We will expand production capacity and enhance our position as an industry leader, continuing to grow with quality and our people as the foundation.

Mitsuo Sawai
Representative Director,
Chairman and President
Sawai Group Holdings Co., Ltd.



Generic drug industry restructuring and the Sawai Group strategy

Highest priority on maintaining a stable supply amid industry changes

The generic drug industry is entering a period of significant structural change. In fiscal 2025, the Japanese government incorporated a Corporate Evaluation System into its official drug pricing system. Designed to help medical institutions and pharmacies identify reliable manufacturers, the process evaluates generic drug manufacturers on factors including their information disclosure, production capacity expansion plans, and supply continuity when other manufacturers discontinue products. (For details, see the Generic drug market landscape report on page 17.)

We believe this new system will substantially change the generic drug market. We expect demand from medical institutions and pharmacies to shift toward manufacturers that receive the highest rating, enabling those companies to expand their market share. The Sawai Group already has the scale and operational capabilities needed to earn the highest rating, and we are confident that we will continue to be a manufacturer of choice. At the same time, we recognize that preparing for the changes requires us to ensure we maintain sufficient production capacity. A key measure of our capabilities will be our ability to provide alternative supply when other manufacturers are unable to meet demand. Our Group is committed above all to ensuring a stable supply of medicines. We have already made strategic investments to increase our production capacity, and further expansion will be necessary. Strengthening the industry's backup supply capability will not only enhance our evaluation under the new system, it will also be essential to our ability to fulfill our responsibility to patients and healthcare professionals.

The Sawai Group currently manufactures approximately 700 pharmaceutical products, including a number with market shares of less than 3%. Discontinuing products with low market shares could improve our standing under the Corporate Evaluation System, but a pharmaceutical manufacturer should never discontinue products solely to achieve a higher evaluation. As we seek to fulfill our social responsibility as a pharmaceutical company and earn the highest rating under the new system, our highest priority is to continue supplying the medicines patients need.

The 2026 drug pricing reform also revised the drug prices of Authorized Generics (AGs) and biosimilar AGs at the time of listing to the same level as their corresponding originator drugs and reference biologics. AGs are generic medicines manufactured and marketed under license from originator

Key Regulatory Changes from April 2026

Authorized Generics (AG)	• NHI listing price for Authorized Generics (AG) and Bio-AG will be set at the same amount as the branded products • Revised NHI drug prices place items priced similar to originator drugs or reference biologics in the same price category.
Rationalization of Long-Listed Products	• Apply to long-listed products for which 5 years have passed since introduction of generic equivalents • Systematically reduce NHI prices for long-listed products regardless of generic drug availability (G1 Rule)
Price Range Consolidation for Generic Drugs	• Products from companies with high corporate ratings for supply stability will be exempt from price range consolidation.
Supporting NHI Price for Deficit Products	• Minimum NHI price will be increased approximately 3.5% * Products exceeding the average divergence rate are excluded * For Essential Drugs and Deemed minimum NHI price products will be raised to the minimum NHI price level

companies and have long served as a means for those companies to retain market share after patent expiration. An AG replacing an originator drug typically captures 50% to 60% of the generic market, leaving only a limited market share available for our Group's generic offerings.

We believe this pricing revision marks a turning point for the industry, changing its economics and triggering a transition from high-mix, low-volume production to high-volume manufacturing. If the reform results in fewer AG launches, the advantage of being the first company to launch a generic product will become even greater. For the Sawai Group, the greater potential to increase both revenue and profits under the new drug pricing structure has significant strategic implications.

We expect the Corporate Evaluation System to become more firmly established over time. Medical institutions will likely review the products they procure, but we believe it will take time before those changes are reflected in the performance of generic drug manufacturers. We also expect these structural changes in the industry to prompt companies to reassess their business models. As these significant changes unfold, the Sawai Group will continue its plans to expand its production capacity and respond decisively to industry changes while fulfilling its responsibility to ensure a stable supply of medicines.



Progress of the Medium-Term Business Plan

Strengthening our manufacturing capabilities and new product development to achieve our management targets

The Sawai Group has set a goal under its long-term Sawai Group Vision 2030 of increasing its annual production capacity to more than 25 billion tablets by fiscal 2030. Japan's population is declining, but the number of people aged 65 and older who require medication is expected to continue growing. As patents covering branded medicines equivalent to approximately 7 billion tablets are scheduled to expire over the next five years, it will be increasingly important for the industry to establish a robust and reliable supply infrastructure. Restructuring within the industry could also lead to greater demand than currently anticipated, and even our planned production capacity of 25 billion tablets may prove insufficient to meet that demand.

Trust Pharmatech*, a Sawai Group company, and Sawai Pharmaceutical's Daini Kyushu Factory will play central roles in expanding our production capacity. Trust Pharmatech has reached the stage where it expects to launch the new and high-volume products it has been developing in December 2026. The company plans to operate the plant at full capacity to support higher production volumes. The Daini Kyushu Factory is also constructing a new facility to accommodate the transfer of manufacturing for products currently produced on limited production lines at other plants. These initiatives will strengthen our ability to meet demand. Mr. Nakate, the new President of Sawai Pharmaceutical, will ensure that product transfers are executed while maintaining the highest quality standards. The Sawai Group's first focus is on ensuring a stable supply of medicines in Japan. At the same time, we are looking ahead to future opportunities to expand our business through exports to Southeast Asia.

The Sawai Group has identified key priorities under both business strategy and management foundation in its Medium-term Business Plan "Beyond 2027." Our business strategy focuses on three priorities,

* On May 22, 2026, the Board of Directors approved an absorption-type merger, effective April 1, 2027, under which consolidated subsidiary Sawai Pharmaceutical will become the surviving company and Trust Pharmatech will be dissolved.

achieving steady growth in the generic drug market, establishing sustainability in the generic drug business, and continuing to invest in growth areas. We understand that the litigation concerning drug use patent infringement for nalfurafine is a point of concern for some stakeholders. However, Sawai Pharmaceutical launched its product based on established judicial precedent, together with its formulation technology and proprietary intellectual property strategy. After the Tokyo District Court ruled in our favor, the subsequent Intellectual Property High Court ruling was unexpected because it adopted an interpretation that differed from previous court decisions. We have appealed the ruling to the Supreme Court and expect it to give due weight to established precedent and reach the same conclusion as the Tokyo District Court. The Sawai Group remains committed to developing new products and bringing first-to-market generic products to patients after patent expiry. We will apply even greater discipline when determining the appropriate launch timing and evaluating the uncertainties associated with each product.

Our strategy of continuing to invest in growth areas is currently focused on digital technologies. Advances in drug discovery technologies, treatments, and other modalities are reshaping the pharmaceutical industry and transforming the environment for drug development. The digital healthcare business is becoming increasingly important in supporting treatment and health management, yet no clear market leader has emerged. The Sawai Group's early commitment to this field has enabled us to deliver innovative technologies that meet healthcare professionals' expectations, including a therapeutic app for patients with non-alcoholic steatohepatitis (NASH[*1]), the HAUDY[*2] alcohol reduction support app, and Relivion®, a non-invasive neuromodulator for migraine treatment. We will deepen our collaboration with Group company FrontAct and further strengthen our digital healthcare business to establish a stronger presence in this growing field.

New Businesses: Digital Healthcare & Medical Devices Update

Company	Project	Category	Status
Sawai Pharma.	A Digital Therapeutic to Reduce Alcohol Consumption, HAUDY	Medical Device	Launched
	Non–invasive neuromodulation devices, Relivion® (Migraine)	Medical Device	Launch Planned (FY2026 or later)
	Non–invasive neuromodulation devices, Proliv® (Depression)	Medical Device	Under Dev.
	PHR management app, SaluDi	Non-Medical	Available (Sales promotion materials)
	DTx for NASH	Medical Device	Under Dev. (Launch planned for FY2027)
+			
FrontAct June 2025 Acquisition	Hand Rehabilitation System, MELTz®	Medical Device	Launched
	Wristband Activity Tracker, MiMoRy®	Non-Medical	Launched
	Digital medical device for depression diagnosis, SWIFT	Medical Device	Under Dev. (Launch planned for FY2028)
	Portable Hand Training Robot	Non-medical / Medical Device	Under Dev. (Launch planned for FY2026)

*1 The MASLD Clinical Practice Guidelines 2026 and other publications have begun replacing non-alcoholic steatohepatitis (NASH) with metabolic dysfunction-associated steatohepatitis (MASH). We use NASH in accordance with the terminology used in the clinical trial protocol and related documents.

*2 Brand name: CureApp AUD Alcohol Reduction Treatment Support App

Sustainability

Developing and retaining talent for a stronger foundation for sustainable growth

The highest priority for establishing the Group's sustainability is developing and retaining the people needed to drive our long-term growth. We have set an interim key performance indicator of achieving an employee engagement score of 4.50 by the end of fiscal 2026. That target reflects our commitment to building a workplace where employees find their work meaningful and motivating. Previous Sawai Pharmaceutical President Kimura launched this initiative based on the company's philosophy of "always putting patients first." He organized town hall meetings*1 and day-to-day operations to help employees develop a deeper understanding of the purpose of their work and the value they create for society. Mr. Nakate championed the same approach as Head of the Reliability Assurance Division, and I believe this initiative should continue to be a priority.

We recognize that the rapid growth in our workforce did not allow us to invest sufficient time and resources in training. Now that we have built a strong manufacturing workforce, the time is right to strengthen our training programs. In addition to Good Manufacturing Practice (GMP)*2 training, we are developing programs that help employees understand how their work connects with the processes before and after their own responsibilities. We have long encouraged employees to pursue self-directed skill development, and we are expanding that philosophy into an organization-wide commitment to learning and growing together. Managers will play a central role in driving this change, so we will begin by strengthening management training to raise quality awareness, which is one of our key priorities, and build a stronger organization.

As a comprehensive healthcare group committed to growing sustainably alongside society, the Sawai Group is dedicated to reducing its environmental impact. Recognizing that expanding our production capacity will inevitably increase our CO_2 emissions, we are focusing on using clean electricity and installing equipment with the goal of achieving net zero emissions. Environmental considerations are part of every capital investment decision, and we will continue systematically upgrading our facilities with lower-emission equipment.

*1 Small-group management-employee dialogue sessions

*2 Good Manufacturing Practice (GMP) sets standards for pharmaceutical manufacturing and quality control. GMP provides clear operating procedures, which help prevent human error, contamination, and quality degradation, while comprehensive recordkeeping enables verification at every stage of the manufacturing process. In Japan, GMP compliance is a requirement for obtaining approval and licensing to manufacture and market pharmaceuticals.

Governance

Strengthening governance under a new management structure

The Group revised its management structure effective June 25, 2026. The review was driven by recommendations from the Nomination, Remuneration and Other Governance Committee. The committee reassessed the Group's mandatory retirement rules for officers and concluded that they should be applied rigorously. With a new medium-term business plan soon to be formulated, the Group also concluded that the new management team should develop the plan and lead its execution. In addition, the Nomination, Remuneration, and Other Governance Committee compared and evaluated multiple candidates for president of Sawai Pharmaceutical based on information presented to the Board of Directors and insights from individual interviews.

The Nomination, Remuneration, and Other Governance Committee accordingly selected Mr. Nakate as the new President of Sawai Pharmaceutical and a Director of Sawai Group Holdings. The committee selected Mr. Nakate for his extensive expertise and experience in quality and his strong commitment to putting that expertise into practice. Former President Kimura, whose career was in the Manufacturing Division, made significant progress in transforming the corporate mindset, particularly at the Company's manufacturing sites. However, more work remains to firmly embed those changes in the Company's corporate culture. The committee concluded that Mr. Nakate's experience, particularly his work in reliability assurance, made him the right person to lead the transition from top-down reform to embedding those reforms in the corporate culture. The committee also selected Mr. Nakaoka as a Director of Sawai Pharmaceutical and Sawai Group Holdings. In addition to his successful leadership of the withdrawal from the U.S. business, the committee expects him to contribute his expertise in corporate functions, including legal affairs and compliance.

The Group transitioned to a Company with an Audit and Supervisory Committee in June 2025. Ms. Taniguchi, an Outside Director, was appointed Chair of the Audit and Supervisory Committee. Audits had previously focused primarily on financial reporting, but the quality issues we faced highlighted the need to strengthen quality audits. The Internal Inspection Office now incorporates interviews on quality into its routine audits to

encourage candid feedback from employees at manufacturing sites and other workplaces. Ms. Taniguchi's career at an audit firm makes her well suited to serve as Chair. I believe under Ms. Taniguchi's supervision, the transition to a Company with an Audit and Supervisory Committee has already strengthened our quality audit and monitoring functions.

Board meetings previously focused primarily on reports on progress toward established objectives. The Board now also receives unfiltered feedback directly from frontline employees, and our Outside Directors have recognized this as a meaningful initiative. Every Director considers it critically important to ensure that systems for securing product quality are properly established and maintained, particularly in light of the administrative action against the Company. The Board will take seriously any feedback from frontline employees that further improvements are needed and discuss specific measures to address the issues raised.

Making Board discussions more productive requires Directors to have sufficient time to review the materials for each agenda item. We therefore provide supporting materials as early as possible to allow ample time for advance review. On the day of the Board of Directors meeting, an Outside Officer liaison meeting is held to explain the agenda items and solicit their views in advance. This process enables open, active, and productive discussions at Board meetings.



Message to stakeholders

Enhancing manufacturing capabilities, developing talent, and putting our corporate philosophy into action

As the industry's leading company, we have a responsibility to ensure both product quality and a stable supply. Our ability to fulfill that responsibility ultimately depends on our people, and this conviction informed the appointment of Toshiomi Nakate as President. His leadership in developing the talent that supports quality and reliability assurance will lay the foundation for our next stage of growth. The Sawai Group supports its businesses through capital investments and by directly recruiting and training the people they need to succeed. Developing our people, improving our operating efficiency, and building a manufacturing system capable of meeting demand will take time. I am convinced that this approach is the right long-term strategy.

The Group may currently be at a plateau or even in a temporary lull, but once we move beyond this stage, I am certain that our commitment to developing people throughout the Group will become one of our greatest strengths.

Maintaining our position as a leader in the industry requires every employee to understand the importance of their individual role and to engage proactively in their work. We will continue to embrace new challenges as part of our commitment to the Sawai Group corporate philosophy of being "dedicated to building a healthier future for all." I look forward to your continued support as we transform the Group for the future.



Mitsuo Sawai

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

Establishing a trusted corporate foundation and pursuing new growth

Status of the Beyond 2027 KPIs

Medium-term Business Plan “Beyond 2027” is a key milestone toward achieving our long-term vision for the Sawai Group.

Sales volume in fiscal 2025, the plan’s second year, exceeded our target to reach 17.1 billion tablets. The strong performance was driven by higher demand for long-listed products following the introduction of the Selective Coverage with Additional Fees system in October 2024, along with contributions from products launched in fiscal 2024 and fiscal 2025. Revenue increased 6.7% year on year to ¥201.7 billion. Profit, however, fell short of the target, primarily due to inventory valuation losses from streamlining the Group’s product portfolio in preparation for increases in production volume.

Core operating profit declined year on year due to the impact of NHI drug price revisions. Operating profit, however, increased 292.5% from the previous fiscal year, reflecting the absence of the approximately ¥16.8 billion litigation provision related to patent disputes recorded in fiscal 2024.

Capacity expansion under the medium-term business plan is progressing as planned. Step 2 of the new building at the Daini Kyushu Factory is planned to add 1.5 billion tablets of production capacity by the end of fiscal 2026. The Group will increase production volume by transferring high-volume products to Trust Pharmatech, launching production of new products there, and steadily training employees hired in recent years.

We project fiscal 2026 revenue to increase 3.3% year on year to ¥208.4 billion, and sales volume to grow to 17.6 billion tablets supported by sales growth for new products and ongoing initiatives to maintain product value. Despite this growth, we now expect to fall short of the medium-term business plan targets for revenue of ¥220 billion and sales volume of 19 billion tablets. We are responding to this situation by improving productivity at our manufacturing sites to increase production volume while expanding sales of new products.

We are also considering additional investments, including constructing new manufacturing facilities and forming partnerships with other companies, to expand in-house production capacity to 25 billion tablets by fiscal 2030. Demand for generic drugs has grown beyond the assumptions of the Beyond 2027 medium-term business plan. Additional measures will be needed to achieve a 25.0% share of sales volume, and we will continue considering initiatives to ensure we reach that target.

Beyond 2027 KPIs

	FY2025 Result	FY2026 Forecasts	Beyond 2027 targets	Vision 2030 targets
Revenue	¥201.7 billion	¥208.4 billion	¥220.0 billion	¥310.0 billion
Sales volume	17.1 billion tablets	17.6 billion tablets	19.0 billion tablets	24.0 billion tablets
Share of sales	15.8 %	16 %	20.5 %	25.0 % or more
Production capacity	20.5 billion tablets	22.0 billion tablets	22.0 billion tablets	25.0 billion tablets or more
ROE	5.9 %	10 % or more	10 % or more	13 % or more
ROIC	3.8 %	6.5 % or more	8 % or more	10 % or more

Progress of key Beyond 2027 themes

Guided by the Sawai Group Vision 2030, we provide a broad range of healthcare services spanning disease prevention, treatment, and maintenance and recovery as a comprehensive healthcare group centered on its generic drugs business. The Beyond 2027 plan focuses on key themes in both business strategy and the management foundation, with the establishment of a trusted corporate foundation serving as the cornerstone of the plan.

In fiscal 2025, the Sawai Group continued investing in production capacity to further strengthen its ability to ensure a stable supply of generic drugs. The Group recruited talent needed to support ongoing sustainable growth, fostered a culture of quality throughout the organization, and produced 16.6 billion tablets. We captured growth opportunities in the generic drug business by introducing nine new products using five active ingredients. We invested in a new growth area with the market launch of the HAUDY digital therapeutic app designed to assist patients seeking to reduce alcohol consumption. The Group also launched initiatives to improve employee engagement by establishing priority initiatives for each division and business site focused on fostering a culture that embraces challenges, optimizing workloads, and promoting communication.

In fiscal 2026, the final year of the current medium-term business plan, we will continue steadily advancing the plan's key themes and building a solid path toward realizing our long-term vision.

Progress of key Beyond 2027 themes

Key themes		FY2025 Progress	Related pages
Key themes for business strategy	Achieving steady growth in the generics market	• Produced 16.6 billion tablets and sold 17.1 billion tablets to establish a stable generic drug supply and alleviate supply concerns • In December 2025, launched nine new products containing five active ingredients, including the first generic SGLT2 inhibitor	▶ p. 19
	Establishing sustainability of the generics business	• Recruited personnel needed for an adequate workforce and to further expand production capacity to fulfill our role as social infrastructure • Continued instilling a culture of quality to ensure a stable supply of high-quality generic drugs	▶ p. 36
	Continuing investment in growth areas	• Launched the HAUDY alcohol consumption reduction assistant app (Product name; CureApp AUD: Alcohol Reduction Treatment Support App) • Expanded adoption of FrontAct's MELTz® hand movement rehabilitation system in rehabilitation wards	▶ p. 08
Key themes for management base	Creating talent that underpins sustainable growth	• Recruited approximately 200 new graduates (joining April 2026) and approximately 200 mid-career hires through various recruitment channels • Established initiatives at each division and business site to improve employee engagement	▶ p. 36
	Sustainability initiatives	• Reduced CO_2 emissions by approximately 24,100 tons (approximately 8,700 tons of CO_2-free electricity, 15,400 tons of non-fossil certificates purchased) • Began using mechanically recycled PET film materials in product packaging	▶ p. 43
	Improving capital efficiency	• Cash allocation maintained financial discipline while allocating capital and executing capital expenditures largely as planned • Dividend increases and share buybacks were actively considered while taking into account the Group's overall free cash flow position	▶ p. 23
Establishment of a trusted corporate foundation		• Meetings held by the Group Risk Management Committee (twice a year), Group Compliance Committee (monthly), and Group Information Security Committee (three times a year)	▶ p. 48