

sawai



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Integrated Report **2024** Financial Section

For the year ended March 31, 2024

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Financial indicators

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

	Japanese GAAP →		
	FY2013	FY2014	FY2015
For the fiscal year (Millions of yen)			
Net sales / Revenue	89,824	105,454	123,492
Cost of sales	48,353	60,048	71,858
Gross profit	41,471	45,406	51,634
Selling, general and administrative expenses/ Selling, general and administrative expenses (including research and development expenses)	22,380	24,718	28,449
Operating income / Operating profit (loss)	19,091	20,688	23,185
Profit before income taxes / Profit (loss) before tax	18,990	20,298	23,092
Profit attributable to owners of parent / Profit (loss) attributable to owners of the Company	12,193	14,053	17,156
Research and development (R&D) expenses	5,170	6,110	8,019
Capital expenditures	7,353	13,251	17,775
Depreciation and amortization	4,989	5,863	7,044
At fiscal year-end (Millions of yen)			
Total assets	149,348	166,180	206,492
Inventories	39,182	44,663	55,668
Total current liabilities	39,097	42,209	50,078
Total long-term liabilities / Total non-current liabilities	8,949	11,572	30,692
Net assets/Total equity	101,302	112,399	125,722
Cash flows (Millions of yen)			
Net cash provided by operating activities/Cash flows from operating activities	13,422	12,112	19,975
Net cash used in investing activities/Cash flows from investing activities	(8,283)	(14,123)	(22,937)
Net cash provided by (used in) financing activities/Cash flows from financing activities	(178)	(922)	13,473
Cash and cash equivalents at end of year/Cash and cash equivalents at the end of the year	25,537	22,604	33,096
Financial indicators (%)			
Ratio of R&D expenses to sales/Ratio of research and development expenses to revenue	5.8	5.8	6.5
Return on equity/Return on equity attributable to owners of the Company	15.0	13.2	14.4
Shareholders' equity to total assets/ Ratio of equity attributable to owners of the Company to total assets	67.8	67.6	60.8
Per share information (yen)			
Net income–basic / Basic earnings per share	365.18	382.26	465.57
Net income–diluted / Diluted earnings per share	330.41	381.85	465.25
Cash dividends applicable to period / Dividends per share	95.00	105.00	120.00
Net assets / Equity attributable to owners of the Company per share	2,755.29	3,053.29	3,405.20

Non-financial indicators

(unless specially noted, for Sawai Pharmaceutical)

	FY2013	FY2014	FY2015
Sales volume (Billion tablets)	6.5	8.0	8.9
Production capacity (Billion tablets)	8.6	10.0	11.3
Number of new products launched	23	28	25
Number of patents held	14	19	21
Number of GMP audits	–	–	–
Number of employees (consolidated)	1,121	1,239	1,490
Number of female employees in managerial positions	9	10	10
Ratio of female employees in managerial positions (%)	4.8	5.2	4.5
Employee training expenses (Sawai Group) (Millions of yen)	65	83	90
Number of employees who have received training (Sawai Group)	323	418	596
Number of employees involved in production (Sawai Group)	350	414	628
Number of employees involved in R&D (Sawai Group)	167	185	209
Energy used (Sawai Group) (Crude oil conversion kl)	17,931	20,473	26,781

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 2013 were recalculated to reflect the share split.

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

5. The U.S. business was classified as a non-continuing business in fiscal 2023. Fiscal 2022 and fiscal 2023 revenue, operating profit, and profit before tax are those for continuing businesses, excluding non-continuing business.



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

FY2016	IFRS →							
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
132,428	132,392	168,068	184,341	182,537	187,219	193,816	163,702	176,862
80,309	80,548	98,628	109,442	109,037	114,785	127,164	113,450	122,543
52,119	51,844	69,440	74,899	73,500	72,434	66,652	50,252	54,319
31,486	28,497	47,264	49,051	46,862	53,820	71,103	34,754	35,433
20,633	22,943	22,209	25,798	26,793	18,888	(35,888)	16,054	18,620
19,871	22,757	20,251	25,666	26,497	18,460	(36,214)	15,850	18,262
15,914	17,969	14,017	19,376	19,279	12,340	(28,269)	12,667	13,695
10,208	7,238	14,533	16,671	13,487	13,883	24,413	12,509	12,189
16,194	18,839	16,807	10,709	18,173	21,124	23,344	27,141	24,649
8,645	8,520	14,239	16,280	17,954	18,291	17,045	17,683	18,055
221,539	225,609	358,453	372,889	384,814	393,341	349,502	364,165	382,024
61,777	61,924	65,217	63,449	75,460	79,120	85,853	101,805	100,002
54,876	57,668	74,579	72,826	82,715	80,452	88,840	85,154	93,618
29,063	26,704	81,433	76,861	68,413	72,139	60,579	66,272	70,375
137,600	141,237	202,441	223,204	233,686	240,750	200,083	212,738	218,030
20,628	23,270	28,472	42,923	30,256	31,857	34,310	13,026	23,149
(16,207)	(18,827)	(127,900)	(16,820)	(18,173)	(21,794)	(30,395)	(27,134)	(23,112)
(6,740)	(6,761)	108,597	(9,513)	(12,747)	(11,991)	(11,262)	(1,267)	2,363
30,771	30,771	39,992	57,067	56,082	54,269	47,717	33,076	26,368
7.7	5.5	8.6	9.0	7.4	7.4	12.6	7.6	6.9
12.1	13.4	8.7	10.2	9.4	5.8	(13.8)	6.5	6.6
62.0	62.6	50.6	53.4	54.6	55.5	54.4	55.4	55.7
431.65	487.38	360.49	442.62	440.37	281.80	(645.53)	289.25	312.67
431.39	487.08	360.26	442.32	440.00	281.51	(645.53)	288.60	311.79
130.00	130.00	130.00	135.00	130.00	130.00	130.00	130.00	130.00
3,722.90	3,830.84	4,143.15	4,551.50	4,796.40	4,984.51	4,340.32	4,604.67	4,854.96
FY2016	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
10.2	10.2	10.6	11.9	12.4	13.3	14.8	15.0	15.7
15.0	15.0	15.5	15.5	15.5	15.5	15.5	15.5	18.5
18	18	43	33	12	44	32	23	10
23	23	26	31	36	37	42	45	53
164	164	100	110	133	124	141	153	92
2,502	2,502	3,252	3,131	3,066	3,003	2,968	3,393	3,482
11	11	14	15	15	15	17	18	22
4.5	4.5	5.5	6.0	6.1	5.8	6.6	6.9	9.9
111	111	128	87	62	45	63	88	92
660	660	579	654	600	4,038	2,840	4,034	3,795
1,612	1,612	1,749	1,687	1,644	1,607	1,636	2,015	2,097
230	230	246	257	251	246	253	295	297
30,914	30,914	31,948	32,336	31,015	30,130	30,452	40,628	36,955

Consolidated Statements of Income

		Yen in millions (except per share data)	
		Year ended March 31,	
	Note	2023	2024
Continued Operations			
Revenue	5	163,702	176,862
Cost of sales	6	(113,450)	(122,543)
Gross profit		50,252	54,319
Selling, general and administrative expenses	6	(22,245)	(23,244)
Research and development expenses	6	(12,509)	(12,189)
Other income		730	189
Other expenses		(174)	(456)
Operating profit		16,054	18,620
Finance income	7	195	201
Finance expenses	7	(398)	(558)
Profit before tax		15,850	18,262
Income tax expenses	8	(3,954)	(5,583)
Profit for the year from continued operations		11,896	12,679
Discontinued Operation			
Profit (Loss) for the year from the discontinued operation	29	940	(3,523)
Profit for the year		12,836	9,156
Profit attributable to:			
Owners of the Company		12,667	13,695
Non-controlling interests		169	(4,539)
Total		12,836	9,156
Earnings per share (Yen)			
Basic earnings per share			
Continued operations	9	271.66	289.48
Discontinued operation	9	17.60	23.19
Basic earnings per share	9	289.25	312.67
Diluted earnings per share			
Continued operations	9	271.04	288.67
Discontinued operation	9	17.56	23.12
Diluted earnings per share	9	288.60	311.79

Consolidated Statements of Comprehensive Income

		Yen (in millions)	
		Year ended March 31,	
Note	2023	2024	
		12,836	9,156
Profit (loss) for the year			
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	10	345	923
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	10	5,022	3,207
Other comprehensive income for the year, net of tax	10	5,367	4,130
Total comprehensive income (loss) for the year		18,203	13,286
Total comprehensive income (loss) attributable to:			
Owners of the Company		17,125	16,663
Non-controlling interests		1,078	(3,377)
Total		18,203	13,286

Consolidated Statements of Financial Position

		Yen (in millions)	
		March 31,	
Note		2023	2024
Assets			
Current assets			
	Cash and cash equivalents	33,076	26,368
24	Trade and other receivables	67,007	57,205
11	Inventories	101,805	100,002
12	Other financial assets	179	167
	Other current assets	1,677	950
	Subtotal	203,744	184,692
28	Assets held for sale	1,602	55,293
	Total current assets	205,347	239,985
Non-current assets			
13	Property, plant and equipment	121,330	103,400
14	Intangible assets	27,096	20,299
12	Other financial assets	7,791	8,779
	Other non-current assets	2,429	541
8	Deferred tax assets	173	9,020
	Total non-current assets	158,818	142,039
	Total assets	364,165	382,024

		Yen (in millions)	
		March 31,	
	Note	2023	2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15	52,815	45,622
Borrowings	16	13,034	16,049
Income tax payables		1,460	1,330
Refund liabilities	24	5,440	2,455
Provisions	17	190	250
Other financial liabilities	18,19	4,444	4,610
Other current liabilities	20	7,771	7,034
Subtotal		<u>85,154</u>	<u>77,350</u>
Liabilities directly related to assets held for sale	28	—	16,268
Total current liabilities		<u>85,154</u>	<u>93,618</u>
Non-current liabilities			
Bonds and borrowings	16	60,098	66,841
Provisions	17	101	93
Other financial liabilities	18,19	2,492	2,858
Other non-current liabilities		1,488	247
Deferred tax liabilities	8	2,092	337
Total non-current liabilities		<u>66,272</u>	<u>70,375</u>
Total liabilities		<u>151,426</u>	<u>163,993</u>
Equity			
Share capital	22	10,000	10,020
Capital surplus	22	37,714	37,734
Retained earnings		141,642	149,645
Treasury shares	22	(2)	(2)
Other components of equity	22	12,289	15,264
Equity attributable to owners of the Company		<u>201,643</u>	<u>212,662</u>
Non-controlling interests		<u>11,095</u>	<u>5,369</u>
Total equity		<u>212,738</u>	<u>218,030</u>
Total liabilities and equity		<u><u>364,165</u></u>	<u><u>382,024</u></u>

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				
	Balance at April 1, 2022	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
	Total comprehensive income	—	—	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 payment					145	145		145
	Total transactions with owners	—	(35,959)	30,266	—	145	(5,548)	—	(5,548)
	Balance at March 31, 2023	10,000	37,714	141,642	(2)	12,289	201,643	11,095	212,738

		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				
	Balance at April 1, 2023	10,000	37,714	141,642	(2)	12,289	201,643	11,095	212,738
	Profit (loss) for the year			13,695			13,695	(4,539)	9,156
	Other comprehensive income					2,968	2,968	1,162	4,130
	Total comprehensive income	—	—	13,695	—	2,968	16,663	(3,377)	13,286
	Issuance of new shares	20	20			(41)	0		0
	Acquisition of treasury shares				(0)		(0)		(0)
	Dividends			(5,694)			(5,694)	(2,350)	(8,043)
	Share based payment					48	48		48
	Other			1			1		1
	Total transactions with owners	20	20	(5,692)	(0)	7	(5,645)	(2,350)	(7,994)
	Balance at March 31, 2024	10,020	37,734	149,645	(2)	15,264	212,662	5,369	218,030

Consolidated Statements of Cash Flows

	Note	Yen (in millions)	
		Year ended March 31,	
		2023	2024
Cash flows from operating activities			
Profit before tax		15,850	18,262
Loss before tax from the discontinued operation	29	940	(22,514)
Depreciation and amortization		17,683	18,055
Impairment loss		3,464	2,727
Loss recognized on the measurement to the fair value less cost to sell of the disposal group constituting the discontinued operation	28	—	20,918
Reversal of impairment		(1,626)	—
Financial income		(222)	(469)
Financial expenses		406	561
Loss on sale and disposal of property, plant and equipment and intangible assets		240	281
Increase in trade and other receivables		(319)	(3,930)
Increase in inventories		(14,868)	(9,168)
Decrease in trade and other payables		1,650	(2,927)
Increase in refund liabilities		(2,551)	120
Decrease in provisions		(1,090)	61
Increase in other financial liabilities		167	235
Other		(415)	5,372
Subtotal		19,308	27,583
Interest received		18	255
Dividends received		195	199
Interest paid		(410)	(484)
Income taxes paid		(7,473)	(5,828)
Income taxes refund		1,389	1,423
Cash flows generated from operating activities		13,026	23,149
Cash flows from investing activities			
Acquisition of property, plant and equipment		(20,727)	(17,915)
Sale of property, plant and equipment		50	47
Acquisition of intangible assets		(6,414)	(6,734)
Other		(43)	1,490
Cash flows used in investing activities		(27,134)	(23,112)
Cash flows from financing activities			
Net proceeds from short-term borrowings	16	10,000	2,848
Proceeds from long-term borrowings	16	9,500	—
Repayments of long-term borrowings	16	(3,118)	(3,034)
Proceeds from the issuance of bonds	16	—	9,943
Redemption of bonds	16	(10,000)	—
Payments of lease liabilities		(1,938)	(1,631)
Dividends paid	23	(5,693)	(5,694)
Others		(18)	(70)
Cash flows generated from financing activities		(1,267)	2,363
Effect of exchange rate change on cash and cash equivalents		734	1,954
Net increase in cash and cash equivalents		(14,641)	4,353
Cash and cash equivalents at beginning of the period		47,717	33,076
Cash and cash equivalents included in assets held for sale	28	—	(11,061)
Cash and cash equivalents at end of the period		33,076	26,368

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.”

At a meeting held on January 16, 2024, the Board of Directors resolved to transfer all shares of Sawai America Holdings Inc. (SAH), a holding company of Sawai’s U.S. Business, as well as its interests in Sawai America LLC (SAL) and interests in Upsher-Smith Laboratories, LLC (USL), both of which are subsidiaries of SAH, to Bora Pharmaceutical Holdings, Inc. (Bora). In line with the resolution, the Company concluded the agreement on the transfer of these shares on the same date.

As a result, the Company has recorded profit/loss related to the U.S. Business under the category of “discontinued operation.”

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, 2024 were authorized by Representative Director, Mitsuo Sawai, on June 25, 2024.

(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) Material 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:

- The measurement of the variable considerations in revenue recognition: (Note 3 (5))
- Impairment test of intangible assets: (Note 14)
- Realizability of deferred tax assets: (Notes 3 (7) and 8)
- The measurement of the disposal group categorized as an asset held for sale: (Notes 3 (16) and 28)

(6) New accounting standards and interpretations not yet adopted

Among new or revised accounting standards and interpretations issued by the date of approval for these consolidated financial statements, the following is the major one that our group has not yet adopted earlier than the mandatory effective date. We are currently considering the likely impact of our adoption of IFRS 18 on our group-wide operations.

Standard		Mandatory effective date (mandatory from the fiscal year beginning thereafter)	Scheduled year of our group's adoption	Outline of the new or revised standard
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	The year ending March 31, 2028	New standard that will replace International Accounting Standard (IAS) 1, the current standard for the presentation and disclosure of information in financial statements

(7) Changes in presentation

In the Consolidated Statements of Income, income (loss) from an operation classified as a discontinued operation is presented in the amount less income tax expenses, as a separate item placed after "Profit for the year from continued operations." In accordance with the classification of the abovementioned operation as a discontinued operation, certain reclassifications have been made to the prior fiscal year's Consolidated Statements of Income, Consolidated Statements of Cash Flows, and related Notes to Consolidated Financial Statements. In the Consolidated Statements of Cash Flows, cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities are presented as the sum of cash flows generated from both continued and discontinued operations.

3. Material 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, 2024.

(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, 2024.

(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 provisions for trade receivables and contract assets at an amount equal to lifetime ECLs.

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

Loss provisions 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 provisions 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 is calculated by multiplying the estimated amount of taxable income or loss for the fiscal year under review by the tax rate that will be enforced or substantially enforced as of the end of the fiscal year, or the estimated amount of tax payment or refund, plus the adjustment of the estimated amount of tax payment or refund up to the previous fiscal year. 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. The expected amount of taxable income used in determining the realizability of deferred tax assets is based on the business plan, which incorporates a likely increase in sales volume due to the future launch of products currently under development and the future growth of our market share, the likely impact of future NHI drug price revisions, and other factors as key assumptions. 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.

(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, 2024 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 13 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.

(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 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.

In the previous fiscal year, 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 or disposal groups 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, if any. Once classified as held-for-sale, no intangible assets, property, plant or equipment are amortized or depreciated any longer.

A discontinued operation includes the components of an entity that have been disposed of or are classified as assets held for sale. It is recognized when there is a plan to dispose of one operation or geographic area of the group.

(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.

(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. Even if we do not have adequate assets to fund our employees' retirement benefits, our group will have no legal or constructive obligation to make additional payments. 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

(1) Segment information

The operating segments of the Sawai Group are the components for which separate financial information is available, and the Board of Directors, as the chief operating decision maker, regularly examines the financial information in deciding how to allocate management resources, assessing the Group's past performance and forecasting its future performance.

Sawai used to manufacture and sell generic pharmaceutical products in Japan and the U.S., where different manufacturing and marketing strategies are required. Accordingly, Sawai had two operating and reporting segments: the Japan Business segment and U.S. Business segment. However, in response to the Board of Directors' decision made on January 16, 2024 to transfer all shares of SAH to Bora, the U.S. Business segment has been classified as a discontinued operation, leading to Sawai being a single-segment organization only with manufacturing and sale of pharmaceutical and other products from FY2023. On April 2, 2024, the procedure of transferring all corresponding shares was completed.

The manufacturing and sale of pharmaceutical and other products mainly consist of four consolidated subsidiaries: Sawai Pharmaceutical Co., Ltd., Kaken Shoyaku Co., Ltd. and Trust Pharmatech Co., Ltd., which manufacture and sell generic pharmaceutical products, and Medisa Shinyaku Inc., which sells generic pharmaceutical products.

(2) Segmental revenue and results

As a result of classifying the U.S. Business segment as a discontinued operation in accordance with the conclusion of this share transfer agreement, Sawai has become a single-segment organization only with manufacturing and sale of pharmaceutical and other products. Therefore, segmental revenue and results are omitted in these consolidated financial statements.

(3) Information for each product and service

This information is omitted because the segment of products and services is the same as the reportable segment.

Please refer to "5. Revenue" for our group's revenue by therapeutic category.

(4) Geographic Information

Revenue from contracts with customers

This information is omitted because revenue from external customers in Japan accounts for a majority of revenue in the consolidated statements of income.

Non-current Assets

This information is omitted because the amount of non-current assets that we possess in Japan accounts for a majority of non-current assets in the consolidated statements of financial position.

(3) Information by Major Customer

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

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Mediceo Corporation	32,325	34,737
Alfresa Corporation	28,508	32,280
Suzuken	17,844	19,247

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:

Products	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Cardiovascular drugs	38,983	42,136
Central nervous system drugs	23,019	24,570
Gastro-intestinal drugs	18,198	19,089
Other metabolic drugs	15,827	18,145
Blood/body fluid pharmaceutical products	16,448	16,010
Antibiotics drugs	7,710	9,269
Vitamin preparations	7,426	7,363
Antiallergic drugs	6,522	6,951
Antineoplastic agents	5,125	6,097
Drugs for respiratory organs	5,236	6,022
Chemotherapeutics	3,301	5,705
Drugs for urogenital organs and the anus	5,363	5,227
Other	10,545	10,279
Total	163,702	176,862

(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, 2023 and 2024 are as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Trade receivables	62,011	48,544
Contract assets	439	—

6. 費用の性質別開示

当社グループの主な費用の性質別内訳は、次のとおりであります。

(単位：百万円)

	前連結会計年度	当連結会計年度
	(自 2022年4月1日 至 2023年3月31日)	(自 2023年4月1日 至 2024年3月31日)
原材料費	57,779	58,733
従業員給付費用	24,701	25,390
減価償却費及び償却費	14,251	14,165
外注加工費	34,552	35,998

6. Expense by nature

The breakdown of expenses by nature is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Raw materials and supplies	57,779	58,733
Employee benefits	24,701	25,390
Depreciation and amortization	14,251	14,165
Subcontractor cost	34,552	35,998

7. Financial Income and Financial Expenses

The composition of financial income is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Interest income		

Financial assets measured at amortized cost	0	0
Dividend income		
Equity instruments measured at fair value through other comprehensive income	195	199
Other	—	2
Total	<u>195</u>	<u>201</u>

The composition of financial expenses is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Interest expenses		
Financial liabilities measured at amortized cost		
Bonds	12	7
Borrowings	322	443
Other	15	16
Lease liability	39	27
Other	10	66
Total	<u>398</u>	<u>558</u>

8. Income Tax Expense and Deferred Taxes

(1) Income Tax Expense

The components of income taxes related to the continued operations and a reconciliation of the applicable tax rate are as follows. Refer to Note 29, "Discontinued Operation," for additional information about income taxes related to the discontinued operation.

The composition of income tax expense is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Current tax expense	4,142	1,396
Deferred tax expense		
Origination and reversal of temporary differences	(188)	4,187
Subtotal	(188)	4,187
Total	3,954	5,583

In addition to the above, a decrease of JPY 19,036 million in deferred tax expenses related to the discontinued operation was recorded in the Consolidated Statement of Income. See Note 29, "Discontinued Operation," for additional information.

The following table represents reconciliation of the effective tax rate:

	Percentage	
	March 31,	
	2023	2024
Statutory effective tax rate	30.6	30.6
Non-deductible expenses	0.1	0.2
Tax credits	(6.4)	—
Changes in unrecognized differed tax assets	0.5	(0.5)
Effect of tax rates in foreign jurisdictions	0.2	0.2
Other	(0.1)	0.1
Actual tax burden rate	24.9	30.6

(2) Deferred taxes

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

	Yen (in millions)	
	March 31,	
	2023	2024
Deferred tax assets	173	9,020
Deferred tax liabilities	(2,092)	(337)
Net deferred tax assets (liabilities)	(1,919)	8,683

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

Year ended March 31, 2023	Yen (in millions)			As of March 31, 2023
	As of April 1, 2022	Recognized through profit or (loss)	Recognized in other comprehensive income	
Deferred tax assets				
Investment in subsidiaries	—	—	—	—
Inventories	2,650	266	—	2,916
Lease liability	1,271	(95)	—	1,176
Tax loss carryforwards	—	—	—	—
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
Other	1,147	(305)	—	842
Subtotal	8,922	(2)	—	8,920
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)
Right-of-use assets	(1,058)	142	—	(917)
Property, plant and equipment	(528)	18	—	(510)
Other	(208)	(52)	—	(260)
Subtotal	(10,879)	189	(150)	(10,839)
Net deferred tax assets (liabilities)	(1,957)	188	(150)	(1,919)

Year ended March 31, 2024

Yen (in millions)

	As of April 1, 2023	Recognized through profit or (loss)	Recognized in other comprehensive income	As of March 31, 2024
Deferred tax assets				
Investment in subsidiaries	—	12,960	(3,832)	9,128
Inventories	2,916	(68)	—	2,848
Lease liability	1,176	119	—	1,296
Tax loss carryforwards	—	1,209	—	1,209
Property, plant and equipment	1,269	(102)	—	1,168
Accruals	975	107	—	1,083
Refund liabilities	695	55	—	751
Trade and other payables	554	(79)	—	475
Intangible assets	490	(38)	—	452
Other	842	310	15	1,168
Subtotal	8,920	14,474	(3,817)	19,577
Deferred tax liabilities				
Intangible assets	(5,155)	(310)	—	(5,466)
Valuation difference related to a business combination	(3,020)	771	—	(2,249)
Financial assets measured at FVOCI	(976)	—	(429)	(1,406)
Right-of-use assets	(917)	(116)	—	(1,033)
Property, plant and equipment	(510)	37	—	(472)
Other	(260)	(8)	—	(268)
Subtotal	(10,839)	374	(429)	(10,895)
Net deferred tax assets (liabilities)	(1,919)	14,848	(4,246)	8,683

(Changes in accounting policies)

Effective from the fiscal year under review, our group has adopted IAS 12 “Income Taxes” (the May 2021 revision). The revision clearly requires that if there is any taxable temporary difference or deductible temporary difference of the same amount at the time of a transaction, such as lease and mandatory disposal, the relevant entity recognizes the resulting deferred tax liabilities and assets.

This revision is applied retrospectively, which we predict will only have a minor impact on our consolidated financial statements for the previous fiscal year. Therefore, these financial statements show the components of and changes in deferred tax assets and liabilities for the previous fiscal year, based on the amounts after the retrospective application.

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,	
	2023	2024
Deductible temporary differences	70,752	6
Carryforward of tax losses		
Within 1 year	-	—
Over 1 year within 5 years	50	—
Over 5 years	14,546	—
Carryforward of tax losses - Total	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.

The above figures do not include the amount of loss carryforwards for which we have not recognized deferred tax assets related to local taxes (resident tax and enterprise tax), to which the Japanese group relief system does not apply. The amount of loss carryforwards related to local taxes (resident tax and enterprise tax) was JPY 2,108 million for the previous fiscal year and JPY 38,159 million for the fiscal year under review.

During the year ended March 31, 2023, Sawai derecognized any deferred tax assets related to 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 24,032 million and JPY 19,745 million as of March 31, 2023 and 2024 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.

9. Earnings Per Share

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

	Year ended March 31,	
	2023	2024
Basic earnings per share		
Profit attributable to owners of the Company (million Yen)	12,667	13,695
Profit not-attributable to owners of the Company (million Yen)	—	—
Profit from the continued operations attributable to owners of the Company (million Yen)	11,896	12,679
Profit from the discontinued operation attributable to owners of the Company (million Yen)	771	1,016
Weighted average number of ordinary shares outstanding during the year (thousand shares)	43,791	43,799
Diluted earnings per share		
Profit used in the calculation of basic earnings per share (million Yen)	12,667	13,695
Adjustments to profit (million Yen)	—	—
Profit from the continued operations used in the calculation of	11,896	12,679

basic earnings per share (million Yen)		
Profit from discontinued operations used in the calculation of basic earnings per share (million Yen)	771	1,016
Weighted average number of ordinary shares during the year (thousand shares)	43,791	43,799
Increase in common stock due to the exercise of subscription rights to shares (thousand shares)	99	123
Weighted average number of ordinary shares outstanding during the year after dilutive effect (thousand shares)	43,890	43,922
Profit per share (attributable to the owners of the Company)		
Basic earnings per share (Yen)	289.25	312.67
Continued operations	271.66	289.48
Discontinued operation	17.60	23.19
Diluted earnings per share (Yen)	288.60	311.79
Continued operations	271.04	288.67
Discontinued operation	17.56	23.12

There were no potential common shares of stock options that were anti-dilutive not included in the calculation of diluted earnings per share for the years ended March 31, 2023 and 2024.

10. Other Comprehensive Income

The components of other comprehensive income are as follows:

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Changes in financial assets measured at FVOCI during the year	495	1,350
Related tax effects	(150)	(427)
Net	345	923
Exchange differences on translation of foreign operations	5,022	7,027
Related tax effects	-	(3,819)
Net	5,022	3,207
Total other comprehensive income	5,367	4,130

11. Inventories

The components of inventories are as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Finished goods and products	50,566	50,213
Work-in-process	20,897	19,988
Raw materials and supplies	30,342	29,801
Total	101,805	100,002

The write-down of inventories recorded within cost of sales was JPY 7,151 million and JPY 5,131 million for the year ended March 31, 2023 and 2024, respectively.

12. Other Financial Assets

The components of other financial assets are as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Financial assets measured at amortized cost		
Guarantee deposits	253	295
Other	243	229
Equity instruments measured at FVOCI		
Equity securities	7,474	8,422
Total	7,970	8,946
Other financial assets (current)	179	167
Other financial assets (non-current)	7,791	8,779

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

	Yen (in millions)	
	March 31,	
	2023	2024
Sumitomo Corporation	2,009	3,133
Nippon Kayaku Co., Ltd.	1,047	1,143
MEDIPAL HOLDINGS CORPORATION	393	506
Alfresa Holdings Corporation	380	498
Yakult Honsha Co., Ltd.	716	464
Neuro Relief Ltd.	—	379
Medical Ikkou Group Co., LTD.	337	336
Daito Pharmaceutical Co., Ltd.	217	227
Other	2,374	1,736
Total	7,474	8,422

Other includes equity investment in private companies in the amount of JPY 1,862 million and JPY 1,350 million as of March 31, 2023 and 2024, all of which are classified as level 3 in the fair value hierarchy (see Note 24). There were no equity instruments measured at FVOCI that were disposed during the years ended March 31, 2023 and 2024.

13. Property, Plant and Equipment

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

Year ended March 31, 2023

	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, 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

Year ended March 31, 2024

	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, 2023	97,531	84,626	16,041	12,386	15,149	5,792	231,527
Acquisition	163	892	248	0	15,669	1,498	18,471
Sale and disposition	(196)	(1,533)	(658)	(0)	—	(619)	(3,006)
Transfer	541	4,868	905	1	(6,315)	—	—
Transfer to assets held for sale	(25,377)	(8,976)	(1,449)	(1,418)	(512)	(603)	(38,335)
Foreign currency translation differences	2,997	914	176	167	191	58	4,503
Other	16	—	—	—	40	0	56
Balance at March 31, 2024	75,676	80,791	15,264	11,136	24,223	6,127	213,215
Accumulated depreciation amount and accumulated impairment losses							
Balance at April 1, 2023	(36,556)	(58,483)	(12,446)	(4)	—	(2,710)	(110,197)
Depreciation expenses	(3,724)	(7,017)	(1,349)	—	—	(882)	(12,971)
Sale and disposition	128	1,374	652	—	—	565	2,718
Transfer to assets held for sale	5,890	4,503	1,209	—	—	357	11,960
Foreign currency translation differences	(647)	(493)	(144)	—	—	(40)	(1,324)
Other	—	—	—	—	—	—	—
Balance at March 31, 2024	(34,908)	(60,116)	(12,077)	(4)	—	(2,710)	(109,815)
Carrying amount							
Balance at April 1, 2023	60,976	26,143	3,596	12,382	15,149	3,083	121,330
Balance at March 31, 2024	40,767	20,675	3,186	11,132	24,223	3,417	103,400

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.

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)			Total
	Building and structures	Machinery and equipment	Tools, furniture and fixtures	
Year ended March 31, 2023	2,261	652	171	3,083
Year ended March 31, 2024	2,881	438	98	3,417

14. Goodwill and Intangible Assets

The components of goodwill and intangible assets are as follows:

Year ended March 31, 2023

	Yen (in millions)						Total
	Goodwill	Intangible Assets					
		Marketed products	Research and development	Trademark	Software	Other	
Acquisition cost							
Balance at April 1, 2022	43,450	74,677	18,511	7,317	7,550	477	108,532
Acquisition	-	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)
Balance at March 31, 2023	47,405	69,712	20,779	7,985	7,943	902	107,321
Accumulated amortization amount and accumulated impairment losses							
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	-	-	-	-
Balance at March 31, 2023	(47,405)	(53,743)	(11,879)	(7,980)	(6,492)	(130)	(80,225)
Carrying amount							
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

Year ended March 31, 2024

	Yen (in millions)						Total
	Goodwill	Intangible Assets					
		Marketed products	Research and development	Trademark	Software	Other	
Acquisition cost							
Balance at April 1, 2023	47,405	69,712	20,779	7,985	7,943	902	107,321
Acquisition	—	118	5,610	—	470	126	6,325
Disposition	—	—	—	—	(190)	(80)	(271)
Transfer	—	2,108	(2,108)	—	387	(387)	—
Transfer to Assets held for sale	(53,753)	(55,581)	(6,443)	(9,039)	(1,114)	(89)	(72,266)
Exchange differences	6,348	6,553	759	1,067	130	14	8,522
Other	—	—	—	—	—	0	0
Balance at March 31, 2024	—	22,910	18,597	13	7,625	486	49,631
Accumulated amortization amount and accumulated impairment losses							
Balance at April 1, 2023	(47,405)	(53,743)	(11,879)	(7,980)	(6,492)	(130)	(80,225)
Amortization expenses	—	(4,390)	—	(1)	(668)	(25)	(5,084)
Impairment and reversal of impairment	—	(580)	(2,147)	—	—	—	(2,727)
Disposition	—	—	—	—	178	—	178
Transfer to Assets held for sale	53,753	49,738	6,405	9,039	987	—	66,168
Exchange differences	(6,348)	(5,702)	(756)	(1,067)	(116)	—	(7,642)
Other	—	(1,102)	1,102	—	—	—	—
Balance at March 31, 2024	—	(15,780)	(7,275)	(9)	(6,112)	(156)	(29,332)
Carrying amount							
Balance at April 1, 2023	—	15,969	8,900	4	1,450	772	27,096
Balance at March 31, 2024	—	7,130	11,322	4	1,512	331	20,299

There are no significant intangible assets.

Sawai used to manufacture and sell generic pharmaceutical products in Japan and the U.S. and had two CGUs: the Japan Business segment and U.S. Business segment. However, in response to the Board of Directors' decision made on January 16, 2024 to transfer all shares of SAH to Bora, the U.S. Business segment has been classified as a discontinued operation, leading to Sawai being a

single-segment organization only with manufacturing and sale of pharmaceutical and other products from FY2023. Accordingly, since the fiscal year under review, the Japan Business segment has been Sawai's only CGU.

Details of the impairment test and impairment loss are as follows:

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. 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:

	Yen (in millions)
	Amount of impairment loss
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, 2024:

	Yen (in millions)	Account on the consolidated statements of income
	Amount of reversal of impairment losses	
Marketed products	1,626	Profit (Loss) for the period from the discontinued operation

Year ended March 31, 2024

During the year ended March 31, 2024, Sawai recognized impairment losses related to Marketed Products and Research and Development.

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. 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, 2024:

	Yen (in millions)
	Amount of impairment loss
Marketed products	560
Research and development	2,147
Total	<u>2,727</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.

15. Trade and Other Payables

The components of trade and other payables are as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Trade accounts payable	30,254	26,534
Other accounts payable	22,561	19,088
Total	<u>52,815</u>	<u>45,622</u>

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

16. Bonds and Borrowings

The components of bonds and borrowings are as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Short-term borrowings	10,000	12,848
Current portion of long-term borrowings	3,034	3,201
Long-term borrowings, less current portion	60,098	56,897
Bonds	-	9,944
Total	<u>73,133</u>	<u>82,891</u>

Current liabilities	<u>13,034</u>	<u>16,049</u>
Non-current liabilities	60,098	66,841

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,			
			2023	2024		
1st Unsecured Bonds	March 2024	10,000	-	9,944	0.877%	March 2029
			-	9,944		

The composition of the borrowings is as follows:

Name of Borrowings	Original principal amount	Yen (in millions)		Interest rate	Maturity
		Carrying amount March 31,			
		2023	2024		
Short-term borrowings	10,000	10,000	10,000	1-month TIBOR + 0.9%	-
Short-term borrowings (liquidation of trade account receivables)	2,848	-	2,848	1-month TIBOR + 0.3%	-
2017 fixed rate loans	13,000	13,000	13,000	0.67%	December 2027
2017 variable rate loans	47,000	30,633	27,598	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	9,500	0.45%	June 2027

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

Year ended March 31, 2023

	Yen (in millions)					
	Balance at the beginning of the year	Cash flows from financing activities	Changes by non-cash elements			Balance at the end of the year
			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

Year ended March 31, 2024

	Yen (in millions)					
	Balance at the beginning of the year	Cash flows from financing activities	Changes by non-cash elements			Balance at the end of the year
			Acquisition	Foreign exchange movement	Other	
Bonds	-	9,943	-	-	1	9,944
Short-term borrowings	10,000	2,848	-	-	-	12,848
Long-term borrowings	63,133	(3,034)	-	-	-	60,098
Total	73,133	9,757	-	-	1	82,891

17. 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, 2023	144	46	101	291
Increase	176	—	16	192
Usage	(69)	(46)	(25)	(140)
Reverse	—	—	—	—
March 31, 2024	250	—	93	343
Provisions (current)	250	—	—	250
Provisions (non-current)	—	—	93	93

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 recognized the estimated amount necessary to cover expenses for compensation in the future as “provisions for compensation for loss” in the previous fiscal year. 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.

18. Other Financial Liabilities

The components of other financial liabilities are as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Financial liabilities measured at amortized cost		
Guarantee deposits	2,996	3,231
Lease liabilities	3,941	4,237
Total	6,936	7,468
Other financial liabilities (current)	4,444	4,610
Other financial liabilities (non-current)	2,492	2,858

19. Leases

As a Lessee

The amounts recognized in profit or loss are as follows:

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Interest expense on lease liabilities	39	27
Expense relating to short-term leases	380	415
Expense relating to leases of low-value assets	157	249
Total cash outflows from leasing activities	2,197	2,265

The following table shows the depreciation expenses for right-of-use assets by class of underlying asset. Note 13 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,	
	2023	2024
Buildings and structures	647	603
Machinery and equipment	199	199
Tools, furniture and fixtures	32	28
Total	878	831

The following table shows the maturity analysis of lease liabilities.

	Yen (in millions)	
	March 31,	
	2023	2024
Current portion	1,456	1,402
Over 1 year and within 5 years	2,484	2,196
Over 5 years	89	808
Total	4,030	4,406
Present value of total minimum lease payment	3,941	4,237
Lease liabilities (current)	1,449	1,379
Lease liabilities (non-current)	2,492	2,858

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.

20. Other current liabilities

The components of other current liabilities are as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Accrued bonuses	3,878	3,099
Accrued consumption taxes	73	2,523
Accrued expenses	3,442	987
Other	377	424
Total	7,771	7,034

21. Employee Benefits

Amount recognized as expenses in relation to the defined contribution plan is JPY 773 million and JPY 791 million for year ended March 31, 2023 and 2024, respectively.

22. 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, 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
Increase	—	12	20	20
Decrease	—	—	—	—
Balance as of March 31, 2024	77,600	43,803	10,020	37,734

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. The increases in the number of shares issued, share capital and capital surplus in the year ended March 31, 2024 were caused by the exercise of subscription rights to shares.

(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, 2022	0	2
Increase	—	—
Decrease	—	—
Balance as of March 31, 2023	0	2
Increase	0	0
Decrease	—	—
Balance as of March 31, 2024	0	2

The increase in the number of treasury shares in the year ended March 31, 2024 was due to shareholders' requests for Sawai to purchase shares of less than one unit.

(3) *Other Components of Equity*

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
Total transactions with owners	145	-	-	145
Balance at the end of the year	390	2,263	9,637	12,289

Year ended March 31, 2024

	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	390	2,263	9,637	12,289
Other comprehensive income	—	923	2,045	2,968
Total current comprehensive income	—	923	2,045	2,968
Issuance of new shares	(41)	—	—	(41)
Share-based payments	48	—	—	48
Total transactions with owners	7	—	—	7
Balance at the end of the year	397	3,185	11,682	15,264

23. Dividends

Amount of dividends and dividends per share are as follows:

Year ended March 31, 2023

Date of resolution	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

Year ended March 31, 2024

Date of resolution	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (June 27, 2023)	2,846	65	March 31, 2023	June 28, 2023
Board of Directors' meeting (November 10, 2023)	2,847	65	September 30, 2023	December 1, 2023

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

Year ended March 31, 2023

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

Year ended March 31, 2024

Date of resolution	Total amount of dividends (Yen in millions)	Dividend amount per share (Yen)	Record date	Effective date
Annual general meeting of shareholders (June 25, 2024)	2,847	65	March 31, 2024	June 26, 2024

24. 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

Sawai sells products mainly through a small number of wholesalers. Total revenue from the top four companies account for approximately 57% of revenue. Trade receivables with the top four companies were JPY 25,822 million and JPY 29,254 million as of March 31, 2023 and 2024, 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 provisions

Loss provisions for the year ended March 31, 2023 and 2024 were as follows:

Year ended March 31, 2023

	Yen (in millions)		
	Loss provisions measured at the amount equal to lifetime expected credit loss	Loss provisions 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

Year ended March 31, 2024

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

[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, 2023

	Yen (in millions)		Total
	Trade receivables and contract assets for which loss provisions are measured at the amount equal to lifetime expected credit loss	Other receivables for which loss provisions are 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

As of March 31, 2024

	Yen (in millions)		Total
	Trade receivables and contract assets for which loss provisions are measured at the amount equal to lifetime expected credit loss	Other receivables for which loss provisions are measured at the amount equal to 12-month expected credit loss	
Not past due	48,563	8,660	57,223
Within 30 days	—	—	—
Over 30 days within 60 days	—	—	—
Over 60 days within 90 days	—	—	—
Over 90 days within 1 year	—	—	—
Over 1 year	—	—	—
Total	48,563	8,660	57,223

[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,	
	2023	2024
Guarantee deposits	2,996	3,231

(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, 2023

	Yen (in millions)							
	Carrying amount	Contractual cash flows	Within 1 year	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

As of March 31, 2024

	Yen (in millions)							
	Carrying amount	Contractual cash flows	Within 1 year	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	9,944	10,439	88	88	88	88	10,088	—
Borrowings	72,947	74,040	16,333	13,374	3,335	25,789	3,093	12,116
Refund liabilities	2,455	2,455	2,455	—	—	—	—	—
Guarantee deposits	3,231	3,231	3,231	—	—	—	—	—
Total	88,576	90,164	22,106	13,462	3,422	25,877	13,181	12,116

[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,	
	2023	2024
Total committed credit lines	16,000	16,000
Usage during the year	10,000	—
Unused credit lines	6,000	16,000

(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,	
	2023	2024
Financial assets	846	846
Financial liabilities	(1,041)	(739)
Net amount of exposure in the consolidated statement of financial position	(195)	107
Net amount of exposure	(195)	107

(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, 2023

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

Year ended March 31, 2024

Profit or loss		Equity, net of tax	
Strengthening	Weakening	Strengthening	Weakening
(1)	1	(1)	1

[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 (406) million and JPY (376) million in the year ended March 31, 2023 and 2024.

Exposure to interest fluctuation risk is as follows:

	Yen (in millions)	
	March 31,	
	2023	2024
Borrowings to which variable interest rate applies	40,633	37,598

[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,	
	2023	2024
10% decrease in stock price	(390)	(465)

(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,			
	2023		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Bonds	—	—	9,944	10,021
Borrowings	73,133	73,351	72,947	72,347
Total	73,133	73,351	82,891	82,368

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, 2023

	Yen (in millions)			
	Level 1	Level 2	Level 3	Total
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.

As of March 31, 2024

	Yen (in millions)			
	Level 1	Level 2	Level 3	Total
Equity instruments measured at fair value through other comprehensive income				
Equity securities	6,693	—	1,729	8,422

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:

	Yen (in millions)	
	March 31,	
	2023	2024
Balance at the beginning of the year	1,664	1,862
Gain recognized as changes in fair value of financial instruments measured at FVOCI	137	263
Purchases	—	359
Transfer to assets held for sale	—	(821)
Other	60	66
Balance at the end of the year	1,862	1,729

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.

The following table presents the recognized financial instruments that are offset as of March 31, 2023 and 2024.

	Yen (in millions)		
	Effect of offsetting on the statement of financial position		
	Gross Amounts	Gross amounts set off	Net amounts presented
As of March 31, 2023			
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

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.

	Yen (in millions)		
	Effect of offsetting on the statement of financial position		
	Gross Amounts	Gross amounts set off	Net amounts presented
As of March 31, 2024			
Financial assets			
Trade receivables and others	57,205	—	57,205
Total	57,205	—	57,205
Financial Liabilities			
Refund liability	2,455	—	2,455
Total	2,455	—	2,455

(8) *Transfer of financial assets*

Our group securitizes a portion of trade receivables through receivables transfer. However, some of these securitized receivables must be retroactively paid by our group if the borrowers do not pay them. Therefore, we do not derecognize such securitized receivables as they do not meet requirements for derecognition of financial assets.

During the fiscal year under review, transferred assets of this kind of JPY 1,689 million were recorded in “Trade and other receivables.” In addition, proceeds of JPY 2,848 million arising from the transfer of these assets were recorded as a related liability in “Loans payable (current liabilities).” Their fair values reasonably approximate their book values.

25. Subsidiaries

The statuses of our major subsidiaries are as described in “4. 1(1) Segment information.” There were no consolidated subsidiaries with individually significant non-controlling interests in the previous fiscal year or the fiscal year under review.

26. Related Parties

Compensation for key management personnel is as follows:

	Yen (in millions)	
	Year ended March 31,	
	2023	2024
Basic compensation and bonuses	208	102
Share-based compensation	84	15
Total	292	118

27. Business Combination

As of March 31, 2023

There was no business combination.

As of March 31, 2024

There was no business combination.

28. Assets Held for Sale and Liabilities Directly Related to Assets Held for Sale

The components of “Assets held for sale” and “Liabilities directly related to assets held for sale” are as follows:

	Yen in millions	
	As of March 31, 2023	As of March 31, 2024
Assets held for sale		
Cash and cash equivalents	—	11,061
Trade and other receivables	—	17,708
Inventories	—	12,311
Property, plant and equipment	—	26,375
Intangible assets	1,602	6,098
Other assets	—	3,640
Cumulative loss recognized on the measurement to the fair value less cost to sell of the disposal group constituting the discontinued operation	—	(21,900)
Total assets held for sale	1,602	55,293
Liabilities directly related to assets held for sale		
Trade and other payables	—	5,406
Other liabilities	—	10,862
Total liabilities directly related to assets held for sale	—	16,268

Assets held for sale at the end of the previous fiscal year represent a reversed portion of the impairment loss recognized on intangible assets related to certain products in previous terms, based on an estimated amount of money recoverable if the intangible assets are transferred.

Assets held for sale and liabilities directly related to assets held for sale as of the end of FY2023 have been classified so in line with the agreement that Sawai concluded on the transfer of all shares of SAH, a holding company of Sawai’s U.S. Business, as well as its interests in SAL and interests in USL, both of which are subsidiaries of SAH, to Bora, as resolved by the Board of Directors on January 16, 2024. The disposal group, classified as an asset held for sale related to SAH, is evaluated based on its fair value less cost to sell, which is lower than its book value. A resulting loss of JPY 20,918 million was recorded as “Profit (loss) for the period from the discontinued operation” in the Consolidated Statements of Income. The fair value is calculated based on the selling price of the asset and includes an estimated loss related to an antitrust lawsuit due to the U.S. Business classified as a discontinued operation. The fair value is positioned at Level 3 in the fair value hierarchy.

In addition, “Other components of equity” in the Consolidated Statements of Financial Position as of the end of FY2023 include JPY 11,706 million as the cumulative amount of other comprehensive incomes (mainly exchange differences on translation of foreign operations) related to the U.S. Business classified as an asset held for sale.

29. Discontinued Operation

(1) Outline of Discontinued Operation

At a meeting held on January 16, 2024, the Board of Directors resolved to transfer all shares of Sawai America Holdings Inc. (SAH), a holding company of Sawai's U.S. Business, as well as its interests in Sawai America LLC (SAL) and interests in Upsher-Smith Laboratories, LLC (USL), both of which are subsidiaries of SAH, to Bora Pharmaceutical Holdings, Inc. (Bora). In line with the resolution, the Company concluded the agreement on the transfer of these shares on the same date.

As a result, the Company has recorded profit/loss related to the U.S. Business under the category of "discontinued operation."

(2) Discontinued Operation

	Yen in millions	
	Year ended March 31, 2023	Year ended March 31, 2024
Discontinued Operation		
Revenue	36,799	40,254
Expenses	(35,859)	(62,768)
Profit (loss) before tax on the discontinued operation	940	(22,514)
Income tax expenses	—	(18,991)
Profit (loss) for the period on the discontinued operation	940	(3,523)
Loss on the discontinued operation attributable to:		
Owners of the Company	771	1,016
Non-controlling interests	169	(4,539)
Total	940	(3,523)

Note: The calculations include a loss of JPY 20,918 million recognized on the measurement to the fair value less cost to sell of the disposal group constituting the discontinued operation due to the agreement with Bora. The income tax expenses include a deferred tax asset of JPY 19,036 million recorded due to the high likelihood that a temporary difference caused mainly by gains and losses recognized in prior years on investments in SAH and the loss recognized on the measurement to the fair value less costs to sell of the disposal group constituting the discontinued operation will be removed within a predictable period.

(3) Cash flows from discontinued operation

	Yen in millions	
	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities	2,873	(84)
Cash flows from investing activities	(2,126)	762
Cash flows from financing activities	(318)	(58)
Total	429	620

30. Commitment and Contingency

(1) Commitment

Commitment to acquire property, plant and equipment was JPY 25,035 million and JPY 15,098 million as of March 31, 2023 and 2024, respectively.

(2) Litigation

Sawai, a consolidated subsidiary of our group, is a defendant in the following litigation cases.

Litigation for patent rights infringement related to the manufacture and marketing of Nalfurafine Hydrochloride OD Tablets 2.5µg “SAWAI”

In December 2018, Toray Industries, Inc. (hereinafter, “Toray”) filed a lawsuit against Sawai Pharmaceutical, accusing the latter of infringing Toray's extended patent rights by manufacturing and marketing 2.5µg of Nalfurafine Hydrochloride OD Tablets “SAWAI.” We believe that Sawai Pharmaceutical’s manufacture and marketing of Nalfurafine Hydrochloride OD Tablets 2.5µg “SAWAI” does not constitute any infringement on Toray’s patent rights, and we intend to clearly show the validity of our claim in the proceedings of this lawsuit.

Litigation for patent rights infringement related to the manufacture and marketing of Teriparatide for Subcutaneous Injection 56.5µg “SAWAI”

In April 2022, Asahi Kasei Pharma Co., Ltd. (hereinafter, “Asahi Kasei Pharma”) filed a lawsuit against Sawai Pharmaceutical, accusing the latter of infringing Asahi Kasei Pharma’s patent rights by manufacturing and marketing Teriparatide for Subcutaneous Injection 56.5µg “SAWAI.”

We believe that Sawai Pharmaceutical’s manufacture and marketing of Teriparatide for Subcutaneous Injection 56.5µg “SAWAI” does not constitute any infringement on Asahi Kasei Pharma’s patent rights, and we intend to clearly show the validity of our claim in the proceedings of this lawsuit.

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, 2024.

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

31. Events after Reporting Period

Transfer of the shares of subsidiaries

At a meeting held on January 16, 2024, the Board of Directors resolved to transfer all shares of SAH, a holding company of its U.S. Business, as well as its interests in SAL and interests in USL, both of which are subsidiaries of SAH, to Bora. In line with the resolution, the Company concluded the agreement on the transfer of these shares on the same date. The transferring procedure was completed on April 2, 2024. As a result, the Company expects to record a gain on sales of the shares and interests in the subsidiary and affiliates of approximately JPY 15,500 million as part of income before income taxes from the discontinued operations in the following fiscal year.

The gain on sales of the shares and interests in the subsidiary and affiliates came mainly from reclassification adjustments made to exchange differences on translation of foreign operations.

Stock split and partial amendment to the articles of Incorporation

On May 13, 2024, the Board of Directors decided on a stock split and a partial amendment to the articles of incorporation to change the total number of shares issuable.

(1) Stock Split

[1] Purpose of the Stock Split

The purpose of the stock split is to reduce the investment unit price of the Company’s common shares, thereby creating a more accessible investment environment for its shareholders, expanding the investor base, and enhancing the liquidity of the shares.

[2] Overview of the Stock Split

(i) Method of Split

The stock split will be conducted at a ratio of three new shares for each existing share held by shareholders registered in the final shareholder register on September 30, 2024 (Monday).

(ii) Number of Shares to Increase Due to the Split

1) Total number of issued shares before the split	43,803,339 shares
2) Number of shares to increase due to this split	87,606,678 shares
3) Total number of issued shares after the split	131,410,017 shares
4) Total number of shares that can be issued after the split	232,800,000 shares

(Note) The total number of issued shares and the number of shares to increase mentioned above are calculated based on the total number of issued shares as of April 30, 2024. These figures may change prior to the stock split record date.

(iii) Schedule

(1) Announcement date of record date	September 13, 2024 (Friday) (Tentative)
(2) Record date	September 30, 2024 (Monday)
(3) Effective date	October 1, 2024 (Tuesday)

(iv) Impact on per-share metrics

On the supposition that the stock split had been conducted at the beginning of the fiscal year under review, figures for per-share metrics would have been as follows:

Equity attributable to owners of the Company per share	1,618.32 yen
Basic earnings per share	104.22 yen

(2) *Partial Amendment of the Articles of Incorporation Due to the Stock Split*

[1] Reasons for the Amendment

In conjunction with the aforementioned stock split, and in accordance with Article 184, Paragraph 2 of the Companies Act, a partial amendment to our Articles of Incorporation will be made, effective October 1, 2024.

(i) Contents of the Amendment of the Articles of Incorporation (Underlined parts indicate changes.)

Current Articles of Incorporation	Proposed Articles of Incorporation after Amendment
(Total Number of Shares Issuable)	(Total Number of Shares Issuable)
Article 6: The total number of shares that the Company can issue is <u>77,600,000 shares</u> .	Article 6: The total number of shares that the Company can issue is <u>232,800,000 shares</u> .

(ii) Schedule

Board of Directors resolution date	May 13, 2024 (Monday)
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Effective date	October 1, 2024 (Tuesday)
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(3) Dividends

Since the effective date of this stock split is October 1, 2024, the interim dividend for the fiscal year ending March 31, 2025, which is based on the record date of September 30, 2024, will be conducted based on the number of shares prior to the stock split.

Issuance of Unsecured Straight Bonds

Based on a resolution adopted by the Board of Directors at a meeting held on February 14, 2024, we issued corporate bonds as follows:

Name of Bond	Second issue of unsecured bonds (with limited inter-bond pari passu rider) (social bonds)
Total issue amount	10 billion yen
Interest rate	1.132% per annum
Payment date	June 6, 2024
Maturity	June 6, 2029 (5 years)
Security	Unsecured
Use of funds	Planned investment in the construction of a new solid formulation building at Sawai Pharmaceutical's 2nd Kyushu Plant (Iizuka City, Fukuoka Prefecture)

Repurchase and Cancellation of Own Shares

At the Board of Directors meeting held on June 25, 2024, Sawai resolved on matters relating to the repurchase of its own shares pursuant to Article 156 of the Companies Act of Japan, which is applied under the provision of Article 165, Paragraph 3 of the same act; it also resolved to cancel the repurchased shares pursuant to Article 178 of the Companies Act of Japan, as follows:

(1) Reason for the Repurchase

The Company resolved on matters relating to the repurchase to enable a flexible repurchase of its own shares, taking into account a range of factors, such as its share price and how its financial position has improved through the revision of its portfolio, as part of the measures to improve capital efficiency and enhance shareholder return, based on its cash flow allocation policy set forth in the Medium-term Business Plan “Beyond 2027.”

(2) Outline of the Repurchase

(1) Type of shares to be repurchased:	Shares of common stock
(2) Total number of shares to be repurchased:	Up to 6,900,000 shares
(Equivalent to 15.8% of the number of shares issued (excluding treasury shares))	
(3) Total amount to be repurchased:	Up to 33,000 million yen
(4) Repurchase period:	From July 1, 2024 to March 31, 2025 (scheduled)
(5) Repurchase method:	Market purchases on the Tokyo Stock Exchange based on a discretionary dealing contract on the repurchase of own shares

*As described in “Partial Amendment of the Articles of Incorporation due to the Stock Split” above, at the Board of Directors meeting held on May 13, 2024, the Company resolved to proceed with a stock split and a partial amendment of the Articles of Incorporation in connection with the stock split. After the effective date of the stock split (October 1, 2024), the total number of shares to be repurchased, stated in (2) above, will increase to 20,700,000 shares (upper limit).

(3) Outline of the Cancellation

(1) Type of shares to be cancelled:	Shares of common stock
(2) Number of shares to be cancelled:	All of the shares repurchased in accordance with (2) above
(3) Scheduled cancellation date:	April 30, 2025

*The number of shares to be cancelled will be informed after completion of the repurchase in accordance with 2 above.

(Reference) Treasury shares held as of May 31, 2024

Number of shares issued (excluding treasury shares):	43,802,973 shares
Number of treasury shares:	366 shares

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