

Message from  
Senior Management



Chairman,  
Representative Director  
**Mitsuo Sawai**

President,  
Representative Director  
**Kenzo Sawai**

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As We Approach  
the 100th Year Since Our Founding,  
the Sawai Group Embarks on  
a New Beginning We Will Continue to Pursue  
the Realization of  
“Always Putting Patients First”

Having been approved Chairman and President, respectively,  
at the General Meeting of Shareholders in June 2020,  
Mitsuo Sawai and Kenzo Sawai express their appreciation  
to all stakeholders for their appointment and discuss Sawai Group  
sustainable growth and their thoughts for  
realizing enhanced corporate value.

## Inaugural Greetings—Looking Back on Our Growth Trajectory up to Now—

### On Being Appointed Chairman

#### Mitsuo Sawai, Chairman (hereinafter, “M. Sawai”)

First of all, we would like to express our sincere condolences to the families of those who have died from novel coronavirus (COVID-19) infections. We would also like to extend our deepest sympathies to everyone who has been affected, and we would like to express our sincere gratitude to all of the medical personnel working on the front lines of this pandemic.

Around the time I was appointed President in 2008, the Japanese government had set a goal for generic drugs of a 30% or greater market share. We determined it would be necessary to increase production capacity to meet expanding demand in the future, and immediately decided to construct the Kanto Factory. At the same time, we believed that pharmacies would play an important role in promoting generic drugs going forward, so we made a big change and began

conducting business with wholesalers.

Since then, we have taken various steps in response to the rapid increase in demand due to generic drug promotion policies by the Japanese government.

From a desire to provide our generic drugs to patients in the United States, we began searching for U.S. business partners around 2009. Led by our newly appointed President (Kenzo Sawai), we acquired the long-established pharmaceutical company, Upsher-Smith Laboratories, LLC (hereinafter, “Upsher-Smith”).

In addition to his recent appointment, it has been three years since our new President became the Chairman of Upsher-Smith. To achieve further growth going forward, it is desirable that the new President, who is familiar with overseas business, be in charge of steering the entire Group.



Chairman, Representative Director

### Mitsuo Sawai

Date of birth: September 28, 1956

Apr. 1982 Joined Kyowa Hakko Kogyo, Co., Ltd. (currently Kyowa Kirin Co., Ltd.)

Jan. 1989 Joined Sawai Pharmaceutical Co., Ltd.

Jun. 2000 Director, Deputy Vice President of Sales Division, and General Manager of Sales Planning Department

Jun. 2002 Managing Director, Vice President of Sales Division, and General Manager of Sales Planning Department

Jan. 2008 Senior Managing Director, Supervisor of Management Planning Division and Corporate Administrative Division

Jun. 2008 President, Representative Director

Jun. 2020 Chairman, Representative Director

## On Being Appointed President

### Kenzo Sawai, President (hereinafter, "K. Sawai")

At present, the generic drug markets both here in Japan as well as the United States are at a major turning point, leaving me with a great sense of responsibility. At the same time, I am very excited and energized to be appointed President under these circumstances. I would like to further enhance our presence and build upon the achievements of my predecessors who raised the existing value of generic drugs.

Looking back, the acquisition of Upsher-Smith was a major achievement for me. After the acquisition, I and many of our Japanese employees went to the United States to discuss our ideas and make decisions about the

organization and human resources leading to the excellent relationship we have now. Although we have not realized much synergy with our business, there is a mutually positive impact internally in terms of the introduction of equipment and personnel exchanges, among other factors.

My mission is to make further strides in the U.S. market and leverage my many years of experience in development work to further refine our technological and development capabilities, as well as further increase the value of generic drugs. We will also take on challenges in new fields other than generic drugs.

President, Representative Director

## Kenzo Sawai

Date of birth: May 26, 1968

- April 1995 Joined Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)
- Apr. 2001 Joined Sawai Pharmaceutical Co., Ltd. Assigned to the Planning Group of the Development Department
- Jun. 2010 Director, Senior Vice President of Corporate Strategy Department
- Jun. 2013 Director, Senior Executive Officer, Senior Vice President of Corporate Strategy Department and Deputy Vice President of Sales Division
- Jun. 2017 Director, Senior Managing Executive Officer, Senior Vice President of Corporate Strategy Department and Supervisor of Sales Division  
President of SAWAI AMERICA Inc.  
Chairman of the Board of Upsher-Smith Laboratories, LLC
- Jun. 2018 Director, Senior Managing Executive Officer, Senior Vice President of Corporate Strategy Department and Supervisor of Research & Development Division  
President of SAWAI AMERICA LLC.  
Chairman of the Board of Upsher-Smith Laboratories, LLC
- Jun. 2020 President, Representative Director



## Looking Back on Fiscal 2019 and Recognizing the Business Environment

### Looking Back on Fiscal 2019 and Forecast for Fiscal 2020

**K. Sawai:** In the Japanese market in fiscal 2019, there were temporary drug price revisions in line with the consumption tax hike in October 2019, and drug price revisions implemented in April 2020. In reaction to the spread of COVID-19, employees took thorough countermeasures to prevent infections and voluntarily refrained from visiting medical institutions, but the impact from these factors on our performance was minimal. In the U.S. market, although revenue declined due to challenges with existing products as generic drug prices continued to fall, operating income increased as impairment losses declined from the previous fiscal year.

In terms of the earnings forecast for the fiscal year ending March 31, 2021, in the Japanese market, unit selling prices will fall in response to

drug price revisions and the impact of COVID-19 as the business environment surrounding our Company becomes increasingly challenging. However, we have already launched several promising new products that have little competition, thus there are many factors that are expected to contribute to higher sales.

At present, the generic drug market is said to be about ¥1.35 trillion in drug price conversion, growing to ¥1.6 trillion in the next three years and to ¥2.2 trillion in the next five years when original drug patents expire, thus it is expected that the domestic generic drug market will continue to grow in the future. Going forward, we will continue to outperform competitors with our patent strategy, which is our strength, and build a solid position in the generic drug business.

### Consolidated Financial Highlights

Millions of yen

	FY2019		Year on year		FY2020 forecast		Year on year	
	Amount	Composition of sales	Amount	Growth rate	Amount	Composition of sales	Amount	Growth rate
Net sales	182,537	100.0%	(1,804)	(1.0%)	<b>200,200</b>	100.0%	17,663	9.7%
Operating income	26,793	14.7%	996	3.9%	<b>26,850</b>	13.4%	57	0.2%
Profit before tax	26,497	14.5%	831	3.2%	<b>26,550</b>	13.3%	53	0.2%
Profit attributable to owners of the parent	19,280	10.6%	(96)	(0.5%)	<b>20,050</b>	10.0%	771	4.0%
Core operating income (For reference)	34,391	18.8%	(3,347)	(8.9%)	<b>34,800</b>	17.4%	409	1.2%

Core operating income is calculated by excluding operating income from profit and loss due to non-recurring factors.

**M. Sawai:** Even amid this extremely challenging external environment, our ability to achieve results nearly as planned reflects our ability to launch various new products in anticipation of cost improvements and market trends due to

more efficient production systems. Above all, I think the trust born from consistently supplying products over many years has blessed us with the support of a large number of customers.

## Future Growth Strategy

### Transitioning to a Holding Company

**M. Sawai:** We have begun preparations to transition to a holding company structure, which we plan to commence sometime in April 2021\*1.

Japan's declining birthrate and aging population, and the accompanying deterioration in healthcare financing were primary factors behind this decision. Going forward, Japan aims to realize a society of health with longevity through not only medical treatment in a narrow sense, but also in terms of pre-symptomatic and preventive measures, data health reforms and other efforts. Thus, for our

### Objectives of Transition to Holding Company Structure

- Accelerate strategic alliances
- Establish system for the rapid development of new businesses
- Separate Group management/supervision and business execution
- Develop Group management personnel

Company to continue to grow in the future, we must build a system for strengthening existing businesses as well as nurturing new businesses that meet modern day needs. The generic drug industry will also reach a turning point where it will struggle to survive, which means we must prepare by entering into strategic alliances including M&A and develop Group management personnel.

\*1 Assumes approval by the General Meeting of Shareholders scheduled in December 2020.

### Medium- to Long-Term Business Strategy

**K. Sawai:** Considering the medium- to long-term business environment in the Japanese market, we assume the existing generic drug business will encounter challenges. We will address this by developing orphan drugs, actively investing in growth opportunities other than generic drugs, while also boldly taking on the challenge of new businesses by leveraging the strengths accumulated in our existing business.

At the same time, the United States is the largest market in the world, so receiving FDA approval and bringing drugs to market will be a great growth opportunity for the Company, leading to an enhanced global reputation.

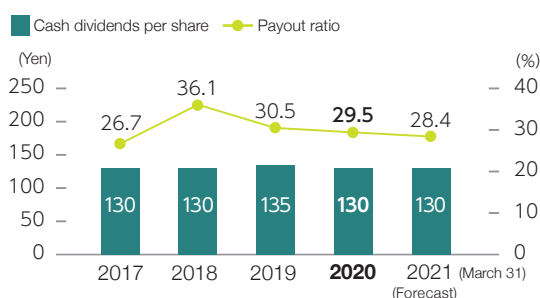
The number of generic drug approvals is still increasing, and although we expect the intensely competitive environment to endure into the future, we aim to leverage niche markets where there is little price competition with products called complex generic drugs that have high barriers to entry. Additionally, we are preparing for competition from other companies with the acquisition of two products from an Indian pharmaceutical company as successors to Upsher-Smith's brand products in the CNS domain. We are also steadily preparing for Paragraph IV filings, which was our purpose for expanding overseas.

We have implemented new work styles, such as the introduction of telework and online meetings, as part of our COVID-19 infection countermeasures, and have focused on continuous process improvement in that area. At the same time, I strongly felt the need for human resource development.

Generic drugs are now said to be an "indispensable asset" for the Japanese people. We will improve the quality of our education, especially among young employees, so that we can take pride and responsibility for being involved in such important work.

Finally, with regard to shareholder returns, which we position as one of our most important management priorities, we strive for balance with our growth-oriented investments to achieve a stable and ongoing dividend payment with a payout ratio of approximately 30%.

### Cash Dividends per Share and Payout Ratio



\*The Company has adopted International Financial Reporting Standards from FY2017.

\* The fiscal year ended March 2019 includes a 90th anniversary commemorative dividend of ¥ 5 per share.

## Social Responsibility as a Top Manufacturer of Generic Drugs

### The Future of the Generic Drug Industry

**M. Sawai:** Last fiscal year, there was a legal breach in our industry in Japan, and as trust is paramount for pharmaceutical companies, a single mistake can be devastating. In order for this industry to continue to grow, governance and compliance are of utmost importance. Sawai will further strengthen Group governance with our transition to a holding company.

The impact of COVID-19 will make it difficult to

achieve a generic drug volume share of 80% by September 2020. However, generic drugs are an indispensable industry in Japan, thus we can expect further growth. The Sawai Group will continue to fulfill its social mission and work to further enhance its corporate value under a new system.

### Toward the Realization of “Always Putting Patients First”

**K. Sawai:** Amid increasing interest in the SDGs and ESG, we have made Sustainable Development Goal 3 “Ensure healthy lives and promote well-being for all at all ages” our priority goal as we promote environmental, social and governance initiatives.

And, because we believe our business itself – especially generics – is the biggest contribution to society, we need to continue the ongoing stable provision of safe, high-quality generic drugs. This has been the same for generations, and will never change. The cornerstone of this dedication is our corporate philosophy “Always Putting Patients First,” which continues to be the trademark phrase of Hiroyuki Sawai, our former chairman (now supreme counselor).

In the future, for example, various ideas and opinions will emerge as the business diversifies. But even in such cases, we should be able to identify the path we must take using the indicator of whether or not it will benefit patients and what

we must do to ensure we actually do benefit patients. The Sawai Group will continue to sincerely pursue what we must do to benefit patients.

