

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

Mitsuo Sawai

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

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 Continuing efforts on expenditure reform over the three-year period from 2025 to 2027 (Basic Policy 2025)	Review of financial frame for expenses for social security 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	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
Quantitative targets and outline of the latest system reform			
Quantitative targets	Raising prices for unprofitable products and minimum drug prices		
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.	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	Selective treatment		
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.	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	Expedited review item integration		
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.”	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.

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



*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/eisakunitsuite/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.

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 CO₂ 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 CO₂ 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

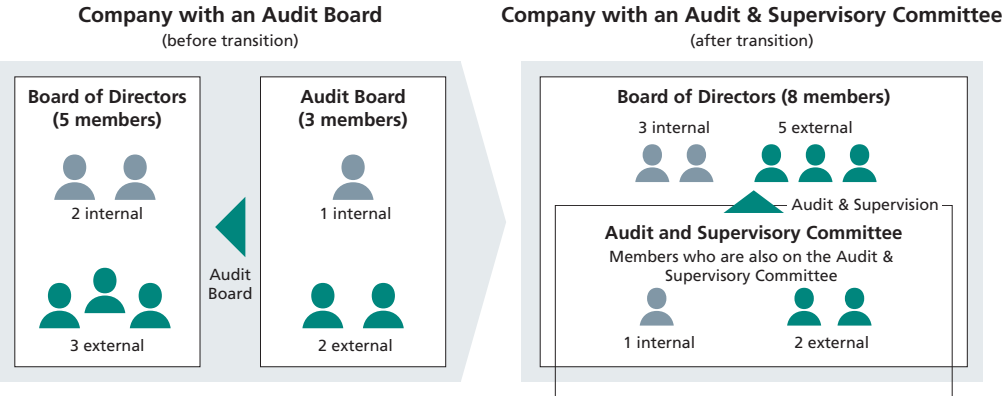
In June 2025, we made a major shift to strengthen corporate governance by transitioning from having an Audit Board to a company with an Audit & Supervisory Committee. This structure is designed to stimulate the Board of Director discussions, improve monitoring functions, accelerate management decision-making, 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.”

M. Sawai

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