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.

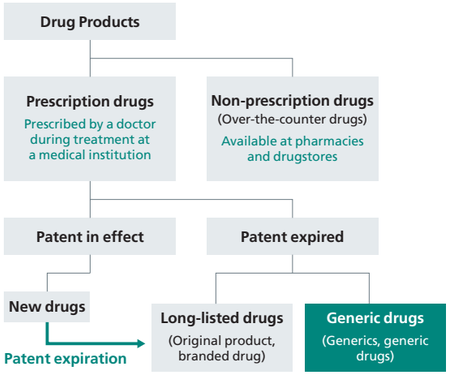
In Japan, medicine is divided into medical-use prescribed by doctors and general-use, such as over-the-counter cold medicines. Medical-use treatments are further divided into new drugs and generic drugs. New drugs are government approved and are protected by patents for a certain period of time. New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

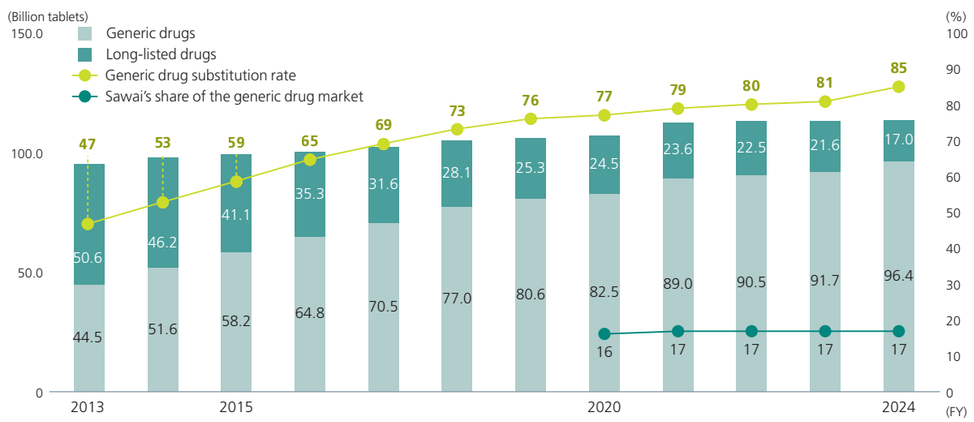
Generic drugs maintain medical care quality while significantly reducing costs. With government support, generics account for over half of all prescription drugs by volume, and the generic drug substitution rate (long-listed drugs eligible for and available as generics) exceeds 80%.

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.

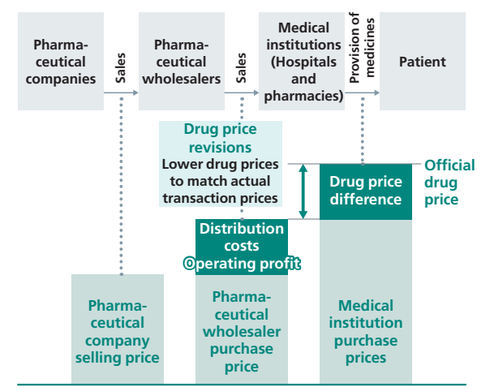
The steady decline in generic drug prices, combined with the difficulty transferring the sharply rising inflation to the drug prices, has created a mismatch where prices no longer reflect the costs. Some products have become unprofitable, and producing more only increases the losses. In response to company 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

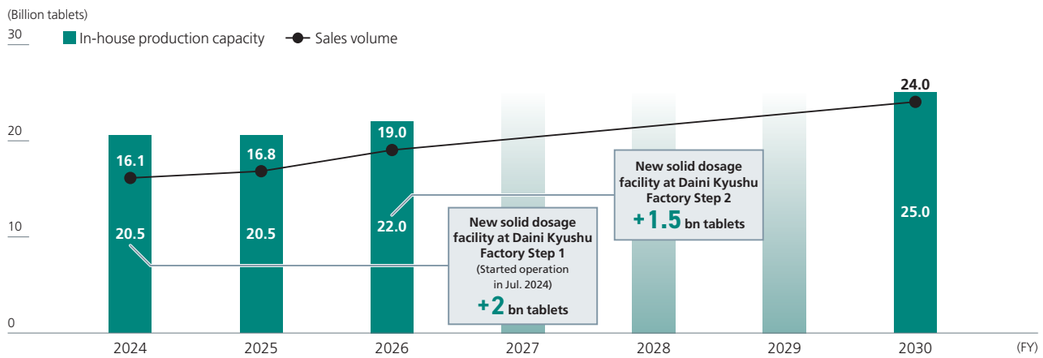
Expanding production capacity, ensuring quality, and building a strategic product portfolio to meet all expectations

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

SWOT analysis

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

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 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

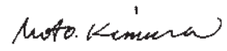
The medium-term business plan identifies increasing production capacity a top priority. We are steadily progressing toward our quantitative target of increasing in-house capacity from 20.5 billion tablets to 22 billion tablets annually by fiscal 2026. We are also discussing investing in further expansion 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.

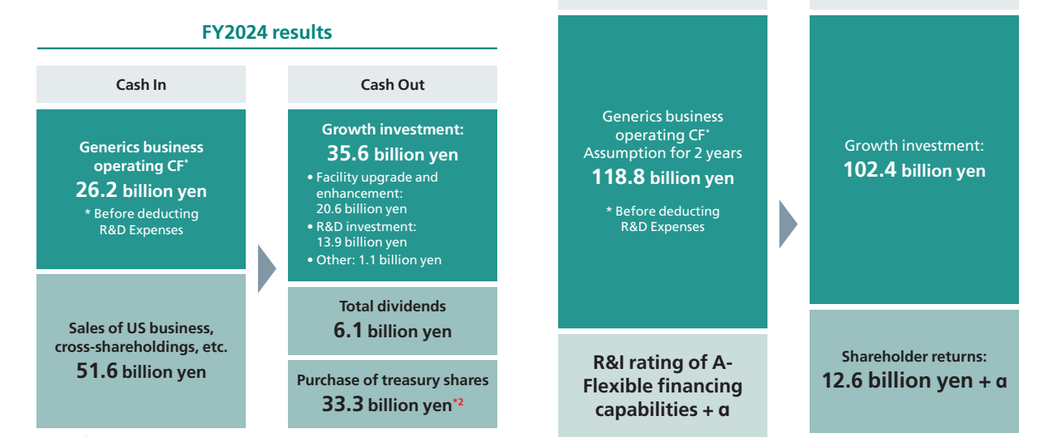
Free cash flow was positive in fiscal 2024 due to the U.S. business sale. We expect free cash flow to be slightly positive in fiscal 2025 and fiscal 2026 when factoring out litigation-related compensation payments. We plan to invest over ¥100 billion during the final two years of the medium-term plan,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

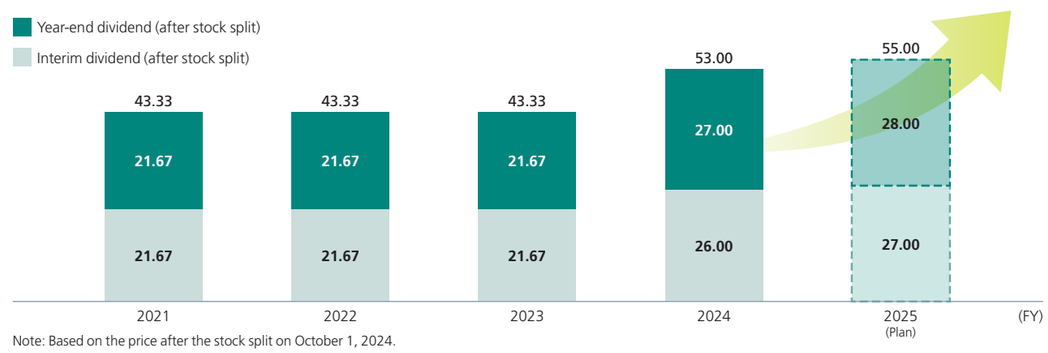
We intend to flexibly implement share buyback programs, while taking into account free cash flow, market trends, and other factors, as part of efforts to improve capital efficiency and return value to shareholders. The medium-term plan allocates ¥19 billion for shareholder return over three years, which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

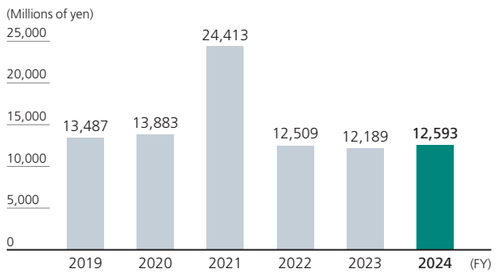
These proprietary technologies have been established as the SAWAI HARMOTECH®* system, consisting of nine core technologies, including nuclear particle manufacturing, rapid disintegration tablet manufacturing, and film coating. These are applied to many products and contribute to solving various issues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

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

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.

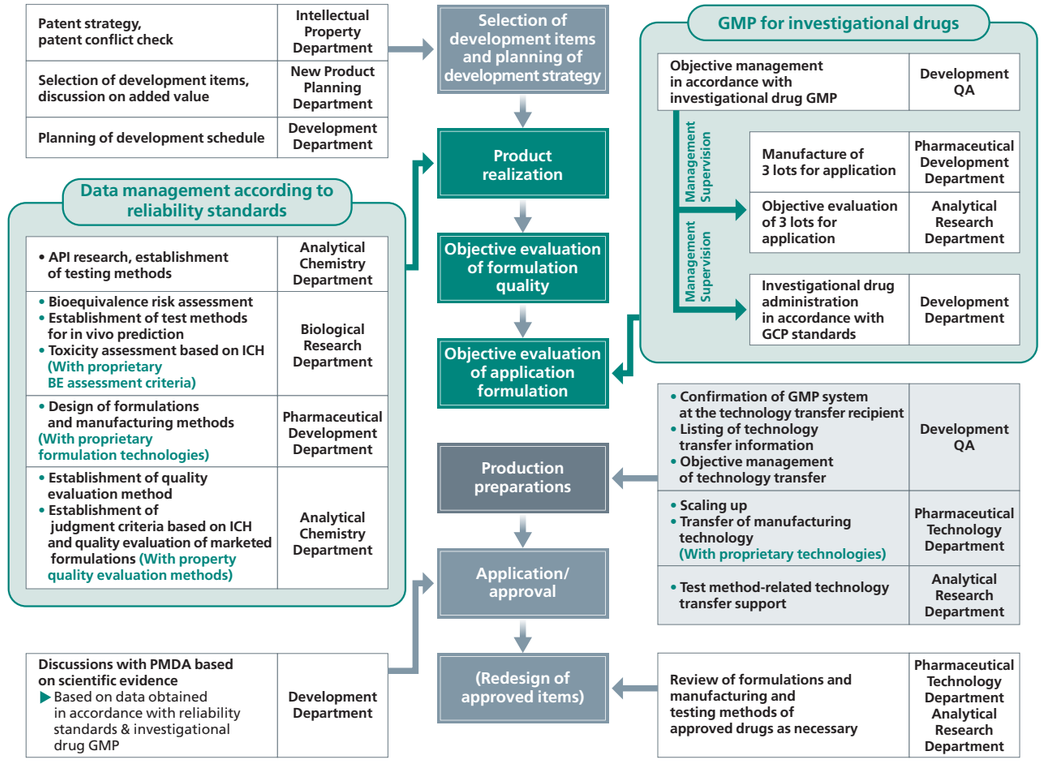
In formulation design and technology development, we utilize SAWAI HARMOTECH® to assess risk for bioequivalence, ensure stable supply, and create added value. We thoroughly manage data based on reliability standards at each research stage, with a system in place to support rigorous data checks by authorities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

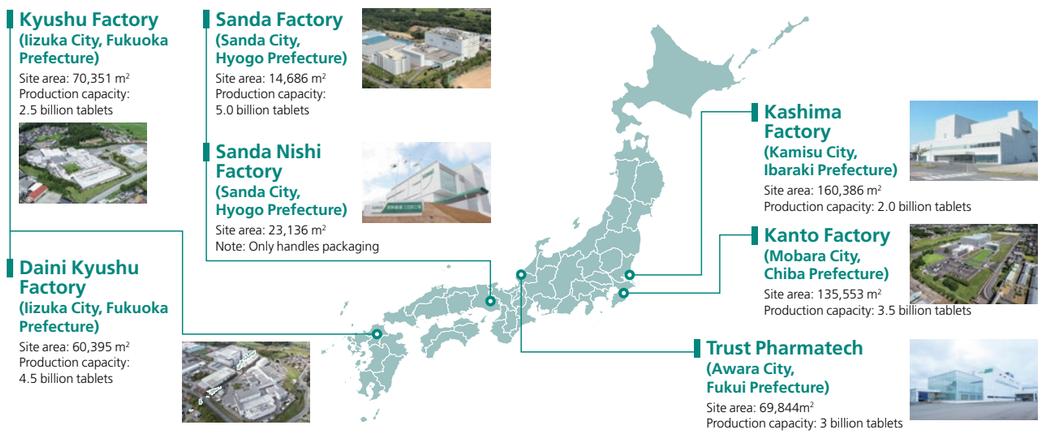
The new solid dosage form building features state-of-the-art systems for manufacturing and management, preventing human errors and improper shipping. Specifically, we have introduced a manufacturing execution system (MES) that centrally manages all processes from receiving to shipping, and a laboratory 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



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.

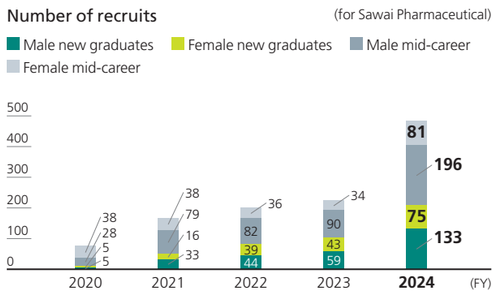
At briefings and interviews, we candidly share not only the business we are engaged in and the benefits we provide, but also our Group's corporate culture, working environment, and employee career paths, as well as our current challenges and the challenges we face in future business development. In addition, 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

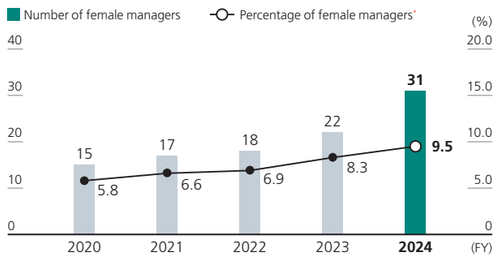
The Group believes that its most important asset is its human capital, and that making the most of this diversity is the driving force behind sustainable growth in corporate value. We aim to foster an organizational culture that not only accepts and respects diversity of all kinds, including race, nationality, 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.

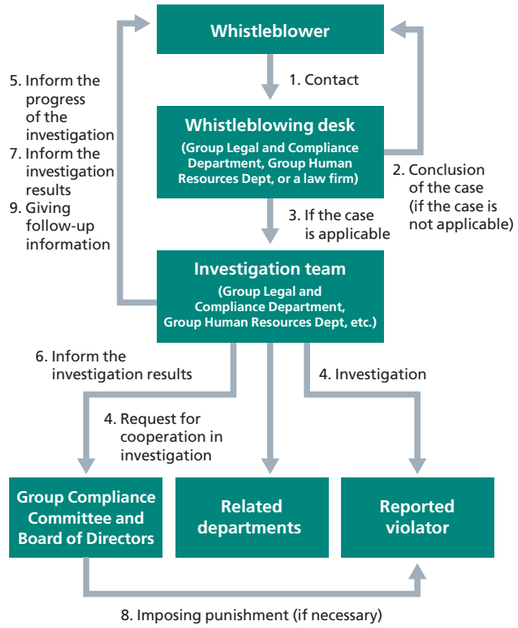
We take the utmost care to protect the privacy of whistleblowers and prohibit any forms of disadvantageous treatment against them, including identifying and retaliating against them. Anonymous reporting is also allowed, and the content of the report and the informant's information are strictly controlled 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)