



sawai

Sawai Group Holdings Co., Ltd.

Medium-term Business Plan “Beyond 2027”

FY2024 to FY2026

June 6, 2024

4887.T, TSE Prime

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**Review of Medium-term Business Plan
START 2024**

Quantitative Results

	Business ^{*1}	FY2020 Actual	FY2023 Actual
Revenue	Japanese generics business	153.6 billion yen	176.9 billion yen
	U.S. business	33.6 billion yen	Discontinued operation
	New businesses	–	0.01 billion yen
	Total	187.2 billion yen	176.9 billion yen
Core operating income	Consolidated	34.0 billion yen	23.9 billion yen
Generics market share ^{*2} / Sales volume	Japanese generics business	16.1% / 13.3 billion tablets	17.1% / 15.7 billion tablets
	Japanese generics business	15.5 billion tablets	18.5 billion tablets
Production capacity	Japanese generics business	15.5 billion tablets	18.5 billion tablets
Production volume	Japanese generics business	13.9 billion tablets	15.9 billion tablets
EPS	Consolidated	281.80 yen	312.67 yen
ROE	Consolidated	5.8%	6.6%
ROIC	Consolidated	4.3%	4.8%

*1 IFRS standards applied

*2 The denominator for calculation the share is the total sales volume in Japanese generics market.

Qualitative Results

Japanese generics business	<ul style="list-style-type: none"> Non-compliance with GMP in the stability monitoring of Teprenone Capsules 50 mg “Sawai” Increase in production volume due to the strengthened system for increased production at our existing factories and partner companies A better outlook for early establishment of our own production system with an annual capacity of 20 billion tablets or more Revised distribution cost policy to realize a long-term stable supply
U.S. business	<ul style="list-style-type: none"> In April 2024, withdrew, in principle, from the U.S. business for which return on capital has fallen short of the cost of capital mainly due to the recording of a large amount of impairment loss in FY2021
New businesses	<ul style="list-style-type: none"> Started taking on the challenge of new businesses leveraging the strengths we have acquired in existing businesses in order to achieve the government’s goal of a society with healthy longevity

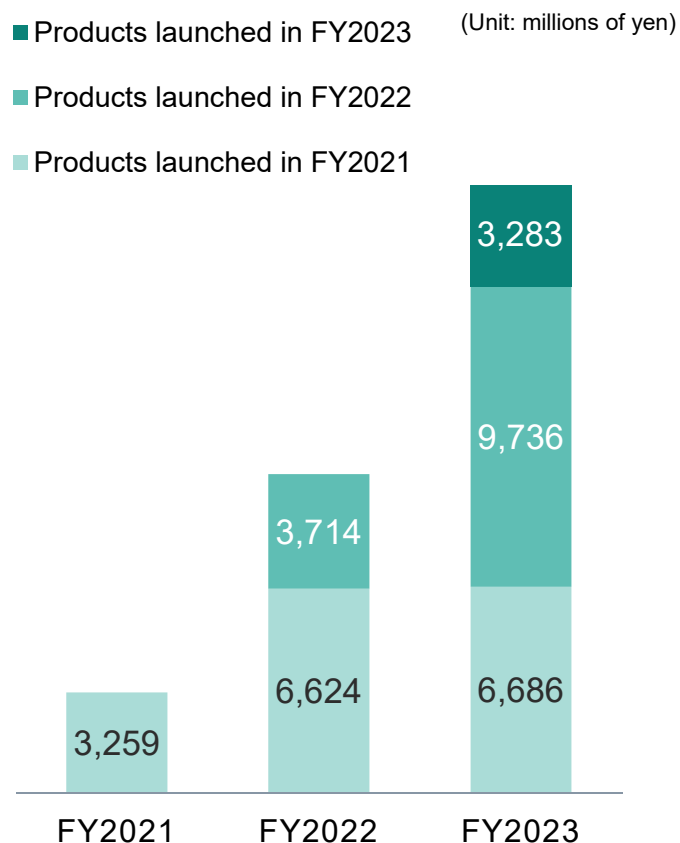
Major factors impacting the results of Japanese generics business

Quality-related problems with products of some generic drug manufacturers	Supply shortages of drugs	Consecutive drug price revisions
Shoring up drug prices	Impact of rising costs (inflation and weak yen)	Revisions of regulations

START 2024: Expanding Share in Japanese Generics Market

- Succeeded in becoming the first and the only generic drug company to launch generic drugs by leveraging our strengths of the sophisticated patent strategy and formulation technology capabilities.
- Launched new 65 products over three years.

Revenue from products launched in the past three years

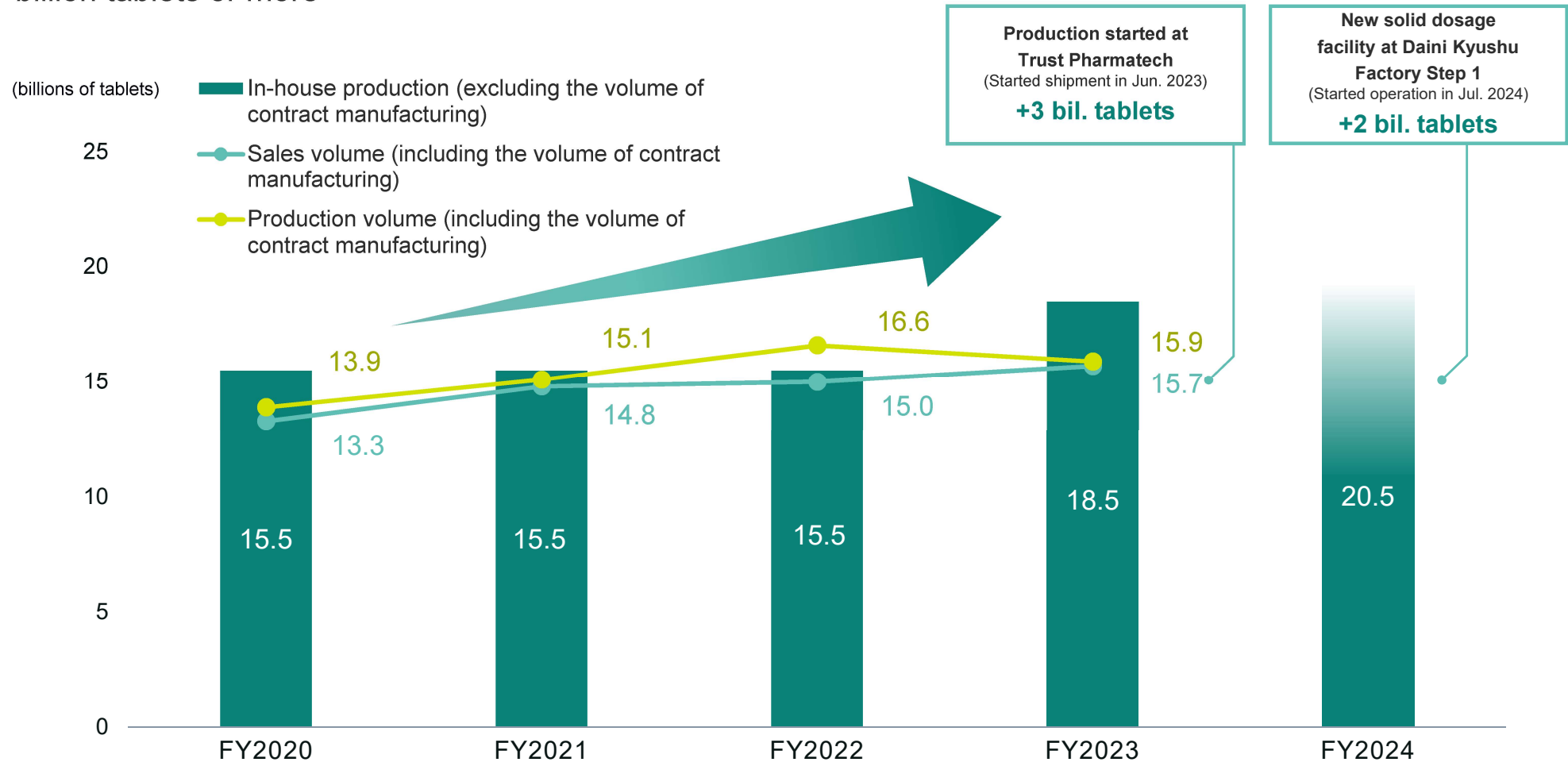


Numbers of products launched in the past three years and single-market and strongly competitive products

	FY2021	FY2022	FY2023
Number of products	32	23	10
Single-market and strongly competitive products (included in above)	10	4	2
Major products released (generic name)	<ul style="list-style-type: none"> • Solifenacin Succinate • Azilsartan and Amlodipine • Eszopiclone • Duloxetine Hydrochloride • Levetiracetam • Igratimod 	<ul style="list-style-type: none"> • Febuxostat • Azacitidine • Daptomycin • Teriparatide Acetate • Escitalopram Oxalate • Esomeprazole Magnesium Hydrate • Tolvaptan • Aripiprazole 	<ul style="list-style-type: none"> • Lenalidomide • Azilsartan • Zinc Acetate

START 2024: Expanding Share in Japanese Generics Market

- Made capital investments of 58.5 billion yen over three years for the acquisition of production facilities from another company, the construction of the new solid dosage facility at Daini Kyushu Factory, etc.
- Having a better outlook for early establishment of our own production system with an annual capacity of 20 billion tablets or more



* Assumptions for production capacity: The current number of products is based on the assumption that the machines continue to operate using two shifts on weekdays. The volume of contract manufacturing is not included.

- Started taking on the challenge of new businesses leveraging the strengths we have acquired in existing businesses in order to achieve the government's goal of a society with healthy longevity

Digital medical devices business

SWD001

(non-invasive neuromodulation device)

- Acute treatment of migraine: A medical device, Relivion®, obtained the marketing and manufacturing approval from the Ministry of Health, Labour and Welfare of Japan in December 2023.
- Depression: Application for approval will be considered after the completion of clinical studies in the US.

SWD002

(DTx for NASH*1)

- Phase 3 study started in January 2024 for Digital Therapeutic App for NASH* that entered into a development and marketing license agreement with CureApp, Inc.

SaluDi

(PHR*2 management app)

- Promoting introduction to medical facilities to strengthen cooperation with regional medical care providers and generic drugs business (Adopted by 1,340 medical facilities as of Apr. 30, 2024).

*1 NASH: non-alcoholic steatohepatitis *2 PHR: Personal Health Record

Health food business

Foods with Functional Claims

- Continue to market two products, "Triple Seikatsu Shukan" (Triple lifestyle habits) and Kukkiri Ryoku Ai" (Sharp eyesight).
- Continue to develop products and services in the pre-disease and prevention field.

New drug businesses (Orphan diseases)

Orphan drugs

- Strengthening the internal evaluation structure and continuing to consider expanding the pipeline.

START 2024: Summary of Financial Strategies

- Conducting strategic investments including capital investment for future growth

	Forecast	Actual	Main points
R&D expenses (Generic drugs business)	Approx. 45 billion yen	73.6 billion yen	<p>[Japan]</p> <ul style="list-style-type: none"> • R&D investment for launched products during the three-year period ending in FY2023 • R&D investment for products to be launched after FY2024 <p>[U.S.]</p> <ul style="list-style-type: none"> • R&D investment in the discontinued operation
R&D investment/ acquisitions (e.g., products)	Approx. 30 billion yen		
Capital investment	Approx. 70 billion yen (Japan: Approx. 60 billion yen U.S.: Approx. 10 billion yen)	69.6 billion yen	<p>[Japan]</p> <ul style="list-style-type: none"> • Acquisition of production facilities from another company • Production capacity expansion of existing factories and replacement of facilities <p>[U.S.]</p> <ul style="list-style-type: none"> • Construction of new factories for the discontinued operation
New businesses (Planned investment amount)	30 billion yen	2.8 billion yen	<ul style="list-style-type: none"> • Development of SWD001 • Acquisition of rights and development of SWD002 • Launch of health food business • Development of orphan drugs
Shareholder returns	17 billion yen or more in total dividends over three years (Conducting consistent, ongoing dividends with target of 130 yen/share annually and payout ratio of 30%)	17.1 billion yen in total dividends over three years	<ul style="list-style-type: none"> • Conducting consistent, ongoing dividends of 130 yen/share annually

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

02

Our Vision for 2030

■ Sawai Group Corporate Philosophy

Always putting healthier lives first

This philosophy 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 under the new system 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.



- As a social infrastructure dedicated to safeguarding the lives and health of the people, we ensure a consistent supply of high-quality generic drugs and become a leading presence in the industry.
- We contribute to the resolution of social issues and the development of society by providing products and services that encompass the areas of disease prevention and diagnosis, with generic drugs at the core.

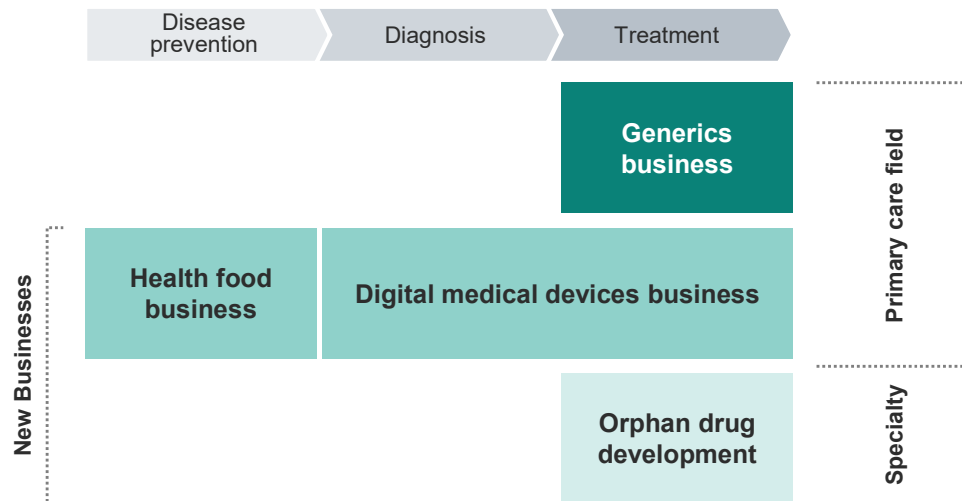
Sawai Group Vision 2030

The World We Want to Build

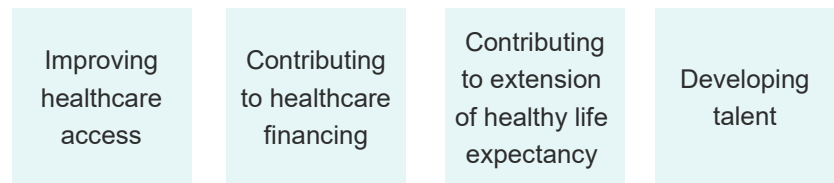
A world where more people can receive healthcare services and live a full life with peace of mind among society

Our Ideal State

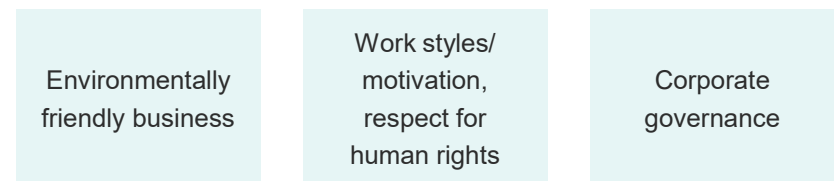
A company with a strong presence that continues to contribute to people's health by providing a multifaceted mix of products and services based on scientific evidence that meet individual needs



Material issues leading to value creation



Material issues as the foundation of sustainable growth



- We focus on the following themes concerning social trends and technological evolution

■ Changes in trends

A more aging society, shift in values from treatment to prevention/presymptomatic illness

Increasing elderly population



Labor shortages due to declining workforce



Emphasis on prevention of disease and presymptomatic illness state



Increasing medical costs



Increasing home care



■ Evolution of technology

Advances in technological innovations such as new modalities, AI, and robots

New modalities



AI



Digital



Robotics



- The FY 2024 drug pricing reform incorporates policies aimed at securing a consistent pharmaceutical supply to address the ongoing stability issue, particularly concerning generic drugs. All companies are required to establish a system for the stable supply of quality-assured pharmaceuticals, secure sufficient capacity for production increase, and implement measures for a sustainable industrial structure.

Social issues

Rising medical expenses

Medical expenses
¥45.0 trillion (FY2021)

Hyper-aging society

Percentage of
Japanese population
aged 65 or older 29.1%
(September 2023)

Need for affordable and safe drugs

Drug shortage

Quantitative targets and outline of the drug pricing system reform in April 2024

Quantitative targets

Primary To achieve a volume share of 80% or more for generics in all prefectures by the end of FY2029.

Secondary (1) To have the number of components replaced by biosimilars by over 80% constitute more than 60% of the total components by the end of FY2029.

(2) To achieve a value share of 65% for generics by the end of FY2029.

Raising prices of unprofitable drugs

Repricing of unprofitable products To raise prices of unprofitable products as requested by companies exceptionally in response to soaring costs and supply issues.

Essential medicines To relax requirements for eligible products from 25 years to 15 years after listing.

Corporate assessment

A system to enhance transparency in companies' supply system etc. and provide preferential treatment in drug pricing to companies with proven capability and track record.

Selective treatment

A system under which a patient pays a portion (one-fourth) of the difference in drug price between a generic drug and a long-listed drug when choosing a long-listed drug that is eligible for selective treatment.

Outline of the report of the “Study group on the industrial structure to achieve a stable supply of generic drugs, and associated matters.”

- To provide a stable supply of quality-assured generic drugs, we aim to **1 ensure production management and quality control systems**, **2 ensure stable supply capacity**, and **3 achieve a sustainable industrial structure**.
- We set an intensive reform period of about five years and steadily implement measures to early resolve supply instability and prevent its recurrence, starting immediately with issues that can be addressed.

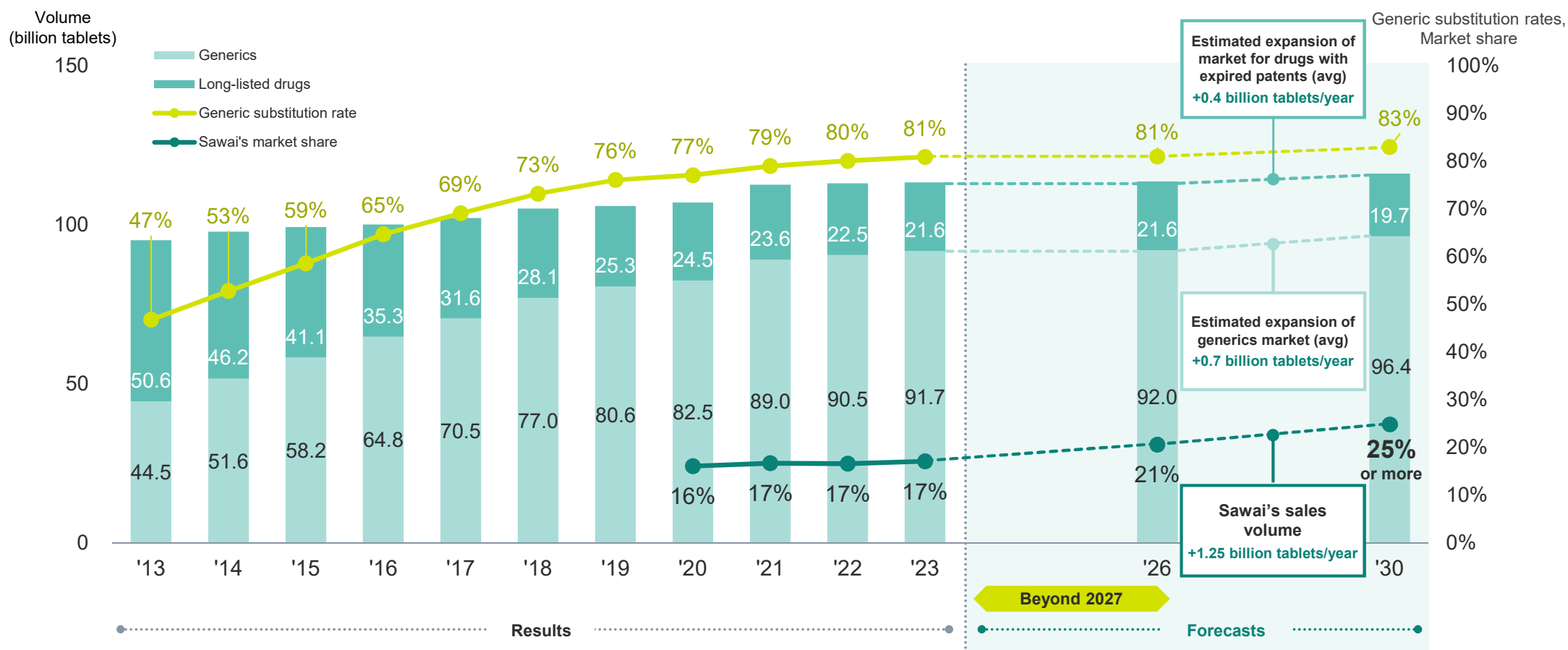
4 Promotion of collaboration/cooperation among companies

- Shifting the business model and implementing a somewhat large-scale production and quality control system can effectively enhance production efficiency and profitability by boosting market share and optimizing the number of products. Collaboration and cooperation among companies, division of roles, consortiums, and integration of companies should be considered.

To realize a stable supply system in line with these three pillars of **1 - 3**, in the Medium-term Business Plan, “Beyond 2027,” we will commit ourselves to the key theme, “Establishing a trusted corporate foundation.” Thereby, we expand our in-house production capacity earlier and promote collaboration/cooperation among generics companies to resolve the short supply of drugs.

Business Environment Outlook: Generics Market

- The generics market is expected to experience an average annual growth rate of approx. 0.7 billion tablets per year, due to the aging population.
- We aim to expand our share in generics market by increasing sales volume at a rate that outpaces market growth through enhanced production capacity.



The figures are based on in-house estimates (volume, generic substitution rate, and market share include those of categories ☆ and ★ of *Information on the availability of generics for each original drug* provided by the Ministry of Health, Labour and Welfare.

☆: Among original drugs for which a generic drug is available, those whose dosage form or specification is not identical to that of the generics, or those whose price is the same as or lower than that of the generics, or the likes.

★: Generic drugs whose prices are the same as or higher than that of the original drug.

Quantitative Targets of Sawai Group Vision 2030

- We have revised our quantitative targets following our withdrawal from the U.S. business and in response to the expansion of business opportunities in Japanese generics business.
- We have revised both revenue and ROE targets upward for Japanese generics business.
- In addition, we have set ROIC target in line with our shift to management of greater emphasis on capital efficiency.

Item	Business ^{*1}	FY2023 Results	Vision 2030 for FY2030 (as of June 2024)	Vision 2030 (as of May 2021)
Revenue	Generics business	176.9 billion yen	300 billion yen	260 billion yen
	New businesses	0.01 billion yen	10 billion yen	80 billion yen
	Total	176.9 billion yen	310 billion yen	400 billion yen (including 60 billion yen of U.S. business)
Generics market share ^{*2} / Sales volume	Generics business	17.1% / 15.7 billion tablets	25.0% or more / 24 billion tablets	20.0% or more / 20 billion tablets
		In-house production capacity	18.5 billion tablets	25 billion tablets or more
ROE	Consolidated	6.6%	13% or more	10% or more
ROIC	Consolidated	4.8%	10% or more	—

*1 IFRS

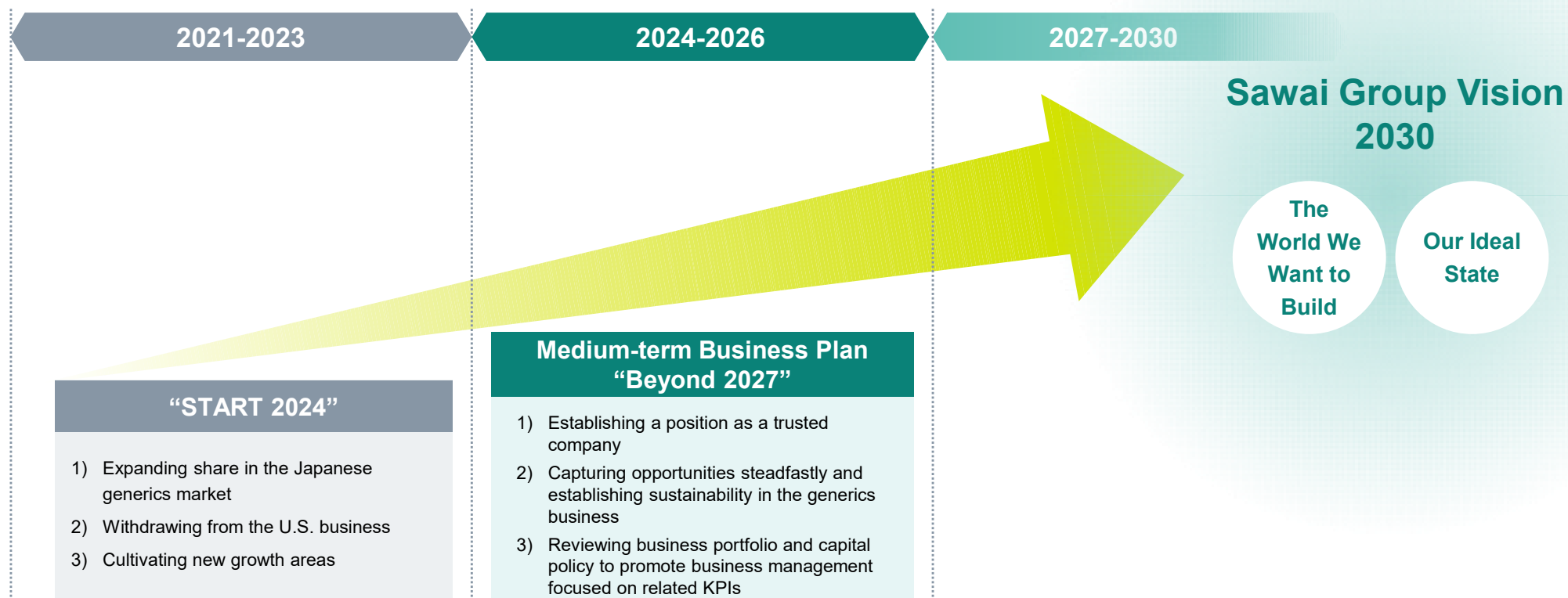
*2 Denominator for share calculation is the total volume of the domestic generic drug market.

03

Medium-term Business Plan “Beyond 2027”

Positioning of Current Medium-term Business Plan

- During the current Medium-term Business Plan period, we pave a path towards achieving “Sawai Group Vision 2030” with “establishing a trusted corporate foundation” as the basis.
- We expand our in-house production capacity earlier and promote collaboration/cooperation among generics companies to resolve the short supply of drugs.
- In the generics business, we concentrate management resources on quality assurance and production capacity enhancement. In addition to the growth during the current Medium-term Business Plan, we establish a framework to drive growth forward in the next Medium-term Business Plan period.
- With a view to long-term growth, we continue investment in growth areas where synergies with our generics business are expected.
- We promote management focused on related KPIs based on the “Basic policy of reviewing business portfolio and capital policy” released in January 2024.



- We set “establishing a trusted corporate foundation” as the basis for “Beyond 2027.”
- In addition, we have set key themes for “business strategy” and “business foundation” to drive further growth.

Key themes for business strategy

- 1 Achieving steady growth in the generics market
- 2 Establishing sustainability of the generics business
- 3 Continuing investment in growth areas

Key themes for management base

- 1 Creating talent that underpins sustainable growth
- 2 Working on sustainability initiatives
- 3 Improving capital efficiency

Establishing a trusted corporate foundation

- We take the administrative penalty we received last year very seriously. Placing top priority on recovering trust of patients and medical professionals, we will fully comply with laws and regulations and implement thorough recurrence prevention measures.

Carrying out Corporate Culture Reform Project*

Reassessing the existing products from manufacturing and quality perspectives, and implementing corrective measures

Implementing recurrence prevention measures in the Manufacturing Division

Implementing recurrence prevention measures at Kyushu Factory

Implementing recurrence prevention measures at the Reliability Assurance Division

* The progress of the Corporate Culture Reform Project is kept updated, as needed, on the following website: https://www.sawai.co.jp/important_news/detail/17

Establishing Trusted Corporate Foundation

- Introducing systems and strengthening personnel structure to establish a system for reliability assurance.

Effects of and amounts invested in the systems being introduced

	Effects	Current status	Future plans	Amounts invested
Quality Event Management System (QMS)	<p>Improved reliability of data</p> <ul style="list-style-type: none"> Controls the shipment of products that have yet to undergo a deviation processing Prevents data falsification by controlling access rights Enables tracking of fraudulent activities Prevents “omissions and errors” with an alert function 	<ul style="list-style-type: none"> We have not yet introduced QMS to any of our factories. We are currently compiling the requirements at each of our factories. 	<ul style="list-style-type: none"> We plan to commence deviation/CAPA operations in April 2025. We then plan to expand the application of QMS to other operations such as modifications. 	140 million yen
Manufacturing Execution System (MES), Laboratory Information Management System (LIMS)	<p>Improved accuracy of records</p> <ul style="list-style-type: none"> Enable real-time recording Prevent the replacement of records or do-overs of inappropriate testing 	<ul style="list-style-type: none"> Status of MES introduction: MES have been introduced to five factories (Kashima, Kanto, Sanda Nishi, Seima (Trust Pharmatech), the new facility at Daini Kyushu Factory (completion scheduled for June 2024)) 	<p>We plan to introduce MES/LIMS to existing facilities of Daini Kyushu Factory. (Start of operation scheduled for April 2026.)</p>	1,200 million yen
		<ul style="list-style-type: none"> Status of LIMS introduction: LIMS have been introduced to five factories (Kashima, Kanto, Yachi (Trust Pharmatech), Seima (Trust Pharmatech), the new facility at Daini Kyushu Factory (completion scheduled for June 2024)) 	<p>We plan to introduce MES to factories to which MES have not yet been introduced in FY2027 and later during the period of the next Medium-term Business Plan. (Sanda, Kyushu, Yachi (Trust Pharmatech))</p>	2,400 million yen (FY2027 and later)
			<p>We plan to introduce LIMS to Sanda, Sanda Nishi, and Kyushu factories. (Start of operation scheduled for July 2026.)</p>	1,200 million yen

Strengthening personnel structure

	Current status	Plan
Head Office: Strengthen the personnel structure of Quality Assurance (QA) and Regulatory Affairs (RA)	56 persons	80 persons (143% vs. the current number) (by FY2026)
Factories: Strengthen the personnel structure of Quality Assurance (QA) and Quality Control (QC)	465 persons	570 persons (123% vs. the current number) (by FY2026)

Establishing Trusted Corporate Foundation

- We continue self-assessment on approval certificates. Also in GMP audits of in-house factories, we ensure objectivity and improve audit level by being accompanied by a third-party organization. In addition, we establish a solid structure to promote such audits by reporting the results periodically (quarterly) to the Board of Directors of Sawai Group Holdings.
- While increasing the number of employees in a phased manner, we will work to transform the composition of the workforce to include more employees with higher technical expertise by providing them with enhanced training programs.

Assessment of approval certificates	Current status	Plan
Assessment of certificates of approval KPI: Progress rate (%) = Number of products with their approval certificates assessed/planned number of products (%)	Self-assessment is underway in response to the notification from MHLW (self-assessment on all products to be completed by October 31, 2024)	We will continue self-assessment of certificates of approval on all products.
GMP audit	Current status	Plan
GMP audit by the Quality Assurance Department of the Head Office (eight factories of the Company) KPI: Progress rate (%) = Number of factories with their GMP audit completed / planned number of factories	Once/year at each factory	Twice/year at each factory (Accompanying organization: NPO-QA Center for the 1st round, and outside GQP/GMP experts for the 2nd round) * We are also planning to report the results of the audits by regulatory authorities and other manufacturing/sales companies to the Board of Directors of Sawai Group Holdings.
Employee education	Current status	Plan
Rate of increase in hours spent on education (Targets: Employees engaged in GMP-related operations, including manufacturing and quality control) KPI: Rate of increase (%) = Hours spent on education per employee / hours spent on education in 2023	The results of FY2023 are rebased to 100%.	We will increase hours of education each year during the period of the Medium-term Business Plan by implementing measures to improve efficiency, such as increasing the number of personnel and introducing systems.
Number of employees certified to have certain proficiency levels (manufacturing and testing) KPI: Number of employees / product	Based on the certification criteria set by the factories of the Company, the number of employees on the left represents the number of persons certified per product in manufacturing and testing in FY2023.	We will increase the number of highly skilled personnel by giving them well-planned education and opportunities to accumulate experience.

Business Strategy 1 & 2: Achieving Steady Growth and Business Sustainability in Generics Market

- Capturing current growth opportunities without fail, while making sustainable contribution to society as social infrastructure with the pride of being a leading player in the generics industry.

Steady growth

Capturing current growth opportunities by leveraging the production capacity expanded through investments during the period of the previous Medium-term Business Plan and paying close attention to the tailwind generated by reform of the drug price system

Establishment of business sustainability

Establishing a business model that allows for a stable supply of generic drugs, which are integral part of social infrastructure, over the many years to come

Specific measures

- Develop and launch new products steadily
- Improve the utilization rate and increase production at production facilities in which we have made investments
- Expand market share of profitable products
- Provide peace of mind and added value that medical professionals and patients need

- Sell at reasonable prices
- Manage unprofitable products
- Conduct research and development in view of products' lifecycles
- Continue to expand production capacity in the period of the next Medium-term Business Plan and beyond

Growth investments

- Continue to make top-tier R&D investments in the Japanese generics industry (for the development of new products and the improvement of existing products)
- Refurbish production facilities with top-tier production capacity in Japan
- Expand production capacity during the period of the current Medium-term Business Plan (through measures such as capital investments and alliances with other companies)

- Expand production capacity during the period of the next Medium-term Business Plan and beyond (through measures such as capital investments and alliances with other companies)

Steady Development and Launch of New Products

- Planning to launch more than 44 new products in the next three years.
- Turning our technological capabilities into brands, underpinned by a group of technologies developed through the pursuit of “ease of taking,” “ease of handling,” and “high quality,” such as “SAWAI HARMOTECH®” and “QualityHug.”
- Continuing to outperform industry peers through our strategy of leveraging our intellectual property strengths and comprehensive R&D abilities built on our drug formulation development capabilities, aiming to expand profits in the generics business as a whole.

■ New product launch plan

	FY2024	FY2025	FY2026
Number of ingredients	7	7	13
Number of products	12	10	22
Original drug market (billions of yen)	135.0	101.5	200.0

We also aim for launching single-market products other than those listed above

Improving Utilization Rate and Increasing Production at Production Facilities We Have Invested in and Increasing Production

- Increasing utilization at Trust Pharmatech and the new solid dosage facility at Daini Kyushu Factory and improving production efficiency at existing factories for early resolution of the drug supply shortages
- Aiming for both increasing and improving revenue by promoting these efforts

Production volume forecast for Trust Pharmatech and the new solid dosage facility at Daini Kyushu Factory

	Production capacity	FY2023 Actual	FY2024	FY2025	FY2026
Trust Pharmatech	3,000 million	240 million	900 million	1,800 million	2,400 million
New facility at Daini Kyushu Factory*	2,000 million	—	300 million	900 million	1,600 million

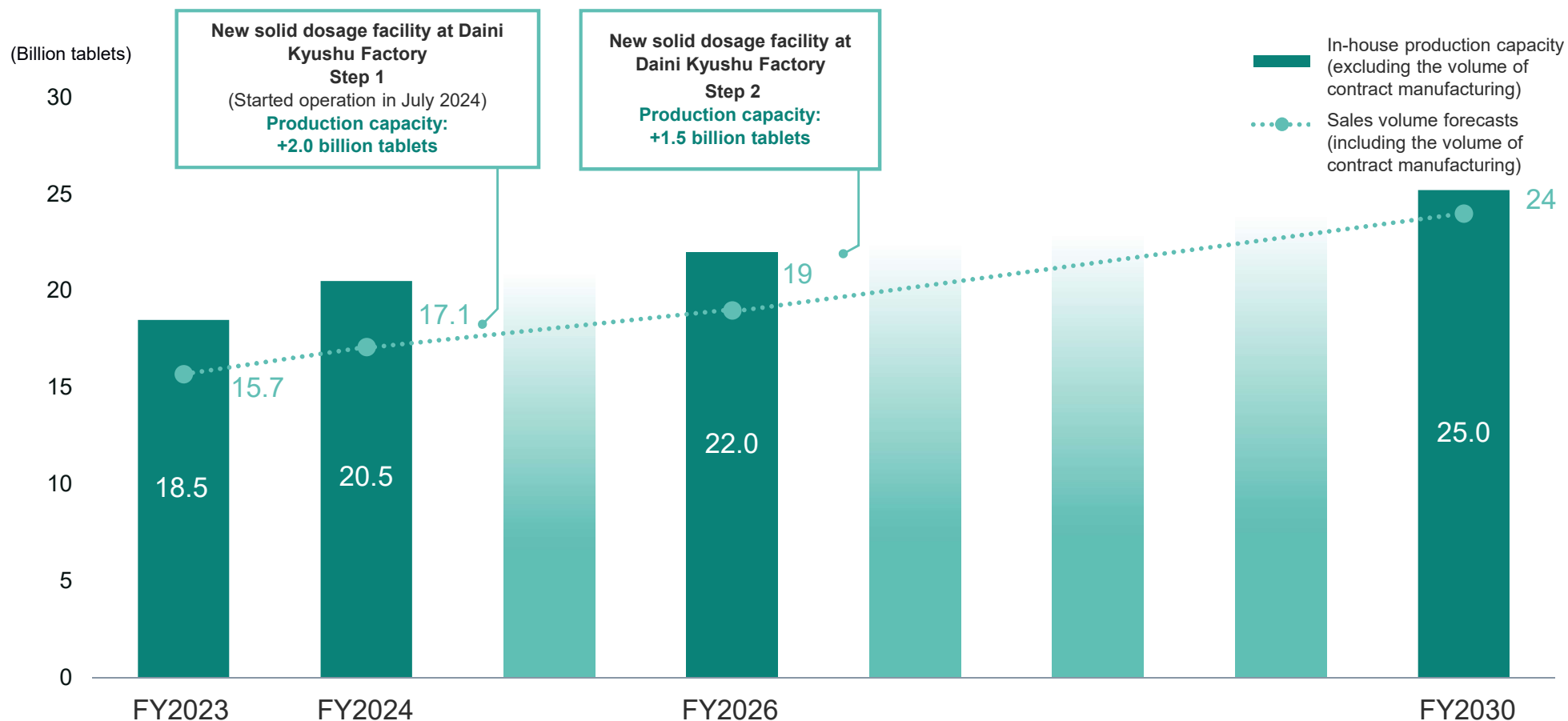
* We will commence Step-2 investments during FY2024 to meet growing demand. The production capacity after the investment is expected to reach 3,500 million tablets (vs. initially planned 3,000 million tablets).

Initiatives for improving production efficiency

- Improving yield and expanding scale
- Switching to facilities with higher processing capacity (capable of processing at a higher speed)
- Realizing unmanned or labor-saving operation of facilities at night and on holidays
- Shortening facility downtime through the review of maintenance operations, etc.
- Further improving production efficiency through implementing batch manufacturing, shortening changeover times, and other measures.
- Optimizing testing efficiency and the layout of facilities by consolidating testing sites
- Unifying packaging units/standards

Expanding In-house Production Capacity Towards FY2030

- Working for expansion of production capacity forcefully and proactively to resolve the supply shortage issue of generic drugs
- Considering making additional investments in a bid to expand our share in the Japanese generics market to 25% or over, such as constructing in-house factories and forming alliances with other companies
- Aiming to expand the production capacity of in-house factories to 25.0 billion tablets by FY2030



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

Business Strategy 3: Continuous Investment in Growth Areas

- Contributing to the extension of healthy lifespans through new businesses

Business area	Project segments	When to start contributing to sales revenue
Digital medical devices business	<p>SWD001 (non-invasive neuromodulation device, Relivion®)</p> <ul style="list-style-type: none"> • Migraine: Marketing and manufacturing approval obtained in FY2023. Sales planned for start in FY2024. • Depression: Considerations planned for application for approval in Japan, after the completion of clinical studies in the US. 	<p>FY2024</p> <p>FY2027</p>
	<p>SWD002 (DTx for NASH)</p> <ul style="list-style-type: none"> • Phase 3 study started in January 2024. Launch planned for in FY2027. 	
	<p>SaluDi (PHR app)</p> <ul style="list-style-type: none"> • Accelerating deployment to medical institutions to use it as digital sales promotion material. Continuing consideration for monetization. 	During the current Medium-term Business Plan period
Generics export	<p>China and ASEAN region</p> <ul style="list-style-type: none"> • Consideration underway to expand overseas in cooperation with local partner companies 	During the current Medium-term Business Plan period
Health food business	<p>Foods with Functional Claims</p> <ul style="list-style-type: none"> • Planning to consider future business plans based on the results for the prior periods 	Reporting started in FY2023
New drug business (Orphan diseases)	<p>Orphan Drugs</p> <ul style="list-style-type: none"> • Exploration for new pipelines underway 	—

Strengthening Business Foundation 1:

Producing Talented Personnel to Support Sustainable Growth

- Achieving the Group’s mid- to long-term growth through the promotion of talent acquisition and development, which is most important for business management, amid a decreasing working population.

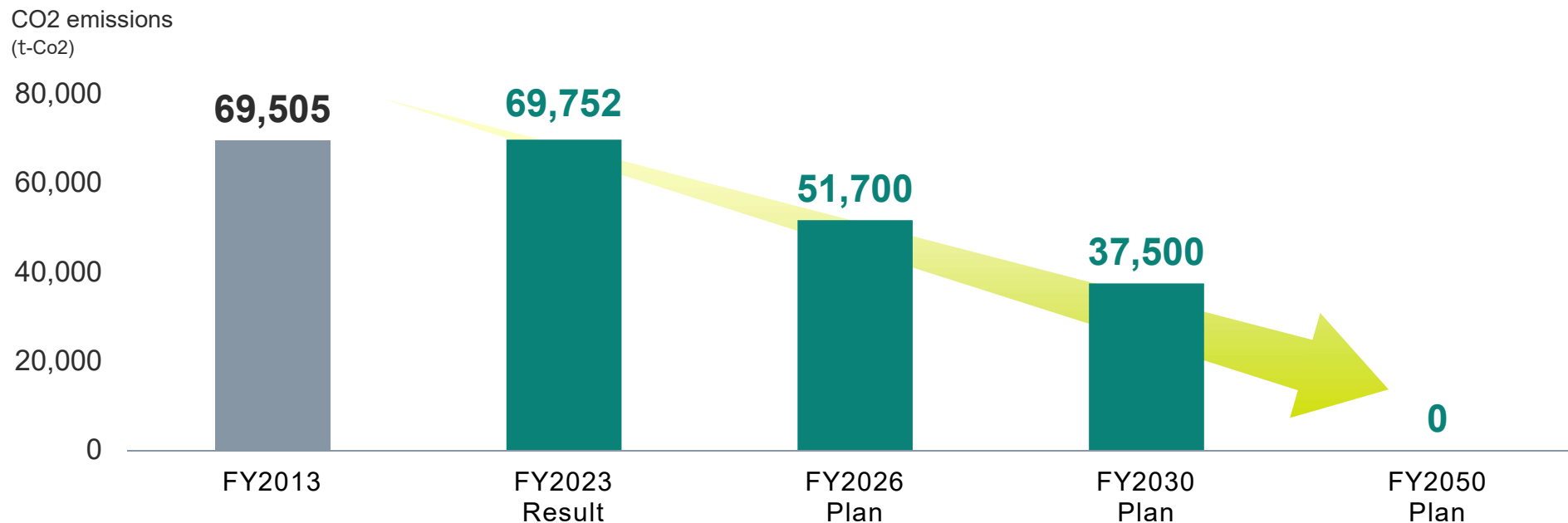
Material issue	High-priority measures	Main action plans
Developing talent	<ul style="list-style-type: none"> • Secure talent for production, quality assurance, and research • Utilize diverse personnel • Develop talent with a management perspective, etc. 	<ul style="list-style-type: none"> • Strengthening capability to recruit new graduates and mid-career workers. • Establishing attractive working conditions with an eye on the work environment. • Appointing and utilizing diverse talents such as women and the elderly. • Continuously developing successor candidates based on the succession plan.
Work styles / motivation, respect for human rights	<ul style="list-style-type: none"> • Reform corporate culture (create an open atmosphere in the company) • Promote inclusion, diversity, and equity (ID&E) • Encourage flexible work styles • Enhance engagement in the human rights area 	<ul style="list-style-type: none"> • Increasing opportunities for dialogue between management and employees. • Regularly investigating employees’ engagement and implementing measures for improvement. • Continuously developing female department heads and managers. • Reaching for 100% utilization of childcare leave. • Introducing a system to work from remote locations. • Supporting employees’ independent career development through internal job postings and parallel career paths within the company. • Implementing education and training on the human rights area using e-learning and other tools. • Utilizing the corporate ethics helpline.

Strengthening Business Foundation 2:

Initiatives for Sustainability; Environmentally Friendly Production

sawai

- Reducing total emissions volume 46% compared to FY2013+α level by 2030. Achieving net zero by 2050.



Key measures

- Utilize non-fossil certificates.
- Increase capital investment in energy saving equipment such as energy saving air conditioners.
- Introduce further solar power generation.
- Consider switches to energy sources with lower environmental loads (e.g. from heavy oil to gas).
- Understand the current water usage and consider further water saving.
- Consider a switch from thermal recycling to material recycling.
- Reduce both total emissions and emissions per tablet by improving efficiency with larger lot sizes.

Strengthening Business Foundation 2: Initiatives for Sustainability

- Addressing ESG issues including measures to address climate change, promotion of ID&E, and strengthening of corporate governance, as a healthcare corporate group which develops sustainably alongside society.

Issues to address	Quantitative targets, etc.	Key measures through FY2026
<p>E Environmentally friendly production</p>	<p>Compared to FY2013+α level,</p> <ul style="list-style-type: none"> • 46% reduction of total emissions volume (FY2030) • Net zero CO2 emissions (2050) <p>3% reduction of water usage intensity (compared to FY2023)</p> <p>Waste plastic recycling rate of 65% or more (2030)</p>	<ul style="list-style-type: none"> • Utilize non-fossil certificates. • Increase capital investment in energy saving equipment such as energy saving air conditioners. • Introduce further solar power generation. • Consider switches to energy sources with lower environmental loads (e.g. from heavy oil to gas). • Understand the current water usage and consider further water saving. • Consider a switch from thermal recycling to material recycling. • Seek to transform waste into valuables. • Work with business partners to develop raw materials that are both low carbon and low cost. • Strengthen information gathering to introduce new technology more actively than ever before.
<p>S Talent development, work styles / motivation, respect for human rights</p>	<p>Employee engagement indicator score of 4.50</p> <p>Ratio of women in managerial positions of 15% or more</p> <p>Ratio of women in department heads or upper positions of 10% or more</p> <p>Men's utilization of childcare leave of 100%</p> <p>Percentage of employees with disabilities of 2.85%</p> <p>Initiatives on human rights due diligence</p>	<ul style="list-style-type: none"> • Support employees' independent career development. (systems that enable employees to transition to new positions voluntarily, opening of a career consultation counter, etc.) • Implement onboarding measures to prevent the resignation of young employees. • Continuously develop female leaders. • Enhance childcare environment further by introducing new leave options for childcare purpose, and other measures. • Increase recruitment of people with disabilities. • Understand the human rights practices of business partners and work together. • Spread the understanding that respecting human rights leads to corporate sustainability.
<p>G Deepening corporate governance</p>	<p>Stronger risk management/compliance</p> <p>Strengthening of supply chain management</p> <p>System formulation ensuring trust in non-financial information</p>	<ul style="list-style-type: none"> • Strengthen the Risk Management Committee and the Compliance Committee. • Review purchasing GL of Sawai Pharmaceutical, and revise it into the Group's purchasing GL. • Grasp business partners' ESG practices through questionnaires to them. • Document the calculation process for non-financial information and conduct risk assessment. • Enhance information security.

Strengthening Business Foundation 3: Initiatives to Improve Capital Efficiency

- Using KPIs more conscious of capital cost to improve capital efficiency.
- Revising shareholder return and dividends policy.

Proactive use of KPIs conscious of capital cost

- Set a target ROE surpassing capital cost
- Set a target ROIC surpassing WACC
- Set target net DE ratio and shareholders' equity to total assets
- Clarify the investment criteria with an awareness of profitability, cash flow and capital cost by the Group Investment Committee
- Further enrich ESG leading to sustainable growth and capital cost reduction
- Invest in non-financial capital, including intellectual capital and human capital
- Pursue efforts on periodic analysis of PBR and PER, and continuous improvement measures

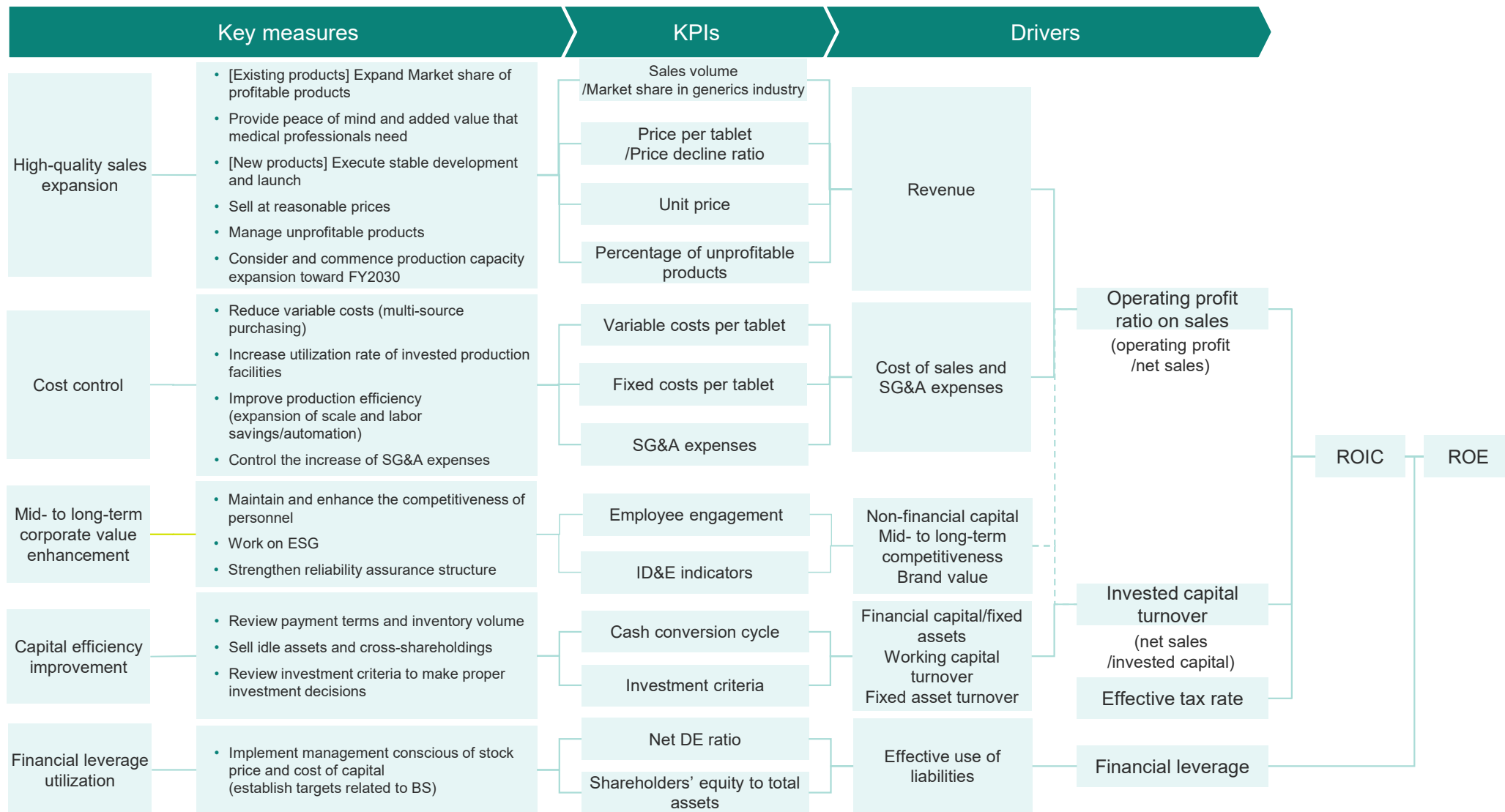
Shareholder return and dividends policy after revision

The Company's basic policy for shareholder return is to provide stable and continuous dividends, taking into account overall medium- to long-term profit levels, DOE, etc. while balancing shareholder returns with investments that will lead to new growth, including R&D and capital investments that will contribute to future corporate value enhancement. We aim to improve capital efficiency and enhance shareholder returns by flexibly purchasing treasury shares based on free cash flow, market trends, and other factors.

("Basic policy of reviewing business portfolio and capital policy" (Released on January 17, 2024))

Strengthening Business Foundation 3: Initiatives to Improve Capital Efficiency

- Breaking down the initiatives into KPIs for each department and into key measures at the field level, aiming for achieving the target of capital efficiency improvement as a whole company.



Strengthening Business Foundation 3: Cash Allocation

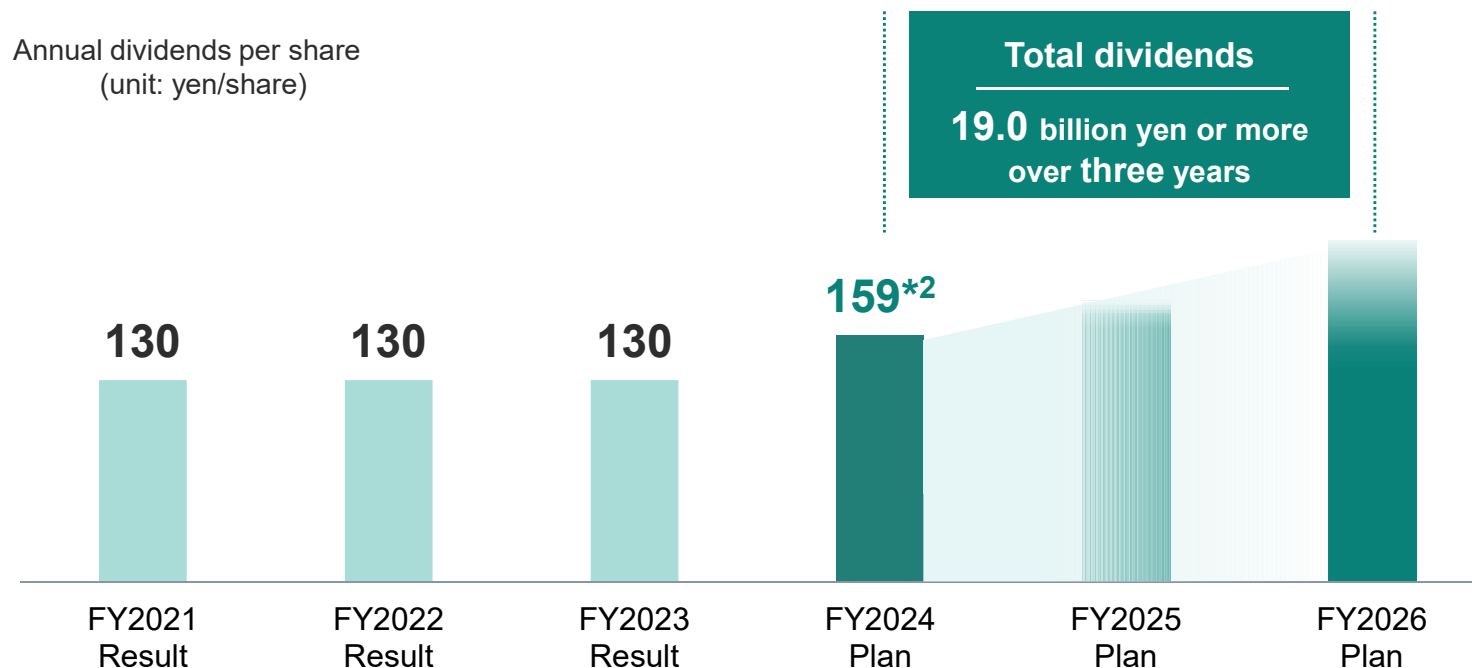
- Strategically allocating funds from operating cash flows of three years and from sales of business and assets, approximately 190.0 billion yen in total.
- Aiming for mid- to long-term business growth and improved return on capital through active investment that enables new progress.

	Purpose	Amount	Policy
<p>Expected generics business operating cash flow* over three years: approx. 145.0 billion yen</p> <p><i>* Before deducting R&D Expenses</i></p>	R&D investment (generics business)	Approx. 35.0 billion yen	<ul style="list-style-type: none"> • R&D investment for launching new products, which are our sources of growth
	Generics business	Approx. 78.5 billion yen	<ul style="list-style-type: none"> • Renewal of facilities at the factories (27.0 billion yen over three years) • Expansion of production capacity (31.2 billion yen over three years) • Investment in systems to strengthen reliability assurance structure of 3.7 billion yen • Other investments
	New business	Approx. 3.5 billion yen +α	<ul style="list-style-type: none"> • Investment in new businesses (SG&A expenses for SWD001, R&D expenses for SWD002, R&D expenses for exporting generics, etc.)
	Flexible allocation	Approx. 21.0 billion yen +α	<ul style="list-style-type: none"> • Expansion of production capacity toward FY2030 • Growth investment other than the plan
<p>Sales of US business, cross-shareholdings, etc.: approx. 45.0 billion yen</p> <p>Flexible financing capabilities +α with R&I rating of A-</p>	<p>Growth investment: 138.0 billion yen +α</p> <p>Shareholder returns: 52.0 billion yen +α</p>	<p>Purchase of treasury shares</p> <p>Dividends</p>	<p>Approx. 33.0 billion yen +α</p> <p>19.0 billion yen or more in total dividends over three years</p> <ul style="list-style-type: none"> • Liquidation of the increase in equity capital due to the capital increase made at the time of the acquisition of USL, using proceeds from sale of the US business and cross-shareholdings • Stable and consistent dividend payments, with overall consideration of mid- to long-term profit levels, DOE (targeting 3% or more), etc.

Shareholder Returns Policy

- Dividend: Seeking stable and consistent dividend payments, with overall consideration of mid- to long-term profit levels, DOE, etc.
- Purchase of treasury shares: Repurchasing shares flexibly based on factors such as free cash flow and market trends as part of our measures to improve capital efficiency and enhance shareholder returns.

	START 2024	Beyond 2027
DOE	2.8%	3.0% or above
Purchase of treasury shares	None	33.0 billion yen +α



*2 Based on the price before the stock split on October 1, 2024. The annual dividend amount, adjusted for the stock split, is 53 yen.

Quantitative Targets (Financial and non-financial)

	Business	FY2023 Result	Beyond 2027 Target	Vision 2030 FY2030 (released in June 2024)	Vision 2030 (released in May 2021)
Revenue	Generics business	176.9 billion yen	219.0 billion yen	300.0 billion yen	260.0 billion yen
	New business	0.01 billion yen	1.0 billion yen	10.0 billion yen	80.0 billion yen
	Consolidated	176.9 billion yen	220.0 billion yen	310.0 billion yen	400.0 billion yen (including 60.0 billion yen of the US business)
Core operating profit	Consolidated	23.9 billion yen	33.0 billion yen	—	—
Operating profit	Consolidated	18.6 billion yen	31.0 billion yen	—	—
Share in the generics market / Sales volume	Generics business	17.7% 15.7 billion tablets	20.5% 19.0 billion tablets	25.0% or above 24.0 billion tablets	20.0% or above 20.0 billion tablets
In-house production capacity	Generics business	18.5 billion tablets	22.0 billion tablets	25.0 billion tablets or more	23.0 billion tablets or more
ROE	Consolidated	6.6%	10% or above	13% or above	10% or above
ROIC	Consolidated	4.8%	8% or above	10% or above	—
Net DE ratio	Consolidated	0.27	0.4 or below (benchmark)	—	—
Shareholders' equity to total assets	Consolidated	55.7%	50% or above (benchmark)	—	—
DOE	Consolidated	2.7%	3.0% or above	—	—

Caution Regarding Future Outlooks

The information in this document is based on a variety of assumptions, and does not constitute a guarantee or promise of the execution of measures, future planning, or target figures described.

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