

**Dedicated to
building a healthier
future for all**

**Integrated Report 2025
Financial Section**

For the year ended March 31, 2025

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



Eleven-year financial and non-financial summary

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

	Japanese GAAP →		
	FY2014	FY2015	FY2016
For the fiscal year (Millions of yen)			
Net sales / Revenue	105,454	123,492	132,428
Cost of sales	60,048	71,858	80,309
Gross profit	45,406	51,634	52,119
Selling, general and administrative expenses/Selling, general and administrative expenses (including research and development expenses)	24,718	28,449	31,486
Operating income / Operating profit (loss)	20,688	23,185	20,633
Profit before income taxes / Profit (loss) before tax	20,298	23,092	19,871
Profit attributable to owners of parent / Profit (loss) attributable to owners of the Company	14,053	17,156	15,914
Research and development (R&D) expenses	6,110	8,019	10,208
Capital expenditures	13,251	17,775	16,194
Depreciation and amortization	5,863	7,044	8,645
At fiscal year-end (Millions of yen)			
Total assets	166,180	206,492	221,539
Inventories	44,663	55,668	61,777
Total current liabilities	42,209	50,078	54,876
Total long-term liabilities / Total non-current liabilities	11,572	30,692	29,063
Net assets/Total equity	112,399	125,722	137,600
Cash flows (Millions of yen)			
Net cash provided by operating activities/Cash flows from operating activities	12,112	19,975	20,628
Net cash used in investing activities/Cash flows from investing activities	(14,123)	(22,937)	(16,207)
Net cash provided by (used in) financing activities/Cash flows from financing activities	(922)	13,473	(6,740)
Cash and cash equivalents at end of year/Cash and cash equivalents at the end of the year	22,604	33,096	30,771
Financial indicators (%)			
Ratio of R&D expenses to sales/Ratio of research and development expenses to revenue	5.8	6.5	7.7
Return on equity/Return on equity attributable to owners of the Company	13.2	14.4	12.1
Shareholders' equity to total assets/Ratio of equity attributable to owners of the Company to total assets	67.6	60.8	62.0
Per share information (yen)			
Net income—basic / Basic earnings per share	127.42	155.19	143.88
Net income—diluted / Diluted earnings per share	127.28	155.08	143.80
Cash dividends applicable to period / Dividends per share	35.00	40.00	43.33
Net assets / Equity attributable to owners of the Company per share	1,017.76	1,135.07	1,240.97

Non-financial indicators (unless specially noted, for Sawai Pharmaceutical)

	FY2014	FY2015	FY2016
Sales volume (Billion tablets)	8.0	8.9	10.2
Production capacity (Billion tablets)	10.0	11.3	15.0
Number of new products launched	28	25	18
Number of patents held	19	21	23
Number of GMP audits	—	—	164
Number of employees (Sawai Group)	1,239	1,490	2,502
Number of female employees in managerial positions	10	10	11
Ratio of female employees in managerial positions (%)	5.2	4.5	4.5
Employee training expenses (Sawai Group) (Millions of yen)	83	90	111
Number of employees who have received training (Sawai Group)	418	596	660
Number of employees involved in production (Sawai Group)	414	628	1,612
Number of employees involved in R&D (Sawai Group)	185	209	230
Energy used (Sawai Group) (Crude oil conversion kl)	20,473	26,781	30,914

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



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

IFRS →	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
	132,392	168,068	184,341	182,537	187,219	193,816	163,702	176,862	189,024
	80,548	98,628	109,442	109,037	114,785	127,164	113,450	122,543	132,673
	51,844	69,440	74,899	73,500	72,434	66,652	50,252	54,319	56,352
	28,497	47,264	49,051	46,862	53,820	71,103	34,754	35,433	36,111
	22,943	22,209	25,798	26,793	18,888	(35,888)	16,054	18,620	4,050
	22,757	20,251	25,666	26,497	18,460	(36,214)	15,850	18,262	3,161
	17,969	14,017	19,376	19,279	12,340	(28,269)	12,667	13,695	11,969
	7,238	14,533	16,671	13,487	13,883	24,413	12,509	12,189	12,593
	18,839	16,807	10,709	18,173	21,124	23,344	27,141	24,649	27,514
	8,520	14,239	16,280	17,954	18,291	17,045	17,683	18,055	15,241
	225,609	358,453	372,889	384,814	393,341	349,502	364,165	382,024	354,623
	61,924	65,217	63,449	75,460	79,120	85,853	101,805	100,002	109,867
	57,668	74,579	72,826	82,715	80,452	88,840	85,154	93,618	102,815
	26,704	81,433	76,861	68,413	72,139	60,579	66,272	70,375	77,954
	141,237	202,441	223,204	233,686	240,750	200,083	212,738	218,030	173,854
	23,270	28,472	42,923	30,256	31,857	34,310	13,026	23,149	27,851
	(18,827)	(127,900)	(16,820)	(18,173)	(21,794)	(30,395)	(27,134)	(23,112)	6,480
	(6,761)	108,597	(9,513)	(12,747)	(11,991)	(11,262)	(1,267)	2,363	(32,704)
	30,771	39,992	57,067	56,082	54,269	47,717	33,076	26,368	38,785
	5.5	8.6	9.0	7.4	7.4	12.6	7.6	6.9	6.7
	13.4	8.7	10.2	9.4	5.8	(13.8)	6.5	6.6	6.2
	62.6	50.6	53.4	54.6	55.5	54.4	55.4	55.7	49.0
	162.46	120.16	147.54	146.79	93.93	(215.18)	96.42	104.22	96.54
	162.36	120.09	147.44	146.67	93.84	(215.18)	96.20	103.93	96.25
	43.33	43.33	45.00	43.33	43.33	43.33	43.33	43.33	53.00
	1,276.95	1,381.05	1,517.17	1,598.80	1,661.50	1,446.77	1,534.89	1,618.32	1,505.86
	10.2	10.6	11.9	12.4	13.3	14.8	15.0	15.7	16.1
	15.0	15.5	15.5	15.5	15.5	15.5	15.5	18.5	20.5
	18	43	33	12	44	32	23	10	13
	23	26	31	36	37	42	45	53	69
	164	100	110	133	124	141	153	92	91
	2,502	3,252	3,131	3,066	3,003	2,968	3,393	3,482	3,310
	11	14	15	15	15	17	18	24	31
	4.5	5.5	6.0	6.1	5.8	6.6	6.9	8.3	9.5
	111	128	87	62	45	63	88	92	91
	660	579	654	600	4,038	2,840	4,034	3,795	5,842
	1,612	1,749	1,687	1,644	1,607	1,636	2,015	2,097	2,374
	230	246	257	251	246	253	295	297	300
	30,914	31,948	32,336	31,015	30,130	30,452	40,628	36,955	42,216

4. 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.

5. Production capacity and female manager data show figures for Sawai Pharmaceutical through fiscal year 2022, and Sawai Group figures from 2023 onward.

6. Per-share information has been recalculated to reflect the three-for-one share split of common stock effective October 1, 2024.

Consolidated Statements of Income

		Millions of yen (except per share data)	
	Note	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Continued Operations			
Revenue	5	176,862	189,024
Cost of sales	6	(122,543)	(132,673)
Gross profit		54,319	56,352
Selling, general and administrative expenses	6	(23,244)	(23,518)
Research and development expenses	6	(12,189)	(12,593)
Other income		189	845
Other expenses	7	(456)	(17,035)
Operating profit		18,620	4,050
Finance income	8	201	151
Finance expenses	8	(558)	(1,039)
Profit before tax		18,262	3,161
Income tax expenses	9	(5,583)	(988)
Profit for the period from continued operations		12,679	2,173
Discontinued Operation			
Profit (Loss) for the period from the discontinued operation	30	(3,523)	9,796
Profit for the period		9,156	11,969
Profit (Loss) attributable to:			
Owners of parent		13,695	11,969
Non-controlling interests		(4,539)	—
Total		9,156	11,969
Earnings per share (Yen)			
Basic earnings per share			
Continued operations	10	96.49	17.53
Discontinued operation	10	7.73	79.01
Basic earnings per share	10	104.22	96.54
Diluted earnings per share			
Continued operations	10	96.22	17.47
Discontinued operation	10	7.71	78.77
Diluted earnings per share	10	103.93	96.25

Consolidated Statements of Comprehensive Income

		Millions of yen	
Note	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	
	9,156	11,969	
Profit for the period			
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
	923	106	
Changes in fair value of financial assets measured at fair value through other comprehensive income			
11			
Items that may be reclassified to profit or loss:			
	3,207	(11,668)	
Exchange differences on translation of foreign operations			
11			
	4,130	(11,562)	
Other comprehensive income for the period, net of tax			
11			
Total comprehensive income for the period		13,286	407
Total comprehensive income attributable to:			
	16,663	407	
Owners of parent			
	(3,377)	—	
Non-controlling interests			
	13,286	407	
Total			

Consolidated Statements of Financial Position

	Note	Millions of yen	
		As of March 31, 2024	As of March 31, 2025
Assets			
Current assets			
Cash and cash equivalents		26,368	38,785
Trade and other receivables	26	57,205	48,879
Inventories	12	100,002	109,867
Other financial assets	13	167	2,480
Other current assets		950	812
Subtotal		184,692	200,823
Assets held for sale	29	55,293	—
Total current assets		239,985	200,823
Non-current assets			
Property, plant and equipment	14	103,400	111,876
Intangible assets	15	20,299	27,196
Other financial assets	13	8,779	4,134
Other non-current assets		541	463
Deferred tax assets	9	9,020	10,132
Total non-current assets		142,039	153,800
Total assets		382,024	354,623

	Note	Millions of yen	
		As of March 31, 2024	As of March 31, 2025
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	45,622	50,777
Borrowings	17	16,049	21,503
Income tax payables		1,330	1,858
Refund liabilities	26	2,455	1,109
Provisions	18	250	16,992
Other financial liabilities	19,21	4,610	5,237
Other current liabilities	22	7,034	5,339
Subtotal		77,350	102,815
Liabilities directly related to assets held for sale	29	16,268	—
Total current liabilities		93,618	102,815
Non-current liabilities			
Bonds and borrowings	17	66,841	69,836
Provisions	18	93	92
Other financial liabilities	19,21	2,858	7,456
Other non-current liabilities	20	247	432
Deferred tax liabilities	9	337	137
Total non-current liabilities		70,375	77,954
Total liabilities		163,993	180,769
Equity			
Share capital	24	10,020	10,053
Capital surplus	24	37,734	37,767
Retained earnings		149,645	157,257
Treasury shares	24	(2)	(33,243)
Other component of equity	24	15,264	2,020
Equity attributable to owners of parent		212,662	173,854
Non-controlling interests		5,369	—
Total equity		218,030	173,854
Total liabilities and equity		382,024	354,623

Consolidated Statements of Changes in Equity

		Millions of yen							
		Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other component 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 period			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

		Millions of yen							
		Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other component of equity				
	Balance at April 1, 2024	10,020	37,734	149,645	(2)	15,264	212,662	5,369	218,030
	Profit for the period			11,969			11,969		11,969
	Other comprehensive income					(11,562)	(11,562)		(11,562)
	Total comprehensive income	—	—	11,969	—	(11,562)	407	—	407
	Issuance of new shares	33	33			(66)	0		0
	Acquisition of treasury shares				(33,241)		(33,241)		(33,241)
	Dividends			(6,070)			(6,070)		(6,070)
	Changes due to loss of control over consolidated subsidiaries						—	(5,369)	(5,369)
	Transfer to retained earnings from capital surplus			1,713		(1,713)	—		—
	Share based payment					96	96		96
	Total transactions with owners	33	33	(4,357)	(33,241)	(1,683)	(39,215)	(5,369)	(44,584)
	Balance at March 31, 2025	10,053	37,767	157,257	(33,243)	2,020	173,854	—	173,854

Consolidated Statements of Cash Flows

	Note	Millions of yen	
		Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities			
Profit before tax		18,262	3,161
Profit (loss) before tax from the discontinued operation	30	(22,514)	12,955
Depreciation and amortization		18,055	15,241
Impairment loss		2,727	3,649
Loss recognized on the measurement to the fair value less cost to sell the disposal group constituting the discontinued operation	30	20,918	—
Financial income		(469)	(149)
Financial expenses		561	1,051
Gain on sales of shares of subsidiaries and affiliates		—	(12,955)
Profit (loss) on sale and disposal of property, plant and equipment and intangible assets		281	(551)
Increase (decrease) in trade and other receivables		(3,930)	100
Increase in inventories		(9,168)	(9,961)
Decrease in trade and other payables		(2,927)	(1,388)
Increase (decrease) in refund liabilities		120	(1,346)
Increase in provisions		61	16,741
Increase in other financial liabilities		235	594
Other		5,372	(1,644)
Subtotal		27,583	25,499
Interest received		255	2
Dividends received		199	142
Interest paid		(484)	(754)
Income taxes paid		(5,828)	(1,246)
Income taxes refund		1,423	4,207
Cash flows generated from operating activities		23,149	27,851
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17,915)	(20,567)
Sale of property, plant and equipment		47	783
Acquisition of intangible assets		(6,734)	(6,947)
Expenditure for purchases of investment securities		(359)	(1,581)
Proceeds from the sale of investment securities		—	6,443
Proceeds from the sale of subsidiary shares involving a change in the scope of consolidation	30	—	28,233
Other		1,849	117
Cash flows (used in) generated from investing activities		(23,112)	6,480
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	17	2,848	(5,692)
Proceeds from long-term borrowings	17	—	35,036
Repayments of long-term borrowings	17	(3,034)	(30,858)
Proceeds from the issuance of bonds	17	9,943	9,941
Payments of lease liabilities		(1,631)	(1,716)
Purchase of treasury shares		(0)	(33,320)
Dividends paid	25	(5,694)	(6,070)
Others		(70)	(25)
Cash flows (used in) generated from financing activities		2,363	(32,704)
Effect of exchange rate change on cash and cash equivalents		1,954	(271)
Net increase in cash and cash equivalents		4,353	1,356
Cash and cash equivalents at beginning of the period		33,076	26,368

Increase (decrease) in cash and cash equivalents included in assets held for sale	29	<u>(11,061)</u>	<u>11,061</u>
Cash and cash equivalents at end of the period		<u>26,368</u>	<u>38,785</u>

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 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. The Company and its consolidated subsidiaries are hereinafter collectively referred to as “Sawai.”

2. Basis of Preparation

(1) Compliance with International Financial Reporting Standards

Sawai meets all of the requirements for a “Specified Company under Designated International Financial Reporting Standards” as stipulated under Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Ordinance No. 28, 1976, “the Ordinance”). Hence, in accordance with Article 312 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, 2025, were authorized by Representative Director, Mitsuo Sawai, on June 24, 2025.

(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:

- Variable considerations in revenue recognition: (Note 3 (5))
- Impairment of intangible assets: (Note 15)
- Realizability of deferred tax assets: (Notes 3 (7) and 9)
- Financial liabilities related to multidistrict litigation in the United States (Notes 3 (4) [2] (iii))

- The measurement of the disposal group categorized as an asset held for sale: (Notes 3 (17) and 29)

(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 previous fiscal year, the amount of expenditure for purchases of investment securities was included in "Other" under "Cash flows from investing activities," but, given its increased significance, "Expenditure for purchases of investment securities" has been itemized separately since FY2024. In order to ensure that this change is accurately reflected, the previous fiscal year's consolidated financial statements have been reclassified.

As a result, an amount of JPY 1,490 million for "Other" under "Cash flows from investing activities" in the previous fiscal year's consolidated statements of cash flows has been divided into JPY (359) million for "Expenditure for purchases of investment securities" and JPY 1,849 million for "Other."

Similarly, in the previous consolidated fiscal year, the amount of purchase of treasury shares was included in "Other" under "Cash flows from financing activities," but, given its increased significance, "Purchase of treasury shares" has been itemized separately since FY2024. In order to ensure that this change is accurately reflected, the previous fiscal year's consolidated financial statements have been reclassified. As a result, an amount of JPY (70) million for "Other" under "Cash flows from financing activities" in the previous fiscal year's consolidated statements of cash flows has been divided into JPY 0 million for "Purchase of treasury shares" and JPY (70) million for "Other."

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 on March 31, 2025.

(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, 2025.

- (b) Financial assets which are equity instruments

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

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

(ii) Subsequent measurement

- (a) Financial assets measured at amortized cost

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

- (b) Financial assets measured at fair value

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

(iii) Impairment loss

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

- (a) Trade receivable and contract assets

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

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

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

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

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

In addition, Sawai considers financial assets to be in default when there is 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.

(iii) Financial liabilities related to multidistrict litigation (hereinafter, "MDL") in the United States

Since the Board of Director resolved on January 16, 2024 that the Company's shares in SAH be all transferred 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 aforementioned equity transfer agreement with Bora stipulates that the Company be responsible to a certain extent for the cost of responding to antitrust MDL in which USL is a defendant and its consequences (such as damages based on judgments or settlements).

The Company has therefore established a system to monitor the progress of this litigation in a timely manner by closely collaborating with Bora and the litigation attorneys, as well as independently hiring a law firm to address this matter.

Based on the abovementioned system, a current estimate of the total liabilities has been recorded as part of "Other financial liabilities" under "Other non-current liabilities."

[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. 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

Rebates are incentive programs payable upon the achievement of certain pre-determined sales volumes, which are granted to customers.

Accruals for rebates 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 rebates are presented in the consolidated statements of financial position as Refund liabilities.

[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, 2025, 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 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.

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) Government Grants

Government grants are recognized at fair value when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received.

Grants related to assets are recognized in profit or loss on a systematic basis over the useful life of the related assets and presented as deferred income. Grants related to income are recognized in profit or loss over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

(16) 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.

(17) Assets Held for Sale and a Discontinued Operation

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.

(18) 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 loss on litigation and provisions for drug product safety assessment.

(19) 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.

(20) 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, 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 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.

(5) Information by Major Customer

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

	Millions of yen	
	<u>Fiscal year ended March 31, 2024</u>	<u>Fiscal year ended March 31, 2025</u>
Mediceo Corporation	34,737	37,601
Alfresa Corporation	32,280	34,538
Suzuken Co., Ltd.	19,247	19,856

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	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cardiovascular drugs	42,136	42,565
Central nervous system drugs	24,570	25,711
Other metabolic drugs	18,145	20,562
Gastro-intestinal drugs	19,089	20,403
Blood/body fluid pharmaceutical products	16,010	17,823
Antibiotics drugs	9,269	10,668
Antiallergic drugs	6,951	8,898
Vitamin preparations	7,363	7,115
Chemotherapeutics	5,705	7,022
Drugs for respiratory organs	6,022	6,929
Antineoplastic agents	6,097	6,445
Drugs for urogenital organs and the anus	5,227	5,184
Other	10,279	9,699
Total	176,862	189,024

(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.

Trade receivables and contract assets balances as of March 31, 2024 and 2025 are as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Trade receivables	48,544	45,987

6. Expense by nature

The breakdown of expenses by nature is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Raw materials and supplies	58,733	64,829
Employee benefits	25,390	28,112
Depreciation and amortization	14,165	15,230
Subcontractor costs	35,998	35,215

7. Other Expenses

The breakdown of other income is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Gain on sale and disposal of property, plant and equipment	38	4
Expenses related to provisions for loss on litigation	—	16,757
Other	418	274
Total	456	17,035

* For details on provisions for loss on litigation, please refer to “18. Provisions.”

8. Financial Income and Financial Expenses

The composition of financial income is as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Interest income		
Financial assets measured at amortized cost	0	2
Remeasurement gain		
Financial asset measured at fair value through profit or loss	—	5
Dividend income		
Equity instruments measured at fair value through other comprehensive income	199	142
Other	2	2
Total	201	151

The composition of financial expenses is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest expenses		
Financial liabilities measured at amortized cost		
Bonds	7	201
Borrowings	443	551
Lease liability	27	41
Other	16	159
Other	66	88
Total	558	1,039

9. 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 30, "Discontinued Operation," for additional information about income taxes related to the discontinued operation.

[1] Income tax expense

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Current tax expense	1,396	9,505
Deferred tax expense		
Origination and reversal of temporary differences	4,187	(8,462)
Changes in the tax rates		(55)
Subtotal	4,187	(8,517)
Total	5,583	988

In addition to the above, current tax expenses and deferred tax expenses related to the discontinued operation was recorded in the Consolidated Statement of Income. See Note 30, "Discontinued Operation," for additional information.

[2] Income taxes directly recognized in equity

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Income taxes		
Expenses directly attributable to the acquisition of treasury stock	—	79
Total	—	79

[3] Reconciliation of the effective tax rate

Main taxes levied on the Company are corporate income tax, inhabitant tax, and enterprise tax, with a total statutory tax rate of 30.6% for both fiscal years ended March 31, 2024 and 2025.

	Percentage	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Tax using the Company's domestic tax rate	30.6	30.6
Non-deductible expenses	0.2	1.3
Changes in unrecognized differed tax assets	(0.5)	0.3
Changes in the tax rates	—	(1.7)
Difference in the tax rates applied to subsidiaries	0.2	1.0
Other	0.1	(0.2)
Effective tax rate	30.6	31.3

(2) Deferred taxes

[1] The composition of deferred tax assets and liabilities

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Deferred tax assets	9,020	10,132
Deferred tax liabilities	(337)	(137)
Net deferred tax assets (liabilities)	8,683	9,994

[2] The components of changes in deferred tax assets and liabilities

Fiscal year ended March 31, 2024	Millions of yen			As of March 31, 2024
	As of April 1, 2023	Recognized through profit or (loss)	Recognized in other comprehensive income	
Deferred tax assets				
Provisions	89	16	—	105
Tax loss carryforwards	—	1,209	—	1,209
Inventories	2,916	(68)	—	2,848
Property, plant and equipment	1,269	(102)	—	1,168
Other financial liabilities	9	—	—	9
Accruals	975	107	—	1,083
Lease liability	1,176	119	—	1,296
Trade and other payables	554	(79)	—	475
Income tax payables	191	107	—	298
Intangible assets	490	(38)	—	452
Refund liabilities	695	55	—	751
Investment in subsidiaries	—	12,960	(3,832)	9,128
Other	554	187	15	755
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)
Right-of-use assets	(917)	(116)	—	(1,033)
Financial assets measured at FVOCI	(976)	—	(429)	(1,406)
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

Fiscal year ended March 31, 2025

Millions of yen

	As of April 1, 2024	Recognized through profit or (loss)	Recognized in other comprehensive income	As of March 31, 2025
Deferred tax assets				
Provisions	105	5,120	—	5,225
Tax loss carryforwards	1,209	3,008	—	4,217
Inventories	2,848	(22)	—	2,826
Property, plant and equipment	1,168	175	—	1,343
Other financial liabilities	9	1,294	—	1,303
Accruals	1,083	129	—	1,212
Lease liability	1,296	(124)	—	1,171
Trade and other payables	475	38	—	513
Income tax payables	298	77	—	375
Intangible assets	452	(109)	—	343
Refund liabilities	751	(412)	—	339
Investment in subsidiaries	9,128	(12,960)	3,832	—
Other	755	14	(2)	767
Subtotal	19,577	(3,771)	3,830	19,636
Deferred tax liabilities				
Intangible assets	(5,466)	(259)	—	(5,725)
Valuation difference related to a business combination	(2,249)	750	—	(1,499)
Right-of-use assets	(1,033)	158	—	(874)
Financial assets measured at FVOCI	(1,406)	—	664	(742)
Property, plant and equipment	(472)	(19)	—	(492)
Other	(268)	(42)	—	(310)
Subtotal	(10,895)	589	664	(9,642)
Net deferred tax assets (liabilities)	8,683	(3,182)	4,494	9,994

[3] Deductible temporary differences and carryforward of tax losses for which no deferred tax asset is recognized

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Deductible temporary differences	6	3
Carryforward of tax losses	—	—

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 38,159 million for the previous fiscal year and JPY 94,518 million for the fiscal year under review.

[4] Unrecognized deferred tax liabilities

There was a taxable temporary difference of JPY 19,745 million and JPY 8,745 million as of March 31, 2024 and 2025 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.

(3) *Adjustment of deferred tax assets and liabilities resulting from changes in the rates of corporate and other taxes*

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025), enacted by the National Diet on March 31, 2025, provides that the Special Corporate Tax for Defense will be imposed starting from the consolidated fiscal year beginning on or after April 1, 2026. Consequently, for deferred tax assets and liabilities related to temporary differences expected to be resolved in the consolidated fiscal year beginning on or after April 1, 2026, the statutory effective tax rate has been changed from 30.6% to 31.5% for calculation purposes.

10. Earnings Per Share

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

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Basic earnings per share		
Profit attributable to owners of parent (million Yen)	13,695	11,969
Profit not-attributable to owners of parent (million Yen)	—	—
Profit from continuing operations attributable to owners of parent (million Yen)	12,679	2,173
Profit from discontinued operations attributable to owners of parent (million Yen)	1,016	9,726
Weighted average number of ordinary shares outstanding during the year (thousand shares)	131,398	123,982
Diluted earnings per share		
Profit used in the calculation of basic earnings per share (million Yen)	13,695	11,969
Adjustments to profit (million Yen)	—	—
Profit from continuing operations used in the calculation of basic earnings per share (million Yen)	12,679	2,173
Profit from discontinued operations used in the calculation of basic earnings per share (million Yen)	1,016	9,796
Average number of ordinary shares during the year (thousand shares)	131,398	123,982
Increase in common stock due to acquisition of treasury shares (thousand shares)	369	378
Weighted average number of ordinary shares outstanding during the year after dilutive effect (thousand shares)	131,767	124,360
Profit per share (attributable to the owners of parent)		
Basic earnings per share (Yen)	104.22	96.54
Continued operations	96.49	17.53
Discontinued operation	7.73	79.01
Diluted earnings per share (Yen)	103.93	96.25
Continued operations	96.22	17.47
Discontinued operation	7.71	78.77

*1 The Company conducted a 3-for-1 stock split for shares of its common stock, with an effective date of October 1, 2024. The basic and diluted earnings per share are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2024.

*2 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, 2024, and 2025, respectively.

11. Other Comprehensive Income

The components of other comprehensive income are as follows:

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Changes in financial assets measured at FVOCI during the year		
Changes during the term	1,350	186
Before tax effect adjustment	1,350	186
Related tax effects	(427)	(80)
Net	923	106
Exchange differences on translation of foreign operations		
Changes during the term	7,027	(1)
Reclassification adjustment	—	(15,487)
Before tax effect adjustment	7,027	(15,488)
Related tax effects	(3,819)	3,819
Net	3,207	(11,668)
Total other comprehensive income	4,130	(11,562)

12. Inventories

The components of inventories are as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Finished goods and products	50,213	53,603
Work-in-process	19,988	21,905
Raw materials and supplies	29,801	34,359
Total	100,002	109,867

The write-down of inventories recorded within cost of sales was JPY 5,131 million and JPY 5,567 million for the year ended March 31, 2024 and 2025, respectively.

13. Other Financial Assets

The components of other financial assets are as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Financial assets measured at fair value through profit or loss		
Contingent consideration	—	2,399
Financial assets measured at amortized cost		
Guarantee deposits	295	208
Other	229	260
Equity instruments measured at FVOCI		
Equity securities	8,422	3,746
Total	8,946	6,613
Other financial assets (current)	167	2,480
Other financial assets (non-current)	8,779	4,134

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

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
MEDIPAL HOLDINGS CORPORATION	506	509
Alfresa Holdings Corporation	498	473
Neurolied Ltd.	379	374
Medical Ikkou Group Co., LTD.	336	327
Daito Pharmaceutical Co., Ltd.	227	212
Sumitomo Corporation	3,133	—
Nippon Kayaku Co., Ltd.	1,143	—
Yakult Honsha Co., Ltd.	464	—
Other	1,736	1,851
Total	8,422	3,746

Other includes equity investment in private companies in the amount of JPY 1,350 million and JPY 1,419 million as of March 31, 2024 and 2025, all of which are classified as level 3 in the fair value hierarchy (see Note 26).

Please note that, mainly as a result of a review of our trading relationships, the Company has sold part of equity instruments measured at fair value through other comprehensive income and ceased recognizing them. The fair value at the time of derecognition and the cumulative gain or loss related to the disposal (before tax effect adjustment) are as follows.

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Fair value at the time of derecognition	—	6,443
Cumulative gain or loss related to the disposal	—	2,417

14. Property, Plant and Equipment

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

Fiscal year ended March 31, 2024

	Millions of yen						
	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	ROU assets	Total
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

Fiscal year ended March 31, 2025

	Millions of yen						
	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	ROU assets	Total
Acquisition cost							
Balance at April 1, 2024	75,676	80,791	15,264	11,136	24,223	6,127	213,215
Acquisition	3,291	2,974	783	0	14,753	347	22,149
Sale and disposition	(477)	(1,170)	(783)	(42)	(49)	(374)	(2,895)
Transfer	18,036	13,358	3,094	(0)	(34,488)	—	—
Transfer to assets held for sale	—	—	—	—	—	—	—
Foreign currency translation differences	—	—	—	—	—	—	—
Other	6	—	—	—	0	—	6
Balance at March 31, 2025	96,531	95,953	18,358	11,095	4,440	6,100	232,475
Accumulated depreciation amount and accumulated impairment losses							
Balance at April 1, 2024	(34,908)	(60,116)	(12,077)	(4)	—	(2,710)	(109,815)
Depreciation expenses	(3,899)	(6,509)	(1,473)	—	—	(875)	(12,756)
Impairment	(115)	(417)	(0)	—	(40)	—	(573)
Sale and disposition	444	1,083	699	—	—	319	2,545
Transfer to assets held for sale	—	—	—	—	—	—	—
Foreign currency translation differences	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Balance at March 31, 2025	(38,479)	(65,960)	(12,852)	(4)	(40)	(3,266)	(120,599)
Carrying amount							
Balance at April 1, 2024	40,767	20,675	3,186	11,132	24,223	3,417	103,400
Balance at March 31, 2025	58,052	29,993	5,506	11,091	4,399	2,834	111,876

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.

Impairment losses on tangible fixed assets are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

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

	Millions of yen			
	Building and structures	Machinery and equipment	Tools, furniture and fixtures	Total
Fiscal year ended March 31, 2024	2,881	438	98	3,417
Fiscal year ended March 31, 2025	2,457	307	70	2,834

15. Goodwill and Intangible Assets

The components of goodwill and intangible assets are as follows:

Fiscal year ended March 31, 2024

	Millions of yen						Total
	Goodwill	Intangible Assets			Other		
		Marketed products	Research and development	Trademark			Software
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

Fiscal year ended March 31, 2025

	Millions of yen						Total
	Goodwill	Intangible Assets					
		Marketed products	Research and development	Trademark	Software	Other	
Acquisition cost							
Balance at April 1, 2024	—	22,910	18,597	13	7,625	486	49,631
Acquisition	—	—	5,188	3	611	6,655	12,458
Disposition	—	—	—	—	(2)	—	(2)
Transfer	—	2,693	(2,693)	3	558	(561)	—
Transfer to Assets held for sale	—	—	—	—	—	—	—
Exchange differences	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Balance at March 31, 2025	—	25,603	21,093	19	8,792	6,581	62,088
Accumulated amortization amount and accumulated impairment losses							
Balance at April 1, 2024	—	(15,780)	(7,275)	(9)	(6,112)	(156)	(29,332)
Amortization expenses	—	(1,842)	—	(1)	(634)	(8)	(2,485)
Impairment and reversal of impairment	—	(391)	(2,685)	—	—	—	(3,076)
Disposition	—	—	—	—	2	—	2
Transfer to Assets held for sale	—	—	—	—	—	—	—
Exchange differences	—	—	—	—	—	—	—
Other	—	(193)	193	—	—	—	—
Balance at March 31, 2025	—	(18,207)	(9,767)	(10)	(6,745)	(164)	(34,892)
Carrying amount							
Balance at April 1, 2024	—	7,130	11,322	4	1,512	331	20,299
Balance at March 31, 2025	—	7,396	11,326	9	2,048	6,417	27,196

As of the end of the previous fiscal year, there were no significant intangible assets.

As of the end of the reporting period, the Company recognized the specific significance of an intangible fixed asset in progress worth JPY 4,950 million associated with the contract signed in March 2025 to acquire the rights to manufacturing and marketing approval for the oral anticoagulant Warfarin in the Japanese market from Eisai Co., Ltd. This asset is expected to be amortized over 10 years starting from the next fiscal year.

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, 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 4.9%. 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:

	Millions of yen
	Amount of impairment loss
Marketed products	580
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.

Year ended March 31, 2025

During the year ended March 31, 2025, 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, 2025:

	Millions of yen
	Amount of impairment loss
Marketed products	391
Research and development	2,685
Total	<u>3,076</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.

16. Trade and Other Payables

The components of trade and other payables are as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Trade accounts payable	26,534	24,965
Other accounts payable	19,088	25,812
Total	45,622	50,777

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

17. Bonds and Borrowings

The components of bonds and borrowings are as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Short-term borrowings	12,848	7,157
Current portion of long-term borrowings	3,201	14,346
Long-term borrowings, less current portion	56,897	49,930
Bonds	9,944	19,906
Total	82,891	91,339
Current liabilities	16,049	21,503
Non-current liabilities	66,841	69,836

The composition of the bonds is as follows:

Name of Bond	Issue date	Principal amount in contractual currency	Millions of yen			Maturity
			As of March 31, 2024	As of March 31, 2025	Interest rate	
1st Unsecured Bonds	March 2024	10,000	9,944	9,955	0.877%	March 2029
2nd Unsecured Bonds	June 2024	10,000	—	9,950	1.132%	June 2029
			9,944	19,906		

The composition of the borrowings is as follows:

Name of Borrowings	Original principal amount	Millions of yen		Interest rate	Maturity
		Carrying amount			
		2024	2025		
Short-term borrowings	10,000	10,000	10,000	1-month TIBOR + 0.9%	-
Short term liquidation of account receivable	7,157	2,848	7,157	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	27,598	—	3-month TIBOR + 0.35%	-
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
2024 variable rate loans	7,384	—	6,736	3-month TIBOR + 0.65%	June 2029
2024 variable rate loans	8,000	—	7,143	3-month TIBOR + 0.65%	June 2031
2024 variable rate loans	2,000	—	1,785	3-month TIBOR + 0.55%	June 2031
2024 variable rate loans	14,820	—	13,530	3-month TIBOR + 0.65%	December 2032
2024 variable rate loans	2,832	—	2,581	3-month TIBOR + 0.35%	December 2032
		72,947	71,433		

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

Year ended March 31, 2024

	Millions of yen					Balance at the end of the year
	Balance at the beginning of the year	Cash flows from financing activities	Changes by non-cash elements			
			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

Year ended March 31, 2025

	Millions of yen					Balance at the end of the year
	Balance at the beginning of the year	Cash flows from financing activities	Changes by non-cash elements			
			Acquisition	Foreign exchange movement	Other	
Bonds	9,944	9,941	—	—	21	19,906
Short-term borrowings	12,848	(5,692)	—	—	—	7,157
Long-term borrowings	60,098	4,178	—	—	—	64,276
Total	82,891	8,428	—	—	21	91,339

18. Provisions

Changes in provisions are as follows:

	Millions of yen			
	Provisions for drug product safety assessment	Provisions for loss on litigation	Other	Total
April 1, 2024	250	—	93	343
Increase	258	16,757	6	17,021
Usage	(240)	—	(6)	(246)
Reverse	(33)	—	—	(33)
March 31, 2025	234	16,757	92	17,084
Provisions (current)	234	16,757	—	16,992
Provisions (non-current)	—	—	92	92

(1) Provisions for drug product safety assessment

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.

(2) Provisions for loss on litigation

On May 27, 2025, the Intellectual Property High Court of Japan (hereinafter, the “IP High Court”) rendered its judgment that Sawai Pharmaceutical Co., Ltd. (hereinafter, “Sawai Pharmaceutical”), a consolidated subsidiary of the Company, paid damages incurred by SAWAI (hereinafter, “Nalfurafine”), a product manufactured and marketed by it. In response, the company has recognized expected expenses for demand payment as a provision for loss on litigation to ensure that the event after the reporting period would be accurately reflected under IAS 37. The cost is expected to be paid within one year.

(3) Other

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

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

19. Other Financial Liabilities

The components of other financial liabilities are as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Financial liabilities measured at amortized cost		
Guarantee deposits	3,231	3,824
MDL in the United States	—	5,101
Lease liabilities	4,237	3,767
Total	7,468	12,693
Other financial liabilities (current)	4,610	5,237
Other financial liabilities (non-current)	2,858	7,456

20. Government Grants

The government grants included in other non-current liabilities are as follows.

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Other non-current liabilities	128	312

The Company received the government grants primarily for the purchase of tangible fixed assets. There are no outstanding conditions or other contingencies associated with the aforementioned government grants.

21. Leases

As a Lessee

The amounts recognized in profit or loss are as follows:

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest expense on lease liabilities	27	41
Expense relating to short-term leases	415	562
Expense relating to leases of low-value assets	249	81
Total cash outflows from leasing activities	2,265	2,401

The following table shows the depreciation expenses for right-of-use assets by class of underlying asset. Note 14 sets out the information of the carrying amount of right-of-use assets by class of underlying asset.

	Millions of yen	
	Year ended March 31,	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	603	692
Machinery and equipment	199	155
Tools, furniture and fixtures	28	28
Total	831	875

The following table shows the maturity analysis of lease liabilities.

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Current portion	1,402	1,441
Over 1 year and within 5 years	2,196	1,706
Over 5 years	808	738
Total	4,406	3,885
Present value of total lease liabilities	4,237	3,767
Lease liabilities (current)	1,379	1,413
Lease liabilities (non-current)	2,858	2,355

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

22. Other current liabilities

The components of other current liabilities are as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Accrued bonuses	3,099	3,476
Accrued expenses	987	1,586
Short-term deposits received	326	145
Accrued consumption taxes	2,523	—
Other	97	131
Total	7,034	5,339

23. Employee Benefits

Amount recognized as expenses in relation to the defined contribution plan is JPY 791 million and JPY 861 million for year ended March 31, 2024 and 2025, respectively.

24. Equity and other Equity Items

(1) Share Capital and Capital Surplus

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

	Number of shares authorized (Thousands of shares)	Number of shares issued (Thousands of shares)	Share capital (Yen in millions)	Capital surplus (Yen in millions)
Balance as of March 31, 2024	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
Increase	155,200	87,666	33	33
Decrease	—	—	—	—
Balance as of March 31, 2025	232,800	131,469	10,053	37,767

*1 The Company conducted a 3-for-1 stock split for shares of its common stock, with an effective date of October 1, 2024. As a result, the number of authorized shares increased by 155,200 thousand, reaching a total of 232,800 thousand.

*2 The increases in the number of shares issued and the amounts of share capital and capital surplus in the fiscal year ended March 31, 2024 were caused by the exercise of subscription rights to shares. In addition, the increase in the number of shares issued for the fiscal year ended March 31, 2025 was due to an increase of 20 thousand shares due to the exercise of subscription rights to shares (before the stock split) and an increase of 87,646 thousand shares due to the stock split. The increases in share capital and capital surplus are attributed to the exercise of subscription rights to shares.

The Companies Act in Japan provides that at least half of the amount paid or contributed for the issuance of shares be included in share capital and that the remaining amount be included in capital reserves. Furthermore, capital reserves may be shifted to share capital under a resolution at the shareholders' meeting.

(2) Retained Earnings

The Companies Act provides that an amount equal to one-tenth of the expenses for dividends of retained earnings be appropriated for capital or legal reserves until the total of capital and legal reserves reaches one-fourth of the share capital and that the accumulated legal reserves may be used to cover deficits. Additionally, the Act also provides that the legal reserves may be reversed under a resolution at the shareholders' meeting.

(3) **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, 2023	0	2
Increase	0	0
Decrease	—	—
Balance as of March 31, 2024	0	2
Increase	16,018	33,241
Decrease	—	—
Balance as of March 31, 2025	16,018	33,243

*1 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. The increase in treasury shares in the year ended March 31, 2025 was due to the acquisition of treasury shares based on a resolution of the Board of Directors on June 25, 2024, and the purchase of shares less than one unit at shareholders' requests.

*2 Based on a resolution of the Board of Directors on April 25, 2025, treasury shares were retired as of April 30, 2025. Details about the retirement of treasury shares are given in "Note 32. Events after Reporting Period (1) Retirement of Treasury Shares."

*3 The amount of transaction costs accounted for as a deduction from capital in the year ended March 31, 2025 is JPY 241 million.

(4) **Other Components of Equity**

Fiscal year ended March 31, 2024

	Millions of yen			
	Stock acquisition rights	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

Fiscal year ended March 31, 2025

	Millions of yen			
	Reserve for share-based payments	Changes in financial assets measured at FVOCI	Foreign currency translation differences	Total
Balance at the beginning of the year	397	3,185	11,682	15,264
Other comprehensive income	—	106	(11,668)	(11,562)
Total current comprehensive income	—	106	(11,668)	(11,562)
Issuance of new shares	(66)	—	—	(66)
Transfer from other components of equity to retained earnings	—	(1,713)	—	(1,713)
Share-based payments	96	—	—	96
Total transactions with owners	31	(1,713)	—	(1,683)
Balance at the end of the year	428	1,579	13	2,020

25. Dividends

Amount of dividends and dividends per share are as follows:

Fiscal year ended March 31, 2024

Declaration date	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

Fiscal year ended March 31, 2025

Declaration date	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (June 25, 2024)	2,847	65	March 31, 2024	June 26, 2024
Board of Directors' meeting (November 11, 2024)	3,223	78	September 30, 2024	December 2, 2024

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

Fiscal 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

Fiscal year ended March 31, 2025

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, 2025)	3,117	27	March 31, 2025	June 26, 2025

The above dividend amounts will be proposed for an approval resolution at the annual general meeting of shareholders scheduled for June 25, 2025.

26. Financial Instruments

(1) Capital Management

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

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

There are no material capital regulations applied to Sawai.

(2) Risk Management Policy

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

Sawai does not conduct any derivative transactions.

(3) Credit Risk

[1] Overview

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

(i) Credit risk management

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

Sawai has established a credit policy under which each new customer is analyzed individually for creditworthiness before Sawai's standard payment and delivery terms and conditions are offered. Sawai's review includes financial statements, industry information and in some cases bank references. Sale limits are established for each customer and reviewed annually. Any increase from those limits requires approval of the person in charge, in accordance with Sawai's internal policy. In order to limit its exposure to credit risk from trade receivables, Sawai receives cash from small sized customers as guaranteed 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 accounts for approximately 56% of revenue. Trade receivables with the top four companies were JPY 29,254 million and JPY 27,394 million as of March 31, 2024 and 2025, respectively.

[2] Credit exposure

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

[3] Changes in loss allowance

Loss allowance for the year ended March 31, 2024 and 2025 were as follows:

Fiscal year ended March 31, 2024

	Millions of yen		
	Loss allowance measured at the amount equal to lifetime expected credit loss	Loss allowance measured at the amount equal to 12- month expected credit loss	Total
Balance at the beginning of the year	18	0	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

Fiscal year ended March 31, 2025

	Millions of yen		
	Loss allowance measured at the amount equal to lifetime expected credit loss	Loss allowance measured at the amount equal to 12- month expected credit loss	Total
Balance at the beginning of the year	18	0	18
Increased amount during the period	-	0	0
Decreased amount during the period (utilization)	-	-	-
Decreased amount during the period (reversal)	(0)	-	(0)
Balance at the end of the year	18	0	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, 2024

	Millions of yen		
	Trade receivables and contract assets for which loss allowance is measured at the amount equal to lifetime expected credit loss	Other receivables for which loss allowance is measured at the amount equal to 12-month expected credit loss	Total
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

As of March 31, 2025

	Millions of yen		
	Trade receivables and contract assets for which loss allowance is measured at the amount equal to lifetime expected credit loss	Other receivables for which loss allowance is measured at the amount equal to 12-month expected credit loss	Total
Not past due	46,005	2,892	48,897
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	46,005	2,892	48,897

[5] Details of security and other credit supplementation

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

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Guarantee deposits	3,231	3,824

(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, 2024

	Millions of yen							
	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

As of March 31, 2025

	Millions of yen							
	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	19,906	20,917	201	201	201	10,201	10,113	—
Borrowings	71,433	73,228	22,027	4,792	27,207	4,555	6,891	7,757
Refund liabilities	1,109	1,109	1,109	—	—	—	—	—
Guarantee deposits	3,824	3,824	3,824	—	—	—	—	—
Total	96,272	99,078	27,161	4,992	27,408	14,756	17,004	7,757

[3] Committed Credit Line

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

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Total committed credit lines	16,000	16,000
Usage during the year	—	—
Unused credit lines	16,000	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 and financial liabilities related to MDL 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:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Financial assets	846	27,344
Financial liabilities	(739)	(35,019)
Net amount of exposure in the consolidated statement of financial position	107	(7,675)
Net amount of exposure	107	(7,675)

(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.

Fiscal year ended March 31, 2024

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

Fiscal year ended March 31, 2025

Profit or loss		Equity, net of tax	
Strengthening	Weakening	Strengthening	Weakening
80	(80)	80	(80)

[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 (376) million and JPY (318) million in the year ended March 31, 2024 and 2025.

Exposure to interest fluctuation risk is as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Borrowings to which variable interest rate applies	37,598	31,776

[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%:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
10% decrease in stock price	(465)	(134)

(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.

(iii) Contingent considerations

The contingent consideration from business combinations is calculated based on the present value of future payment amounts, considering their probability of occurrence, using an appropriate valuation method.

[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

	Millions of yen			
	As of March 31, 2024		As of March 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Bonds	9,944	10,021	19,906	19,693
Borrowings	72,947	72,347	71,433	70,690
Total	82,891	82,368	91,339	90,383

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, 2024

	Millions of yen			
	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
Equity instruments measured at fair value through profit or loss				
Contingent considerations	—	—	—	—
Total	6,693	—	1,729	8,422

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

As of March 31, 2025

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Equity instruments measured at fair value through other comprehensive income				
Equity securities	1,953	—	1,793	3,746
Equity instruments measured at fair value through profit or loss				
Contingent considerations	—	—	2,399	2,399
Total	1,953	—	4,193	6,145

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:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Balance at the beginning of the year	1,862	1,729
Gain or loss	-	
Net profit or loss		5
Gain recognized as changes in fair value of financial instruments measured at FVOCI	263	64
Purchases	359	—
Recognized contingent considerations	—	2,394
Transfer to assets held for sale	(821)	—
Other	66	—
Balance at the end of the year	1,729	4,193

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, 2024 and 2025.

	Millions of yen		
	Effect of offsetting on the statement of financial position		
	Gross Amounts	Gross amounts set off	Net amounts presented
<u>As of March 31, 2024</u>			
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

	Millions of yen		
	Effect of offsetting on the statement of financial position		
	Gross Amounts	Gross amounts set off	Net amounts presented
<u>As of March 31, 2025</u>			
Financial assets			
Trade receivables and others	48,879	—	48,879
Total	48,879	—	48,879
Financial Liabilities			
Refund liability	1,109	—	1,109
Total	1,109	—	1,109

(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.

The financial assets transferred without meeting the criteria for derecognition of financial assets and the related liabilities are as follows. These transferred assets are recorded under “Accounts Receivable and Other Receivables,” and the related liabilities are recorded under “Borrowings (Current Liabilities).” Their fair values reasonably approximate their book values.

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Book value of transferred financial assets	1,689	5,362
Book value of related liabilities	2,848	7,157

27. Subsidiaries

The statuses of our major subsidiaries are as described in Note 4. There were no consolidated subsidiaries with individually significant non-controlling interests in the previous fiscal year or the fiscal year under review.

28. Related Parties

Compensation for key management personnel is as follows:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
Basic compensation and bonuses	102	100
Share-based compensation	15	21
Total	118	121

29. 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:

	Millions of yen	
	As of March 31, 2024	As of March 31, 2025
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	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	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 and liabilities directly associated with assets held for sale as of the end of FY2023 have been classified so in line with the agreement that the Company concluded on the transfer of all shares of SAH, a holding company of the Company’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. On April 2, 2024, the procedure of transferring all corresponding shares was completed.

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. 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.

30. Discontinued Operation

(1) Outline of Discontinued Operation

As stated in “29. Assets Held for Sale and Liabilities Directly Related to Assets Held for Sale,” the Company has recorded profit/loss related to the U.S. Business under the category of “discontinued operation.”

(2) Discontinued Operation

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Discontinued Operation		
Revenue *1	40,254	12,955
Expenses*2	(62,768)	—
Profit (loss) before tax on the discontinued operation	(22,514)	12,955
Income tax expenses*3	18,991	(3,159)
Profit (loss) for the period on the discontinued operation	(3,523)	9,796
Profit (loss) on the discontinued operation attributable to:		
Owners of parent	1,016	9,796
Non-controlling interests	(4,539)	—
Total	(3,523)	9,796

*1 A gain of JPY 12,955 million on the transfer of the Company’s shares and interests in the U.S. subsidiary and affiliates was included in fiscal year ended March 31, 2025.

*2 The calculations include a loss of JPY 20,918 million recognized on the measurement to the fair value less cost to sell the disposal group constituting the discontinued operation due to the agreement with Bora in FY2023.

*3 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 the disposal group constituting the discontinued operation will be removed within a predictable period. Additionally, during the fiscal year ended March 31, 2025, tax expenses related to the gain on sales of shares of subsidiaries and affiliates due to the transfer of the U.S. business amounted to JPY 3,159 million.

(3) Cash flows from discontinued operation

	Millions of yen	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities	(84)	—
Cash flows from investing activities *	762	28,233
Cash flows from financing activities	(58)	—
Total	620	28,233

* On April 2, 2024, the procedure of transferring all corresponding shares was completed. The following table shows the relationship between income and expenditure from the share transfer.

	Millions of yen
Consideration for the transfer *	39,294
Cash and cash equivalents of assets at the time of loss of control	(11,061)
Proceeds from the transfer of shares in the consolidated subsidiary involving changes in the scope of consolidation	28,233

* As for the consideration for the transfer, the final amount may change since the price adjustment clause and contingent consideration, are stipulated in the Share Transfer Agreement. As the consideration for the transfer, the Company received JPY 23,984 million from Bora for the trading value of the Company's interest and JPY 15,310 million from the purchase of treasury shares through a separate of SAH.

31. Commitment and Contingency

(1) Commitment

Commitment to acquire property, plant and equipment was JPY 15,098 million and JPY 6,919 million as of March 31, 2024, and 2025, respectively.

(2) Litigation

Sawai Pharmaceutical Co., Ltd. (hereinafter, "Sawai Pharmaceutical") is involved in government investigations and litigation arising from the marketing of its pharmaceutical products in the United States. Regarding the patent infringement lawsuit related to the manufacturing and sale of Nalfurafine Hydrochloride OD Tablets 2.5 μ g "SAWAI," a provision has been recorded following the Intellectual Property High Court's order for the company to pay damages, which was issued after the end of the fiscal year.

Litigation for patent rights infringement related to the manufacture and marketing of Teriparatide for Subcutaneous Injection 56.5 μ g "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 56.5 μ g "SAWAI."

In September 2024, the Osaka District Court delivered a first-instance judgment ordering Sawai Pharmaceutical to pay damages of JPY 3,064 million to Asahi Kasei Pharma. In October of the same year, Sawai Pharmaceutical, dissatisfied with this judgment, appealed to the Intellectual Property High Court. Since the first-instance judgment does not include a provisional execution declaration, Sawai Pharmaceutical has not deposited a security for the payment of damages or for the suspension of compulsory execution.

We believe that Sawai Pharmaceutical's manufacture and marketing of Teriparatide for Subcutaneous Injection 56.5 μ g "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, 2025.

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.

32. Events after Reporting Period

Retirement of Treasury Shares

Sawai Group Holdings Co., Ltd. (hereinafter, the “Company”) hereby announces that, based on a resolution approved by the Board of Directors on April 25, 2025, its treasury shares will be retired pursuant to the provisions of Article 178 of the Companies Act of Japan as described below.

1. Type of shares to be retired: Shares in the Company’s common stock
2. Number of shares to be retired: 16,016,600 shares (12.2% of the total number of shares issued before retirement)
3. Scheduled date of retirement: April 30, 2025

(Reference)

Total number of issued shares after retirement: 115,452,817 shares



Sawai Group Holdings Co.,Ltd.

5-2-30 Miyahara, Yodogawa-ku, Osaka 532-0003, Japan
TEL: +81-6-6105-5818 FAX: +81-6-6394-7311
URL: <https://global.sawaigroup.holdings>