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## Integrated Report **2023** Financial Section

For the year ended March 31, 2023

- 1 Eleven-year financial and non-financial summary
- 3 Consolidated Statements of Income
- 4 Consolidated Statements of Comprehensive Income
- 5 Consolidated Statements of Financial Position
- 7 Consolidated Statements of Changes in Equity
- 8 Consolidated Statements of Cash Flows
- 9 Notes to the Consolidated Financial Statements



## Financial indicators

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

	Japanese-GAAP →		
	FY2012	FY2013	FY2014
<b>For the fiscal year (Millions of yen)</b>			
Net sales / Revenue	80,503	89,824	105,454
Cost of sales	42,511	48,353	60,048
Gross profit	37,992	41,471	45,406
Selling, general and administrative expenses / Selling, general and administrative expenses (including research and development expenses)	20,607	22,380	24,718
Operating income / Operating profit (loss)	17,385	19,091	20,688
Profit before income taxes / Profit (loss) before tax	18,098	18,990	20,298
Profit attributable to owners of parent / Profit (loss) attributable to owners of the Company	12,022	12,193	14,053
Research and development (R&D) expenses	4,551	5,170	6,110
Capital expenditures	4,599	7,353	13,251
Depreciation and amortization	3,793	4,989	5,863
<b>At fiscal year-end (Millions of yen)</b>			
Total assets	127,843	149,348	166,180
Inventories	29,529	39,182	44,663
Total current liabilities	30,105	39,097	42,209
Total long-term liabilities / Total non-current liabilities	36,258	8,949	11,572
Net assets / Total equity	61,480	101,302	112,399
<b>Cash flows (Millions of yen)</b>			
Net cash provided by operating activities / Cash flows from operating activities	12,256	13,422	12,112
Net cash used in investing activities / Cash flows from investing activities	(1,373)	(8,283)	(14,123)
Net cash provided by (used in) financing activities / Cash flows from financing activities	(10,970)	(178)	(922)
Cash and cash equivalents at end of year / Cash and cash equivalents at the end of the year	20,584	25,537	22,604
<b>Financial indicators (%)</b>			
Ratio of R&D expenses to sales / Ratio of research and development expenses to revenue	5.7	5.8	5.8
Return on equity / Return on equity attributable to owners of the Company	20.1	15.0	13.2
Shareholders' equity to total assets / Ratio of equity attributable to owners of the Company to total assets	48.0	67.8	67.6
<b>Per share information (yen)</b>			
Net income—basic / Basic earnings per share	386.71	365.18	382.26
Net income—diluted / Diluted earnings per share	318.17	330.41	381.85
Cash dividends applicable to period / Dividends per share	85.00	95.00	105.00
Net assets / Equity attributable to owners of the Company per share	2,027.15	2,755.29	3,053.29

## Non-financial indicators

(unless specially noted, for Sawai Pharmaceutical)

	FY2012	FY2013	FY2014
Sales volume (Billion tablets)	57	65	80
Production capacity (Billion tablets)	80	86	100
Number of new products launched	32	23	28
Number of patents held	9	14	19
Number of GMP audits	—	—	—
Number of employees (consolidated)	1,050	1,121	1,239
Number of female employees in managerial positions	7	9	10
Ratio of female employees in managerial positions (%)	4.1	4.8	5.2
Employee training expenses (Japan Sawai Group) (Millions of yen)	59	65	83
Employees who have received training (Japan Sawai Group)	305	323	418
Employees involved in production (Sawai Pharmaceutical, Medisa Shinyaku, and Kaken Shoyaku)	305	350	414
Employees involved in R&D (Sawai Pharmaceutical, Medisa Shinyaku, and Kaken Shoyaku)	150	167	185
Energy used (Japan Sawai Group) (Crude oil conversion kl)	11,953	17,931	20,473

Notes 1. If there are differences in representation between Japanese-GAAP and IFRS (voluntarily applied since fiscal 2017), the item is marked "Japan GAAP / IFRS."

2. Capital expenditures are presented on a cash flow basis.

3. As the Company split its common stock two for one on October 1, 2013, amounts per share for fiscal 2012 – 2013 were recalculated to reflect the share split.

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



See the webpage for non-financial data (ESG data).

<https://global.sawaigroup.holdings/sustainability/esg/>

		IFRS →						
FY2015	FY2016	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
123,492	132,428	132,392	168,068	184,341	182,537	187,219	193,816	<b>200,344</b>
71,858	80,309	80,548	98,628	109,442	109,037	114,785	127,164	<b>137,711</b>
51,634	52,119	51,844	69,440	74,899	73,500	72,434	66,652	<b>62,633</b>
28,449	31,486	28,497	47,264	49,051	46,862	53,820	71,103	<b>46,246</b>
23,185	20,633	22,943	22,209	25,798	26,793	18,888	(35,888)	<b>16,984</b>
23,092	19,871	22,757	20,251	25,666	26,497	18,460	(36,214)	<b>16,789</b>
17,156	15,914	17,969	14,017	19,376	19,279	12,340	(28,269)	<b>12,667</b>
8,019	10,208	7,238	14,533	16,671	13,487	13,883	24,413	<b>16,090</b>
17,775	16,194	18,839	16,807	10,709	18,173	21,124	23,344	<b>27,141</b>
7,044	8,645	8,520	14,239	16,280	17,954	18,291	17,045	<b>17,683</b>
206,492	221,539	225,609	358,453	372,889	384,814	393,341	349,502	<b>364,165</b>
55,668	61,777	61,924	65,217	63,449	75,460	79,120	85,853	<b>101,805</b>
50,078	54,876	57,668	74,579	72,826	82,715	80,452	88,840	<b>85,154</b>
30,692	29,063	26,704	81,433	76,861	68,413	72,139	60,579	<b>66,272</b>
125,722	137,600	141,237	202,441	223,204	233,686	240,750	200,083	<b>212,738</b>
19,975	20,628	23,270	28,472	42,923	30,256	31,857	34,310	<b>13,026</b>
(22,937)	(16,207)	(18,827)	(127,900)	(16,820)	(18,173)	(21,794)	(30,395)	<b>(27,134)</b>
13,473	(6,740)	(6,761)	108,597	(9,513)	(12,747)	(11,991)	(11,262)	<b>(1,267)</b>
33,096	30,771	30,771	39,992	57,067	56,082	54,269	47,717	<b>33,076</b>
6.5	7.7	5.5	8.6	9.0	7.4	7.4	12.6	<b>8.0</b>
14.4	12.1	13.4	8.7	10.2	9.4	5.8	(13.8)	<b>6.5</b>
60.8	62.0	62.6	50.6	53.4	54.6	55.5	54.4	<b>55.4</b>
465.57	431.65	487.38	360.49	442.62	440.37	281.80	(645.53)	<b>289.25</b>
465.25	431.39	487.08	360.26	442.32	440.00	281.51	(645.53)	<b>288.60</b>
120.00	130.00	130.00	130.00	135.00	130.00	130.00	130.00	<b>130.00</b>
3,405.20	3,722.90	3,830.84	4,143.15	4,551.50	4,796.40	4,984.51	4,340.32	<b>4,604.67</b>
FY2015	FY2016	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
89	102	102	106	119	124	133	148	<b>150</b>
113	150	150	155	155	155	155	155	<b>155</b>
25	18	18	43	33	12	44	32	<b>23</b>
21	23	23	26	31	36	37	42	<b>45</b>
–	–	164	100	110	133	124	141	<b>153</b>
1,490	2,502	2,502	3,252	3,131	3,066	3,003	2,968	<b>3,393</b>
10	11	11	14	15	15	15	17	<b>18</b>
4.5	4.5	4.5	5.5	6.0	6.1	5.8	6.6	<b>6.9</b>
90	111	111	128	87	62	45	63	<b>85</b>
596	660	660	579	654	600	4,038	2,840	<b>4,034</b>
628	1,612	1,612	1,749	1,687	1,644	1,607	1,636	<b>2,015</b>
209	230	230	246	257	251	246	253	<b>295</b>
26,781	30,914	30,914	31,948	32,336	31,015	30,130	30,452	<b>40,629</b>

## Consolidated Statements of Income

		Yen in millions (except per share data)	
		Year ended March 31,	
	Note	2022	2023
Revenue	5	193,816	200,344
Cost of sales	6	(127,164)	(137,711)
Gross profit		66,652	62,633
Selling, general and administrative expenses	6	(46,690)	(30,156)
Research and development expenses	6	(24,413)	(16,090)
Other income	7	15,181	869
Other expenses	8	(46,618)	(272)
Operating profit (loss)		(35,888)	16,984
Finance income	9	145	213
Finance expenses	9	(471)	(407)
Profit (loss) before tax		(36,214)	16,789
Income tax expense	10	(5,710)	(3,954)
Profit (loss) for the year		(41,924)	12,836
Profit (loss) attributable to:			
Owners of the Company		(28,269)	12,667
Non-controlling interests		(13,655)	169
Total		(41,924)	12,836
Earnings (loss) per share (yen)			
Basic earnings (loss) per share	11	(645.53)	289.25
Diluted earnings (loss) per share	11	(645.53)	288.60

## Consolidated Statements of Comprehensive Income

		Yen (in millions)	
		Year ended March 31,	
	Note	2022	2023
Profit (loss) for the year		(41,924)	12,836
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income	12	608	345
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	12	6,294	5,022
Other comprehensive income for the year, net of tax	12	6,902	5,367
Total comprehensive income (loss) for the year		(35,022)	18,203
Total comprehensive income (loss) attributable to:			
Owners of the Company		(22,566)	17,125
Non-controlling interests		(12,456)	1,078
Total		(35,022)	18,203

## Consolidated Statements of Financial Position

		Yen (in millions)	
		March 31,	
Note	2022	2023	
Assets			
Current assets			
		47,717	33,076
		65,059	67,007
		85,853	101,805
		146	179
		3,348	1,677
		202,123	203,744
		-	1,602
		202,123	205,347
Non-current assets			
		111,218	121,330
		26,289	27,096
		7,223	7,791
		2,303	2,429
		346	173
		147,379	158,818
		349,502	364,165

	Note	Yen (in millions)	
		March 31,	
		2022	2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	17	50,912	52,815
Bonds and borrowings	18	13,116	13,034
Income tax payables		3,430	1,460
Refund liabilities	26	7,581	5,440
Provisions	19	1,062	190
Other financial liabilities	20, 21	4,419	4,444
Other current liabilities	22	8,320	7,771
Total current liabilities		88,840	85,154
Non-current liabilities			
Borrowings	18	53,633	60,098
Provisions	19	319	101
Other financial liabilities	20, 21	2,889	2,492
Other non-current liabilities		1,435	1,488
Deferred tax liabilities	10	2,303	2,092
Total non-current liabilities		60,579	66,272
Total liabilities		149,419	151,426
Equity			
Share capital	24	10,000	10,000
Capital surplus	24	73,672	37,714
Retained earnings		98,709	141,642
Treasury shares	24	(2)	(2)
Other components of equity	24	7,688	12,289
Equity attributable to owners of the Company		190,067	201,643
Non-controlling interests		10,016	11,095
Total equity		200,083	212,738
Total liabilities and equity		349,502	364,165

## Consolidated Statements of Changes in Equity

		Yen (in millions)							
		Equity attributable to owners of the Company					Total	Non-controlling interests	Total equity
Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity				
	<b>Balance at April 1, 2021</b>	41,219	42,453	132,429	-	2,177	218,278	22,472	240,750
	Loss for the year			(28,269)			(28,269)	(13,655)	(41,924)
	Other comprehensive income					5,703	5,703	1,199	6,902
	<b>Total comprehensive income (loss)</b>	-	-	(28,269)	-	5,703	(22,566)	(12,456)	(35,022)
	Acquisition of treasury shares				(2)		(2)		(2)
	Dividends			(5,693)			(5,693)		(5,693)
	Transfer	(31,219)	31,219				-		-
	Forfeiture of share-based payment			242		(242)	-		-
	Share-based payments					50	50		50
	<b>Total transactions with owners</b>	(31,219)	31,219	(5,451)	(2)	(192)	(5,645)	-	(5,645)
	<b>Balance at March 31, 2022</b>	10,000	73,672	98,709	(2)	7,688	190,067	10,016	200,083

		Yen (in millions)							
		Equity attributable to owners of the Company					Total	Non-controlling interests	Total equity
Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity				
	<b>Balance at April 1, 2022</b>	10,000	73,672	98,709	(2)	7,688	190,067	10,016	200,083
	Profit for the year			12,667			12,667	169	12,836
	Other comprehensive income					4,457	4,457	909	5,367
	<b>Total comprehensive income (loss)</b>	-	-	12,667	-	4,457	17,125	1,078	18,203
	Dividends		(2,846)	(2,846)			(5,693)		(5,693)
	Transfer to retained earnings from capital surplus		(33,112)	33,112			-		-
	Share-based payments					145	145		145
	<b>Total transactions with owners</b>	-	(35,959)	30,266	-	145	(5,548)	-	(5,548)
	<b>Balance at March 31, 2023</b>	10,000	37,714	141,642	(2)	12,289	201,643	11,095	212,738



## Consolidated Statements of Cash Flows

		Yen (in millions)	
		Year ended March 31,	
Note		2022	2023
<b>Cash flows from operating activities</b>			
		(36,214)	16,789
	Profit (loss) before tax		
	Depreciation and amortization	17,045	17,683
	Impairment loss	71,003	3,464
	Reversal of impairment	-	(1,626)
	Financial income	(152)	(222)
	Financial expenses	461	406
	Gain on bargain purchase	(8,704)	-
	(Gain) loss on sale and disposal of property, plant and equipment and intangible assets	(2,070)	240
	(Increase) decrease in trade and other receivables	6,711	(319)
	Increase in inventories	(5,625)	(14,868)
	Increase (decrease) in trade and other payables	(170)	1,650
	Decrease in refund liabilities	(378)	(2,551)
	Increase (decrease) in provisions	292	(1,090)
	Increase in other financial liabilities	194	167
	Other	(1,704)	(415)
	Subtotal	40,689	19,308
	Interest received	2	18
	Dividends received	141	195
	Interest paid	(512)	(410)
	Income taxes paid	(6,010)	(7,473)
	Income taxes refund	-	1,389
	Cash flows generated from operating activities	34,310	13,026
<b>Cash flows from investing activities</b>			
	Acquisition of property, plant and equipment	(14,513)	(20,727)
	Proceeds from sale of property, plant and equipment	3,122	50
	Acquisition of intangible assets	(8,831)	(6,414)
	Payments for acquisition of business	(10,114)	-
	Other	(59)	(43)
	Cash flows used in investing activities	(30,395)	(27,134)
<b>Cash flows from financing activities</b>			
	Net proceeds from short-term borrowings	-	10,000
	Proceeds from long-term borrowings	-	9,500
	Repayment of long-term borrowings	(3,834)	(3,118)
	Redemption of bonds	-	(10,000)
	Payment of lease liabilities	(1,715)	(1,938)
	Dividends paid	(5,693)	(5,693)
	Other	(20)	(18)
	Cash flows used in financing activities	(11,262)	(1,267)
	Effect of exchange rate changes on cash and cash equivalents	795	734
	Net decrease in cash and cash equivalents	(6,552)	(14,641)
	Cash and cash equivalents at the beginning of the year	54,269	47,717
	Cash and cash equivalents at the end of the year	47,717	33,076

# SAWAI GROUP HOLDINGS CO., LTD. and SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 1. Reporting Entity

SAWAI GROUP HOLDINGS Co., Ltd. (the “Company”) is a public corporation domiciled in Japan. The Company is engaged in managing the business activities of its subsidiaries based in Japan and abroad by holding shares or equity interests in them and in supporting and advising them in their management. Those consolidated subsidiaries are engaged in research and development for generic pharmaceutical products and their manufacturing and marketing in Japan and the United States of America. The Company and its consolidated subsidiaries are hereinafter collectively referred to as “Sawai.”

### 2. Basis of Preparation

#### (1) *Compliance with International Financial Reporting Standards*

Sawai meets all of the requirements for a “Specified Company under Designated International Financial Reporting Standards” as stipulated under Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Ordinance No. 28, 1976, “the Ordinance”). Hence, in accordance with Article 93 of the Ordinance, the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

#### (2) *Authorized for issue of Financial Statements*

The consolidated financial statements as of and for the year ended March 31, 2023 were authorized by Representative Director, Mitsuo Sawai, on June 27, 2023.

#### (3) *Basis of Measurement*

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities recorded at fair value separately stated in Note 3.

#### (4) *Functional and Presentation Currency*

The consolidated financial statements are presented in Japanese yen (“Yen” or “JPY”), which is the Company’s functional currency. All amounts have been rounded to the nearest million Yen, unless otherwise indicated.

#### (5) *Significant Accounting Estimates, Judgements and Assumptions*

The preparation of consolidated financial statements in accordance with IFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on a continuous basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments and estimates that have been made in the process of applying accounting policies and information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements, are as follows:

- Variable considerations in revenue recognition: (Note 3(5))
- Impairment of intangible assets: (Note 16)

**(6) *New accounting standards and interpretations not yet adopted***

There are no new or amended accounting standards and interpretations that have been issued as of the authorized date of the consolidated financial statements but are expected to have a significant impact on Sawai's consolidated financial statements.

**3. *Significant Accounting Policies***

The accounting policies set forth below have been continuously applied for the entire period presented in the consolidated financial statements, unless otherwise stated.

**(1) *Basis of Consolidation***

The consolidated financial statements include the Company and its subsidiaries over which the Company directly or indirectly controls (generally, as a result of owning more than 50% of the entity's voting interest). The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost. Those subsidiaries' financial statements have been adjusted to comply with the Company's accounting policies as necessary.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of consideration transferred or received, is recognized directly in equity attributable to owners of the Company. When control over a subsidiary is lost, the investment retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss on such remeasurement and disposal of the interest sold is recognized in profit or loss.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated when the Company prepares the consolidated financial statements.

Sawai does not have any investments that are accounted for using the equity method at March 31, 2023.

**(2) *Business Combination***

In assessing whether acquired set of activities and assets meets the definition of a business, Sawai applies an optional 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values as of the acquisition date. Goodwill is measured as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the net amount of identifiable assets acquired and liabilities assumed at the acquisition date. If the sum thereof is lower than net amount of identifiable assets acquired and liabilities assumed at the acquisition date, the difference is recognized immediately as gain on bargain purchase in the consolidated statements of income.

The consideration transferred for an acquisition of a subsidiary is measured as the fair value of the assets transferred and the liabilities incurred to former owners of the acquiree. The consideration for acquisitions may include amounts contingent upon future events, such as the achievement of development milestones and sales targets.

Any contingent consideration included in the consideration payable for a business combination is recorded at fair value as of the acquisition date. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate discount rates. An obligation to pay contingent consideration that meets the definition of a financial instrument classified as liability is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in finance income or expenses in the consolidated statements of income. If contingent consideration is classified as equity, then it is not remeasured and its settlement is accounted for within equity.

Acquisition related costs are recognized as expenses in the period they are incurred. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over a subsidiary are treated as equity transactions and therefore, do not result in adjustments to goodwill.

### (3) *Foreign Currency*

#### [1] Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or rates that approximate the exchange rates at transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the end of each reporting period. Non-monetary assets and liabilities measured based on historical cost that are denominated in foreign currencies are translated at the exchange rate at the date of the initial transaction.

Gains or losses on exchange differences arising from the settlement of foreign currency denominated monetary assets and liabilities, or from their translations to functional currency at the end of the reporting date, are recognized in Finance income or Finance expenses in the consolidated statements of income.

#### [2] Foreign Operations

Assets and liabilities of foreign subsidiaries, which use a functional currency other than Yen, are translated into Yen using the exchange rate at the end of the reporting period. Revenue and expenses of foreign operations are translated into Yen using the exchange rate at the transaction date or the rate that approximates the exchange rate at the transaction date (e.g., average exchange rate for the period).

Exchange differences arising from the translation are recognized in other comprehensive income and accumulated in other components of equity in the consolidated statements of financial position. In the event a foreign operation is disposed, the cumulative amount of exchange differences related to the foreign operation is reclassified from equity to profit or loss in the disposal period.

### (4) *Financial Instruments*

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. When Sawai becomes a party to the contractual provision of a financial instrument, the financial instrument is recognized either as a financial asset or as a financial liability. Sawai does not have any derivative assets or liabilities.

#### [1] Financial Assets

##### (i) Initial recognition and measurement

Sawai initially recognizes all financial assets as of the trade date when Sawai becomes a party to the contract. In principle, financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs directly attributable to the financial assets. Trade receivables, however, are initially measured at the transaction price (provided that there are no significant financing components thereto).

Financial assets are classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income ("FVOCI") or financial assets measured at fair value through profit or loss ("FVTPL") at initial recognition. The classification, depending on whether financial assets are debt instruments or equity instruments, is made as follows:

##### (a) Financial assets which are debt instruments

If both of the following conditions are met, they are classified as financial assets measured at the amortized cost:

- Assets are held within the business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of financial assets give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are debt instruments which are not classified as financial assets measured at amortized cost or FVOCI are classified as financial assets measured at FVTPL. Sawai holds debt financial assets measured at amortized cost while it does not hold financial assets that are debt instruments classified as FVOCI or as FVTPL as of March 31, 2023.

##### (b) Financial assets which are equity instruments

For financial assets which are equity instruments, Sawai made an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income.

Sawai does not hold financial assets for trading purpose under its policy.

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

These assets are measured at amortized cost using the effective interest method. Amortization under the effective interest method, impairment loss and any gain or loss in case of derecognition are recognized in profit or loss as finance income or expenses.

(b) Financial assets measured at fair value

Changes in the fair value for financial assets that are debt instruments are recognized in profit or loss. Changes in the fair value for equity financial assets are recognized in other comprehensive income and cumulative gains or losses are transferred directly to retained earnings when those assets are derecognized. Dividends are recognized in profit or loss as finance income unless the dividend clearly represents a recovery of part of the cost of the investment.

(iii) Impairment loss

Sawai recognizes allowance for expected credit losses (“ECLs”) on (a) trade receivables and contract assets, and (b) debt instruments other than trade receivables and contract assets measured at amortized cost.

(a) Trade receivable and contract assets

Sawai measures loss allowance for trade receivables and contract assets at an amount equal to lifetime ECLs.

(b) Debt instruments other than trade receivables and contract assets

Loss allowance for debt instruments other than trade receivables and contract assets are generally measured at an amount equal to 12-month ECLs, except when it is determined that the credit risk has significantly increased since initial recognition. In that case, the loss allowance is measured at an amount equal to lifetime ECLs. 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, Sawai considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses based on Sawai’s historical experience and continuous credit assessment that includes forward-looking information.

Sawai assumes that the credit risk on a financial asset has increased significantly if it is more than one day past due without reasonable explanation as past due financial assets have historically resulted in increase in default rates.

In addition, Sawai considers financial assets to be in default when there is an evidence indicating that a debtor is delinquent with the following observable data;

- significant financial difficulty of the debtor;
- a breach of contract; or
- it is probable that the debtor will enter bankruptcy or other means of financial reorganization.

Sawai considers the defaulted financial asset as credit-impaired.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls such as the difference between the contractual cash flows due to Sawai and the cash flows that Sawai expects to receive.

ECLs are discounted using the effective interest rate of the financial asset.

(iv) Derecognition

Sawai derecognizes a financial asset when the contractual right to receive cash flows from the financial asset expires, or the contractual right to receive cash flows from the financial asset is transferred and substantially all the risks and rewards related to ownership of the financial asset are transferred to another party.

[2] Financial Liabilities

(i) Measurement

Sawai initially recognizes all financial liabilities when Sawai becomes a party to the contract. While financial liabilities are initially measured at fair value transaction costs directly attributable to the financial liability are deducted from the initial carrying amount.

After the initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Amortization under the effective interest method and any gain or loss in case of derecognition are recognized in profit or loss as finance income or expenses.

(ii) Derecognition

Sawai derecognizes a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

[3] Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, Sawai currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## **(5) Revenue**

Sawai solely earns revenue from sale of generic pharmaceutical products, primarily generic medicines, to distributors, wholesalers and retailers in Japan and the United States. Revenue on sales of products is recognized when control of the products is passed to the customer in an amount that reflects the consideration to which Sawai expects to be entitled in exchange for those products. Control is generally transferred at the point in time of acceptance of the products by customers.

The consideration Sawai receives in exchange for the goods may be fixed or variable. Variable consideration is only recognized to the extent it is highly probable that a significant reversal will not occur. The most common elements of variable consideration are listed below:

### **[1] Rebates and Chargebacks**

Rebates are incentive programs payable upon the achievement of certain pre-determined sales volumes, which are granted to customers. Chargebacks offered in the United States are programs payable to certain wholesalers to compensate the difference between the invoice price paid by wholesalers to Sawai for a particular product and the price agreed to between Sawai and the wholesalers' customers for that product. Rebates are paid to customers and chargebacks are deducted from trade receivables based on the specific terms in the individual agreements.

Accruals for rebates and chargebacks are estimated on the basis of historical experience and recorded at the time the related revenue is recognized as a reduction from revenue. The estimation made in calculating accrual for rebates includes rebate ratio applied in the forthcoming year. Accruals for chargebacks are calculated by developing future percentages of chargebacks incurred on sales as there is a time lag between when Sawai sells the product to the wholesalers and when the chargebacks are paid by Sawai. As the percentages of chargebacks incurred on sales are specific to the wholesalers' customers, the relevant assumptions used to calculate the estimated future percentages of chargebacks incurred on sales relate to estimating to which wholesaler's customers Sawai's products will ultimately be sold. Accruals for rebates are presented in the consolidated statements of financial position as Refund liabilities, while accruals for chargebacks are presented by deducting from Trade and other receivables.

### **[2] Sales Return**

Sawai accepts returns for defective products and customarily accepts returns for expired products. Sales return provisions are estimated based on historical rate of return, taking into consideration other factors such as time lag between the sales and returns and estimated levels of inventory in the distribution channel.

Sales returns are recorded as revenue deductions and refund liabilities are recognized in the consolidated statements of financial position for the expected future returns. Returned products are disposed of and no returned assets are recorded.

## **(6) Research and Development Expenses**

Expenditure on research activities is recognized in profit or loss as incurred. Expenditure on development activities is capitalized only if the expenditure can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and Sawai intends to and has sufficient resources to complete the development project and to use or sell the related asset.

## **(7) Income Taxes**

Income tax expense comprises current and deferred tax, and is recognized in profit or loss for the year, except for the items resulting from business combination and items directly recognized in equity or other comprehensive income.

Current tax comprises the expected tax payable and receivable that are calculated at the amount expected to be paid or recovered from the taxation authority by applying the tax rate enacted or substantively enacted at the reporting date. Sawai's current tax payable also includes liabilities related to uncertain tax positions.

Deferred tax assets and liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases at the end of the reporting period. However, deferred tax assets and liabilities are not recognized in the following cases:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences on the initial recognition of assets or liabilities in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (loss); and
- Temporary differences related to investments in subsidiaries to the extent that Sawai is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax loss, and unused tax credits can be utilized. Deferred tax assets are reviewed at the end of each period and reduced for the portion where it is not probable to gain the taxable income sufficient to realize the benefit of part or all of deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and liabilities are related to income taxes levied by the same taxation authority on the same taxable entity.

The Japanese group relief system has applied to the Company and its domestic subsidiaries since April 1, 2022.

**(8) Earnings Per Share**

Basic earnings per share is calculated by dividing profit for the period attributable to owners of ordinary shares of the Company by the weighted average number of ordinary shares outstanding for the reporting period, adjusted by the number of treasury shares. Diluted earnings per share is calculated by adjusting the dilutive effect of potential ordinary shares.

**(9) Cash and Cash equivalents**

Cash and cash equivalents are cash on hand, demand deposits and short-term, highly liquid investments with maturities of 3 months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. As of March 31, 2023, Sawai had only cash on hand and bank deposits as cash and cash equivalents.

**(10) Inventories**

Inventories are mainly comprised of finished goods, work-in-process, and raw materials and supplies. Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined mainly using the weighted average cost method. The cost of inventories includes purchase cost, processing cost, and any other related manufacturing costs. Net realizable value is calculated based on the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell.

**(11) Property, Plant and Equipment**

Property, plant and equipment are measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes those costs that are directly attributable to the acquisition and the initial estimated dismantlement, removals and restoration costs associated with the asset. Except for assets that are not subject to depreciation, such as land and construction in progress, assets are depreciated using the straight-line method over the estimated useful life of the asset. Right-of-use (ROU) assets are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life unless it is reasonably certain that Sawai will obtain ownership by the end of the lease term. These assets depreciation begins when they are available for use.

The estimated useful life by type of major assets is as follows:

- Building and structures: 2 to 50 years
- Machinery and equipment: 2 to 20 years
- Tools, furniture and fixtures: 2 to 20 years

Depreciation method, residual value and useful life are reviewed at least at the end of each reporting period and revised as necessary.

**(12) Leases**

**[1] Definition of a lease**

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**[2] Lessee**

Sawai recognizes ROU assets and lease liabilities at the commencement date of the lease except for short-term leases with a lease term of 12 months or less and leases of low-value assets for which Sawai has elected not to recognize ROU assets and lease liabilities. For short-term leases and leases of low-value assets, Sawai recognizes lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities are initially recognized at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Sawai's incremental borrowing rate. Generally, Sawai uses its incremental borrowing rate as the discount rate. After the commencement date, the lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Sawai's estimate of the amount expected to be payable under a residual value guarantee, or if Sawai changes its assessment of whether it will exercise a purchase, extension or termination option.

The ROU assets are initially measured at an amount equal to the lease liability, adjusted by any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset.

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term applying a cost model. The estimated useful lives of the ROU assets are determined on a same basis as those of underlying assets.

The carrying amount of the ROU assets are included in Property, plant and equipment as disclosed in Note 15 and the lease liabilities are included in Other financial liabilities in the consolidated statements of financial position.

The cash payments for the principal portion of the lease liabilities are presented in the cash flows from financing activities in the consolidated statements of cash flows.

[3] Sale and Leaseback

For sale and leaseback transactions, Sawai considers when performance obligations are satisfied to confirm whether the transfer of assets should be accounted for as a sale. It is generally considered as such if legal title is transferred to the buyer-lessor, and there is no repurchase option on the asset.

If the transfer of the asset is a sale, Sawai discontinues the recognition of the underlying asset and recognizes a right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Any gain or loss that relates to the rights transferred to the buyer-lessor is recognized in profit or loss.

**(13) Goodwill**

Goodwill arising from business combination is not to be amortized but allocated to a cash-generating unit (“CGU”) or groups of CGUs based on expected synergies and tested for impairment annually and whenever there is an indication that CGU may be impaired. Impairment losses of goodwill are recognized in profit or loss and reversal is not made thereafter.

Goodwill is allocated to the U.S. Business segment, a CGU. However, during the year ended March 31, 2022, Sawai wrote down the full value of goodwill and recognized it as an impairment loss.

**(14) Intangible Assets**

***Research and Development***

Research and Development are intangible assets related to products in development stage that are not yet available for use or sale. These intangible assets are not amortized but tested for impairment annually or more frequently if indicators of a potential impairment exist. If a project fails or ceases development, or is no longer considered to achieve the expected cash flows, the intangible assets are written down to their recoverable amount. The impairment charges are recognized in research and development expenses in the consolidated statements of income. Upon successful completion of the development project, these intangible assets are reclassified from Research and Development to Marketed Products.

***Marketed Products***

Intangible assets associated with marketed products are amortized on a straight-line basis over estimated useful lives, which range from 6 to 10 years. If there is an indication of impairment, each asset’s recoverable amount is estimated. If the recoverable amount of an asset is lower than the carrying amount, the carrying amount of the asset is reduced to the recoverable amount and impairment losses are recognized in profit or loss. Amortization and impairment charges of the internally developed intangible assets are recognized in research and development expenses while those charges of separately acquired intangible assets or intangible assets acquired in a business combination are recognized in selling, general and administrative expenses in the consolidated statements of income.

***Trademarks***

Trademarks mainly represent the Upsher-Smith Laboratories, LLC (“USL”) trademark that was acquired in conjunction with the acquisition of USL that was determined to have an indefinite useful life based on historical sales and cash flow performance of USL-branded products. The trademark related to USL were not amortized, but evaluated for potential impairment on an annual basis.

During the year ended March 31, 2022, Sawai wrote down the full value of the trademark of the U.S. Business segment and recognized it as an impairment loss.

***Software***

Software is recognized at cost and amortized on a straight-line basis over the expected useful life. The useful life is 3 to 5 years. Amortization of software is recognized in cost of sales, selling, general and administrative expenses, and research and development expenses in the consolidated statements of income.

**(15) Impairment of Non-financial Assets**

Sawai assesses, at the end of reporting period, whether there is any indication of impairment of non-financial assets, excluding inventories and deferred tax assets. If there is an indication of impairment or annual impairment test is required, each asset’s recoverable amount is estimated. If estimating the recoverable amount for an individual asset is not possible, then Sawai estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount of assets or CGUs is measured at the higher of its fair value less costs of disposal or its value in use. Value in use is determined by discounting the estimated future cash flows to the present value using a discount rate that reflects the time value of money and risk specific to the asset. Only if the recoverable amount of an asset or CGU is lower than the carrying amount, the carrying amount of the asset or CGU is reduced to the recoverable amount and impairment losses are recognized in profit or loss.

For assets or CGUs other than goodwill, Sawai assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If such an indication exists, Sawai estimates the recoverable amount of the asset or CGU and if the recoverable amount exceeds the carrying amount, impairment losses are reversed up to the lower of the estimated recoverable amount or the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. The reversal of impairment loss is recognized in profit or loss.



**(16) *Assets Held for Sale***

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use, and are currently available for immediate sale and if the Group's management has already promised to implement a plan to sell them and will complete the sale within one year. The amount of such assets is generally recorded with their carrying amount or fair value less costs to sell, whichever is lower. Impairment losses on their initial classification as held-for-sale are counted in loss, while their reversal is counted in profit, if any. Once classified as held-for-sale, no intangible assets, property, plant or equipment are amortized or depreciated any longer.

**(17) *Provisions***

Sawai recognizes provisions when Sawai has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Sawai's provisions consist primarily of provisions for drug product safety assessment and provisions for compensation for the losses that its suppliers incurred.

**(18) *Employee Benefits***

Sawai sponsors defined contribution plan for its employees. Under the plan, Sawai as a sponsor pays fixed contributions into an independently administrated fund and employees also pay fixed contributions into the fund. Defined contribution retirement benefit expenses are recognized as expenses in the period when an employee renders related service.

Short-term employee benefits are recorded as the expenses for the period during which employees rendered related services.

**(19) *Shareholders' Equity***

For Company-issued equity instruments, the issuance proceeds are recorded as share capital and capital surplus. Costs directly attributable to the issuance (after considering the tax effect) are deducted from equity.

The Company does not recognize any gains or losses on the acquisition, sale or cancellation of treasury shares. When the Company acquires treasury shares, it is recognized at acquisition cost and deducted from equity. Transaction expenses directly arising from the acquisition is deducted from capital surplus. When the Company cancels treasury shares, the amount that should be deducted from capital surplus is determined in accordance with the Companies Act in Japan, and the remaining balance, if any, is deducted from retained earnings. When the Company sells the treasury shares, the difference between the carrying amount and the consideration received is charged to capital surplus.

#### 4. Operating Segment

Sawai's reportable segments are the components for which separate financial information is available, and the Board of Directors as the chief operating decision maker, regularly assesses the financial information in deciding how to allocate resources, measure performance and forecast future periods.

Sawai manufactures and sells generic pharmaceutical products with operations in Japan and the United States, each requires differing marketing strategies. Accordingly, Sawai has designated two reportable segments, Japan Business segment, and U.S. Business segment.

##### (1) Segment information

###### Year ended March 31, 2022

	Yen (in millions)				
	Japan Business	U.S. Business	Total	Adjustments and elimination	Amount recorded in the consolidated statements of income
Segment revenue					
Revenue from external customers	163,841	29,975	193,816	-	193,816
Intersegment revenue or transfers	-	-	-	-	-
Total	163,841	29,975	193,816	-	193,816
Segment (operating) profit (loss)	32,361	(68,249)	(35,888)	-	(35,888)
Finance income					145
Finance expenses					(471)
Loss before tax					(36,214)
Other items					
Depreciation and amortization	11,372	5,673	17,045	-	17,045
Impairment loss	2,233	68,770	71,003	-	71,003

###### Year ended March 31, 2023

	Yen (in millions)				
	Japan Business	U.S. Business	Total	Adjustments and elimination	Amount recorded in the consolidated statements of income
Segment revenue					
Revenue from external customers	163,702	36,642	200,344	-	200,344
Intersegment revenue or transfers	-	-	-	-	-
Total	163,702	36,672	200,344	-	200,344
Segment (operating) profit	16,054	930	16,984	-	16,984
Finance income					213
Finance expenses					(407)
Profit before tax					16,789
Other items					
Depreciation and amortization	14,255	3,428	17,683	-	17,683
(Reversal of) Impairment loss	3,464	(1,626)	1,838	-	1,838

(2) **Geographic Information**

Revenue from contracts with customers

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Japan	163,841	163,702
U.S.	29,845	36,505
Other	130	137
Total	193,816	200,344

Non-current Assets

	Yen (in millions)	
	March 31,	
	2022	2023
Japan	107,617	117,718
U.S.	32,192	33,136
Total	139,809	150,855

(3) **Information by Major Customer**

External customers account for more than 10% of revenue are as follows:

	Yen (in millions)		
	Year ended March 31,		
	2022	2023	Related segment
Mediceo Corporation	30,806	32,325	Japan business
Alfresa Corporation	28,554	28,508	Japan business

## 5. Revenues

### (1) Revenue stream and disaggregation of revenue

Sawai solely recognizes revenue from sale of generic pharmaceutical products to distributors, wholesalers and retailers. Revenue is recognized at a point in time when customers obtain control of products. There is no contract for which revenue is recognized over time.

The following table shows revenue for our key therapeutic category by operating segment (see Note 4 for geographic information):

#### Year ended March 31, 2022

Products	Yen (in millions)		
	Japan Business	U.S. Business	Total
Cardiovascular drugs	42,197	9,218	51,415
Central nervous system drugs	20,778	14,579	35,357
Gastro-intestinal drugs	18,884	120	19,004
Blood/body fluid pharmaceutical products	17,050	-	17,050
Other metabolic drugs	13,622	-	13,622
Antibiotics drugs	7,078	251	7,329
Vitamin preparations	8,836	15	8,851
Antiallergic drugs	6,884	-	6,884
Drugs for urogenital organs and the anus	4,949	721	5,670
Antineoplastic agents	4,675	358	5,033
Drugs for respiratory organs	5,076	-	5,076
Other	13,812	4,713	18,525
Total	163,841	29,975	193,816

The comparative information is adjusted to align with the classification of the current reporting period.

#### Year ended March 31, 2023

Products	Yen (in millions)		
	Japan Business	U.S. Business	Total
Cardiovascular drugs	38,983	10,151	49,135
Central nervous system drugs	23,019	19,128	42,147
Gastro-intestinal drugs	18,198	159	18,357
Blood/body fluid pharmaceutical products	16,448	-	16,448
Other metabolic drugs	15,827	-	15,827
Antibiotics drugs	7,710	323	8,033
Vitamin preparations	7,426	-	7,426
Antiallergic drugs	6,522	-	6,522
Drugs for urogenital organs and the anus	5,363	670	6,033
Antineoplastic agents	5,125	537	5,662
Drugs for respiratory organs	5,236	-	5,236
Other	13,846	5,673	19,520
Total	163,702	36,642	200,344

(2) **Contract balances**

There are no advanced receipts from customers and unsatisfied performance obligations at the end of the reporting period, therefore no contract liability is recognized.

Contract assets relate to the rights to consideration in exchange for the products that Sawai has transferred to a customer, but are conditioned on resale from the customer to its customers. The contract assets are reclassified to trade receivables when the customer resells the products to its customers.

Trade receivables and contract assets balances as of March 31, 2022 and 2023 are as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Trade receivables	61,215	62,011
Contract assets	360	439

6. **Expense by nature**

The breakdown of expenses by nature is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Raw materials and supplies	61,032	66,606
Employee benefits	30,906	34,211
Depreciation and amortization	17,045	17,683
Subcontractor costs	30,872	36,331

7. **Other Income**

The breakdown of other income is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Gain on bargain purchase	8,704	-
Gain on sale and disposal of property, plant and equipment	2,091	17
Gain on early termination of the escrow account	4,122	-
Other	264	853
Total	15,181	869

Gain on bargain purchase for the year ended March 31, 2022 arose from the acquisition of assets related to production activities from Kobayashi Kako Co., Ltd. For details, please refer to Note 29.

Gain on sale and disposal of property, plant and equipment for the year ended March 31, 2022 arose mainly from a sale-and-leaseback transaction concerning USL's factory in Denver.

Gain on early termination of the escrow account for the year ended March 31, 2022 arose from the release of the escrow that Sawai had set up when acquiring USL to avoid the potential risk of costs and damages associated with those legal proceedings. (Refer to Note 30.)

## 8. Other Expenses

The breakdown of other expenses is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Impairment losses	46,606	-
Other	12	272
Total	46,618	272

Impairment losses for the year ended March 31, 2022 arose from the impairment of assets of the U.S. Business segment, including goodwill. For details, please refer to Note 16.

## 9. Financial Income and Financial Expenses

The composition of financial income is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Interest income		
Financial assets measured at amortized cost	2	18
Dividend income		
Equity instruments measured at fair value through other comprehensive income	141	195
Other	2	-
Total	145	213

The composition of financial expenses is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Interest expenses		
Financial liabilities measured at amortized cost		
Bonds	67	12
Borrowings	277	322
Other	88	61
Foreign exchange losses	11	1
Other	28	11
Total	471	407

## 10. Income Tax Expense and Deferred Taxes

### (1) Income Tax Expense

The composition of income tax expense is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Current tax expense	6,054	4,142
Deferred tax expense		
Origination and reversal of temporary differences	(344)	(188)
Subtotal	(344)	(188)
Total	5,710	3,954

The Company is principally subject to income taxes, inhabitant tax and enterprise tax in Japan. The statutory tax rate applicable to the Company for the year ended March 31, 2022 and 2023 were 30.6%. The U.S. subsidiaries are subject mainly to federal and state income taxes. The applicable tax rate was 23.8% for the year ended March 31, 2023.

The following table represents reconciliation of the effective tax rate:

	Percentage	
	March 31,	
	2022	2023
Tax using the Company's domestic tax rate	(30.6)	30.6
Non-deductible expenses	0.1	0.2
Tax credits	(4.7)	(6.5)
Changes in unrecognized differed tax assets	37.2	0.4
Effect of tax rates in foreign jurisdictions	22.1	(0.4)
Gain on bargain purchase	(7.3)	-
Other	(1.0)	(0.7)
Effective tax rate	15.8	23.6

### (2) Deferred taxes

The composition of deferred tax assets and liabilities are as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Deferred tax assets	346	173
Deferred tax liabilities	(2,303)	(2,092)
Net deferred tax assets (liabilities)	(1,957)	(1,919)

The components of changes in deferred tax assets and liabilities are as follows:

<b><u>Year ended March 31, 2022</u></b>	<b>Yen (in millions)</b>				<b>As of March 31, 2022</b>
	<b>As of April 1, 2021</b>	<b>Recognized through profit or (loss)</b>	<b>Recognized in other comprehensive income</b>	<b>Business combination</b>	
<b>Deferred tax assets</b>					
Inventories	2,116	528	-	6	2,650
Property, plant and equipment	1,368	(265)	-	28	1,131
Accruals	806	26	-	-	832
Refund liabilities	908	104	-	-	1,012
Trade and other payables	556	(73)	-	-	483
Intangible assets	358	36	-	-	394
Income tax payables	307	(31)	-	-	276
Provisions	302	89	-	-	391
Other	316	176	-	-	492
Subtotal	7,037	590	-	34	7,661
<b>Deferred tax liabilities</b>					
Intangible assets	(4,086)	(365)	-	-	(4,451)
Valuation difference related to a business combination	-	64	-	(3,870)	(3,806)
Financial assets measured at FVOCI	(653)	-	(173)	-	(826)
Property, plant and equipment	(585)	57	-	-	(528)
Other	(5)	(2)	-	-	(7)
Subtotal	(5,329)	(246)	(173)	(3,870)	(9,618)
Net deferred tax assets (liabilities)	1,708	344	(173)	(3,836)	(1,957)

In the year ended March 31, 2022, the Company and its domestic subsidiaries applied for approval for application of the Japanese group relief system to them. As a result, approval was obtained, and it was determined that the system would be applied to them from April 1, 2022. Accordingly, Sawai prepared these financial statements by adopting accounting treatment that anticipates application of the group relief system.



**Year ended March 31, 2023**

Yen (in millions)

	As of April 1, 2022	Recognized through profit or (loss)	Recognized in other comprehensive income	Business combination	As of March 31, 2023
Deferred tax assets					
Inventories	2,650	266	-	-	2,916
Property, plant and equipment	1,131	138	-	-	1,269
Accruals	832	143	-	-	975
Refund liabilities	1,012	(317)	-	-	695
Trade and other payables	483	71	-	-	554
Intangible assets	394	96	-	-	490
Income tax payables	276	(85)	-	-	191
Provisions	391	(333)	-	-	58
Other	492	114	-	-	606
Subtotal	7,661	93	-	-	7,754
Deferred tax liabilities					
Intangible assets	(4,451)	(704)	-	-	(5,155)
Valuation difference related to a business combination	(3,806)	786	-	-	(3,020)
Financial assets measured at FVOCI	(826)	-	(150)	-	(976)
Property, plant and equipment	(528)	18	-	-	(510)
Other	(7)	(5)	-	-	(12)
Subtotal	(9,618)	95	(150)	-	(9,673)
Net deferred tax assets (liabilities)	(1,957)	188	(150)	-	(1,919)

***Deductible temporary differences and carryforward of tax losses for which no deferred tax asset is recognized***

The components of deductible temporary differences and carryforward of tax losses for which no deferred tax asset is recognized are as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Deductible temporary differences	69,757	70,752
Carryforward of tax losses		
Within 1 year	-	-
Over 1 year within 5 years	19	50
Over 5 years	6,703	14,546
Carryforward of tax losses - Total	6,722	14,596

Deferred tax assets have not been recognized for deductible temporary differences, because it is not probable that the temporary differences will be reversed in the foreseeable future, or it is not probable that future taxable profits will be available against which Sawai can use the benefits therefrom. During the year ended March 31, 2022 and 2023, Sawai derecognized any deferred tax assets related to JPY 76,435 million and JPY 82,984 million of deductible temporary differences in the U.S. business segment as Sawai reassessed it is not probable that future taxable profit will allow the deferred tax assets to be recovered.

***Unrecognized deferred tax liabilities***

There was a taxable temporary difference of JPY 18,621 million and JPY 24,032 million as of March 31, 2022 and 2023 related to investments in subsidiaries. However, this liability was not recognized as management has the ability to control any future reversal and does not consider such a reversal to be probable.

**11. Earnings Per Share**

The basis of calculation of basic and diluted earnings per share (“EPS”) is as follows:

	Year ended March 31,	
	2022	2023
Profit (loss) attributable to owners of parent (million Yen)	(28,269)	12,667
Weighted average number of ordinary shares outstanding during the year (thousand shares)	43,791	43,791
Average number of ordinary shares during the period (thousand shares)	43,791	43,791
Dilutive effect (thousand shares)	-	99
Weighted average number of ordinary shares outstanding during the year after dilutive effect (thousand shares)	43,791	43,890
Profit (loss) per share (attributable to the owners of parent)		
Basic earnings per share (Yen)	(645.53)	289.25
Diluted earnings per share (Yen)	(645.53)	288.60

The above figure of diluted earnings per share for the year ended March 31, 2022 does not include 58 thousand potential ordinary shares for stock options because they were not dilutive due to a reduction in the loss per share caused by the exercise of stock option rights. For the year ended March 31, 2023, there were no potential ordinary shares for stock options that were not dilutive and thus not included in the calculation of diluted earnings per share.

## 12. Other Comprehensive Income

The components of other comprehensive income are as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Changes in financial assets measured at FVOCI during the year	781	495
Related tax effects	(173)	(150)
Net	608	345
Exchange differences on translation of foreign operations	6,294	5,022
Related tax effects	-	-
Net	6,294	5,022
Total other comprehensive income	6,902	5,367

## 13. Inventories

The components of inventories are as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Finished goods and products	40,845	50,566
Work-in-process	18,305	20,897
Raw materials and supplies	26,703	30,342
Total	85,853	101,805

The write-down of inventories recorded within cost of sales was JPY 6,811 million and JPY 8,010 million for the year ended March 31, 2022 and 2023, respectively.

#### 14. Other Financial Assets

The components of other financial assets are as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Financial assets measured at amortized cost		
Guarantee deposits	250	253
Other	197	243
Equity instruments measured at FVOCI		
Equity securities	6,922	7,474
Total	7,369	7,970
Other financial assets (current)	146	179
Other financial assets (non-current)	7,223	7,791

The fair value of major shareholdings within equity instrument measured at FVOCI is as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Sumitomo Corporation	1,818	2,009
Nippon Kayaku Co., Ltd.	1,016	1,047
Yakult Honsha Co., Ltd.	485	716
MEDIPAL HOLDINGS CORPORATION	439	393
Alfresa Holdings Corporation	381	380
Medical Ikkou Group Co., LTD.	360	337
SUSMED Inc.	324	316
Other	2,099	2,275
Total	6,922	7,474

Other includes equity investment in private companies in the amount of JPY 1,664 million and JPY 1,862 million as of March 31, 2022 and 2023, all of which are classified as level 3 in the fair value hierarchy (see Note 26). There were no equity instruments measured at FVOCI that were disposed during the years ended March 31, 2022 and 2023.

## 15. Property, Plant and Equipment

The components of property, plant and equipment are as follows:

### Year ended March 31, 2022

	Yen (in millions)						Total
	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	ROU assets	
Acquisition cost							
Balance at April 1, 2021	63,860	68,697	13,749	12,040	10,944	5,122	174,412
Acquisition	765	2,450	1,079	-	10,234	1,220	15,748
Acquisition by business combination	16,314	4,252	192	647	962	-	22,367
Sale and disposition	(1,665)	(1,743)	(497)	(769)	(1)	(625)	(5,300)
Transfer	15	275	100	-	(390)	-	-
Foreign currency translation differences	778	472	122	113	1,261	31	2,777
Other	-	-	-	-	147	3	150
Balance at March 31, 2022	80,067	74,403	14,745	12,031	23,157	5,751	210,154
Accumulated depreciation amount and accumulated impairment losses							
Balance at April 1, 2021	(28,634)	(48,140)	(10,669)	(467)	-	(1,794)	(89,704)
Depreciation expenses	(2,470)	(5,514)	(1,195)	-	-	(950)	(10,129)
Impairment	(858)	(286)	-	-	(1,717)	-	(2,861)
Sale and disposition	1,203	1,683	499	463	-	610	4,458
Foreign currency translation differences	(184)	(257)	(88)	-	(153)	(18)	(700)
Balance at March 31, 2022	(30,943)	(52,514)	(11,453)	(4)	(1,870)	(2,152)	(98,936)
Carrying amount							
Balance at April 1, 2021	35,226	20,557	3,080	11,573	10,944	3,328	84,708
Balance at March 31, 2022	49,124	21,889	3,292	12,027	21,287	3,599	111,218

**Year ended March 31, 2023**

	Yen (in millions)						
	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	ROU assets	Total
Acquisition cost							
Balance at April 1, 2022	80,067	74,403	14,745	12,031	23,157	5,751	210,154
Acquisition	1,175	4,542	1,408	249	13,037	499	20,911
Sale and disposition	(54)	(1,282)	(411)	-	(58)	(488)	(2,292)
Transfer	15,805	6,522	181	-	(22,507)	-	-
Foreign currency translation differences	538	441	118	105	1,454	31	2,687
Other	-	-	-	-	66	0	67
Balance at March 31, 2023	97,531	84,626	16,041	12,386	15,149	5,792	231,527
Accumulated depreciation amount and accumulated impairment losses							
Balance at April 1, 2022	(30,943)	(52,514)	(11,453)	(4)	(1,870)	(2,152)	(98,936)
Depreciation expenses	(3,424)	(6,928)	(1,306)	-	-	(1,001)	(12,658)
Sale and disposition	36	1,210	399	-	-	461	2,106
Foreign currency translation differences	(155)	(251)	(86)	-	(200)	(18)	(709)
Other	(2,070)	-	-	-	2,070	-	-
Balance at March 31, 2023	(36,556)	(58,483)	(12,446)	(4)	-	(2,710)	(110,197)
Carrying amount							
Balance at April 1, 2022	49,124	21,889	3,292	12,027	21,287	3,599	111,218
Balance at March 31, 2023	60,976	26,143	3,596	12,382	15,149	3,083	121,330

Depreciation expenses of property, plant and equipment are included in cost of sales, selling, general and administrative expenses, and research and development expenses of the consolidated statements of income.

Sawai reviewed the plans of its U.S. Business segment, which is a cash generating unit (CGU), and considered how Upsher-Smith Laboratories, LLC, one of its subsidiaries, should attain sustainable growth, reaching the decision to embark on the business restructuring of the subsidiary. As a result, Sawai determined that the recoverable amount of the CGU would be lower than its book value and recognized impairment losses for the year ended March 31, 2022. For details, please refer to Note 16.

Carrying amount of lease assets by finance lease or right-of-use assets included in property, plant and equipment is as follows:

	Yen (in millions)			
	Building and structures	Machinery and equipment	Tools, furniture and fixtures	Total
Year ended March 31, 2022	2,599	834	166	3,599
Year ended March 31, 2023	2,261	652	171	3,083

## 16. Goodwill and Intangible Assets

The components of goodwill and intangible assets are as follows:

### Year ended March 31, 2022

	Yen (in millions)						Total
	Goodwill	Intangible Assets					
		Marketed products	Research and development	Trademark	Software	Other	
Acquisition cost							
Balance at April 1, 2021	39,304	66,029	17,853	6,618	6,779	276	97,555
Addition	-	135	4,623	2	553	220	5,533
Disposition	-	-	(1,653)	-	(103)	-	(1,756)
Transfer	-	2,927	(2,927)	-	7	(7)	-
Exchange differences	4,146	5,586	615	697	83	8	6,989
Other	-	-	-	-	231	(20)	211
Balance at March 31, 2022	43,450	74,677	18,511	7,317	7,550	477	108,532
Accumulated amortization amount and accumulated impairment losses							
Balance at April 1, 2021	-	(32,163)	(5,464)	(9)	(5,421)	(26)	(43,083)
Amortization expenses	-	(6,344)	-	-	(531)	(42)	(6,917)
Impairment	(39,897)	(16,533)	(5,002)	(6,709)	-	-	(28,244)
Disposition	-	-	1,631	-	91	-	1,722
Exchange differences	(3,553)	(4,490)	(560)	(598)	(71)	-	(5,719)
Other	-	(14)	11	1	-	-	(2)
Balance at March 31, 2022	(43,450)	(59,544)	(9,384)	(7,315)	(5,932)	(68)	(82,243)
Carrying amount							
Balance at April 1, 2021	39,304	33,866	12,389	6,609	1,358	250	54,472
Balance at March 31, 2022	-	15,133	9,127	2	1,618	409	26,289

**Year ended March 31, 2023**

	Yen (in millions)						Total
	Goodwill	Intangible Assets					
		Marketed products	Research and development	Trademark	Software	Other	
<b>Acquisition cost</b>							
Balance at April 1, 2022	43,450	74,677	18,511	7,317	7,550	477	108,532
Addition	-	225	7,394	-	497	496	8,612
Disposition	-	(27)	(1,016)	-	(222)	(24)	(1,290)
Transfer	-	4,679	(4,679)	3	38	(40)	-
Transfer to Assets held for sale	-	(15,400)	-	-	-	-	(15,400)
Exchange differences	3,955	5,559	569	665	80	6	6,879
Other	-	-	-	-	-	(12)	(12)
<b>Balance at March 31, 2023</b>	<b>47,405</b>	<b>69,712</b>	<b>20,779</b>	<b>7,985</b>	<b>7,943</b>	<b>902</b>	<b>107,321</b>
<b>Accumulated amortization amount and accumulated impairment losses</b>							
Balance at April 1, 2022	(43,450)	(59,544)	(9,384)	(7,315)	(5,932)	(68)	(82,243)
Amortization expenses	-	(4,331)	-	(0)	(630)	(62)	(5,024)
Impairment and reversal of impairment	-	1,416	(3,253)	-	-	-	(1,838)
Disposition	-	22	1,016	-	138	-	1,176
Transfer to Assets held for sale	-	13,775	-	-	-	-	13,775
Exchange differences	(3,955)	(4,768)	(569)	(665)	(68)	-	(6,071)
Other	-	(312)	312	-	-	-	-
<b>Balance at March 31, 2023</b>	<b>(47,405)</b>	<b>(53,743)</b>	<b>(11,879)</b>	<b>(7,980)</b>	<b>(6,492)</b>	<b>(130)</b>	<b>(80,225)</b>
<b>Carrying amount</b>							
Balance at April 1, 2022	-	15,133	9,127	2	1,618	409	26,289
Balance at March 31, 2023	-	15,969	8,900	4	1,450	772	27,096

The table below provides information about significant intangible assets:

	Category	Yen (in millions)		Remaining amortization period as of March 31, 2023
		Carrying amount as of March 31,		
		2022	2023	
Zomig®	Marketed products	786	258	1 year



Sawai has two CGUs: the Japan Business Segment and the U.S. Business Segment. Details of the impairment test and impairment loss for each CGU are as follows:

**Year ended March 31, 2022**

*Impairment Related to Japan Business Segment*

During the year ended March 31, 2022, Sawai recognized impairment losses related to Marketed Products and Research and Development in the Japan Business segment.

Research and Development are tested annually for impairment and Marketed Products are tested whenever indicators of impairment arise. The recoverable amount of the CGU, which is based on value-in-use, has been derived from discounted forecast cash flow models, pre-tax WACC of 5.4% as of March 31, 2022. The forecast cash flows involve number of assumptions, including future sales price and volume growth, costs, the future expenditure required to maintain the product’s marketability and registration in the relevant jurisdictions. These assumptions are based on historical experience and are reviewed as part of management’s budgeting and strategic planning cycle for changes in market conditions and sales erosion through competition. A change in these assumptions may have a significant impact on the amount, if any, of an impairment charge.

Following is a summary of impairment losses recognized in the Japan Business Segment in the year ended March 31, 2022:

	<b>Yen (in millions)</b>
	<b>Amount of impairment loss</b>
Marketed products	231
Research and development	2,002
Total	2,233

Impairment losses related to marketed products arose from a decrease in the expected profitability of certain products due to competition with other companies. Impairment losses related to research and development arose from a decrease in the expected profitability of certain ongoing development projects due to the abandonment of some of those projects, changes in the market situation, and competition. Those impairment losses are included in “Research and development expenses” in the consolidated statements of income.

*Impairment Related to U.S. Business Segment*

U.S. Business segment saw entries of competitors for its main products one after the other during the year ended March 31, 2022 and even though it strived to expand the number of products placed on the market, the business environment was severe. Therefore, Sawai considered how its subsidiary Upsher-Smith Laboratories, LLC should attain sustainable growth and decided to embark on business restructuring. As a result of this review of its future plan for the U.S. Business segment, which represents a cash generating unit (CGU), Sawai determined that the recoverable amount of the CGU would be less than book value.

The recoverable amount of the CGU is valued at JPY 53,760 million based on its fair value less disposal costs for intangible assets (marketed products and research and development, classified as level 3 inputs in the fair-value hierarchy) and based on the value-in-use of the other assets. The recoverable amount is calculated by discounting the value of future cash flows forecast based on the business plan of the U.S. Business segment to their present value. For the calculation for the year ended March 31, 2022, a 5-year forecast of cash flows, a terminal growth rate of zero, and a pre-tax WACC (discount rate) of 8.5% to 10.5% were used. There is uncertainty in the future revenue price and volume growth included in the business plan and a change in these assumptions may have a significant impact on the forecast cash flows, even though management has reasonably estimated the main assumptions. In addition, estimation of the terminal growth rate and discount rate requires the high skills and technical talent of valuation in terms of the use of unobservable inputs and valuation method.

Following is a summary of impairment losses recognized in the U.S. Business Segment in the year ended March 31, 2022:

	<b>Yen (in millions)</b>
	<b>Amount of impairment loss</b>
Buildings and structures (Property, plant and equipment)	858
Machinery and equipment (Property, plant and equipment)	286
Construction in progress (Property, plant and equipment)	1,717
Goodwill	39,897
Marketed products (Intangible assets)	16,302
Research and development (Intangible assets)	3,001
Trademark (Intangible assets)	6,709
Total	<u>68,770</u>

Impairment losses above are included in the following account on the consolidated statements of income.

	<b>Yen (in millions)</b>
	<b>Amount of impairment loss</b>
Cost of sales	2,299
Selling, general and administrative expenses	14,141
Research and development expenses	5,724
Other expenses	46,606
Total	<u>68,770</u>

### **Year ended March 31, 2023**

#### *Impairment Related to Japan Business Segment*

During the year ended March 31, 2023, Sawai recognized impairment losses related to Marketed Products and Research and Development in the Japan Business segment.

Research and Development are tested annually for impairment and Marketed Products are tested whenever indicators of impairment arise. The recoverable amount of the CGU, which is based on value-in-use, has been derived from discounted forecast cash flow models, pre-tax WACC of 4.7% as of March 31, 2023. The forecast cash flows involve number of assumptions, including future sales price and volume growth, costs, the future expenditure required to maintain the product's marketability and registration in the relevant jurisdictions. These assumptions are based on historical experience and are reviewed as part of management's budgeting and strategic planning cycle for changes in market conditions and sales erosion through competition. A change in these assumptions may have a significant impact on the amount, if any, of an impairment charge.

Following is a summary of impairment losses recognized in the Japan Business Segment in the year ended March 31, 2023:

	<b>Yen (in millions)</b>
	<b>Amount of impairment loss</b>
Marketed products	210
Research and development	3,253
Total	<u>3,463</u>

Impairment losses on intangible assets related to marketed products mainly arose from a decrease in profitability due to the impact of NHI drug price revision. Impairment losses related to research and development arose from a decrease in the expected profitability of certain ongoing development projects due to the abandonment of some of those projects, changes in the market situation, and competition. Those impairment losses are included in "Research and development expenses" in the consolidated statements of income.

### *Reversal of Impairment Related to U.S. Business Segment*

In the U.S. Business Segment, Sawai is considering maximizing the value of intangible assets related to certain products on which impairment losses have been recognized in prior periods by adopting such measures as increasing efficiency in sales promotion activities for cost reduction and transferring such assets to other companies during the following fiscal year. Based on its determination that those assets can be classified as held-for-sale, Sawai has estimated their recoverable amount in the case of their transfer and is reversing some of the impairment loss recognized on those assets in prior periods.

The recoverable amount of those assets is estimated to be equivalent to their fair value less disposal costs (classified as level 3 inputs in the fair-value hierarchy), based on the most likely transfer price. Although management recognizes this fair value as reasonable, there are uncertainties in the future transfer, with a high likelihood of management's judgement exerting a significant impact on fair value assessment.

Below is a summary of reversal of impairment losses recognized in the U.S. Business segment in the year ended March 31, 2023:

	<u>Yen (in millions)</u>	<u>Account on the consolidated statements of income</u>
	<u>Amount of reversal of impairment losses</u>	
Marketed products	1,626	Selling, general and administrative expenses

## **17. Trade and Other Payables**

The components of trade and other payables are as follows:

	<u>Yen (in millions)</u>	
	<u>March 31,</u>	
	<u>2022</u>	<u>2023</u>
Trade accounts payable	28,665	30,254
Other accounts payable	22,247	22,561
Total	50,912	52,815

Trade payables and other payables are classified as financial liabilities measured at amortized cost.

## **18. Bonds and Borrowings**

The components of bonds and borrowings are as follows:

	<u>Yen (in millions)</u>	
	<u>March 31,</u>	
	<u>2022</u>	<u>2023</u>
Short-term borrowings	-	10,000
Current portion of long-term borrowings	3,117	3,034
Current portion of bonds	9,999	-
Long-term borrowings, less current portion	53,633	60,098
Total	66,749	73,133
Bonds and borrowings (current)	13,116	13,034
Borrowings (non-current)	53,633	60,098

The composition of the bonds is as follows:

Name of Bond	Issue date	Principal amount in contractual currency	Yen (in millions)		Interest rate	Maturity
			March 31,			
			2022	2023		
1st Unsecured Bonds	June 2015	10,000	9,999	-	0.67%	June 2022
			9,999	-		

The composition of the borrowings is as follows:

Name of Borrowings	Original principal amount	Yen (in millions)		Interest rate	Maturity
		Carrying amount March 31,			
		2022	2023		
Short term variable rate loans	10,000	-	10,000	1-month TIBOR + 0.3%	April 2023
2017 fixed rate loans	13,000	13,000	13,000	0.67%	December 2027
2017 variable rate loans	47,000	33,750	30,633	3-month TIBOR + 0.35%	December 2032
2020 fixed rate loans	10,000	10,000	10,000	0.35%	December 2025
2022 fixed rate loans	9,500	-	9,500	0.45%	June 2027
		56,750	73,133		

Changes in liabilities accompanying changes in cash flows from financing activities are as follows:

**Year ended March 31, 2022**

	Balance at the beginning of the year	Cash flows from financing activities	Yen (in millions)			Balance at the end of the year
			Changes by non-cash elements			
			Acquisition	Foreign exchange movement	Other	
Bonds	9,991	-	-	-	8	9,999
Long-term borrowings	60,584	(3,834)	-	-	-	56,750
Total	70,575	(3,834)	-	-	8	66,749

**Year ended March 31, 2023**

	Balance at the beginning of the year	Cash flows from financing activities	Yen (in millions)			Balance at the end of the year
			Changes by non-cash elements			
			Acquisition	Foreign exchange movement	Other	
Bonds	9,999	(10,000)	-	-	1	-
Short-term borrowings	-	10,000	-	-	-	10,000
Long-term borrowings	56,750	6,382	-	-	-	63,133
Total	66,749	6,382	-	-	1	73,133

## 19. Provisions

Changes in provisions are as follows:

	Yen (in millions)			
	Provisions for drug product safety assessment	Provisions for compensation for the loss	Other	Total
April 1, 2022	502	777	102	1,381
Increase	-	46	-	46
Usage	(358)	(471)	-	(829)
Reverse	-	(306)	-	(306)
Other	-	-	(1)	(1)
March 31, 2023	144	46	101	291
Provisions (current)	144	46	-	190
Provisions (non-current)	-	-	101	101

In anticipation of conducting pharmaceutical product safety assessments required by the amended quality guidelines issued by the Japanese authorities in conformity with the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH) guideline Q3D, Sawai recognizes the estimated amount of costs for future assessment of its goods and products as “provisions for product safety assessments.” Such costs are normally expected to be paid within one year.

Moreover, in anticipation of paying compensation in consultation with suppliers, Sawai recognizes the estimated amount necessary to cover expenses for compensation in the future as “provisions for compensation for loss.” Such expenses are normally expected to be paid within one year.

Other provisions mainly consist of asset retirement obligations of ROU assets.

Sawai reviews and adjusts each provision if its estimate changes significantly.

## 20. Other Financial Liabilities

The components of other financial liabilities are as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Financial liabilities measured at amortized cost		
Guarantee deposits	2,829	2,996
Lease liabilities	4,479	3,941
Total	7,308	6,936
Other financial liabilities (current)	4,419	4,444
Other financial liabilities (non-current)	2,889	2,492

## 21. Leases

### *As a Lessee*

The amounts recognized in profit or loss are as follows:

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Interest expense on lease liabilities	53	46
Expense relating to short-term leases	381	407
Expense relating to leases of low-value assets	101	157
Expense relating to variable lease payments	30	36
Gain on sale and leaseback transaction	1,905	-

The following table shows the depreciation expenses for right-of-use assets by class of underlying asset. Note 15 sets out the information of the carrying amount of right-of-use assets by class of underlying asset.

	Yen (in millions)	
	Year ended March 31,	
	2022	2023
Buildings and structures	669	734
Machinery and equipment	232	221
Tools, furniture and fixtures	49	45
Total	950	1,001

The following table shows the maturity analysis of lease liabilities.

	Yen (in millions)	
	March 31,	
	2022	2023
Current portion	1,602	1,456
Over 1 year and within 5 years	2,516	2,484
Over 5 years	489	89
Total	4,607	4,030
Present value of total minimum lease payment	4,479	3,941
Lease liabilities (current)	1,590	1,449
Lease liabilities (non-current)	2,889	2,492

The total cash outflow for lease for the year ended March 31, 2022 and 2023 were JPY 2,281 million and JPY 2,583 million, respectively.

Leases of inventory warehouse represents major parts of lease transactions by Sawai, for which the typical lease term is 1 year. Sawai assesses to determine the lease term whether there is an option to extend or terminate lease to be exercised with reasonable certainty taking into a consideration if penalty imposed on the cancellation of lease is significant. Sawai has assessed that Sawai is not reasonably certain to exercise the option to extend lease after the period penalty is imposed on.

## 22. Other current liabilities

The components of other current liabilities are as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Accrued bonuses	3,658	3,878
Accrued expenses	3,377	3,442
Accrued consumption taxes	535	73
Other	750	377
Total	8,320	7,771

## 23. Employee Benefits

Amount recognized as expenses in relation to the defined contribution plan is JPY 714 million and JPY 773 million for year ended March 31, 2022 and 2023, respectively.

## 24. Equity and other Equity Items

### (1) Share Capital and Capital Surplus

The components of share capital and capital surplus are as follows:

	Number of shares authorized (Thousands of shares)	Number of shares issued (Thousands of shares)	Share capital (Yen in millions)	Capital surplus (Yen in millions)
Balance as of April 1, 2021	77,600	43,791	41,219	42,453
Increase	-	-	-	31,219
Decrease	-	-	(31,219)	-
Balance as of March 31, 2022	77,600	43,791	10,000	73,672
Increase	-	-	-	-
Decrease	-	-	-	(35,959)
Balance as of March 31, 2023	77,600	43,791	10,000	37,714

The decrease in the amount of share capital and the increase in the amount of capital surplus in the year ended March 31, 2022 were due to a share transfer. The decrease in the amount of capital surplus in the year ended March 31, 2023 was due to dividend payment and transfer of some capital surplus to retained earnings.

### (2) Treasury Shares

Number of treasury shares and an increase/decrease in its amount are as follows:

	Number of shares (Thousands of shares)	Amount (Yen in millions)
Balance as of April 1, 2021	-	-
Increase	0	2
Decrease	-	-
Balance as of March 31, 2022	0	2
Increase	-	-
Decrease	-	-
Balance as of March 31, 2023	0	2

The increase in the number of treasury shares in the year ended March 31, 2022 was due to shareholders' requests for Sawai to purchase shares of less than one unit.

(3) *Other Components of Equity*

**Year ended March 31, 2022**

	Yen (in millions)			
	Reserve for share-based payments	Changes in financial assets measured at FVOCI	Foreign currency translation differences	Total
Balance at the beginning of the year	437	1,352	388	2,177
Other comprehensive income	-	566	5,137	5,703
Total current comprehensive income	-	566	5,137	5,703
Forfeiture of share based payment	(242)	-	-	(242)
Share-based payments	50	-	-	50
Total transactions with owners	(192)	-	-	(192)
Balance at the end of the year	245	1,918	5,525	7,688

**Year ended March 31, 2023**

	Yen (in millions)			
	Reserve for share-based payments	Changes in financial assets measured at FVOCI	Foreign currency translation differences	Total
Balance at the beginning of the year	245	1,918	5,525	7,688
Other comprehensive income	-	345	4,113	4,457
Total current comprehensive income	-	345	4,113	4,457
Share-based payments	145	-	-	145
Total transactions with owners	145	-	-	145
Balance at the end of the year	390	2,263	9,637	12,289

**25. Dividends**

Amount of dividends and dividends per share are as follows:

**Year ended March 31, 2022**

Declaration date	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders, Sawai Pharmaceutical Co., Ltd. (June 28, 2021)	2,846	65	March 31, 2021	June 29, 2021
Board of Directors' meeting (November 12, 2021)	2,846	65	September 30, 2021	December 3, 2021

**Year ended March 31, 2023**

Declaration date	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (June 24, 2022)	2,846	65	March 31, 2022	June 27, 2022
Board of Directors' meeting (November 8, 2022)	2,846	65	September 30, 2022	December 2, 2022



Dividends declared for which the effective date falls in the following year are as follows:

**Year ended March 31, 2022**

<b>Date of resolution</b>	<b>Total amount of dividends (Yen in millions)</b>	<b>Dividend amount per share (Yen)</b>	<b>Record date</b>	<b>Effective date</b>
Annual general meeting of shareholders (June 24, 2022)	2,846	65	March 31, 2022	June 27, 2022

**Year ended March 31, 2023**

<b>Date of resolution</b>	<b>Total amount of dividends (Yen in millions)</b>	<b>Dividend amount per share (Yen)</b>	<b>Record date</b>	<b>Effective date</b>
Annual general meeting of shareholders (June 27, 2023)	2,846	65	March 31, 2023	June 28, 2023

**26. Financial Instruments**

**(1) Capital Management**

Sawai sets a basic policy for capital management to maintain the optimum capital composition, which improves capital efficiency securing financial soundness and flexibility to continue corporate value improvement and realize return improvement to shareholders.

Sawai conducts monitoring of financial indices to maintain the optimum capital composition. Sawai continuously monitors its credit rating for soundness and flexibility of finance and return on equity attributable to owner of the Company (ROE) for its capital efficiency.

There are no material capital regulations applied to Sawai.

**(2) Risk Management Policy**

Sawai is exposed to various financial risks (credit risk, market risk and liquidity risk) in performing business activities. Therefore, based on internal rules, Sawai monitors financial risks on a regular basis and carries out measures for avoiding or reducing risks as necessary.

Sawai does not conduct any derivative transactions.

**(3) Credit Risk**

**[1] Overview**

Credit risk means the risk of financial losses incurred by Sawai if customers or counterparties of financial instrument transactions cannot perform obligations under contracts, which mainly arises from the receivables and contract assets of Sawai from customers.

**(i) Credit risk management**

The credit risk in Sawai arises principally from receivables from customers, which resulted in Sawai mainly focusing on the credit risk management for its trade receivables. Sawai considers that its cash and cash equivalents have low credit risk based on the external credit ratings of banks that hold the cash and cash equivalents.

Sawai has established a credit policy under which each new customer is analyzed individually for creditworthiness before Sawai's standard payment and delivery terms and conditions are offered. Sawai's review includes financial statements, industry information and in some cases bank references. Sale limits are established for each customer and reviewed annually. Any increase from those limits requires approval of the person in charge, in accordance with Sawai's internal policy. In order to limit its exposure to credit risk from trade receivables, Sawai receives cash from small sized customers as guarantee deposits to secure the payment from these customers.

(ii) Concentration of credit risk

In the Japan Business segment, Sawai sells products mainly through a small number of wholesalers. Total revenue from the top four companies account for approximately 56% of revenue in the Japan Business. Trade receivables with the top four companies were JPY 25,387 million and JPY 25,822 million as of March 31, 2022 and 2023, respectively.

[2] Credit exposure

The maximum exposure to credit risk of financial assets equals to the carrying amount of the financial assets which is net of allowances for ECLs, while there was no material impairment loss in the previous years.

[3] Changes in loss allowance

Loss allowance for the year ended March 31, 2022 and 2023 were as follows:

**Year ended March 31, 2022**

	Yen (in millions)		
	Loss allowance measured at the amount equal to lifetime expected credit loss	Loss allowance measured at the amount equal to 12-month expected credit loss	Total
Balance at the beginning of the year	24	-	24
Increased amount during the period	-	-	-
Decreased amount during the period (utilization)	(3)	-	(3)
Decreased amount during the period (reversal)	(3)	-	(3)
Balance at the end of the year	18	-	18

**Year ended March 31, 2023**

	Yen (in millions)		
	Loss allowance measured at the amount equal to lifetime expected credit loss	Loss allowance measured at the amount equal to 12-month expected credit loss	Total
Balance at the beginning of the year	18	0	18
Increased amount during the period	0	-	0
Decreased amount during the period (utilization)	-	-	-
Decreased amount during the period (reversal)	-	(0)	0
Balance at the end of the year	18	0	19

[4] The exposure to credit risk for financial assets

The following table provides aging analysis of the exposure to credit risk of financial assets at the end of reporting period:

**As of March 31, 2022**

	Yen (in millions)		Total
	Trade receivables and contract assets for which loss allowance is measured at the amount equal to lifetime expected credit loss	Other receivables for which loss allowance is measured at the amount equal to 12-month expected credit loss	
Not past due	61,593	3,482	65,075
Within 30 days	-	-	-
Over 30 days within 60 days	-	-	-
Over 60 days within 90 days	-	3	3
Over 90 days within 1 year	-	-	-
Over 1 year	-	-	-
Total	61,593	3,485	65,078

**As of March 31, 2023**

	Yen (in millions)		Total
	Trade receivables and contract assets for which loss allowance is measured at the amount equal to lifetime expected credit loss	Other receivables for which loss allowance is measured at the amount equal to 12-month expected credit loss	
Not past due	62,469	4,544	67,013
Within 30 days	-	12	12
Over 30 days within 60 days	-	-	-
Over 60 days within 90 days	-	-	-
Over 90 days within 1 year	-	-	-
Over 1 year	-	-	-
Total	62,469	4,557	67,026

[5] Details of security and other credit supplementation

Sawai holds guarantee deposits as a security for some trade receivables. Balance of guarantee deposits recorded in other financial liabilities at the end of reporting period is as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Guarantee deposits	2,829	2,996

(4) **Liquidity Risk**

[1] Overview

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

[2] Maturity analysis

Balance by maturity date of financial liabilities of Sawai is as follows:

**As of March 31, 2022**

	Carrying amount	Contractual cash flows	Within 1 year	Yen (in millions)				
				Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bonds	9,999	10,010	10,010	-	-	-	-	-
Borrowings	56,750	58,164	3,372	3,273	3,434	13,325	3,287	31,473
Refund liabilities	7,581	7,581	7,581	-	-	-	-	-
Guarantee deposits	2,829	2,829	2,829	-	-	-	-	-
Total	77,159	78,584	23,792	3,273	3,434	13,325	3,287	31,473

(Note) For lease liabilities, refer to Note 21.

**As of March 31, 2023**

	Carrying amount	Contractual cash flows	Within 1 year	Yen (in millions)				
				Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Borrowings	73,133	74,503	13,321	3,482	13,372	3,333	25,788	15,206
Refund liabilities	5,440	5,440	5,440	-	-	-	-	-
Guarantee deposits	2,996	2,996	2,996	-	-	-	-	-
Total	81,569	82,939	21,757	3,482	13,372	3,333	25,788	15,206

(Note) For lease liabilities, refer to Note 21.

[3] Committed Credit Line

Sawai has committed credit lines with five financial institutions in order to efficiently procure working capital as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Total committed credit lines	16,000	16,000
Usage during the year	-	10,000
Unused credit lines	16,000	6,000

(5) **Market Risk**

[1] Overview

Market risk is the risk related to market price changes, including foreign exchange rate, interest rate and stock price, which impacts Sawai's income or the value of financial instruments held by Sawai. The purpose of market risk management is to maximize returns while managing and controlling exposure to market risk within a tolerable range.

[2] Exchange risk

Sawai is mainly exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated. The currency in which these transactions are primarily denominated in U.S. dollars. Sawai hedges the estimated foreign currency exposure in its purchase transaction in U.S. dollars by investing a foreign currency deposit in U.S. dollars under its risk management policy.

(i) Exposure to exchange risk

Summary of quantitative data of Sawai's exchange risk exposure, which were submitted to Sawai's management based on the risk management policy, is as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Financial assets	846	846
Financial liabilities	(308)	(1,041)
Net amount of exposure in the consolidated statement of financial position	538	(195)
Net amount of exposure	538	(195)

(ii) Exchange sensitivity analysis

Sawai is exposed mainly to U.S. dollars exchange risk. The strengthening (weakening) of Yen against the U.S. dollars by 10% would have affected the measurement of financial instruments denominated in a foreign currency held by Sawai at the end of reporting period and affected equity and profit or loss by the amounts shown below (net of tax). This analysis assumes that all other variables, in particular interest rates, remain constant. In this regard, they do not include the impact on translation into Yen for assets, liabilities, revenue and expenses of foreign operations.

**Year ended March 31, 2022**

Profit or loss		Equity, net of tax	
Strengthening	Weakening	Strengthening	Weakening
(5)	5	(5)	5

**Year ended March 31, 2023**

Profit or loss		Equity, net of tax	
Strengthening	Weakening	Strengthening	Weakening
2	(2)	2	(2)

[3] Interest rate risk

Sawai conducts financing by interest-bearing liabilities. Variable interest rate applies to some interest-bearing liabilities, which are exposed to interest rate fluctuation risk.

If the interest rate increases by 1% on the financial instruments issued by Sawai as of the reporting date to which the variable interest rate applies, an impact on net profit or (loss), gross of tax, is JPY (338) million and JPY (406) million in the year ended March 31, 2022 and 2023.

Exposure to interest fluctuation risk is as follows:

	Yen (in millions)	
	March 31,	
	2022	2023
Borrowings to which variable interest rate applies	33,750	40,633

[4] Stock price risk

(i) Exposure to stock price risk

Sawai holds equity securities in certain companies and is exposed to the market price risks. These equity instruments were acquired for the strategic purposes, taking into consideration of various relationships and factors with customers or other business partners. Sawai periodically confirms the validity and reasonableness of holding the instruments, both from strategic and financial perspective.

(ii) Stock price sensitivity analysis

The following summarizes the impact (net of tax) to the equity of Sawai at the reporting date if equity instruments would have decreased by 10%:

	Yen (in millions)	
	March 31,	
	2022	2023
10% decrease in stock price	(365)	(390)

(6) *Classification of Accounting and Fair Value*

[1] Calculation method of fair value

(i) Equity securities

Fair value of equity securities is measured by market price. For investment in private company, fair value is measured using appropriate valuation method based on investees' financial condition and projections.

(ii) Bonds and borrowings

Fair value thereof is measured by the method calculating by discounting at the interest rate expected in the case of similar new financing for the total of principal and interest and with the same terms.

[2] Fair value hierarchy level

Each level is defined as follows:

Level 1: Market price (unadjusted) of the same assets and liabilities in active markets

Level 2: Input directly (that is, by price) or indirectly (that is, due to price) observable for assets and liabilities other than market price included in Level 1.

Level 3: Input about assets and liabilities not based on the observable market data (unobservable input)

Transfer between fair value hierarchy levels is recognized on the day of change of events or situations that caused transfer.

[3] Comparison between fair value and carrying amount

	Yen (in millions)			
	March 31,			
	2022		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Bonds	9,999	10,023	—	—
Borrowings	56,750	57,009	73,133	73,351
Total	66,749	67,032	73,133	73,351

The carrying amount of financial assets and financial liabilities other than the above is a reasonable approximation of fair value.

The levels of fair value of bonds and borrowings are classified as Level 2.

[4] Measurement of fair value recognized in the consolidated statement of financial position

**As of March 31, 2022**

	<b>Yen (in millions)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity instruments measured at fair value through other comprehensive income				
Equity securities	5,258	-	1,664	6,922

During the year ended March 31, 2022, Sawai transferred the category of some of its equity securities from Level 3 to Level 1 because the company in which Sawai held those shares was newly listed on an exchange and published price quotations for those securities in the active market became available. Sawai makes this kind of category transfer in the fair-value hierarchy on the day of the relevant actual event or the occurrence of the relevant actual situation.

**As of March 31, 2023**

	<b>Yen (in millions)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity instruments measured at fair value through other comprehensive income				
Equity securities	5,612	-	1,862	7,474

There was no financial instrument transferred between levels of the fair value hierarchy.

The following table illustrates a reconciliation from the beginning to the ending balance for Level 3 financial assets, which solely consists of equity investment in private companies:

	<b>Yen (in millions)</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2023</b>
Balance at the beginning of the year	1,499	1,664
Gain recognized as changes in fair value of financial instruments measured at FVOCI	313	137
Purchases	211	-
Sales or settlements	(210)	-
Transfers out of Level 3	(210)	-
Other	61	60
Balance at the end of the year	1,664	1,862

Reasonableness of the valuations is reviewed by the accounting department and approved by the department manager.



(7) **Offsetting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where Sawai currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Sawai gives chargeback programs to wholesalers in the United States. Under the term of the agreement, the amounts payable by Sawai are offset against receivables from the wholesalers and only the net amounts are settled. Accruals for chargebacks recognized as Refund liabilities are offset against Trade and other receivables in the statements of financial position.

The following table presents the recognized financial instruments that are offset as of March 31, 2022 and 2023.

	<b>Yen (in millions)</b>		
	<b>Effect of offsetting on the statement of financial position</b>		
	<b>Gross Amounts</b>	<b>Gross amounts set off</b>	<b>Net amounts presented</b>
<b><u>As of March 31, 2022</u></b>			
Financial assets			
Trade receivables and others	70,742	(5,683)	65,059
Total	70,742	(5,683)	65,059
Financial Liabilities			
Refund liability	13,264	(5,683)	7,581
Total	13,264	(5,683)	7,581
<b><u>As of March 31, 2023</u></b>			
Financial assets			
Trade receivables and others	71,911	(4,904)	67,007
Total	71,911	(4,904)	67,007
Financial Liabilities			
Refund liability	10,345	(4,904)	5,440
Total	10,345	(4,904)	5,440

## 27. Subsidiaries

The Company's major subsidiaries are as follows:

<b>Names of Major Subsidiaries</b>	<b>Major Business Activities</b>	<b>Location</b>	<b>Ownership ratio of voting rights (%)</b>
Sawai Pharmaceutical, Co., Ltd.	Manufacture and sale of ethical pharmaceuticals	Japan	100.0
Medisa Shinyaku Inc.	Sale of ethical pharmaceuticals	Japan	100.0
Kaken Shoyaku Co., Ltd.	Manufacture and sale of ethical pharmaceuticals	Japan	100.0
Trust Pharmatech Co., Ltd.	Manufacture and sale of ethical pharmaceuticals	Japan	100.0
Sawai America Holdings INC.	Holding Company	US	100.0
Sawai America, LLC	Management of subsidiaries through holding of interests in subsidiaries	US	80.0
Upsher-Smith Laboratories, LLC	Manufacture and sale of ethical pharmaceuticals	US	80.0

## 28. Related Parties

Compensation for key management personnel is as follows:

	<b>Yen (in millions)</b>	
	<b>Year ended March 31,</b>	
	<b>2022</b>	<b>2023</b>
Basic compensation and bonuses	177	208
Share-based compensation	-	84
Total	177	292

## 29. Business Combination

Sawai, ORIX Corporation (Head office: Tokyo, Japan; hereinafter “ORIX”), and Kobayashi Kako Co., Ltd. (Head office: Fukui, Japan; hereinafter “Kobayashi Kako”) agreed that Sawai will take over Kobayashi Kako’s assets pertaining to production activities and personnel of related divisions, and concluded a transfer agreement (hereinafter, this “Transfer Agreement”). Sawai established Trust Pharmatech Co., Ltd., which acquired the assets in exchange for cash consideration on March 31, 2022.

### 1. Name and principal business of the acquiree

Company name: Kobayashi Kako

Principal business: manufacturing of generic pharmaceutical products

### 2. Primary reason for the business combination

Sawai is committed to strengthening its stable supply capabilities to increase its share in the Japanese generics market, as stated in the Medium-Term Business Plan “START 2024” issued in May 2021. The core issue has been to obtain not only manufacturing facilities but also the personnel engaged in drug manufacturing. The greatest reason for the decision for the Transfer Agreement is that by having them unite and act together with Sawai under its quality culture, we will be able to contribute to resolving the supply problem in the generics industry. We also believe this is one step toward contributing to the generics industry, and to medical practitioners and patients.

### 3. Date of acquisition

March 31, 2022

### 4. Percentage of voting equity interests acquired

Sawai has established Trust Pharmatech Co., Ltd. as a new subsidiary (100% of ownership ratio of voting rights), which received the facilities.

### 5. Fair value of assets acquired and the liabilities assumed, and breakdown of consideration transferred

Following is a summary of the assets acquired and liabilities assumed, and consideration transferred.

	Yen (in millions)
Property, plant, and equipment	22,367
Other assets	285
Deferred tax assets	36
Deferred tax liabilities	△3,870
Gain on bargain purchase	△8,704
Total net assets acquired	10,114
Cash	10,114
Total consideration transferred	10,114

As a result of fair value measurement of assets acquired and liabilities assumed, fair value of net assets acquired exceeded consideration transferred, which resulted in 8,704 million yen of gain on bargain purchase. Gain on bargain purchase is included in “other income” on the consolidated statements of income. Furthermore, acquisition related costs for the business combination in the amount of 50 million yen is included in “Selling, general and administrative expenses”.

### **30. Commitment and Contingency**

#### **(1) Commitment**

Commitment to acquire property, plant and equipment was JPY 35,989 million and JPY 25,035 million as of March 31, 2022 and 2023, respectively.

#### **(2) Litigation**

Sawai is involved in government investigations and litigation arising from the marketing of its pharmaceutical products in the United States.

##### *Government investigation over USL*

In January 2017, USL and its employees received subpoenas from the U.S. Department of Justice (“DOJ”) Antitrust Division seeking documents and other information relating to the marketing and pricing of certain USL generic products and communications with competitors about such products. In May 2018, USL received a civil investigative demand from the DOJ Civil Division, pursuant to the federal False Claims Act, seeking documents and information same as above. USL is cooperating with these subpoena requests.

##### *Civil Antitrust Litigation*

Beginning in December 2016 with respect to USL, numerous complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of several generic drug products, as well as several individual direct and indirect purchaser opt-out plaintiffs. These complaints, which allege that the defendants engaged in conspiracies to fix prices and/or allocate market share of generic products have been brought against various manufacturer defendants, including USL. The plaintiffs generally seek injunctive relief and damages under federal antitrust law, and damages under various state laws. All such complaints have been transferred to the generic drug multidistrict litigation in the Eastern District of Pennsylvania.

Sawai has determined that outflow of economic resource is not probable from the complaints and thus has not recognized any liabilities related to the complaints as of March 31, 2023.

Sawai will be required to compensate the plaintiffs out of its resources and recognize a loss if a settlement in the government investigation or private actions is reached in the future.

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