sawai

Dedicated to building a healthier future for all

Integrated Report **2025**

Sawai Group Holdings Co., Ltd.

Sawai Group corporate philosophy

Dedicated to building a healthier future for all

The Sawai Group corporate philosophy of "dedicated to building a healthier future for all" 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

The Sawai Group will serve every stakeholder wholeheartedly.

The Sawai Group will continue the challenge to improve access to healthcare for more people.

The Sawai Group aspires to play a pivotal role in healthcare through its contribution to society.

Contents

Fulfilling the Sawai Group Corporate Philosophy

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 that meet individual needs
based on scientific evidence

Editorial policy

This report references the International Financial Reporting Standards Foundation's International Integrated Report Framework and includes information that could impact our mediumto 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 supervised by the President, and with the support of the committee's administrative office.

Reporting period:
April 1, 2024 to March 31, 2025
(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.

Group history

Not only “always putting patients first” but also striving to succeed in “dedicated to building a healthier future” for all people

1929
Sawai Pharmacy, the predecessor of Sawai Pharmaceutical Co., Ltd., was founded in Asahi-ku, Osaka City.

1948
Sawai Pharmaceutical Co., Ltd. was incorporated in Asahi-ku, Osaka City.

1965
Shifted from making OTC drugs to ethical pharmaceuticals.

1930 1940 1950 1960 1970 1980 1990

1929–

Sawai Pharmacy founded in Asahi-ku Osaka as local pharmacy

Sawai Pharmaceutical’s history starts almost 100 years ago. Hanpei Sawai and Noyo Sawai (a pharmacist) established Sawai Pharmacy, Sawai Pharmaceutical’s predecessor. At that time, there were few pharmacies, and Sawai Pharmacy supported the health of residents by providing drugs as a local pharmacy.

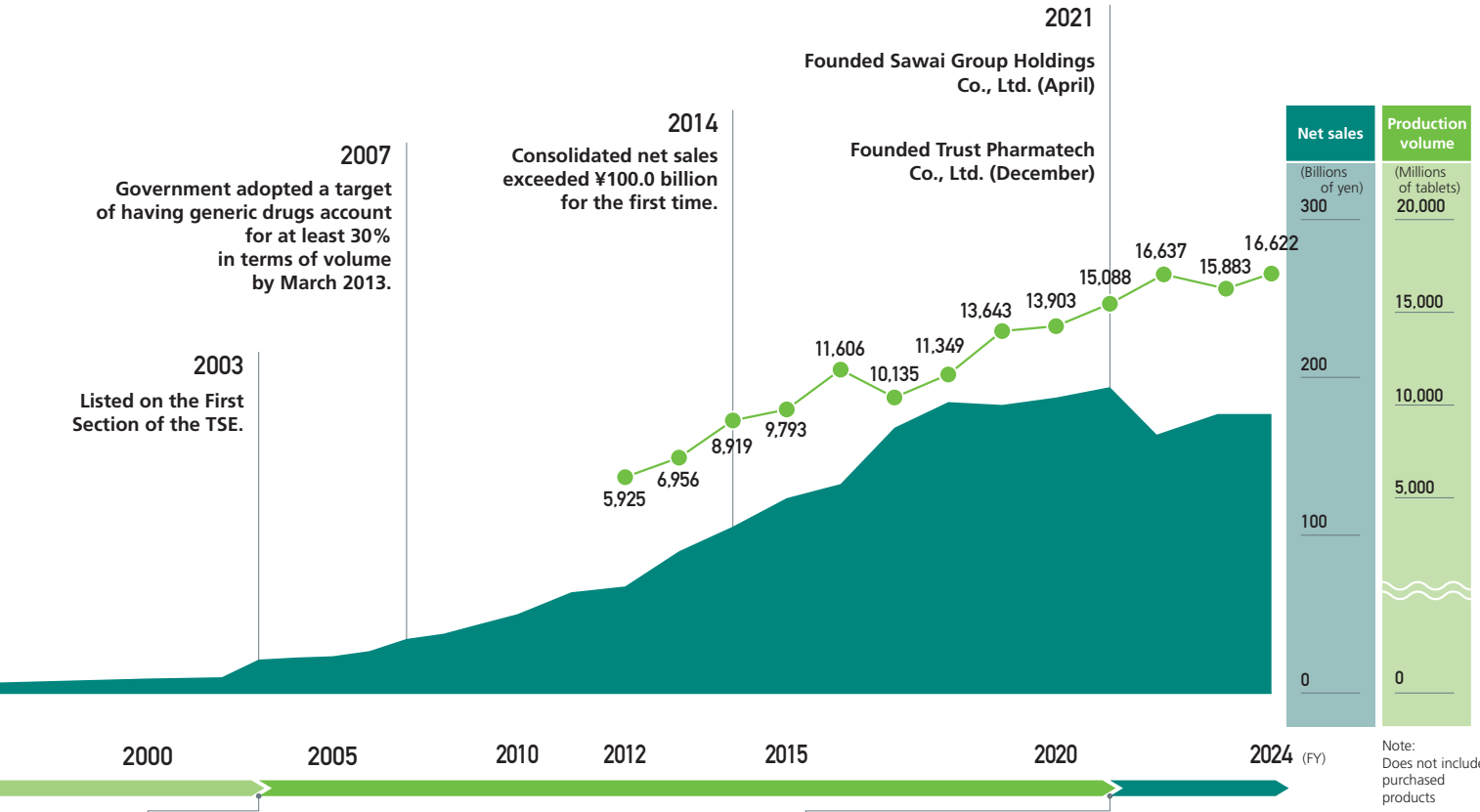
1965–

Transformed into manufacturer of prescription medications and then into a leading GE company

In response to changes in the drug market due to the introduction of a universal medical care insurance system, Sawai transformed itself from a manufacturer of over-the-counter medications into a manufacturer of prescription medications. By supplying one product after another that meet the needs of healthcare professionals, we have built a foundation to grow into a leading company in the generic drug industry.

New solid dosage facility at Daini Kyushu Factory

Completed in July 2024



Note:
Does not include purchased products

2003–

Contributed to spreading and expanding GE as a company listed on the First Section of the Tokyo Stock Exchange

In line with the basic policies of expanding market share, further strengthening the management structure, and building a solid Sawai brand, Sawai continued to grow, boosted by the tail wind of government policies to promote the use of generic drugs. We also strengthened our production and development capabilities, which included construction of the Kanto and Sanda Nishi factories and a new development center.

2021–

Transformed into GE manufacturer that continues to be selected with an eye toward industry reorganization

Sawai transitioned to a holding company structure in 2021 in order to strengthen its existing businesses and foster new businesses, as well as to strengthen the governance function that supports both. As a part of the social infrastructure, we will strive to ensure a stable supply of inexpensive, high-quality generic drugs while further enhancing our industry-leading production capacity and sales volume.

Mitsuo Sawai

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

As a healthcare corporate group sustainably growing with society, we will continue to fulfill our mission and responsibility to provide a stable supply of drugs and contribute to people's health.

Restoring trust and fulfilling our social responsibility

We are committed to rebuilding trust and fulfilling our responsibility to ensure stable supply

Our foremost management imperative has been restoring trust in the Company and building a trustworthy corporate foundation following the April 2023 discovery of improper testing of Teprenone Capsules at Sawai Pharmaceutical, the Sawai Group's primary subsidiary.

After administrative sanctions were imposed on December 22, we heeded public opinion, sentiment within our company, and especially views within the medical industry that it would be appropriate to refrain from aggressively promoting our products. Accordingly, in the first half of fiscal 2024, we focused on transparently reporting progress on measures to prevent recurrence and launched the Corporate Culture Reform Project, led by President Kimura and designated directors, to reestablish trust. As an additional step, we began holding regular town hall meetings to raise awareness across the Company through direct dialogue between management and employees. We are also thoroughly educating employees, including office staff, on Good Manufacturing Practice (GMP) and the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. To ensure compliance is a foundation of our corporate culture, we designated December 22, the date the sanctions were imposed, as our annual Compliance Day. These and other initiatives led by top executives will remain ongoing, permanent efforts to reestablish and deepen trust in the Company.

As we rebuild trust in Sawai Pharmaceutical, we recognize the Group's important responsibility to ensure a stable supply of generic drugs and for all Group companies to help alleviate the current generic drug shortage. Efforts included increasing product inventories and reconstructing our supply structure to prioritize stability. We viewed this period as laying the foundation for further growth and have made significant progress. In June 2023, products with limited shipment or suspended supply totaled 302 at Sawai Pharmaceutical and 328 for the Group, while at the end of March 2025 these numbers had decreased to 112 and 117, respectively.

The top priority is ensuring that patients receive their medicine. To achieve this, we must restore trust not only in ourselves, but also in society, our business partners, and the patients. We have regained the ability to deliver medicines previously in short supply, and since the second half of fiscal 2024 have been gratified by growing appreciation from medical institutions and patients. Our staff has made tremendous efforts to overcome supply shortages. During last year's nationwide shortage of influenza treatments, Kyushu Factory employees worked through the New Year holidays to increase production, sustaining the higher output and shipping an additional 850,000 products through March. Efforts like these, in which we do everything in our power to

meet urgent needs, are essential to earning trust from medical institutions. At the same time, the appreciation we receive is often accompanied by advice to "keep it up," which is a reminder that we need to remain diligent.

Another element to ensuring a stable medicine supply is our ongoing efforts to strengthen the Manufacturing Division's personnel structure. The increase in output from the new solid dosage form facility at the Daini Kyushu Factory and higher production at Trust Pharmatech will help mitigate the shortage of generic drugs. In addition, in June 2025, we held an information exchange meeting with wholesalers. We recognize that taking this opportunity to firmly communicate our efforts to establish stable supply will be a major step towards restoring trust.

Generic drug market conditions and Group policies

Leadership to ensure stable supply amid regulatory reform and industry consolidation

Japan's National Health Insurance drug pricing system, to which the generic drug business is inextricably linked, began revising official prices annually in fiscal 2021. However, these revisions have not kept pace with rising raw material and labor costs. I believe the system of annually revising drug prices should be abolished, a view shared across the industry, including by new drug manufacturers.

Business environment outlook: Generic drugs industry

Social Issues

Reduction of social security-related expenses	Review of financial frame for expenses for social security	The need for the use of generic drugs that contribute to the reduction of the burden on patients and the improvement of medical insurance finances	Realization of a stable supply of generic drugs
Continuing efforts on expenditure reform over the three-year period from 2025 to 2027 (Basic Policy 2025)	Increasing demand for reviewing the policy of "constraining budget growth strictly to what results from population aging" in light of changes in socio-economic landscapes		

Quantitative targets and outline of the latest system reform

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 for unprofitable products and minimum drug prices

Repricing of unprofitable products
In FY2024, as an exceptional measure in response to soaring raw material costs and stable supply issues, repricing was applied to all products for which companies submitted requests except for those whose deviation rate exceeded 7%. In FY2025, repricing was selectively applied to especially important drugs for which a stable supply must be ensured.

Minimum drug prices
Minimum drug prices raised by 3% across the board in FY2025.

Corporate assessment

Various indicators such as the number of drugs whose stable supply is ensured, the track record of increasing production for items that other companies cannot ship or can only ship in limited quantities, and the average deviation rate of generic drugs manufactured and sold, were converted into points and assessed. Experimental introduction of a system to evaluate companies with proven capacity for stable manufacture in terms of drug pricing.

Selective treatment

A system was introduced in October 2024 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 designated under the selective treatment category.

Simplification of the process for deleting drugs from the NHI price list

The process for deleting drugs from the NHI price list was simplified for "products whose substitutes are present and whose average market share is 3% or less over the past five years."

Expedited review item integration

The pharmaceutical procedure for products with the same ingredients and dosage forms, in the case that manufacturing is consolidated, was shortened from the previous approximately 6 months to 1.5 months.

Having said that, I believe the April 2025 price revisions deserve praise for basing changes on each drug's characteristics. This system classifies prescription drugs into five categories[*1] and revises prices for specific treatments according to the industry average deviation[*2] (5.2%) between drug prices and actual selling prices. For generic drugs, only those with a deviation rate above the average deviation were eligible. This resulted in fewer generic drugs being subject to price updates. The new approach aligns with Sawai Pharmaceutical's policy to maintain prices that support stable supply, which we see as beneficial for both the Group and the industry as a whole.

We are also closely monitoring the Elective Care Scheme[*3] introduced in October 2024 and the generic drug provider evaluation system launched in April 2025. The evaluation system will rank generic drug companies from A to C based on factors including supply stability, with the results to be released to medical institutions in April 2026. Providers in the top 20% will receive A ratings, likely making them preferred by medical institutions and leading to the inevitable exit of low-ranked providers from the industry. Achieving an A requires stable supply and investment in the supply structure. The Sawai Group, with its strong financial foundation, fully meets these criteria. Moreover, the production capacity of the Daini Kyushu Factory and Trust Pharmatech would enable us to cover any shortfall if another company ceased supply due to its ranking. This presents an opportunity for our Group to fulfill our social responsibility while expanding our business.

Our objective is not merely to survive competition. Our mission is to fully uphold our responsibility to ensure drug supply stability even amid changing conditions, and I believe this will give us a competitive advantage. We will lead the industry in eliminating insecurity over the reliability of drug supply.

*1
Drugs were classified into products eligible for price maintenance premium (PMP), new drugs not eligible for PMP, long-listed products, generic drugs, and other drugs. Based on the average deviation rate of 5.2%, drugs in each category with prices above the deviation rate more than 1.0 times, 0.75 times, 0.5 times, 1.0 times, and 1.0 times, respectively, were subject to revision. https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000188411_00063.html (Japanese language only)

*2
The average percentage difference (deviation) between the official National Health Insurance price and the actual market transaction price

*3
For branded drugs with generic equivalents, a patient preferring the branded drug would bear 25% of the price difference from the generic drug price.

Progress of the Medium-Term Business Plan

A concerted Group effort to improve capital efficiency and invest in digital and medical devices business growth

One focus of "Beyond 2027," the medium-term business plan launched in fiscal 2024, is strengthening the management foundation by using ROE and ROIC metrics to improve capital efficiency. At Board of Directors meetings, outside directors have emphasized that while achieving numerical targets is important, it is equally vital to make necessary investments with resolve and pursue profits through contributing to society.

The Group is accordingly making appropriate investments while closely scrutinizing expected investment return efficiency. Management alone cannot achieve the plan's targets; it requires a concerted Group effort. To ensure every department understands its role, we introduced a progress indicator system visible to all employees to clarify what they need to focus on to achieve the targets.

In fiscal 2024, we invested ¥33 billion to purchase about 16 million treasury shares, which enabled us to increase the per-share dividend. We plan to continue raising dividend payouts and flexibly buying back shares as free cash flow permits. To make that happen, investing in growth is essential. The Daini Kyushu Factory and Trust Pharmatech will have a combined total production capacity of 6.5 billion tablets in fiscal 2026—a substantial increase, but it still insufficient to meet the demand volume we expect in 2030. As we pursue long-term business growth and high capital returns, we will continue investing in production facilities to achieve our vision of a manufacturing structure delivering 25 billion tablets annually.

We are also reinforcing our earnings structure by investing in new businesses like digital and medical devices. While the Group's core generic drug business is impacted by drug price revisions, digital businesses are unaffected and focus on sales growth. Additionally, the digital medical services sector currently has no dominant competitor and presents significant business opportunities.

In fiscal 2025, we plan to introduce digital medical devices for chronic diseases (acute-phase migraine and alcohol reduction treatment), which have been eagerly awaited in the medical

community. We also enhanced our digital capabilities in June with the acquisition of FrontAct Co., Ltd. We intend to leverage this addition to create fully integrated Sawai Group digital healthcare functions and build our brand.

Sustainability Initiatives

Cultivating human resources essential to supply stability, enhancing job satisfaction, and responding to climate change

Securing and cultivating human resources is essential to restoring trust and ensuring we fulfill our responsibility to provide continuous drug supply. Quality assurance begins with the people. While refining our methods and diversifying our channels for recruiting, we significantly increased our Manufacturing Division workforce in fiscal 2024.

Retaining talent is also essential, so we are enhancing our training programs and improving job satisfaction. Our current focus is on fortifying our training structure by strengthening the instruction skills of our trainers, standardizing educational content, and creating an instructor certification system. We consider employee engagement as essential to improving our ability to produce high-quality products and reduce factory personnel turnover. To improve engagement, we conduct third-party engagement surveys and use the results to improve the work environment. These initiatives are building the human resource foundation needed for a stable production system.

As a healthcare group committed to sustainable growth with society, we recognize our responsibility to work to mitigate climate change. Increasing production capacity will inevitably raise CO_2 emissions, so we are introducing clean electricity with the aim of achieving net zero emissions. We also assess the environmental impact of new equipment and gradually reduce emissions by replacing older equipment with higher-performing, environmentally friendly models. We are looking to reduce CO_2 emissions in every facet of our business activities.

Sustainability initiatives are a key priority in our medium-term plan, and we are actively advancing measures to enhance our human capital and address climate change.

Governance

Transition to a company with an Audit & Supervisory Committee and appointment of three new outside directors

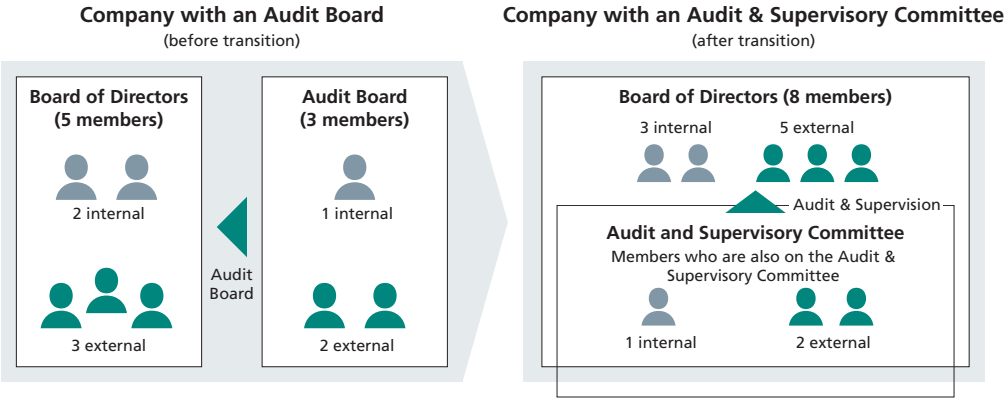
In June 2025, we made a major shift to strengthen corporate governance by transitioning from having an Audit Board to a company with an Audit & Supervisory Committee. This structure is designed to stimulate the Board of Director discussions, improve monitoring functions, accelerate management decision-making, and improve transparency. To leverage this framework's advantages, we appointed three new outside directors, all of whom are women, who were selected for their deep insight into medical and pharmaceutical science, where modalities (technologies) are undergoing rapid global change, as well as practical experience in corporate operations and expertise in financial accounting. The Board of Directors proposed candidates based on recommendations from the Nomination, Remuneration, and Other Governance Committee, and these individuals were elected at the General Meeting of Shareholders.

Ms. Yasuko Aitoku served as an executive officer at an overseas pharmaceutical company and has extensive expertise and proven track record in corporate management of the pharmaceutical

business, medicine, and pharmacology. Overseas, she played a lead role in preventing recurrence of a misconduct incident and gained deep insight in the changing global modalities through her work as a marketing professional. Ms. Etsuko Taniguchi brings extensive experience and knowledge as an accounting and tax professional, and we believe she will provide objective, independent, and actionable recommendations and audits for the Company's management decisions and business execution. Ms. Yukiyo Nose is expected to offer valuable advice and audits from a global perspective from is extensive experience in the ESG field. Well-versed in the medical field, she has worked with the World Health Organization and other UN-affiliated organizations, has experience as a corporate management consultant, and knowledge of accounting and taxation. The newly appointed outside directors each participated in briefing sessions to ensure they have a thorough understanding of the Company's strategies, policies, systems, and other important matters.

Together with long-serving outside directors Masayuki Mitsuka, who provides insight from his management career at a pharmaceutical company, and Masatoshi Ohara, who provides perspectives on compliance, we believe the knowledge the new directors bring will help us realize a more diverse and robust governance structure.

Transition to a company with an Audit & Supervisory Committee



Message to stakeholders

Executing our medium-term plan and steadfastly pursuing long-term success

We are firmly committed to achieving the objectives of Beyond 2027, the medium-term business plan we formulated in fiscal 2024. This plan outlines for our stakeholders the future we envision and the specific steps to reach it.

To ensure will fulfill this commitment, we are fostering an organizational culture in which employees take ownership of their roles and proactively approach their work. The strategies set forth in the plan are essential to sustaining our position as an industry leader over the long term.

We are steadfastly advancing and evolving our business to overcome all challenges in our dedication to fulfill the Sawai Group corporate philosophy of being "dedicated to building a healthier future for all."

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

Establish a fully trustworthy corporate foundation and advancing the medium-term plan A roadmap for continuing growth

The Sawai Group Vision 2030 is to be a comprehensive healthcare corporate group, centered on the generic drug business, providing healthcare services from prevention to treatment by 2030. Our goal is to contribute to all aspects of human health and deliver solutions that address societal challenges and promote the development of a sustainable society.

Beyond 2027 will reestablish our position as a trusted company in the medical industry, enabling the Group to steadily capture opportunities, secure the long-term sustainability of the generic drug business, and realign our business portfolio and capital policy around key performance indicators. Addressing these priorities will set us firmly on the road to fulfilling our long-term vision.

Framework of "Beyond 2027," our medium-term business plan

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

Status of "Beyond 2027," our medium-term business plan

Key themes	Progress in FY2024
1	• Generic drug market share did not increase due to factors including the voluntary recall and inability of timely demand response • Executed the advanced patent strategy and used formulation technologies to launch 13 new products, five of which are the sole item in their market category or that hold a strong competitive advantage
2	• Fulfilled our role in the social infrastructure by maintaining reasonable prices and reduced the impact of drug price revisions • Started measures to further enhance the quality of existing products to reduce risk of recalls
3	• Prepared sales launch of non-invasive neuromodulation devices approved for manufacturing and marketing in fiscal 2023 • Signed a sales license agreement with CureApp Inc. for a digital therapeutic to reduce alcohol consumption with a target market launch in fiscal 2025
1	• Recruited over 200 new graduates (joining April 2025) and over 300 mid-career hires through various recruitment channels • Regularly held town hall meetings hosted by the president of Sawai Pharmaceutical
2	• Developed an ultra-thin moisture-proof PTP sheet, reducing plastic content by 22% • Adopted a Group Human Rights Policy and promoted understanding that respecting for human rights leads to corporate sustainability
3	• Initiated measures to improve capital efficiency; fell short of ROE and ROIC targets, improved cash allocation generally as planned • Repurchased and cancelled (in April 2025) approximately 16 million outstanding shares valued at ¥33 billion

Medium-term business plan status

The three years of Beyond 2027 are the preparation stage for the final push toward realizing our long-term Vision 2030. The plan's initiatives are building the foundation for a strong leap forward in the next medium-term business plan and positioning the Group for growth in the longer term. Beyond 2027 focuses on investing in the generic drug business growth and synergy areas, realigning our business portfolio and capital policy, and promoting management guided by performance indicators.

In the plan's initial year of fiscal 2024, the considerable effort we spent on restoring trust in the first half of the year reduced our resources for promoting sales, which ultimately forced us to lower our earnings forecasts for the year. Sales steadily increased for new products released in fiscal years 2023 and 2024 as well as for existing products eligible for the newly introduced Elective Care Scheme; however, we started fiscal 2025 behind the pace needed to attain our targets for fiscal 2026. We are also facing an uphill battle to achieve our profit targets due to higher fixed costs, including in labor costs as we invest in hiring and training talent to drive growth in the future, as well as higher raw material valuation loss and disposal costs.

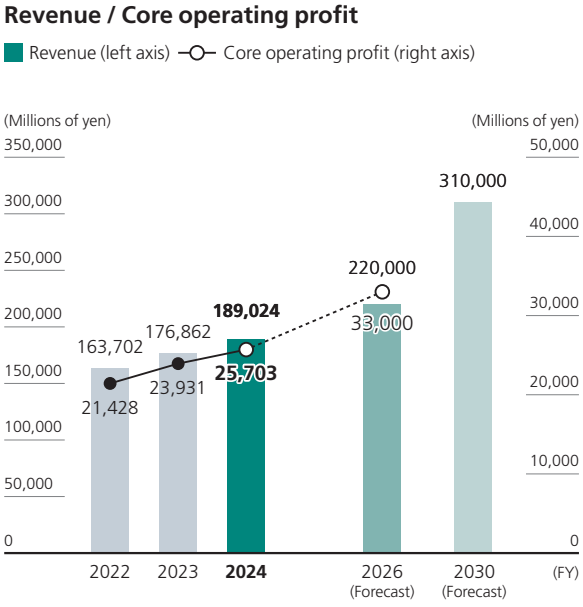
We aim to achieve revenue of ¥220 billion in the current plan's final year of fiscal 2026 and are resolutely committed to meeting the sales and profit targets for fiscal 2025 to ensure we are positioned for success. We will continue eliminating factors that limit our product shipment capabilities, increase the number of new product offerings from the 13 in fiscal 2024 to 32 by the end of fiscal 2026, and expand market share through increased sales of both new and existing products. We will also secure the sustainability of the generic drug business by continuing our pricing policy that maintains product value and boosting profitability.

While we fully expect costs to keep rising, we will continue investing in growth areas and advancing initiatives to cultivate the human resources essential for sustainable growth to maintain our momentum toward achieving the fiscal 2026 performance targets.

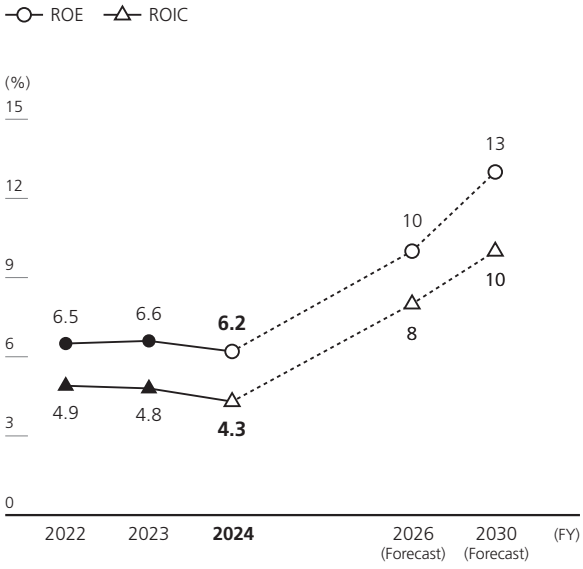
The steps we took in the plan's first year, fiscal 2023, to improve profitability supported higher capital efficiency in fiscal 2024, as the average unit price rose 5.2% from the previous year. This was achieved by adhering to our pricing policy, which reduced the impact from official drug price revisions by 1%, and by adding new products that strengthened our product mix. We also improved cash flow by selling idle assets and reducing cross-shareholdings, although ROE and ROIC ultimately fell short of the fiscal 2024 targets. The stock split in fiscal 2024 made it easier to invest in the Company, continue actively acquiring and developing human resources, and reduce capital costs as part of our effort to be a trusted company. In this area, we have also made steady progress improving cash allocation efficiency.

We will continue actively investing for new growth to lay the foundation for long-term business growth, achieve the fiscal 2026 targets, and further improve return on capital.

Revenue / Core operating profit



ROE/ROIC



High-quality healthcare services for the lifestyles of all 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.

Social issues
▸ p. 19

- **Rising medical expenses**
- **The hyper-aging society**
- **Need for affordable and safe drugs**
- **Supply shortage of drugs**
- **Increasing interest in QOL**

Management capital (Input)

- Financial capital ▸ p. 27
- Manufactured capital ▸ p. 33
- Human capital ▸ p. 35
- Intellectual capital ▸ p. 31
- Social and relationship capital ▸ p. 39

Sawai Group Vision 2030 ▸ p. 2

Business activities

Generic drug business

Research and development

- Formulation technology capabilities based on human resources with expertise in API properties and formulation technology
- Ability to undertake research and analysis of original drug patents

Procurement

- Strong new product API research and procurement abilities
- Selection and procurement of raw materials with primary emphasis on quality and safety

Production and reliability assuranc

- Manufacturing know-how for high-mix, low-volume production
- Stringent quality management
- Establishment of a trusted corporate foundation

New businesses ▸ p. 25

Material issues

Material issues leading to value creation

Improving healthcare access / Contributing to healthcare financing / Contributing to extension of healthy life expectancy / Developing talent

Material issues as the foundation of sustainable growth

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

Sales and Marketing

- Provision of accurate information
- Extensive product lineup

Business results
(Output)

Revenue ¥189.0 billion

Operating profit ¥4.0 billion

ROE 6.2% ROIC 4.3%

Japan generic drug business

Production volume 16.6 billion tablets

Lineup of approx. 750 products

Of which, 13 new products

Patent applications 46

QualityHug®

Technology brand,
winner of the Good Design Award

New businesses

Obtained marketing and manufacturing approval
for the non-invasive neuromodulation device Relivion (first in Japan)

Launched phase 3 clinical trial
for NASH* treatment app

Launched a digital therapeutic to reduce alcohol consumption
in September 2025

(FY2024 results)

Value provided to society
(Outcome)

Improving healthcare access

Sales volume
16.1 billion tablets (Sawai Pharmaceutical)

Contributing to healthcare financing

Amount of reduction in healthcare costs
¥220.3 billion

Share of prescription drug distribution volume in Japan
Approx. 8.4%

Contributing to extension of healthy life expectancy

Personal health record (PHR) management app
Used by more than
2,000
medical institutions

Developing talent

Employee education and training expenses
¥90.89 million

(FY2024 results)

* Non-alcoholic steatohepatitis

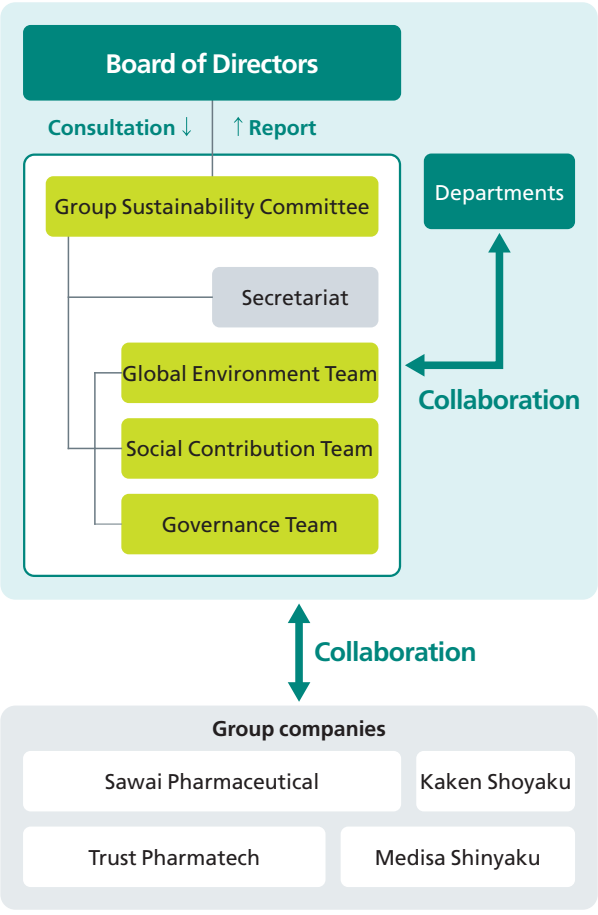
Aiming to become a corporate group trusted by stakeholders

Sustainability Promotion Structure

The Sawai Group has established the Group Sustainability Committee, a quarterly meeting of officers from Sawai and representatives from Group companies, to advance sustainability. For practical concerns, three promotion teams—the Environment (E) Team, Social (S) Team, and Governance (G) Team—serve as subordinate organizations to the committee, driving specific initiatives in each area.

The Board of Directors receives reports from the committee at least once a year on sustainability-related risks and opportunities, strategies, and progress toward goals, fulfilling its oversight responsibilities by approving key measures and response policies. Furthermore, the content discussed and the status of responses within the committee are also discussed at the Group Strategy Council as necessary, and reported to the Board of Directors. This facilitates the exchange of opinions and feedback between management, the committee, and the responsible departments, leading to the improvement of measures. Through this process, the Board of Directors effects appropriate control and oversight over decision-making and actions taken related to sustainability.

Sustainability promotion diagram



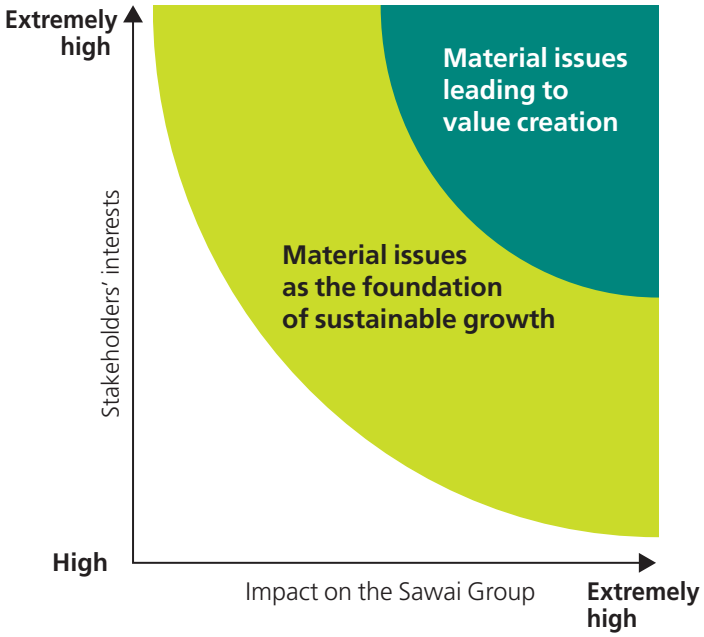
Major discussions at the Group Sustainability Committee (FY2024)

Theme	Discussions
TNFD Initiatives	We reported and discussed results of identification and organization of Group-wide nature-related issues based on the TNFD framework, specifically regarding our material issue of conservation of biodiversity. Also, we considered initiatives and approaches for the next fiscal year and beyond.
Declaration of Partnership Building	On endorsement of the Declaration of Partnership Building promoted by Japan's Cabinet Office, we held extensive discussions on the nature of transactions among Group companies and collaboration with business partners, leading to the formulation of our Group's declaration.
Initiatives for respect for human rights	We checked what initiatives are required of companies in relation to respecting human rights and formulated the Group Human Rights Policy after deliberation, aligned with the UN Guiding Principles on Business and Human Rights. We also advanced discussions on future initiatives, including human rights due diligence.
Whistleblowing hotline	We confirmed the operation of our Group's whistleblowing hotline; specifically, for reports and consultations from business partners and other external parties, we posted guidance on our corporate website to ensure it is readily accessible when needed, improving the intake system.
Introduction of internal carbon pricing (ICP)	We examined the introduction of internal carbon pricing (ICP) as a mechanism to incorporate CO_2 emission costs into decision-making for capital investments and other matters, thereby promoting energy-saving investments. After thorough discussions on expected effects, scope of application, and pricing to apply, we decided to introduce ICP.

WEB **Sawai Group Sustainability:** https://global.sawaigroup.holdings/sustainability/

Process for identifying material issues

The Sawai Group identified its material issues in consideration of international guidelines and norms, dialogue with internal and external stakeholders, and the results of external evaluation. These material issues in our sustainability initiatives have been identified and prioritized from two perspectives: stakeholders' interests and the impact on the Sawai Group. The Group regularly reviews its material issues for appropriateness to ensure that we stay abreast of changing business environments and emerging social issues. By doing this, we confirm changes in their impacts and adapt our business activities to those changes.



Step 1 Creating lists of candidate issues

We held exchanges of opinion among employees and identified issues for each of the ESG areas (environmental, social, and governance) , where the participants created a list of management issues that were considered closely related to the Sawai Group's medium- to long-term corporate value in line with standards and goals established by international initiatives, including the Sustainability Accounting Standards Board (SASB) Standards, the Global Reporting Initiative (GRI) Standards, and the Sustainable Development Goals (SDGs), as well as the Sawai Group Corporate Philosophy, the Code of Conduct, the Sawai Group Vision, and the status of the business environment.

Step 2 Identifying issues and assessing their impacts

The candidates for material issues listed in Step 1 were mapped from the two perspectives of stakeholders' interests and the impact on the Sawai Group, and the issues in each relevant area on the map were categorized into two groups: material issues leading to value creation and material issues as the foundation of sustainable growth.

Step 3 Verifying appropriateness

Targets, initiatives, and monitoring indicators were defined for each of the identified material issues, and their appropriateness was verified by the Group Sustainability Committee. Subsequently, the Board of Directors discussed and reviewed those issues and granted final approval for them.

Message from the General Manager of the Group Sustainability Management Department

Responsibility for sustainable development and solving social issues based on our Group's corporate philosophy

Fumito Kawai General Manager, Group Sustainability Management Department

For over 90 years since its founding, the Sawai Group, with Sawai Pharmaceutical as its core company, has contributed to people's health and the sustainability of healthcare systems through products and services centered on generic drugs. For the Sawai Group's sustainable development and continued existence, it is essential to put our corporate philosophy, "Dedicated to building a healthier future for all," into practice, build and maintain good relationships with diverse stakeholders, including patients, and remain an entity needed by society. To achieve this, in addition to creating value through our core business, we must actively address societal challenges such as climate change, declining birthrates and aging populations, and widening disparities. While the environment surrounding us is changing rapidly, including the emergence of anti-ESG movements globally, we believe that steadily and sincerely advancing our efforts based on the materiality identified by the Sawai Group, without resorting to gimmicks, is the best path to earning stakeholder trust.

List of material issues and KPIs

Material issues		Reason for identifying these issues	Medium-Term management targets (end of fiscal 2026)
Improving healthcare access	**Product quality and safety**	Supplying high-quality, safe products based on our corporate philosophy, the goal of which is to achieve healthy lives, is an important responsibility as a pharmaceutical company.	• Introduce a system and fortify the personnel structure to establish reliability assurance system • Introduce the Quality Event Management System (QMS)
	Maintaining a stable supply	A stable supply of medicines and, consequently, constant access to medicines for healthcare professionals and patients is the important responsibility of pharmaceutical companies.	• Update top-level production capacity equipment in Japan • Company production capacity: 22.0 billion tablets or more (increase Daini Kyushu Factory's solid dosage form capacity to 3.5 billion tablets)
Contributing to healthcare financing	**Development of high value-added generic drugs**	The Company's reason for existence is to contribute to making healthcare financing sustainable through the early launch of high value-added generic drugs.	• Continue to make top-tier R&D investments in the generics industry (for the development of new products and the improvement of existing products) • Planning to launch 44 or more new products over three years
Contributing to extension of healthy life expectancy	**Expanding business to a wider range of healthcare domains, including pre-symptomatic illness and prevention**	We want to achieve sustainable growth by leveraging the strengths acquired through the generic drug business and contributing to solutions to social issues in related fields.	• Having digital medical devices (neuromodulation device and NASH treatment application) and PHR management application begin to contribute to earnings
Developing talent	**Securing production, quality, and R&D talent**	The Group's medium- and long-term growth will be achieved by securing and developing talent, which is most important for our business, as the labor force shrinks.	• Strengthening capability to recruit new graduates and mid-career workers • Establishing attractive working conditions that are mindful of the work environment • Appointing and utilizing diverse talent such as women and the elderly
Environmentally friendly business	**Responding to climate change**	Limiting climate change is the most important issue humanity faces because of its severity and seriousness.	• Compared to FY2013+ level, 46% reduction of total emissions volume (FY2030)
	Promotion of recycling / energy conservation and the reduction of waste	To build a sustainable future, we consider it necessary to contribute to the realization of a circular society and make effective use of and recycle resources.	• Waste plastic recycling rate of 65% or more (FY2030)
	Conservation of biodiversity	Recognizing that biodiversity provides various benefits, we consider promoting nature-positive initiatives important for business continuity.	• Consideration and start of content on TNFD-related initiatives
Work styles, motivation, respect for human rights	**Promoting inclusion, diversity and equity (ID&E)**	We consider fostering a corporate culture in which various values and backgrounds are accepted as an important element for the growth of the company and the individual.	• Ratio of women in managerial positions: 15% or more • Men's utilization of childcare leave: 100% • Percentage of employees with disabilities: 2.85%
	Improving employee engagement	Under our human resources philosophy, we value the individuality and creativity of each employee and strive to enhance employee engagement.	• Employee engagement indicator score: 4.50
	Working on human rights due diligence	As a healthcare company deeply linked to life, we believe that giving consideration to the human rights of all stakeholders is an important responsibility.	• Reinforcing human rights due diligence at business partners • Initiatives to spread awareness of the importance of respecting human rights within the company
Corporate governance	**Enhancing risk management and compliance**	As a company that handles drugs, which are products linked to life, we must ensure high ethics and business continuity.	• Reinforcing the Risk Management Committee and the Compliance Committee
	Strengthening information security	It is important to build a system to fully protect and manage information related to our company and stakeholders.	• Enhancing the Computer Security Incident Response Team (CSIRT) • Reinforcing cyber risk countermeasures • Automating incident response

	Main initiatives and results in FY2024	Future initiatives	Progress evaluation
	• Separated the roles of the marketing director of the Pharmaceuticals and director responsible for quality to establish a system with checks and balances • Enhanced personnel and systems for stronger on-site capabilities for GMP and GQP	• Implement manufacturing support systems (LIMS/MES) across all factories • Continue securing personnel to strengthen quality assurance systems at headquarters and plants, and reinforce production systems	○
	• Completed the new solid dosage form facility at Daini Kyushu Factory; launched shipments in December 2024 • Improved utilization rate at Trust Pharmatech; produced 880 million tablets in fiscal 2024 • Proactively lifted limited shipments from July 2024	• By enhancing the new facility at the Daini Kyushu Factory and Trust Pharmatech's utilization rate, reach production of 900 million tablets at the new facility and 1.8 billion tablets at Trust Pharmatech • Proactively review products subject to limited shipments	○
	• Launched 13 new products, five of which are the sole item in their market category or that hold a strong competitive advantage • Established a new department dedicated to enhancing quality through improvements to existing products	• Plan to launch over 32 new products by fiscal 2026 • Continue implementing measures to minimize the risk of product recalls	○
	• Prepared to launch sales of neuromodulation device with manufacturing and marketing approval • Commenced phase 3 clinical trials for the NASH treatment app in January 2024 • Obtained marketing license for a digital therapeutic to reduce alcohol consumption from CureApp Inc.	• Plan to launch neuromodulation device within fiscal 2025 following national health insurance coverage approval • Prepare for the September 2025 launch of a digital therapeutic to reduce alcohol consumption	○
	• Continued strengthening production and quality control talent through aggressive hiring, increasing the Group's total production headcount by 150 versus the end of fiscal 2023 • Group-wide: 214 new graduates joined in April 2025, 321 mid-career hires joined during fiscal 2024	• To achieve our long-term vision, continue hiring talent based on target values by level, working backward from our desired organizational structure for fiscal 2030	○
	• Purchased clean electricity (CO_2-free value-added electricity equivalent to approximately 6,000 tons of CO_2) • Introduced solar power generation at the new facility at Daini Kyushu Factory	• Purchase non-fossil certificates and consider emissions trading schemes • Expand business sites with installed solar power generation	△
	• Continued PTP recycling initiatives with ORIX Eco Services Corporation • Developed the thinnest moisture-proof PTP sheet, reducing plastic volume by approximately 22%	• Examine waste reduction initiatives at each factory	△
	• Identified and organized nature-related issues across the entire Group in accordance with the TNFD framework	• Continue initiatives based on the TNFD framework	○
	• Ratio of women in managerial positions: 9.5% (up 1.2% from the end of fiscal 2023) • Continued implementation of training programs to develop next-generation female leaders	• Continue training to encourage understanding of diversity among all executives and employees • Continue training to support and develop next-generation female leaders	○
	• Regularly held town hall meetings hosted by the President of Sawai Pharmaceutical • Conducted employee engagement surveys every six months • Introduced in-house recruitment and in-house dual job system	• Based on employee engagement survey results, develop and implement department-specific engagement improvement measures	△
	• Formulated the Group Human Rights Policy	• Conduct human rights due diligence to assess internal and external human rights risks and determine priority initiatives	△
	• Held monthly Group Compliance Committee meetings • Conducted monthly compliance training for all officers and employees	• Continue the initiatives listed to the left	○
	• Implemented cybersecurity measures and other initiatives at the Group Information Security Committee	• Expanding SAWAI CSIRT system • Reinforcing cyber risk countermeasures • Automating incident response	○

Urgent need to establish a stable supply of generic drugs for a growing market

Medical expenses in Japan total ¥47 trillion annually, with 60% incurred by those over 65. As the population ages, the generic drugs that our Group manufactures and sells will play a key role in holding down elevating medical costs.

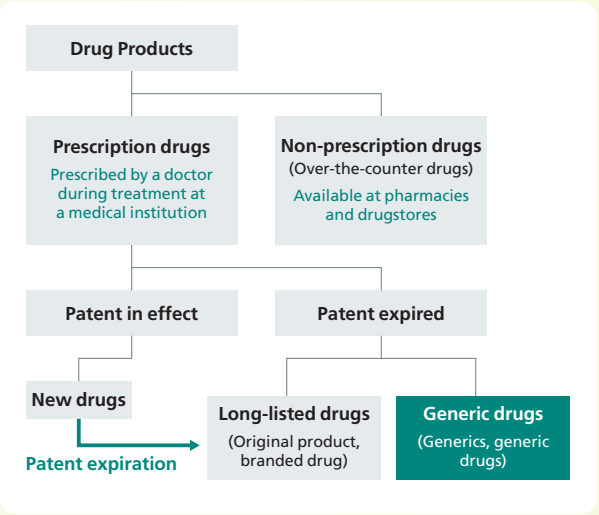
In Japan, medicine is divided into medical-use prescribed by doctors and general-use, such as over-the-counter cold medicines. Medical-use treatments are further divided into new drugs and generic drugs. New drugs are government approved and are protected by patents for a certain period of time. New drugs whose patents have expired are called long-listed drugs or original drugs.

Generic drugs are copies of original drugs with expired patents. Approved by the government, generic drugs are verified to have the same active substance, dosage, efficacy, and safety as the original drug while carrying lower prices because of reduced development costs compared with new drugs.

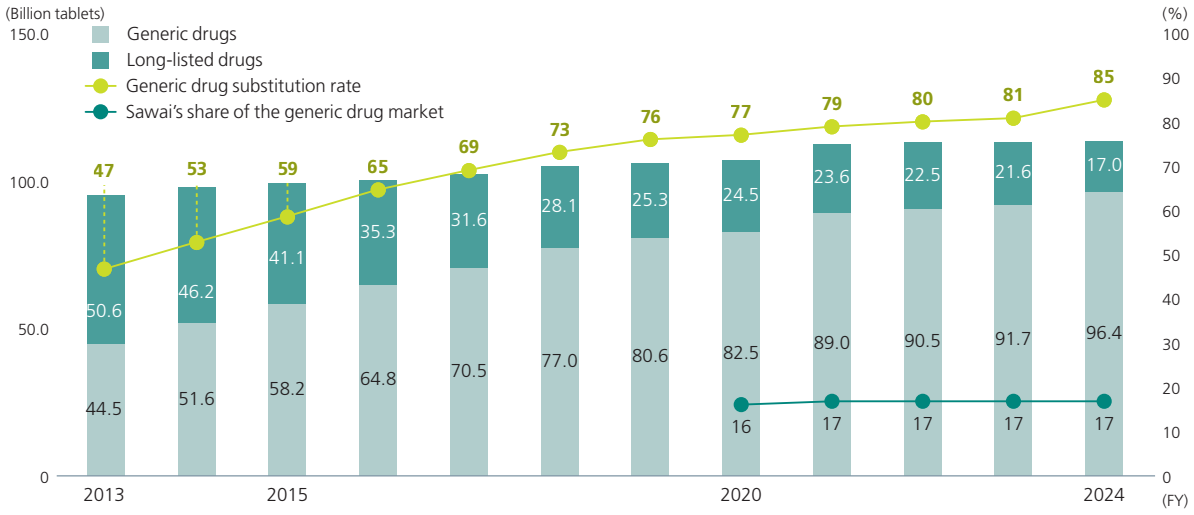
Generic drugs maintain medical care quality while significantly reducing costs. With government support, generics account for over half of all prescription drugs by volume, and the generic drug substitution rate (long-listed drugs eligible for and available as generics) exceeds 80%.

As Japan's population ages and demand grows, expectations will increase for drug manufacturers to expand production capacity and ensure a stable supply.

Drug Classifications



Expanding the generic drug market



Amounts our Sawai Pharmaceutical estimates for volume, generic drug replacement rate, and generic drug share including categories 1 and 2 below presented in the Ministry of Health, Labour Welfare on "Data on the Existence of Generic Drugs for All Branded Drugs"
1. Branded (long-listed) drugs with generic alternatives that have differences in dosage form or specifications, or branded drugs with the same or lower prices than the generic product.
2. Generic drugs with the same or higher prices than the branded drugs

Quality control and supply stability are issues

With the generic drug market expected to grow as the population ages, shortages prescription drugs, including generics are a major concern.

Recent law violations by pharmaceutical companies have heightened worries over quality and supply, as administrative sanctions and shipment suspensions have exacerbated the supply situation. Sawai Pharmaceutical and other companies have boosted production, but output is still falling short of demand, with 14% of prescription drugs currently subject to suspended or limited shipments.

Setting up new manufacturing facilities takes time, as the "material transfer" process for producing a drug takes about a year. Meanwhile, the number and variety of generics is rising each year, but meeting that demand with small quantity drug production is inefficient and creates a burden on the inventories at drug wholesalers, medical institutions, and pharmacies.

Institutional reforms promoting industry restructuring

The annual revision of official drug prices is also a major factor affecting supply stability. The government sets the prices that medical institutions charge patients, but pharmaceutical companies and wholesalers set their own selling prices to those institutions. Medical institutions try to negotiate the lowest possible prices because their profits come from the margin between their purchase and selling prices. Each year, the government reviews the prices institutions pay drug wholesalers, and adjusts the official price accordingly for the next year. This drug price revision effectively reduces a drug's price annually.

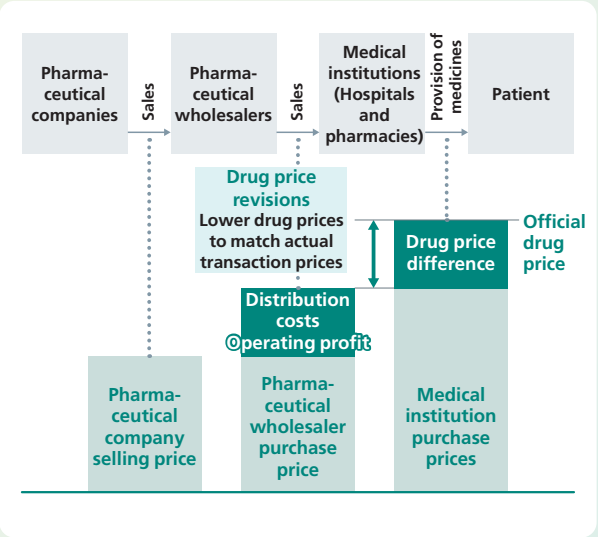
The steady decline in generic drug prices, combined with the difficulty transferring the sharply rising inflation to the drug prices, has created a mismatch where prices no longer reflect the costs. Some products have become unprofitable, and producing more only increases the losses. In response to company requests, the government has made exceptions to raise prices on certain drugs. The outline of the 2025 drug price revision plan also contains temporarily recalculated prices for unprofitable drugs requiring stable supply.

In July 2023, the Ministry of Health, Labour and Welfare formed an expert advisory panel to examine measures for structural issues in the generic drug industry. The panel subsequently identified four characteristics needed for a healthy and sustaining industry: manufacturing control and quality control systems, stable supply capacity, a sustainable industrial structure, and inter-company cooperation and collaboration.

Stabilizing generic drug supply and improving profitability will also require each company to formulate production plans based on accurate demand forecasts and to manage inventory effectively. To shepherd the industry, the government requires companies to disclose data on their manufacturing capabilities and production plans, and a system was introduced for evaluating a provider's ability to ensure stable supply. A mechanism for applying the evaluations results was implemented on a trial basis with the 2024 drug price system reform. The system is expected to lead to industry restructuring as companies with insufficient manufacturing capacity and small and medium-sized enterprises with low evaluations are encouraged to withdraw from the market.

The advisory panel is also reviewing low-volume production of multiple products as an element needed to establish a sustainable industrial structure. At it is now, many companies produce small lots of multiple products with the same ingredients. This situation is the result of increases in contract manufacturing and joint development, high profitability of newly listed products, and the obligation to ensure stable supply after being listed in official drug prices. However, low-volume, high-variety production is increases manufacturing complexity, management workload, and risk of quality defects while hindering emergency production capacity. The industry must shift to an efficient, sustainable structure with optimized volumes, restructuring, and consolidated manufacturing capacity.

Drug price revision scheme



Japan generic drug business

Expanding production capacity, ensuring quality, and building a strategic product portfolio to meet all expectations

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

We reformed our corporate culture and strengthened governance to establish a trustworthy corporate foundation

Top management is leading corporate culture reform centered on town hall meetings with employees

The most important initiative in the year under review was the Corporate Culture Reform Project, launched under the President's direct control in response to the improper testing of Teprenone Capsules discovered in April 2023. The project centers on town hall meetings, which I personally lead, that provide a forum for direct dialogue between management and employees, with a focus on younger employees who represent the company's future leadership. To date, we have held over 40 meetings at business sites nationwide and continue meeting about twice a month. I listen to their concerns, provide advice based on my experience, and discuss more complex issues with department heads and then follow up with the person who raised the matter, completing a PDCA cycle.

Town hall meetings began as a way to prevent the recurrence of fraudulent incidents, but they have evolved into opportunities to address and resolve issues on the minds of younger employees. Persisting issues could lead to necessary tasks being left undone. These dialogues create an environment where employees can work with peace of mind, and I believe such open discussions help prevent misconduct.

Fortifying governance and increasing resources for stronger on-site capabilities

In the current fiscal year, we fortified our governance system to build a trusted corporate foundation. Following the administrative sanctions, we prohibited concurrent roles for Vice President of the Reliability Assurance Division and marketing director of pharmaceuticals. The marketing director, which is positioned above the quality assurance manager and safety control manager, is one of three roles required of drug manufacturers and distributors under the Pharmaceuticals and Medical Devices Act. By separating these roles, the Vice President of the Reliability Assurance Division and the marketing director of Pharmaceuticals can consult with and monitor each other. In addition, the Group

SWOT analysis

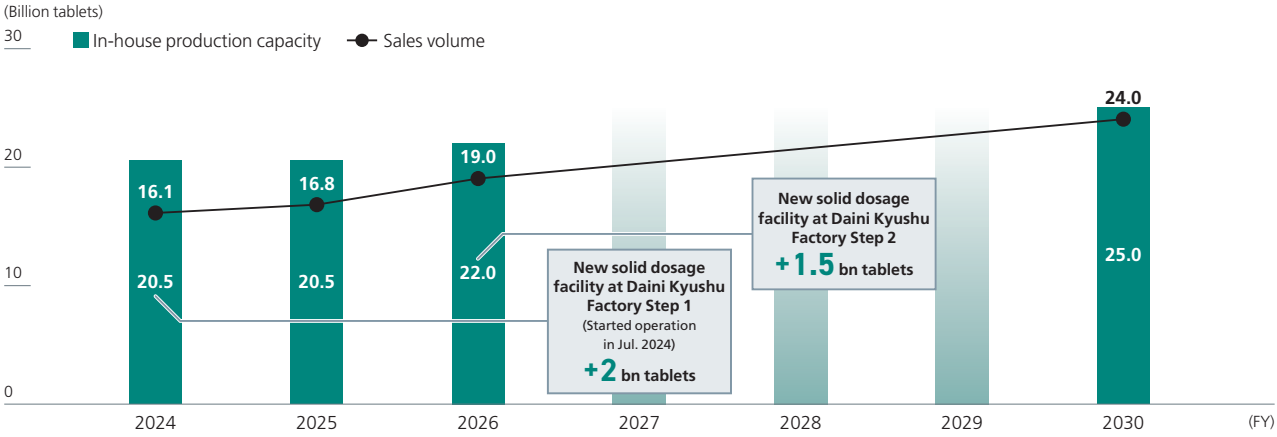
Strengths
- Brand strength as top manufacturer
- Stable financial base
- Strengthened production capacity following quick investments
- Development of capabilities that enabling us to launch products first and exclusively
- Growing share of high value-added products

Weaknesses
- Securing and developing talent that can handle growing production capacity
- Constraints on productivity due to high-mix, low-volume production

Opportunities
- Chance to reorganize the generic drug industry
- Growing demand due to advance of aging society
- Growing healthcare and medical needs
- Generic drugs as social infrastructure
- Company scoring system that promotes sales at reasonable prices

Threats
- Increase in launch of AGs
- Lower reliability due to generic drug supply instability
- Growing raw material and utility costs
- Lower NHI drug prices due to annual drug price revisions
- Changes in various systems

Expanding in-house production capacity towards FY2030



Note: Assumptions for production capacity: For the current number of items, it is assumed that the machines are kept running in two shifts per day on weekdays. The number of items produced under contact manufacturing is not included.

Chief Quality Officer now submits monthly reports to the President and the Sawai Pharmaceutical Board of Directors, which in turn reports to the Sawai Group Holdings Board of Directors. This structure strengthens checks and balances, enhances advisory functions, and ensures objective and transparent governance.

In addition, the Corporate Culture Reform Project designated December 22, the date the sanctions were imposed, as our annual Compliance Day, on which will reinforce our dedication to preventing improper conduct. On Compliance Day in 2024, all employees viewed video messages from wholesalers, pharmacies, doctors, and other business partners.

After the incident, it took about six months to complete the mandated comparison review of authorization documents and manufacturing status. Among the many new products we develop and market each year, this review identified areas where manufacturing conditions for certain products could be improved. In response, we established a new office in the R&D Division to implement these improvements. We regard maintaining a stable and efficient production system as a core responsibility in ensuring and continuously enhancing quality.

We are also strengthening on-site competencies by providing education and promoting multi-skilling, quantifying and visualizing proficiency levels, and deepening understanding and application of Good Manufacturing Practice (GMP) and Good Quality Practice (GQP). As another layer of reliability, we are introducing the Laboratory Information Management System (LIMS) with the goal of full adoption across all factories by fiscal 2026. We are continuing to incorporate the Manufacturing Execution System (MES) to further improve manufacturing process management and in July 2024 installed a new solid dosage facility at the Daini Kyushu Factory.

As company representative, it is my responsibility to clearly communicate our initiatives both internally and externally, and I make it a point to provide thorough progress updates during meetings with executives from wholesale companies and other business partners. One of their greatest needs is a stable product supply, and we remain deeply aware of the importance of meeting that expectation.

We are fortifying our earnings base by optimizing our product portfolio and increasing production capacity

Revised targets achieved, but rising raw material costs and growth investments increased expenses

Fiscal 2024, the first year of "Beyond 2027," our medium-term business plan, began with slow sales in the first half, ultimately forcing us to lower our earnings targets. While we achieved the revised sales target, profit fell short due to factors including impairment losses from restructuring our business portfolio through selection and concentration, and expenses related to provisions for product litigation losses. We recognize the need for greater precision in budget planning. Starting this year, we are preparing a Group budget based on detailed individual budgets for our top 200 products, which account for over 70% of total sales. I am determined to ensure we meet our budgets and continue driving sales growth.

The Elective Care Scheme introduced in October 2024 requires patients who choose an original drug to pay 25% of the price difference compared with an available generic. The new scheme contributed to our fiscal 2024 performance by boosting sales of existing products, particularly those previously subject to shipment restrictions. As a major presence in Japan's generic drug industry, we believe the growing need for a stable medicine supply will drive demand for our products. We fully expect our ongoing efforts to expand the Group's production capacity, along with the forthcoming lifting of shipment restrictions on roughly 80 products, to further boost our business performance.

At the same time, we are contending with rapidly rising labor and material costs, and we expect foreign exchange rates to keep costs for active pharmaceutical ingredients high for the foreseeable future. Upfront investments for future growth started in 2021 are also raising fixed costs. These include the acquisition of Trust Pharmatech, construction of a new building at the Daini Kyushu Factory, and expanded recruiting aimed at hiring 200 new employees in both fiscal 2025 and 2026, which will also inevitably add to labor costs in the future. Like our ongoing investment in new businesses, our investment in human resources is a strategic move to enhance our production capabilities and propel future growth.

Sawai Pharmaceutical and Trust Pharmatech production personnel structure

	Personnel at the end of FY2024		End of FY2025 Plan
	Initial plan	Results*	
Sawai Pharmaceutical	2,477 persons	2,425 persons (increase of 91)	2,629 persons (increase of 204)
Trust Pharmatech	325 persons	366 persons (increase of 59)	433 persons (increase of 67)
Total	2,802 persons	2,791 persons (increase of 150)	3,062 persons (increase of 271)

* Figures in parentheses indicate a comparison with the end of the previous year

Review of production volume

		FY2024		FY2025 Plan	FY2026 Plan
		Initial plan	Results		
Production volume (tablets)	**Trust Pharmatech**	0.9 billion	0.88 billion	1.8 billion	2.4 billion
	New solid dosage facility of Daini Kyushu Factory	0.3 billion	0.07 billion	0.9 billion	1.6 billion
	Other existing factories (excluding contract manufacturing)	14.7 billion	13.7 billion	13.5 billion	—
	Total (including contract manufacturing)	17.7 billion	16.6 billion	18.3 billion	—
Number of products	**Trust Pharmatech**	9	15	22	26
	New solid dosage facility of Daini Kyushu Factory	10	3	19	28

Building a well-balanced product portfolio strategy to improve budget accuracy

Our product portfolio strategy will be the single most important factor in setting next year's budget. After failing to meet the initial fiscal 2024 budget, we launched the Portfolio Strategy Meeting in fiscal 2025 to closely manage revenue for each product. This monthly meeting serves as a forum for comprehensive, lively discussion on topics including new product development plans, evaluations of existing product value, decisions to expand, scale back, withdraw from production, and future market prospects. The Product Strategy Department acts as secretariat, and the meeting includes myself, all division heads, and their deputies. Projects requiring deeper examination are assigned to subcommittees. We believe this process is an effective way to optimize our portfolio for both profitability and societal needs.

These discussions will enable our Group to pursue a well-balanced product portfolio strategy that focuses not only on developing new products but also on nurturing profitable existing ones, while gradually reducing products with low market demand. This will shift our profit structure from one heavily dependent on new products to a more balanced mix that includes existing products capable of generating a sustainable profit flow into the long term.

Steadily expanding production capacity and investing in human capital for further growth

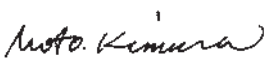
The medium-term business plan identifies increasing production capacity a top priority. We are steadily progressing toward our quantitative target of increasing in-house capacity from 20.5 billion tablets to 22 billion tablets annually by fiscal 2026. We are also discussing investing in further expansion through three approaches: increasing capacity at our own factories, outsourcing to subcontractors, and acquiring external factories resources. Under the Sawai Group Vision 2030, we aim to be producing 25 billion tablets annually by fiscal 2030. While this is an ambitious goal, but we recognize it still may not be enough to meet demand if the generic drug substitution rate rises as expected, and we are prepared to consider additional measures to respond to the demand trend.

Another priority is investing in human capital. This investment includes salaries, measures to improve supervisor-subordinate relationships, and designing comfortable work structures. We encourage employees to use our programs, such as the half-day work-from-home program and childcare leave for men. Our personnel system now features an internal transfer program in which departments post openings and any employee can apply. The flexibility we have added to accommodate diverse work styles stems from feedback at the town hall meetings. We are also implementing measures to improve the employee retention rate, boost motivation, and support career development. I believe our success in attracting talented

individuals, even amid intensifying competition for human resources, reflects the impact of our sustained external public relations and IR activities in strengthening our brand power.

I am proud that Sawai Pharmaceutical is a leader in the generic drug industry. And as a leading company, we have a responsibility to address current supply issues quickly and to fulfill our mission of ensuring stable supply and quality.

The Group still has ample room for growth. We will accurately read changes in the market and society, turn them into opportunities, and steadily advance toward our medium-term business plan targets and long-term vision, thereby meeting the expectations of all stakeholders.



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

New businesses

Message from responsible officer

Supporting healthy lives by providing patients with new options

Toyohiro Sawada
Ph.D., Executive Officer,
Group Chief Product Strategy officer,
Group Deputy Chief Research &
Development Officer,
and General Manager of
Group Product Strategy Department

The Sawai Group's first initiative to develop a medical device, the Relivion neuromodulation device for treating migraine headaches, received manufacturing and marketing approval from the Ministry of Health, Labour and Welfare in December 2023. We are now working closely with relevant academic societies and regulatory authorities to prepare for the launch.

The R&D Division, Reliability Assurance Division, and other departments combined their expertise to overcome unprecedented challenges. While migraines are currently treated with medications, the Relivion device provides a non-pharmacological alternative usable anywhere, even in the home. We believe this technology will greatly benefit healthcare professionals and the many patients who suffer from migraines.

Developing this innovative equipment also allowed us to build an internal framework that complements our generic drug business with medical device development. This broader foundation enables us to offer more treatment options addressing unmet medical needs, and is in line with our dedication to building a healthier future for all.

Notice of agreement to acquire FrontAct Co., Ltd. (subsidiary conversion)

In March 2025, the Group agreed with Sumitomo Pharma Co., Ltd. to acquire all shares of FrontAct Co., Ltd. (Chuo Ward, Tokyo), which is engaged in the research, development, manufacturing, sales, leasing, import and export of products, software and systems related to medical care, nursing care, welfare, health and lifestyle. FrontAct will become a subsidiary of the Company and a key component of the Group's digital healthcare business, which is being developed into a new segment.

FrontAct uses digital technology to provide new solutions for various healthcare issues, and has strengths in business development using biosignal processing technology, and disease prediction algorithms. This addition will create a solid foundation for segment growth by expanding the product lineup and bringing in highly specialized human resources and expertise.

① Non-invasive neuromodulation device, Relivion

Manufacturing and marketing approval, and preparation to introduce the neuromodulation device for acute migraine treatment

The Relivion non-invasive neuromodulation device developed by Sawai Pharmaceutical is the first medical device in Japan approved for in-home use for the acute treatment of migraines.

When placed on the head, Relivion relieves pain during acute migraine attacks by electrically stimulating the occipital and trigeminal nerves through the skin. Conventional migraine treatments rely on medicines, but Relivion adds the new option of an effective medical device that can be used in the home.

The device will be distributed through the CureApp, Inc. application prescription service (APS) platform and will be available to medical institutions nationwide via APS after the device is authorized for insurance coverage.

Non-invasive neuromodulation device, Relivion

② HAUDY*, an app to help reduce alcohol intake

Accelerating the launch of Japan's first approved app for alcohol dependence treatment

A HAUDY app screen page

In August 2024, we signed a sales licensing agreement with CureApp for HAUDY, a digital therapeutic to reduce alcohol consumption. CureApp, the developer, received manufacturing and marketing approval in February 2025, making HAUDY the first app in Japan approved for adjunctive treatment of alcoholism. Sawai Pharmaceutical is preparing to secure insurance coverage with the aim of launching the app by the end of 2025.

Alcoholism is a disease that causes mental and physical dependence on alcohol. Early intervention is particularly difficult because many potential patients are unaware of the condition.

The HAUDY app provides psychosocial treatment for patients seeking to reduce their alcohol consumption. The Patient App uses patient input on their daily alcohol consumption and physical condition to propose personalized goals that encourage behavioral changes that can help reduce consumption. The app's treatment efficacy is further enhanced by the linked Doctor App, which enables doctors to monitor the patient's daily consumption and provide counseling.

* HAUDY is the sales name for CureApp AUD: A Digital Therapeutic to Reduce Alcohol Consumption

Message from the CFO

We are continuing to improve capital efficiency aimed at establishing sustainable growth and enhancing corporate value into the long term

Taku Nakaoka Senior Executive Officer, Group Chief Financial Officer

Progress improving profitability and capital efficiency

(1) Profitability improved less than planned

"Beyond 2027," our medium-term business plan, sets improving capital efficiency as a key step in strengthening the management foundation. We have shifted management focus to key performance indicators (KPIs) related to controlling capital costs and, in fiscal 2024, implemented measures to enhance profitability and capital efficiency. Our targets are ROE of 10% or more, ROIC of 8% or more, a net debt-to-equity ratio (D/E) of 0.4 or less, a capital ratio of 50% or more, and DOE of 3.0% or more.

However, we did not attain the profit targets for fiscal 2024, as both operating income and net income attributable to owners of the parent declined from the previous year, owing to litigation loss provision expenses for Sawai Pharmaceutical products*1.

*1 Details are provided in the following disclosure items.
May 27, 2025 Notice Regarding Court Ruling Lawsuit Filed Against the Company's Consolidated Subsidiary
https://pdf.irpocket.com/C4887/hZTq/bYXz/wCMb.pdf
June 3, 2025 Notice Regarding Recording of Other Expenses (Provision for Loss on Litigation) https://pdf.irpocket.com/C4887/A2Jy/lkCM/Ovf5.pdf

(2) Net D/E ratio is being controlled below the target level

Litigation loss provision expenses kept both ROE and ROIC below our fiscal 2024 targets, with ROE at 6.2% and ROIC at 4.3%. To raise ROE to the targeted 10% level, our chief strategies are to improve profitability by developing and launching new products, continue applying pricing strategies to raise unit prices, and reduce product impairment and disposal losses. We are also curbing growth in shareholders' equity by actively returning profit to shareholders.

The net D/E ratio declined due to the sale of the U.S. business then rose with the acquisition of treasury stock, but was ultimately held at 0.3 for fiscal 2024, below the 0.4 target. Maintaining the ratio below the target line requires a careful balance between operating and investment cash flows. We are working to reduce working capital needs by shortening the cash conversion cycle and improving capital efficiency, while strictly controlling production and inventory to maximize efficiency, reduce excess inventory, and shorten turnover periods.

In fiscal 2025, we will launch initiatives in the core generic drugs business focused on achieving the medium-term plan's final-year targets. The initiatives will improve profitability and lower costs with the aims of increasing revenue and profits and lifting the ROE and ROIC capital efficiency metrics.

(3) ¥33 billion share buyback program

From July 2024 to February 2025, we acquired 16,016,600 shares of outstanding stock, equal to 12.2% of total shares, for ¥33 billion with the primary objective of improving capital efficiency. The purchase amount used proceeds from the sale of the U.S. business and, with the intention of returning profit to the market, was set at the approximate amount received in the public offering conducted when acquiring the U.S. business.

The shares acquired were cancelled on April 30, 2025 to eliminate the possibility of releasing of treasury shares and avoid risk of stock dilution for shareholders and investors.

These capital policies reduced capital turnover and increased our financial leverage, resulting in only a marginal decline in ROE from fiscal 2023.

Cash allocation plan

The medium-term business plan prioritizes growth investments for research and development, production capacity expansion, and reliability assurance. The plan is to invest total capital of ¥190 billion, comprising ¥145 billion in operating cash flow generated by the generic drug business and ¥45 billion in proceeds from asset sales, such as the U.S. business and cross-shareholdings.

While operating cash flow was lower than initially planned in fiscal 2024, our plans for capital investment in the generic drug business, for developing new businesses and delivering shareholder returns progressed largely as planned.

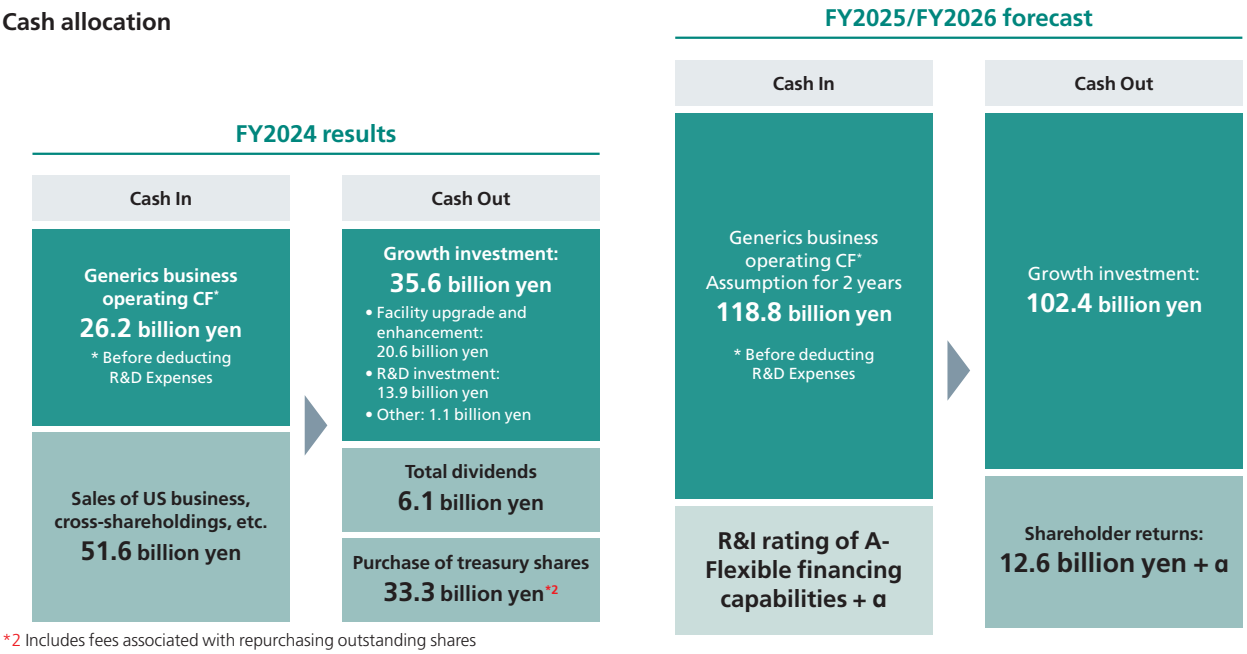
Free cash flow was positive in fiscal 2024 due to the U.S. business sale. We expect free cash flow to be slightly positive in fiscal 2025 and fiscal 2026 when factoring out litigation-related compensation payments. We plan to invest over ¥100 billion during the final two years of the medium-term plan, with a minimum of ¥2.4 billion for development of new businesses.

Shareholder return and dividend policy

In fiscal 2024, we increased the dividend from ¥43.3 to ¥53.0 per share, which raised the dividend on equity ratio (DOE) from 2.7% to 3.4%, reaching a record high. Our dividend policy is to maintain for stable and consistent dividends while comprehensively considering anticipated medium- and long-term profits, dividend on equity, and other factors.

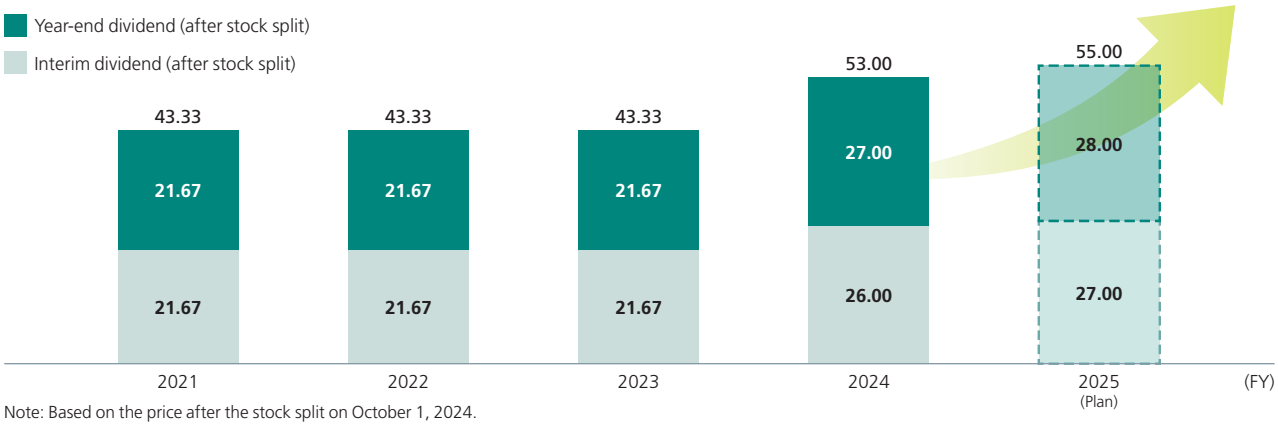
We intend to flexibly implement share buyback programs, while taking into account free cash flow, market trends, and other factors, as part of efforts to improve capital efficiency and return value to shareholders. The medium-term plan allocates ¥19 billion for shareholder return over three years, which provides leeway to repurchase additional shares or raise dividends conditions permit.

Cash allocation



*2 Includes fees associated with repurchasing outstanding shares

Dividends



Note: Based on the price after the stock split on October 1, 2024.

Research and development

Achieving first and sole market launches thanks to advanced formulation technology and unique R&D system

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

Formulation technology generated from field strengths: Value creation from expert talent and proprietary technology

The Sawai Group systematically cultivates and utilizes human resources with a high level of expertise in API properties and formulation technology. The high-level capability we possess as a result in formulation technology is our greatest strength. By collecting the latest information on APIs and formulations from around the world and promoting development in line with the International Council for Harmonisation (ICH), we are able to provide a stable supply of products that meet global quality standards.

In selecting APIs, we analyze their physical properties, quality, and stability, and use only those that meet our strict voluntary standards. Human resources with knowledge and experience in physical properties and quality select the most suitable APIs from Japan and overseas, demonstrating their analytical and evaluation capabilities from the early stages of product development.

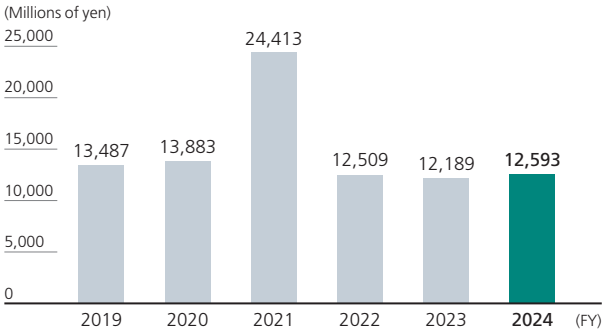
The Group's formulation technology capabilities are supported by the insights and experience gained through the development of approximately 800 products. In the field, we take on new challenges on a daily basis. For example, in tablet development, where both masking of bitterness and stability are required, we have developed orally disintegrating (OD) tablets, which are not available with original drugs, by making full use of our proprietary technologies.

These proprietary technologies have been established as the SAWAI HARMOTECH®* system, consisting of nine core technologies, including nuclear particle manufacturing, rapid disintegration tablet manufacturing, and film coating. These are applied to many products and contribute to solving various issues such as formulation strength, disintegration, bitterness masking, and production efficiency.

The Group's formulation technologies are widely disseminated through seminars for pharmacists and feature pages on our corporate website, and our Group's technical capabilities in the field are highly regarded by healthcare professionals and the general public.

These efforts are supported by human resources with diverse expertise and broad insights in intellectual property, formulation technology, and physical property analysis. The Group fosters human resources through experiences in various departments within the Research & Development Division and takes cross-organizational action to promote advanced intellectual property strategies and formulation

Research and development expenses



Note: Including impairment loss

Innovations for patients

Converting capsules to tablets

Large, hard-to-swallow capsules replaced with tablets

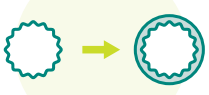
Miniaturizing tablets

Miniaturization of tablets that are large in size and difficult to swallow

Easy-to-swallow formulation

Modification to orally disintegrating (OD) tablets, gelatin formulations, etc.

Improved taste



Coatings, etc., to reduce bitterness

technology development. Furthermore, we are actively working to strengthen our R&D infrastructure by utilizing digital transformation (DX), collaborating with external research institutions, and studying physiological models that do not involve animal testing.

* For details, please see our website page on SAWAI HARMOTECH® (Japanese only). https://www.sawai.co.jp/sawai_harmotech/

R&D process: An integrated system for quality and reliability

The Group's research and development process goes beyond the framework of a typical generic drug manufacturer and is characterized by a sophisticated system that combines unique intellectual property strategies, technological capabilities, and rigorous quality control. R&D begins with patent strategy planning and item selection, followed by multifaceted evaluation of IP risks and the potential of patent invalidation trials or patent circumvention, and seeks swift and steady product development and launch in cooperation with IP-specialized attorneys.

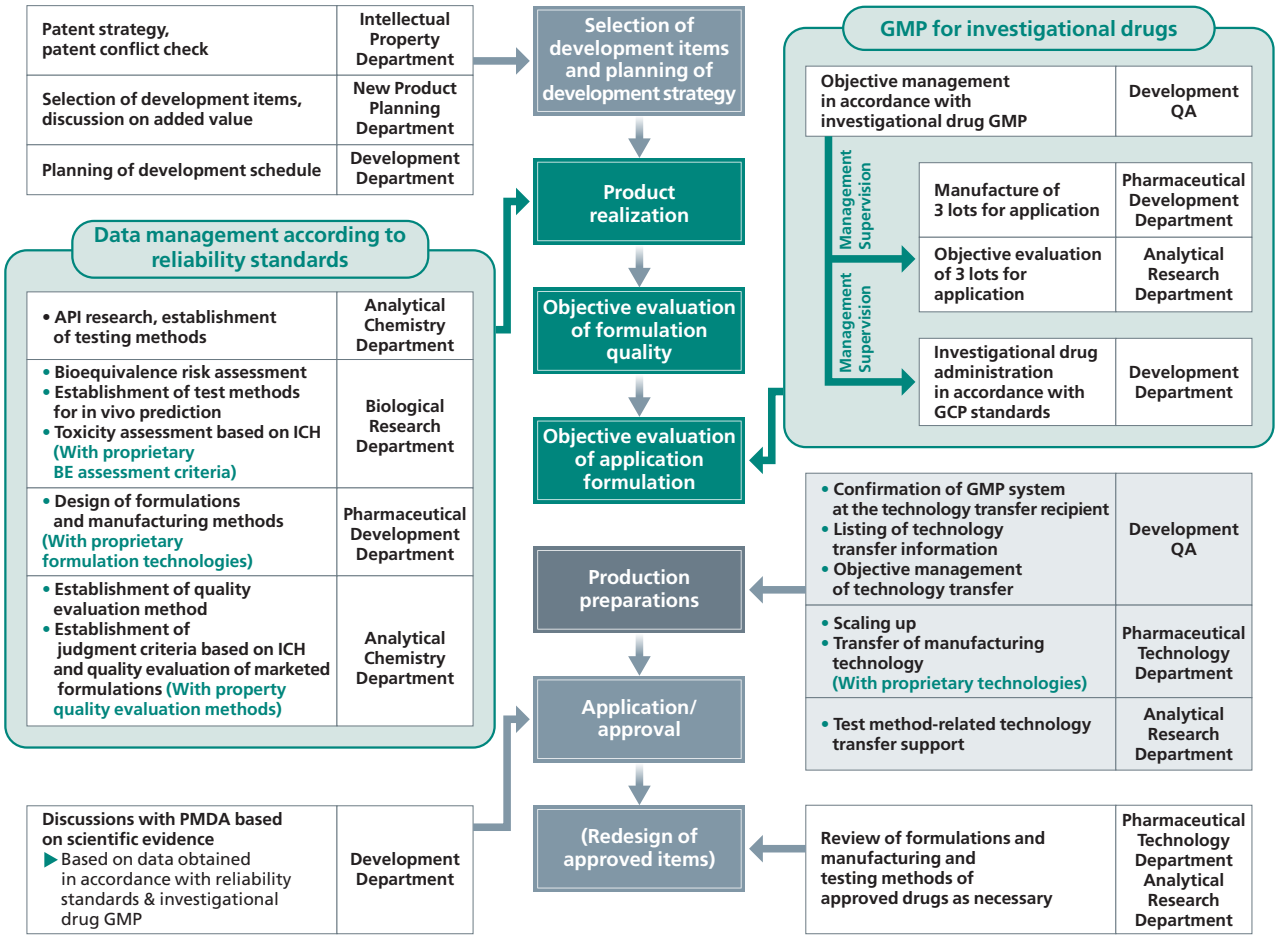
In formulation design and technology development, we utilize SAWAI HARMOTECH® to assess risk for bioequivalence, ensure stable supply, and create added value. We thoroughly manage data based on reliability standards at each research stage, with a system in place to support rigorous data checks by authorities when submitting applications for approval.

In addition, we have established a Good Manufacturing Practice (GMP) system in manufacturing investigational drugs so that they offer high quality, safety, and stability, and to scientifically verify their equivalence and reliability as generic drugs.

When applying for approval and launching products, applications are based on data in accordance with reliability standards and launches take place after regulatory review. Post-launch, we work to maintain and strengthen quality assurance and a stable supply system. Through these efforts, we aim to provide quality assurance for our products and ensure the trust of society.

Thus, the Group's R&D process, from intellectual property strategy to formulation design, data management, equivalence testing, and information dissemination, is structured to pursue quality and reliability in a consistent manner, which is the source of our R&D capability enabling us to achieve the first and sole market launch.

R&D process



Intellectual property

Creating new value through advanced intellectual property strategies and proprietary technology brands

Nobuko Sugimoto Senior Executive Officer, Group Chief Intellectual Property Officer (GCIPO)

Overview of intellectual property related to generic drugs

The development, manufacture, and marketing of generic drugs depends on the proper management and utilization of intellectual property, especially patent rights, which greatly affects their competitiveness and sustainable growth.

In the early stages of development, it is essential to research and analyze the patent status of the original drug in question. Generic drugs cannot be put on the market if the substance patent for the active ingredient is still in force. However, even if the substance patent has expired, peripheral patents for efficacy, manufacturing methods, etc., may act as barriers, restricting manufacturing and marketing.

Therefore, any IP strategy for a generic drug should consider measures to circumvent the network of patents built by the original drug manufacturer. In addition, not only substance patents, but also use patents, manufacturing method patents, and formulation patents must be scrutinized from various perspectives to accurately identify risks.

As a result, the development, manufacture, and marketing of generic drugs are closely related to intellectual property. A multifaceted approach is essential, including thorough patent research and analysis, and setting up patent circumvention and invalidation strategies. These efforts minimize development risks, ensure efficient development planning and optimal allocation of management resources, and increase the probability of successful market entry.

Types of patent rights

Patent right	Summary
Substance patents	Patents on new active ingredient substances
Use patents	Patents on drug indication/efficacy
Process patents	Patents on methods of manufacturing active ingredients
Formulation patents	Patents on new innovations in formulation design (e.g., improved stability and absorption)
Crystalline form patent	Patents on the crystalline form of active ingredients

Strengths of our intellectual property strategy

The Sawai Group's highly advanced intellectual property strategy leads the industry, along with its extensive experience in the generic drug field. In the selection of items for development, we precisely ascertain the timing of substance patent expiration, enabling prompt market entry immediately after patent expiration. We also thoroughly investigate and analyze peripheral patents such as use patents, process patents, formulation patents, and crystalline form patents to optimize the timing of approval applications, thereby ensuring our competitive advantage.

To prevent the risk of patent infringement, we conduct thorough patent research from early development stages to avoid unnecessary investments and losses in later stages. We also identify the potential for patent circumvention or invalidation, and skillfully circumvent the patent networks of original drug manufacturers through a variety of approaches. These include devising new crystalline forms and formulation technologies, and employing different manufacturing methods. We have extensive experience and expertise in patent circumvention and filing for patent invalidation, and select the best strategy for the situation, taking into account the risk of other companies following suit.

Furthermore, we are mindful of the risk of litigation from patent holders, and practice adaptive and strategic IP management that balances the first mover advantage by launching first with the benefits of stable business growth.

Our IP management system rigorously ensures continuous monitoring and updating of information. We regularly check pending patents and competitors' application trends to keep our patent information database up-to-date, enabling us to respond swiftly and with precision. In addition, we solicit legal advice and conduct risk assessments in collaboration with IP-specialized attorneys, and decision-making processes are standardized and paperless to ensure consistent research,

evaluation, and knowledge accumulation.

The Group's proprietary formulation and development technologies are also actively protected and branded through patents, designs, and trademarks. Proprietary technologies such as SAWAI HARMOTECH® and QualityHug® are not only protected as intellectual property, but are also used as brand strategies to differentiate products and attract excellent human resources.

Proprietary technology branding: QualityHug®

The QualityHug® brand of technologies by Sawai Pharmaceutical is based on the philosophy of being close to the safety and security of patients, and aims to bring greater peace of mind to their lives by using science and technology to address their concerns and anxieties when taking medication. QualityHug® is not just a collection of formulation technologies, but a proprietary technology brand where we sincerely listen to feedback from patients and medical practitioners, meeting society's needs for safety, security, and trust.

Of our many technologies, we carefully selected a group of highly novel technologies included in this brand that would create an awareness of safety and reassure patients; as a result, QualityHug® is a brand that helps provide great peace of mind with respect to patients' own medications and lifestyles. For example, the distribution of counterfeit pharmaceuticals has become a worldwide concern. To address this, our Kazaria® technology improves both anti-counterfeiting and identification by transferring a unique pattern onto drug tablet surfaces, and in this specific case offers a new identification method different from conventional printing or marking. This is making a significant contribution to creating an environment where patients can take their medication with confidence. Our contributions are expected to help prevent errors in handling and taking medicine both for medical practitioners and during medication administration.

In addition, as social demands for pharmaceutical quality and safety increase, addressing the risk of contamination with nitrosamines (carcinogens), is another important pillar of QualityHug®. Sawai Pharmaceutical is pioneering the industry in this area, including cultivating technology to predict the risk of nitrosamine impurities and developing additives that inhibit their formation. These technological developments contribute to the development and stable supply of safe and reliable generic drugs.

QualityHug® is a design project that not only solves technological issues in the pharmaceutical industry, but also actively addresses social issues between healthcare and patients. Another key feature is that we continue to contribute to the improvement of quality in the industry as a whole, with a view to sharing our technology with other companies as well. In recognition of these efforts, QualityHug® received the Good Design Award in 2024. The project received high praise from judges as an initiative to generalize pharmaceutical technology and deliver peace of mind to patients, a technological innovation in the pharmaceutical manufacturing process, and a forward-looking design project to solve social issues.

Sawai Pharmaceutical will continue to innovate in formulation design and manufacturing technologies, and develop new evaluation and analysis methods to ensure a stable supply of high-quality generic drugs, together with its proprietary technology brands such as QualityHug® and SAWAI HARMOTECH®.

Our mission is to continue to improve our technology and quality in order to earn the trust of patients, the medical community, and society as a whole.

Number of products launched in the past three years and number of sole market or strongly competitive launches

FY	Numbers of items launched	Of which, sole market or strongly competitive launches		Sawai Pharmaceutical's advantages		
		Items	Main items	Patent strategy	Formulation design strategy*1	Quality assessment strategy*2
2022	23	4	IGURATIMOD Tablets [SAWAI]		○	
			ARIPIPRAZOLE Tablets [SAWAI]	○	○	
			ARIPIPRAZOLE Oral Solution Packet [SAWAI]	○	○	
			DAPTOMYCIN for Intravenous Injection [SAWAI]		○	
2023	10	2	ZINC ACETATE Tablets [SAWAI]	○	○	
2024	13	5	ZINC ACETATE Granules [SAWAI]	○	○	
			RIVAROXABAN Tablets [SAWAI]		○	
			SAXAGLIPTIN Tablets [SAWAI]		○	○
			HYDROXYCHLOROQUINE SULFATE Tablets [SAWAI]		○	○

*1 Including circumvention of formulation patents or creation of inventive/novel formulation technologies
*2 Establishment of quality standards based on ICH criteria and scientific evidence

Growing production capacity

Significantly increased production capacity with completion of the new solid dosage form facility

Construction of a new solid dosage form facility, which had been underway since 2022 at the Daini Kyushu Factory, was completed in July 2024, and shipments began in December of the same year. With the completion of the new facility, the Sawai Group's annual production capacity has increased by two billion tablets, from 18.5 billion to 20.5 billion. At the new facility, we plan to gradually scale up production to 900 million tablets in fiscal 2025 and 1.6 billion tablets in fiscal 2026. An additional 1.5 billion tablets will be added after the completion of Step 2, scheduled for 2027, bringing the Group's total annual production capacity to 22 billion tablets. This will firmly establish a top-level production capacity in Japan's generic drug industry.

The new solid dosage form building features state-of-the-art systems for manufacturing and management, preventing human errors and improper shipping. Specifically, we have introduced a manufacturing execution system (MES) that centrally manages all processes from receiving to shipping, and a laboratory information management system (LIMS) that serves as an integrated management hub for quality testing and facilities. In addition, an advanced intermediate product AS/RS (automated storage and retrieval system) has been adopted to optimize space utilization through high-bay rack storage, improving operational efficiency through automated vertical conveyance and automated storage/retrieval operations, and directly connect the warehouse to the manufacturing rooms, significantly reducing transport time. In addition, the use of dual stacker cranes to eliminate conveyors dramatically improves production efficiency.

Lifting of limited shipments and measures to ensure stable supply

In response to recent pharmaceutical supply concerns, the Group has made the expansion of production capacity and the lifting of limited shipments a matter of utmost priority. It is our social responsibility to ensure the stable delivery of safe, high-quality products to all those who need generic drugs, and we are taking the initiative in lifting limited shipments. In particular, we have been proactively lifting limited shipments since July 2024, successfully doing so for more than 120 items so far.

Along with the new solid dosage form facility at the Daini Kyushu Factory, the mainstay of the expansion of production capacity will be at Trust Pharmatech, which is online as of April 2023. Though Trust Pharmatech has an annual production capacity of 3 billion tablets, items transferred from other factories only resulted in 880 million tablets produced in fiscal 2024. In addition to the return to Trust Pharmatech of human resources trained at Sawai Pharmaceutical factories, we will further increase the utilization rate from fiscal 2025 onward and reach our maximum production capacity as soon as possible through aggressive recruitment activities.

Production facilities

Kyushu Factory
(Iizuka City, Fukuoka Prefecture)
Site area: 70,351 m²
Production capacity: 2.5 billion tablets

Sanda Factory
(Sanda City, Hyogo Prefecture)
Site area: 14,686 m²
Production capacity: 5.0 billion tablets

Sanda Nishi Factory
(Sanda City, Hyogo Prefecture)
Site area: 23,136 m²
Note: Only handles packaging

Daini Kyushu Factory
(Iizuka City, Fukuoka Prefecture)
Site area: 60,395 m²
Production capacity: 4.5 billion tablets

Kashima Factory
(Kamisu City, Ibaraki Prefecture)
Site area: 160,386 m²
Production capacity: 2.0 billion tablets

Kanto Factory
(Mobara City, Chiba Prefecture)
Site area: 135,553 m²
Production capacity: 3.5 billion tablets

Trust Pharmatech
(Awara City, Fukui Prefecture)
Site area: 69,844m²
Production capacity: 3 billion tablets

Message from responsible officer

Making utmost efforts to build a solid supply system for stable supply and greater quality

Toshiya Hasuo Senior Executive Officer, Group Chief Production Officer (GCPO)

Sawai Pharmaceutical is fully committed to providing a stable supply of high-quality generic drugs based on its corporate philosophy of "always putting patients first." In our medium-term business plan, we have established a priority theme to achieve steady growth and business sustainability in the generic drug market, setting the target of a solidified Sawai quality and supply system in our Manufacturing Division policy for fiscal 2025.

As part of our efforts to reinforce the production system, the new solid dosage form facility at the Daini Kyushu Factory has begun shipments as of December 2024, with plans to increase production in stages in accordance with future capital investment. In addition, Trust Pharmatech will continue efforts to transfer items from other factories to further improve its utilization rate.

To maximize this production capacity, we also focus on securing and training human resources. In April 2025, we welcomed 190 new graduates to the Manufacturing Division to strengthen our organizational foundation. We also recruit many mid-career employees and provide them with mindset training to reinstill how important our social mission is and our role in pharmaceutical manufacturing. By reminding them that the world needs them, we motivate factory employees who usually have little interaction with people outside the Group.

Voice from the frontlines

Keisuke Tokumaru
Production Department,
Kyushu Factory

Through mindset training, I learned the importance of communication and what I should be mindful of to make communication more effective. Going forward, I will strive to communicate information smoothly and accurately, while acting as a bridge between processes to deepen coordination between those that come before and after my process.

Being able to hear directly from medical representatives in the training and get raw insights from people working directly with patients and healthcare professionals reminded me that trust is the most important thing for the role we play in manufacturing pharmaceuticals. Our mission is to earn the trust of patients and healthcare professionals and never betray that trust. My training experience showed me that pharmaceutical manufacturing is part of our social infrastructure and an indispensable foundation for society. Our work always attracts public attention because of the important role we play in supporting the health and safety of society. It reinforced my desire to take pride in my work supporting people's health.

This training program was a valuable opportunity for me to reaffirm my pride and responsibility as someone involved in pharmaceutical manufacturing. I would like to apply what I have learned to my daily work and live up to society's expectations of us.

Voice from the frontlines

Waka Tamaki
Quality Control Department,
Kashima Factory

Through mindset training, I learned the importance of effective communication, something directly related to my job in quality control. Testing directions and records must be correct; otherwise, the wrong drugs or low-quality drugs might reach patients. The training helped me see that I could prevent these risks by maintaining close mutual communication with those in my workplace.

I was also particularly impressed by what we heard from the marketing team and realized how difficult it is to regain lost trust. Because factories have little direct contact with patients and healthcare professionals, we can sometimes fall prey to tunnel vision and only do what's right in front of us. However, the training reminded me that minor mistakes and oversights on our part can directly affect the health of patients and trust in our company. Going forward, I will diligently pay attention to each and every action, as well as to the improvement of our work environment, to improve the efficiency of quality control operations and prevent mistakes. I will apply the learnings from this training to my daily work and take pride in the important mission I am tasked with, to safeguard patients and the trust of the company.

Human capital strategy

Message from the Chief Human Resources Officer

Ongoing investment in human resources and supporting each individual's growth to help bring about a sustainable society

Ichiro Takahashi Executive Officer, Group Chief Human Resource Officer

Our Corporate Philosophy and human capital strategy

The Sawai Group conducts its business activities under the Corporate Philosophy of "Dedicated to building a healthier future for all." In particular, in the generic drug business, each and every employee works diligently in his or her daily duties to realize Sawai's philosophy, "Always putting patients first."

Society exists today in what is called the VUCA era (volatility, uncertainty, complexity, and ambiguity), and social conditions and business environments are changing in more complex and rapid ways than ever before. More and more often, conventional wisdom and success stories do not always apply to the situation at hand, and corporate management must adapt flexibly and promptly to these situations.

In times like these, the foundation that supports sustainable corporate growth is people. To us, each and every member of the Sawai Group contributes to greater value, and we believe that integrating human capital with management strategies is essential for future corporate growth.

To this end, the Sawai Group is focused on building facilitative work environments in which employees can maximize their abilities by promoting flexible work styles, enhancing training and education programs to support career development, and promoting ID&E*. While actively supporting the growth of our employees, we also expect our employees not to be satisfied with the status quo, but to always find new perspectives on issues and be willing to take on challenges for improvement.

For example, in the extremely important area for a pharmaceutical company of standard operating procedure (SOP) compliance work, it is essential not only to comply with laws and regulations but also to be constantly reviewing daily tasks for improvement to embody our corporate philosophy of "Always putting patients first." To do this, they must constantly pursue self-improvement, including of their own capabilities. As a company, we continue to provide an environment and opportunities to support employee growth, but the attitude of self-discipline and proactivity for ongoing learning ultimately depend on individual mindsets.

We see human resource development as something at the very core of our corporate existence and will continue to build and strengthen this mechanism. Our aim is to ensure employees grow alongside the Company by creating an environment in which all employees can perform at their best and each individual can thrive and be empowered.

* An abbreviation for inclusion, diversity, and equity. We stipulate policies that focus on understanding and accepting differences in each person's background (race, nationality, gender, age, etc.) (inclusion), leveraging talent regardless of background (diversity), and treating all employees (equity) impartially.

Striving to realize the objectives of "Beyond 2027," our medium-term business plan

The Sawai Group Vision 2030 establishes a future vision to be achieved in fiscal 2030, whereas "Beyond 2027," our medium-term business plan, lays out a concrete path toward achieving this vision through 2027. By 2030, we aim to secure a production capacity of more than 25 billion tablets, and by providing a stable supply of products of higher quality and superior formulation technology, we aim to make many patient-first achievements and contribute to the health and security of society as a whole. Through these efforts, we believe that the Group's revenue will also reach ¥300 billion.

To meet this target, it is essential to raise the level of key operational areas such as R&D, quality control, and quality assurance. Furthermore, with the recent declining birthrate and aging population in Japan, securing human resources and supporting the growth of each individual will become more important than ever before to underpin these efforts. However, we are actively recruiting not only new graduates but also mid-career employees, and by welcoming new colleagues with diverse backgrounds, we are building a

system that enables us to provide a stable supply of pharmaceutical products of superior quality.

We are also actively working to become an attractive and motivating employer so that people will choose our Group among many others. Human resource policies include: (1) promotion of dialogue between management and employees through a series of town hall meetings held at all business sites, (2) implementation of semi-annual employee engagement surveys and development of improvement measures based on the results, (3) an internal recruitment system to balance employees' own career plans with the company's needs, (4) establishment of a new childcare leave system to help employees balance work and childcare, (5) consideration of introducing a remote work system to support employees' living environments, (6) expansion of hiring of employees with disabilities through job development, and (7) cultivating female leaders in partnership with their superiors. Through these efforts, we are focusing on creating an environment in which each employee is motivated and can maximize their abilities. Going forward, we will actively seek new, ambitious human resource policies beyond conventional frameworks, aiming to become a more attractive employer.

The Group is also committed to promoting ID&E. Though we are currently putting particular emphasis on the active engagement of women, we also respect all kinds of diversity, including race, nationality, gender, and age, and aim to create a work environment in which all employees can accept each other and maximize their individual abilities.

Human resources are the source of a company's competitiveness

We will continue to cherish the Sawai Pharmaceutical Corporate Philosophy of "Always putting patients first," while keeping in mind the our core message of wholeheartedness, challenge, and aspiration as espoused in our Sawai Group Mind that all our Group employees uphold as we strive to always contribute to society. We will also continue to work tirelessly to create an environment in which all employees can maximize their abilities and thrive. Our firm belief is that human resources are the source of the Group's sustainable corporate competitiveness. The growth and challenge of each employee is the driving force that will pave the way for the future of the company and meet the expectations of more patients and society at large. The Group, together with all of its employees, will continue to work to bring about a society in which everyone can live healthy lives and have peace of mind.

Human capital strategy to enhance corporate value

Medium-Term Business Plan "Beyond 2027"	Human capital strategy themes	High-priority measures	Emphasized indicators	Increase corporate value
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	**Strengthening our ability to recruit and secure human resources with the necessary skills and mindset**	• Strengthening the recruitment brand • Utilizing various recruitment channels • Optimizing the recruitment process and improving the candidate experience	• Number of internship programs held • Number of recruitment briefings • Number of new graduate and mid-career applicants	• **Provide a stable supply of generic drugs** • **Increase quality control capabilities** • **Increase R&D capabilities**
	Promoting inclusion, diversity and equity (ID&E)	• Promoting active engagement for women and cultivating leaders • Supporting the elderly and employees with disabilities • Creating an inclusive work environment	• Ratio of women in managerial positions • Men's utilization of childcare leave • Percentage of employees with disabilities • Number of unconscious bias training participants	
	Human resource development and career growth support	• Systematically developing talent with a management perspective • Supporting proactive career development • Providing learning opportunities and skill development support	• Number of employees eligible for succession planning • Number of employees using the in-house recruitment or dual job system • Number of career consultations	
	Creating more facilitative and motivating environments	• Promoting flexible work styles • Strengthening health management and health and safety • Improving employee engagement • Reforming corporate culture	• Utilization of paid leave • Health checkup rate • Number of town hall meeting participants	
	Expertise and skill development support	• Strengthening expertise and skills • Supporting external training and qualification acquisition • Providing opportunities for self-directed learning	• Number of training participants • Number of external training program courses • Number of external training participants	

Human capital strategy

Securing human resources

In an increasingly competitive market for human resources, securing talent with the necessary skills and mindset is essential for the Group's sustained growth, especially in order to achieve R&D investment and production capacity expansion that leads the generic drug industry. The Group is working to strengthen its efforts to secure human resources through the following measures.

First, we are focusing on strengthening our recruitment brand. We aim to establish an attractive corporate image for candidates by proactively communicating the Group's business strategy to achieve steady growth in the generic drug market and the significant contribution we make to society through our business. In addition to strengthening information dissemination through our website, we are continuing efforts to increase contacts with potential candidates by holding events where employees discuss the appeal of the Company and by expanding our internship program, which specializes in production, quality, and R&D positions. In particular, our goal is to minimize the discovery of post-recruitment mismatches by clearly telling students what kind of human resources we seek and helping both parties deepen their mutual understanding.

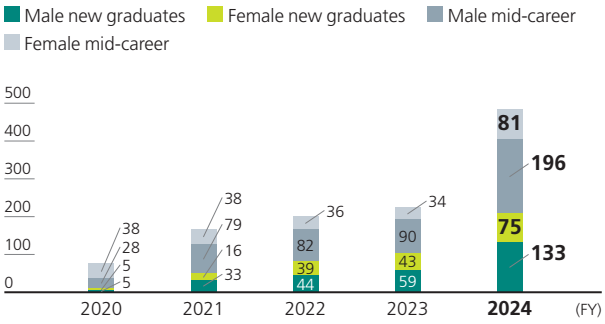
At briefings and interviews, we candidly share not only the business we are engaged in and the benefits we provide, but also our Group's corporate culture, working environment, and employee career paths, as well as our current challenges and the challenges we face in future business development. In addition, young employees from each division join briefings as recruiters, providing an opportunity to directly communicate the nature of the work and the workplace environment from a front-line perspective. Particularly to enhance our ability to recruit human resources for quality control and quality assurance, areas of fierce competition among pharmaceutical companies, we have created workplace introduction videos to convey the appeal and security of working for our Group. We also listen sincerely to each student's values and career vision, and actively provide opportunities to promote mutual understanding through interactive dialogue. We strive to ensure that students gain a deep understanding of our Group in the context of their own aptitudes and future visions, and proceed to the selection process with a sense of conviction.

Next, we are working to utilize various recruitment channels. For new graduate recruitment, we are enhancing our online briefings to reach more students. As for mid-career recruitment, we are strengthening our direct recruiting to secure human resources with high expertise in the fields of production, quality, and R&D, as well as those with a global perspective. We are also actively collaborating with domestic and international talent placement agencies and recruiting human resources with experience working overseas.

Furthermore, we are focused on optimizing the recruitment process and improving the candidate experience. First, we strive to communicate promptly and courteously, and to provide candidates with an experience that deepens their understanding of our Group and motivates them to join us through the selection process. Second, we provide extensive feedback at each selection phase to ensure that we are tailoring our actions to each candidate. Through these efforts, even an unsuccessful candidate will leave with a positive impression of the Group, helping us to build future relationships. We are also working to improve the retention rate of new hires by implementing onboarding measures to prevent turnover by young employees.

As a result of these efforts, we were able to recruit 214 new graduates for the Group as a whole for April 2025 and 321 mid-career hires for fiscal 2024.

Number of recruits (for Sawai Pharmaceutical)



Promoting diversity

The Group believes that its most important asset is its human capital, and that making the most of this diversity is the driving force behind sustainable growth in corporate value. We aim to foster an organizational culture that not only accepts and respects diversity of all kinds, including race, nationality, gender, age, disability, and values, but also allows every individual to autonomously demonstrate his or her capabilities and characteristics. To realize this state, we established the ID&E Promotion Office in October 2023 and are strengthening our efforts in this area.

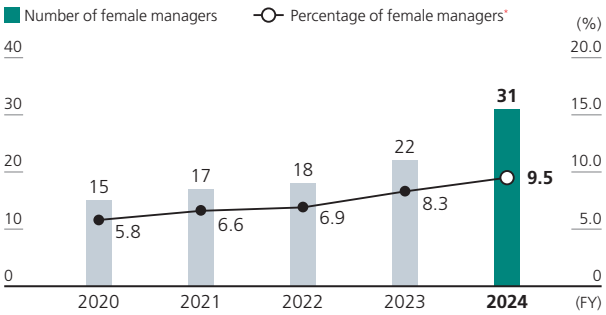
As a specific initiative, we are first focusing on the active engagement for women. In our medium-term business plan, we have set targets of 15% or more women in managerial positions and 10% or more women at the department

manager level or above. Through continuous development programs for female leaders and leadership training, we are working to foster a corporate culture in which female employees can develop their careers in a self-directed manner and demonstrate their abilities to the fullest. We have developed training programs for each level of employees, such as managers, department managers, and next-generation female leaders, according to their roles and challenges. In particular, by linking next-generation female leader development and training with management training for supervisors, we are establishing concrete practice and support in daily operations. In addition, we have established a new childcare leave system in April 2025 as a result of our focus on building an environment where everyone, regardless of gender, can balance work and various life events.

Next, we are working to create an environment in which all human resources, regardless of age or disability, can play an active role. We have established a system that enables elderly talent to enjoy long, active, healthy working lives through an enhanced post-retirement reemployment system, support for improving health literacy, and more efforts. We are also working to develop jobs, improve facilities and environments, and strengthen support systems tailored to the talents and characteristics of people with disabilities, with the aim of creating a place where they can work with peace of mind. As a result, we have achieved a 2.84% percentage of employees with disabilities (for Sawai Pharmaceutical) as of the end of March 2025.

In addition, we are committed to creating an inclusive work environment. For example, in unconscious bias training, we do not limit ourselves to providing knowledge, but rather emphasize practical workshops and discussions in an effort to link participants' awareness to actual behavior change. To increase opportunities for dialogue between management and employees, we also hold regular town hall meetings hosted by the President to directly elicit employee feedback. Furthermore, by conducting regular employee engagement surveys and promptly taking corrective action against issues that are revealed, we strive to foster a corporate culture with a high degree of psychological safety and openness.

Number and percentage of female managers



* Sawai Pharmaceutical (before FY2022), Sawai Group (from FY2023 onward). Target ratio of female employees in managerial positions: 15% and above by the end of March 2027.

Through these efforts, we work to create an inclusive organization where diverse employees respect each other and create new value by leveraging their individual strengths.

Human resource development, growth support, and facilitative environment-building

For a company to achieve sustainable growth, it is essential that each of its employees engages in self-driven learning and continuously improves their skills. In particular, the development of human resources to support continued investment in growth areas is a pressing issue for our Group. Based on a foundation of creating an environment where employees can work with vigor and vitality, where employees can fully demonstrate their capabilities and work with peace of mind and good mental and physical health for long periods of time, we are engaged in comprehensive human resource development based on the dual principles of developing talent with a management perspective and supporting employees' proactive career development.

First, to achieve a balance between facilitative work and job motivation, we are working to realize diverse work styles and work-life balance, including through remote work, flexible work systems, and paid leave (including for childcare). Furthermore, we focus on creating an environment where employees can work in good health and with peace of mind by preventing long working hours, assigning public health nurses to major business sites, strengthening mental health care in collaboration with occupational physicians, and taking thorough measures to prevent occupational accidents.

In addition, to enhance job motivation, we provide opportunities for employees to independently choose their own careers and grow through an in-house recruitment system, an in-house dual job system, and a career consultation desk. We also offer a full range of training and interview programs tailored to career and life events to help employees envision their future careers in specific terms.

In terms of human resource development, in order to systematically nurture the human resources who will be responsible for future management, we are developing multifaceted measures such as succession and leadership development based on succession plans, strategic transfer and job rotation, external training, and support for qualification acquisition. We also provide a wide range of learning opportunities for business skills, specialized knowledge, and languages, generating growth for both the individual and the organization.

By providing this environment and these opportunities, the growth of each employee is deeply connected to the sustainable growth of their company, generating synergies that mutually enhance both parties in a connected, dynamic, and sustainable manner.

Society

Initiatives for respect of human rights

As a healthcare company deeply linked to life, the Sawai Group considers the human rights of all stakeholders, including patients, medical professionals, business partners, local communities, and employees, to be of paramount importance. We support and respect the protection of internationally proclaimed human rights, as well as complying with all laws and regulations concerning human rights. In addition, the Group's Code of Conduct stipulates that we oppose any form of discrimination on the basis of race, gender, nationality, ethnicity, religion, ideology, political opinion, sexual orientation, disease, or disability, and that we shall not be complicit in human rights abuses.

(1) Formulation of the Group Human Rights Policy
The Sawai Group published the Group Human Rights Policy in April 2025 with the aim of further strengthening its commitment to respect for human rights. As the highest level of human rights policy based on the Group Corporate Philosophy, the Group Code of Conduct and the Group Sustainability Policy, this policy forms the basis for all of the Group's business activities. The policy applies to all officers and employees of the Sawai Group and we will continue to encourage all business partners to support the policy and work together to respect human rights.

(2) Practice of human rights due diligence
In recent years, companies have been required to implement initiatives to respect human rights in line with the UN Guiding Principles on Business and Human Rights (UNGP), which are becoming increasingly important in terms of promoting sustainable business practices. The Sawai Group has established a human rights due diligence mechanism in accordance with procedures based on the UNGP and are committed to preventing or mitigating negative impacts on human rights caused by our business activities. In promoting the Group Human Rights Policy and implementing human rights due diligence, the Group Sustainability Committee, a cross-Group organization, will discuss the issue and promote respect for human rights under the supervision of the Board of Directors.

(3) Countermeasures against harassment
To create a comfortable harassment-free work environment, the Sawai Group prohibits any statements or actions that constitute harassment. In addition, we provide regular training to all officers and employees to make them aware of the prohibition against any form of harassment or abuse of authority and to prevent them from committing any form of harassment. Furthermore, to ensure human rights and a safe working environment for the Group's employees, a specific policy for dealing with harassment by customers has been established. Based on this policy, we will maintain a response manual and provide training to employees on how to deal with these situations.

Declaration of Partnership Building

In order to promote cooperation, coexistence and co-prosperity with our partners in the supply chain and other businesses that seek to create value alongside us, the Company, Sawai Pharmaceutical, and Trust Pharmatech have announced the Declaration of Partnership Building.

Declarations of Partnership Building originated from an initiative of the same name promoted by the Cabinet Office, the Small and Medium Enterprise Agency, and other government agencies, in which large corporations and SMEs cooperate on an equal footing to achieve sustainable growth and development of the entire supply chain through fair trade, appropriate price shifting, and support for subcontractor companies. The Group agrees with the intent of this initiative and will strive to create value by leveraging our mutual strengths while building relationships of trust with all of our business partners.

In particular, it is essential to secure high-quality raw materials and other materials in a stable fashion to ensure that we can provide generic drugs reliably. To this end, we are actively pursuing multifaceted initiatives such as transparency of transaction terms and conditions, fair pricing, promotion of technical cooperation and information sharing, as well as building long-term partnerships. Through these efforts, we will value our relationships of trust with business partners and seek to maintain growth together.

Going forward, the Sawai Group will continue to cherish the spirit of the Declaration of Partnership Building and strive to establish fair and sustainable business relationships in line with Japanese government policies. Furthermore, we will continue to be a corporate group that grows together with our business partners.

Corporate Ethics Helpline

The Sawai Group has established a Corporate Ethics Helpline (whistleblowing system) for the purpose of early detection and remediation of acts in violation of laws and regulations,

company rules, the Corporate Philosophy, the Code of Conduct, and corporate ethical values. These may include bribery, corruption, and other acts that may impair sound corporate management. This system is designed to strengthen compliance management by creating an environment in which officers, employees, and related parties can report and consult with peace of mind.

The Corporate Ethics Helpline accepts reports and consultations not only from the officers, employees (including those who have left the Group for less than one year) and temporary employees of the Group, but also from business partners (subcontractors, outsourcing partners, etc.). In addition to our internal compliance unit, we have established external whistleblowing contacts managed by outside specialist institutions (such as law firms). We provide multiple methods for reporting and consultation, such as telephone, e-mail, and web forms, so that whistleblowers can choose the most convenient means according to the situation.

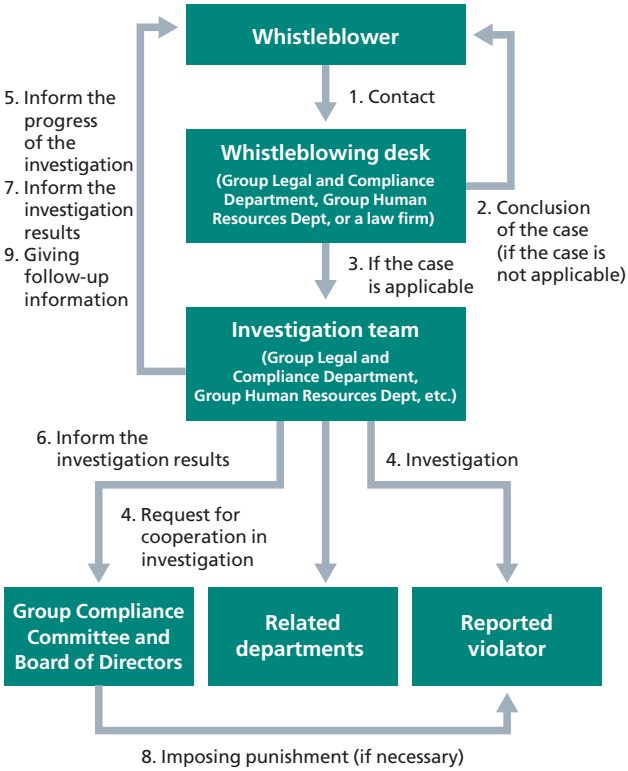
We take the utmost care to protect the privacy of whistleblowers and prohibit any forms of disadvantageous treatment against them, including identifying and retaliating against them. Anonymous reporting is also allowed, and the content of the report and the informant's information are strictly controlled and kept confidential, with disclosure to relevant parties only when necessary.

When a report or consultation is received, we promptly investigate the facts and take corrective measures as necessary. We strive to ensure transparency by providing feedback to whistleblowers on the results of investigations and the status of actions as appropriate. The operation status of the whistleblowing system is also regularly reported to the Group Compliance Committee to facilitate the early detection and correction of any misconduct and thereby enhance compliance management.

Moreover, we work to thoroughly inform our employees about this whistleblowing system, including through our intranet and training programs, continuously conducting educational activities so that they will be ready to use it without hesitation if necessary.

Thus, through the Corporate Ethics Helpline, the Group is striving for sound corporate development and maintaining social trust by providing an environment in which all concerned parties can report and consult with peace of mind.

Corporate Ethics Helpline mechanism



Feature

Issuance of social bonds

The Sawai Group issued social bonds* with a five-year term to fund investments related to the construction of a new solid dosage form facility at the Sawai Pharmaceutical Daini Kyushu Factory. This issuance was designed to raise funds needed to solve the social issue of insufficient supply of generic drugs through social finance. In its second opinion on this initiative's framework, third-party evaluation agency Rating and Investment Information, Inc. (R&I) stated that it is consistent with the Social Bond Principles established by the International Capital Market Association (ICMA).

All of the funds procured from this initiative, minus issuance costs, were allocated to the construction of a new solid dosage form facility through financing provided for Sawai Pharmaceutical. The construction of this facility was completed in July 2024. This initiative is expected to increase the Group's production capacity by 3.5 billion tablets in stages and contribute to strengthening our system for stable supply.

* For more information, please visit our website.
https://www.sawaigroup.holdings/ir/stock/socialbond/
(Japanese language only)

Environment

Disclosure based on TCFD recommendations (overview)

Climate change has a major impact on society and the economy. At the Sawai Group, we recognize that climate change imposes important risks for us, and have designated addressing climate change as one of our material management issues. In September 2021, we announced our support for the TCFD recommendations and disclose climate-related financial information.

Main initiatives

Requirements	Initiative content
Governance	The Group Sustainability Committee, chaired by the Group Chief Sustainability Officer, meets quarterly to discuss and review policies and measures related to overall sustainability, including climate change and other nature-related issues. The deliberations of this committee are regularly reported to the Board of Directors, and the Board of Directors oversees the details related to said reports.
Strategy	We recognize we bear an important responsibility to ensure a stable supply of generic drugs and healthcare services while addressing the risks of climate change. To address rising greenhouse gas emissions resulting from business expansion, we are taking actions such as per-unit emission reductions in the short term and introduction of renewable energy in the medium to long term. CO_2 emission reduction targets for 2030 and 2050 are specified in the medium-term business plan, and investment decisions are made by introducing energy-saving equipment and utilizing internal carbon pricing (ICP). We also analyze risks and opportunities from the perspective of both a decarbonized society and a society in which physical risks emerge, with reference to scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC).
Risk Management	We have designated climate change as an important risk affecting our management, and are identifying and assessing risks throughout our supply chain and taking necessary countermeasures. Evaluation results are discussed by the Group Sustainability Committee and the Board of Directors and reflected in our medium-term business plan and other business plans.
Metrics and Targets	We have set greenhouse gas emission reduction targets and disclose the results for each scope annually on our corporate website. For Scope 1 and 2 emissions, our target is a 46% reduction by fiscal 2030 (base year: fiscal 2013) and net zero emissions by 2050.

Utilization of internal carbon pricing (ICP)

The Group introduced internal carbon pricing (ICP) in fiscal 2025 to accelerate its efforts to achieve a decarbonized society. ICP is a mechanism that incorporates the impact of CO_2 reduction benefits into investment decisions by setting a price on CO_2 emissions.

At the Sawai Group, we have used the IEA carbon price as a reference, setting our pricing to ¥14,500 per ton of CO_2. These prices will be reviewed on a yearly basis and set at appropriate levels according to social conditions and regulatory trends.

ICP will be used for capital investment projects with high CO_2 reduction potential. Specifically, air conditioning equipment, chillers (cooling systems), solar power generation systems, boilers, lighting fixtures, and other items will be eligible. In investment decisions for these, in addition to conventional economic evaluations, the financial value of CO_2 reduction impact is taken into account to make decisions more environmentally friendly.

Through these efforts, we will strive to achieve the Group's goal of a 46% reduction in CO_2 emissions by fiscal 2030 (vs. fiscal 2013+α) and achieving net zero emissions by 2050.

WEB

Disclosure based on TCFD recommendations (details): https://global.sawaigroup.holdings/sustainability/environment/tcfd/
Disclosure based on TNFD recommendations (details): https://global.sawaigroup.holdings/sustainability/environment/biodiversity/
ESG data: https://global.sawaigroup.holdings/sustainability/esg/

Disclosure based on TNFD recommendations (overview)

The loss of natural resources and biodiversity has a significant impact on society, and the Sawai Group has also identified resource conservation, reduction of water consumption, and conservation of biodiversity as material issues. In order to address nature-related issues, we have been identifying and organizing nature-related issues across the entire Group based on the TNFD framework approach since fiscal 2024.

Main initiatives

Requirements	Initiative content
Governance	Please see "Disclosure based on TCFD recommendations" on page 41.
Strategy	While supported by the benefits of biodiversity, we recognize that we place a certain burden on the natural environment through our business activities, and we are working to achieve a nature-positive state. In addition, we have identified biodiversity conservation and restoration as a material issue, and based on the LEAP approach recommended by the TNFD, we identify and assess the degree of dependencies and impacts on nature, as well as risks and opportunities in our business activities. The relationship with nature in the generic drug business, upstream raw material procurement in the supply chain, and the downstream disposal process is assessed using the external tool ENCORE, with these assessment results adjusted based on the unique circumstances of the Group. We also conducted a survey of areas in the value chain that require attention from the perspective of the TNFD's emphasis on locating sensitive and material locations. Nature-related risks and opportunities are identified both in terms of the aspects of the Group's dependencies and impacts on nature, and in terms of the environmental and social impacts of its business activities. Based on the two axes of transition risks and physical risks recommended by the TNFD, risks and opportunities were evaluated in terms of duration and severity through analysis of sensitive locations, hazard maps, and surveys of the natural environment and legal regulations in each region. Importance to society and the natural environment is also taken into account in qualitative assessments. Based on these studies and analyses, we recognize the importance of nature-related issues in the Group's generic drug business, particularly at factory sites. Although the factory sites themselves do not fall under the definition of sensitive locations, they are important from the perspective of risks and opportunities for raw material procurement, effective use of resources, and management of pollutants, and are therefore positioned as priority locations for the Group.
Risk Management	With efforts led by the Environment Team, we work with closely related departments and affiliated companies to identify and assess nature-related risks and opportunities throughout the supply chain. We identify dependencies and influences at each stage of the value chain, evaluate risks and opportunities in terms of severity and frequency of occurrence, and identify priority issues. Identified issues are discussed by the Group Sustainability Committee and the Board of Directors and reflected in our medium-term business plan and other business plans.
Metrics and Targets	ESG-related data, including the usage status for each natural resource, is available on the corporate website. In addition, in "Beyond 2027," our medium-term business plan, we have set environmental targets related to the use and discharge of natural resources, including a 3% reduction in water consumption intensity compared to fiscal 2023 and a 65% waste plastic recycling rate by fiscal 2030.

Feature

Winner of the Accessible Design Packaging Award and the Asia Star Award

The package for Sawai Pharmaceutical's generic drug ZONISAMIDE OD Tablets TRE[SAWAI] won the Accessible Design Packaging Award* in a contest sponsored by the Japan Packaging Institute and the Asia Star Award in the Asia Star Contest sponsored by the Asian Packaging Federation.

This package uses the thinnest moisture-proof PTP sheet, which is approximately 23% thinner than conventional products, to enable tablets to be removed with less force. This thinner package also reduces the amount of plastic used per sheet by approximately 22%, and greenhouse gas emissions from the manufacturing process are also expected to be reduced by approximately 24% compared to conventional products. This achievement, developed in collaboration with Sumitomo Bakelite Co., Ltd., which possesses advanced film manufacturing and quality control technologies, demonstrates new possibilities for sustainable packaging design.

Going forward, we will continue to pursue a balance of usability and environmental friendliness in pharmaceutical packaging based on our corporate philosophy of "always putting patients first."

* For more information, please see our press release (Japanese only).
https://www.sawai.co.jp/release/detail/000739.html
(Japanese language only)

Sharing our progress in corporate culture reforms and actions to resolve issues with investors

IR Day 2025 Overview

Date March 25, 2025 **Location** Nihonbashi, Chuo-ku, Tokyo (streamed online)

Speakers Mitsuo Sawai, Group CEO and COO /
Shoji Yokota, Director, Senior Managing Executive Officer, and Group Chief Research & Development Officer /
Masatoshi Ohara, Outside Director / Nawomi Todo, Outside Director /
Masayuki Mitsuka, Outside Director /
Motohiko Kimura, Senior Managing Executive Officer, Representative Director, President of Sawai Pharmaceutical Co.,Ltd. /
Taku Nakaoka, Executive Officer, and Group Chief Financial Officer

Note: Affiliations and positions are as of the date of the meeting.

The Sawai Group's IR Day was held in March 2025 with the aim of further deepening dialogue with investors. On the day of the meeting, attending members of the Board of Directors explained in detail the status of the Board's monitoring activities and the Group's R&D capabilities enabling it to launch generic drugs which are the first or the sole item in their market category. Outside directors in attendance also engaged in a lively exchange of views on themes of importance of investors and future prospects through a question-and-answer session.

Here, we compile some topics of particular interest from the day's Q&A session.

Q.1 Outside directors' roles and actions after discovery of inappropriate testing

Investor: At what point were you informed and what was your reaction to the inappropriate testing that was discovered in 2023? Please also tell us what role the outside directors played in the subsequent formulation of measures to prevent recurrence, strengthening of monitoring, cooperation with the third-party committee, and holding senior management accountable.

Ohara: We apologize for the great concern this incident has caused Sawai's shareholders and investors.

The incident in question was first discovered in April 2023, and the Board of Directors received the first report of the occurrence on May 11, 2023. At that stage, it was said that a proper investigation would be carried out and another report would follow. Board meetings were subsequently held on May 22 and June 27, but as of May 22, there was no report on this investigation. The reason given was that

quality assessment had been made a top priority to determine if a product recall was necessary.

The quality assessment work was completed on June 19, and at the June 27 Board of Directors meeting, the director in charge at the time reported on developments so far and that a special investigation committee had been established. Since then, each Board meeting has involved discussions and reports on this matter.

Furthermore, as part of measures to prevent recurrence, we, the outside directors and Audit & Supervisory Board members have inspected the Daini Kyushu Factory, most recently on February 26, 2025, to confirm the status of quality assurance and quality control.

As for what measures were taken, we took two approaches to tackling this issue. One is how to establish a system to investigate the cause of the incident and prevent recurrence. The other is that there may have been a delay in reporting to the administrative authorities and, presumably, a delay in sharing information with the Board of Directors. These are two issues we have identified and pointed out.

The special investigation committee has made recommendations to investigate the causes and prevent recurrence, and my understanding is that the Company has properly established systems so misconduct is not repeated. However, building a system is not the end of the process; it is necessary to see that it is properly operated. In this regard, as an outside director, I have access to and review the minutes of the monthly Group Compliance Committee meetings.

Regarding the reform of the corporate culture that led to this misconduct, as outside directors, we have asked for closer communication with those working on site to improve openness, and also for changes in mindsets of those working at the factory. In this regard, education and study are not the only tools; we also hold town hall meetings to facilitate smooth communication and exchange of opinions between those actually working on the front lines and their supervisors and senior management, and we believe this is proving to be effective.

As for the second issue pointed out, which is the review of the system for reporting to the Board of Directors, in addition to regular reports, any other events are to be reported to the holdings company's Board of Directors on an ad-hoc basis. A great deal of time has been spent among Sawai Group Holdings' Board of Directors, and reports have been very thorough; I have also asked questions and offered my opinions. My feeling is that the Board of Directors will discuss what we as outside directors will do in response to the timely sharing of information.

Next is how Sawai fulfilled its responsibilities as a pharmaceutical supplier. I also serve as the Chairman of the Nomination, Remuneration, and Other Governance Committee, and the committee has held Sawai's officers at the time of the incident clearly accountable by giving them pay cuts. As mentioned just a moment ago, we outside directors will do our utmost to ensure that such a thing never occurs again, and if, for some reason, it does, we will do our best to deal with it as swiftly as possible.

Q.2 Monitoring by the Board of Directors and fostering corporate culture

Investor: What kind of monitoring does the Board of Directors do? I'd like to particularly ask Director Mitsuka, what do you think needs to be done and monitored in the future to foster culture, based on your experience?
Mitsuka: I would like to divide my explanation into two parts: monitoring at what we call the "management level," and, especially in the area of culture, understanding and monitoring what is happening in the field.

First of all, in the formulation of the medium-term business plan, we imposed quite demanding requirements for monitoring in light of the aforementioned incident. Specifically, we asked that KPIs be established not only for financial indicators but also for non-financial indicators: for example, KPIs for manufacturing and quality information management, as a company, and more detailed KPIs for divisions.

In fact, many KPIs are not disclosed externally because of issues related to product quality, but the KPIs formulated in the new plan are shared internally, and the Senior Vice President of the Reliability Assurance Division has explained to us at Board meetings how the Company is progressing in accordance with the KPIs.

To give a sense of the Group's KPIs, let me give an example in the area of quality. The worst-case scenario here would be a product recall, but the Group determines the severity of quality deviation, whether it falls into Class I, Class II, or Class III, before reaching that scenario. In addition, there had previously been a lack of corrective action and preventive action (CAPA) to address such deviations, and there were many cases where we knew we had to take action, but we did not have enough people to do so. Now, we are monitoring how well that is being handled on average as a KPI.

Secondly, as for fostering culture and what issues are currently present in the field, there are three major issues that need to be remedied, in my opinion.

The first is about the pressure to increase production. When I read the records and exchanges when the inappropriate testing was in its earliest stages, it was all about boosting production as a top priority, with a tendency to justify production increases because the market wants it. I also think that the Group needed to address the rapidly growing market. It should be noted that even today, the pressure to increase production continues to remain in the

policy of building new plants and supporting increased production while ensuring quality.

The Group's corporate commitment to ensuring quality as a vital mission, not just production volumes and sales, have been set out as KPIs. Now, it is necessary to pass these down to the senior vice president of each division, or to their subordinate or even further down the line as officers constantly assess whether these KPIs are moving toward improvement over the medium to long term.

The second issue is how we approach the pressure to ensure zero quality irregularities or issues. I think we, as a Group, need to explore what the proper approach should be in the culture of our workplaces.

Third is the issue of securing personnel. Just giving a command is unlikely to solve this kind of concern. What I personally think is particularly important is not simply to increase headcount, but to secure talent at a level that can provide guidance in the field—people who can answer questions from operators in the field, and of course the skill level is important.

Also, though you may never be able to completely eliminate the reticence that a line worker will have to consult with their busy supervisor despite a tough situation in the field, I believe it is important to establish a system facilitating open consultation.

To relieve the pressure to totally eliminate problems, it is important to first instill the idea that low-level problems can happen, and then let them handle these so that they do not lead to major problems.

In fact, the system for handling production problems was originally established by GMP, and it is based on the premise that deviations can occur, and when deviations do occur, it is stipulated that this should be done and that CAPA should be performed. It will be important to keep an eye on these issues in the long run as to how to control them so that they do not pop up again.

Deviations have also occurred as reported by the Reliability Assurance Division. In the short term, there has been an increase. We believe that this is due to increased sensitivity, and we are now in the process of monitoring how accurately these deviations are being handled over the long term. In a year or two, we hope to see a reduction in the number of items ending in recall.

In addition, the Group's large factories are dispersed throughout Japan, and we are very careful to watch for information barriers between the headquarters and production sites, and to make sure that they are not being unilaterally given unreasonable expectations.

Looking at the exchanges at the earliest stages of the inappropriate testing in question, there were instances where the problem was actually in the field, and emails sent to the headquarters went unanswered. Therefore, during my recent visit to the Daini Kyushu Factory, I have been able to review in detail through documents how the factory is communicating with the headquarters as part of the ongoing project for inspection based on certification of approval.

At least from what the general manager said, I could see that the headquarters was willing to take ownership and cooperate to solve the problems at that factory. As a member of the Board of Directors, I would like to make sure that this is the case at all factories going forward.

Q.3 Human resource retention initiatives

Investor: I have a question regarding personnel retention. I believe it was mentioned in the Integrated Report 2024 that the working environment is unavoidably challenging and that there is turnover, especially among young employees. What are your thoughts on retention?

Mitsuka: To your point, it has been two years since I joined the Sawai Group, and when I first visited various sites, I was surprised to hear that there was a lot of turnover in the workforce. What is particularly noticeable when visiting a production site is that physical strength is required there, such as when handling heavy items.

Reviewing the data through December 2024 shows an annualized resignation rate of 3.94% overall, and 4.21% at the Manufacturing Division. My impression was that this was a high retirement rate for a new drug manufacturer versus my general perception at around 2% to 3%. However, since employees who have resigned account for about 10% in the entire manufacturing industry in Japan, Sawai's figure of about 4% is not particularly high when viewed through the lens of the manufacturing industry as a whole. Since approximately 70% of Sawai's workforce is in production, and the Manufacturing Division has a large number of part-time workers, the figure of 4.21% for the Manufacturing Division and 3.94% for the Group as a whole is not particularly high, but rather normal.

However, as we consider increases in factory capacity utilization rates in order to further boost production, this resignation rate will undoubtedly become a bottleneck in securing and training human resources, and I believe that how to improve this situation is an issue that should be addressed.

Fortunately, compared to the previous fiscal year's data, the numbers have improved slightly. In fiscal 2023, the annualized resignation rate was 4.1% for the Group overall, while in fiscal 2024, the annualized rate through December was 3.94%, a slight improvement. As a member of the Board of Directors, I can confirm that the most recent trend is in the right direction. However, when we look into resignation details, we find that many, especially in the Manufacturing Division, resigned due to job changes and

poor health, and we surmise that the workplace must be a considerably busy and stressful one.

In any case, Sawai produces so many items that the kiln where medicine is made changes items every two days. In addition, in order to log all factory data, a manufacturing test support system ensures that a record is kept of what and how much was weighed, one by one. I saw the work site myself, and there was a considerable amount of going back to the previous stage and redoing work. My feeling was that, for those who were not used to such a practice, the stress of having to ensure zero issues must be even greater than the physical exhaustion.

Therefore, I see one of the major challenges in health management as how to reduce the stress of those working in the Manufacturing Division. I also feel that it is an urgent and important management issue to have each and every person in the Manufacturing Division work in a healthy, happy and energetic manner in order to make the generic drug business a sustainable and healthy business. I would like to keep an eye on resignation rate figures while taking such details into account.

Q.4 Discussion on increasing the number of female leaders

Investor: Ms. Todo, you commented that cultivating female directors and executive officers from within is an important issue. We would like to know the context behind your awareness of this issue.

We would also like to know what kind of discussions are taking place in the Board of Directors regarding increasing the number of female executives and other diverse leaders.

Todo: Since I took office, I have said that it is my goal and dream to sit on the Board of Directors with female directors from within the company. As a sign of my intent to make this a reality, I held a roundtable discussion with female employees together with the now-Chairman Sawai shortly after assuming my position, and the discussion was published in the company newsletter.

Despite this, the goal of appointing a female director from within the Company has not yet been achieved. Though it may not be appropriate for me to speak on the issue considering I am in this very same position, recruiting female directors from outside Sawai will not help it realize the active engagement of women. I believe it only makes sense to find such a person within the Company.

However, I cannot say that there are many female employees at Sawai today who are in management positions or who wish to be in management positions. It has long been my view that active engagement by women can only be realized in a company where all employees, not just women, are actively engaged. I believe that Sawai's female employees understand this concept, as I have expressed it at each conversation I have had with them and at our Board of Directors meetings.

To put it simply, I believe that a company cannot be a place where all employees can be actively engaged, especially in management positions, without the active engagement of women, and other minorities. In other words, to conceptualize an environment in which women can be actively engaged will lead to a corporate attitude that conceptualizes facilitative working environments for all employees.

I am aware that this concept is understood and that Sawai is taking actions in this area. Furthermore, I understand that through the implementation of unconscious bias training for all employees, Sawai has achieved results such as broadening the understanding of what constitutes a facilitative working environment.

Board of Directors (as of June 25, 2025)

Directors

● Years of service as a Director (numbers in parentheses show service period at Sawai Pharmaceutical when it was publicly listed)
○ Board of Directors meeting attendance (FY2024) ◌ Shares of the Company held

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

● 4 years (21 years) ○ 14/14 times ◌ 3,171,700 shares

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

● 2 years ○ 14/14 times ◌ 2,500 shares

Masatoshi Ohara
Outside Director (Independent Officer)

● 4 years (2 years) ○ 11/14 times ◌ 4,000 shares

Masayuki Mitsuka, Ph. D.
Outside Director (Independent Officer)

● 2 years ○ 14/14 times ◌ 100 shares

Yasuko Aitoku New appointment
Outside Director (Independent Officer)

● New appointment

Directors, Audit & Supervisory Committee Members

● Years of service as a Director ○ Board of Directors meeting attendance (FY2024) ◌ Shares of the Company held

Tadao Tsubokura
Director, Full-time Audit and Supervisory Committee Member

● New appointment* ○ 14/14 times ◌ 3,200 shares

Etsuko Taniguchi New appointment
Outside Director, Audit and Supervisory Committee Member (Chair) (Independent Officer)

● New appointment

Yukiyo Nose New appointment
Outside Director, Audit and Supervisory Committee Member (Independent Officer)

● New appointment

* Appointed as a Full-time Audit & Supervisory Board Member of Sawai Pharmaceutical in 2018, and as a Full-time Audit & Supervisory Board Member of the Company in 2021

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 management decisions that lead to the Group's sustainable growth.
Healthcare	Knowledge and experience in a wide range of healthcare fields is important to expand our core business, including new businesses as well as pharmaceuticals, and to increase corporate value.
Global	Understanding global markets and regulations is important for business operations, including international supply chains.
Medicine and pharmaceuticals	As a general healthcare company, medicine and pharmaceuticals are important for creating value in overall management, including quality improvement, by capturing the needs of healthcare professionals and patients.
Finance, accounting, tax practice	Knowledge of finance, accounting, and tax practice is important to accurately calculate corporate value, improve capital efficiency, and properly pay taxes.
Legal affairs/risk management	Legal affairs and risk management insights to ascertain and judge rules and risks is important to maximize corporate value through optimal decision making.
Sustainability/ESG	ESG perspectives are important for the Group to both achieve sustainable growth and address social issues.

Message from newly appointed outside directors

Working toward sustainable growth and strengthening trust building

Yasuko Aitoku Outside Director (Independent Officer)

With experience gained at a R&D-focused global pharmaceutical company, I will fulfill my responsibilities as an independent officer to ensure that the Sawai Group plays its role in healthcare. I will also support the strengthening of governance systems from an external perspective to ensure the continuity of corporate activities as a pharmaceutical manufacturer that pursues scientific progress, maintains high ethical standards, and is trusted by patients, healthcare professionals, and society at large. Furthermore, I will discuss medium- to long-term solutions to concerns such as environmental considerations, drug price revisions, stable supply, and the increasingly sophisticated generic drug business with Board members to help establish a sustainable profit model.

I hope to build greater momentum for transformation by leveraging the diversity of Sawai's employees and visualizing the new corporate value that will be created.

Striving to establish a trusted corporate foundation

Etsuko Taniguchi Outside Director, Audit and Supervisory Committee Member (Chair)(Independent Officer)

Based on my experience as a certified public accountant, I am committed to establishing a trusted corporate foundation, an underlying element of "Beyond 2027," our medium-term business plan. To this end, I intend to fulfill my role as an outside director from a medium- to long-term perspective with a keen awareness of the Five Principles for Board of Directors to Enhance "Growth Power" as published by the Ministry of Economy, Trade and Industry, especially "while being mindful to avoid micromanagement…encourage the management team to ensure that the decision-making process and structure contribute to its timely and decisive decision-making."

In addition, I will monitor the progress of the Generic Drug Provider Evaluation System that we will be launching in earnest this fiscal year, seeing the deepening of this initiative as directly connected to the enhancement of the management base and the growth of the entire Group.

Contributing to greater corporate value from a global perspective

Yukiyo Nose Outside Director, Audit and Supervisory Committee Member (Independent Officer)

My name is Yukiyo Nose, and I am a Japanese-American certified management consultant and physician.

My desire is to bring a breath of fresh air to Japanese companies with a global mindset cultivated through 25 years of international experience in 50 countries around the world.

I will strive to ensure my presence supports the future of the Group with more open perspectives and creative ideas. In addition to CSR and ESG initiatives, I would like to encourage both employees and their company to grow alongside each other and build a future-oriented corporate culture that is trusted by society.

I will contribute to sustainable growth and strengthen governance, and take on the challenge of creating value for the 22nd century.

	Mitsuo Sawai	Dr. Shoji Yokota	Masatoshi Ohara	Dr. Masayuki Mitsuka	Yasuko Aitoku	Tadao Tsubokura	Etsuko Taniguchi	Yukiyo Nose
	●	●		●	●			●
	●	●		●	●	●		●
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			●	●				●

Corporate governance

Governance system and reason for its adoption

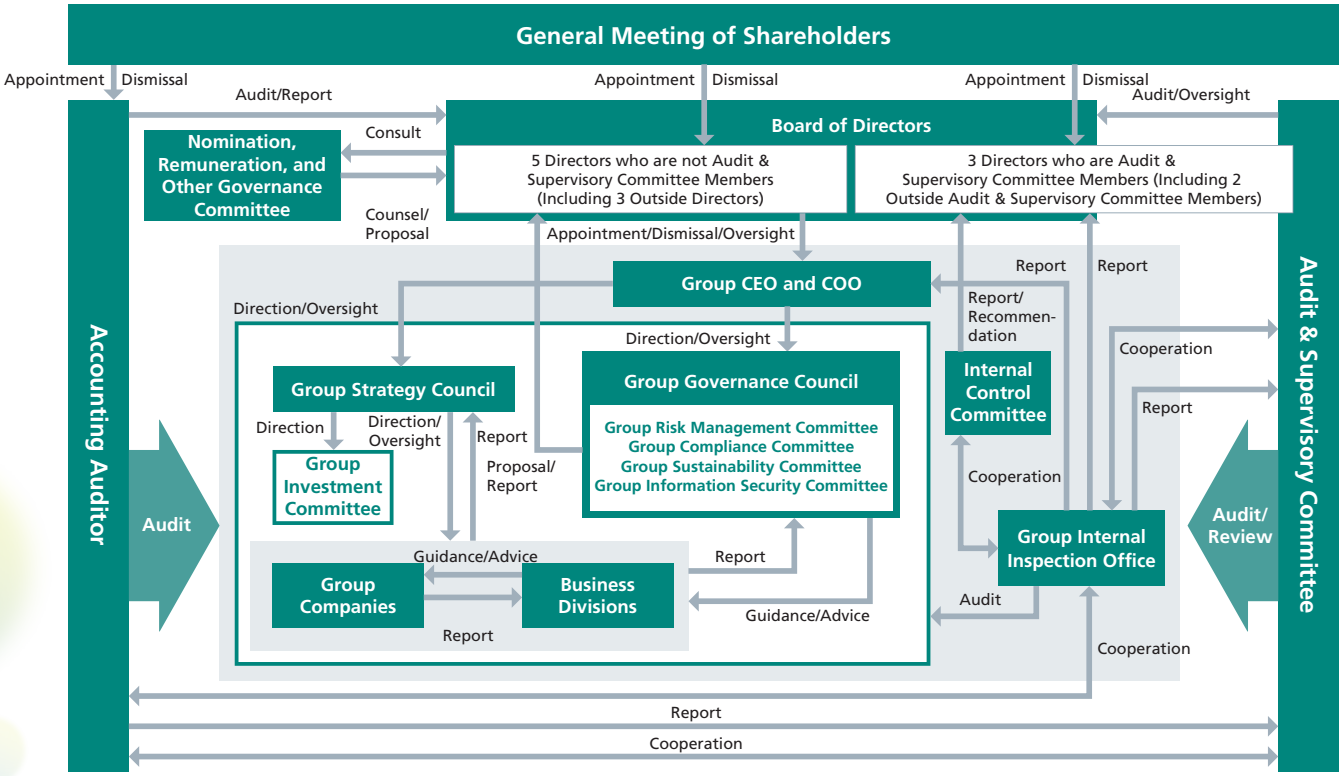
The Sawai Group Corporate Philosophy is "Dedicated to building a healthier future for all," while the Sawai Group Vision is "To create a heathier, more sustainable world where people have easier access to healthcare services and can live a full life with peace of mind." In order to make this vision a reality, as well as to ensure the sustainable growth of our Group and increase our corporate value over the medium to long term, we recognize the importance of continuously strengthening corporate governance as a foundation for ensuring sound, transparent, and efficient management.

Guided by this basic approach, the Group has sought to enhance the supervisory function of the Board of Directors and accelerate business execution by increasing the number of outside directors, establishing a Nomination, Remuneration, and Other Governance Committee, and transitioning to a holding company structure. Through these efforts, we strive to increase corporate value by building highly effective oversight and a swift decision- making framework.

In addition, to strengthen our response to the rapidly changing external environment and achieve further growth, we have decided to transition from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee, approved at the 4th Annual General Meeting of Shareholders held on June 25, 2025. We have determined that it is optimal to establish a structure in which directors who are well versed in the prescription pharmaceutical industry and internal affairs execute their duties with high ethical standards, and in which outside directors and the Audit & Supervisory Committee supervise management from an independent standpoint, taking into consideration the overall corporate size and management style.

We expect our outside directors to provide valuable advice, sound judgment, and effective audit and supervisory functions from an independent perspective, drawing on their specialized knowledge in fields such as corporate management, healthcare, global business, medical and pharmaceutical science, finance / accounting / tax practice, legal affairs / risk management, and sustainability / ESG.

Corporate governance structure



Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three members, including two outside directors, and plays a role in corporate supervision in cooperation with the Board of Directors. As a legally mandated independent body that

audits the execution of duties by directors on behalf of shareholders, this committee bears the responsibility for establishing a sound corporate governance system.

In accordance with our audit policy and plan, the Audit & Supervisory Committee, in cooperation with units involved in internal controls, investigates the status of the Group's operations and assets. In addition to attending important meetings, members of the Audit & Supervisory Committee also meet regularly with our internal audit department (Group Internal Inspection Office) and the accounting auditor to ensure close collaboration. As well as examining the status of the execution of duties by directors and executive officers and the maintenance and operation of internal control systems, committee members conduct audits on the legality and appropriateness of the execution of duties by directors and the appropriateness of the auditing methods and results of the accounting auditors, and compile the contents of these audits in the form of an audit report.

Furthermore, by utilizing the independent viewpoints and expertise of outside directors to provide opinions to senior management, they contribute to the soundness, transparency, and efficiency of management.

Message from an Audit & Supervisory Committee Member

Tadao Tsubokura Director, Audit & Supervisory Committee Member

I was appointed as a full-time Audit & Supervisory Committee member following the transition of the Sawai Group from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. Previously, I had served as a full-time Audit & Supervisory Board member, but before that, I worked on the establishment of management control systems and governance structures, including accounting, finance, performance management, and investor relations.

With the Group's transition, the Board of Directors now consists of five outside directors and three internal directors. In addition, an outside officer liaison meeting is regularly held with six members—three Audit & Supervisory Committee members (including two outside directors) and three outside directors who are not Audit & Supervisory Committee members—to exchange information and share recognition to ensure the effectiveness of audits, etc. and to improve the effectiveness of the Board of Directors.

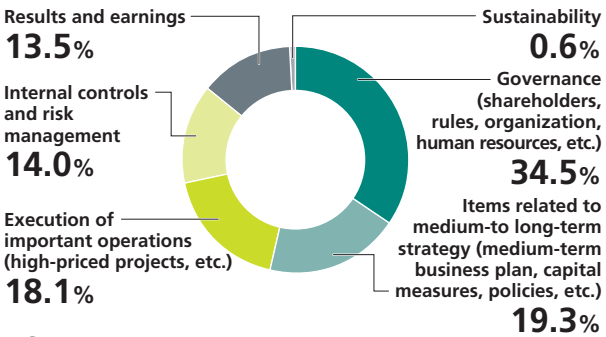
Together with newly appointed members Etsuko Taniguchi and Yukiyo Nose, we will utilize their expertise to further enhance corporate governance as a foundation for ensuring sound, transparent, and efficient management, which is necessary for the Group's sustainable growth and medium- to long-term enhancement of corporate value.

Main Board of Directors Issues

The Group continually implements improvements of the operation of the Board of Directors and ensures in-depth deliberations on management by securing the necessary time for deliberations. The following are important issues deliberated on by the Board of Directors in fiscal 2024.

(1) Formulation and announcement of the medium-term business plan
(2) Transition to a company with an Audit & Supervisory Committee
(3) Signing of agreements for alliances, licensing-in, etc. related to new businesses
(4) Analysis of reasons for not meeting performance forecasts, making full-year forecasts
(5) Initiatives to prevent recurrence of misconduct and reporting business improvement indicators
(6) Patent actions to unlock new product development
(7) Shareholder return policy, including stock splits, purchases of treasury shares, etc.
(8) Progress on capital efficiency KPIs
(9) Senior management transfers, personnel planning and hiring progress, resigned employee analysis, etc.
(10) Engagement with shareholders

Breakdown of time spent on deliberations and reports



Evaluation of the effectiveness of the Board of Directors

The Group analyzes and evaluates the effectiveness of the Board of Directors once a year and strives to implement continual improvements. A summary of results from the evaluation conducted in fiscal 2024 is outlined below. Initiatives regarding the following five issues were launched in response to the findings of the previous year's evaluation.

Fiscal 2024 initiatives in response to the evaluation of the effectiveness of the Board of Directors for the previous fiscal year

- Succession planning
- Follow-up monitoring of progress
- Further enhancement of discussions on management strategies and plans
- Composition and skills of the Board of Directors
- Operational method of the Board of Directors

Analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2024 and future policy

Evaluation method / results

- A third-party organization conducts a self-assessment questionnaire using a confidential written format.
- The third-party organization compiles the responses and analyzes the results.
- The Board of Directors reviews and discusses the findings based on the report provided by the third-party organization.
- Based on the results of the above, the Group's Board of Directors is generally functioning and playing its role appropriately.

Major comments

- Discussions around human capital development—specifically CEO and executive succession planning—remain insufficient.
- In some cases, the link between the mid-term plan and overall management policy is not clearly articulated in materials for meetings of the Board of Directors.
- We believe that decisions made by the Board of Directors are most effective when they are communicated to the operational frontlines, with appropriate context and circumstances considered. However, we recognize that there are currently areas where this process remains insufficient.
- The Board is encouraged to communicate new business initiatives at an early stage and ensure it gathers ample information and stakeholder input.

Fiscal 2025 initiatives

We will work to improve the following three items.

- Succession planning, ensuring diversity, developing core talent, and enhancing the internal environment
- Following up on and monitoring progress with respect to the management plan and key resolutions
- Deepening discussions and enhancing information sharing related to sustainable growth and the creation of corporate value

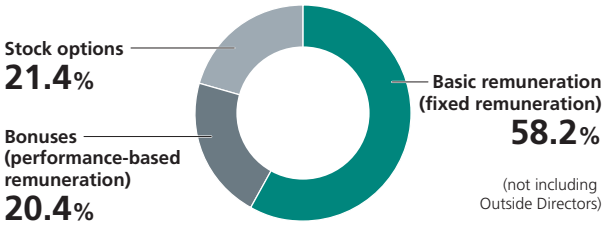
Corporate Officer Remuneration System

Remuneration for directors of the Company (excluding directors who are members of the Audit and Supervisory Committee and outside directors) consists of a basic remuneration (fixed remuneration), bonus (performance-based remuneration), and restricted stock remuneration as a medium- to long-term incentive. Restricted stock remuneration consists of the continuous service type, which is granted in advance according to the position, etc., and the performance-based type, which is granted after the fact according to the degree of achievement of medium- to long-term corporate value improvement. Based on position and years of service, and in accordance with separately established internal regulations, a target of at least 10% of total remuneration is allocated, and basic remuneration and bonuses are generally paid at a 3:1 ratio.

The maximum amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members) is set at ¥620 million per year (of which, no more than ¥100 million is for outside directors). The Group has established a policy for determining the content of remuneration for individual directors, and restricted stock remuneration is in line with this policy. Among the restricted stock remuneration, the total amount of monetary remuneration claims to be paid as continuous service type remuneration is set at up to ¥50 million per year, and the total amount of performance-based remuneration is set at up to ¥100 million per year.

The maximum amount of remuneration for directors who are Audit and Supervisory Committee members is set at ¥100 million per year. The specific amount and timing of payment to each Audit and Supervisory Committee member shall be determined through consultation among the Audit and Supervisory Committee members.

Balance of Director remuneration for fiscal 2024



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 Outside Directors)	98	57	20	21	2
A & SB Members (not including Outside A & SB Members)	18	18	–	–	1
Outside Directors and A & SB Members	45	45	–	–	5

Message from the Nomination, Remuneration and Other Governance Committee Chair

Masatoshi Ohara Outside Director

The Nomination, Remuneration and Other Governance Committee deliberates on the appointment and dismissal of senior management, the selection and dismissal of the CEO and other key positions, remuneration and the basic policy for the same, and other matters to enhance and strengthen the corporate governance system based on the Group's Corporate Philosophy, "Dedicated to building a healthier future for all," with the aim of continuously increasing corporate value and securing the trust of shareholders and other stakeholders. The committee consists of diverse and experienced outside directors selected by the Board of Directors, and deliberates important governance-related matters from a standpoint of independence and fairness, with an emphasis on objectivity and transparency, in consultation with the Board of Directors or at the committee's discretion. In fiscal 2024, in order to strengthen the supervisory function of the Board of Directors and accelerate business execution, the committee advised that the Group should transition to a Company with an Audit & Supervisory Committee so that business execution by internal directors with business expertise and supervision by outside directors with expertise and experience and the Audit and Supervisory Committee will function properly.

With regard to nominations, in selecting the most suitable senior management team and directors who can achieve our Corporate Philosophy and management strategies, we select candidates with the necessary expertise, experience, and track record, while giving due consideration to diversity. We also strive to develop future management leaders and build a system that can respond quickly and appropriately to risks and changes in the business environment. With regard to remuneration, we are committed to enhancing the motivation of senior management and attracting and retaining excellent human resources by maintaining a remuneration system that contributes to sustainable corporate growth and enhanced shareholder value, and by continuously verifying remuneration standards and their fair application in light of external benchmarks and changes in the business environment, and by balancing short-term, medium-term, and long-term incentives.

Going forward, we will continue to enhance the sophistication of our governance system, adapt appropriately to changes in the business environment and social demands, and conduct fair, transparent, and substantive deliberations. We will continue to fulfill our responsibilities with sincerity to share value and earn the trust of our stakeholders.

Group Compliance Committee

In order to fulfill our social responsibility as a pharmaceutical company, we have positioned rigorous compliance as an issue of utmost importance and established the Group Compliance Committee.

The committee meets monthly, is chaired by the Group Chief Compliance Officer, and includes representatives of each company and outside experts (attorneys). Its activities include deliberation and decision-making on compliance policies, support for the establishment and maintenance of structures, identification of important matters and reporting them to the Board of Directors, handling of cases reported to the Corporate Ethics Helpline, and decision-making and progress management of compliance improvement measures. Monthly e-learning training is also provided for all employees, including regarding the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, GMP, and GQP.

Through these efforts, we will strive to raise compliance awareness and foster a sound corporate culture, aiming to become a corporate group trusted by society.

Group Risk Management Committee

The Group is working to strengthen risk management in order to appropriately respond to various risks associated with its business activities and to maintain and enhance its corporate value. The Group Risk Management Committee, chaired by the Group Chief General Affairs Officer, has been established at the core of these activities.

The committee identifies risks that may affect financial position, operating results, and cash flow, and identifies significant risks based on frequency of occurrence and impact on business. Each responsible department implements measures, and the committee periodically checks and evaluates their progress and effectiveness, leading to continuous improvement.

The committee meets twice a year, identifying risks and managing the progress of countermeasures. In fiscal 2024, the committee also conducted practical training, including an all-hazard business continuity plan (BCP) training session in July 2024 with an outside lecturer and AED training for committee members in December of the same year.

Through these efforts, we will strive to strengthen the Group's overall risk management system and make corporate operations safer and more secure.

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

	Japanese GAAP →		
	FY2014	FY2015	FY2016
For the fiscal year (Millions of yen)			
Net sales / Revenue	105,454	123,492	132,428
Cost of sales	60,048	71,858	80,309
Gross profit	45,406	51,634	52,119
Selling, general and administrative expenses/Selling, general and administrative expenses (including research and development expenses)	24,718	28,449	31,486
Operating income / Operating profit (loss)	20,688	23,185	20,633
Profit before income taxes / Profit (loss) before tax	20,298	23,092	19,871
Profit attributable to owners of parent / Profit (loss) attributable to owners of the Company	14,053	17,156	15,914
Research and development (R&D) expenses	6,110	8,019	10,208
Capital expenditures	13,251	17,775	16,194
Depreciation and amortization	5,863	7,044	8,645
At fiscal year-end (Millions of yen)			
Total assets	166,180	206,492	221,539
Inventories	44,663	55,668	61,777
Total current liabilities	42,209	50,078	54,876
Total long-term liabilities / Total non-current liabilities	11,572	30,692	29,063
Net assets/Total equity	112,399	125,722	137,600
Cash flows (Millions of yen)			
Net cash provided by operating activities/Cash flows from operating activities	12,112	19,975	20,628
Net cash used in investing activities/Cash flows from investing activities	(14,123)	(22,937)	(16,207)
Net cash provided by (used in) financing activities/Cash flows from financing activities	(922)	13,473	(6,740)
Cash and cash equivalents at end of year/Cash and cash equivalents at the end of the year	22,604	33,096	30,771
Financial indicators (%)			
Ratio of R&D expenses to sales/Ratio of research and development expenses to revenue	5.8	6.5	7.7
Return on equity/Return on equity attributable to owners of the Company	13.2	14.4	12.1
Shareholders' equity to total assets/Ratio of equity attributable to owners of the Company to total assets	67.6	60.8	62.0
Per share information (yen)			
Net income–basic / Basic earnings per share	127.42	155.19	143.88
Net income–diluted / Diluted earnings per share	127.28	155.08	143.80
Cash dividends applicable to period / Dividends per share	35.00	40.00	43.33
Net assets / Equity attributable to owners of the Company per share	1,017.76	1,135.07	1,240.97

Non-financial indicators (unless specially noted, for Sawai Pharmaceutical)

	FY2014	FY2015	FY2016
Sales volume (Billion tablets)	8.0	8.9	10.2
Production capacity (Billion tablets)	10.0	11.3	15.0
Number of new products launched	28	25	18
Number of patents held	19	21	23
Number of GMP audits	–	–	164
Number of employees (Sawai Group)	1,239	1,490	2,502
Number of female employees in managerial positions	10	10	11
Ratio of female employees in managerial positions (%)	5.2	4.5	4.5
Employee training expenses (Sawai Group) (Millions of yen)	83	90	111
Number of employees who have received training (Sawai Group)	418	596	660
Number of employees involved in production (Sawai Group)	414	628	1,612
Number of employees involved in R&D (Sawai Group)	185	209	230
Energy used (Sawai Group) (Crude oil conversion kl)	20,473	26,781	30,914

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

WEB **See the webpage for non-financial data (ESG data).**
https://global.sawaigroup.holdings/sustainability/esg/

IFRS →

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
132,392	168,068	184,341	182,537	187,219	193,816	163,702	176,862	**189,024**
80,548	98,628	109,442	109,037	114,785	127,164	113,450	122,543	**132,673**
51,844	69,440	74,899	73,500	72,434	66,652	50,252	54,319	**56,352**
28,497	47,264	49,051	46,862	53,820	71,103	34,754	35,433	**36,111**
22,943	22,209	25,798	26,793	18,888	(35,888)	16,054	18,620	**4,050**
22,757	20,251	25,666	26,497	18,460	(36,214)	15,850	18,262	**3,161**
17,969	14,017	19,376	19,279	12,340	(28,269)	12,667	13,695	**11,969**
7,238	14,533	16,671	13,487	13,883	24,413	12,509	12,189	**12,593**
18,839	16,807	10,709	18,173	21,124	23,344	27,141	24,649	**27,514**
8,520	14,239	16,280	17,954	18,291	17,045	17,683	18,055	**15,241**
225,609	358,453	372,889	384,814	393,341	349,502	364,165	382,024	**354,623**
61,924	65,217	63,449	75,460	79,120	85,853	101,805	100,002	**109,867**
57,668	74,579	72,826	82,715	80,452	88,840	85,154	93,618	**102,815**
26,704	81,433	76,861	68,413	72,139	60,579	66,272	70,375	**77,954**
141,237	202,441	223,204	233,686	240,750	200,083	212,738	218,030	**173,854**
23,270	28,472	42,923	30,256	31,857	34,310	13,026	23,149	**27,851**
(18,827)	(127,900)	(16,820)	(18,173)	(21,794)	(30,395)	(27,134)	(23,112)	**6,480**
(6,761)	108,597	(9,513)	(12,747)	(11,991)	(11,262)	(1,267)	2,363	**(32,704)**
30,771	39,992	57,067	56,082	54,269	47,717	33,076	26,368	**38,785**
5.5	8.6	9.0	7.4	7.4	12.6	7.6	6.9	**6.7**
13.4	8.7	10.2	9.4	5.8	(13.8)	6.5	6.6	**6.2**
62.6	50.6	53.4	54.6	55.5	54.4	55.4	55.7	**49.0**
162.46	120.16	147.54	146.79	93.93	(215.18)	96.42	104.22	**96.54**
162.36	120.09	147.44	146.67	93.84	(215.18)	96.20	103.93	**96.25**
43.33	43.33	45.00	43.33	43.33	43.33	43.33	43.33	**53.00**
1,276.95	1,381.05	1,517.17	1,598.80	1,661.50	1,446.77	1,534.89	1,618.32	**1,505.86**

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
10.2	10.6	11.9	12.4	13.3	14.8	15.0	15.7	**16.1**
15.0	15.5	15.5	15.5	15.5	15.5	15.5	18.5	**20.5**
18	43	33	12	44	32	23	10	**13**
23	26	31	36	37	42	45	53	**69**
164	100	110	133	124	141	153	92	**91**
2,502	3,252	3,131	3,066	3,003	2,968	3,393	3,482	**3,310**
11	14	15	15	15	17	18	24	**31**
4.5	5.5	6.0	6.1	5.8	6.6	6.9	8.3	**9.5**
111	128	87	62	45	63	88	92	**91**
660	579	654	600	4,038	2,840	4,034	3,795	**5,842**
1,612	1,749	1,687	1,644	1,607	1,636	2,015	2,097	**2,374**
230	246	257	251	246	253	295	297	**300**
30,914	31,948	32,336	31,015	30,130	30,452	40,628	36,955	**42,216**

4. The U.S. business was classified as a non-continuing business in fiscal 2023. Fiscal 2022 and fiscal 2023 revenue, operating profit, and profit before tax are those for continuing businesses, excluding non-continuing business.
5. Production capacity and female manager data show figures for Sawai Pharmaceutical through fiscal year 2022, and Sawai Group figures from 2023 onward.
6. Per-share information has been recalculated to reflect the three-for-one share split of common stock effective October 1, 2024.

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