

Sawai Group Holdings to Review Business Portfolio and Capital Policy

Name	Sawai Group Holdings Co., Ltd. (Securities Code: 4887)
Overview	Sawai Group Holdings resolved at its board of directors' meeting to review its business portfolio and capital policy to improve management for the purpose of responding to investor expectations in the future through the enhancement of capital efficiency.
Background	<p>The company established a long-term vision in May 2021 that extends through the fiscal year ending March 2031. A three-year medium-term management plan ending in March 2024 is underway as the initial step.</p> <p>During the period of the medium-term management plan, in addition to revision of drug prices occurring annually in Japan, the group's U.S. business experienced a severe management environment with factors such as the emergence and market entry of products competing with the group's flagship products.</p> <p>Under this management environment, since the fiscal year ended March 2022, ROE hovered low at around 6% and PER at a little over 10x, while PBR had long been below 1x. From the middle of August 2023, PBR recovered to around 1x with expectations of recovery in the performance of the group's domestic business as well as change in the outlook of the environment for the Japanese generic drug industry. However, the figures are still below the average for companies listed on the Prime Market.</p> <p>Considering the above, Sawai Group Holdings will strive to improve management by further improving capital efficiency, prioritizing investment in growth segments through drastic review of the business portfolio and proactive use of KPIs conscious of capital cost and review of the shareholder return and dividends policy in consideration of capital cost and shareholder expectations.</p>
Basic policy of reviewing business portfolio and capital policy	<p>(1) Drastically review the business portfolio and owned assets while being aware of capital cost</p> <ul style="list-style-type: none"> i. In general, withdraw from the U.S. business and prioritize investment in the domestic generic drug business ii. Halve cross-shareholdings and sale of idle assets <p>(2) Revision to proactive use of KPIs conscious of capital cost</p> <ul style="list-style-type: none"> i. Set a target ROE surpassing capital cost ii. Set a target ROIC target surpassing WACC iii. Set a net debt-to-equity ratio and capital adequacy ratio to maintain a healthy balance sheet iv. Clarify the investment standards with an awareness of profitability, cashflow and capital cost v. Further enrich ESG leading to sustainable growth and capital cost reduction vi. Pursue efforts on measures to enhance corporate value through investment in non-financial capital vii. Pursue efforts on periodic analysis of PBR and PER, and continuous improvement measures <p>(3) Review shareholder return and dividends policy considering capital cost and shareholder expectations</p>

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Sawai Group Holdings Co., Ltd.

	Sawai Group Holdings will review its shareholder return and dividends policy in order to further emphasize capital cost as well as meet shareholders expectations.
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