Weaknesses

- Takes time to train and secure employees as demand grows
- Difficult for management to decide to suspend sales as many unprofitable products have top shares

Opportunities

- Chance to restructure the generic drug industry
- Growing demand because of aging society
- Diversification and growing sophistication of healthcare and medicine needs

Threats

- Decline in drug prices for various reasons including annual drug price revisions
- General decline in trust in generic drugs
- Increase in AG sales
- Weak growth in advanced countries
- Increase in API and raw material costs due to changes in exchange rates and inflation

Revenue grew year on year because of increased production to meet stronger demand and contributions from new product sales

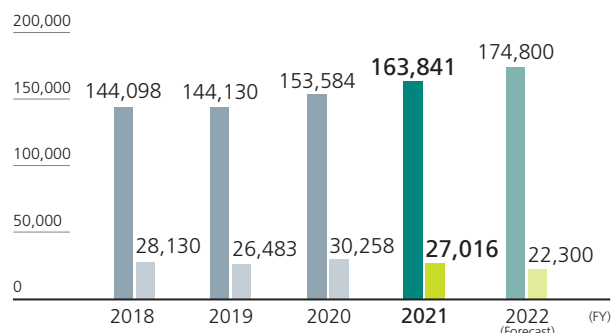
Despite drug price revisions and limited shipments due to suspended supplies from other companies and other developments, domestic revenue from the Japan generic drug business totaled ¥163,841 million (up 6.7% YoY) in fiscal 2021 for various reasons including an increase in fiscal 2020 new product sales. While the business recorded core operating profit of ¥27,016 million (down 10.7% YoY) because of an increase in R&D expenses in order to develop new products, operating profit totaled ¥32,361 million (up 23.1% YoY) since the Company acquired Kobayashi Kako Co., Ltd. assets related to production activities and recorded a gain on bargain purchase.

Production volume rose about 9% compared to fiscal 2020 to 15.1 billion tablets (including commissioned production). This was because in response to growing

market demand, we worked to increase production in various ways including introducing nighttime, weekend, and holiday work. Even so, shipments continued to be limited, making it impossible to meet all the demands of medical institutions, but in April 2022, we ended limited shipments for 57 products, which has helped market inventory

Revenue / Core operating profit

(Millions of yen) ■ Revenue ■ Core operating profit



imbalances work themselves out.

In fiscal 2022, despite the impact of drug price revisions, we expect that both revenue and core operating profit will increase on account of sales of new products and other items.

Launched process for increasing production within the Group to offer a stable supply of domestic generic drugs

To meet market demand, Sawai Pharmaceutical is working to expand its share of Japan's generic drug market and reinforce its capabilities to provide a stable supply. Furthermore, the Sawai Group Vision 2030, the Group's long-term vision through fiscal 2030, includes the target of establishing an in-house production system for more than 23.0 billion tablets, and fiscal 2021 was a year in which we made major progress in achieving that goal.

Following the decision to invest in a solid dosage form facility at the Daini Kyushu Factory in October 2021, we acquired Kobayashi Kako Co., Ltd. production facilities in March 2022, and then in April, Trust Pharmatech, Co., Ltd., which employees from Kobayashi Kako joined and launched full operations. With seven production and research facilities, the company possesses the capacity to produce approximately 3.0 billion tablets annually and expects to make its first shipments in April 2023.

In 2023 or after, we expect to have created a production system with a capacity of 21.0 billion tablets annually by gradually launching operations at Trust Pharmatech and Daini Kyushu Factory, making the Group the top Japanese drug manufacturer. Trust Pharmatech is expected to manufacture as many of Sawai Pharmaceutical's large volume products as possible, and efforts are already moving forward with plans to commission the company to manufacture about seven products. Trust Pharmatech possesses not only appealing facilities and new facilities from our perspective but also many outstanding human assets. In particular, with strong develop capabilities, such

as those related to formulation development, there are probably major benefits from Trust Pharmatech joining the Group.

Regarding production plans for fiscal 2022, we plan to manufacture about 16.5 billion tablets (including commissioned production) at our six existing factories by increasing the number of employees and taking other steps while implementing ingenious measures to increase productivity such as unifying packaging units. With an eye toward restructuring and centralizing the industry, we are aiming to possess overwhelming production capacity unmatched by rivals through a wide range of measures, such as constructing our own factories, securing manufacturing subcontractors, and acquiring other companies' factories.

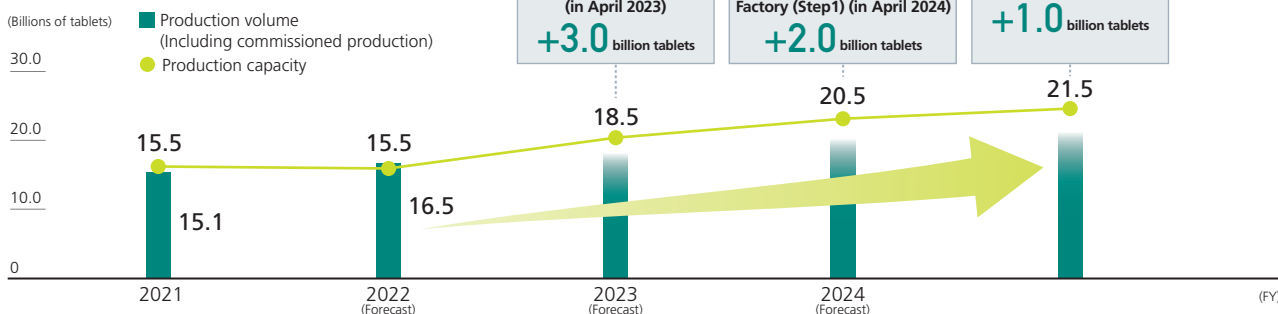
Firmly maintaining Sawai production quality and corporate culture throughout the whole Group

The main issue related to increasing supply capabilities is securing and training people. While investing money increases the production capacity of facilities, it goes without saying that people operate those facilities. Trust Pharmatech Co., Ltd., and Sawai Pharmaceutical Co., Ltd., are different companies, but as long as Trust Pharmatech manufactures Sawai products, its employees must view things from the same perspective as our factories and employees, adopt the philosophy regarding why they are producing products, and possess the same level of awareness regarding contributing to society and legal compliance.

Until the first shipments are made, we will conduct class-room and onsite training for Trust Pharmatech employees so that they can conduct manufacturing activities of the same quality as those of our factories. While undertaking actual manufacturing at factories, they will learn production methods that meet Sawai criteria.

However, unlike knowledge and skills acquired through training, a perspective of what makes work worth doing is not gained overnight. At Sawai Pharmaceutical, activities

Future production capacity to strengthen stable supply capabilities





to spread the corporate philosophy of “always putting patients first” have been undertaken for 15 years. Even individual factories have worked independently to improve operations for many years. It takes time for corporate culture to take root like this, and Trust Pharmatech will also probably have to undertake similar activities for many years.

Moving forward with new product development that employs original formulation technology

The Group’s long-term vision includes the goal of raising the Company’s share of Japan’s generic drug market from the current approximately 16% to at least 20%. To achieve that target, it is necessary to strengthen new product development. In particular, the key is to introduce competitive products, including first-of-their-kind products launched ahead of other companies.

In fiscal 2021, the Company introduced 32 products, which included six competitive products. Starting in fiscal 2022, we will be sure to introduce new products that will become competitive products and continue our steady efforts to sell products at fair prices through various measures, such as undertaking difficult drug formulation that leverages Sawai R&D capabilities. The less competition there is for a product, the greater the responsibility to supply that drug becomes, and we want to continue to take on challenges while giving the greatest priority to stable supply.

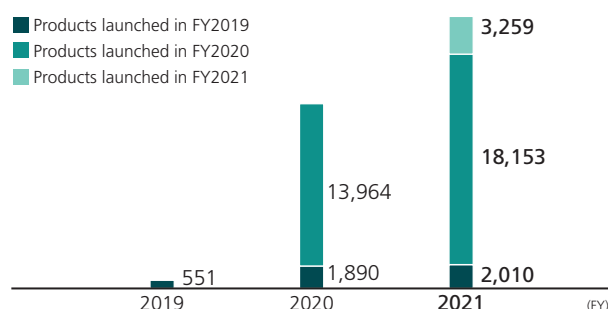
Furthermore, the Company develops various technologies and acquires patents each year as it introduces numerous products to the world. We refer to the original production technology that provides value added to drugs, such as making medicines easier to take and the



SAWAI HARMOTECH®

https://www.sawai.co.jp/medicine/sawaignerics/research/sawai_harmotech/

Revenue from products launched in the past three years
(Millions of yen)



manufacturing of medicines more efficient, as SAWAI HARMOTECH®, and we have started to disclose related information through our corporate website.

To get more people, even only a few, to know about our technology, we will continue to actively disclose information on our R&D.

Taking the lead in rebuilding trust in generic drugs by stressing product and quality-related disclosure

We have traditionally focused on disclosure related to production and quality, but since fiscal 2021, we have undertaken even more extensive disclosure. In May, we added a Quality Management Disclosure page to the corporate website and started to explain our quality, GMP, and production processes. A pamphlet version has also been distributed to medical institutions. We also started to disclose information on formulation manufacturing companies and audits of API manufacturing plants through a general information site for healthcare professionals in June. We have decided to play a leading role in the industry so that healthcare professionals can use our products with peace of mind.

To restore trust in generic drugs, it is important to disclose all information, including what quality-related improvements have been implemented, what plans have been made, and what the results of these efforts have been. As a leading company in the industry, we will fulfill our duties related to disclosure.

Under the corporate philosophy of “always putting patients first,” our mission is to deliver high-quality generic drugs to patients and healthcare workers even a bit quicker. As for supply, we are building a system to increase production in the long-term, and the Manufacturing Division and Marketing Division will work together to meet the expectations of all in order to eliminate limitations.

New product launch plan for the next three years

Number of products to be released: over **70**

	FY2021	FY2022	FY2023
Number of ingredients	13	9	7
Number of products	32	21	17
Original drug market (billions of yen)	–	269.1	154.1

Original drugs for first-listed generic drugs

Cymbalta capsule / Lunesta tablets / Vesicare tablets / Adcirca tablets

U.S. Business (Upsher-Smith)



With the help and support of Sawai, Upsher-Smith will work to achieve our aggressive sales and profitability targets

Rich Fisher

President & COO, Upsher-Smith Laboratories, LLC

My name is Rich Fisher, and I assumed the position of President and COO of Upsher-Smith Laboratories (USL) on April 7, 2022. I would like to express my sincere regret to the shareholders of Sawai Group Holdings for the significant impairment losses recorded by USL in fiscal 2021. Our USL business strategy going forward will address the following three issues in fiscal 2022:

1. Measures to stabilize revenue

The competitive environment for generic drugs in the U.S., the world's largest pharmaceutical market, is extremely severe, and USL's key products have been significantly affected by the entry of competitors. In order to offset the decline in sales due to falling prices of mature generics, we plan to focus on increasing sales and profits through the selling of USL brand products Zembrace and Tosymraothers. USL will also pursue increased profit and revenue for generic products with high barriers to entry such as Isotretinoin, which was introduced in fiscal 2021.

2. Cost reduction measures

With regard to the new plant built near the headquarters in Minnesota for the purpose of consolidating production functions, we expect to improve efficiency by more than 10 million dollars per year by transferring products from the Denver plant, which was sold in fiscal 2021, and by switching to in-house manufacturing for processes that were previously manufactured by outsourcing. In addition to reducing the cost ratio by reviewing and strengthening procurement sources of APIs, we will take all possible measures, including potential internal structural reforms, to reduce costs.

3. Pipeline development strategies

As part of our reforms, we have restructured our R&D function to take advantage of external expertise for drug formulation. This change, which allows us to reach market more quickly and de-risk the portfolio through utilization of success-based milestones, will be accomplished with reduced R&D expenditure.

Although USL is facing one of the most challenging

U.S. business SWOT analysis

Strengths

- Consistent high quality supply from manufacturing facilities located in the U.S.
- Strong relationships with major wholesalers
- High level of employee engagement

Weaknesses

- Lack of in-house development capability

Opportunities

- Market where human population continues to grow, despite being a developed country
- The U.S. market accounts for about 40% of the world's pharmaceuticals market
- Supply disruptions caused by competitors with low quality

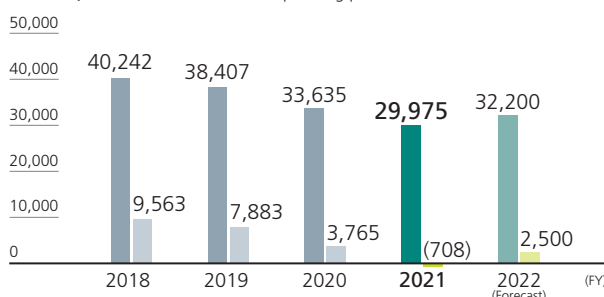
Threats

- Intensifying competition with India-based companies with superior cost competitiveness
- Continuing pricing pressures driven by consolidation of customers and buying groups

periods since our founding in 1919, we would like to ask for your patience and support as we strive to grow as a specialty generic company and make a sustainable contribution to the Sawai Group's business performance.

Revenue / Core operating profit

(Millions of yen) ■ Revenue ■ Core operating profit





Message from the Group CFO



Ensuring and maintaining a strong financial base for flexible, agile investment activities

Yoshiki Sakurai

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

Fiscal 2021 Performance

In Japan, despite the impact of a series of drug price revisions and patients avoiding doctor visits due to the COVID-19 pandemic, segment revenue totaled ¥163,841 million as projected because we focused on sales of newly launched products, such as Levetiracetam Tablets. 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 controls, while also striving for greater cost competitiveness by using multiple raw ingredient suppliers and increasing production efficiency that leverages the distinguishing aspect of each of our six factories throughout Japan. With an eye toward increasing our market share, we also launched efforts to increase production capacity. Not only did we start construction of a solid dosage form facility with a production capacity of 3.0 billion tablets on the grounds of the Daini Kyushu Factory in October 2021, but the consolidated subsidiary Trust Pharmatech Co., Ltd. acquired a factory with a production capacity of 3.0 billion tablets from Kobayashi Kako Co., Ltd. in March 2022.

In the U.S., however, the business environment grew harsher in various ways, including stronger purchasing power of entities such as wholesalers and pharmacies due to mergers, falling prices of generic drugs, introduction of competitors to our products into the market, and lackluster sales of Tosymra™ on account of the COVID-19 pandemic. As a result, segment revenue totaled ¥29,975 million. In addition, as we started to fundamentally rebuild the business of the consolidated subsidiary Upsher-Smith, we posted an impairment loss of approximately ¥68.8 billion on U.S. segment assets, including goodwill.

On account of the above, revenue rose to ¥193,816 million, but a substantial operating loss of ¥35,888 million was recorded.

Financial soundness and future investments

It is expected that various restructuring will accelerate because of a deterioration in the business environment for the overall industry due to annual drug price revisions. As noted in the Medium-Term Business Plan START 2024, not only investments to increase production capacity but also aggressive investments in new businesses and R&D are necessary for future growth. Even after recording a decline in capital because of the loss, we still boast a capital ratio of more than 54% as of the end of March 2022. We will work to ensure and maintain a strong financial base so that we can undertake flexible, agile investment activities.

Fiscal 2022 earnings outlook

In Japan, despite declines in the unit selling price due to a series of drug price revisions, it is expected that generic drug sales volume will continue to steadily increase as a result of the launch of new products as patents on original drugs expire. On the other hand, in the U.S., competition may remain fierce. Even in this business environment, we have marshaled the capabilities of the various divisions, including the R&D, manufacturing, reliability assurance, and marketing ones, and will aim to generate steady growth in both the Japanese and U.S. markets under the new Medium-Term Business Plan START 2024, the first year of which was the previous fiscal year.

Shareholder return

In addition to taking into account balancing growth-oriented investments, we have adopted the policy of paying a stable and sustainable dividend with a target dividend payout ratio of 30% while taking into consideration various other factors, including annual consolidated earnings, dividend payout ratio, and other shareholder return-related measures. For fiscal 2021, we paid an annual dividend of ¥130 per share (total dividend paid of approximately ¥5.7 billion).



Sawai Group Holdings

- ESG data
- ESG index and external evaluations
- SASB index

Sustainability

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

Key policies

1. Based on our corporate philosophy of “always putting healthier lives 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.

Sustainability promotion structure

We have established the Group Sustainability Committee to promote initiatives related to sustainability. See the Company’s website for details.



Sustainability promotion structure:
<https://global.sawaigroup.holdings/sustainability/system/>





Environment

Implementing the TCFD recommendations

Governance

The Sawai Group (hereinafter, “the Group”) recognizes addressing environmental issues, including climate change, as both one of its corporate social responsibilities (CSR) and one of the important challenges it must tackle to ensure its sustainability. Accordingly, the Board of Directors has assigned the responsibility to address climate change issues to the Group COO (hereinafter, “the GCOO”) and oversees the performance of the GCOO’s duties.

The Group has established a Group Sustainability Committee, which is chaired by the GCOO and composed of representatives from Group companies. The committee meets twice a year to discuss and examine sustainability-related matters, including climate change issues, and regularly reports to the Board of Directors, thereby making decisions on climate change issues under the direction and oversight of the Board of Directors.

The Group Sustainability Committee has a Global Environment Team, which is composed of members from Group companies, as its subordinate organization in charge of promoting specific initiatives and activities to address environmental issues, including climate change. The team reports to the committee quarterly and acts on the committee’s instructions and advice in its ongoing initiatives

and improvement activities.

Under the leadership of Global Environment Team members, a working group identifies and assesses climate-related risks and opportunities and implements measures to address them. The results are reported not only to the GCOO but also for deliberations to the Group Sustainability Committee and the Board of Directors, whose post-deliberation instructions and advice are followed for further improvements.

In addition, Sawai Pharmaceutical, the core company of the Group, has also established a Sustainability Committee chaired by the President and Representative Director, which meets four times a year to discuss and examine sustainability-related matters.

Strategy

The Group follows its corporate philosophy “always putting healthier lives first” and the corporate philosophy of Sawai Pharmaceutical, its core company, “always putting patients first” in conducting its main business of manufacturing and marketing generic drugs. We believe that it is necessary for us to address climate-related risks, which we recognize as a material issue, while keeping a good balance with our efforts to meet the fundamental requirement of ensuring a stable supply of pharmaceuticals and healthcare services, which are essential for people’s lives and health.

Risks and opportunities (period: fiscal 2021–fiscal 2030)

Type			Risk overview	Impacts on the Group’s businesses, strategy, and financial planning	Magnitude of impacts		The Group’s methods for addressing climate-related risks
					1.5°C scenario	4.0°C scenario	
Risks	Transition risks	Policy and legal risks	Introduction of carbon pricing (a carbon tax and an emissions trading scheme) and the resulting increased burdens	<ul style="list-style-type: none"> Burden created by carbon pricing on the Group Need to pass on the carbon-pricing-created financial burdens of suppliers with high GHG emissions to the Group’s purchase prices of raw materials The Group’s burden of capital investment in energy saving necessary to reduce GHG emissions 	Moderate	Minor	<ul style="list-style-type: none"> Considering the introduction of renewable energy Devising and implementing measures to enhance production efficiency, including reducing waste products
		Population, economic, and geopolitical risks	Price hike for bio-derived raw materials due to population growth and temperature increases	<ul style="list-style-type: none"> Population growth especially in emerging economies will cause an increase in the prices of grain and grain-based products (starch, sucrose, corn, etc.) for food and feed use and consequently in the prices of raw materials of additives for pharmaceutical products 	Minor	Moderate	<ul style="list-style-type: none"> Diversifying suppliers Studying alternative technologies
	Physical risks	Flood risks (acute risks)	Increased frequency of typhoons, torrential rains, floods, etc.	<ul style="list-style-type: none"> Increased risk of damage to the Group’s business sites Increased risk of damage to the business sites of the Group’s suppliers 	Minor	Major	<ul style="list-style-type: none"> Sandbagging the areas where product inventories are stored Obtaining damage insurance coverage Formulating BCPs for the Group and its supply chain
Opportunities			As a result of our analysis and evaluation of climate-related opportunities that can have impacts on the Group’s operations, we have so far not identified any opportunities that can have significant impacts on the Group’s businesses, strategy, and financial planning.				

Scope of coverage Sawai Group excluding Trust Pharmatech Co., Ltd. and Upsher-Smith Laboratories, LLC

Impact classification Major: Major impacts on the Group’s businesses, strategy, and financial planning that the Group estimates to be worth approximately ¥6.0 billion or more; Moderate: Moderate impacts on the Group’s businesses, strategy, and financial planning that the Group estimates to be worth approximately ¥3.0 billion or more; Minor: Minor impacts on the Group’s businesses, strategy, and financial planning that the Group estimates to be worth approximately less than ¥3.0 billion



Sawai Group Holdings

- ESG data
- Environment-related data (PDF)

Meanwhile, greenhouse gas (GHG) emissions, mainly CO₂ emissions, from the Group's business activities have been increasing in line with the Group's business expansion and the resulting growth in demand for its pharmaceutical products and healthcare services. We will work to reduce the CO₂ emission intensity in the short term and devise and implement measures to reduce total emissions in the medium to long term, including the introduction of renewable energy.

In recognition of achieving sustainability, including addressing climate change issues, as a key management issue, the Group has set a CO₂ emissions reduction target for fiscal 2030 in its Medium-Term Business Plan (hereinafter, "the Medium-Term Plan"), which was announced in May 2021.

We have also conducted scenario analysis while referring to the International Energy Agency (IEA)'s scenarios and Representative Concentration Pathway (RCP) scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) in order to assess the potential impacts of climate-related risks on the Group under the following scenarios: a 1.5°C scenario that postulates that the Paris Agreement target of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels" will be achieved; and a 4°C scenario that postulates that GHG emissions will continue to increase in a situation similar to the current one without major changes made to policies or regulations, leading to a considerable increase in the global average temperature.

Risk management

We examine climate-related risks and opportunities at each stage of our entire supply chain, from raw material procurement to manufacturing and marketing, and evaluate them based on the likelihood of their occurrence and the magnitude of their potential financial impacts on the Group in order to identify material risks and opportunities for the Group. This process is followed under the leadership of Global Environment Team members with the involvement and cooperation of in-house divisions and affiliated companies closely related to each stage of the supply chain. The thus screened, evaluated, and identified risks are reported to the Group Sustainability Committee and the Board of Directors, which review and deliberate on the report and make decisions on initiatives to address climate-related risks and opportunities. Those initiatives are incorporated into the annual business plan in the short term and into the Medium-Term Plan in the medium to long term according to necessity.

Metrics and targets

In setting GHG (including CO₂) emissions reduction targets, the Group uses Scope 1, Scope 2, and Scope 3 emissions as monitoring metrics and discloses the annual monitoring results for each scope on its corporate website. In the current Medium-Term Plan, we have set a target of reducing the (Scope 1 and 2) CO₂ emission intensity per unit of production volume by 25% from the fiscal 2013 level by fiscal 2030. We have also set a short-term target of reducing the (Scope 1 and 2) CO₂ emission intensity per unit of production volume by 1% or more year-on-year every year.

Although we use a metric that shows progress in the planned introduction of renewable energy, we need further consideration before setting a target for the metric.

Topics

Launch of solar power system at Sawai Pharmaceutical's Sanda Nishi Factory

Sawai Pharmaceutical's first solar power generation system was installed on the roof top of the Sanda Nishi Factory (Sanda City, Hyogo Prefecture). The factory started to operate the system on a trial basis in October 2021, and the system is currently fully operating.

With this system, there were no start-up expenses, such as those for the solar panels and installation, because onsite services are used and the installation site was provided free of charge. The Company has concluded a 20-year contract that stipulates generated electricity will be purchased and used for home power use.

Around 450 solar panels were installed and are expected to produce 266 MWh/year, which is equivalent to 6% of the electric power the Sanda Nishi Factory consumes annually. This will also make it possible to reduce CO₂ emissions of 89t-CO₂ each year. Furthermore, because the amount of electricity produced reduces the amount of electricity normally purchased, the amount of contracted electricity was cut, which reduced the electricity bill.

Furthermore, installing solar panels on the roof can be expected to shade the roof and block the heat, which will limit the increase in the interior temperature during summer, a secondary benefit.





Society

Providing drug information

Sawai Pharmaceutical

Sawai Pharmaceutical is actively trying to communicate various types of information.

Provision of information by MRs

Approximately 380 MRs (as of March 2022) 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

The Medical Information Center provides the peace of mind that comes from being able to contact the center 24 hours a day, 365 days a year, but never compromises on the quality of its response no matter the conditions. Constructed following the Great East Japan Earthquake, this mechanism makes it possible to always respond to inquiries from healthcare professionals. Therefore, even during the COVID-19 pandemic that started the year before last, there have been no problems with the center's operation. It will continue to provide the peace of mind that comes from being able to always contact the center.

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.

Furthermore, a members-only site was launched in December 2021, and through the site, we provide extensive product information to healthcare professionals.

Zutsu Online, a website for people suffering from headaches

We launched the website Zutsu Online for people who suffer from headaches. The website offers information on the causes of, symptoms of, and treatments for headaches. Its content, such as headache checklist and exercises for headaches, have won high praise.



Website for general population

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



Sawai Kenko Suishinka

Quality management

Sawai Pharmaceutical

Audits of Sawai Pharmaceutical's factories are conducted annually, and since fiscal 2022, the group company Trust Pharmatech Co., Ltd. has also been the target of audits. These are unannounced audits and confirm that the system is such that factories will be able to pass inspections by government authorities whenever they are conducted.

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.

* (as of November 25, 2021)

Upsher-Smith

Within Upsher-Smith, predictable quality outcomes are governed by our Quality Management System (QMS), designed in accordance with US government regulations, providing the foundation for the manufacturing systems.

- | | |
|--------------------------------|----------------------------------|
| 1. Quality System | 4. Laboratory Controls System |
| 2. Production System | 5. Materials System |
| 3. Facility & Equipment System | 6. Packaging and Labeling System |

These QMS provide to consistently produce products of acceptable quality. We conduct testing on all incoming materials and finished products to specifications as defined in our approved NDA/ANDA's (filings) with the FDA.

Additionally, we conduct comprehensive evaluations of our finished drug products via Annual Product Reviews. As detailed in our SOPs, we conduct comprehensive internal audits of our facilities and systems.

WEB

Sawai Group Holdings

<https://global.sawaigroup.holdings/>

- Human rights and human resources
- ESG data
- Social-related data

Sawai Pharmaceutical

<https://global.sawai.co.jp/>

- Providing drug information
- Information provision initiatives
- Information on revisions to the medical service fee system
- Web seminar library

Preventing counterfeit pharmaceuticals

Upsher-Smith

Upsher-Smith and its pharmaceutical supply chain are promoting initiatives required under the Drug Supply Chain Security Act (DSCSA).

The requirements under the DSCSA establish a chain of custody for each saleable unit (primarily bottles/blisters) through the aforementioned methodology. In addition, all bottles have a tamper evident feature via an induction seal and blisters are intrinsically tamper evident by design.

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

Sawai Pharmaceutical: 0 / Upsher-Smith: 0

Social contribution activities

Sawai Group Holdings

Monetary donations for humanitarian aid in Ukraine

In March 2022, Sawai Group Holdings donated ¥20.00 million through the United Nations Children's Fund (UNICEF) in order to provide humanitarian aid for both victims in Ukraine and people forced to flee to neighboring areas. As a life-related company, we earnestly pray that the Ukraine situation is resolved peacefully as quickly as possible and that Ukraine and the world return to peace and safety.



UNICEF letter of thanks

AED seminars

In September and December 2021, we offered 29 employees an AED course taught by outside instructors as one of our social contribution activities. Participants received an explanation of cardiopulmonary resuscitation and the procedures for using an AED, which are necessary for first aid, and actually used the device. After the course, participants submitted various comments regarding it, such as wanting to take the lead in the case of an emergency and wanting to use what they learned in the course and cooperate. Participants once again learned that in an emergency, people can be saved with courage.



Cardiopulmonary resuscitation training

Sawai Pharmaceutical

Work lecture held at Mikuni Junior High School

In January 2022, Sawai Pharmaceutical held a lecture on work for 16 second-year students at Osaka City Mikuni Junior High School. Because of the COVID-19 pandemic, it was held online as an emergency measure. Students submitted questions in advance, such as "why did you think of doing this type of work?" and "what do you think about when doing research?" One could see students passionately listening to the stories and watching various activities, such as a demonstration of how jelly is formed when water is added to a powder.

Although this was the first time such as a lecture was given, we will continue to contribute to society and local communities.



Work lecture

Upsher-Smith

Infantile spasms awareness

Upsher-Smith is on the Corporate Advisory Board for both the Child Neurology Foundation (CNF) and TSC Alliance and partnered with them on Infantile Spasms Awareness Week in the first week of December 2021.

The goal of Awareness Week is to increase awareness of the signs and symptoms of Infantile Spasms for parents and physicians to recognize the key signs for when additional evaluation is recommended and immediate treatment may be initiated.



Education poster

Epilepsy Foundation of Minnesota (EFMN) The Season of Giving Campaign

Upsher-Smith partnered with the EFMN to support 12 families impacted by epilepsy during the December holiday period. Upsher-Smith employees generously donated gifts and necessities to make the Holiday Season much brighter for these families. Everyone had a great time coming together at the corporate office to wrap each gift and celebrate The Season of Giving!



Human rights and human resources

As a healthcare corporate group closely related to life, the Sawai Group (hereinafter, "the Group") respects the human rights of various stakeholders, including patients, employees in Japan and abroad, and business partners, and promotes initiatives in accordance with the United Nations Guiding Principles on Business and Human Rights.



Society

Initiatives to respect human rights

Sawai Pharmaceutical and other companies

Group companies in Japan

Recognizing employees and labor unions as important stakeholders, the Group companies in Japan maintain sound and good labor-management relations under the union-shop system (where all employees are union members, in principle).

We also provide all employees with education on sexual harassment, power harassment, and other forms of harassment multiple times every year to raise employee awareness of harassment.

Upsher-Smith and other companies

Overseas Group companies

Since our overseas group companies are more racially diverse than the Group companies in Japan, they devote special efforts to preventing racial discrimination, which they recognize as an important social issue.

At Upsher-Smith, a group company based in Minnesota, where the Black Lives Matter movement originated, members of senior management have taken the initiative to receive education on equality and social inclusion with the belief that the diversity of employees is a source of the company's strengths and greater performance. In addition, the CEO Advisory Council on four minority groups (Blacks, women, Asians, and Hispanics) meets every month to identify the potential biases of employees and devise measures to increase mutual understanding among them.

Consideration for the health and the working environment of employees

Health

Sawai Group Holdings has been selected as an outstanding company in health and productivity management under the 2022 Health and Productivity certification program. To conduct R&D on and provide a stable supply of generic drugs and create a work environment that makes it possible for employees to work while maintaining their physical and mental health, we conduct various types of health exams and training and have created a system for helping employees enhance their health through a Cafeteria Plan.



Working environment

We have formulated various regulations to enable employees to adopt diverse work styles or return to work. We have also established a new career support system that allows middle-aged and older employees to choose from

various work styles and decide when to retire according to their own diverse career plans. We are striving to maintain and improve sound labor-management relations.

Consideration for employees' nursing care, childbirth, and childcare

There is a support system that makes it possible to balance work and childcare even after returning to work, and most employees return to work.

Enhancing diversity

We believe that it is necessary for us to respect the diverse viewpoints and values of employees with different experiences, skills, and attributes, including women, foreign nationals, and mid-career employees, and to leverage the diversity of employees to increase our corporate value. The aim of our commitment to promoting diversity is to increase our productivity through the creation of new ideas and value based on diverse values by embracing diversity in terms of not only gender and race but also age, character, values, and disability, thus fully utilizing our diverse human assets. However, we acknowledge that women account for only a small percentage of staff in managerial positions, compared with the gender composition of all our Group's employees. Therefore, Sawai Pharmaceutical, the core company in the Group, has set a target of raising the percentage of female managers to 8% by 2024. Moreover, we have more than the legally required percentage of employees with disabilities, thus providing employees with various disabilities with opportunities to demonstrate their talents.

Talent

It is people who support the existence of our Group. For this reason, the Group describes its employees as "human assets." The Group will unite and work to enhance and train our human assets so that they can act on their own.

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.

In recent years, Sawai Pharmaceutical 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

WEB

Sawai Group Holdings

<https://global.sawaigroup.holdings/>

- Human rights and human resources
- ESG data
- Social-related data

Sawai Pharmaceutical

<https://global.sawai.co.jp/>

- Providing drug information
- Information provision initiatives
- Information on revisions to the medical service fee system
- Web seminar library

drugs in the future amid a falling birthrate, aging population, and declining labor force, we have made our factory workers into regular employees and established a contract employee system that enables those 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.

Main initiatives in fiscal 2021

- Introduce a career choice system for employees 55 or older (system that makes it possible for employees 55 or older to select their work style)
- Introduce and improve the telecommuting system with an eye toward the post-pandemic era
- Create a training system that reinforces quality and volume by improving the lineup of level-specific training
- Conduct multifaceted evaluations (180° evaluations) in order to develop management talent

Upsher-Smith

Market-competitive compensation program

Upsher-Smith Human Resources participates in a nationwide compensation survey and conducts a salary analysis of current positions to ensure a market-competitive compensation program. This past year we piloted a Performance Management Check-In process, so managers are conducting performance and career development discussions with employees each quarter. This new Performance Management Program will be implemented company wide in fiscal 2022.”

Trust Pharmatech

Spreading the Sawai philosophy

For Trust Pharmatech’s GMP retraining, a three-year plan was developed, and the training will progress with 2022 as the “introduction period” and “run-up period,” 2023 as the “observation period,” and 2024 as the “stable period.”

All procedures and SOP will be checked against Sawai Pharmaceutical GQP or Sawai Pharmaceutical factory QA in advance, and training for and skill evaluations of those undertaking the work will be conducted in line with training procedures checked in advance.

The training consists of not only lectures but also group discussions among participants so that they experience firsthand and absorb the Sawai Pharmaceutical quality culture as a member of Sawai Group Holdings. Various managers, including the Sawai Pharmaceutical Vice President

of Reliability Assurance Division, officers, and department general managers, take part in the training as instructors.

While moving forward with training on corporate philosophy and compliance, this was the first time that many members of the management team, including Sawai Group Holdings Chairman, President, and various vice presidents, served as instructors. In addition to giving repeated lectures on the corporate philosophy and code of conduct, the general managers of related departments and offices give lectures on numerous topics, including the Company’s compliance system and information security system. The Group will unite and work together so that employees can gain an awareness of compliance equivalent to that of other Group members.

Message from General Manager of Group Human Resource Department



Kazuhiko Soga

Corporate Officer,
Group Chief Human Resource Officer
General Manager of
Group Human Resource Department
Sawai Group Holdings

Sawai Group Holdings boasts a history of more than 90 years and continues to generate strong growth. In April of last year, we transitioned to a holding company structure, and under the Group corporate philosophy of “always putting healthier lives first,” we started on a new journey as a healthcare corporate group that is centered on the generic drug business and that continually grows with society.

We have entered this new stage, and as the business domain expands, the business environment that the Group operates in is continually growing more uncertain. In this environment, the autonomous growth of employees is indispensable for the Company to continue to grow. In other words, it is important to have talent who possess various perspectives, can promptly read changes in conditions and make decisions themselves, and can act on their own.

Therefore, it is necessary not simply to rely on greater awareness of employees but to create an environment that contributes to growth, which includes maintaining not only a broad training system but also work environment conducive to work.

We will continue to provide support so that each employee is keenly aware that they are human assets, the growth of employees promotes growth of the organization, and both of those lead to growth of Sawai Group Holdings as a whole.



Corporate governance

Directors and Audit & Supervisory Board Members (as of June 30, 2022)



Mitsuo Sawai

Representative Director,
Chairman and Group Chief
Executive Officer

Born in 1956
April 1982 Joined Kyowa Hakkō 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 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 Representative Director and President 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 of
Sawai Group Holdings Co., Ltd.
(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 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
of Sawai Pharmaceutical Co., Ltd.
(incumbent)
April 2021 Director, Senior Executive 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)
February 1987 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)

Skills possessed by Board of Directors

The following six skills have been identified as ones that Board of Directors should possess because of their relationship to items listed as materiality and relationship with stakeholders listed in the corporate philosophy and key sustainability policy. The Governance Committee on Nominations & Remuneration has approved them.

The skills related to the following were identified as necessary from the particular perspective: quality, medicine and pharmaceuticals, research, and development from the perspective of healthcare professionals and patients, who take the drugs and access the healthcare business, the

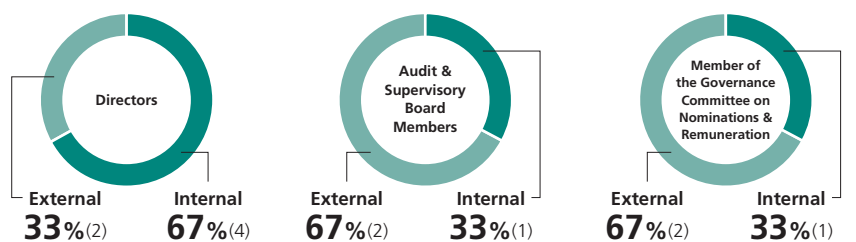
Group's core business; marketing and sales from the perspective of providing products and information to healthcare professionals; production and technologies from a stable supply perspective; finance, accounting, and tax affairs from the perspective of providing accurate financial information to stockholders and investors and paying taxes; and legal affairs and risk management from a compliance, risk management, and social responsibility perspective. Efforts are made to ensure there is a balance in the directors who possess these skills.

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 & Remuneration	●					
◆ Nawomi Todo	Independent External Director, member of the Governance Committee on Nominations & Remuneration						●
● Tadao Tsubokura	Full-time Audit & Supervisory Board Member		●				
◆ Takanobu Tomohiro	Independent External Audit & Supervisory Board Member	●					
◆ Junichi Hirano	Independent External Audit & Supervisory Board Member		●				

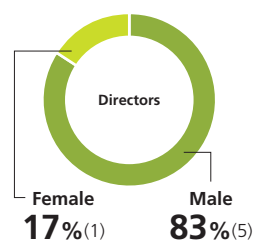
● Internal ◆ External

External officer ratio



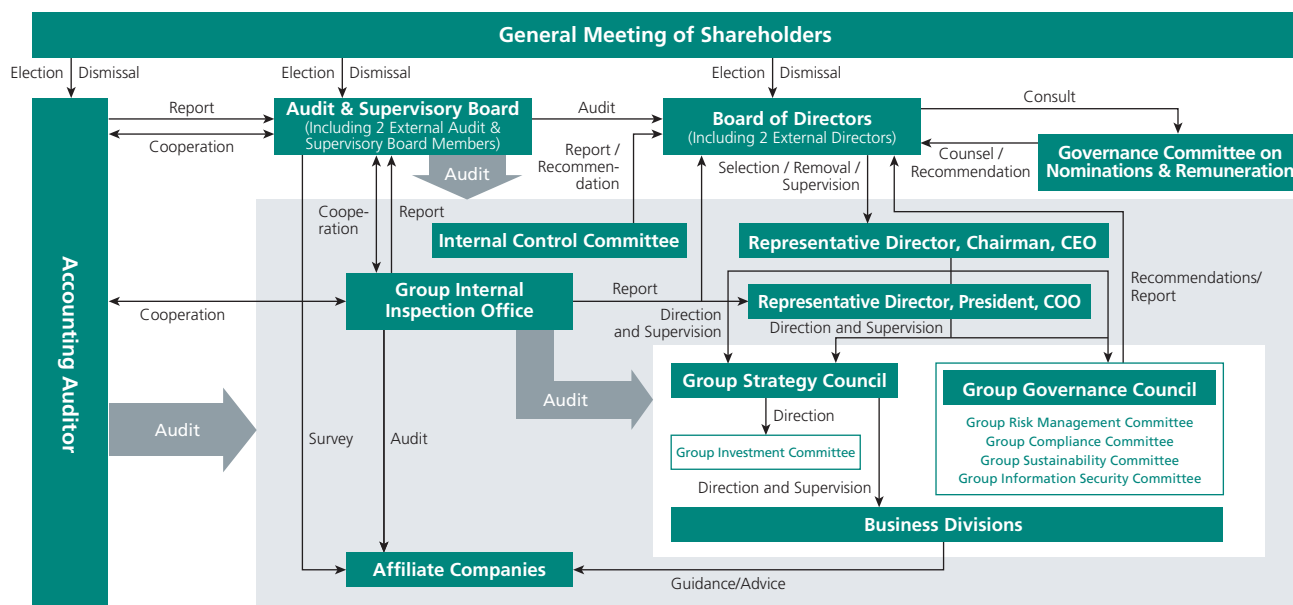
* The Committee Chairman is an Independent External Director

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 a 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 the Group Strategy Council, which are attended by the Chairman, President, and corporate officers. Matters that involve sums below a certain threshold and 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.

History of measures to strengthen governance

1995 Established a system in which a majority of Audit & Supervisory Board Members (2 of 3) are external members

- 2008** Established Compliance Committee and Internal Control Committee
- 2012** Appointed one Independent External Director
- 2013** Introduced stock option compensation for Directors
- 2015** Established CSR Committee (current Group Sustainability Committee)
- 2015** Formulated a basic policy on corporate governance
- 2015** Appointed female director as Independent External Director, creating a system of two independent external directors
- 2015** Established Information Security Committee
- 2016** Started to evaluate the effectiveness of the Board of Directors
- 2017** Established Risk Management Committee
- 2019** Established Governance Committee on Nominations & Remuneration
- 2020** Have independent external directors account for one-third of directors
- 2021** Transitioned to holding company (to strengthen group governance)
- 2021** Joined Listed Company Board Member's Governance Forum and strengthened information sharing with and training for Directors and Audit & Supervisory Board Members
- 2022** Introduced officer in charge of DX

* Items before transitioning to holding company in 2021 are for Sawai Pharmaceutical



Corporate governance
<https://global.sawaigroup.holdings/ir/policy/governance/>

Audit system

We have established the Regulations of the Audit & Supervisory Board, the Auditing Standards for Audit & Supervisory Board Members, and the Regulations of Internal Audit, and are working to strengthen the functions of Audit through cooperation with the Audit & Supervisory Board, the Group Internal Inspection Office, and the Accounting Auditor.

The full-time Audit & Supervisory Board Member serves as the chairman of the Audit & Supervisory Board, attends meetings of the Board of Directors, the Group Strategy Council and other important meetings, inspects important approval documents, etc., investigates the status of operations and assets at the head office and major business offices, and reports to the Audit & Supervisory Board to share information, collaborates and cooperates with External Audit & Supervisory Board Members. In addition, the full-time Audit & Supervisory Board Member regularly has opportunities to communicate with the Representative Director and President, and exchange information with the directors of subsidiaries and receive reports on their businesses. The full-time Audit & Supervisory Board Member and the General Manager of the Group Internal Inspection Office exchange information on the status of development and operation of internal control, business audit, theme audit, etc., based on the "Cabinet Office Order on the Systems for Ensuring the Adequacy of Documents on Financial Calculation and Other Information." In addition, the internal audit reports prepared by the Group Internal Inspection Office are circulated to the full-time Audit & Supervisory Board Member, who reports the contents to the Audit & Supervisory Board.

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.

Group Strategy Council

The Group Strategy Council deliberates on important matters to be submitted to the Board of Directors, discusses and decides the execution policy of matters resolved at the Board of Directors meetings, and analyzes business results and discusses the countermeasures.

Group Governance Council

The Group Governance Council, which is made up of four committees, meets to build, maintain, and improve the governance system of the entire Group. The council works to improve the sustainable growth and raise the corporate value of the overall Group in the medium and long term.

Other committees

Group Investment Committee

The Group Investment Committee undertakes objective, rational, and careful deliberations when examining and making decisions regarding important investment projects and the annual investment budget.

Group Risk Management Committee

To reinforce the management of various risks that the Company and Group companies face, the Group Risk Management Committee oversees risk management and manages and evaluates progress in managing risks and works to continually improve risk management.

Group Compliance Committee

The Group Compliance Committee conducts education and enlightenment activities, etc. for officers and employees and strives to raise awareness of compliance throughout the Group.

Group Sustainability Committee

In addition to deliberating and deciding on the basic Group policy on sustainability, the Group Sustainability Committee builds and maintains a system to promote sustainability and undertakes various other activities, including supporting and receiving reports on the construction and maintenance of the promotion system at each Group company.

Group Information Security Committee

The Group Information Security Committee shares information on information security, examines and deliberates on responses to issues, and works to smoothly manage information security.

Improving the operation of the Board of Directors

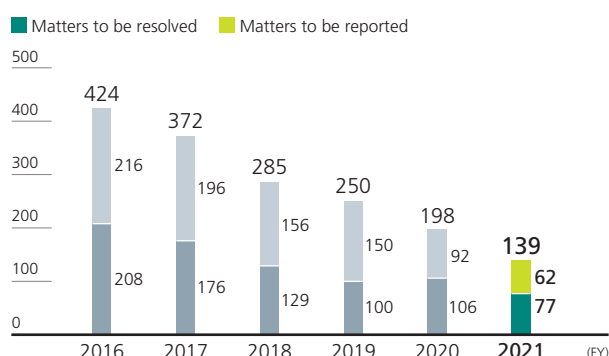
Important matters will now be discussed by the Board of Directors following deliberation by the Group Strategy Council and Group Investment Committee, which was established with the Company's transition to a holding company system. Revising Regulations on the Management of Affiliated Companies made it possible for the Board of

Directors to conduct detailed deliberations on more important issues. In addition, reports on the main operations of each Group company are made to the Board of Directors in line with the same Regulations on the Management of Affiliated Companies.

Main opinion of external directors regarding the Board of Directors in fiscal 2021

- We should work for the future of Sawai even if it entails growth pains. I would like to properly invest in the future by not only expanding production but also securing R&D expenses.
- Shouldn't we place a slightly greater weight on the Company's material issues and inform people of our sustainability-related activities through our integrated report and other material?
- In addition to examining the appropriateness of the acquisition amount, we should properly examine how to conduct post-merger integration (PMI).
- Does the expected return on investment also incorporate the case of competitors recovering? I would also like an explanation of the idea related to expanding production capacity in the long term.

Number of proposals



Compensation for directors and Audit & Supervisory Board members

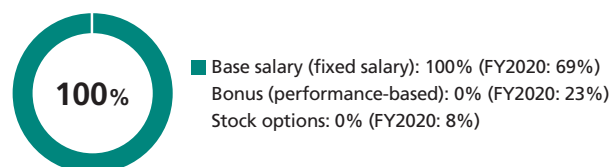
Decisions concerning Director compensation are reported to the Board of Directors upon deliberation of matters concerning Director compensation at meetings of the Governance Committee on Nominations & Remuneration.

Compensation for Directors (excluding External Directors) consists of a base salary (fixed salary), bonus (performance-based compensation), and stock options as a medium- and long-term incentive. 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 is ¥670 million per year (of which, no more than ¥100 million is for External Directors). There is also 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. However, in fiscal 2021, the full amount of all directors' bonuses was returned and monthly compensation for some directors in fiscal 2022 was cut based on their position to clearly indicate management's responsibility for earnings.

Distribution of director compensation fiscal 2021



Distribution of remuneration 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)	177	177	—	—	4
A & SB Members (not including External A & SB Members)	17	17	—	—	1
External Directors and A & SB Members	28	28	—	—	4



Listed company board member's
information governance forum
(Japanese language only)
<https://govforum.jp/>

Training policy for directors and Audit & Supervisory Board members

The Company will proactively provide directors and Audit & Supervisory Board members with a variety of information, including the current status of the Company's business and finances, so that they can appropriately fulfill their expected roles and responsibilities.

The Company will also provide information on various systems and rules related to the industry and governance, as well as opportunities for training, etc., as necessary.

Supporting system for external directors and/or Audit & Supervisory Board members

On almost a monthly basis, a report on Group earnings is submitted to the Board of Directors, and questions regarding progress compared to projections and unexpected developments if they occur are properly answered.

At least once a quarter, the IR Division provides External Board members with a report on meetings with investors, and if necessary, questions are answered at the Board of Directors meeting. Revisions to in-house basic regulations are noted in the minutes of Board of Directors meetings; therefore, there is an opportunity to obtain information on revisions to in-house regulations accompanying amendments to laws.

As for projects under consideration, the state of the examination is reported to the Board of Directors several times starting before the project is voted on by the Board of Directors. At that time, various measures are implemented, including letting all directors and Audit & Supervisory Board members, including external directors, provide instructions on issues that careful consideration should be given to and ask questions regarding unclear points, which the responsible department answers. Therefore, there is a system that makes it possible to share information on progress with various parties, including external directors.

Furthermore, the external board members Liaison Committee, consisting of external directors, external Audit & Supervisory Board members, and the full-time Audit & Supervisory Board member, meets periodically to exchange opinions and information. The Secretariat of the Board of Directors sends materials in advance to all participants of Board of Directors meetings, and provides them with prior explanations as necessary in order to enhance the quality of deliberations at the Board of Directors meetings. As for expenses necessary for external directors and external Audit & Supervisory Board members to execute their duties, such as the cost of examinations, there is a right to bill those expenses up to a reasonable amount, and members of the Group General Affairs Department and Internal Inspection

Office support some of the work of external directors and external Audit & Supervisory Board members so they can focus on their duties. This was done to reinforce information sharing and the supervisory function of external directors.

Evaluation of the effectiveness of the Board of Directors

It is the Company's policy to analyze and evaluate the effectiveness of the Board of Directors on a regular basis and to make improvements as necessary. To evaluate the effectiveness of the Board of Directors in fiscal 2021—for the first time after the foundation of Sawai Group Holdings Co., Ltd. as a holding company—we adopted a system of self-assessment based on a questionnaire survey of directors and Audit & Supervisory Board members. The Board's Secretariat compiled, analyzed, and evaluated the survey responses, the results of which were reported to the Board of Directors for discussions. The results of the Board's discussions are summarized as follows.

Major items in which Sawai Group Holdings Co., Ltd. has been judged to meet the standards for listing on the Prime Market

- Establishment of an environment that supports appropriate risk-taking and full examination of proposals
- Management remuneration systems
- Effective supervision of strategy implementation
- Independent and objective judgment
- Audit & Supervisory Board members' and the board's appropriate expression of their views to management and independent directors' advice from the perspectives of sustainable growth and a medium-to long-term increase in corporate value
- Oversight of management and monitoring of conflicts of interest
- Appropriate representation of the views of stakeholders

Major item in which Sawai Group Holdings Co., Ltd. has been judged to be short of the standards for listing on the Prime Market

- Status of the appointment of independent external directors, including the absence of external directors with management experience

Based on the results of the above self-assessment, from fiscal 2022 onward, we will consider the appointment of external directors with management experience and the formulation of plans for the selection of successors to the CEO and other executives, which has long been a focus of our concern.

Listed Company Board Member's Governance Forum

The Company participates in the Listed Company Board Member's Governance Forum, creating a system in which all directors and Audit & Supervisory Board members can obtain information at any time. Operated by a law firm, audit firm, and liability insurance company, the forum provides information on laws, systems, risks, and other issues required for directors and Audit & Supervisory Board members to execute their duties. The forum also conducts monthly mini-tests.



Constructive dialogue with shareholders

The Representative Director and President, and the person in charge of information disclosure shall actively participate in dialogue with shareholders and investors, provide substantial information on management strategies, finances, etc., and strive for two-way constructive communication with shareholders and investors. In addition, the results of the dialogue shall be reported to the Board of Directors, etc., and the opinions of shareholders, etc., shall be actively utilized in the management of the Company.

Senior management, directors or Audit & Supervisory Board members will respond positively to requests for dialogue (interviews) from shareholders and investors as long as their schedules permit. In case of schedule conflicts, the department in charge of IR will respond to the request, or respond to the main concerns of shareholders by posting them on our website or in writing.

Information security governance

We consider the protection of not only the Group's information assets and but also those of stakeholders one of our important social responsibilities and have worked each year to improve information security governance related to particular issues. In fiscal 2021, we conducted general training for all employees and technical training for employees responsible for information security in each department. Based on the assumption that "information security is not absolute, and incidences can occur at any time," we work to independently and continually improve and strengthen information security governance taking into consideration information security diagnosis by independent experts.

Compliance e-learning

In fiscal 2021, we conducted three e-learning sessions on the whistleblower system, insider trading, and so-called Subcontracting Act, for all Group employees in Japan. A total of 9,072 employees (Japan Sawai Group) have completed the training. We are working to raise compliance awareness and have it take root by continuing to provide learning opportunities on not only specialized topics unique for the work of officers and employees but also more routine topics.

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 Charter of Corporate Behavior, 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.

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 applicable laws and only use approved product promotion items. Upsher-Smith sales representatives also receive training on identifying and avoiding 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 marketing statements

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



Transparency guideline
(Japanese language only)
[https://www.sawai.co.jp/
company/transparency/](https://www.sawai.co.jp/company/transparency/)

Messages from External Directors



Striving to maintain group governance that stresses rationality and fairness

Masatoshi Ohara External Director

I try to do the following in order to ensure governance and compliance within management. In regard to decisions on the direction and details of business execution, I focus my questions on information that the decisions are based on, the basis and reason for decisions, and the rationality and appropriateness of decisions. As a practitioner of law, I also ask questions and give my opinion from a legalistic perspective and based on my experience. For example, this fiscal year, I pointed out the importance of post-merger integration (PMI) regarding accepting workers when acquiring the assets of Kobayashi Kako Co., Ltd., and confirmed that this was properly handled.

The greatest problem this fiscal year was the U.S. business, which had a serious impact on consolidated earnings, and I handled this issue in the same way. We squarely faced the reality of the U.S. subsidiary, and the greatest issue was how to initially respond and then how to lead the U.S. business in the future. Because an impairment loss was recorded on the investment in the U.S. subsidiary, we reviewed the details of the business in order to limit future losses. This was probably unavoidable in order to prevent a deterioration in the Group's corporate value. The U.S. business

was the Company's first large-scale cross-border M&A. When considering future business expansions, it will be important to look at deals from the sobering perspective of this experience and respond in a way that avoids similar problems. This work has already been started.

Regarding this case, from the perspective of an attorney licensed in New York, I suggested that the Company obtain a statement and proof that the counterparty's claims are true and refrain from making payment until the facts can be confirmed. From another perspective, that of the Governance Committee on Nominations & Remuneration chair, I made a harsh decision regarding compensation for the Company's management team. I think that this response was necessary for the future.

This committee deliberates on important personnel and remuneration matters and reports to the Board of Directors. Criteria that incorporate points considered important for decisions are set in advance so that decisions are not arbitrary or unfair. So that these criteria are appropriately applied, I work to ensure that the deliberation process and conclusions are rational and fair by requesting the secretariat provide material for individual deliberations.



Doing everything possible as a member of company with various perspectives that contributes to the health of people

Nawomi Todo External Director

Sawai is a corporate group that considers what it can do for the health of all people. As a physician participating in management, my role is to communicate Sawai's view of the future to stakeholders, including employees. I always have hope regarding the reports on new endeavors I hear at Board of Directors meetings and think if there is anything that I can propose. I have commented on the importance of building a corporate culture that can communicate the Company's outlook for the future and have talked about the need for being bold but meticulous and willing to take on challenges.

In the previous fiscal year, Sawai recorded a massive impairment loss related to U.S.-based Upsher-Smith and efforts are being made to transform business conditions for the company. When this was being explained, I proposed that shareholders and investors be provided with information on not only the finances but also the Group's future outlook, and that employees receive a detailed explanation that this decision was made taking into consideration the future.

Generating synergies is an important issue for the various Sawai Group business companies, including those involved in the U.S. business. My opinion is that in a certain sense, it is inefficient

for the various companies to work on new businesses without there being a connection between them. The formulation process offers hints for supplements, and the supplement development process may offer hints for formulation. For the health management app that Sawai Pharmaceutical is now working on, linking this to supplements could open up sales channels for both. I have great expectations for the various companies to collaborate and create Sawai originality through extreme ideas that other companies lack.

As for the Company's corporate governance, there is movement toward actively promoting female employees. This is recognized as an important issue, and I proposed it at a Board of Directors meeting. Under the major principle of diversity, I think that creating an environment in which all employees, not only women but all genders, can give their opinion regardless of position and undertake lively exchanges of opinions is the foundation for talent development. It is critical. I will continue to do all that I can so that Sawai can remain a company that grows and contributes to the health of all people on account of the diverse perspectives within the Company and sustained earnest efforts.



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

Japanese-GAAP		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
For the fiscal year							
Net sales	Millions of yen	67,603	80,503	89,824	105,454	123,492	132,428
Cost of sales	Millions of yen	34,411	42,511	48,353	60,048	71,858	80,309
Gross profit	Millions of yen	33,192	37,992	41,471	45,406	51,634	52,119
Selling, general and administrative expenses	Millions of yen	18,188	20,607	22,380	24,718	28,449	31,486
Operating income	Millions of yen	15,004	17,385	19,091	20,688	23,185	20,633
Profit before income taxes	Millions of yen	14,928	18,098	18,990	20,298	23,092	19,871
Profit attributable to owners of parent	Millions of yen	9,026	12,022	12,193	14,053	17,156	15,914
Research and development (R&D) expenses	Millions of yen	4,317	4,551	5,170	6,110	8,019	10,208
Capital expenditures	Millions of yen	4,599	4,599	7,353	13,251	17,775	16,194
Depreciation and amortization	Millions of yen	3,389	3,793	4,989	5,863	7,044	8,645
At fiscal year-end							
Total assets	Millions of yen	123,400	127,843	149,348	166,180	206,492	221,539
Inventories	Millions of yen	25,780	29,529	39,182	44,663	55,668	61,777
Total current liabilities	Millions of yen	26,932	30,105	39,097	42,209	50,078	54,876
Total long-term liabilities	Millions of yen	37,893	36,258	8,949	11,572	30,692	29,063
Net assets	Millions of yen	58,575	61,480	101,302	112,399	125,722	137,600
Cash flows							
Net cash provided by operating activities	Millions of yen	7,814	12,256	13,422	12,112	19,975	20,628
Net cash used in investing activities	Millions of yen	(2,371)	(1,373)	(8,283)	(14,123)	(22,937)	(16,207)
Net cash provided by (used in) financing activities	Millions of yen	(4,578)	(10,970)	(178)	(922)	(13,473)	(6,740)
Cash and cash equivalents at end of year	Millions of yen	20,671	20,584	25,537	22,604	33,096	30,771
Financial indicators							
Ratio of R&D expenses to sales	%	6.4	5.7	5.8	5.8	6.5	7.7
Return on equity	%	16.5	20.1	15.0	13.2	14.4	12.1
Shareholders'equity to total assets	%	47.4	48.0	67.8	67.6	60.8	62.0
Per share information							
Net income—basic	Yen	285.25	386.71	365.18	382.26	465.57	431.65
Net income—diluted	Yen	235.07	318.17	330.41	381.85	465.25	431.39
Cash dividends applicable to period	Yen	70.00	85.00	95.00	105.00	120.00	130.00
Net assets	Yen	1,846.84	2,027.15	2,755.29	3,053.29	3,405.20	3,722.90

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

		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Sales volume	Billion tablets	4.7	5.7	6.5	8.0	8.9	10.2
Production capacity	Billion tablets	6.0	8.0	8.6	10.0	11.3	15.0
Number of new products launched		39	32	23	28	25	18
Number of patents held		8	9	14	19	21	23
Number of GMP audits conducted by Sawai Pharmaceutical		—	—	—	—	—	—
Number of employees		991	1,050	1,121	1,239	1,490	2,502
Number of female employees in managerial positions		—	—	—	10	10	11
Ratio of female employees in managerial positions	%	—	—	—	5.2	4.5	4.5
Energy used	Crude oil conversion kℓ	—	—	—	20,473	26,781	30,914

- 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 share for fiscal 2011 – 2013 were recalculated to reflect the share split.
3. The Company has adopted International Financial Reporting Standards (IFRS) from fiscal 2017.
4. Dividend per share in fiscal 2018 included our 90th anniversary commemorative dividend of ¥5.

IFRS	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	132,392	168,068	184,341	182,537	187,219	193,816
Cost of sales	80,548	98,628	109,442	109,037	114,785	127,164
Gross profit	51,844	69,440	74,899	73,500	72,434	66,652
Selling, general and administrative expenses (including research and development expenses)	28,497	47,264	49,051	46,862	53,820	71,103
Operating profit (loss)	22,943	22,209	25,798	26,793	18,888	(35,888)
Profit (loss) before tax	22,757	20,251	25,666	26,497	18,460	(36,214)
Profit (loss) attributable to owners of the Company	17,969	14,017	19,376	19,279	12,340	(28,269)
Research and development expenses	7,238	14,533	16,671	13,487	13,883	24,413
Capital expenditures	18,839	16,807	10,709	18,173	21,124	23,344
Depreciation and amortization	8,520	14,239	16,280	17,954	18,291	17,045
Total assets	225,609	358,453	372,889	384,814	393,341	349,502
Inventories	61,924	65,217	63,449	75,460	79,120	85,853
Total current liabilities	57,668	74,579	72,826	82,715	80,452	88,840
Total non-current liabilities	26,704	81,433	76,861	68,413	72,139	60,579
Total equity	141,237	202,441	223,204	233,686	240,750	200,083
Cash flows from operating activities	23,270	28,472	42,923	30,256	31,857	34,310
Cash flows from investing activities	(18,827)	(127,900)	(16,820)	(18,173)	(21,794)	(30,395)
Cash flows from financing activities	(6,761)	(108,597)	(9,513)	(12,747)	(11,991)	(11,262)
Cash and cash equivalents at the end of the year	30,771	39,992	57,067	56,082	54,269	47,717
Ratio of research and development expenses to revenue	5.5	8.6	9.0	7.4	7.4	12.6
Return on equity attributable to owners of the Company	13.4	8.7	10.2	9.4	5.8	(13.8)
Ratio of equity attributable to owners of the Company to total assets	62.6	50.6	53.4	54.6	55.5	54.4
Basic earnings per share	487.38	360.49	442.62	440.37	281.80	(645.53)
Diluted earnings per share	487.08	360.26	442.32	440.00	281.51	(645.53)
Dividends per share	130.00	130.00	135.00	130.00	130.00	130.00
Equity attributable to owners of the Company per share	3,830.84	4,143.15	4,551.50	4,796.40	4,984.51	4,340.32

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Sales volume	10.2	10.6	11.9	12.4	13.3	14.8
Production capacity	15.0	15.5	15.5	15.5	15.5	15.5
Number of new products launched	18	43	33	12	44	32
Number of patents held	23	26	31	36	37	42
Number of GMP audits conducted by Sawai Pharmaceutical	164	100	110	133	124	141
Number of employees	2,502	3,252	3,131	3,066	3,003	2,968
Number of female employees in managerial positions	11	14	15	15	15	17
Ratio of female employees in managerial positions	4.5	5.5	6.0	6.1	5.8	6.6
Energy used	30,914	31,948	32,336	31,015	30,130	30,452

See the webpage for non-financial data (ESG data).
<https://global.sawai-group.holdings/sustainability/esg/>

Sawai Group Holdings Co.,Ltd.

5-2-30 Miyahara, Yodogawa-ku, Osaka 532-0003, Japan

TEL: +81-6-6105-5818 FAX: +81-6-6394-7311

URL: <https://global.sawaigroup.holdings>