

We Will Identify Growth Opportunities and Risks and Develop Our Business by Leveraging Our Strengths and Addressing Our Weaknesses

Strengths

R&D Capabilities and Formulation Technologies

In addition to our excellent patent research and analysis capabilities, we also have high-level formulation technology capabilities that enable us to develop formulations that are easy for patients to take and unable to be copied by other companies. By launching new products that make the most of these benefits, we will gain market share as well as differentiate ourselves from other companies, developing businesses that are less likely to be involved in price competition.



Stable Supply Capabilities

A stable supply of high-quality pharmaceuticals is one of the most important issues for the life-related pharmaceutical industry, and we boast the industry's highest annual production capacity of approximately 15.5 billion tablets. In addition, we will continue to improve our supply capacity, including outsourcing, to further refine our stable supply capabilities.

Sales and Financing Capabilities

Abundant product lines, strong relationships with wholesalers and agencies, sales capabilities that leverage the industry's No. 1 brand power, as well as our industry-leading financial base that supports future growth strategies are all strengths, however, our single greatest strength is the comprehensive capability to link all these together.



Weaknesses

Human Resource Development and Retention

With the rapid growth of the Company, our business domain is expanding in both quality and quantity. We will work to develop middle-management to support the expanded production of high-quality products and retain diverse human resources to promote global expansion.

In order for Sawai Pharmaceutical to survive in a rapidly changing market environment, increase corporate value, and grow sustainably, we believe it is necessary to identify growth opportunities and risks and develop our business activities by leveraging our strengths and addressing our weaknesses. This approach is the result of analyzing our internal and external environment, and is reflected in the spirit of the proverb "If you know the enemy and know yourself, you need not fear the result of a hundred battles."

Opportunities



Japanese Market

In Japan, amid harsh financial conditions, the aging of society coupled with healthcare advances have led to an ongoing increase in medical expenses. To reduce these increases, the government has set a goal of rapidly achieving an 80% share in generic drugs and is promoting their usage. Moreover, the government is expected to continue promoting the use of generics even after reaching the 80% target as the population over the age of 65 in Japan will continue to increase. Thus from a long-term perspective, it is expected that the demand for generic drugs will continue to grow.



Overseas Markets

In the United States, in addition to receiving approval for "Pitavastatin Tablets" as the first Japanese generic drug manufacturer to have an Abbreviated New Drug Application (ANDA) approved according to Paragraph IV, we have also applied for two other products including "Mirabegron Tablets."

In May 2017, we completed the acquisition of Upsher-Smith Laboratories, LLC, establishing a base for full-scale entry into the U.S. market. We will support the Company's growth in the US market, which is the world's largest and ever-expanding pharmaceutical market, in an effort to quickly realize synergies, including sales of Sawai products through Upsher-Smith.

Threats

About the Drug Price System

While the use of generic drugs is being promoted in the Japanese market, the Japanese government will conduct a drug price survey every year for all products from the standpoint of reducing increases in medical expenses based on the "Basic Policy for Fundamental Reform of the Drug Pricing System" (December 2016), then revise drug prices based on the results. With drug price revisions in April 2018, October 2019 in line with the consumption tax rate hike, and in April 2020, there is now a debate about the potential April 2021 revision of products with large price divergence (the difference between drug and market prices), making the earnings environment surrounding the Company increasingly challenging.

