

# Formulating the New Medium-Term Business Plan "Beyond 2027" to Achieve the Sawai Group Vision 2030

## Establishing a trusted corporate foundation and aiming for further growth

The Company announced its new Medium-Term Business Plan in June 2024. In addition to paving a path to achieve our long-term vision based on "establishing a trusted corporate foundation," we will concentrate management resources on quality assurance and production capacity enhancement in the generics business.

Management Plan Overview	START 2024 FY2021–2023	Medium-Term Business Plan Beyond 2027 FY2024–2026	Sawai Group Vision 2030
<b>Review</b>	<ul style="list-style-type: none"> <li>Expanding share in the Japanese generics market</li> <li>Withdrawing from the U.S. business</li> <li>Cultivating new growth areas</li> </ul>	<b>Plan Summary</b> <ul style="list-style-type: none"> <li>Establishing a position as a trusted company</li> <li>Steadfastly capturing opportunities and establishing sustainability in the generics business</li> <li>Reviewing our business portfolio and capital policy to promote business management focused on related KPIs</li> </ul>	<b>The world we want to build</b> A world where more people can receive healthcare services and live a full life with peace of mind among society  <b>Our ideal state</b> A company with 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
<b>Revenue (consolidated)</b> <b>Core operating profit (consolidated)</b>			
	FY2023 (result)	FY2026 (target)	FY2030 (target)*
<b>Revenue (Generics business)</b>	¥176.9 billion	¥219.0 billion	¥300.0 billion
<b>Revenue (New business)</b>	¥0.01 billion	¥1.0 billion	¥10.0 billion
<b>Operating profit</b>	¥18.6 billion	¥31.0 billion	–
<b>Share in the generics market / Sales volume (Generics business)</b>	17.1% / 15.7 billion tablets	20.5% / 19.0 billion tablets	25.0% or above / 24.0 billion tablets
<b>In-house production capacity</b>	18.5 billion tablets	22.0 billion tablets	25.0 billion tablets or more
<b>ROE</b>	6.6%	10% or above	13% or above
<b>ROIC</b>	4.8%	8% or above	10% or above
<b>Net DE ratio</b>	0.27	0.4 or below (benchmark)	–
<b>Shareholders' equity to total assets</b>	55.7%	50% or above (benchmark)	–
<b>DOE</b>	2.7%	3.0% or above	–

\* Revised June 2024

## Overview of previous Medium-Term Business Plan Start 2024

During the first three years of our efforts to realize our long-term vision, we worked to expand our share in the Japanese generics market, make business investments for future growth in the U.S., and cultivate new growth areas.

For the Japanese generics business, there have been both positive and negative developments. Even so, we increased production volume by further reinforcing our production system and succeeded in becoming at times the first and at times the only generic drug company to launch certain generic drugs. Our market share increased by 1 percentage point, and revenue, EPS, ROE, and ROIC also improved. On the other hand, we withdrew from the U.S. business in general. As for new businesses, we launched the challenge of entering fields in which we can leverage the strengths we have acquired in our existing businesses.

### Qualitative review of START 2024

<b>Japanese generics business</b>	<ul style="list-style-type: none"> <li>Non-compliance with GMP in the stability monitoring of Teprenone Capsules 50mg "Sawai"</li> <li>Increase in production volume due to the strengthened system for increased production at our existing factories and partner companies</li> <li>A better outlook for early establishment of our own production system with an annual capacity of 20.0 billion tablets or more</li> <li>Revised distribution pricing policy to realize a long-term stable supply</li> </ul>
<b>U.S. business</b>	<ul style="list-style-type: none"> <li>In April 2024, withdrew, in principle, from the U.S. business, for which return on capital has fallen short of the cost of capital, mainly due to large impairment losses recorded in FY2021</li> </ul>
<b>New businesses</b>	<ul style="list-style-type: none"> <li>Started taking on the challenge of new businesses that leverage the strengths we have acquired in existing businesses in order to achieve the government's goal of a society with healthy longevity</li> </ul>

## New Medium-Term Business Plan and 2030 Long-term Vision

### Beyond 2027 (FY2024–FY2026) key themes

In the new Medium-Term Business Plan, we have set a total of six key themes, which are grouped into business strategy and business foundation, and positioned "establishing a trusted corporate foundation" as the basis for all we do.

Through the business strategy, we aim to increase new product sales by developing items that offer a competitive advantage using our advanced formulation technology and launching them exclusively. We will continue to strengthen our ability to provide a stable supply. Furthermore, we will work to export Sawai generics to China and ASEAN member countries.

As for business foundation, we will strive to secure and develop diverse human resources, who are essential to the growth strategy, while also reducing our CO<sub>2</sub> emissions and implementing additional reforms to corporate governance. To improve capital efficiency, we will also transition from management focused on profit and loss to management that is conscious of the cost of capital, and we will work to improve management so that we can meet our shareholders' expectations.

<b>Key themes for business strategy</b> <ol style="list-style-type: none"> <li>Achieving steady growth in the generics market</li> <li>Establishing sustainability of the generics business</li> <li>Continuing investment in growth areas</li> </ol>	<b>Key themes for business foundation</b> <ol style="list-style-type: none"> <li>Creating talent that underpins sustainable growth</li> <li>Working on sustainability initiatives</li> <li>Improving capital efficiency</li> </ol>
<b>Establishing a trusted corporate foundation</b>	

### Achieving the Sawai Group Vision 2030

To play a leading role in the generic drugs industry into the future, we will work over the next three years to build a system that enables us to respond to potential changes in the structure of the industry, to strengthen our cost competitiveness, and to improve capital efficiency. In addition, we consider reinforcing human capital, the source of value creation, the most important issue for achieving that, and we are implementing related initiatives.

As the generic drug manufacturer with top sales of 24.0 billion tablets, we are an indispensable part of Japan's social infrastructure and have a social responsibility to fulfill. Furthermore, we will contribute to solutions to social issues and the development of society by providing products and services, including those in the field of disease prevention and diagnosis.

### Initiatives to achieve long-term vision

<b>Japanese generics business</b>	<ul style="list-style-type: none"> <li>Establishing a sustainable business model</li> <li>Establishing a reliability assurance system and improving compliance and governance</li> <li>Increasing the utilization of our production facilities (in which we have already invested) to quickly eliminate drug supply shortage and to further drive our growth, and further expanding our production capabilities</li> <li>Steadily developing and launching new products to support our growth</li> <li>Further reducing costs and creating production capacity</li> <li>Continuously implementing the pricing policy to achieve a long-term stable supply and implementing cost control</li> <li>Promoting collaboration and cooperation with other companies</li> </ul>
<b>New businesses</b>	<ul style="list-style-type: none"> <li>Taking ongoing measures to quickly monetize each business</li> </ul>
<b>Financial capital policy</b>	<ul style="list-style-type: none"> <li>Increasing ROE by improving capital efficiency</li> </ul>
<b>Sustainability efforts</b>	<ul style="list-style-type: none"> <li>Strengthening human capital, which is a main source of our value creation</li> </ul>

# Japanese generics business

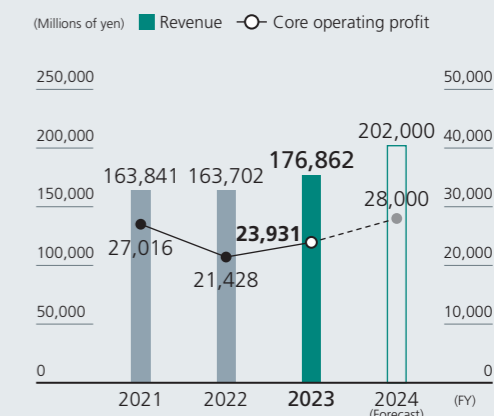


**Motohiko Kimura**  
Senior Managing Executive Officer  
Representative Director and President of  
Sawai Pharmaceutical Co., Ltd.

### SWOT analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Brand strength as top manufacturer</li> <li>• Stable financial base</li> <li>• Strengthened production capacity following quick investments</li> <li>• Development of capabilities that enabling us to launch products first and exclusively</li> <li>• Growing share of high value-added products</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Securing and developing talent that can handle growing production capacity</li> <li>• Constraints on productivity due to high-mix, low-volume production</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Chance to reorganize the generic drug industry</li> <li>• Growing demand due to advance of aging society</li> <li>• Growing healthcare and medical needs</li> <li>• Generic drugs as social infrastructure</li> <li>• Company scoring system that promotes sales at reasonable prices</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Increase in launch of AGs</li> <li>• Lower reliability due to generic drug supply instability</li> <li>• Growing raw material and utility costs</li> <li>• Lower NHI drug prices due to annual drug price revisions</li> <li>• Changes in various systems</li> </ul>

### Revenue / Core operating profit



### Medium- and long-term quantitative targets (Generic drug business)

	FY2023 results	Beyond 2027 targets	Sawai Group Vision 2030 targets*
Revenue	¥176.9 billion	<b>¥ 219.0 billion</b>	¥300.0 billion
Generics market share/Sales volume	17.1% / 15.7 billion tablets	<b>20.5% / 19.0 billion tablets</b>	25.0% or more / 24.0 billion tablets
In-house production capacity	18.5 billion tablets	<b>22.0 billion tablets</b>	25.0 billion tablets or more

\* Revised June 2024

## Striving to build a system for achieving both a stable supply of generic drugs and our own sustainable growth

### Review of the first year as president Simultaneously addressing inappropriate testing and strengthening production capacity

I would like to express my deepest apologies to all related parties for the substantial problems caused by the inappropriate stability monitoring dissolution testing of Teprenone Capsules 50mg "Sawai" at Sawai Pharmaceutical's Kyushu Factory that was discovered in April 2023.

This incident came to light just as I took up the position of president, and since then, I have addressed it through such steps as conducting an in-house investigation, disclosing the results of the investigation outside the Company, providing explanations to business

partners and other parties, and holding dialogues with employees. We are now making steady progress in implementing recurrence prevention measures in order to regain trust as soon as possible.

At town hall meetings held as part of recurrence prevention measures, I communicated my honest opinion to employees in the various departments and answered numerous questions. Since moving from Senior Vice President of the Manufacturing Division to President, I have uncovered issues related to conditions at several divisions, including the Reliability Assurance Division, Research & Development Division, and Marketing Division, by gathering information, and I am working to resolve those problems while incorporating ideas from the workplace into management.

At the same time, we worked to enhance production capacity to eliminate the generic drug supply shortage through two initiatives. The first was the launch of Trust Pharmatech, which was planned since I was Senior Vice President of the Manufacturing Division and involved the transfer of Kobayashi Kako production facilities and 400 employees. The second was the construction of a new

solid dosage form facility at Daini Kyushu Factory. Because both projects progressed as planned, we increased our production capacity by 5.0 billion tablets. However, as of May 13, 2024, there continued to be limited shipments of 249 items, and thus we still have a responsibility to meet the expectations placed on Sawai Pharmaceutical to dramatically improve the situation and provide a stable supply.

### Bright signs as pricing policy and interdepartmental collaboration boost business results

In fiscal 2023, our Japan generic drug business revenue rose 8.0% year on year due to growth in sales of products launched since fiscal 2022. In addition, core operating profit increased 11.7% year on year despite the impact of higher energy and sales costs.

The improved business results are due to increased revenue, the revised distribution pricing policy, and implementation of a pricing policy that reflects increased costs into the wholesale acquisition cost, particularly for low-priced items.

As for the pricing policy, the Marketing Division has spearheaded earnest negotiations to win the understanding

of business partners. On the other hand, even after the inappropriate testing was discovered, the Manufacturing Division not only conducted normal production but also worked hard on future-oriented activities, including collaborating on the launch of Trust Pharmatech and addressing construction of the new solid dosage form facility at the Daini Kyushu Factory. Furthermore, with the 2024 drug pricing reforms, there were special increases in the price of unprofitable drugs\* based on requests by companies for recalculation in response to the sudden rise in raw material prices and stable supply problems. Our head office tenaciously negotiated with government authorities regarding the recalculated prices and the Manufacturing Division compiled and provided the data necessary for those negotiations. In this way, the Marketing Division, Manufacturing Division, and head office departments were able to work together, just like a well performing orchestra, and I think this facilitated the fiscal 2023 business results.

However, one issue that we face is the increase in raw material prices, which is likely to continue for a while. There are limits to the extent that cost increases can be



covered by cost cuts through increased productivity, which means we will have to continue to implement pricing policies. Furthermore, we will work to ensure earnings by increasing production capacity and launching better products at the right time.

\* These are prescription drugs for which the Ministry of Health, Labour and Welfare determines it is appropriate to raise or maintain the current NHI drug price because its price is clearly low despite its importance for healthcare.

**Steadily implementing recurrence prevention measures and focusing on talent and system development to restore trust**

It is important to reform our corporate culture to ensure that recurrence prevention measures take root and avoid such incidents as inappropriate testing from occurring again. One such recurrence prevention measure is the Corporate Culture Reform Project, a project directly under the supervision of the President. Project-related information, including its progress, is also available on the Sawai Pharmaceutical website at all times. Furthermore, I explain to all business partners and other stakeholders I meet the progress we have made in implementing recurrence prevention measures.

At town hall meetings, a venue for direct dialogue with employees, I have explained to MRs, who communicate with medical institutions, our progress with production workplace improvements and recurrence prevention measures. MRs use this information to answer questions from medical institutions.

It is necessary to properly develop talent and systems to prevent recurrences. As for system development, the R&D Division is moving forward with optimizing high-mix, low-volume production and further improving quality, starting with high-priority products.

In my opinion, one of the reasons for the inappropriate testing was that work and knowledge depended on particular individuals. Therefore, we are moving forward

with digital transformation both to prevent incidents such as the inappropriate testing from occurring by ensuring work does not become dependent on a particular individual, and to improve production and quality efficiency. For example, in the new facility of the Daini Kyushu Factory, we introduced a system that automatically enters data from analysis equipment and makes necessary calculations, eliminating human involvement as much as possible. We will gradually introduce this system into other factories. At the Kanto factory, where it has already been introduced, this system has eliminated mistakes and improved test efficiency, leading to stable operations. A similar DX is underway in the Quality Assurance Department, and we plan to quickly introduce a quality control system that makes it possible to visualize progress with such operations as deviation management and CAPA in fiscal 2024.

We will only restore trust when our efforts have won the praise of outside stakeholders. As we are now still on the path to restoring trust, we must make our efforts to



Webpage to check progress [https://www.sawai.co.jp/important\\_news/detail/17](https://www.sawai.co.jp/important_news/detail/17) (Available only in Japanese)



Townhall meeting

continue to firmly implement recurrence prevention measures and communicate those results to parties outside the Company. In an emergency, what you do in normal times will come into play. After returning to normal times, it is important to continue to maintain our determination to prevent such an incident from ever occurring again.

**Taking the lead to establish a trusted corporate foundation and generate business growth**

At the start of the Medium-Term Business Plan START 2024 in 2021, the generic drug business was in a precarious position because of annual drug price revisions. Looking back at that time, we made progress with enhancing the production system as planned, and we were able to boost earnings to a certain extent. Furthermore, we saw positive signs for the future in the final year for various reasons, including having introduced pricing policies to achieve a long-term stable supply and having our opinions reflected in price recalculations for unprofitable items.

In the new Medium-Term Business Plan Beyond 2027, which was announced in June 2024, we position the period of the plan as a time to concentrate management resources to ensure quality and expansion of production capacity, and to establish a system for growth in the current Medium-Term Business Plan and great strides in the next. We will make the next round of investments to improve productivity at Trust Pharmatech and respond to further increases in demand at the Daini Kyushu Factory with an eye toward increased production capacity of 3.5 billion tablets, compared to the initially planned 3.0 billion tablets, resulting in overall production capacity of 22.0 billion tablets. It is necessary, however, to enhance production capacity even more in order to increase our share of the Japan generic drug market from the current approximate 17% to our target of 25% or more by fiscal 2030. In addition to our own production, we will likely examine flexibly partnering and collaborating with other generic drug companies.

Another important topic is the steady development and launch of new products. A medium- and long-term



strategy that includes a patent strategy for R&D is critical, as the usage ratio of generic drugs has reached more than 80% and development of new products is becoming more difficult. When it comes to decisions regarding what to develop and launch, rather than having individuals make them, I believe that it is important that we make them systematically by sharing and organizing our development portfolio within the organization.

To achieve that, the most important measure is securing and developing talent, and in the new Medium-Term Business Plan, we have positioned "creating talent that supports sustainable growth" as a key theme. We are focusing on securing talent by strengthening recruiting, as well as making efforts to retain employees, including introducing a mentor system and reviewing personnel allocations at factories. To raise the level of young employees, it is important to improve compensation. We must also be thorough about providing education, particularly GMP and compliance education.

The period of the new Medium-Term Business Plan is an important one for putting us on the path to achieve our long-term vision, the Sawai Group Vision 2030. With myself leading the way, we will raise the morale of employees and move forward to both establish a trusted corporate foundation and generate business growth.

**Motoshiko Kimura**

Senior Managing Executive Officer  
Representative Director and President  
of Sawai Pharmaceutical Co., Ltd.

**Generic drug industry environment**

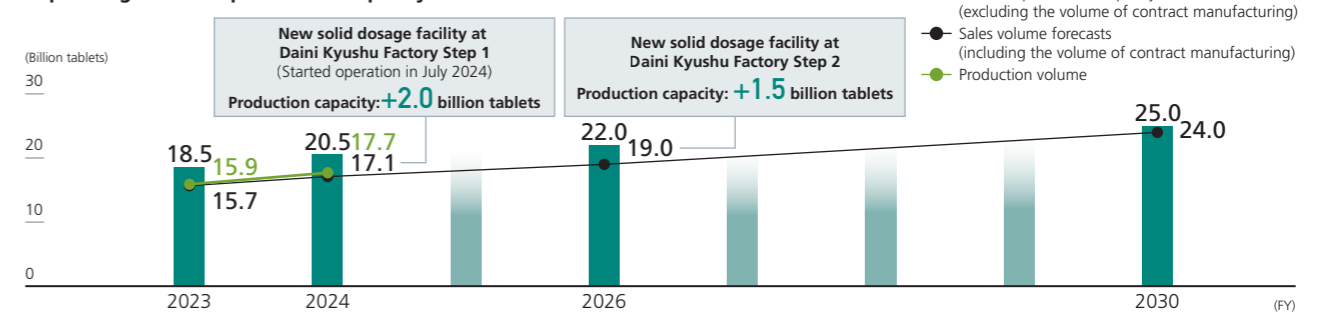
**Social issues**

<b>Rising medical expenses</b> Medical expenses ¥45.0 trillion (FY2021)	<b>Hyper-aging society</b> Percentage of Japanese population aged 65 or older 29.1% (September 2023)	<b>Need for affordable and safe drugs</b>	<b>Drug shortage</b>
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**Quantitative targets and outline of the drug pricing system reform in April 2024**

<b>Quantitative targets</b>	<b>Raising NHI drug prices of unprofitable drugs</b>
<b>Primary</b> — To achieve a volume share of <b>80% or more for generics in all prefectures</b> by the end of FY2029	<b>Repricing of unprofitable products</b> — To raise NHI drug prices of unprofitable products as requested by companies exceptionally in response to soaring costs and supply issues
<b>Secondary</b> — • To have the number of components replaced over 80% by biosimilars constitute <b>more than 60% of the total components</b> by the end of FY2029	<b>Essential medicines</b> — To relax requirements for eligible products from 25 years to <b>15 years</b> after listing
• To achieve a value share of <b>65% or more</b> for generics by the end of FY2029	
<b>Company scoring system</b>	<b>Selective treatment</b>
A system to enhance transparency in companies' supply systems, etc., and to provide preferential treatment in drug pricing to companies with capability and track record	A system under which a patient pays a portion (one-fourth) of the difference in drug price between a generic drug and a long-listed drug when choosing a long-listed drug that is eligible for selective treatment.

**Expanding in-house production capacity toward FY2030**



Note: For the current number of items, it is assumed that the machines are kept running in two shifts per day on weekdays for the current number of items. Contract manufacturing is not included.



See the following press releases for details.  
<https://www.sawai.co.jp/release/detail/625>  
<https://www.sawai.co.jp/release/pdf/640>  
<https://cureapp.blogspot.com/2024/02/nashcureapp.html>

## New businesses

In addition to the core generic drug business, we are working to develop new businesses such as digital and medical devices with the aim of achieving sustainable growth for the Group. As a general healthcare corporate group that helps ensure healthy lives, we continue to take on the challenge of contributing to people's health from the field of pre-symptomatic illness and prevention to the field of treatments to expand the range of new options beyond drug therapy.

### 1. Non-invasive neuromodulation device, Relivion®

## First in Japan to obtain marketing and manufacturing approval as a medical device for treatment of migraines during the acute phase

In December 2023, we were the first company in Japan to obtain marketing and manufacturing approval of the non-invasive neuromodulation device Relivion® as a medical device to treat migraines during the acute phase.

Neuromodulation is a treatment method to adjust nerve functions through electric and magnetic stimulation. Relivion® is worn on the head and relieves migraine pain by stimulating the nerves connected to that pain with electrical currents. As the sole distributor in Japan, we are further expanding treatment options for migraines during the acute phase beyond drug therapy.



Non-invasive neuromodulation device, Relivion®



### Message from responsible officer

#### Expectations that this will lead to new treatments options for patients

Relivion® is the Group's first medical device business launch, and it drew the whole company together, particularly the Research and Development Division and Reliability Assurance Division, to address new issues, such as consulting with related authorities, applying for PMDA approval, and building a QMS system. More than three years after launching an examination in July 2020, we are truly happy to have obtained approval. Offering a new option for treating migraines, which are now mainly handled using drug therapy, enables us to provide patients suffering from migraines and medical professionals with a lot of value.

Through these initiatives, we have been able to build a system to handle medical devices in addition to the generic drug business. We aim to contribute to the realization of "always putting healthier lives first" and satisfy unmet medical needs by working to provide various treatment options.

#### Toyohiro Sawada, Ph.D.

Executive officer,  
 Group Chief Product Strategy officer,  
 Group Deputy Chief Research & Development officer, and General Manager of Group Product Strategy Department



### 2. PHR management app, SaluDi

## Providing an app for an inter-industry collaborative verification project related to healthy urban development in Iizuka, Fukuoka

We are providing SaluDi for a verification project regarding healthy urban development that starts with PHR service. The project is being conducted jointly by Iizuka City and Japan Wellbeing Consortium member companies.

This project aims to enhance the health of local residents by capturing those uninterested in health, digitalizing guidance for combating metabolic syndrome, and supporting health and productivity through partnerships with local companies. SaluDi is being used as a health management app that can record and store vital statistics such as blood pressure and weight.

The project revealed that there was an increase in health awareness, as 72.8% of the 190 participating Iizuka City residents responded that "they were more conscious of health."

#### Summary of verification project

- 1 Increased levels of exercise and behavioral changes in residents**  
Points awarded for regional trips and regional economic activities
- 2 Improved health consciousness of residents**  
View PHR data and risk of developing illness on app

**Leverages accumulated PHR data**  
 Used for guidance on combating metabolic syndrome, etc., for residents

**Contributes to the future image of a healthy, happy city that Iizuka is aiming for**

### 3. Non-alcoholic steatohepatitis (NASH) treatment app

## Launch phase 3 clinical trial of treatment app that is expected to help treatment through lifestyle guidance



In January 2024, we launched a phase 3 domestic clinical trial of a non-alcoholic steatohepatitis (NASH) treatment app, for which we concluded a development and marketing license agreement with CureApp Inc. Although there is a risk that if NASH progresses it can result in liver cancer, there is no established drug therapy, and it is difficult to maintain effective diet and exercise treatment methods.

This app encourages behavioral changes using learning content for individual patients. Furthermore, the app makes it possible for not only patients themselves but also physicians to manage records, such as changes in the patient's weight, allowing for optimal treatment and lifestyle guidance. Through the phase 3 clinical trial, which targets patients for whom physicians determined lifestyle guidance could be an effective treatment, we will examine what percentage of participants have seen an improvement 48 weeks later using the app.



### Message from General Manager of Group Human Resource Department



#### A human asset strategy based on the Medium-Term Business Plan

In June 2024, the Group announced its new Medium-Term Business Plan, which is supposed to be implemented by the end of March 2027. To achieve this plan, the Human Resources Department is likewise implementing various measures based on the human asset strategy. The new Medium-Term Business Plan lays out a path to provide a stable supply of generic drugs through the generic drug business, our core business, by increasing sales volume to 19.0 billion tablets and production capacity to 22.0 billion tablets so that we can capture a market share of 20.5% in the Japanese market.

Of course, delivering high quality, high value-added generic drugs as we do now is a precondition for expanding our scale. Therefore, it is important that we reinforce the systems and expand functions related to quality controls, quality assurance, and R&D. In light of this, the most important elements to achieve our new Medium-Term Business Plan are (1) securing talent and (2) retaining talent, both of which support business growth.

First, we must reinforce new graduate and mid-career recruiting to secure talent (1). Sawai Pharmaceutical, the Group's core subsidiary, plans to conduct large-scale recruiting of more than 400 people in fiscal 2024, twice that for the previous fiscal year. However, the recruiting market is getting tougher every year, with the so-called seller's market continuing. Name recognition and an image of being a major player in the industry will soon no longer be enough to attract workers, and additional measures will be necessary so that potential workers choose us from among the many companies.

Let's now consider retaining talent (2). This is a key management issue for many Japanese companies, not just the Sawai Group, and the result of the unprecedented

seller's market that has spread to the mid-career market. Just like other companies, the Group recorded a larger employee turnover than in the previous year.

Of course, it is a great loss when we lose employees who have spent years gaining experience and growing at the Company. In particular, for a drug manufacturer like the Group, the accumulation of expertise, skills, and knowledge backed by experience is important, and measures to reduce turnover are an issue we must address.

#### Transforming into a dynamic company in which employees work with enthusiasm and fulfillment

We must create an even more attractive company in order to steadily advance in addressing the Group's talent-related issues of securing and retaining talent.

"Attractive company" is a simple term, but it entails numerous elements. For example, two such elements are identification with the company, including its management policy and corporate culture, and agreement with working conditions, such as satisfaction, wages, and benefits. The Group aims to be attractive in terms of all elements, and I think that we need to implement flexible measures that reflect each individual's situation, which is particularly true regarding agreement with working conditions.

For example, young employees focus on treatment, including wages, and future career development, while employees with a family stress balancing work and family life, and older employees want a rich senior life and support for their health. Priority should be given to measures that can win agreement. Of course, attractive remuneration that reflects responsibilities and results is important regardless of the particular situation of the individual.

Regarding this point, the Group's human resources philosophy of "fostering and leveraging the individual"

refers to the idea of valuing each employees' personal individuality and characteristics in an unchanging pillar of our human resources policies. We consider as an attractive company one that values an employee's individuality and personality and provides support for each employee's individual situation, such as age or interests. To illustrate this, in the new Medium-Term Business Plan we use the phrase "a dynamic company in which employees work with enthusiasm."

By introducing the human resources measures described below, we will attract and retain talent by creating a dynamic company in which employees work with enthusiasm.

#### Promoting ID&E,\* particularly the active participation of women

Promoting diversity, particularly encouraging women to play an active role, is one of the important measures for expanding the Group's business.

Japan's labor force is on a one-way decline, and it is said that women working and making active contributions will be a major factor in mitigating the impact of Japan's shrinking labor force.

To secure talent at a time of fierce competition for recruitment, it is important to attract outstanding talent while recognizing various differences, such as gender, race, nationality, and age.

Women now account for around 40% of Group employees, which is relatively high for a drug manufacturer, and around 40% of new hires have been women in recent years. It is expected that the proportion of women will increase in the future.

While promoting the active participation of female employees by introducing a childcare leave system, short-time work systems, and other systems that go beyond legal requirements, the Company is working to further strengthen these measures.

\* An abbreviation for inclusion, diversity, and equity. We stipulate policies that focus on understanding and accepting differences in each person's background (race, nationality, age, etc.) (inclusion), leveraging talent regardless of background (diversity), and treating all employees (equity) impartially.

#### Human asset strategy to enhance corporate value



# Human asset strategy

- WEB** **Labor Practices**  
<https://global.sawaiigroup.holdings/sustainability/social/employee/>
- Diversity**  
<https://global.sawaiigroup.holdings/sustainability/social/diversity/>
- Human Rights**  
<https://global.sawaiigroup.holdings/sustainability/social/human/>
- Human Resources Development**  
<https://global.sawaiigroup.holdings/sustainability/social/development/>
- Occupational Safety and Health Management**  
<https://global.sawaiigroup.holdings/sustainability/social/safety/>

## Respecting human rights

Everyone inherently has human rights, or the rights to live a full life as a human being, and every business is responsible for respecting human rights.

We recognize that, as a corporate group that procures the active pharmaceutical ingredients (APIs) and other raw materials it uses for business activities from both Japan and abroad, the Sawai Group must make efforts to protect, respect, and remedy human rights of all people not only within the Group but also throughout its supply chain. Therefore, the Group's Code of Conduct requires us not only to comply with all laws and regulations related to human rights but also to support and respect the protection of internationally proclaimed human rights, to oppose any form of discrimination on the basis of race, gender, nationality, ethnicity, religion, ideology, political opinion, sexual orientation, disease, or disability, and not to be complicit in human rights abuses. We also request our business partners to formulate their own human rights-related codes of conduct and guidelines and cooperate with us in protecting human rights with the aim of promoting sustainable business based on the harmonious coexistence and co-prosperity of the Sawai Group and its business partners.

As a healthcare corporate group involved deeply in life, the Sawai Group is committed to ensuring that the human rights of not only patients but also various other stakeholders, including employees and business partners both in Japan and abroad, are fully respected. We therefore support the United Nations Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and promote initiatives in accordance with the United Nations Guiding Principles on Business and Human Rights.

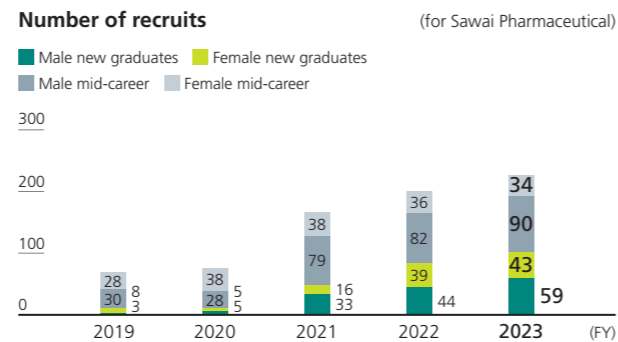
## Recruiting and developing talent

### (1) Recruiting talent

Amidst this unprecedented seller's market, it is growing more and more difficult to recruit, making it important to set attractive working conditions. Considering this situation, Sawai Pharmaceutical, our core subsidiary, raised its monthly salary approximately 7% in fiscal 2024, which includes regular raises and higher base pay, surpassing the usual level in Japan.

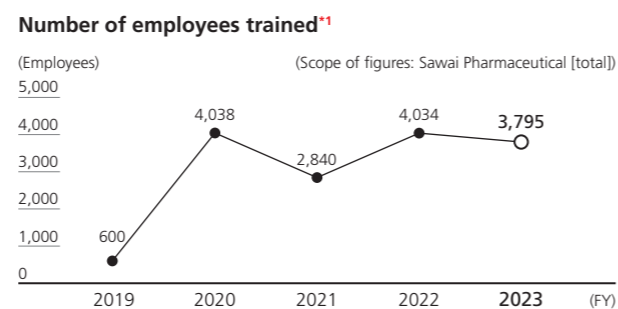
In addition, the starting pay for new graduates was raised to improve our recruiting capabilities.

We will continue to explore setting attractive working conditions while keeping a close eye on recruiting market trends.



### (2) Career development

Placing the greatest emphasis on the employee's drive, based on the core HR philosophy of "fostering and leveraging the individual," we have created an environment in which motivated employees can take the initiative to develop their careers.



\*1 From FY2020 the number of participants in e-learning, is included.

One example of this is the introduction of "the definition of competence requirements" by our core subsidiary Sawai Pharmaceutical. These documents stipulate in detail the skills that the Company wants employees to develop, and they are provided to employees to help them develop their careers and skills.

Furthermore, we have established financial support systems for employees taking Sawai Web School (e-learning), Sawai Open School (outside exchange training), and correspondence courses in order to support employee-driven skill development. These systems aid independent learning by making it possible for individual employees to take courses as many times as they want.

Furthermore, we have created systems that encourage employees to think about their own career path and provide opportunities to conduct work in line with this. These include the in-house recruitment system,\*2 in-house dual job system,\*3 and career consultation desk, which were introduced in April 2024.

We will continue to create various systems to support employee-driven career development.

\*2 In-house recruitment system is a system in which if there is a need for an in-house transfer, related information is made available to employees and employees can instigate the transfer.  
\*3 In-house dual job system: This is a system in which employees do not fully transfer to a new department but hold two positions.

## Promoting inclusion, diversity and equity (ID&E)

### (1) Promoting the active participation of women

At the Group, diverse talent actively contributes under the core HR philosophy of "fostering and leveraging the individual." Since we have a large number of female employees, we are striving to create a good workplace so that motivated and skilled talent can work with enthusiasm.

In 2022, we established a company-wide project to promote ID&E mainly by members gathered through internal recruitment. And then, in October 2023, the ID&E Promotion Office was established as a department dedicated to further promotions. In February 2024, we conducted training in the promotion of women's active engagement for management team members, which ultimately communicated the Company's determination and resolution to promote the active participation of women. Starting in fiscal 2024, we plan to launch a new training program for female leader candidates.

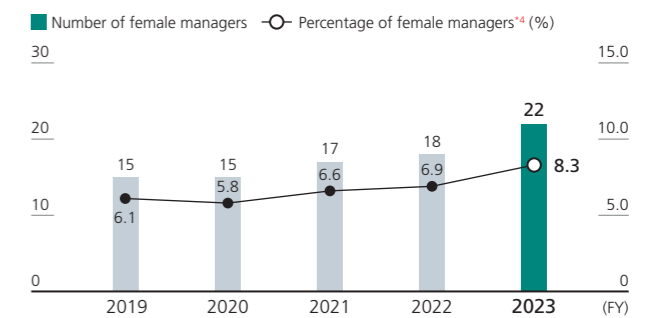
In the new Medium-Term Business Plan, we set the target of women accounting for 10% or more of department managers and 15% or more of managers by the end of March 2027. We will continue to promote the active participation of women, aiming to create a lively and vibrant company.

**WEB** **ESG Data**  
<https://global.sawaiigroup.holdings/sustainability/esg/>

### (2) Support for seniors' success

The Sawai Group has established the "employment extension system" that enables full-time employees to work up to the age of 70, even after the mandatory retirement age of 60, from the perspective of the declining birthrate and aging population in Japan, as well as the advent of a society of healthy longevity. This measure is intended to be one of the ways of supporting the active engagement of diverse talent. In addition, we allow employees over the age of 55 to choose to work alternate days or shorter hours so that they can use the resulting time off for community service, volunteering, or other activities. In this way, we encourage senior employees to work cheerfully in a flexible way.

### Number and percentage of female managers



\*4 Sawai Pharmaceutical (before FY2022), Sawai Group (from FY2023 onward). Target ratio of female employees in managerial positions: 15% and above by the end of March 2027.

## Initiative for health management

With a corporate philosophy of "always putting healthier lives first," the Group focuses on creating an environment in which employees can work while maintaining their health, based on the idea that "high-quality drugs come from workplaces that are both mentally and physically healthy."

We have placed public health nurses at the main offices and created an environment in which the physical and mental problems of employees can be quickly dealt with in collaboration with an occupational physician. We also cover the full cost of flu vaccinations for employees, as one of our measures to prevent infectious diseases.

We will consider expanding the current system in the future so that employees can feel free to seek advice about their health and life-related concerns.

Furthermore, to ensure that all employees can comfortably work with psychological security, we are striving to eliminate harassment by clearly stating the Company's stance toward ending harassment in our work rules and other material and operating a harassment helpline.

### Message from General Manager of Group Finance Department

Strengthening our business foundation by revising the business portfolio and capital policy to meet the needs of shareholders

**Jun Tsujii**  
General Manager of Group Finance Department



#### Revising our business portfolio and capital policy

Since fiscal 2021, our PBR has stagnated at less than 1, and in January 2024, we published "Sawai Group Holdings to Review Business Portfolio and Capital Policy" in order to overcome this situation.

Regarding revising our business portfolio, we have withdrawn from the U.S. business, whose profitability continues to be less than the cost of capital. And then we prioritized investments in the Japan generic drug business, which is forecast to see greater profitability.

Furthermore, as part of our fundamental review of assets held, we will reduce our cross-shareholdings by half and sell off idle assets, including the site of the former head office and Osaka factory.

In addition, we are changing the KPIs that prioritize management from profit loss statement-centered ones to KPIs that are more conscientious of the cost of capital, including balance sheet and statement of cash flows.

In particular, we are aiming to generate an ROE of 10% or more, an ROIC of 8% or more, a net D/E ratio of 0.4 or less, capital ratio of 50% or more, and DOE of 3.0% or more. We consider that capital ratio of 50% or more is necessary to maintain our A- rating, and we will use debt financing to the extent that we can maintain our rating.

To implement management that is conscious of the cost of capital, the key question is whether not only management but also each employee considers this an issue that impacts them and actively works with this in mind. Using an inverted ROIC tree as depicted in figure 1, we aim to achieve the targets for improved capital efficiency by having the whole company work together and by incorporating the inverted ROIC tree into KPIs for each department and key measures for each workplace.

#### Cash allocation plan

Figure 2 is our cash allocation plan for the next three years, which appears in the Medium-Term Business Plan Beyond 2027.

We will use approximately ¥190.0 billion, roughly ¥145.0 billion from cash flows from operating activities generated from the generic drug business and ¥45.0 billion in proceeds from sale of the U.S. business and cross-shareholdings, for capital expenditures to strengthen production capacity and reinforce reliability assurance systems, which includes structure reinforcement, which includes investments in R&D, the source of growth.

#### Shareholder return and dividends policy

Having positioned paying profit to shareholders as an important management issue, we have revised our shareholder return and dividends policy to meet those expectations.

In addition to focusing even more on cost of capital and paying a stable, sustainable dividend, we replaced the payout ratio with the DOE as our benchmark, and we aim to generate a DOE of 3.0% or more. Over the three years of the Medium-Term Business Plan, we plan to pay total dividends of at least ¥19.0 billion and spend at least ¥33.0 billion on the purchase of treasury shares.

#### Future plans

By reinforcing our financial management system, we will achieve the numerical targets in the Medium-Term Business Plan through KPI management, greater ability to generate cash, and efficient investing and fund allocation.

Figure 1. Initiatives to improve capital efficiency

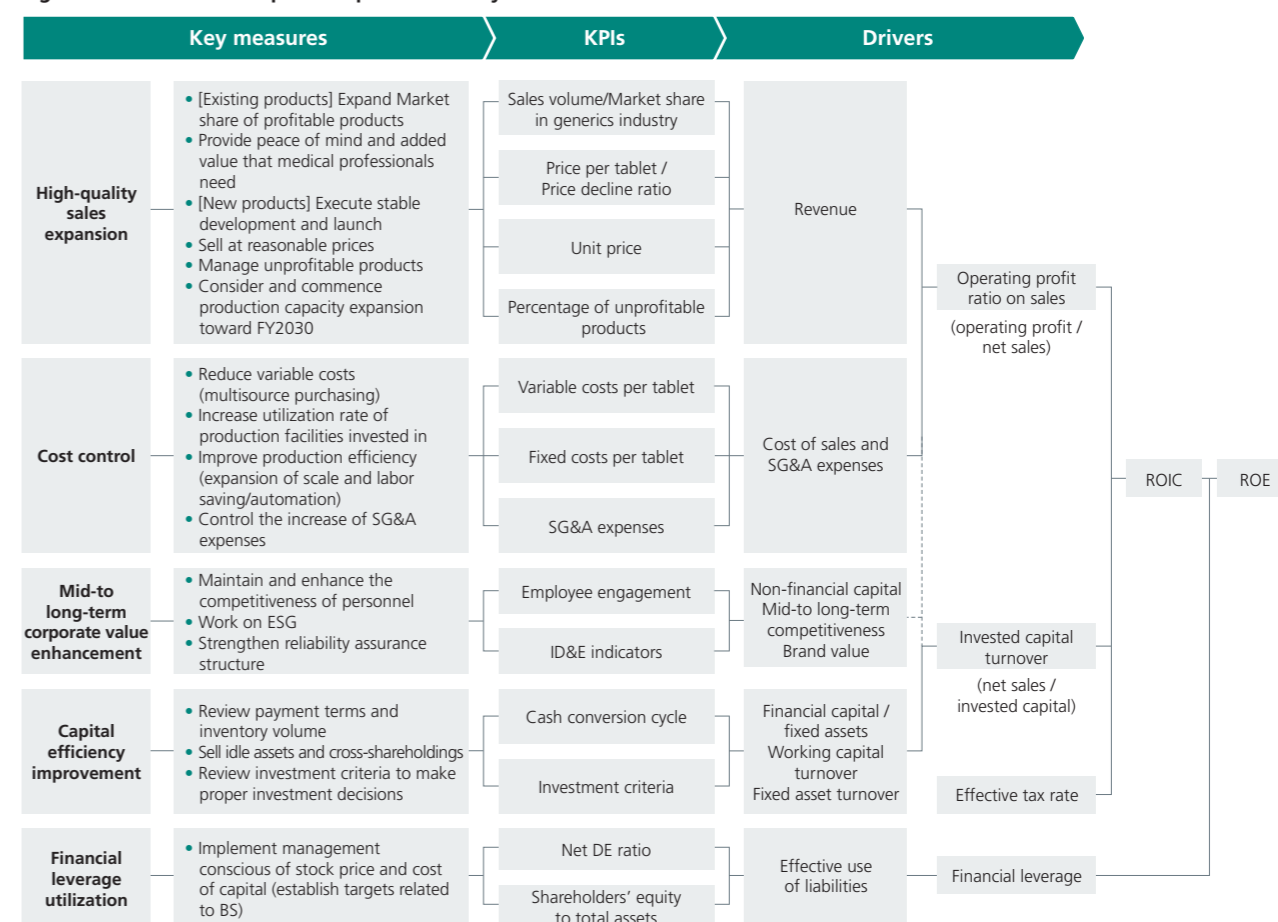


Figure 2. Cash allocation plans

	Purpose	Amount	Policy
<b>Expected generics business operating cash flow* over three years: approx. ¥145.0 billion</b> <small>*Before deducting R&amp;D Expenses</small>	<b>R&amp;D investment (generics business)</b>	<b>Approx. ¥35.0 billion</b>	<ul style="list-style-type: none"> <li>R&amp;D investment for launching new products, which are our sources of growth</li> </ul>
	<b>Generics business</b>	<b>Approx. ¥78.5 billion</b>	<ul style="list-style-type: none"> <li>Renewal of facilities at the factories (¥27.0 billion yen over three years)</li> <li>Expansion of production capacity (¥31.2 billion yen over three years)</li> <li>Investment in systems to strengthen reliability assurance structure (¥3.7 billion)</li> <li>Other investments</li> </ul>
	<b>New businesses</b>	<b>Approx. ¥3.5 billion + α</b>	<ul style="list-style-type: none"> <li>Investment in new businesses (SG&amp;A expenses for SWD001, R&amp;D expenses for SWD002, R&amp;D expenses for exporting generics, etc.)</li> </ul>
	<b>Flexible allocation</b>	<b>Approx. ¥21.0 billion + α</b>	<ul style="list-style-type: none"> <li>Expansion of production capacity toward FY2030</li> <li>Growth investment other than the plan</li> </ul>
<b>Sales of US business, cross-shareholdings, etc.: approx. ¥45.0 billion</b> <b>Flexible financing capabilities + α with R&amp;I rating of A-</b>	<b>Shareholder returns:</b>	<b>¥52.0 billion + α</b>	
	<ul style="list-style-type: none"> <li><b>Purchase of treasury shares</b></li> <li><b>Dividends</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Approx. ¥33.0 billion + α</b></li> <li><b>¥19.0 billion or more in total dividends over three years</b></li> </ul>	<ul style="list-style-type: none"> <li>Liquidation of the increase in equity capital due to the capital increase made at the time of acquiring Upsher-Smith, using proceeds from sale of the U.S. business and cross-shareholdings</li> <li>Stable and consistent dividend payments, with overall consideration of medium- to long-term profit levels, DOE (targeting 3% or more), etc.</li> </ul>





ESG Data: <https://global.sawaigroup.holdings/sustainability/esg/>  
 Disclosure Based on TCFD Recommendations (detailed information):  
<https://global.sawaigroup.holdings/sustainability/environment/tcfd/>

# Environment

## Disclosure based on TCFD recommendations (summary)

Climate change has a major impact on society and the economy, and it may have a dramatic financial impact on the Group. Having designated addressing climate change as a material issue, we not only support international policies, including the Paris Accords, and laws and government policies related to nationally determined contributions (NDC)

and climate change but also are working to reduce our greenhouse gas emissions. In addition, we announced our support for TCFD recommendations in September 2021 and disclose climate change-related information based on the four pillars of governance, strategy, risk management, and metrics and targets, which are recommended by the TCFD.

### Risks and opportunities related to climate change (Covered period: FY2021 to FY2030)

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	
Transition risks	<b>Policy and legal risks</b>	<ul style="list-style-type: none"> <li>Burden created by carbon pricing on the Group</li> <li>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</li> <li>The Group's burden of capital investment in energy saving necessary to reduce GHG emissions</li> </ul>	Moderate	Minor	<ul style="list-style-type: none"> <li>Considering the introduction of renewable energy</li> <li>Devising and implementing measures to enhance production efficiency, including reducing waste products</li> </ul>
	<b>Population, economic, and geopolitical risks</b>	<ul style="list-style-type: none"> <li>Price hike for bio-derived raw materials due to population growth and temperature increases</li> </ul>	Minor	Moderate	<ul style="list-style-type: none"> <li>Diversifying suppliers</li> <li>Studying alternative technologies</li> </ul>
Physical risks	<b>Flood risks (acute risks)</b>	<ul style="list-style-type: none"> <li>Increased frequency of typhoons, torrential rains, floods, heavy snow, etc.</li> </ul>	Minor	Major	<ul style="list-style-type: none"> <li>Sandbagging the areas where product inventories are stored</li> <li>Obtaining damage insurance coverage</li> <li>Formulating BCPs for the Group and its supply chain</li> </ul>
<b>Opportunities</b>		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.			

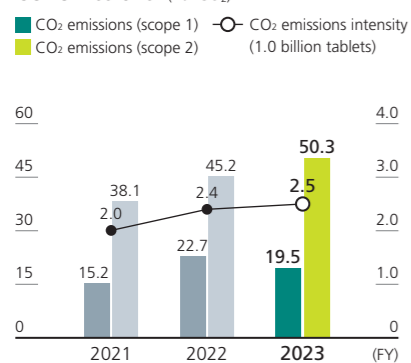
Scope of coverage: Sawai Group

Impact classification:

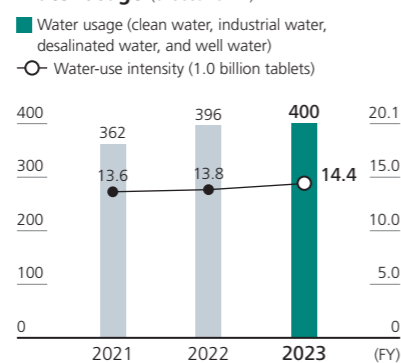
Major: Major impacts on the Group's businesses, strategy, and financial planning that the Group estimates to be worth approximately ¥6.0 billion or more  
 Moderate: Moderate impacts on the Group's businesses, strategy, and financial planning that the Group estimates to be worth approximately ¥3.0 billion 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

## Environment data

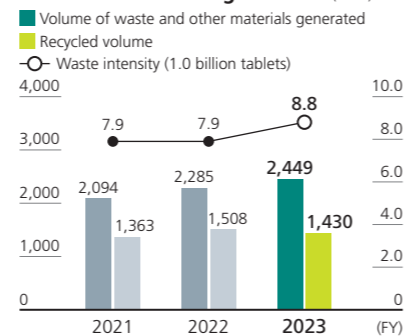
### CO<sub>2</sub> emissions (kt-CO<sub>2</sub>)



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



### Volume of waste and other materials generated (tons)



## Topics

### Third-party verification of environmental data

With growing focus on ESG data when evaluating corporate activities, we are moving forward with reinforcing disclosure of ESG information. In fiscal 2023, we introduced third-party verification of environmental data. A sample verification was made at three sites, and we conducted a detailed check of inconsistencies and deficiencies with our monitoring plan using the environmental data management system Eco Track.

We plan to gradually conduct on-site verifications at all sites. We expect that this will lead to increased transparency of and trust in the Company and make environmental data management more effective.



Checking water equipment

### Launching material recycling of PTP packaging waste

The Kashima Factory launched recycling of waste material from PTP sheets, which consist of aluminum film attached to plastics shaped with pockets for tablets and capsules. In the past, this waste material was incinerated because it was impossible to separate the two materials into a recyclable form.

However, each material can now be recycled because a new technology was developed that completely separates the aluminum from plastic parts, which has made it possible to not only reduce waste but also cut CO<sub>2</sub> emissions approximately 94% compared to before.



PTP sheets

### Kinki Electric Power Utilization Rationalization Committee recognizes Sanda Nishi for switching to green electricity

After introducing solar power generation and optimized control of packaged air conditioners in January 2022, the Sanda Nishi factory has reduced its electricity consumption by approximately 330,000 kWh annually since April of 2022.

These efforts were recognized by the Kinki Electric Power Utilization Rationalization Committee, which is composed of government offices, power companies, academics, and similar parties in the Kinki region, as contributing to the promotion of electricity use rationalization.



2023 Kinki Region Energy Conservation Month Award Ceremony

### Conducting research to increase trust in and sustainability of companies

In fiscal 2023, we conducted an environmental compliance survey at five sites to check whether they were appropriately handling environment-related laws and regulations.

The results of the survey showed that there were several points to be improved, including submission of plans related to diluted sulfuric acid tanks based on the Industrial Safety and Health Act. Excluding some items that require capital expenditures, we completed addressing most of the issues during fiscal 2023. Starting in fiscal 2024, we plan on conducting a survey at one location each year on a rotating basis.



Checking waste management