

sawai

Always putting
healthier lives first

Integrated Report 2023



Sawai Group Holdings Co.,Ltd.



Sawai Group corporate philosophy

Always putting healthier lives first

The Sawai Group 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.



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Editorial policy

This report references the International Financial Reporting Standards 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, 2022 - March 31, 2023 (some information herein falls outside of this period)

Reporting scope: Sawai Group Holdings and its consolidated subsidiaries

Abbreviations used: In this report, "generic drugs" are abbreviated as either "GE drugs" or "GE."

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.

Creating a society in which everyone can receive healthcare with peace of mind

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.
15.0
billion tablets
Sawai Pharmaceutical

Share of Japan's prescription drug market (volume)

Approx.
8.2%
Sawai estimate

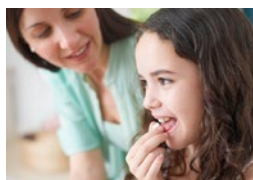
Amount of reduction in healthcare costs

Approx.
¥280.9 billion
Japan business
Approx.
¥131.2 billion
U.S. business

Sawai Group

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





Vision 2030

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

Aiming to become a general healthcare company that supports people's health

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.



Mitsuo Sawai

Representative Director,
Chairman and President
(Group Chief Executive Officer and
Group Chief Operating Officer)

Fulfilling our mission as a healthcare corporate group with an eye toward the future of the generic drug industry

Goal of the new system

Navigating the harsh environment of the generic drug business with a new system that makes quick decision-making possible

In April 2021, the Group transitioned to a holding company structure by establishing Sawai Group Holdings Co., Ltd. (hereinafter, “the Company”), and the three representative directors were tasked with managing the Group based on a division of duties. I was the Chief Executive Office of the overall group, Deputy Chairman and Sawai Pharmaceutical President Kenzo Sawai was responsible for the generic drug business, our core business, and President Kazuhiko Sueyoshi was in charge of overall management of the Group’s management departments and new and overseas businesses.

Taking into consideration the results of these measures and the business environment, we integrated management in June 2023 by having me serve as both the Chairman (Group CEO) and President (Group COO). At the same time, Kenzo Sawai resigned as both an officer of the Company and Sawai Pharmaceutical President. Furthermore, Kazuhiko Sueyoshi resigned as President of the Company but was then appointed Deputy Group CEO in charge of both special missions and ESG.

After transitioning to a holding company structure, it was necessary to eliminate disparities in risk management, compliance, information security, and sustainability within the Group and make governance more effective, and these efforts have firmly taken root over the last two years. For the U.S. business, too, bold revisions were made to the R&D system, which made it possible to return the business to profitability. Therefore, Kazuhiko Sueyoshi, who was responsible for both fields, resigned and was placed in charge of ESG (environment, society, and governance), which are remaining issues.

On the other hand, for the generic drug business, our core business, it was possible to establish a system that generates a certain level of profit even while competitors struggle by having each senior vice president think for themselves and fulfill their responsibilities and mission under President Kenzo Sawai. However, we are confronting a situation in which it is impossible to see future growth and expansion through a single company’s efforts unless there are changes to systems and environment in the industry, such as annual drug price revisions.

In response to this situation, Kenzo Sawai decided to step back from management and focus on industry-related activities based on his strong resolve and awareness that he “wants to undertake activities to maintain business for the overall industry by leveraging his experience, knowledge of systems, and other skills.”

Kenzo Sawai was succeeded by Motohiko Kimura, who had served as the Senior Vice President of the Manufacturing Division at Sawai Pharmaceutical and will take control of the generic drug business. He was extremely successful in contributing to higher quality and an increase in GMP level based on his experience and knowledge acquired at a new drug manufacturer, and I expect that he will make further contributions to quality and the stable



*1 An abbreviation for Good Manufacturing Practices, international standards related to pharmaceutical manufacturing and quality control.

supply required of Sawai Pharmaceutical. Furthermore, Shoji Yokota, who was responsible for R&D at Sawai Pharmaceutical, was appointed a Director of the Company. His duty will be to provide overall supervision and management for future R&D, including that related to new business development.

At the same time, the Tokyo Stock Exchange's Corporate Governance Code requires that companies listed on the Prime Market install external directors who possess management experience at other companies. To meet this demand, Dr. Masayuki Mitsuka, who served six years as the President of Mitsubishi Tanabe Pharma, took up the position of external director and will be responsible for strengthening the Group's governance. I consider it extremely significant that we have a person with knowledge of management at overseas companies and with expertise in the laws and regulations related to the Group's business, such as the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and GMP,*1 serving as an external director.

Because of these personnel changes, we have transitioned to a system with a single Representative Director that makes quick decision-making possible. In addition, we have reinforced our governance system by having half of our six directors as external directors.

Business environment for the Japan generic drug industry

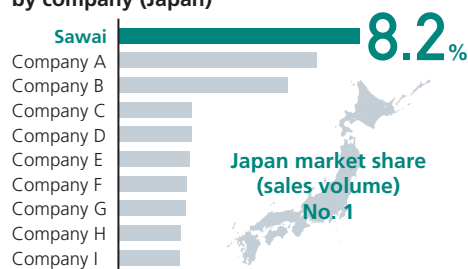
A period of transformation in old systems, necessary to provide a stable supply of high quality generic drugs and contribute to a reduction in government spending on healthcare

For the generic drug business, our core business, Sawai Pharmaceutical is committed to patients and strives to develop and provide products under the corporate philosophy of "always putting patients first." However, we are facing difficult conditions when we will no longer be able to fulfill our corporate mission of offering a stable supply of high quality generic drugs.

Until now, the use of generic drugs has spread because of government policies that promoted their use, which also resulted in growth for our business. Because of quality-related problems with products of some drug manufacturers that gave insufficient consideration to quality and possessed insufficient related systems required of drug manufacturers, shipments of almost 40% of generic drugs in 2022 were suspended or limited, resulting in supply shortages. Furthermore, in recent years authorized generic (AG) drugs have captured a larger share of the market, and generic drug manufacturers are fighting among themselves for the remaining market share.

Generic drugs produced through high-mix, low-volume production have a cost ratio of about 70%, which is more than twice that for general new drugs. Around 60% of our products are priced at ¥10 or less, and because of annual drug price revisions, many products are priced below cost, making 30% of our products unprofitable. However, despite being unprofitable, we cannot stop producing and supplying certain drugs because of their importance for the lives and health of people in Japan. Even though we have implemented more measures than other companies, such

Prescription drug sales (tablets) by company (Japan)



Amount of medical expense savings due to Sawai Pharmaceutical products (Japan)

¥280.9 billion annually

Difference assuming originator drugs are used instead of Sawai Pharmaceutical generic drugs

as reforming management and increasing production efficiency, we recorded a decline in profit for fiscal 2022 for various reasons, including higher energy costs.

Furthermore, in April 2024, fees for three medical services will be revised (medical service fees, nursing fees, and fees for disability welfare services), resulting in a “triple revision.” Because of increases in the cost of goods and personnel expenses, there are demands for an increase in compensation for each of these services, but major increases in the budget for social security expenses are out of the question. In 2025, all members of the baby boomer generation will be at least 75, and social security expenses will continue to grow. Having launched an expert working group regarding quick, stable supply of drugs, the Ministry of Health, Labour and Welfare is conducting in-depth deliberations on various topics, including the structure of businesses in the industry.

Under the current drug price system, the price of generic drugs is set at the weighted average of three price ranges.*2 However, this mechanism does not reflect the efforts of individual companies. Sawai Pharmaceutical conducts formulation development in order to create products that are easy for patients to take and easy for healthcare professionals to use. It is our opinion that the system of drug prices should revert back to one that pays different manufacturers different prices in order to reward the efforts of companies that provide a stable supply of quality generic drugs.

In response to increases in costs, Sawai Pharmaceutical was forced to raise the invoice price*3 of some of its products in 2022. Although some wholesalers protested, it was only because of these conditions, that we were able to communicate to society our strong determination to provide a stable supply. Generic drugs account for a larger percentage of the market than the 80% target set by the Ministry of Health, Labour and Welfare, indicating that GE promotion measures implemented so far have achieved some of the objectives. We are likely approaching a period of transformation in old systems, and one example of this transformation is moving toward a system in which drug manufacturers receive proper compensation for drugs that physicians consider absolutely necessary, and discontinue drugs that are not.

Generic drugs contribute to about ¥1.7 trillion in healthcare cost savings annually, and Sawai Pharmaceutical accounts for ¥280.9 billion of that. If generic drugs were replaced with originator drugs, healthcare costs would increase a corresponding amount. Raising the price of inexpensive generic drugs in order to ensure an appropriate return and creating a system that offers a stable supply of generic drugs would be beneficial to both the Japanese people and the government. If we can properly communicate correct information on the problems the industry faces and generic drugs to the Ministry of Health, Labour and Welfare, healthcare organizations, insurers, politicians, and the people in Japan and transform the structure of the industry, I am confident that the generic drug industry will surely grow.

*2 The rule is that the price of listed generic drugs is placed in one of three price ranges (“less than 30% of highest drug price,” “between 30% and up to but not including 50% of highest drug price, and “50% or more of the highest drug price”) based on the weighted average market price at the time of the drug price revision.

*3 Invoice price: the price manufacturers sell to wholesalers.

Recovering trust for the overall industry

Taking the lead in eliminating supply shortages and restoring trust as the industry leading company

Turning to the production of generic drugs, it is difficult to rapidly increase production because there are intricate production plans for each production facility. Under these conditions, Sawai Pharmaceutical has worked to release and ship as much inventory as possible, but because of overall supply shortages, there have been times when we have caused problems, particularly for existing business partners, and have been dressed down when making sales calls.

However, we were able to produce 16.6 billion tablets, more than 10% more tablets than the actual production for the previous fiscal year, as a result of all employees, including those at partner companies, working together to strengthen the system for increased production. Inventory levels have almost returned to their original level, and there has been a dramatic decline in limited shipments since April 2022. But, the Group is not the only company to face supply shortages.

Through industry organizations, including new drug manufacturers, and in collaboration with the Ministry of Health, Labour and Welfare, Sawai Pharmaceutical has taken the lead in moving forward with such efforts as making public information on supply conditions for all drugs.

As for the issue of generic drug quality, we have promoted not only efforts to restore trust in generic drugs through the Japan Generic Medicines Association but also general checks of whether all drug Manufacturing and Marketing Approvals held by each company are reflected in actual production.^{*4} Although the goal has yet to be reached, the association is working to restore trust in the overall industry by fully releasing information. Third-party audits have begun, and Sawai Pharmaceutical underwent its audit before other companies. It will be impossible to convince people to use generic drugs with peace of mind unless we restore trust in the overall industry, not simply tell people that there are no problems with the Sawai Group's quality. As the leading company in the industry, I consider it our mission to restore trust in generic drugs.

^{*4} See "Association's Efforts to Restore Trust in Generic Drugs," issued by the Japan Generic Medicines Association. <https://www.jga.gr.jp/english.html>

Rebuilding the U.S. business

Becoming profitable by revising the research system Expectations for product launches developed at low cost

Turning to the business strategy for the U.S., while we acquired Upsher-Smith based on a strong evaluation of its judgment regarding products for development, its R&D system was revised as business has grown slightly more difficult. This led to a review of the cost structure and improved operating profit. Chairman and CEO Taku Nakaoka, who took up the position in 2022, provided the guidelines for the cost structure review, and the American President and COO Rich Fisher was responsible for providing practical instructions.

At the new factory built in Minnesota, production was launched in January 2023, and starting in fiscal 2024, costs are expected to fall between \$4.00 million to \$6.00 million as a result of merging factories and bringing production of commissioned products in house. In addition, the Company is examining increasing factory utilization rates and developing new revenue sources by expanding into the commissioned production business.

As for products, we will not only launch new ones but also include Sawai Pharmaceutical Paragraph 4 products. By product launches developed at low cost under new leadership, it may be possible to achieve the vision of generating sustainable growth in the long term as a specialty drug company.

Monetizing new businesses

Fields relatively immune from the impact of drug price revisions will stabilize earnings

In addition to activity making investments in growth opportunities outside the generic drug field, we are taking on the challenge of new businesses in four fields that leverage the strengths we have acquired in existing businesses in order to achieve the government's goal of a society with healthy longevity.

In the "digital medical devices" field, one of these fields, we applied for approval for the non-invasive neuromodulation device SWD001, which is used to treat migraines in the acute stage, in December 2022. In the field of NASH,^{*5} too, we have made progress with the business, which has included concluding a treatment app joint-development and marketing license with CureApp, Inc. in August 2022. As there is no established drug therapy for NASH, treatment is centered on dietetic therapy, and there are hopes that this will be a promising method if it is possible to control diet with digital technology. The focus of both of these products and services

^{*5} NASH
Non-alcoholic
steatohepatitis

Medical devices business	<p>SWD001 (non-invasive neuromodulation device)</p> <ul style="list-style-type: none"> Acute-phase migraine treatment: Applied for approval to manufacture and market in December 2022 and preparing to release Depression: Plan to examine applying after trials in US completed <p>SWD002 (treatment app for NASH indications)</p> <ul style="list-style-type: none"> Preparing phase 3 trial for treatment app that a joint development and sales license with CureApp Inc. was concluded. Expect to launch in FY2023.
Digital business	<p>SaluDi (PHR^{*6} management app)</p> <ul style="list-style-type: none"> Selected for Yabu City Digital Health Aging Project (Yabu City, Hyogo Prefecture), and will be introduced in FY2023 Selected for Nagasaki's official PHR app Ajsai Net and working to link with EHR^{*7} and PHR
Health food business	<p>Triple Seikatsu-Shukan (products with functional claims)</p> <ul style="list-style-type: none"> Completed test marketing in November 2022 Evaluated business feasibility based on test marketing results and will launch the business from this fiscal year
New drug business (Orphan diseases)	<p>Drugs for rare diseases (orphan drugs)</p> <ul style="list-style-type: none"> Reinforce in-house evaluation system and continue to examine pipeline expansion

*6 Personal health record (PHR)

*7 Electronic health record (EHR)

has received high praise from physicians.

As for “health foods,” we are looking at expanding our lineup of products with a focus on the field of pre-symptomatic approaches and preventive measures. With a sense of excitement that only Sawai Pharmaceutical can provide, I want to develop and commercialize unique health foods.

On the other hand, there are about 7,000 rare diseases in the world, and for orphan drugs, treatments for these rare diseases, a single product does not make a business; therefore, we are examining the pipeline of products in this field from a long-term perspective.

One of the new businesses is the “health foods” business, and for this business, the selling price can be set to match demand and value added unlike for the generic drug business, our core business. Furthermore, it is expected that the “digital medical devices” business will be one whose profits reflect our efforts as it is relatively immune from drug price revisions.

Medium- to long-term growth strategy

Steadily achieving Sawai Group Vision 2030 targets and meeting the expectations of shareholders

In fiscal 2022, the Group’s revenue surpassed ¥200.0 billion for the first time. The Group Strategy Council firmly deliberates on the future growth strategy to achieve the numerical targets appearing in Sawai Group Vision 2030. For growth-oriented investments, even individual small investments, we impose governance on and manage them by having them examined by the Group Investment Committee and referring them to the Group Strategy Council.

In particular, investments will be focused on R&D in the future. Because R&D is important not only for the generic drug business but also the new businesses, I would like to fully discuss the issue and make investments from which we can “reap” revenue in the future. Until now we have limited investments, including capital expenditures, so that we could fund them from operating cash flows, but because we will now need to use large amounts of funds, we plan to raise funds primarily through bank loans. While keeping in mind ROE, we will examine making use of leverage through loans and bonds.

What I have learned through dialogue with investors is that there are great expectations for the Group in terms of “Sawai being the only company that can support generic drugs, part of Japan’s healthcare infrastructure.” It is well known that even if a company takes the lead



Sawai Group Vision 2030 Targets and Prerequisite Values

	FY2022 actual	FY2030 targets
Japan business revenue	¥163.7 billion	¥260.0 billion
New business revenue	—	¥80.0 billion
U.S. business revenue	¥36.6 billion	¥60.0 billion
Total revenue	¥200.3 billion	¥400.0 billion
ROE	6.5%	10% or more

in making capital expenditures, it is difficult to benefit from this because of annual drug price revisions; therefore, there is agreement that “without changes to the system, this infrastructure will be lost.”

Unless we are able to maintain the sustainability of the generic drug business, healthcare costs for people in Japan will continue to increase. Furthermore, if the business is unsustainable for domestic manufacturers and Japan ends up relying on overseas manufacturers, money will flow overseas. In terms of health and safety security—that is, protecting the health and safety of people—we must meet the expectations that generic drugs used in Japan should be ones produced in Japan.

As for the return for shareholders who support us, I want to conduct business so that we can be sure to achieve and maintain a stable dividend with a target payout ratio of 30%.

Sawai Group’s reason for existing and corporate philosophy

Maintaining efforts to embody the corporate philosophy of “always putting healthier lives first” and “always putting patients first” and meeting expectations

Our corporate philosophy of “always putting healthier lives first” embodies our desire to contribute to the health of even more people as a healthcare corporate group that is centered on the generic drug business and continues to develop with society. Thoroughly adopting this philosophy and vision in business activities will lead to unshakeable trust. The Group’s most important responsibility and the reason for its existence is to create the conditions so that through the generic drug business, our core business, we can provide the necessary volume of quality generic drugs when necessary.

The many employees who joined the Company because they were attracted by our corporate philosophy of “always putting healthier lives first” and Sawai Pharmaceutical’s corporate philosophy of “always putting patients first” give shape to the Group’s corporate culture. I will work so I can declare that one of the Group’s strengths is that new people who join the Group fully adopt this philosophy. This is a never-ending issue. By marshaling the power of all employees to embody the corporate philosophy and being persistent in our efforts, we will continue to take on challenges in order to meet the expectations of all stakeholders.



M. Sawai

Representative Director, Chairman and President
(Group Chief Executive Officer and Group Chief Operating Officer)

Message from the newly appointed external director

Navigating a harsh business environment and transforming the Company into one that contributes to people's health in the long term

Masayuki Mitsuka, Ph.D. External Director



Despite being indispensable for the people in Japan, there are clearly issues with generic drugs

For Japan's pharmaceutical industry, the government has set the target of generic drugs accounting for 80% of the market on a volume basis, and the distinction between generic drugs and new drugs has rapidly grown clearer. This is necessary to ensure the sustainability of Japan's health insurance system. The use of generic drugs is recommended because they lessen the financial burden on patients, and thus, generic drugs have not only become indispensable for all people in Japan but also contribute to promoting SDGs for the whole of Japan on various fronts.

On the other hand, two major issues have come to light. One is concerns about the quality of generic drugs as a result of incidents at several companies that have shaken trust in generic drugs. The other issue is the sustainability of the business for the overall generic drug industry because of annual drug price revisions that have a greater impact on generic drugs than new drugs.

Amid this difficult business environment, I received an opportunity to participate in Sawai Group Holdings' management as an outside party. The Company is one that will navigate this difficult business environment from various perspectives, including market share, product track record, and financial soundness, and possesses the potential to contribute to people's health while growing in the long term.

Issue of quality provides a chance to transform the industry

The industry must overcome the issues of quality concerns, excessive number of manufacturers and retailers, and, as a result of these, the downward pressure on drug prices. Of these issues, quality concerns could provide an opportunity for the overall industry to move to the next stage. While the various companies in the industry are promoting measures to reinforce the system that places the greatest priority on compliance, governance, and

quality, it is also important to focus on whether management has set unrealistic targets for workplaces regarding production volume, deadline for obtaining approval, and similar activities, and whether sufficient human capital support is provided. As an external director, I consider it important to check whether workplace governance is effective and whether there are sound management targets that match the actual capabilities of the Company.

Focus on investing in people, the key to survival

Overall prescription drug sales in Japan hit a record high of ¥10.9 trillion in fiscal 2022, but considering the trend since 2015, sales growth is flat, having grown only from ¥10.5 trillion to ¥11.0 trillion, and this trend will continue into the future. I expect that as sales and the market share of expensive new drugs grows, generic drug manufacturers will be weeded out before new drug manufacturers. There are two keys to surviving this. The first is ensuring a production volume that guarantees one's presence in the market, and the second is possessing both strong cost competitiveness and quick development capabilities for drugs whose patents have expired.

In the pharmaceutical industry, "investing in people," an important element for innovation, and "diversity of human resources" are more critical than in other industries. In the new drug business, new drug discovery and development require the skills of highly specialized individuals, but in the generic drug business, a different type of continual innovation, one that simultaneously increases production volume, quality from a patient perspective, and cost competitiveness, is required. As an external director, I want to focus on investing in human capital that management needs, particularly the securing of highly specialized people, and diversity.

Operating results for the fiscal year

For fiscal 2022, the overall Group was able to record revenue of ¥200.0 billion for the first time. Despite returning to profitability, core operating profit fell year on year for various reasons, including upfront costs to expand production capacity for the Japan business.

For the Japan business, revenue was basically unchanged from the previous fiscal year because of new products' contributions to revenue and a recovery trend in existing products following the removal of limits on shipments since the second half, but core operating profit for the business declined year on year. This was primarily because of drug price revisions in April, upfront costs related to Trust Pharmatech, which was made a consolidated subsidiary in 2022, and higher energy prices. For the U.S. business, revenue rose on account of firm sales of brand products and the weak yen. It was also possible to record operating profit due to cuts in expenses.

As for upfront costs, a reason for the decline in profit, a merit for investing in Trust Pharmatech and the Kyushu Factory, the decision for which was quickly made before the rise in the prices of goods in order to reinforce our capacity to provide a stable supply, is that it will definitely be possible to recover the investment if the environment surrounding the generic industry (including drug price system) changes. We will determine which products will ensure sustainable business and be sure to include those in the next Medium-Term Business Plan.

Cash flows

Cash and cash equivalents as of March 31, 2023, decreased by ¥14,641 million to ¥33,076 million, compared to the balance as of March 31, 2022. The results of cash flow for

each activity are as follows.

Cash flows from operating activities was ¥13,026 million for the year ended March 31, 2023 (decrease of ¥21,284 million compared to the year ended March 31, 2022) which mainly consists of profit before tax (¥16,789 million), depreciation and amortization (¥17,683 million), impairment loss (¥3,464 million), increase in inventories (¥14,868 million), decrease in refund liabilities (¥2,551 million) and income taxes paid (¥7,473 million).

Cash flows from investing activities was ¥27,134 million for the year ended March 31, 2023 (decrease of ¥3,261 million compared to the year ended March 31, 2022) which mainly consists of acquisition of property, plant and equipment (¥20,727 million), and acquisition of intangible assets (¥6,414 million).

Cash flows from financing activities was ¥1,267 million for the year ended March 31, 2023 (decrease of ¥9,995 million compared to the year ended March 31, 2022) which mainly consists of net proceeds from short-term borrowings (¥10,000 million), proceeds from long-term borrowings (¥9,500 million), repayments of long-term borrowings (¥3,118 million), redemption of bonds (¥10,000 million) and dividends paid (¥5,693 million).

Financial policy

Our basic policy is to maintain the optimal capital structure that ensures financial soundness and flexibility while improving capital efficiency in order to continue to enhance corporate value and increase shareholders' return through that. As for fund demand related to R&D and capital investments, we will implement our basic policy by continuing to secure cash flows from operating activities and implementing flexible financial measures to match changes in the market environment.

FY2022 Business Performance and FY2023 Forecasts

(Millions of yen)

	FY2021			FY2022			FY2023 (forecast)		
		Japan	US		Japan	US		Japan	US*
Revenue	193,816	163,841	29,975	200,344	163,702	36,642	217,200	180,500	36,700
Core operating profit	26,321	27,016	(708)	23,071	21,425	1,640	19,900	16,300	3,600
Core operating profit (Excluding Trust Pharmatech)	–	–	–	28,208	26,562	–	25,300	21,700	–
Operating profit	(35,888)	32,361	(68,249)	16,984	16,054	930	15,100	13,500	1,600
Operating profit (Excluding Trust Pharmatech)	–	–	–	21,828	20,898	–	20,500	18,900	–
Profit before tax	(36,214)	–	–	16,789	–	–	14,800	–	–
Profit attributable to owners of the Company	(28,269)	–	–	12,667	–	–	11,300	–	–

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

* Translated at \$1=¥135

This fiscal year, cash flows from operating activities totaled ¥13,026 million, and some of those funds were used to repay part of the loans taken out when acquiring Upsher-Smith. As indicated in the Medium-Term Business Plan, we also plan on actively and effectively making investments for growth, which includes about ¥75.0 billion for R&D investments/acquisitions (e.g., products), about ¥70.0 billion for capital investments, and ¥30.0 billion for new businesses (max. amount). As for capital investments, we expect to construct a new solid dosage form facility at Sawai Pharmaceutical's Daini Kyushu Factory (total amount for step 1, ¥35.0 billion) in order to expand production capacity to meet greater future demand.

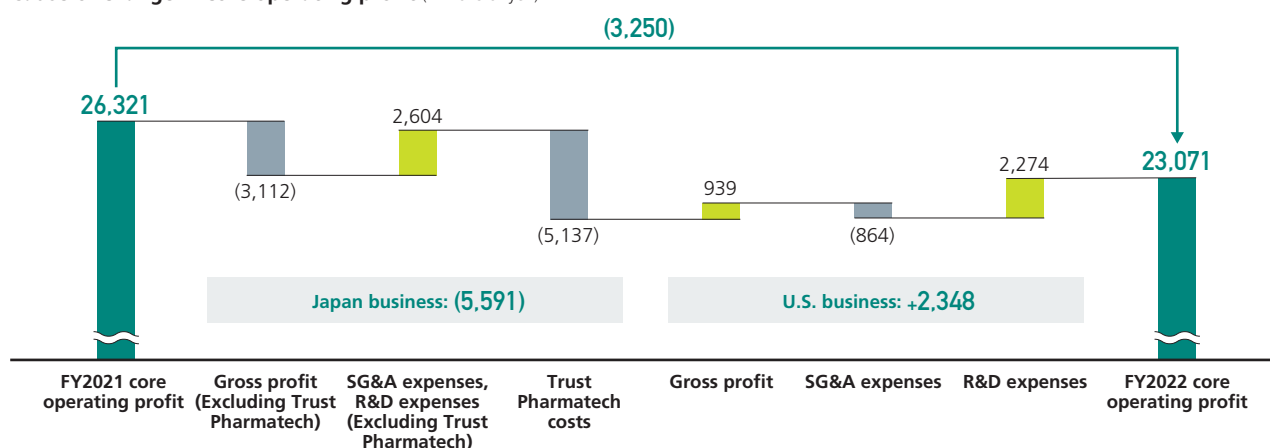
Dividend Policy

We have positioned shareholder return as one important management issue. Our policy on allocation of profit is that we not only balance the active securing of investments for future growth and shareholder return, but also basically pay a stable, sustainable dividend with a target payout ratio of 30% taking into comprehensive consideration such factors as annual consolidated business performance, payout ratio, and other shareholder returns.

As for internal reserves, we allocate those to investments for new growth, such as R&D and capital investments that contribute to future enhancement of corporate value. The basic policy is to pay a dividend from retained earnings twice a year, an interim dividend and year-end dividend. The Board of Directors is the decision making body for the interim dividend, and the General Meeting of Shareholders is that for the year-end dividend.

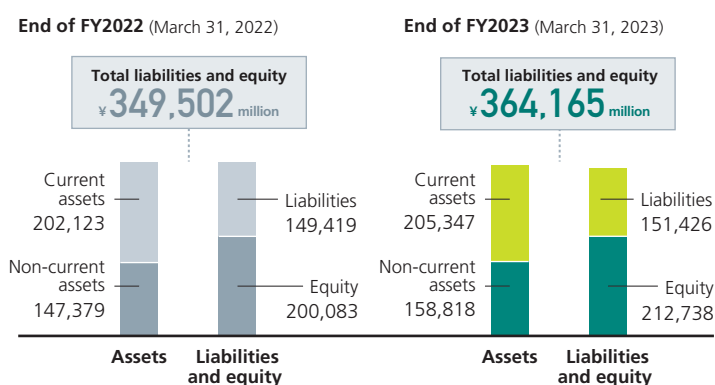
The dividend for this fiscal year was an interim dividend of ¥65 per share and a year-end dividend of ¥65 per share.

Cause of change in core operating profit (Millions of yen)

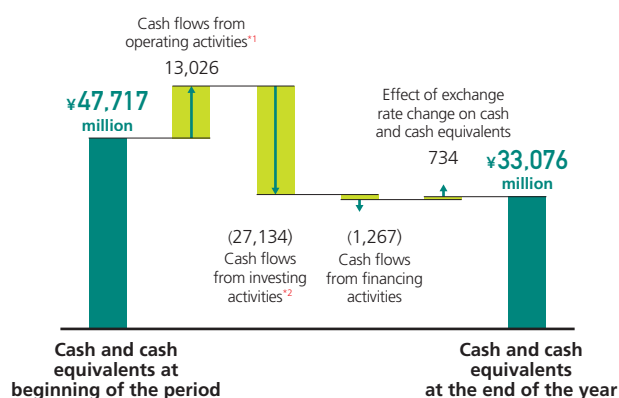


Note: Results by segment in Japan and the U.S. are not consistent with the overall figures, as each segment profit includes inter-segment transactions.

Consolidated statements of financial position (Millions of yen)

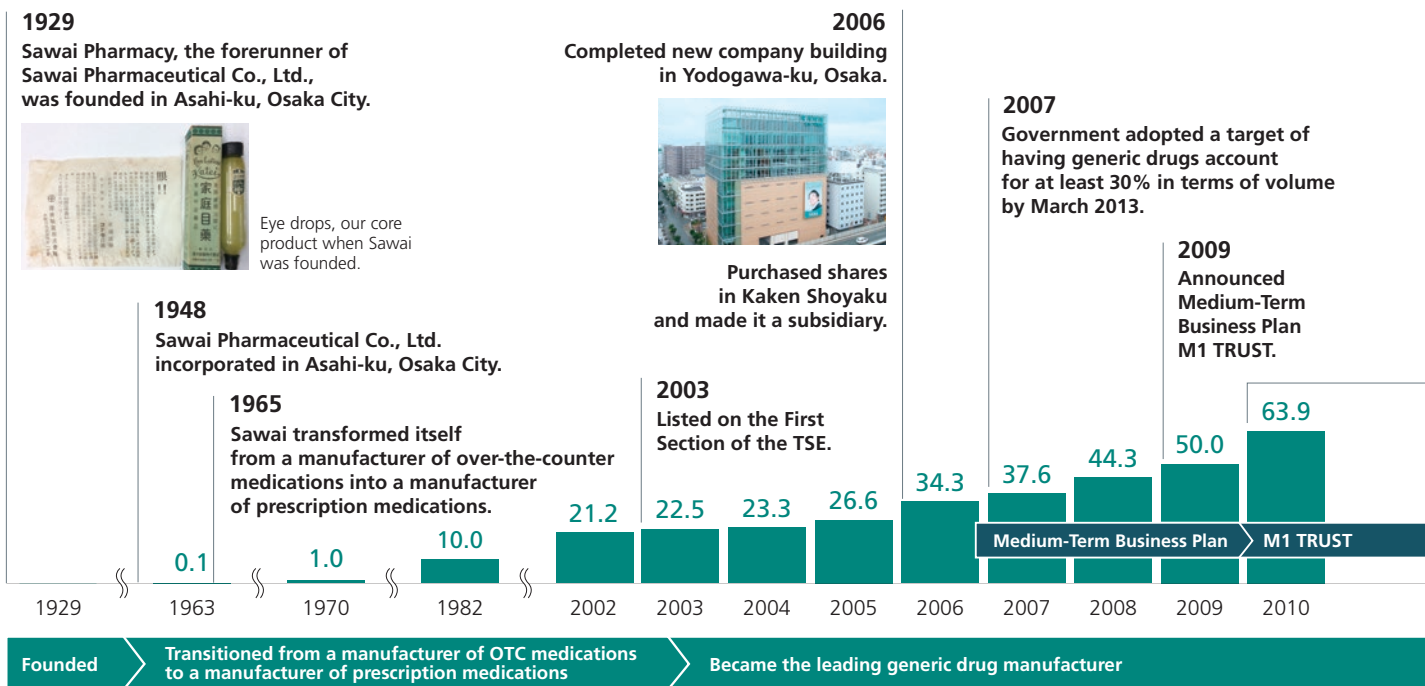


Consolidated statements of cash flows (Millions of yen)



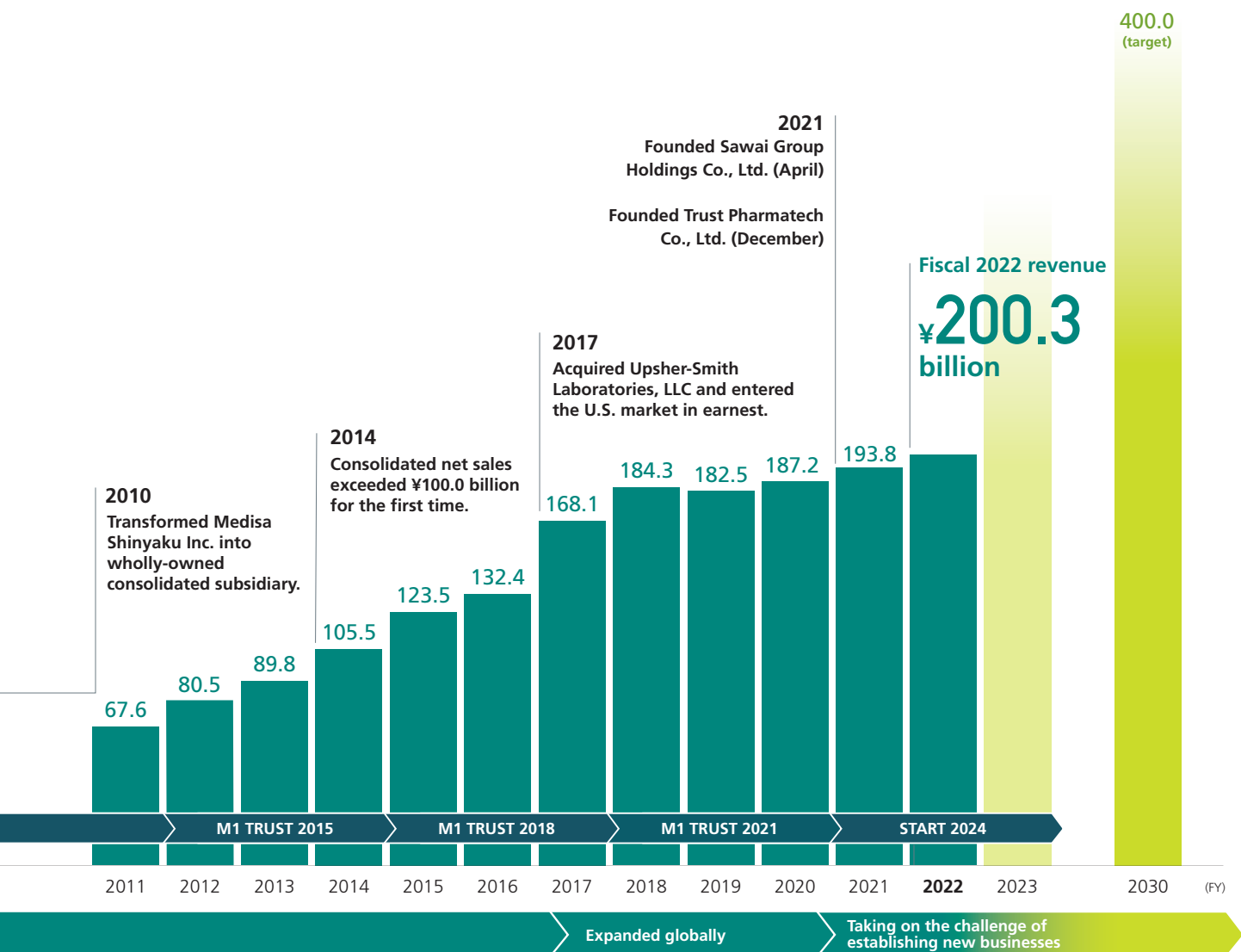
*1 Impact of increase in inventories, previous fiscal year impairment loss, etc.
*2 Impact of construction at Daini Kyushu Factory

Not only “always putting patients first” but also striving to achieve “always putting healthier lives first” for all people



History of developing non-financial capital

<p>1981</p> <p>Manufactured capital </p> <p>Completed the GMP standard-compliant Kyushu Factory</p> <p>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.</p>	<p>1984</p> <p>Intellectual capital </p> <p>Opened the Osaka Laboratory to expand research</p> <p>At that time, few generic drug manufacturers had independent facilities dedicated to R&D. From our earliest days, our stance of 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.</p>	<p>2007</p> <p>Social and relationship capital </p> <p>Established a new Corporate Philosophy and Code of Conduct</p> <p>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.</p>	<p>2009</p> <p>Social and relationship capital </p> <p>Announced M1 TRUST, its Medium-Term Business Plan</p> <p>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.</p>
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2013, 2017

Manufactured 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

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

サワイグループ
ホールディングス株式会社

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.

2022

Human capital



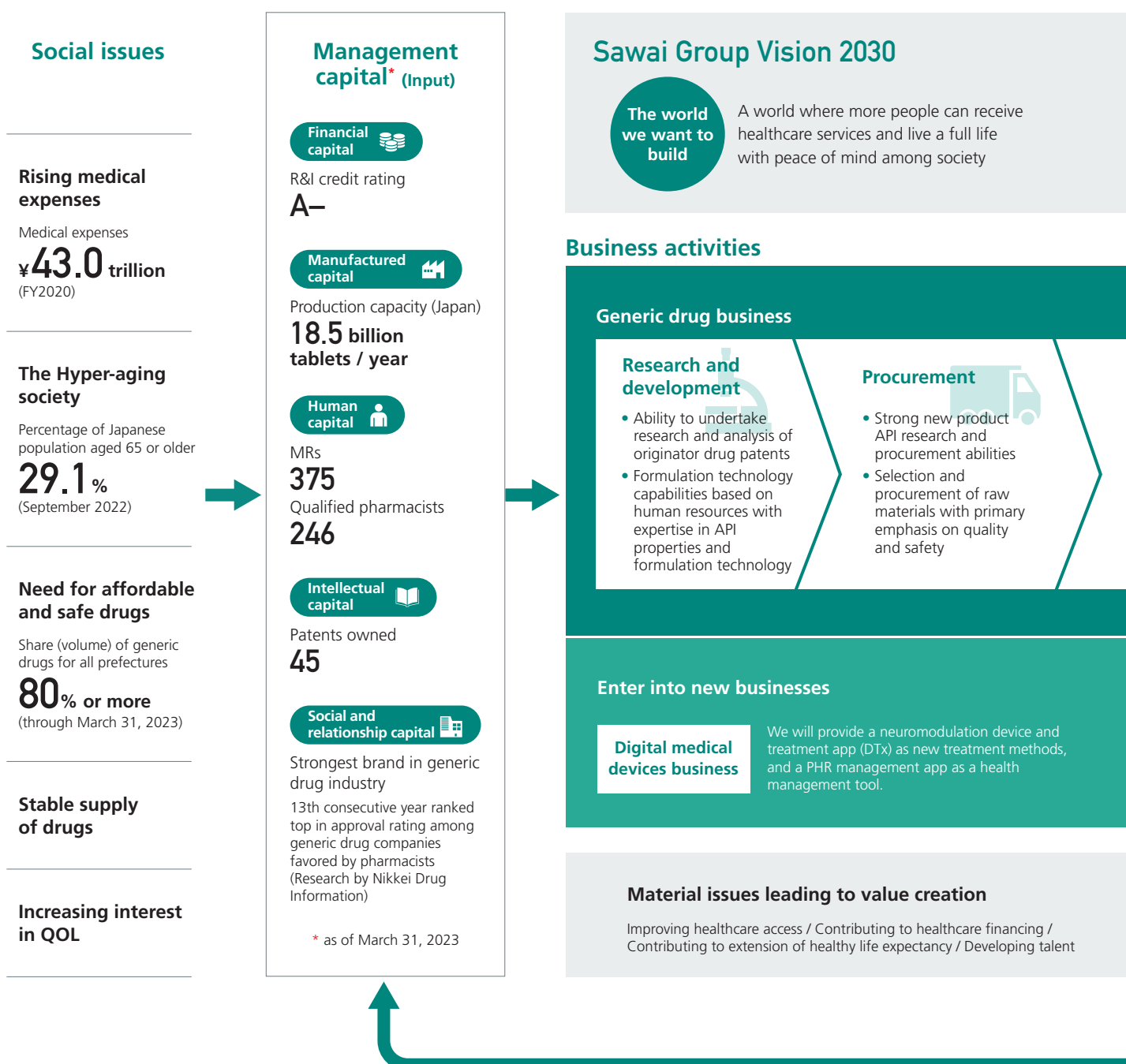
Undertook the S-Wing Project

With the goal of “promoting diversity,” one element of the Group’s long-term vision, we conducted project-related activities for about six months, and then related proposals regarding a future action plan were submitted to members of senior management in March 2023.

→ P.30 Topics

Providing high-quality healthcare services to even more people

As the leading generic drug company, we strive to provide a stable supply of high-quality generic drugs and support the healthy lives of people. We are also taking on the challenge of evolving into a general healthcare company by developing new businesses.



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

Production and reliability assurance

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

Sales and marketing

- Provision of accurate information
- Extensive product lineup

Health food business

By expanding our business to the pre-symptomatic illness and prevention fields, we will provide products that support longer healthy lives.

New drugs business

By making the most of our formulation technology capabilities, we will provide new treatment opportunities, such as those for rare diseases (orphan drugs).

Material issues as the foundation of sustainable growth

Environmentally friendly business / Work styles / motivation, respect for human rights / Corporate governance

Business results* (Output)

Revenue
¥200.3 billion

Operating profit
¥17.0 billion

ROE
6.5%

Production volume
16.6 billion tablets
(Japan business)

2.9 billion tablets
(U.S. business)

New products
23 products
(Japan business)

2 products
(U.S. business)

Patent applications
32

*actual for FY2022

Value provided to society (Outcome)

Improving healthcare access

Sales volume

15.0 billion tablets
(Sawai Pharmaceutical)

Contributing to healthcare financing

Amount of reduction in healthcare costs

¥280.9 billion
(Japan business)

¥131.2 billion
(U.S. business)

Contributing to extension of healthy life expectancy

Personal health record (PHR) management app

Used by more than

400 medical institutions

Developing talent

Employee education and training expenses (Sawai Group in Japan)

¥85.00 million



Research and development

Strength 1 Ability to undertake research and analysis of original drug patents

By utilizing both human assets with extensive experience in patent trials and proceedings and a proprietary database that includes information on patents and proceedings in Japan and overseas, we implement an extremely sophisticated patent strategy. We develop the optimal patent strategy for new issues in collaboration with patent attorneys in Japan and overseas who possess broad knowledge of pharmaceuticals.

In recent years, we have also been keeping an eye on

intellectual property trends in the U.S. and Europe and leverage those trends for our intellectual property strategy for Japan. In particular, it is possible to learn a lot from applying for paragraph IV certification in the U.S., and this is a major asset that supports future business activities, which is one of our strengths.

Number of patents held

45

Sawai Pharmaceutical

Strength 2 Formulation technology capabilities based on human assets with expertise in API properties and formulation technology

Another of our Group's strengths is our formulation technology capabilities, one aspect of which is collecting the latest information related to APIs and formulation from throughout the world, and this makes it possible to conduct development in line with international harmonization. Furthermore, we have increased the certainty of our product launches by continually revising and bringing forward development plans. Even while busy with product development, we actively take on the challenge of research linked to future development topics and aggressively work

to accumulate and expand our formulation technology.

We will provide drugs that meet the needs of healthcare professionals and patients and introduce first-of-their-kind products using SAWAI HARMOTECH®, a series of formulation technologies born from this research.

R&D expenses

¥12.5 billion
Sawai Pharmaceutical

Number of R&D Division staff

295
Sawai Pharmaceutical

Sawai Pharmaceutical's main formulation technology

Core particle production technology QALCORE®

Drug-containing particles

Dry coating, wet coating, and wet adsorption method are three core particle production technologies that allow us to reduce production time and make products comfortable for patients to take.

Escitalopram OD Tablets

QALCORE® SARAMEL®

Dia. 7 mm

OD tablet production technology SARAMEL®

Our original additive SARAMEL is a patented technology of Sawai that makes it possible to produce tablets with outstanding strength, moisture resistance, and disintegration properties by simply mixing with API.

Film coating technology THRUCOAT®

With this technology, a gel coating forms on the surface by moisturizing with water, creating tablets that are easy to take with little force. This makes it easier to take the medicine.

Levetiracetam Granular Tablets

THRUCOAT®

Dia. 2.1 mm

Message from responsible officer (R&D)

Taking on the challenge of new businesses in addition to being the first to introduce generic drugs

To undertake product development, which has grown more difficult in recent years, we are not only increasing research efficiency through DX but are also broadly strengthening our R&D foundation, which includes actively undertaking joint research with such entities as independent research institutes and researching physiological models that do not employ animal testing.

We will take on the challenge of being the first to introduce generic drugs and launching new businesses so that no suffering patients are left behind, and this entails developing drugs for rare diseases that lack sufficient treatments and similar activities.



Shoji Yokota, Ph.D.
Director,
Senior Managing
Executive Officer,
Group Chief
Research &
Development Officer

Message from responsible officer (IP)

Promoting robust intellectual property capabilities, including those for new business fields

Having handled patent cases, mainly those related to generic drugs, in the past, we will strive to strengthen our intellectual property capabilities in new fields, such as digital medical devices in the future.

Furthermore, we will work to maximize the value of intangible assets throughout the Group by strengthening measures related to training personnel who possess specialized knowledge in various fields, such as intellectual property, formulation, and property analysis; undertaking and maintaining systematic and comprehensive activities, including the formulation of an advanced intellectual property strategy; and promoting the protection and branding of intellectual property, Sawai's original technology, centered on SAWAI HARMOTECH®.



Nobuko Sugimoto
Senior Executive
Officer,
Group Chief
Intellectual
Property Officer



Procurement

Strength 1 Strong new product API research and procurement abilities

As for APIs used in new development, we undertake various activities such as searching for APIs throughout the world, examining production facilities, quality, etc., and conducting analysis and trial production of pharmaceuticals using samples of these APIs. We use APIs that meet our own standards, which are even higher than those of the Ministry of Health, Labour and Welfare. The API Sourcing Group provides support for research and procurement through its specialists in purchasing, including members with experience at new drug manufacturers, API trading companies, and Sawai factories.

Suppliers

Procure a wide range of raw materials from around

500 companies in **30 countries** throughout the world

Strength 2 Selection and procurement of raw materials with primary emphasis on quality and safety

In order to deliver even higher quality generic drugs, we inspect the factories of API manufacturers, particularly the Quality Assurance Department. Furthermore, we confirm that API manufacturers' quality management systems meet Sawai standards by checking that the Production Department undertakes manufacturing in an appropriate environment and the Quality Control Department conducts appropriate analysis. We also release information on the country and factory where APIs are manufactured to provide healthcare professionals with peace of mind. In addition, we actively undertake multisourcing—that is, procuring the same API from multiple manufacturers in order to ensure stable procurement.



Production and reliability assurance

Strength 1 Manufacturing know-how for high-mix, low-volume production

To produce various types of generic drugs using the same machinery, it is vital to possess know-how regarding preventing the mixing of principal ingredients.

For tablet presses that form granules into tablets, it takes almost one whole day to switch between products, and Sawai ensures safety by validating each cleaning procedure. This know-how related to validating unique generic drug production processes and managing production makes it possible to conduct high-mix, low-volume production and ensure quality.

Production capacity

15.5 billion tablets

Sawai Pharmaceutical

5.0 billion tablets

Upsher-Smith

Number of products approved to manufacture

Approx. 750

Sawai Pharmaceutical

Approx. 60*

Upsher-Smith

* Calculated according to the counting standards of Japan

Strength 2 Stringent quality management

Quality is managed to exceed government standards through all process, from selection of API and additives to production process, and even post-sales.

We are working to further improve our uncompromising quality in order to provide generic drugs that can be used with peace of mind.

Number of staff in Quality Control Department

411

Sawai Pharmaceutical

68

Upsher-Smith

Strength 3 Own production factories located throughout Japan and external partner companies

Production management and quality control are undertaken, primarily for our eight main factories in Japan. All eight factories observe GMP, and we strive to implement continual improvements by acting in concert and sharing the findings of audits.

We also conduct audits of formulation manufacturing subcontractors at least once every three years.

Number of internal GMP audits

153

Sawai Pharmaceutical

62

Upsher-Smith

Message from responsible officer

Embodying the Group philosophy through continuous efforts to improve quality

The Group has expanded its production capacity within Japan to 18.5 billion tablets, which includes 15.5 billion tablets for Sawai Pharmaceutical's six factories (Kashima, Kanto, Sanda, Sanda Nishi, Kyushu, Daini Kyushu), and 3.0 billion tablets for Trust Pharmatech's Yachi and Seima factories.

Through not only this production capacity but also continually implementing measures to increase quality, we aim to embody the Group's philosophy of "always putting healthier lives first."



Toshiya Hasuo

Senior Executive Officer
Group Chief
Production Officer

Topics

Working to establish a production system at Trust Pharmatech

Founded as a new subsidiary of the Group in December 2021, Trust Pharmatech launched full production in April 2023 and is moving forward with efforts to establish a production system with an annual capacity of 2.0 billion tablets or more in 2024.

The most important efforts are thoroughly introducing and spreading the corporate philosophy of “always putting patients first” and Sawai quality just like has been done at Sawai Pharmaceutical. In order to spread the corporate philosophy to each and every employee and encourage its implementation, we systematically undertake training and group activities to raise compliance awareness. We are also rebuilding our GMP system and providing continual employee education to spread the Sawai culture regarding quality.

Furthermore, we are transferring production to factories in a planned manner. As for new products, in addition to passing on Sawai standards based on witnessed manufacturing and testing by the Research and Development Division, Sawai Pharmaceutical

employees provide onsite guidance for producing and testing existing products. Even for ensuring quality, Sawai Pharmaceutical offers support on all fronts, such as holding guidance meetings and conducting audits by the responsible person in the Quality Assurance Department and Reliability Assurance Division.

Our goal is to achieve an annual production capacity of 3.0 billion tablets in the future by increasing the number of employees involved in manufacturing through 2025.



Trust Pharmatech's Seima Factory 2



Sales and marketing

Strength 1 Provision of accurate information

We provide information to patients and healthcare professionals through three channels—approximately 370 medical representatives (MRs); the Medical Information Center, an inquiry desk open 24 hours a day, 365 days a year; and a website.

In addition to undertaking activities for providing accurate information to all healthcare professionals, MRs collect and compile information on side-effects and safety of drugs, and this work is led by the Pharmacovigilance Department. We are working to have our drugs properly used by providing that information to healthcare workplaces as feedback.

Number of MRs



Strength 2 Extensive product lineup

The lineup of products offered by our Japanese Group companies extends to about 800 products. Our ability not only to collect and provide information on various diseases and in a wide range of fields but also to broadly meet the treatment policies and needs of healthcare professionals, which is possible because we market numerous products, is another strength of Sawai Group.

On account of our continuing training for MRs that covers various products, MRs can acquire extensive knowledge. It is precisely because of our wide lineup of products, that we can propose multiple drugs to treat the same disease and more concomitant drugs.

Number of products on sale



* Calculated according to the counting standards of Japan

Aiming to become a corporate group trusted by stakeholders

Basic philosophies

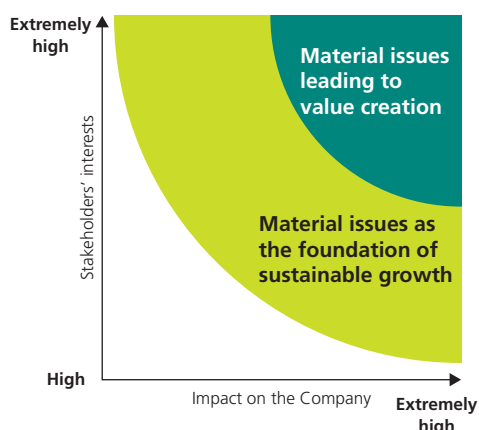
- At the Sawai Group, we believe that a healthy society and its sustainable development are the foundation of why we exist.
- The Sawai Group can only be sustainable if it is recognized as an entity (in other words, an institution of our society) necessary for the realization of a sustainable society, and if it maintains a firm relationship of trust with all our stakeholders.
- As our society changes, the Sawai Group can continue to exist in a sustainable way by rapidly responding to these social changes and by continuing to evolve.

Key policies

- 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.
- 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.
- We pursue creativity and constantly evolve along with society, so that the Sawai Group can remain sustainable.

Material issues (set May 2022)

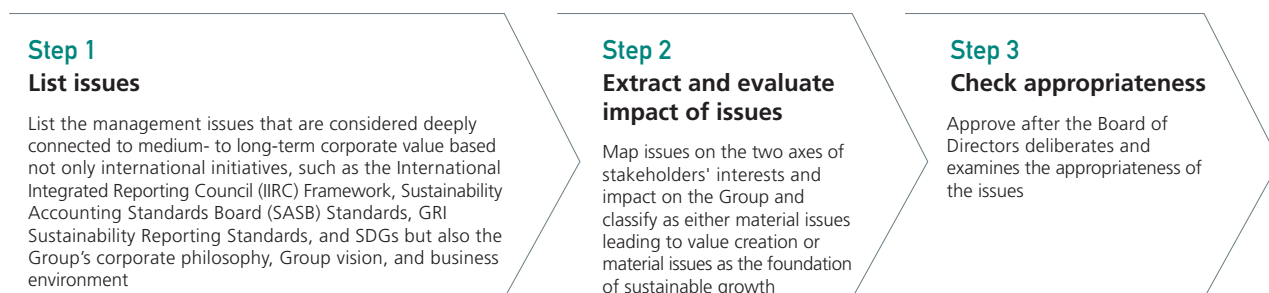
For the Group to achieve a sustained enhancement of its corporate value, we identify material issues (important issues) that should be given priority in resolving from the two perspectives of stakeholders' interests and impact on the Company, which are based on the idea that business activities that take into consideration sustainability for the whole of society are indispensable.



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

Process for setting material issues

The Group's material issues are identified through the following steps. We also regularly review and confirm their appropriateness and revise them around once every three years from a medium- to long-term perspective because it is necessary to take into account changes in the business environment and new social issues.



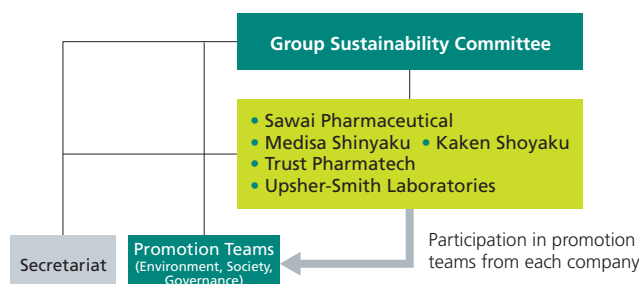
Risks and opportunities and our response

	Risks	Opportunities	Response
Generic drug business	<ul style="list-style-type: none"> Decline in drug prices for various reasons including annual drug price revisions General decline in trust in generic drugs Increase in launch of AGs Increase in API and raw material costs due to changes in exchange rates and inflation 	<ul style="list-style-type: none"> Growing demand because of aging society Diversification and growing sophistication of healthcare and medicine needs Movement to review drug price system Chance to restructure the generic drug industry 	<ul style="list-style-type: none"> Work to reform the system so that it is possible to provide a long-term stable supply Promote transition to a responsible corporate group Work to further reduce costs
Digital medical devices business	<p>Non-invasive neuromodulation device</p> <ul style="list-style-type: none"> Delay in development and issues with business model Unexpected safety and quality issues due to lack of experience 	<ul style="list-style-type: none"> Increase in the medical consultation and treatment rate due to the provision of new treatment methods Provision of new treatment options to patients for whom drug treatment is not appropriate 	<ul style="list-style-type: none"> Collaborate closely with KOL* and related academic associations Collaborate with experts knowledgeable in medical devices
	<p>NASH treatment app</p> <ul style="list-style-type: none"> Delays in development or failure of clinical trials Launch of new drugs by competitors before the app is ready 	<ul style="list-style-type: none"> Becomes standard treatment and increases medical consultation, diagnosis, and treatment rates 	<ul style="list-style-type: none"> Cooperate with corporations and entities knowledgeable of DTx Read KOL* and related academic association needs
	<p>PHR management app (SaluDi)</p> <ul style="list-style-type: none"> Continued differentiation from other apps Delays in creating in-house system as use of app expands Entry of overseas IT companies into healthcare services 	<ul style="list-style-type: none"> Presence established in the pre-symptomatic illness and disease prevention fields Contribution to achieving a well-being society Launch of services overseas, including Asia 	<ul style="list-style-type: none"> Expand disease prevention field and functions that support the field Secure DX personnel Introduce services based on collaboration with partners
Health food business	<ul style="list-style-type: none"> Fiercer competition Stricter advertising regulations and system changes due to revisions to laws Safety and quality issues due to lack of knowledge and experience 	<ul style="list-style-type: none"> Greater health awareness as people live longer lives Trust and brand strength built up in GE business 	<ul style="list-style-type: none"> Clarify target by setting meticulous marketing strategy and sales plans Recruit human assets who possess professional knowledge and experience
Orphan drug business	<ul style="list-style-type: none"> Delay or failure of clinical trials 	<ul style="list-style-type: none"> Larger market by providing new treatment options R&D capabilities acquired through the GE business 	<ul style="list-style-type: none"> Possess sufficient resources and plan flexibility

* KOL(Key opinion leader), an expert with influence in a particular field.

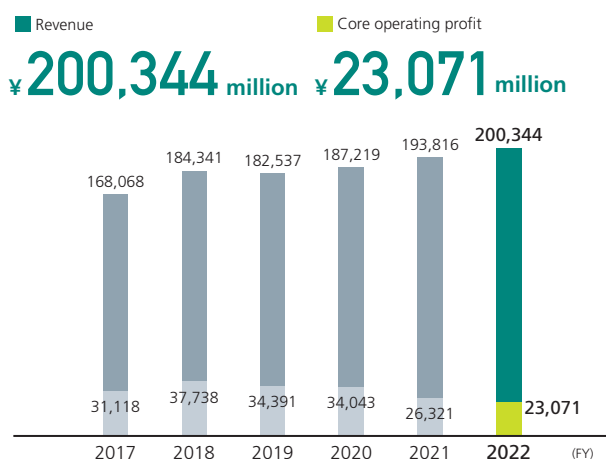
Sustainability promotion structure

We are promoting initiatives through the Group Sustainability Committee, which is chaired by Sawai Group Holdings Representative Director and President (COO). 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 and conduct related activities. The Secretariat is responsible for aiding the committee, communicating information on sustainability, and supporting the promotion team.



Financial highlights

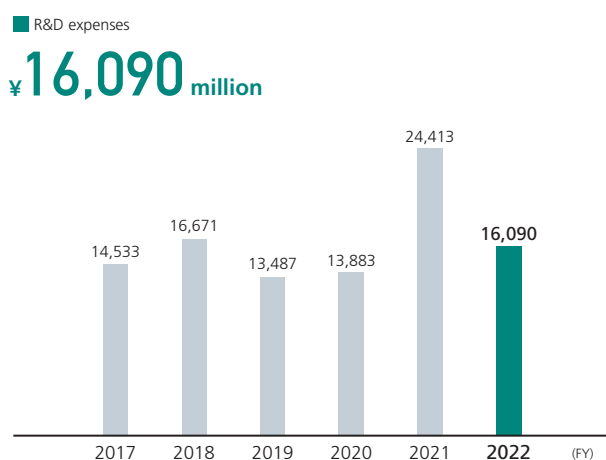
Revenue / Core operating profit



Revenue: For the Japan business, revenue was flat despite drug price revisions because of growth in sales of new drugs and removal of limits on shipments, and for the U.S. business, revenue rose year on year as a result of steady progress with brand drugs and other products and the weaker yen. As a result, revenue surpassed ¥200.0 billion for the first time.

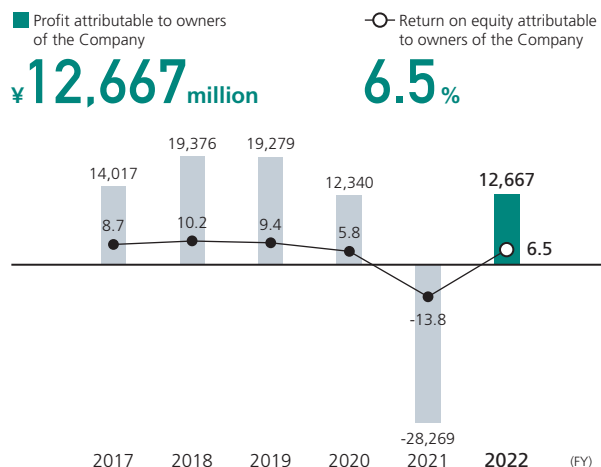
Core operating profit: Core operating profit fell year on year for various reasons, including upfront costs to strengthen production capacity for the Japan business.

R&D expenses



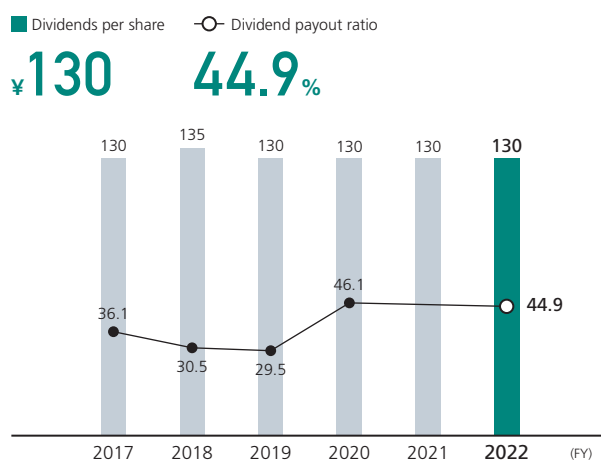
The Sawai Group invested aggressively in research and development in order to be first to market with new products that will differentiate us from our competitors to achieve future growth. R&D expenses fell 34.1% year on year to ¥16,090 million because not only there was no impairment loss this fiscal year for the U.S. business as there was for the previous fiscal year but expenses were also cut.

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



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. Despite the impact of upfront costs for the Japan business, there was no impairment loss for the U.S. business as there was in the previous fiscal year, resulting in net profit.

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 2022, the Company provided an annual return to shareholders of ¥130 per share.

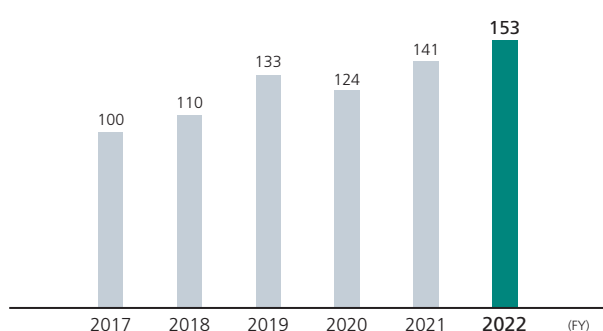
Non-financial highlights

Scope of data: Sawai Pharmaceutical

Number of GMP audits

■ Number of GMP audits

153



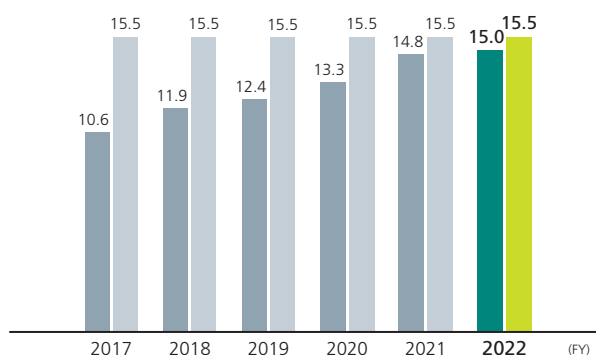
Sawai Pharmaceutical has formed a dedicated audit team, which performs more than 100 GMP audits a year. The number of audits conducted each fiscal year fluctuates within a certain range as the year for the next audit is determined based on the results of the previous audit. As the number of products manufactured and marketed grows, the number of audits at new manufacturing sites has increased annually, and remote audits and (commissioned) audits by independent parties have been used to cover the increase.

Sales volume / Production capacity

■ Sales volume

■ Production capacity

15.0 billion tablets **15.5 billion tablets**

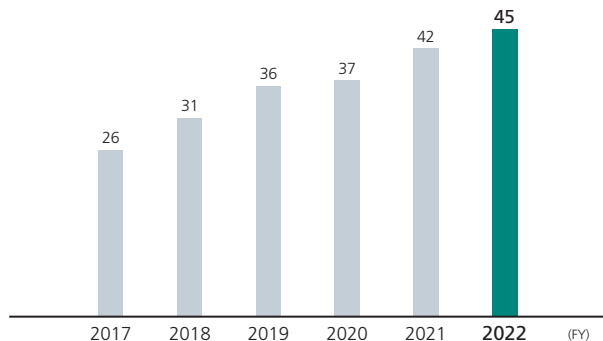


The Group's ability to supply a relatively large number of top quality generic drugs is backed by our industry-leading production capacity. In addition to further expanding its production capacity through initiatives such as constructing the Daini Kyushu Factory, the Group will fulfill its role as a generic drug supply infrastructure company.

Number of patents held

■ Number of patents held

45

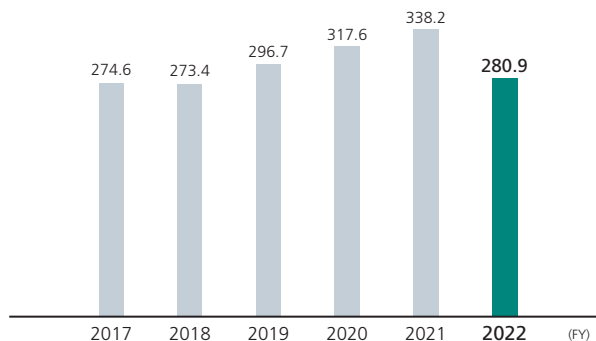


We own a variety of patents, including a patent for reducing the bitterness of active ingredients and a patent for orally dissolving (OD) tablets that can be taken without water. Recently, numerous new technologies have been developed, and there has been an increase in various patent applications and registrations, including ones related to unique Sawai formulation technology (SAWAI HARMOTECH®). The Group is aiming to maximize the value of such intangible assets as patents.

Amount of reduction in healthcare costs

■ Amount of reduction in healthcare costs

¥280.9 billion



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. While the difference between the price of long-listed drugs whose patents have expired and that of generic drugs is shrinking, they contributed to a reduction in healthcare costs of about ¥280.0 billion, which still substantially exceeds our revenue.

Message
from Deputy
Group CEO



Further expanding ESG initiatives, the foundation for sustainable growth

Kazuhiko Sueyoshi

Deputy Group Chief Executive Officer
(in charge of special missions/in charge of ESG)

Working to expand ESG, a management issue

With a corporate philosophy of “always putting healthier lives first,” the Group is aiming to provide healthy lives. As is clearly stated in our key sustainability policies, a healthy society and its sustainable development are the foundation of why we exist.

I was involved in formulating these key policies in 2021, but I had started to think about the relation between the ideal form of corporate activity and society when I was young. During my time at the secretariat of a particular business organization, I came across the idea that “business activities are circular like the natural environment, and both one’s own company and society will prosper through the cycle of using profits to expand production, not fighting to capture more of the pie.” Sustainability activities demanded of companies and this idea are connected at their roots.

Working to lessen the environmental burden caused by production activities

As for our environment (E) initiatives, until then, the Company had focused on reinforcing its production capacity with the goal of providing a stable supply of generic drugs, but consideration of the environmental burden caused by production activities was not necessarily sufficient.

Taking this point into consideration, in fiscal 2022, we revised the environmental targets in the Medium-Term Business Plan. After examining concrete measures to reduce CO₂ emissions, we switched the Group targets to emission volume from emission intensity per unit of production, and then set the numerical target of reducing 2030 emissions 46% compared to fiscal 2013 + α (see page 33). One example of our steady initiatives should be to focus on further recycling waste plastics that were used as packaging.

Steadily moving forward with initiatives to ensure diversity and investments in human capital

As for the field of society (S), one of the things that I have wanted to do for several years is to promote inclusion, diversity, and equity (ID&E).

While around one-third of the Group’s employees are female, women make up a small percentage of managers, and we have failed to reach our target of 8% of managers being women. Therefore, in fiscal 2022, we gathered employees interested in the topic and launched a project team, which compiled proposals for management (see Topics on page 30). We plan to establish a new body in the near future so that we can move from these proposals to action. Raising the percentage of managers who are women, one of the goals for promoting ID&E, will result in a natural improvement in the wage differences between men and women.

As for developing talent, we have traditionally worked to expand training options so that employees can take courses appropriate for their individual interest, awareness, career plan, and other aspect. By offering not only traditional group training and correspondence training but also a wide range of options linked to independent professional organizations, we have raised the annual number of training sessions per employee to 1.4 times. In the future, I would like to add more training options for management candidates.

In fiscal 2022, we also launched new measures related to developing successors. The Group has a system in which each employee creates and submits a goal sheet once every six months, and for all levels of line managers, we have introduced a system in which 20% of goals are related to developing successors. Under this system, managers set goals for succession planning and manage progress.

Two governance reforms

Since transitioning to a holding company, we have steadily made progress in raising our level of governance. As a result, we have expanded the four committees (Risk Management Committee, Compliance Committee, Information Security Committee, and Sustainability Committee) throughout the Group, creating a system in which people tackle issues with a sense of unity.

We implemented two major reforms in fiscal 2022. The first one was establishing a framework for succession plans for such officers as CEO. The second one was appointing external directors with management experience for the first time. As a result, external directors account for 50% of directors. By steadily implementing these initiatives and conducting quite thorough deliberations regarding the Board of Directors, I think that we are getting close to having the Board of Directors that we should have.

Launch of initiatives to spread ESG awareness





An important issue is spreading ESG awareness among employees. Therefore, since fiscal 2022, we have included an ESG perspective when selecting small-group activity topics in Japan. Although this was the first year, we have already had several successes, such as some factories giving presentations on results related to “transforming operations into ones that impose less of an environmental burden by increasing energy efficiency.” There also seems to be a good response to using the in-house intranet, too, to frequently explain in-house activities and introduce a bottom-up approach, not a top-down one.

Building strong bonds with all stakeholders and aiming for sustainable growth

As stated at the beginning, it is impossible for the Group to grow on its own. For us, sustainability is building bonds and growing with all stakeholders, not only patients and healthcare professionals but also local communities and global environment.

The Group’s corporate philosophy and corporate culture must be valued in order to promote this sustainability. Our employees who joined the Company because they identify with our corporate philosophy and value connections with society are one of our strengths, and it is my duty to further improve the Group’s strong efforts related to ESG, the foundation of sustainability, to a level that they are recognized. The goal is to create a corporate group in which all employees work together and generate sustainable growth with society over the long term.

Main initiatives in ESG fields

Issues to address	Targets (quantitative/etc.)	FY2022 Results
E Environmentally friendly production 	<ul style="list-style-type: none"> Reduce CO₂ emissions by 46% in FY2030 on a gross volume basis (based on FY 2013 emissions + α) Net zero CO₂ emissions by 2050 Waste plastic recycling rate of 65% or more (in 2030) 	<ul style="list-style-type: none"> Changes and additions to medium term management plan environmental targets. Consideration of installing solar power panels installed at Kyushu Daini Factory. Started power generation using solar power generation panels at the Sanda Nishi Factory (FY2022 power generation: 5.9% of annual electricity used by the plant).
S Talent development, work styles / motivation, respect for human rights  	<ul style="list-style-type: none"> Safe and diverse work environment Promotion of diversity Initiatives for respect of human rights 	<ul style="list-style-type: none"> Transition from a telecommuting system used during the COVID-19 pandemic to a permanent telecommuting system. Use of stress check results for workplace improvement. Conducting employee engagement survey and interview survey (examine measures for the coming fiscal year). Action plan proposal to promote ID&E for the in-house project established taking into consideration the results of that gender awareness survey conducted in house. Compliance e-learning on harassment. ID&E Initiatives based on engagement survey (Upsher-Smith).
G Deepening corporate governance 	<ul style="list-style-type: none"> Improvement and deepening of governance through conversion to holding company structure Stronger risk management / compliance 	<ul style="list-style-type: none"> Direct reporting and explanation at the Board of Directors meetings about various committees which include related members. Started developing succession plans for CEO and other officials by Nomination, Remuneration and Other Governance Committee Implementation of E-learning on compliance, information security, etc. Strengthening information security governance, such as obtaining ISMS certification (ISO27001) and targeted mail based training.

Message from General Manager of Group Human Resource Department

Promoting efforts to secure and train diverse human assets indispensable for our growth strategy

Fumihito Yamakawa

General Manager of Group Human Resource Department



Promoting a human asset strategy based on the Medium-Term Business Plan

In the three-year Medium-Term Business Plan START 2024, we set the goals of further strengthening our generic drug business and entering into new business in different growth fields. To further strengthen the generic drug business, we must be the first to release and provide a stable supply of high-quality, high-value-added products, and what is particularly vital is strengthening our R&D and production functions. We must also possess creative, transformative human assets with unconventional ideas to promote new businesses in fields unknown to us.

We are working to secure and train outstanding human assets with diverse ways of thinking under the basic human resources philosophy of “fostering and leveraging the individual” with these types of business in mind.

While Japan’s labor market continues to be a seller’s market because of a shortage of workers, Sawai Pharmaceutical aggressively conducted recruiting in fiscal 2022 and hired 230 new employees, which includes new graduates. We also reinforced our R&D and production

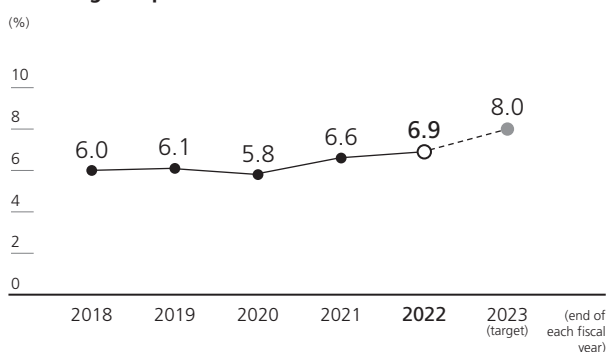
functions by adding about 400 employees, mainly R&D and manufacturing workers, from Trust Pharmatech, which joined the Group in April 2022.

As for human asset training, the main Group companies in Japan are working to create a system of employee evaluations and training, and one related initiative was preparing “skill requirement definition documents,” which stipulate items such as the skills and expected role for each job and grade. To achieve highly creative organization management, we are focusing on cultivating a culture of diversity that values diverse ways of thinking regardless of sex or age.

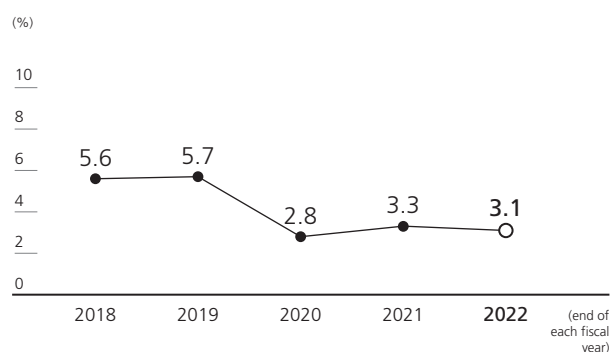
Valuing individuality and creativity and reinforcing engagement

In a seller’s labor market, retaining human assets is an issue for all companies, including us. Regarding this point, we value the individuality and creativity of each employee and work to strengthen employee engagement based on our basic human resources philosophy. Main Group companies in Japan offer opportunities for superiors and subordinates

Ratio of female employees in managerial positions (scope: Sawai Pharmaceutical)



Turnover rate (scope: Sawai Pharmaceutical)



to hold one-on-one discussions on such issues as performance and career several times a year, and it is our opinion that this contributes to greater motivation, an open work environment, and thus employee retention. Furthermore, on the in-house Intranet, which all employees can access, we provide not only management information, such as business plans and management figures, but also the thoughts of and daily routines of senior management.

These initiatives have been successful, and for many years, Sawai Pharmaceutical has been able to keep our employee turnover rate to less than 10%, while there are surveys that indicate a turnover rate of more than 30% for new graduate recruits over their first three years of work.

Cultivating a corporate culture of mutual acceptance of diverse values

We consider fostering a corporate culture in which people mutually accept various values and backgrounds an important element for growing the Company and individuals. At Sawai Pharmaceutical, which is aiming to become a company in which anyone, not limited by their sex, handicap, or other issue, can play an active role, one of the goals is to achieve the goal of having women account for at least 8% of managers and employees with disabilities account for at least 2.3% of our workforce by the end of fiscal 2023.

Furthermore, in July 2022, a company-wide project, composed of members from the various Group companies, was launched to examine measures to promote inclusion

and diversity. Because of this project, many issues for examination were proposed, such as providing training to transform the awareness of employees, including management, and we will develop concrete policies and a system to promote related initiatives in the future.

Focusing on promoting health and productivity management based on the corporate philosophy

Touting the corporate philosophy of “always putting healthier lives first” and with the idea that “better drugs are born from workplaces that are both mentally and physically healthy,” we are focused on creating an environment in which employees can work while maintaining their health.

We create an annual physical and mental health promotion plan and boast a system to implement that plan, and our main business offices in Japan offer an environment in which the physical and mental problems of employees can be quickly dealt with in collaboration with an occupational physician. Furthermore, so that all employees can enjoy their work, we are striving to eliminate harassment by clearly stating the corporate stance of ending harassment through employment rules and other items and operating a harassment helpline.

Because of these efforts, we were selected by the Ministry of Economy Trade and Industry—as a “Certified Health & Productivity Management Outstanding Organizations.” We hope to continue to focus on promoting health and productivity management.

Topics

Action plan proposal to promote ID&E through an in-house project

The project was initially launched in July 2022 as the “Active Participation of Women Promotion Project” (tentative name), but based on the collective opinion of project members, related activities were broadened from ones only targeting women to ones for all employees. Furthermore, the project was named S-Wing, which embodies the idea of making it possible for Sawai (S) to move forward and offer pleasant workstyles without a bias in the “wings” that support us.

Because of an imbalance in the ratio of male and female project members, during the almost nine months of project activities, around thirty new projects members were added as ambassadors in order to incorporate opinions regardless of gender. This made it possible to undertake activities that incorporate various perspectives. In March 2023, an action plan proposal regarding all employee activities was submitted to senior management. In response to the proposal, the Group will continue to promote inclusion, diversity, and equity (ID&E).



S-Wing Project

<https://www.sawai.co.jp/sawai-gender-action/project.html>
(Japanese language only)

Note: We use the term “ID&E” because we consider inclusion (I) an important foundation for promoting diversity (D), but also view equity (E) as an essential related idea.

Society

Quality management

Sawai Pharmaceutical

By conducting unannounced audits each year, Sawai Pharmaceutical confirms that its factories can pass inspections by government authorities whenever they may occur. Similarly, Trust Pharmatech's manufacturing locations, where operations were newly launched in fiscal 2022, are managed at the same level as Sawai Pharmaceutical factories, and similar audits have been started.

In terms of the quality of APIs, we rigorously check whether each manufacturing factory complies with Good Manufacturing Practices (GMP) stipulated by law using our own standards 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.



Quality audit



Quality management (Sawai Pharmaceutical)

<https://www.sawai.co.jp/medicine/sawaigenerics/quality/>
(Japanese language only)

Main items

- API quality
- Quality management system at factories
- Response to PIC/S
- Conduct drug use-results surveys

Video explaining quality-related initiatives (Sawai Pharmaceutical)

https://www.sawai.co.jp/medicine/sawaigenerics/quality_movies/
(Japanese language only)

Upsher-Smith

Upsher-Smith consistently manufactures products of permissible quality by undertaking production and quality management in line with the quality management system (QMS) required by U.S. government regulations.

For all raw materials and final products, the Company conducts testing in line with FDA approval standards. Furthermore, a comprehensive evaluation of final products is conducted using an annual product review.

The Company also makes comprehensive self-checks of equipment/systems regularly in line with the in-house procedure manual. At new factories, electronic batch records are being introduced to further increase quality.

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) in accordance with the Act.

As the deadline for becoming serialization compliant is November 27, 2023, the Company is moving forward with related preparations. Furthermore, for all our bottles, the seal clearly indicates if it was improperly opened.

Communication with patients

Sawai Pharmaceutical

Patient Support Office

Sawai Pharmaceutical's Patient Support Office is the only in-house department permitted to directly communicate with patients. Because many inquiries by patients are due to vague concerns about treatment and medicine, the Patient Support Office first works to accept those concerns.

The goal is to alleviate the worries of patients, which helps them be more positive about their treatment and move forward with appropriate treatment.

Sawai Kenko Suishinka, Website for general population

Our corporate website offers knowledge and information that helps patients find peace of mind regarding drugs, and this information includes basic information on generic drugs and our quality initiatives. We also post 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.

If using the PHR management application SaluDi to keep PHR, it is possible to easily access the Sawai Kenko Suishinka from within the app.



Top page of Sawai Kenko Suishinka (Japanese language only)
<https://kenko.sawai.co.jp/>



ESG data: <https://global.sawaigroup.holdings/sustainability/esg/>
SASB index: <https://global.sawaigroup.holdings/sustainability/sasb/>

Human rights and human resources

The Sawai Group has established a Code of Conduct to define its approaches toward respect for human rights, consideration for the health and working environment of employees, and fair and appropriate treatment of employees. In line with the code, the Group is actively and proactively addressing these issues.

Details of policies and initiatives are reported on the website.



Human rights and human resources

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

Main items

- Initiatives to respect human rights
- Consideration for the health and the working environment of employees
- Consideration for employees' nursing care, childbirth and childcare
- Fair and appropriate treatment
- Enhancing diversity
- Policy on human asset development
- Training system
- Policy on ensuring workplace diversity

Disclosed data

- Percentage of paid leave days used
- Turnover rate
- Number of employees taking nursing care leave, maternity leave, or childcare leave
- Percentage of female managers (Sawai pharmaceutical only)
- Percentage of employees with disabilities (Sawai pharmaceutical only)
- Number of participants in training

Policy on respect for human rights

As a healthcare corporate group closely related to life, our Group is committed to respecting the human rights of various stakeholders, including patients, employees in Japan and overseas, and business partners, and supports the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and promotes initiatives in accordance with the United Nations Guiding Principles on Business and Human Rights.

Sawai Pharmaceutical Group companies in Japan

In the Group companies in Japan, we recognize employees and labor unions as important stakeholders and maintain sound and good labor-management relations. In addition, we are striving to raise awareness of human rights by clearly stating in our Code of Conduct that we oppose any form of discrimination on the basis of race, gender, nationality, ethnicity, religion, ideology, political opinion, sexual orientation, disease, disability, and refuse any involvement in the infringement of human rights.

Upsher-Smith Overseas Group companies

Since our overseas Group companies are more racially diverse than the Group companies in Japan, they devote special efforts to respect for diversity, including racial diversity, which they recognize as an important social issue. At Upsher-Smith Laboratories (USL), a Group Company based in Minnesota, where the Black Lives Matter movement in 2020 originated, members of senior management have taken the initiative with the belief that the diversity of employees is a source of the Company's strengths and greater performance. In addition, the advisory council related to four minorities (Blacks, women, Southern Asians, and Hispanics) on four minority groups (Blacks, Women, South Asians, and Hispanics) meets regularly to identify the potential biases of employees and devise measures to increase mutual understanding between them, and the Employee Resource Group is working on women and LGBTQ+ issues.

Employee engagement survey

In 2022, the Group conducted an employee engagement survey, which is conducted every several years. The results confirmed not only that employees possess a stronger sense of identification with the Company and its management policies compared to the previous survey but also that we have maintained a high level of satisfaction as an employer. We consider this proof that even in the harsh business environment in recent years, employees are conducting their work with a sense of pride in and responsibility for providing generic drugs.

However, there were signs of a decline in collaboration between departments and sense of mutual help. Through this survey, we confirmed that there is engagement with the Company and work but also that there are issues, such as employees feeling stress regarding greater work volume and difficulty of their work and employees having a low desire to take on challenges because they are busy with the work in front of them.

These issues were reported to the Management Meeting and improvements were deliberated on. A summary of this is shared with employees via the in-house Intranet. We will continue to conduct this survey because it leads to a stronger sense of unity and engagement by delivering employee opinions to management and resolving problems.

Environment

Review of environmental targets in Medium-Term Business Plan

Raised CO₂ emission reduction targets

Of the various environmental targets in the Medium-Term Business Plan START 2024 (April 2021–March 2024), we partially revised our targets related to CO₂ emissions. The goal of these revisions was to align the target level with the government’s goal of Carbon Neutrality by 2050 and reinforce initiatives to cut CO₂ emissions to achieve the target of “cutting CO₂ emissions 46% compared to FY2013 by FY2030.”

The revisions were approved after deliberations by Sawai Pharmaceutical’s Sustainability Committee, the Group Sustainability Committee, Group Strategy Council, and Board of Directors. The main revisions are given in the following table.

Main revisions

Previous	Revised
<ul style="list-style-type: none"> Reduce emissions 25% on an intensity-per-unit-of-production basis by FY2030 	<ul style="list-style-type: none"> Reduce total emissions volume 46% compared to 2013+α level by FY2030 Net zero (2050)

Disclosure based on TCFD recommendations (summary)

Governance

- The Group COO was assigned responsibility to address climate change issues and the Board of Directors oversees the performance of those duties.
- The Group Sustainability Committee (chaired by Group COO), which is composed of representatives from each Group company, meets four times a year to discuss and examine sustainability-related matters, including climate change issues. Regular reports are made to the Board of Directors, and decisions are made under the direction and oversight of the Board of Directors.
- Global Environment Team, a subordinate body of the Committee composed of members from each Group company, was established, and reports to the Committee quarterly.
- The envisioned risks and opportunities are as in the following table.
- A Sustainability Committee, chaired by the President and Representative Director, was also established at Sawai Pharmaceutical, the Group’s core company, and meets four times a year.

Risks and opportunities related to climate change (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 on the Group created by carbon pricing 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 Burden on the Group of capital investment in energy saving necessary to reduce its 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
	Transition risks	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, feed, and other uses 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 and Upsher-Smith

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



ESG Data: <https://global.sawaigroup.holdings/sustainability/esh/>

Disclosure Based on TCFD Recommendations (details):

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

Strategy

- Work to reduce emissions intensity in the short term.
- Work to reduce emissions, including examining introducing non-fossil energy, in the medium and long term.
- Examine the impact on the Group using various scenarios, including the 1.5°C, which assumes the increase in average global temperatures since the industrial revolution is limited to less than 2°C, and the 4°C scenario, which assumes average global temperature rise as GHG emissions continue to increase because government policies and regulations basically remain unchanged from the current ones.

Risk management

- Screen, evaluate, and identify risks with the participation and collaboration of in-house divisions and affiliated companies strongly connected to each stage of the supply chain, with the Global Environment Team playing a core role.
- Have Group Sustainability Committee and Board of Directors examine and deliberate on risks and then make related decisions based on the evaluation results.

- Have the Board of Directors appropriately include this in the annual business plan in the short term and Medium-term Business Plan in the medium and long term.

Metrics and targets

- The following metrics and targets have been set, and progress in achieving them is managed.

Metric	Target
(1) GHG emissions, including CO ₂ (scope 1 and 2)	(Single fiscal year) Reduce scope 1 and scope 2 emissions at least 1% compared to the previous year
	(Medium-term) Reduce total CO ₂ emissions (scope 1 and 2) 46% compared to FY2013+α level by FY2030
(2) State of planned introduction of non-fossil energy	(Long-term) Achieve net zero by 2050
	* Disclose annual reductions for each scope on the corporate website.

Topics

Achieving energy-efficient operations by controlling air pressure differential between rooms

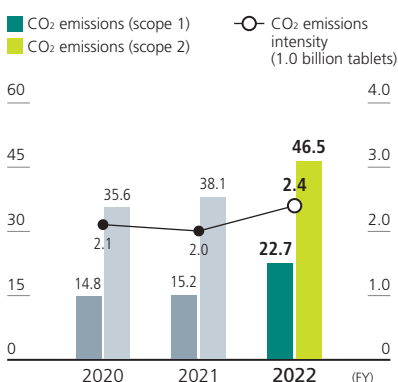
At pharmaceutical factories, appropriately setting the air pressure differential between rooms traps airborne granular material in the room and prevents cross contamination (mixing of different items). Because it is difficult to appropriately control the air pressure differential between rooms, ventilation equipment has traditionally been operated even on days factories are closed, but by properly adjusting such equipment as ventilation ducts and inverters for each room, it is possible to operate in an energy efficient mode.



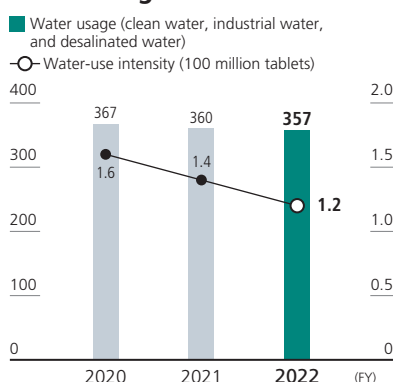
Air-conditioning equipment for which operating time was successfully reduced by revising how it is used

Environment data (Japan)

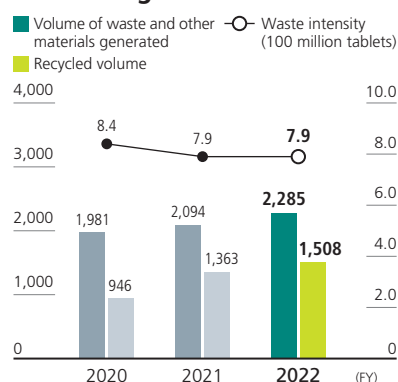
CO₂ emissions (kt-CO₂)



Water usage (thousand m³)



Volume of waste and other materials generated (tons)



Japan business
(Sawai Pharmaceutical)



Navigating a turning point in the generic drug industry and providing a stable supply of high quality drugs

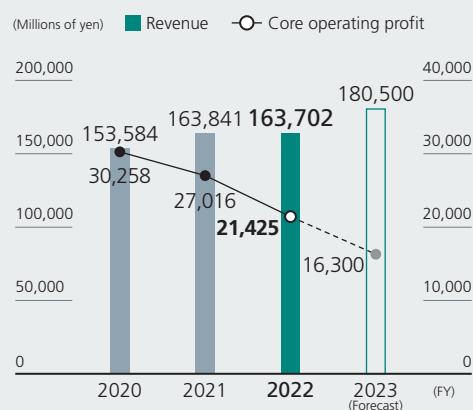
Motohiko Kimura

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

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • One of the top supply capabilities in Japan • Proprietary product development capabilities • Brand strength as top manufacturer • Stable financial base • Integrity of employees based on corporate philosophy 	<p>Weaknesses</p> <ul style="list-style-type: none"> • 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
<p>Opportunities</p> <ul style="list-style-type: none"> • Chance to restructure the generic drug industry • Growing demand because of aging society • Diversification and growing sophistication of healthcare and medicine needs 	<p>Threats</p> <ul style="list-style-type: none"> • Decline in drug prices for various reasons including annual drug price revisions • Decline in trust in generic drugs • Increase in launch of AGs • Weak growth in advanced countries • Increase in raw material costs

Revenue / Core operating profit



Sawai Group Vision 2030 quantitative targets

	FY2020 (actual)	FY2022 (actual)	FY2030 (target)
Revenue	¥153.6 billion	¥163.7 billion	¥260.0 billion
Sales volume	13.3 billion tablets	15.0 billion tablets	20.0 billion tablets
Share of sales	15.7%	16.0%	20.0% or more
Production capacity	15.5 billion tablets	18.5 billion tablets	23.0 billion tablets or more

On assuming the position of Sawai Pharmaceutical President—responding to change by melding the strengths of each in-house divisions

My name is Motohiko Kimura and I am the new Representative Director and President of Sawai Pharmaceutical. Before entering the Company in 2016, I worked in the department responsible for coordinating production at Sumitomo Pharmaceuticals (currently Sumitomo Pharma). Before that, I worked on biopharmaceutical research and gained experience in various divisions, including ones involved in the launch of a commercial cell cultivation plant, sales and purchase of intellectual property, business development, and purchasing. When I was stationed in Europe, I also helped launch an English corporation. At Sawai Pharmaceutical, as the Senior Vice President of the Manufacturing Division since 2017, I pushed forward efforts related to restructuring and strengthening the production system at each factory and increasing their production capacity. I was appointed president in order to leverage these experiences and contribute to quick solutions to problems related to quality and stable supply, which are demanded of the generic drug industry.

The Company is now approaching a turning point. In addition to annual drug price revisions, increases in raw material costs, and a duty to provide a stable supply of our GE new products, development is growing more difficult due to the growing complexity of formulation. Despite releasing new products, we have been unable to halt the increase in the number of unprofitable products. AGs are also growing in number, making it an extremely difficult time. Furthermore, this is a period of numerous expected changes, including the Ministry of Health, Labour and Welfare launching a working group on system reforms, and we must properly respond to these changes.

Under these conditions, the management and marketing strategies are important, and it is time for each

division to collaborate even closer with each other and for us to rebuild our system so that we can quickly respond to change.

Because we produce an extremely large number of generic drugs, we face different production difficulties than those of drug manufacturers that produce a small number of new drugs, and these difficulties include having to routinely change production equipment.

One of my responsibilities is to link not only research to production but also marketing to production by formulating a strategy and leading them like an orchestra conductor. This makes it possible for work to progress smoothly both inside and outside the Company. I would like to leverage my skillful footwork, one of my strengths, for that.

Taking on the challenge of implementing various measures to transform difficulties into opportunities

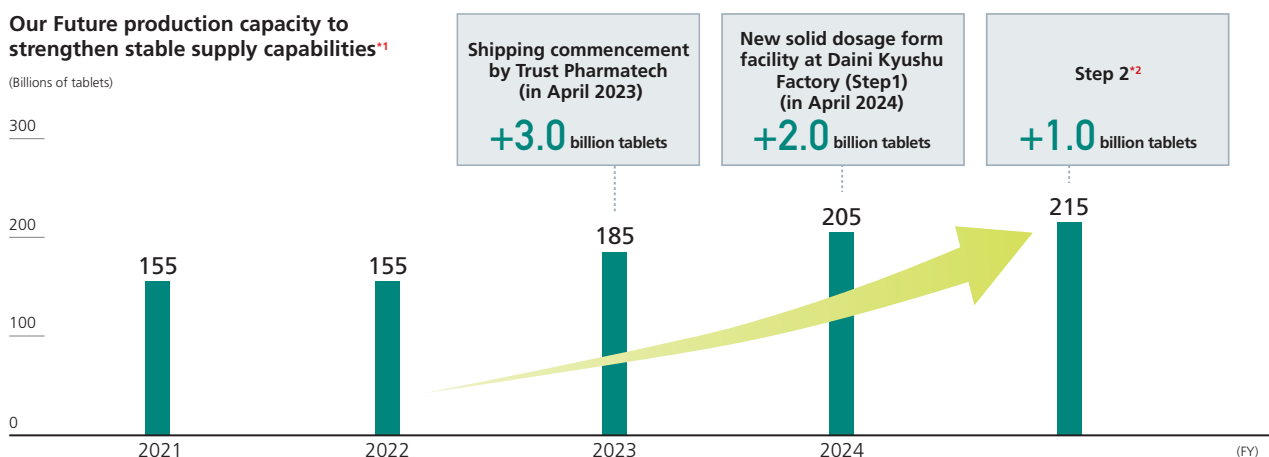
In fiscal 2022, we recorded revenue of ¥163,702 million from the Japan generic drug business because despite the impact of drug price revisions, sales of new products grew, and we lifted limits on shipments. On the other hand, core operating profit fell year on year to ¥21,425 million because of upfront investments and higher costs.

Furthermore, we project a decline in profit for fiscal 2023. The main reason for this decline is higher costs. Although we have lowered production costs each year after I became the Senior Vice President of the Manufacturing Division, fiscal 2022 was the first year that it was not possible to cover drug price revisions with lower production costs. This was because of the impact of the war in Ukraine, and higher labor and heating and lighting costs. For example, products that cost ¥100 in the previous year cost ¥105 this year, an overall 5% increase in costs.

In response to this increase in costs, we worked to further raise productivity and reflect the impact of those higher costs in prices. We have requested the understanding

Our Future production capacity to strengthen stable supply capabilities^{*1}

(Billions of tablets)



^{*1} Production capacity assumptions: Assumes continued operation of machinery using two shifts on weekdays for current number of products. Does not include outsourcing.

^{*2} Step 2: Timing undecided.

of wholesalers and retailers in fiscal 2023, too.

Under these conditions, we must take these kinds of steps so that we can fulfill our responsibility to continue to deliver required drugs, even unprofitable ones, to patients. In this type of situation, what is important is properly fulfilling our responsibility to be accountable to business partners. In my previous position as Manager of the Purchasing Department, the most important thing was to fully explain the Company's current situation before requesting cooperation. Greater understanding not only raises the level of cooperation but also leads to trust. I consider it my role as head of the Company to continue this type of dialogue.

Furthermore, there previously were few exchanges among companies in the generic drug industry. I think that we can build a relationship of mutual prosperity beneficial to all through even deeper collaboration with stakeholders, including business partners and suppliers. Fortunately, there are extremely high expectations for the Company, which boasts the largest market share in the industry, and I want to examine what type of collaboration is possible through consultations with the Chairman of the Board and Vice Chairman.

Moving forward with both increasing production capacity and securing and training people in order to further increase our share

Following an almost yearlong preparatory period, Trust Pharmatech started to ship products fully produced in-house in June 2023 as scheduled in order to eliminate supply shortages and increase production capacity. Furthermore, at the Daini Kyushu Factory, construction of a new solid dosage form facility is moving with the goal of launching production activities in April 2024. This will make it possible to increase our production capacity to more than 20.0 billion tablets in fiscal 2024.

There is a need to improve the capabilities of production facilities, which would also resolve the issue of it being more difficult to commercialize new products. This is because it is necessary to possess spare production capacity and launch commercial production-scale tests at

the factory as quickly as possible so that we can swiftly transition to stable production. First of all, we will focus on launching full production at Trust Pharmatech and completing the new facility at the Daini Kyushu factory.

While our current share of the Japanese generic drug market is about 16% on a volume basis, the long-term vision for 2030 includes a target market share of 20% or more. It is, however, my opinion that the mission of the Company is to increase our market share beyond that.

To do that, it is important to recruit and train people. We not only stress the turnover rate as a KPI, but have also introduced a system in which more senior employees close to the age of new recruits are assigned as mentors, who serve as advisors and pass on their experience along with work guidance. Through these efforts, we lowered the employee turnover rate to 3.1% in fiscal 2022 from 4.8% in fiscal 2017. Having employees remain at the Company will also increase the capabilities of each and every employee. In addition to a system in which a single employee handles multiple operations, we are introducing KPI and a numerical scale for work skill ranks.

Because of these efforts, since 2017, the year I became the Senior Vice President of the Manufacturing Division, our production volume has increased 1.6-fold without substantially increasing the number of employees.

Creating a "company that continues to contribute to society far into the future" by leveraging our strengths

One of Sawai Pharmaceutical's strengths is its corporate philosophy of "always putting patients first." We are proud of the fact that we are all moving in the same direction under this philosophy and are unsurpassed in the speed of our response. My goal is to transform the Company into a "company that continues to contribute to society far into the future." While consulting with everyone regarding what should be done to achieve that and deliberating with stakeholders both in and outside the Company, we will move forward with management so that we can win people's trust.

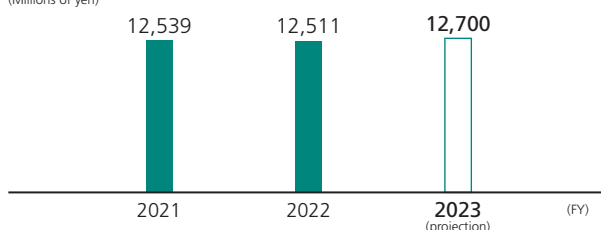


Senior Managing Executive Officer
Representative Director and President of
Sawai Pharmaceutical Co., Ltd.

R&D expenses

More than ¥10.0 billion annually in R&D expenses to develop high-value added products

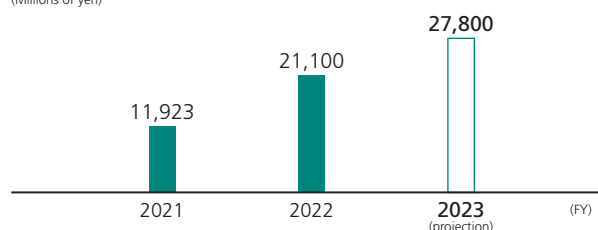
(Millions of yen)



Capital expenditures

¥60.0 billion in capital expenditures over three years from fiscal 2021 to increase production capacity

(Millions of yen)



U.S. business
(Upsher-Smith)



FY2022 Marks a turning point for Upsher-Smith

-looking to build on momentum from strong FY2022 performance-

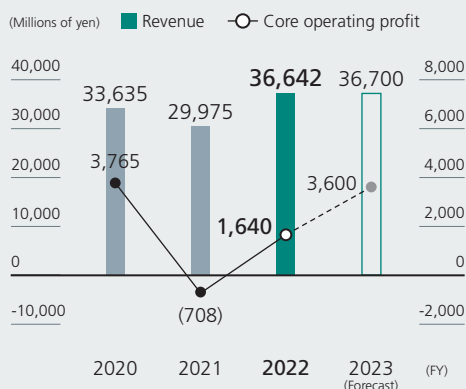
Rich Fisher

President & COO, Upsher-Smith Laboratories

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Consistent high quality supply from manufacturing facilities located in the U.S. • Strong relationships with major wholesalers • High level of employee engagement • Strong development partnerships with outside partners 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lower relative price competitiveness compared to Indian companies
<p>Opportunities</p> <ul style="list-style-type: none"> • High population growth rate for an advanced country • Size of the market, which accounts for about 40% of the global market • Supply disruptions of competitors that struggle to comply with regulations and raise funds 	<p>Threats</p> <ul style="list-style-type: none"> • Excessive decline in selling price due to competition with new entrants • Continuing pricing pressures driven by consolidation into three major purchasing groups

Revenue / Core operating profit



FY2022 performance

My name is Rich Fisher and I assumed the role of President and COO of Upsher-Smith Laboratories (USL) approximately one year ago. Despite the continuation of challenging conditions in the U.S. generic market, USL had an outstanding year. FY2022 marked USL's first year-over-year revenue increase in nearly a decade and USL also achieved substantive improvements in profitability. We expect additional revenue and profitability growth in FY2023. Growth in FY2023 will be driven primarily by a significant number of new product launches, which will more than offset expected revenue declines for mature products. USL's external R&D model, which was implemented over a year ago, has been a spectacular success, leading to a dramatic decrease in expense and an increase in pipeline products, submissions to FDA, and new product launches.

Investing in human resources for future growth

Shortages of workers in production areas continue to be a challenge, with unemployment in MN remaining at historic lows of approximately 3%. USL continues to aggressively recruit and work on initiatives important to employees such as Diversity, Equity and Inclusion. In FY2022, USL increased the diversity pool of candidates for new jobs, implemented

new training tools, and expanded activities associated with Employee Resource Groups. Despite worker shortages, significant milestones were achieved in FY2022.

Outlook for FY2023

USL's new 25,000 square meter manufacturing facility was approved by the FDA late in 2022 and began commercial manufacturing in February of 2023. The outlook for FY2023 and beyond looks promising. USL has a strong reputation in the U.S. for consistently delivering quality products. Some of USL's competitors have stumbled due to 1) lack of regulatory compliance, leading to importation bans into the U.S. 2) Financial difficulties, leading to bankruptcy filings and inability to continue to market their products 3) Insufficient investments in operations, leading to potential non-compliance with pending serialization and aggregation requirements. It is possible that these developments mark a turning point in the U.S. generic industry, and USL is very well-positioned to capitalize on competitor's failures.



Value creation strategy | Feature-Progress in fostering new businesses

Feature

Progress in fostering new businesses

Developing new business fields to evolve into a general healthcare company

To achieve sustainable growth for the Group, we will work to not only strengthen our existing generic drug business but also foster new businesses. Our goal is to possess a strong presence and continue to contribute to people’s health by creating a world where more people can receive healthcare services and live a full life with peace of mind among society, and providing a multifaceted mix of products and services based on scientific evidence that meet individual needs.

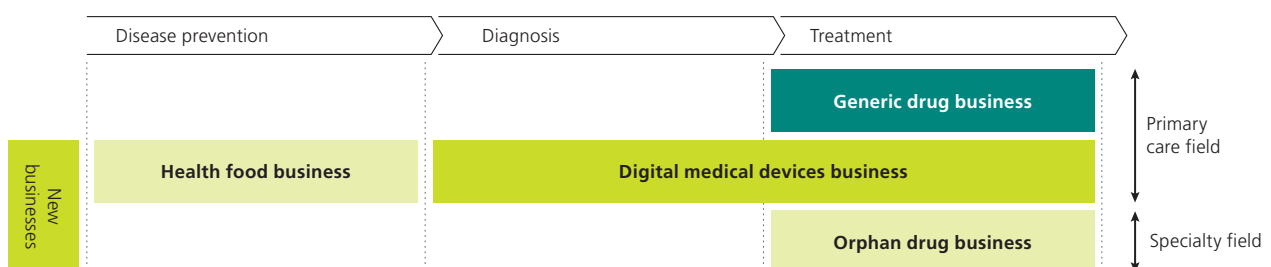
Target business fields

Taking into consideration the ideas of contributing as a general healthcare group that provides healthy lives to the creation of a society with health longevity through pre-symptomatic approaches, preventive measures, and data health reforms, which the government is aiming for, and leveraging the knowledge and know-how we have acquired through our generic drug business over many years, we are targeting new businesses in the three fields of digital medical devices business, health food business, and orphan drug business.

In the digital medical devices business, in addition to a non-invasive neuromodulation device to indicate migraines and depression and personal health record (PHR) management app

(see following page), we are undertaking joint development and have concluded a marketing license agreement with CureApp Inc. related to a non-alcoholic steatohepatitis (NASH) treatment app and are preparing clinical trials (phase 3).

Through the health food business, we will provide “foods with functional claims” that support the extension of healthy life expectancy in the life-style disease field, which the Group is particularly strong in. As for the orphan drug business, we are reinforcing our in-house evaluation system and examining the continuous expansion of our pipeline in order to offer new treatment opportunities for diseases lacking effective treatments.



1 Non-invasive neuromodulation device SWD001

Offering a new option for patients who suffer from migraines

In December 2022, Sawai Pharmaceutical applied for approval to manufacture and market SWD001, a medical device used to treat migraines during the acute phase, in Japan. This is a non-invasive neuromodulation device that controls pain by simultaneously stimulating the occipital nerve and trigeminal nerve.

Many Japanese suffer from migraines, and it is expected that the release of this device will increase the number of new treatment options for patients.

Future schedule

December 2022 Applied for PMDA approval	2024 Release (target)
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Percentage of Japanese who suffer from migraines each year
8.4%

The neuromodulation device is expected to broaden acute-phase migraine treatment.

2 PHR management application SaluDi

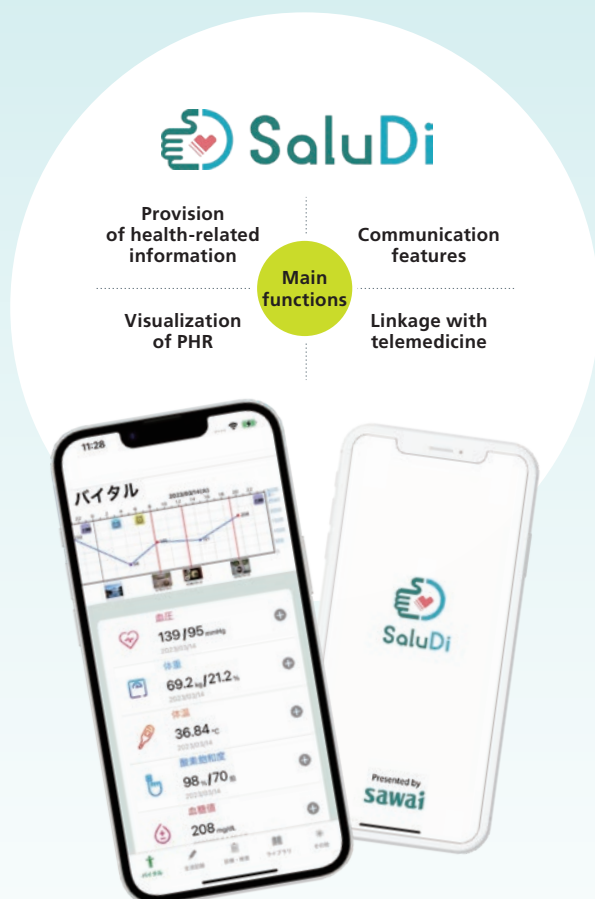
Making health management more convenient and intelligent

Released by Sawai Pharmaceutical in October 2021, SaluDi is a personal health record (PHR) management app that makes it possible for people themselves to record and manage their daily state of health. In addition to offering integrated management by recording not only daily health data, such as blood pressure, weight, and body temperature, but also information on food eaten and medicines taken, the app makes it possible to provide telemedicine services and for users to receive dietary instructions by linking to medical facility systems. We will promote its use by local governments, companies, and regional health information networks.

Leveraging SaluDi to create a society with health longevity





As Japan's declining population weakens the foundation of mutual support in local communities, we hope that SaluDi can be used to revitalize these communities, such as strengthening bonds between residents and society. We also want to raise health awareness among individual residents and tie that to the realization of a society with health longevity and healthy aging.

Hikomichi Adachi
Digital First Section Manager
Planning Department, Yabu City



Board of Directors






■ Directors ■ Audit & Supervisory Board Members (as of June 27, 2023)

Name	Mitsuo Sawai	Toru Terashima	Shoji Yokota Ph. D.	Masatoshi Ohara	
			Newly elected 		
Position	Representative Director, Chairman and President (Group Chief Executive Officer and Group Chief Operating Officer)	Director, Senior Managing Executive Officer, and Group Chief Quality & Safety Officer	Director, Senior Managing Executive Officer, and Group Chief Research & Development Officer	External Director (Independent Officer)	
Date of birth	Born in 1956	Born in 1959	Born in 1957	Born in 1951	
Nomination, Remuneration and Other Governance Committee	●			●(Committee Chairman)	
Board of Directors meeting attendance*	13/13 times	13/13 times	-/- times (elected June 2023)	13/13 times	
Audit & Supervisory Board meeting attendance*	—	—	—	—	
Shares of the Company held	1,057,200 shares	1,400 shares	500 shares	800 shares	
Significant positions held	April 1982 Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Kirin Co., Ltd.) January 1989 Joined Sawai Pharmaceutical Co., Ltd. June 2000 Director and Deputy Senior Vice President of Sales Division of Sawai Pharmaceuticals Co., Ltd. June 2002 Managing Director and Senior Vice President of Sales Division of Sawai Pharmaceuticals 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 and Chairman and Group Chief Executive Officer of Sawai Group Holdings Co., Ltd. June 2023 Representative Director, Chairman and President, Group Chief Executive Officer and Group Chief Operating Officer of Sawai Group Holdings Co., Ltd.	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, Senior Vice President of Reliability Assurance Division of Sawai Pharmaceutical Co., Ltd. April 2021 Director, Senior Executive Officer, of Sawai Group Holdings Co., Ltd. June 2023 Director, Senior Managing Executive Officer, Senior Vice President of Reliability Assurance Division of Sawai Pharmaceutical Co., Ltd. (incumbent) June 2023 Director, Senior Managing Executive Officer of Sawai Group Holdings Co., Ltd. (incumbent)	April 1982 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) September 2016 Joined Sawai Pharmaceutical Co., Ltd. June 2017 Corporate Officer, and Deputy Senior Vice President of Research & Development Division, and Director of Analytical Chemistry Department of Sawai Pharmaceutical Co., Ltd. April 2021 Senior Executive Officer of Sawai Group Holdings Co., Ltd. June 2023 Director, Senior Managing Executive Officer, and Senior Vice President of Research & Development Division of Sawai Pharmaceutical Co., Ltd. (incumbent) June 2023 Director, Senior Managing Executive Officer of Sawai Group Holdings Co., Ltd. (incumbent)	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)	

* Period April 1, 2022–March 31, 2023

Skill matrix

	Reason considered important
Corporate management	Experience in making decisions in line with the corporate philosophy and being responsible for business is important for the Group's management decisions.
Legal affairs / risk management	Balancing set rules and risk tolerance is important when attempting to maximize corporate value.
Finance, accounting, tax affairs	These are important for accurately ascertaining and calculating the Group's corporate value and properly paying taxes.
Production and quality	Advanced quality and production management are important so that consumers can use the Group's products, etc. with peace of mind.
Marketing and sales	Communicating the merits of products and services that the Group produces and provides and broadly gathering information on needs are important.
Research, development, technologies	This is important to continue to provide high value-added products and services that the Group produces and meet the needs of society.
Medicine and pharmaceuticals	Medicine and pharmaceuticals-related skills are important for the Group, which aims to become a general healthcare company related to life and health.

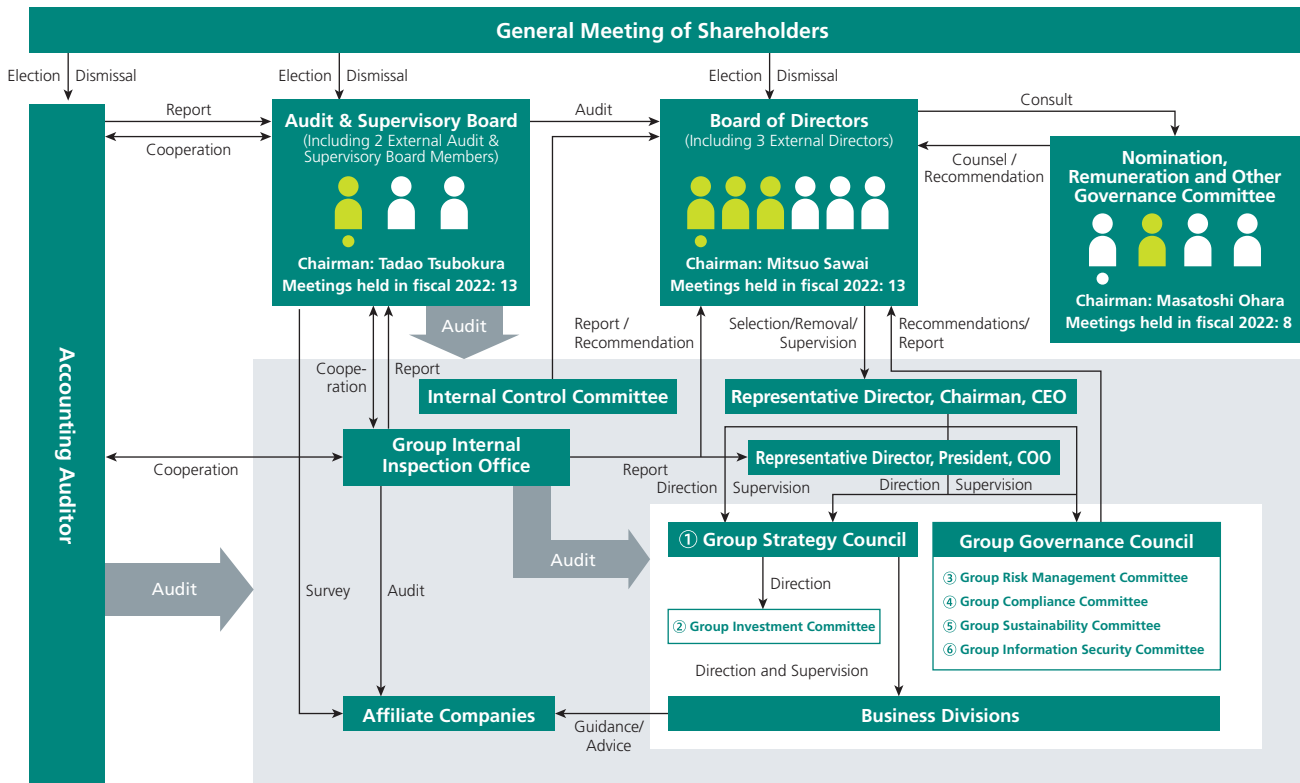
	Nawomi Todo	Masayuki Mitsuka Ph. D.	Tadao Tsubokura	Takanobu Tomohiro	Junichi Hirano
		Newly elected 			
	External Director (independent officer)	External Director (independent officer)	Full-time Audit & Supervisory Board Member	External Audit & Supervisory Board Member (independent officer)	External Audit & Supervisory Board Member (independent officer)
	Born in 1959	Born in 1954	Born in 1961	Born in 1958	Born in 1955
	●	●			
	13/13 times	-/- times (elected June 2023)	13/13 times	13/13 times	13/13 times
	—	—	13/13 times	13/13 times	13/13 times
	1,000 shares	0 shares	900 shares	300 shares	300 shares
	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)	April 1982 Joined Mitsubishi Chemical Industries (currently Mitsubishi Chemical Corporation) June 2009 Board Director, Executive Officer, General Manager of Global Product Strategy Department of Mitsubishi Tanabe Pharma Corporation April 2012 Board Director, Managing Executive Officer, Division Manager of Development Division of Mitsubishi Tanabe Pharma Corporation June 2014 President & Representative Director, Chief Executive Officer of Mitsubishi Tanabe Pharma Corporation June 2023 Director of Sawai Group Holdings Co., Ltd. (incumbent)	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)	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)	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, which he serves as representative of (incumbent) June 2017 Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd. April 2021 Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. (incumbent)

	Mitsuo Sawai	Toru Terashima	Shoji Yokota	Masatoshi Ohara	Nawomi Todo	Masayuki Mitsuka	Tadao Tsubokura	Takanobu Tomohiro	Junichi Hirano
	●					●			
				●				●	
							●		●
		●							
	●								
		●	●			●			
		●	●		●	●			

Corporate governance

Corporate governance structure ■ Internal □ External ● Chairman

(as of June 27, 2023)



	Chairman	Role/function	Meetings held in fiscal 2022
① Group Strategy Council	Representative Director and President (Group COO) Mitsuo Sawai	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.	11
② Group Investment Committee	Representative Director and Chairman (Group CEO) Mitsuo Sawai	The Group Investment Committee undertakes objective, rational, and careful deliberations when examining and making decisions regarding important investment projects and the annual investment budget.	8
③ Group Risk Management Committee	Representative Director and President (Group COO) Mitsuo Sawai	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.	2
④ Group Compliance Committee	Representative Director and President (Group COO) Mitsuo Sawai	The Group Compliance Committee conducts education and enlightenment activities, etc. for officers and employees and strives to raise awareness of compliance throughout the Group.	4
⑤ Group Sustainability Committee	Representative Director and President (Group COO) Mitsuo Sawai	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.	2
⑥ Group Information Security Committee	Representative Director and President (Group COO) Mitsuo Sawai	The Group Information Security Committee shares information on information security, examines and deliberates on responses to issues, and works to smoothly manage information security.	3



ESG Data: <https://global.sawaigroup.holdings/sustainability/esg/>
SASB Index: <https://global.sawaigroup.holdings/sustainability/sasb/>

Governance system and reason for its adoption

Having directors with detailed knowledge of the prescription drug industry, the Group's core business, and the state of the Company being involved in running the business while maintaining high ethics and keeping an eye on the various parts of the Company is the best way to pursue management efficiency and legality. Furthermore, an Audit & Supervisory Board, in which external directors and Audit & Supervisory Board members supervise management, was adopted as it is considered the most appropriate, taking the size of the Company, the direction management is moving,

and other issues into comprehensive consideration.

It is expected that external directors and external Audit & Supervisory Board members possess professional knowledge of such fields as law, taxes, accounting, and medical care and provide useful advice, make decisions, and audit and supervise from an independent perspective.

The Group Internal Inspection Office, which now has six staff to strengthen its capabilities, reported on the results of and plans for business audits based on a risk approach to the Board of Directors twice in fiscal 2022.

Governance system charts

Organizational design	Company with the Audit & Supervisory Board
Board of Directors Chairman	Chairman
Directors	6 (including 3 external directors)
Term of directors	1 year
Introduction of corporate officer system	Yes
Board of Directors optional advisory committee	Nomination, Remuneration and Other Governance Committee
Incentives for directors (excluding external directors)	Introduced performance-linked remuneration scheme Introduced stock options scheme
Accounting auditor	KPMG AZSA LLC Japan



Corporate governance

https://global.sawaigroup.holdings/sustainability/governance/corporate_governance/

Main items

- Governance system
- Audit system
- Nomination, Remuneration and Other Governance Committee
- Group Strategy Council
- Group Governance Council
- Other committees
- History of measures to strengthen governance

Remuneration for directors and Audit & Supervisory Board members

Decisions concerning Director remuneration are reported to the Board of Directors upon deliberation of matters concerning Director remuneration at meetings of the Nomination, Remuneration and Other Governance Committee

Remuneration for Directors (excluding External Directors) consists of a base salary (fixed salary), bonus (performance-based remuneration), 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 remuneration and are granted based on Director position and years of service, and in accordance with the separately determined internal regulations of the Company.

The remuneration limit for Directors is ¥670 million per year (of which, no more than ¥100 million is for External Directors). There is also a remuneration limit for Audit & Supervisory Board Members of ¥50 million per year. The

remuneration system, including for Director remuneration, will be reviewed every three years, in principle, based on a comprehensive accounting of market trends concerning Director remuneration, the Company's performance trends, and cost of living trends. To clarify management's responsibility for performance, in addition to all Directors returning their bonus for fiscal 2021, monthly remuneration for fiscal 2022 was cut as planned, but payment of performance-linked remuneration (bonus) was restarted in line with rules as fiscal 2022 earnings recovered.

Distribution of director remuneration fiscal 2022



Distribution of remuneration for directors and Audit & Supervisory Board members (A & SB members)

Classification	Total remuneration (Millions of yen)	Total remuneration by category (Millions of yen)			Number of eligible persons
		Fixed salary	Performance-based remuneration	Stock options	
Directors (not including External Directors)	292	153	55	84	4
A & SB Members (not including External A & SB Members)	17	17	—	—	1
External Directors and A & SB Members	30	30	—	—	4

Evaluation of the effectiveness of the Board of Directors

The Company regularly analyzes and evaluates the effectiveness of the Board of Directors and strives to implement continual improvements. An evaluation of the effectiveness of the Board of Directors was conducted in fiscal 2022 as outlined below. Initiatives regarding the following three issues were launched in response to the finding of the previous year's evaluation.

Fiscal 2022 initiatives in response to the evaluation of the effectiveness of the Board of Directors for the previous fiscal year

- Examined external director candidates who possess management experience
- Examined increasing the number of external directors
- Created summary of the succession plan for CEO and other officers

Improving the operation of the Board of Directors

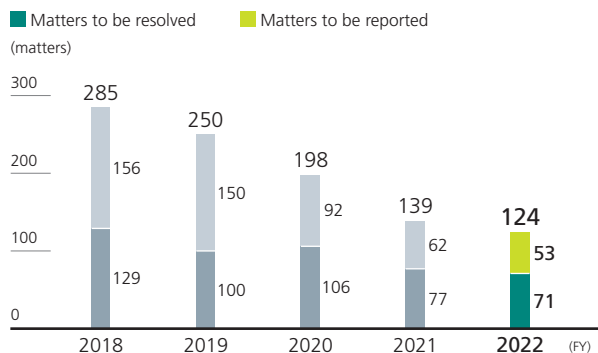
The Company's Board of Directors implement ingenious measures so that deep deliberations focused on more important issues can be held regarding matters referred to the Board of Directors following deliberations by the Group Investment Committee and Group Strategy Council. Reports on the state of management at each group company are submitted to the Board of Directors in line with the Regulations on the Management of Affiliated Companies,

and efforts are made to balance Group company supervision and decision making speed by delegating authority so that Group companies can make decisions regarding matters up to a certain level of importance.

Main questions and opinions from external officers at fiscal 2022 Board of Directors meetings

- (Regarding Trust Pharmatech) What should be done about including the 400 employees who joined the Group from the former Kobayashi Kako?
- (Regarding basic policy on internal controls) How should we inform and educate employees about the quality policy and other items during business execution?
- (Regarding Group Governance Council report) I would like to see the number of female committee members increase a bit.
- (Regarding Group Sustainability Committee report) What orientation regarding human capital, which must be included in the fiscal 2022 securities reports, is going to be disclosed?
- (Regarding Risk Management Committee report) Has there actually been a review of risk countermeasures following the evaluation of the measures?

Number of proposals



Analysis and evaluation of the Board of Directors' effectiveness in fiscal 2022

Implementation method	Evaluation results	Policy on fiscal 2023 measures
<ul style="list-style-type: none"> • Conducted self-evaluation using survey of Directors and Audit & Supervisory Board members • Regarding 14 principles and 23 supplementary principles stipulated in section 4 "Responsibilities of the Board" of the Corporate Governance Code, conducted evaluation using the level required of companies listed on the Prime Market as the standard • Used the Company's governance evaluation score provided by outside evaluation organization, too • Deliberated on evaluation results at the May 23, 2023, Board of Directors meeting 	<p>Main items that the Company meets the criteria for companies listed on the Prime Market</p> <ul style="list-style-type: none"> • Expand deliberation time, hold meetings at an appropriate frequency, distribute material in advance, etc. • Collect and understand information through external board members Liaison Committee • Receive reports by the Internal Inspection Office and various committees • Hold frank and open discussions • Have a functioning Nomination, Remuneration and Other Governance Committee • Identify necessary skills for Board of Directors and ensure a balance of people with those skills • Receive advice regarding diversity, including gender, from external directors • Possess an environment in which it is possible to obtain required governance-related information <p>Main items that the Company failed to meet the criteria for companies listed on the Prime Market</p> <ul style="list-style-type: none"> • Have more than half of directors be external directors • Hold extensive deliberations on management strategy and plans • Link outlook for human capital and human asset training to the management strategy • Strengthen relationship with stakeholders 	<p>We will work to improve the following three points while examining "how to achieve management conscious of cost of capital and stock price."</p> <ol style="list-style-type: none"> (1) Expand deliberations related to management strategy and plans (2) Link outlook for human capital and human asset training to management strategy (3) Strengthen relationship with stakeholders



ESG Data: <https://global.sawaigroup.holdings/sustainability/esg/>
SASB Index: <https://global.sawaigroup.holdings/sustainability/sasb/>



Board of Directors

<https://global.sawaigroup.holdings/sustainability/governance/board/>

Main items

- Training policy for directors and Audit & Supervisory Board members
- Supporting system for External Directors and/or Audit & Supervisory Board members
- Independence Standards for External Directors / Audit & Supervisory Board members
- Policy for Cross-shareholdings and Voting Standards

IR communication

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.

The department responsible for IR handles requests for dialogue from shareholders and investors, and directors and senior managers play an active role when their schedules permit. The department responsible for IR also handles e-mail and phone inquiries orally or in writing.

Fiscal 2022 communication activities

Meetings with Japanese and overseas investors	154
Meetings with the media	59

Information security governance

The Group stresses information security governance in order to preserve and manage information assets. We undergo regular information security assessments by independent entities, and use those objective evaluations to develop a medium-term information security plan.

In fiscal 2022, in addition to switching to a zero trust network, we conducted e-learning for all employees (3 times), training on phishing attacks (2 times), and held a cybercrime lecture by an outside instructor for persons in charge of information security in each department. Furthermore, the Group IT Department obtains ISMS certification, objective proof that we properly conduct information security management and response.

Business ethics

Sawai Pharmaceutical

Domestic Sawai Group companies

For domestic Sawai Group companies, which includes Sawai Pharmaceutical, we strive to conduct proper corporate activities as a pharmaceutical company by complying with the letter and spirit of the Charter of Corporate Behavior, Compliance Program Guidelines, and Promotion Code for Prescription Drugs set out by the Japan Generic Medicines Association, as well as the Sawai Group Holdings Corporate Philosophy and Code of Conduct. Furthermore, even in terms of business with entities such as medical institutions, we have formulated guidelines based on the JGA's Guidelines on Transparency in Corporate Activities Business Relationships with Medical Institutions and disclose information on payments and funds provided to such entities on a dedicated webpage. We also disclose information for Medisa Shinyaku Inc. and Kaken Shoyaku Co., Ltd. on the same page.

In fiscal 2022, we formulated an Anti-Bribery and Corruption Policy, which is based on the Sawai Pharmaceutical Anti-Bribery and Corruption Guidelines and should be adhered to by all Group companies. One of the reasons we did this is because a lack of fair competition on account of misconduct, such as bribery or corruption, hinders continued development of a sound society and economy, and for the Group, which conducts such businesses related to people's lives and healthier lives, such as healthcare, "existence of a sound society and its sustainable development" are the foundation for that. It is precisely by maintaining a firm relationship of trust with all stakeholders, that we can achieve the sustainability for the Group. We formulated this precisely because of that.

Upsher-Smith

Overseas Sawai Group companies

At Upsher-Smith, efforts related to high quality standards and ethics over many years have been the key to its success, and this is thought to have led to the Company winning the trust of customers who purchase and use its products. The Company conducts business based on high ethical standards and a strict code of conduct.

Upsher-Smith also operates a compliance system program that it created itself and complies with all laws and regulations that apply to business. In addition to information on the Company's initiatives related to California's Transparency in Supply Chains Act and Sunshine Law (laws to increase transparency and requires that pharmaceutical companies, medical device manufacturers, and similar entities disclose information on payments to doctors and other issues), information on Upsher-Smith's compliance program and code of conduct are disclosed on its website.

Messages from external directors

Future issues of meeting stakeholders' needs and continuing to raise corporate value

Masatoshi Ohara
External Director



Leveraging my experience and knowledge as an attorney to provide advice and ask questions useful for management

As an external director who is an attorney, I try to leverage my experience and knowledge of numerous M&A deals to provide advice and ask questions useful for such issues as preventing legal risks and operations-related problems. I also try to ask questions and make comments related to whether the facts that Sawai's management and business execution are based on are appropriately understood, whether policies are set in line with established procedures, and whether the results are appropriately evaluated and used by management.

For example, regarding post-merger integration (PMI) with Trust Pharmatech, at the external board members Liaison Committee, which is composed of external directors and Audit & Supervisory Board members, I obtained information on measures and their implementation related to such issues as establishing systems and procedures and transforming employee awareness necessary to ensure product quality. At the Board of Directors meeting, I requested an explanation of and report on the subsequent state of those efforts from the responsible officer and provided my opinion.

Creating a personnel system necessary to meet the expectations of society

The Nomination, Remuneration and Other Governance Committee, which I serve as the chairman of, met eight times in fiscal 2022 and discussed such issues as the U.S. business, officer assessments, proposals related to future officers, revisions to remuneration rules, and succession plans for the CEO and other officers. We carefully set objective decision criteria and prepared reports regarding officer remuneration and personnel so that even stakeholders would consider them fair.

This fiscal year, we will take creative steps such as interviewing key officers so that even fairer decisions are

made. It is particularly important to meet the expectations of society and for Sawai to unite to provide a stable supply of high-quality drugs. I will carefully examine such issues as the creation of systems necessary to achieve that and the required personnel, and work to report on this to the Board of Directors. As for officer personnel as of May 2023, because we have completed creating in-house systems, rules, and other items for the Company and Group companies, I reported on proposals related to officers for the generic drug business, Sawai's core business, who can strengthen and promote production, development, and safety in order to create a system to ensure a stable supply of safe, high-quality drugs demanded by society and thus further increase society's trust in the Group.

Governance system must function effectively

At Sawai, the external board members Liaison Committee periodically meets to not only receive Board of Directors meeting material in advance but also share information on items to add to the Board of Directors agenda, items deliberated and reported on at the Management Meeting, and other important items. Furthermore, while a lot of time at Board of Directors meetings is spent on reports from the various committees, there are also opportunities to ask questions.

As for communication with investors, external officers are provided with reports on the state of meetings with investors at least once a quarter. Previously, I attended an IR meeting with leading overseas investors, and had the opportunity to directly respond to questions.

It can be argued that the Company has already established governance system mechanisms, which include various rules and committees. As for future issues, my opinion is that it is important to continually raise and expand Sawai's corporate value and ensure the governance system effectively functions in order to meet the needs of all stakeholders, including healthcare professionals, shareholders, patients, and employees.

Keeping in mind the path Sawai should follow as the leading generic drug company

Nawomi Todo
External Director



Principle of not changing the stable supply of “Sawai quality”

I always keep in mind the questions of what Sawai should accomplish and what it can do.

First of all, I think that what Sawai should do is provide a stable supply of generic drugs that are of Sawai quality. To do that, Sawai quickly launched work to ensure a stable supply, which involved establishing Trust Pharmatech and building a solid dosage form facility at the Daini Kyushu Factory. The Company does not hesitate to make investments in thorough quality management and the delivery of reliable generic drugs. Sawai’s philosophy is not to change that in the future.

Therefore, Sawai must not overlook greater cuts in National Health Insurance official drug prices. I have persistently called for the Company’s greatest efforts to be focused on ensuring quality, not lowering costs. That is Sawai’s responsibility as the leading generic drug company.

Eliminating unconscious bias

Establishing diversity and inclusion is the next task that Sawai should tackle. The S-Wing project was launched in order to create a corporate system in which employees of all genders can equally work with hope and pride. The project is based on Sawai’s desire for “all genders to play an active role” and “all employees to play an active role.”

Unconscious bias—that is, unconscious preconceptions and prejudices—are a major factor that hinders a company’s growth. This type of unconscious bias, including that related to gender, must be eliminated in all areas, including the work environment.

For example, regarding job-based employment, in which appropriate personnel for jobs required by Sawai are hired, I am aware that it is necessary to keep this in mind when implementing future shifts of a certain size, but ideas such as “only a person with this skill can handle this project” or “this experience is required for the person in charge of this” are based on a certain-type of unconscious bias.

What it takes to become a company that has a clear vision for the future

I want to eliminate all unconscious bias, be there for employees, and discover their potential, and I will not spare any effort to do that. This is because this stance is sure to give rise to new trends, and this effort will result in Sawai creating and developing new businesses, such as those related to health management apps and supplements, as a general healthcare company not limited to generic drugs, and growing into a company that does its utmost for people’s health.

I will strive to transform Sawai into a company with a clear vision of the future for stakeholders. By attending Board of Directors meetings, collaborating with Audit & Supervisory Board members and external directors, and meeting with project staff, I will vigorously fulfill my role to always check whether Sawai is moving in the right direction.

Financial indicators

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

	Japanese-GAAP →		
	FY2012	FY2013	FY2014
EFor the fiscal year (Millions of yen)			
Net sales / Revenue	80,503	89,824	105,454
Cost of sales	42,511	48,353	60,048
Gross profit	37,992	41,471	45,406
Selling, general and administrative expenses / Selling, general and administrative expenses (including research and development expenses)	20,607	22,380	24,718
Operating income / Operating profit (loss)	17,385	19,091	20,688
Profit before income taxes / Profit (loss) before tax	18,098	18,990	20,298
Profit attributable to owners of parent / Profit (loss) attributable to owners of the Company	12,022	12,193	14,053
Research and development (R&D) expenses	4,551	5,170	6,110
Capital expenditures	4,599	7,353	13,251
Depreciation and amortization	3,793	4,989	5,863
At fiscal year-end (Millions of yen)			
Total assets	127,843	149,348	166,180
Inventories	29,529	39,182	44,663
Total current liabilities	30,105	39,097	42,209
Total long-term liabilities / Total non-current liabilities	36,258	8,949	11,572
Net assets / Total equity	61,480	101,302	112,399
Cash flows (Millions of yen)			
Net cash provided by operating activities / Cash flows from operating activities	12,256	13,422	12,112
Net cash used in investing activities / Cash flows from investing activities	(1,373)	(8,283)	(14,123)
Net cash provided by (used in) financing activities / Cash flows from financing activities	(10,970)	(178)	(922)
Cash and cash equivalents at end of year / Cash and cash equivalents at the end of the year	20,584	25,537	22,604
Financial indicators (%)			
Ratio of R&D expenses to sales / Ratio of research and development expenses to revenue	5.7	5.8	5.8
Return on equity / Return on equity attributable to owners of the Company	20.1	15.0	13.2
Shareholders' equity to total assets / Ratio of equity attributable to owners of the Company to total assets	48.0	67.8	67.6
Per share information (yen)			
Net income–basic / Basic earnings per share	386.71	365.18	382.26
Net income–diluted / Diluted earnings per share	318.17	330.41	381.85
Cash dividends applicable to period / Dividends per share	85.00	95.00	105.00
Net assets / Equity attributable to owners of the Company per share	2,027.15	2,755.29	3,053.29

Non-financial indicators

(unless specially noted, for Sawai Pharmaceutical)

	FY2012	FY2013	FY2014
Sales volume (Billion tablets)	57	65	80
Production capacity (Billion tablets)	80	86	100
Number of new products launched	32	23	28
Number of patents held	9	14	19
Number of GMP audits	–	–	–
Number of employees (consolidated)	1,050	1,121	1,239
Number of female employees in managerial positions	7	9	10
Ratio of female employees in managerial positions (%)	4.1	4.8	5.2
Employee training expenses (Japan Sawai Group) (Millions of yen)	59	65	83
Employees who have received training (Japan Sawai Group)	305	323	418
Employees involved in production (Sawai Pharmaceutical, Medisa Shinyaku, and Kaken Shoyaku)	305	350	414
Employees involved in R&D (Sawai Pharmaceutical, Medisa Shinyaku, and Kaken Shoyaku)	150	167	185
Energy used (Japan Sawai Group) (Crude oil conversion kl)	11,953	17,931	20,473

Notes 1. If there are differences in representation between Japanese-GAAP and IFRS (voluntarily applied since fiscal 2017), the item is marked "Japan GAAP / IFRS."

2. Capital expenditures are presented on a cash flow basis.

3. As the Company split its common stock two for one on October 1, 2013, amounts per share for fiscal 2012 – 2013 were recalculated to reflect the share split.

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



See the webpage for non-financial data (ESG data).

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

FY2015	FY2016	IFRS →						
		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
123,492	132,428	132,392	168,068	184,341	182,537	187,219	193,816	200,344
71,858	80,309	80,548	98,628	109,442	109,037	114,785	127,164	137,711
51,634	52,119	51,844	69,440	74,899	73,500	72,434	66,652	62,633
28,449	31,486	28,497	47,264	49,051	46,862	53,820	71,103	46,246
23,185	20,633	22,943	22,209	25,798	26,793	18,888	(35,888)	16,984
23,092	19,871	22,757	20,251	25,666	26,497	18,460	(36,214)	16,789
17,156	15,914	17,969	14,017	19,376	19,279	12,340	(28,269)	12,667
8,019	10,208	7,238	14,533	16,671	13,487	13,883	24,413	16,090
17,775	16,194	18,839	16,807	10,709	18,173	21,124	23,344	27,141
7,044	8,645	8,520	14,239	16,280	17,954	18,291	17,045	17,683
206,492	221,539	225,609	358,453	372,889	384,814	393,341	349,502	364,165
55,668	61,777	61,924	65,217	63,449	75,460	79,120	85,853	101,805
50,078	54,876	57,668	74,579	72,826	82,715	80,452	88,840	85,154
30,692	29,063	26,704	81,433	76,861	68,413	72,139	60,579	66,272
125,722	137,600	141,237	202,441	223,204	233,686	240,750	200,083	212,738
19,975	20,628	23,270	28,472	42,923	30,256	31,857	34,310	13,026
(22,937)	(16,207)	(18,827)	(127,900)	(16,820)	(18,173)	(21,794)	(30,395)	(27,134)
13,473	(6,740)	(6,761)	108,597	(9,513)	(12,747)	(11,991)	(11,262)	(1,267)
33,096	30,771	30,771	39,992	57,067	56,082	54,269	47,717	33,076
6.5	7.7	5.5	8.6	9.0	7.4	7.4	12.6	8.0
14.4	12.1	13.4	8.7	10.2	9.4	5.8	(13.8)	6.5
60.8	62.0	62.6	50.6	53.4	54.6	55.5	54.4	55.4
465.57	431.65	487.38	360.49	442.62	440.37	281.80	(645.53)	289.25
465.25	431.39	487.08	360.26	442.32	440.00	281.51	(645.53)	288.60
120.00	130.00	130.00	130.00	135.00	130.00	130.00	130.00	130.00
3,405.20	3,722.90	3,830.84	4,143.15	4,551.50	4,796.40	4,984.51	4,340.32	4,604.67
FY2015	FY2016	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
89	102	102	106	119	124	133	148	150
113	150	150	155	155	155	155	155	155
25	18	18	43	33	12	44	32	23
21	23	23	26	31	36	37	42	45
–	–	164	100	110	133	124	141	153
1,490	2,502	2,502	3,252	3,131	3,066	3,003	2,968	3,393
10	11	11	14	15	15	15	17	18
4.5	4.5	4.5	5.5	6.0	6.1	5.8	6.6	6.9
90	111	111	128	87	62	45	63	85
596	660	660	579	654	600	4,038	2,840	4,034
628	1,612	1,612	1,749	1,687	1,644	1,607	1,636	2,015
209	230	230	246	257	251	246	253	295
26,781	30,914	30,914	31,948	32,336	31,015	30,130	30,452	40,629

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