

Aiming to become a corporate group trusted by stakeholders

Message from Group Sustainability Committee Chair

Promoting sustainability management that embodies our corporate culture and contributing to the realization of a sustainable society

Taku Nakaoka Group Chief Sustainability Officer (Chairman of the Group Sustainability Committee)



We will promote sustainability management that further embodies the corporate culture that has been handed down over the past 90 years, and contribute to the realization of a sustainable society.

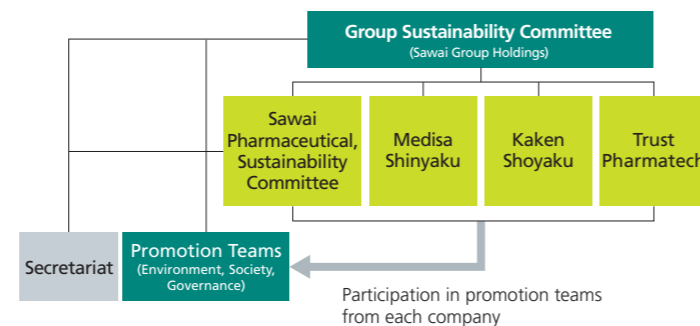
Sawai Pharmaceutical, which has a 90-year history, upholds the corporate philosophy of “Always Putting Patients First.” Sawai Group Holdings, established through a share transfer of Sawai Pharmaceutical, also embraces the philosophy of “Always Putting Healthier Lives First,” with a commitment to improving patients’ health primarily through its generic drug business, and contributing to the healthy lives of families and society as a whole. These corporate philosophies reflect our desire to contribute to the health of many people as a healthcare corporate group that develops sustainably together with society through our daily activities.

With the establishment of Sawai Group Holdings in 2021, we renamed the CSR Committee to the Group Sustainability Committee and established the Group Sustainability Management Office to serve as the committee’s secretariat, leading activities that previously spanned multiple organizations. Under the supervision of the Board of Directors, the Group Sustainability Committee consists of members selected from our company and each group company, and discusses and carries out various related activities, including the unique initiatives of each group company. Specialized teams like the Global Environment Team, Social Contribution Team, and Governance Team, which consist of members from across the company’s organizations, also support these efforts.

Moving forward, we will continue to leverage the collective wisdom and strength of our Group to promote sustainability management that further embodies our corporate philosophy, striving to realize a sustainable society together with our stakeholders.

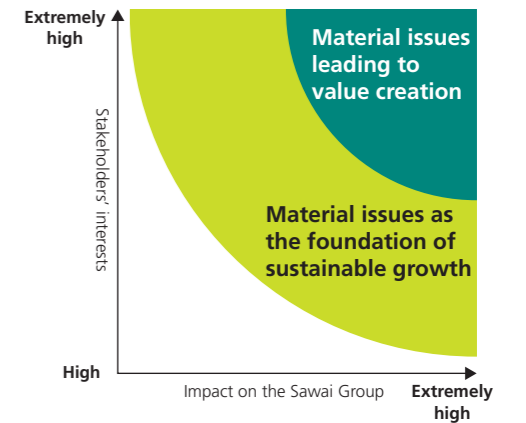
Sustainability promotion structure

We are promoting initiatives through deliberations of the Group Sustainability Committee, which is composed of representatives of each group company and supervised by the Board of Directors. To undertake practical initiatives, three promotion teams, the Environment (E) Team, Society (S) Team, and Governance (G) Team, subordinate bodies under the committee, were created to conduct related activities. The Secretariat is responsible for assisting the committee, communicating information on sustainability, and supporting the promotion team.



Process for identifying material issues

The Sawai Group identified its material issues by referring to international guidelines and norms, dialogue with internal and external stakeholders, and the results of external evaluation. These material issues in our sustainability initiatives have been identified and prioritized from two perspectives: stakeholders’ interests and the impact on the Sawai Group. In order to update its initiatives to keep them in line with changes in the business environment and emerging social issues, the Sawai Group will check the appropriateness of these material issues through regular review to confirm changes in their impacts and adapt its business activities to those changes.



Step 1 Creating lists of candidate issues

We held employee workshops, each of which focused on “E”(environmental), “S”(social), or “G”(governance), where the participants created a list of management issues that were considered closely related to the Sawai Group’s medium- to long-term corporate value in line with standards and goals established by international initiatives, including the Sustainability Accounting Standards Board (SASB) Standards, the Global Reporting Initiative (GRI) Standards, and the Sustainable Development Goals (SDGs), as well as the Sawai Group Corporate Philosophy, the Code of Conduct, the Sawai Group Vision, and the status of the business environment.

Step 2 Identifying issues and assessing their impacts

The candidates for material issues listed in Step 1 were mapped from the two perspectives of stakeholders’ interests and the impact on the Sawai Group, and the issues in each relevant area on the map were categorized into two groups: material issues leading to value creation and material issues as the foundation of sustainable growth.

Step 3 Verifying appropriateness

Targets, initiatives, and monitoring indicators were defined for each of the identified material issues, and their appropriateness was verified by the Group Sustainability Committee. Subsequently, the Board of Directors discussed and reviewed those issues and granted the final approval for them.

Topics

Group Sustainability Committee initiatives when formulating Medium-Term Business Plan Beyond 2027

For the Medium-Term Business Plan, the first year of which is fiscal 2024, the Group Sustainability Committee deliberated for more than six months in order to make sustainability promotion a key pillar. Starting in August 2023, teams responsible for environment, society, and governance were formed and worked to formulate concrete targets. When selecting team members, consideration was given to avoiding any bias in terms of areas of operational responsibility diversity, division, or business location.

As for setting initiative targets, deliberations carefully moved forward, taking into consideration such factors as the opinions of stakeholders inside and outside the company, and targets were set to also reflect the opinions of Group

Sustainability Committee members. There was a focus on setting concrete numerical targets, taking into consideration that the numerical targets in the previous Medium-Term Business Plan were insufficient.

In February 2024, the Group Sustainability Committee approved proposals that brought together all ESG fields, and the Board of Directors incorporated those into part of the Medium-Term Business Plan. The targets, which were deliberated on from various perspectives, are the foundation for promoting sustainability throughout the Company. This fiscal year’s Group Sustainability Committee will also firmly manage progress in implementing these initiatives and continue to work to reach those targets.

Material issues and KPI List

Material issues		Reason for identifying these issues	Our ideal state in 2030	Main issues and objectives for FY2023	Indicators and FY2023 results	Medium-Term Management targets (end of fiscal 2026)
Improving healthcare access	Product quality and safety	Supplying high-quality, safe products based on our corporate philosophy, the goal of which is to achieve healthy lives, is an important responsibility as a pharmaceutical company.	Being highly trusted for the quality and safety of the Group's products because of our control systems and preventive measures.	<ul style="list-style-type: none"> Have the Quality Assurance Department conduct GMP audits of API and formulation manufacturers Build a quality management system for medical devices 	<ul style="list-style-type: none"> Number of audits of API and formulation manufacturers: 92 Created medical device procedure manual and conducted QMS education Established GMP Audit Office within the Quality Assurance Department in January 2024 	<ul style="list-style-type: none"> Introduce a system and fortify the personnel structure to establish reliability assurance system Complete introduction of Quality Event Management System (QMS) no later than fiscal 2024
	Maintaining a stable supply	A stable supply of medicines and, consequently, constant access to medicines for healthcare professionals and patients is the important responsibility of pharmaceutical companies.	Leading the industry by continuing to provide a stable supply of high-quality GE drugs.	<ul style="list-style-type: none"> Aim to soon establish an in-house production system with a production capacity of 20.0 billion tablets or more Construct solid dosage form at facility at Daini Kyushu Factory Move forward with introducing multisourcing and procurement from multiple manufacturers 	<ul style="list-style-type: none"> Company production capacity: 18.5 billion tablets Sales volume: 15.7 billion tablets (17.1% share of the Japan GE market) Capital expenditures to raise production capacity: ¥18.6 billion 	<ul style="list-style-type: none"> Update top-level production capacity equipment in Japan Company production capacity: 22.0 billion tablets or more (increase Daini Kyushu Factory's solid dosage form capacity to 3.5 billion tablets)
Contributing to healthcare financing	Development of high value-added generic drugs	The Company's reason for existence is to contribute to making healthcare financing sustainable through the early launch of high value-added generic drugs.	Being able to launch generic drugs, even those that are difficult to manufacture, ahead of its competitors and deliver those to patients.	<ul style="list-style-type: none"> Be the first to launch products and solely market products through an advanced patent strategy and formulation technology capabilities 	<ul style="list-style-type: none"> R&D expenses: ¥12.2 billion Launched three ingredients and 10 items, including two competitive ones 	<ul style="list-style-type: none"> Continue to make top-tier R&D investments in the generics industry (for the development of new products and the improvement of existing products) Planning to launch 44 or more new products over three years
Contributing to extension of healthy life expectancy	Expanding business to a wider range of healthcare domains, including pre-symptomatic illness and prevention	We want to achieve sustainable growth by leveraging the strengths acquired through the generic drug business and contributing to solutions to social issues in related fields.	Having a strong presence that continues to contribute to people's health by providing a multifaceted mix of products and services that meet individual needs based on scientific evidence.	<ul style="list-style-type: none"> Obtain manufacturing and marketing approval for the neuromodulation device NASH treatment app: Conduct phase 3 clinical trial PHR management app: Encourage its adoption as part of initiatives targeting corporate health insurers, municipalities, and regional healthcare networks 	<ul style="list-style-type: none"> Obtained manufacturing and marketing approval for Relivion® in December 2023 Launched phase 3 clinical trial for NASH in January 2024 Adopted by multiple municipalities and regional healthcare networks (adopted by 1,340 medical facilities as of April 30, 2024) 	<ul style="list-style-type: none"> Having digital medical devices (neuromodulation device and NASH treatment application) and PHR management application begin to contribute to earnings
Developing talent	Securing production, quality, and R&D talent	Medium- and long-term growth will be achieved by securing and developing talent, which is most important for our business, as the labor force shrinks.	Possessing the talent necessary for sustainable growth and an environment in which anyone can take the initiative to develop their careers, which makes it possible for each individual to make the most of their capabilities and the business to grow.	<ul style="list-style-type: none"> Conduct aggressive hiring to secure production and quality control talent, an urgent issue Develop workplace environments and improve work conditions 	<ul style="list-style-type: none"> New graduate and mid-career hires: 227 Introduced in-house recruitment and in-house dual job system and established career consulting desk 	<ul style="list-style-type: none"> Strengthening capability to recruit new graduates and mid-career workers Establishing attractive working conditions that are mindful of the work environment Appointing and utilizing diverse talent such as women and the elderly
Environmentally friendly business	Responding to climate change	Limiting climate change is the most important issue humanity faces because of its severity and seriousness.	Holding a position as a leading company in the industry in regard to our initiatives related to climate change and decarbonization.	<ul style="list-style-type: none"> Consider introducing solar power equipment at each factory Have environmental data such as CO₂ emissions verified by a third party and formulate calculation rules 	<ul style="list-style-type: none"> CO₂ emissions: 69,752 t-CO₂ Completed third-party verification of fiscal 2022 data Expanded TCFD recommendations to Trust Pharmatech 	<ul style="list-style-type: none"> Compared to FY2013+α level, 46% reduction of total emissions volume (FY2030)
	Promotion of recycling and the reduction of energy use and waste	To build a sustainable future, we consider it necessary to contribute to the realization of a circular society and make effective use of and recycle resources.	Spreading and implementing the idea of a circular economy within the Group.	<ul style="list-style-type: none"> Separate each material that consists of PTP sheet waste material and start to recycle said material Disclose waste plastic reduction plan 	<ul style="list-style-type: none"> Recycled 11.1 t of PTP sheet waste material, reducing CO₂ emissions to 28.13 t/CO₂t 	<ul style="list-style-type: none"> Waste plastic recycling rate of 65% or more (FY2030)
	Water use reduction	The use of water, which is indispensable for life, is one of the main environmental burdens caused by our business activities, and there is a need to reduce it.	Continually reducing water usage through such initiatives as introducing water-saving equipment and improving operation procedures.	<ul style="list-style-type: none"> Set water usage reduction targets Reduce factory water usage by at least 1% year on year in terms of intensity-per-unit-production 	<ul style="list-style-type: none"> Water usage intensity: 14.4 	<ul style="list-style-type: none"> 3% reduction of water usage intensity (compared to FY2023)
	Conservation of biodiversity	Recognizing that biodiversity provides various benefits, we consider promoting nature-positive initiatives important for business continuity.	Possessing an awareness of biodiversity preservation throughout the Group with employees actively taking part in related initiatives.	<ul style="list-style-type: none"> Agree to the Declaration of Support for Osaka Biodiversity Participate in conservation activities targeting "Itasenpara" bitterling, a Yodo River endangered species 	<ul style="list-style-type: none"> Participants in Yodo River "Itasenpara" bitterling conservation activities: 27 	<ul style="list-style-type: none"> Consideration and start of content on TNFD-related initiatives
Work styles, motivation, respect for human rights	Promoting inclusion, diversity and equity (ID&E)	We consider fostering a corporate culture in which various values and backgrounds are accepted as an important element for the growth of the company and the individual.	Possessing a workplace environment in which diversity is respected and employees can energetically contribute.	<ul style="list-style-type: none"> Establish the ID&E Promotion Office Provide management team members with training in the promotion of women's active engagement. 	<ul style="list-style-type: none"> Ratio of women in managerial positions: 8.33% Men's utilization of childcare leave: 37.3% Percentage of employees with disabilities: 2.60% 	<ul style="list-style-type: none"> Ratio of women in managerial positions: 15% or more Men's utilization of childcare leave: 100% Percentage of employees with disabilities: 2.85%
	Improving employee engagement	Under our human resources philosophy, we value the individuality and creativity of each employee and strive to enhance employee engagement.	Maintaining high engagement with employees and having all employees satisfied with both work and the company.	<ul style="list-style-type: none"> Set employee engagement targets Introduce a permanent work-from-home system to enable diverse workstyles 	<ul style="list-style-type: none"> Employee engagement indicator score: 4.17 (FY2022) 	<ul style="list-style-type: none"> Employee engagement indicator score: 4.50
	Working on human rights due diligence	As a healthcare company deeply linked to life, we believe that giving consideration to the human rights of all stakeholders is an important responsibility.	Continuing to not violate human rights throughout the supply chain, including our own company.	<ul style="list-style-type: none"> Provide e-learning training to all employees to prevent harassment, which is a human rights risk 	<ul style="list-style-type: none"> Considered future initiatives related to respecting human rights 	<ul style="list-style-type: none"> Reinforcing human rights due diligence at business partners Initiatives to spread awareness of the importance of respecting human rights within the company
Corporate governance	Enhancing risk management and compliance	As a company that handles drugs, which are products linked to life, we must ensure high ethics and business continuity.	Promoting business activities in which all officers and employees have a strong sense of ethics and responsibility and maintaining zero compliance violations.	<ul style="list-style-type: none"> Hold Group Compliance Committee meetings Provide compliance training through e-learning 	<ul style="list-style-type: none"> Number of Group Compliance Committee meetings: 9 Number of compliance-related e-learning sessions offered: 4 (There were also five classes on GMP and PMD Act during the second half) 	<ul style="list-style-type: none"> Reinforcing the Risk Management Committee and the Compliance Committee
	Enhancing supply chain management	We consider it important to share ESG-related social issues with business partners and jointly tackle those issues.	Having firmly rooted sustainability activities carried out in collaboration with business partners.	<ul style="list-style-type: none"> Consider ways to collaborate with all members of the supply chain and understand their current state 	<ul style="list-style-type: none"> Prepared for understanding the current state of ESG activities at business partners through our business partner questionnaire 	<ul style="list-style-type: none"> Enhancing supply chain management
	Strengthening information security	It is important to build a system to fully protect and manage information related to our company and stakeholders.	Continuing to have zero incidents as a result of having constructed a security system that eliminates information leaks and cyberattacks.	<ul style="list-style-type: none"> Provide information security managers and staff with training by external experts 	<ul style="list-style-type: none"> Introduced a quarantine system to detect and quarantine unauthorized terminals, which started operating in December 2023 	<ul style="list-style-type: none"> Expanding SAWAI CSIRT system Reinforcing cyber risk countermeasures Automating incident response
	Ensuring the reliability of non-financial information	We consider ensuring the reliability of both financial and non-financial information indispensable for enhancing our corporate value.	Having all disclosed non-financial information certified by a third party.	<ul style="list-style-type: none"> Conduct third-party verification of environmental data 	<ul style="list-style-type: none"> Number of offices where onsite verifications were made: 3 (Sanda Factory, Head Office, and Research lab) 	<ul style="list-style-type: none"> Document the calculation process for non-financial information and conduct risk assessment