sawai

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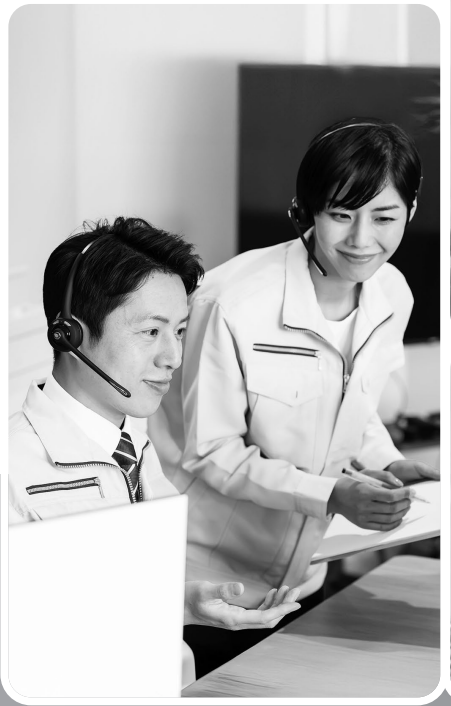
Sawai Group Holdings Co.,Ltd.

Integrated Report Financial Section 2026

For the year ended March 31,2026

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

	IFRS	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
For the fiscal year (Millions of yen)											
Revenue		132,392	168,068	184,341	182,537	187,219	193,816	163,702	176,862	189,024	**201,676**
Cost of sales		80,548	98,628	109,442	109,037	114,785	127,164	113,450	122,543	132,673	**142,882**
Gross profit		51,844	69,440	74,899	73,500	72,434	66,652	50,252	54,319	56,352	**58,793**
Selling, general and administrative expenses (including research and development expenses)		28,497	47,264	49,051	46,862	53,820	71,103	34,754	35,433	36,111	**38,444**
Operating profit (loss)		22,943	22,209	25,798	26,793	18,888	(35,888)	16,054	18,620	4,050	**15,894**
Profit (loss) before tax		22,757	20,251	25,666	26,497	18,460	(36,214)	15,850	18,262	3,161	**14,273**
Profit (loss) attributable to owners of the Company		17,969	14,017	19,376	19,279	12,340	(28,269)	12,667	13,695	11,969	**10,438**
Research and development (R&D) expenses		7,238	14,533	16,671	13,487	13,883	24,413	12,509	12,189	12,593	**12,388**
Capital expenditures		18,839	16,807	10,709	18,173	21,124	23,344	27,141	24,649	27,514	**18,533**
Depreciation and amortization		8,520	14,239	16,280	17,954	18,291	17,045	17,683	18,055	15,241	**16,002**
At fiscal year-end (Millions of yen)											
Total assets		225,609	358,453	372,889	384,814	393,341	349,502	364,165	382,024	354,623	**359,919**
Inventories		61,924	65,217	63,449	75,460	79,120	85,853	101,805	100,002	109,867	**117,607**
Total current liabilities		57,668	74,579	72,826	82,715	80,452	88,840	85,154	93,618	102,815	**80,934**
Total non-current liabilities		26,704	81,433	76,861	68,413	72,139	60,579	66,272	70,375	77,954	**100,429**
Total equity		141,237	202,441	223,204	233,686	240,750	200,083	212,738	218,030	173,854	**178,556**
Cash flows (Millions of yen)											
Cash flows from operating activities		23,270	28,472	42,923	30,256	31,857	34,310	13,026	23,149	27,851	**7,433**
Cash flows from investing activities		(18,827)	(127,900)	(16,820)	(18,173)	(21,794)	(30,395)	(27,134)	(23,112)	6,480	**(22,898)**
Cash flows from financing activities		(6,761)	108,597	(9,513)	(12,747)	(11,991)	(11,262)	(1,267)	2,363	(32,704)	**5,587**
Cash and cash equivalents at the end of the year		30,771	39,992	57,067	56,082	54,269	47,717	33,076	26,368	38,785	**28,989**
Financial indicators (%)											
Ratio of research and development expenses to revenue		5.5	8.6	9.0	7.4	7.4	12.6	7.6	6.9	6.7	**6.1**
Return on equity attributable to owners of the Company (ROE)		13.4	8.7	10.2	9.4	5.8	(13.8)	6.5	6.6	6.2	**5.9**
Ratio of equity attributable to owners of the Company to total assets (Shareholders' equity to total assets)		62.6	50.6	53.4	54.6	55.5	54.4	55.4	55.7	49.0	**49.6**
Per share information (yen)											
Basic earnings per share		162.46	120.16	147.54	146.79	93.93	(215.18)	96.42	104.22	96.54	**90.39**
Diluted earnings per share		162.36	120.09	147.44	146.67	93.84	(215.18)	96.20	103.93	96.25	**90.10**
Dividends per share		43.33	43.33	45.00	43.33	43.33	43.33	43.33	43.33	53.00	**55.00**
Equity attributable to owners of the Company per share		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	**1,546.13**

Notes
1. Capital expenditures are presented on a cash flow basis.
2. Dividend per share in fiscal 2018 included our 90th anniversary commemorative dividend of ¥5.
3. The U.S. business was classified as a non-continuing business in fiscal 2023. Fiscal 2022 through fiscal 2025 revenue, operating profit, and profit before tax are those for continuing businesses, excluding non-continuing business.
4. Per-share information has been recalculated to reflect the three-for-one share split of common stock effective October 1, 2024.

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

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

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Sales volume (Billion tablets)	10.2	10.6	11.9	12.4	13.3	14.8	15.0	15.7	16.1	**17.1**
Production capacity (Billion tablets)	15.0	15.5	15.5	15.5	15.5	15.5	15.5	18.5	20.5	**20.5**
Number of new products launched	18	43	33	12	44	32	23	10	13	**10**
Number of patents held	23	26	31	36	37	42	45	53	69	**78**
Number of GMP audits	164	100	110	133	124	141	153	92	91	**115**
Number of employees (Sawai Group)	2,502	3,252	3,131	3,066	3,003	2,968	3,393	3,482	3,310	**3,630**
Number of female employees in management positions	11	14	15	15	15	17	18	24	31	**34**
Ratio of female employees in management positions (%)	4.5	5.5	6.0	6.1	5.8	6.6	6.9	8.3	9.5	**9.4**
Employee training expenses (Sawai Group) (Millions of yen)	111	128	87	62	45	63	88	92	91	**112**
Number of employees who have received training (Sawai Group)	660	579	654	600	4,038	2,840	4,034	3,795	5,842	**8,195**
Number of employees involved in production (Sawai Group)	1,612	1,749	1,687	1,644	1,607	1,636	2,015	2,097	2,374	**2,662**
Number of employees involved in R&D (Sawai Group)	230	246	257	251	246	253	295	297	300	**316**
Energy used (Sawai Group) (Crude oil conversion kl)	30,914	31,948	32,336	31,015	30,130	30,452	40,628	36,955	42,216	**47,227**

Notes 1. Production capacity and female manager data show figures for Sawai Pharmaceutical through fiscal year 2022, and Sawai Group figures from FY2023 onward.

Consolidated Statements of Income

	Note	Millions of yen (except per share data)	
		Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Continued Operations			
Revenue	5	**189,024**	**201,676**
Cost of sales	6	(132,673)	(142,882)
Gross profit		**56,352**	**58,793**
Selling, general and administrative expenses	6	(23,518)	(26,056)
Research and development expenses	6	(12,593)	(12,388)
Other income		845	44
Other expenses	7	(17,035)	(4,499)
Operating profit		**4,050**	**15,894**
Finance income	8	151	145
Finance expenses	8	(1,039)	(1,766)
Profit before tax		**3,161**	**14,273**
Income tax expenses	9	(988)	(2,737)
Profit for the period from continued operations		**2,173**	**11,536**
Discontinued Operation			
Profit (Loss) for the period from the discontinued operation	31	**9,796**	**(1,098)**
Profit for the period		**11,969**	**10,438**
Profit attributable to:			
Owners of parent		11,969	10,438
Earnings per share (Yen)			
Basic earnings per share			
Continued operations	10	17.53	99.90
Discontinued operation	10	79.01	(9.51)
Basic earnings per share	10	96.54	90.39
Diluted earnings per share			
Continued operations	10	17.47	99.58
Discontinued operation	10	78.77	(9.48)
Diluted earnings per share	10	96.25	90.10

Consolidated Statements of Comprehensive Income

	Note	Millions of yen	
		Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit for the period		**11,969**	**10,438**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income	11	106	449
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	11	(11,668)	3
Other comprehensive income for the period, net of tax	11	(11,562)	452
Total comprehensive income for the period		**407**	**10,890**
Total comprehensive income attributable to:			
Owners of parent		407	10,890

Consolidated Statements of Financial Position

	Note	Millions of yen	
		As of March 31, 2025	As of March 31, 2026
Assets			
Current assets			
Cash and cash equivalents		38,785	28,989
Trade and other receivables	26	48,879	51,555
Inventories	12	109,867	117,607
Other financial assets	13	2,480	348
Other current assets		812	1,847
Total current assets		**200,823**	**200,345**
Non-current assets			
Property, plant and equipment	14	111,876	115,633
Intangible assets	15	27,196	29,667
Other financial assets	13	4,134	4,593
Other non-current assets		463	501
Deferred tax assets	9	10,132	9,180
Total non-current assets		**153,800**	**159,574**
Total assets		**354,623**	**359,919**

	Note	Millions of yen	
		As of March 31, 2025	As of March 31, 2026
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	50,777	49,088
Borrowings	17	21,503	14,675
Income tax payables		1,858	1,781
Refund liabilities	26	1,109	1,155
Provisions	18	16,992	90
Other financial liabilities	19,21	5,237	6,022
Other current liabilities	22	5,339	8,123
Total current liabilities		**102,815**	**80,934**
Non-current liabilities			
Bonds and borrowings	17	69,836	90,348
Provisions	18	92	107
Other financial liabilities	19,21	7,456	9,285
Other non-current liabilities	20	432	673
Deferred tax liabilities	9	137	16
Total non-current liabilities		77,954	100,429
Total liabilities		180,769	181,363
Equity			
Share capital	24	10,053	10,079
Capital surplus	24	37,767	4,564
Retained earnings		157,257	161,589
Treasury shares	24	(33,243)	(3)
Other component of equity	24	2,020	2,327
Equity attributable to owners of parent		**173,854**	**178,556**
Total equity		**173,854**	**178,556**
Total liabilities and equity		**354,623**	**359,919**

Consolidated Statements of Changes in Equity

Millions of yen

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other component of equity	Total		
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					(11,562)	(11,562)		(11,562)
Total comprehensive income		**—**	**—**	**11,969**	**—**	**(11,562)**	**407**	**—**	**407**
Issuance of new shares	24	33	33			(66)	0		0
Acquisition of treasury shares	24				(33,241)		(33,241)		(33,241)
Dividends	25			(6,070)			(6,070)		(6,070)
Changes due to loss of control over consolidated subsidiaries							—	(5,369)	(5,369)
Transfer to retained earnings from other component of equity				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**

Millions of yen

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other component of equity	Total		
Balance at April 1, 2025		10,053	37,767	157,257	(33,243)	2,020	173,854	—	173,854
Profit for the period				10,438			10,438		10,438
Other comprehensive income	11					452	452		452
Total comprehensive income		**—**	**—**	**10,438**	**—**	**452**	**10,890**	**—**	**10,890**
Issuance of new shares	24	8	8			(15)	0		0
Cancellation of treasury shares	24		(33,240)		33,240		—		—
Dividends	25			(6,235)			(6,235)		(6,235)
Transfer to retained earnings from other component of equity	24			130		(130)	—		—
Share based payment		18	30				48		48
Total transactions with owners		**26**	**(33,203)**	**(6,106)**	**33,240**	**(145)**	**(6,187)**	**—**	**(6,187)**
Balance at March 31, 2026		**10,079**	**4,564**	**161,589**	**(3)**	**2,327**	**178,556**	**—**	**178,556**

Consolidated Statements of Cash Flows

Millions of yen

	Note	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities			
Profit before tax		3,161	14,273
Profit (loss) before tax from the discontinued operation	31	12,955	(1,458)
Depreciation and amortization		15,241	16,002
Impairment loss		3,649	1,736
Financial income		(149)	(158)
Financial expenses		1,051	1,466
Loss (gain) on sales of shares of subsidiaries and affiliates		(12,955)	1,458
Loss (profit) on sale and disposal of property, plant and equipment and intangible assets		(551)	316
Decrease (increase) in trade and other receivables		100	(2,613)
Increase in inventories		(9,961)	(7,561)
Increase (decrease) in trade and other payables		(1,388)	433
Increase (decrease) in refund liabilities		(1,346)	46
Increase (decrease) in provisions		16,741	(16,902)
Increase in other financial liabilities		594	677
Other		(1,644)	2,511
Subtotal		25,499	10,225
Interest received		2	4
Dividends received		142	74
Interest paid		(754)	(1,142)
Income taxes paid		(1,246)	(1,751)
Income taxes refund		4,207	23
Cash flows generated from operating activities		**27,851**	**7,433**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(20,567)	(13,416)
Sale of property, plant and equipment		783	10
Acquisition of intangible assets		(6,947)	(11,055)
Expenditure for purchases of investment securities		(1,581)	—
Proceeds from the sale of investment securities		6,443	219
Purchase of shares of subsidiaries and others resulting in change in the scope of consolidation	30	—	(301)
Proceeds from the sale of subsidiary shares involving a change in the scope of consolidation	31	28,233	1,617
Other		117	26
Cash flows (used in) generated from investing activities		**6,480**	**(22,898)**
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	17	(5,692)	674
Proceeds from long-term borrowings	17	35,036	20,500
Repayments of long-term borrowings	17	(30,858)	(14,971)
Proceeds from the issuance of bonds	17	9,941	7,455
Repayments on lease liabilities		(1,716)	(1,819)
Purchase of treasury shares		(33,320)	—
Dividends paid	25	(6,070)	(6,235)
Others		(25)	(17)
Cash flows (used in) generated from financing activities		**(32,704)**	**5,587**
Effect of exchange rate change on cash and cash equivalents		(271)	82
Net increase (decrease) in cash and cash equivalents		**1,356**	**(9,797)**
Cash and cash equivalents at beginning of the period		26,368	38,785

Increase (decrease) in cash and cash equivalents included in assets held for sale	11,061	—
Cash and cash equivalents at end of the period	**38,785**	**28,989**

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 1-2-1 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, 2026, were authorized by Representative Director, Mitsuo Sawai, on June 24, 2026.

(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)

(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

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, 2026.

(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, 2026.

(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 according to their classification as follows:

(a) Financial liabilities measured at amortized cost

These liabilities are measured at amortized costs using the effective interest method.

Amortization under the effective interest method and any gain or loss due to derecognition are recognized as financial income or expenses in profit or loss.

(b) Financial liabilities measured at FVTPL

These liabilities are measured at FVTPL, and changes in their fair value are recognized in profit or loss.

(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 are calculated by dividing the adjusted profit for the period attributable to owners of parent less the profit for the period attributable to restricted shares by the weighted average number of ordinary shares outstanding, adjusted by deducting the number of treasury shares and restricted shares, during the period. 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, 2026, Sawai had only cash on hand and bank deposits as cash and cash equivalents. Cash and cash equivalents are classified as financial assets measured at amortized cost.

(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) Share-based Compensation

The Company has introduced a service length-based restricted stock compensation plan and a performance-based restricted stock compensation plan as incentive programs for eligible directors.

Compensation under the service length-based restricted stock compensation plan is calculated based on the grant date fair value of the Company's common shares to be granted, and it is recognized as an expense over the vesting period, with an equivalent amount recognized as an increase in equity.

In the performance-based restricted stock compensation plan, the portion of compensation that constitutes an equity-settled compensation transaction is calculated based on the grant date fair value of the Company's common shares to be granted, and it is recognized as an expense over the vesting period, with an equivalent amount recognized as an increase in equity. Meanwhile, the portion of compensation that constitutes a cash-settled compensation transaction is calculated based on the fair value of services provided and liabilities incurred, and it is recognized as an expense over the vesting period, with an equivalent amount recognized as an increase in liabilities. The fair value of these liabilities is remeasured at the end of the reporting period and at the settlement date, and changes in fair value are recognized in profit or loss.

In the wake of the introduction of the above-mentioned restricted stock compensation plans, the previous stock option plan has been abolished, with already granted stock acquisition rights remaining valid. Under the previous plan, the value of stock options granted was estimated at grant date fair value and recognized as an expense over the period from the grant date to the vesting of the options, with an equivalent amount recognized as an increase in equity. The fair value of options granted was calculated using the Black-Scholes model, taking into account the terms and conditions of the options.

(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 asset retirement obligations 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.

The segment for manufacturing and selling pharmaceutical and other products mainly consist of five consolidated subsidiaries: Sawai Pharmaceutical Co., Ltd., Kaken Shoyaku Co., Ltd. and Trust Pharmatech Co., Ltd., which manufacture and sell generic pharmaceutical products, Medisa Shinyaku Inc., which sells generic pharmaceutical products, and FrontAct, which engages in the manufacture and sale of medical devices and other products.

(2) 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.

(3) Geographic Information

[1] 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.

[2] 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.

(4) Information by Major Customer

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Mediceo Corporation	37,601	41,016
Alfresa Corporation	34,538	38,642
Suzuken Co., Ltd. *	19,856	—

* Sales to Suzuken Co., Ltd. for the fiscal year ended March 31, 2026 have been omitted as they represent less than 10% of total sales.

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:

	Millions of yen	
Products	**Fiscal year ended March 31, 2025**	**Fiscal year ended March 31, 2026**
Cardiovascular drugs	42,565	45,796
Central nervous system drugs	25,711	28,140
Other metabolic drugs	20,562	24,955
Gastro-intestinal drugs	20,403	22,310
Blood/body fluid pharmaceutical products	17,823	19,778
Antibiotics drugs	10,668	9,384
Antiallergic drugs	8,898	8,913
Drugs for respiratory organs	6,929	7,613
Vitamin preparations	7,115	7,223
Antineoplastic agents	6,445	6,787
Chemotherapeutics	7,022	5,984
Drugs for urogenital organs and the anus	5,184	5,406
Other	9,699	9,385
Total	189,024	201,676

(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, 2025 and 2026 are as follows:

	Millions of yen	
	As of March 31, 2025	**As of March 31, 2026**
Trade receivables	45,987	51,188

6. Expense by nature

The breakdown of expenses by nature is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	**Fiscal year ended March 31, 2026**
Raw materials and supplies	64,829	68,632
Employee benefits	28,112	31,006
Depreciation and amortization	15,230	16,002
Subcontractor costs	35,215	39,218

7. Other Expenses

The breakdown of other income is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	**Fiscal year ended March 31, 2026**
Gain on sale and disposal of property, plant and equipment	4	5
Expenses related to provisions for loss on litigation (*1)	16,757	—
Settlement expenses (*2)	—	4,020
Other	274	474
Total	17,035	4,499

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

*2 This settlement expenses incurred during the reporting period is primarily related to patent infringement litigation.

8. Financial Income and Financial Expenses

The composition of financial income is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	**Fiscal year ended March 31, 2026**
Interest income		
Financial assets measured at amortized cost	2	4
Remeasurement gain		
Financial asset measured at fair value through profit or loss	5	8
Financial liability measured at fair value through profit or loss	—	42
Dividend income		
Equity instruments measured at fair value through other comprehensive income	142	74
Other	2	16
Total	151	145

The composition of financial expenses is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	**Fiscal year ended March 31, 2026**
Interest expenses		
Financial liabilities measured at amortized cost		
Bonds	201	270
Borrowings	551	899
Other	159	245
Lease liability	41	41
Remeasurement loss		
Financial asset measured at fair value through profit or loss	—	9
Other	88	302
Total	1,039	1,766

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 31, "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, 2025	Fiscal year ended March 31, 2026
Current tax expense		
Current tax expense on profit for the period	9,505	1,714
Subtotal	9,505	1,714
Deferred tax expense		
Origination and reversal of temporary differences	(8,462)	1,368
Changes in the tax rates	(55)	(345)
Subtotal	(8,517)	1,023
Total	988	2,737

In addition to the above, current tax expenses and deferred tax expenses related to the discontinued operation was recorded in the consolidated statements of income. See Note 31, "Discontinued Operation," for additional information.

[2] Income taxes directly recognized in equity

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Expenses directly attributable to the acquisition of treasury stock	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, 2025 and 2026.

	Percentage	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Tax using the Company's domestic tax rate	30.6	30.6
Non-deductible expenses	1.3	0.2
Tax credits	—	(5.1)
Changes in unrecognized differed tax assets	0.3	(4.1)
Changes in the tax rates	(1.7)	(2.4)
Difference in the tax rates applied to subsidiaries	1.0	0.2
Other	(0.2)	(0.2)
Effective tax rate	31.3	19.2

(2) Deferred taxes

[1] The composition of deferred tax assets and liabilities

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Deferred tax assets	10,132	9,180
Deferred tax liabilities	(137)	(16)
Net deferred tax assets (liabilities)	9,994	9,164

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

Fiscal year ended March 31, 2025	Millions of yen			
	As of April 1, 2024	Recognized through profit (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
Refund liabilities	751	(412)	—	339
Intangible assets	452	(109)	—	343
Investment in subsidiaries	9,128	(12,960)	3,832	—
Other	1,054	91	(2)	1,143
Subtotal	19,577	(3,771)	3,830	19,636
Deferred tax liabilities				
Intangible assets	(5,466)	(259)	—	(5,725)
Right-of-use assets	(1,033)	158	—	(874)
Financial assets measured at FVOCI	(1,406)	—	664	(742)
Valuation difference related to a business combination	(2,249)	750	—	(1,499)
Property, plant and equipment	(472)	(19)	—	(492)
Lease receivables	(234)	(33)	—	(267)
Other	(34)	(8)	—	(43)
Subtotal	(10,895)	589	664	(9,642)
Net deferred tax assets (liabilities)	8,683	(3,182)	4,494	9,994

Fiscal year ended March 31, 2026

	Millions of yen				
	As of April 1, 2025	Recognized through profit (loss)	Recognized in other comprehensive income	Due to acquisition through business combination	As of March 31, 2026
Deferred tax assets					
Provisions	5,225	109	—	—	5,334
Tax loss carryforwards	4,217	(1,149)	—	—	3,068
Inventories	2,826	(91)	—	—	2,734
Property, plant and equipment	1,343	48	—	—	1,391
Other financial liabilities	1,303	227	—	—	1,530
Accruals	1,212	166	—	—	1,379
Lease liability	1,171	63	—	—	1,235
Trade and other payables	513	(65)	—	—	448
Refund liabilities	339	24	—	—	364
Intangible assets	343	(76)	—	92	359
Investment in subsidiaries	—	—	—	—	—
Other	1,143	143	(13)	—	1,272
Subtotal	19,636	(600)	(13)	92	19,115
Deferred tax liabilities					
Intangible assets	(5,725)	(696)	—	(164)	(6,585)
Right-of-use assets	(874)	(16)	—	—	(891)
Financial assets measured at FVOCI	(742)	—	(126)	—	(868)
Valuation difference related to a business combination	(1,499)	771	—	—	(728)
Property, plant and equipment	(492)	(23)	—	—	(515)
Lease receivables	(267)	(48)	—	—	(315)
Other	(43)	(8)	—	—	(51)
Subtotal	(9,642)	(20)	(126)	(164)	(9,951)
Net deferred tax assets (liabilities)	9,994	(620)	(139)	(71)	9,164

* The changes in deferred tax assets and deferred tax liabilities recorded in the category “Due to acquisition through business combination” for the reporting period are attributable to the acquisition of FrontAct Co., Ltd. For details about the business combination, please refer to Note 30, “Business Combination.”

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Deductible temporary differences	3	—
Carryforward of tax losses		
Loss carryforwards expiring within 1 year	—	—
Loss carryforwards remaining over 1 year and expiring within 5 years	—	—
Loss carryforwards remaining over 5 years or for an unlimited period	—	1,584
Total tax loss carryforwards	—	1,584

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 94,518 million for the previous fiscal year and JPY 96,997 million for the fiscal year under review.

[4] Unrecognized deferred tax liabilities

There was a taxable temporary difference of JPY 8,745 million and JPY 5,008 million as of March 31, 2025 and 2026 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.

10. Earnings Per Share

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	11,969	10,438
Adjustments to profit (loss) for the period (Millions of yen)	—	(1)
Continued operations (Millions of yen)	2,173	11,534
Discontinued operation (Millions of yen)	9,796	(1,098)
Total	11,969	10,436
Weighted average number of ordinary shares outstanding during the year (Thousands of shares)	123,982	115,462
Basic earnings (loss) per share (Yen)		
Continued operations (Yen)	17.53	99.90
Discontinued operation (Yen)	79.01	(9.51)
Total	96.54	90.39
Diluted earnings per share		
Profit used in the calculation of basic earnings per share (Millions of yen)	11,969	10,436
Adjustments to profit (loss) for the period (Millions of yen)	—	1
Continued operations (Millions of yen)	2,173	11,536
Discontinued operation (Millions of yen)	9,796	(1,098)
Total	11,969	10,438
Weighted average number of ordinary shares outstanding during the period after dilutive effect (Thousands of shares)		
Weighted average number of ordinary shares outstanding during the period (Thousands of shares)	123,982	115,462
Increase in the number of ordinary shares due to stock options (Thousands of shares)	378	367
Increase in the number of ordinary shares due to the system for granting restricted treasury shares as compensation (Thousands of shares)	—	17
Total	124,360	115,845
Diluted earnings per share (Yen)		
Continued operations (Yen)	17.47	99.58
Discontinued operation (Yen)	78.77	(9.48)
Total	96.25	90.10

*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, 2025.

*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, 2025 and 2026, respectively.

11. Other Comprehensive Income

The components of other comprehensive income are as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Changes in financial assets measured at FVOCI during the year		
Changes during the term	186	647
Before tax effect adjustment	186	647
Related tax effects	(80)	(198)
Net	106	449
Exchange differences on translation of foreign operations		
Changes during the term	(1)	3
Reclassification adjustment	(15,487)	—
Before tax effect adjustment	(15,488)	3
Related tax effects	3,819	—
Net	(11,668)	3
Total other comprehensive income	(11,562)	452

12. Inventories

The components of inventories are as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Finished goods and products	53,603	56,928
Work-in-process	21,905	24,501
Raw materials and supplies	34,359	36,179
Total	109,867	117,607

The write-down of inventories recorded within cost of sales was JPY 5,567 million and JPY 5,280 million for the year ended March 31, 2025 and 2026, respectively.

13. Other Financial Assets

The components of other financial assets are as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Financial assets measured at fair value through profit or loss		
Contingent consideration	2,399	125
Financial assets measured at amortized cost		
Guarantee deposits	208	234
Other	260	339
Equity instruments measured at FVOCI		
Equity securities	3,746	4,242
Total	6,613	4,940
Other financial assets (current)	2,480	348
Other financial assets (non-current)	4,134	4,593

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
MEDIPAL HOLDINGS CORPORATION	509	641
Alfresa Holdings Corporation	473	566
Neurolief Ltd.	374	400
Daito Pharmaceutical Co., Ltd.	212	280
SUSMED, Inc.	145	236
TECHNO RYOWA LTD.	83	182
Asahi Printing Co., Ltd.	149	144
Medical Ikkou Group Co., LTD.	327	142
Other	1,475	1,652
Total	3,746	4,242

Other includes equity investment in private companies in the amount of JPY 1,419 million and JPY 1,578 million as of March 31, 2025 and 2026, 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. The cumulative gain or loss has been transferred to retained earnings after being recognized in “Other comprehensive income.”

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Fair value at the time of derecognition	6,443	219
Cumulative gain or loss related to the disposal	2,417	189

14. Property, Plant and Equipment

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

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)	—	—
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 and reversal of impairment	(115)	(417)	(0)	—	(40)	—	(573)
Sale and disposition	444	1,083	699	—	—	319	2,545
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

Fiscal year ended March 31, 2026

	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, 2025	96,531	95,953	18,358	11,095	4,440	6,100	232,475
Acquisition	1,052	3,362	747	—	10,409	961	16,530
Acquisition through business combination	58	—	84	—	—	—	141
Sale and disposition	(409)	(2,907)	(659)	—	—	(200)	(4,175)
Transfer	1,684	4,580	1,031	—	(7,295)	—	—
Balance at March 31, 2026	98,915	100,988	19,561	11,095	7,553	6,861	244,972
Accumulated depreciation amount and accumulated impairment losses							
Balance at April 1, 2025	(38,479)	(65,960)	(12,852)	(4)	(40)	(3,266)	(120,599)
Depreciation expenses	(3,979)	(6,172)	(1,711)	—	—	(890)	(12,752)
Acquisition through business combination	(4)	—	(22)	—	—	—	(26)
Sale and disposition	354	2,853	635	—	—	196	4,038
Other	—	(40)	—	—	40	—	—
Balance at March 31, 2026	(42,109)	(69,319)	(13,950)	(4)	—	(3,959)	(129,338)
Carrying amount							
Balance at April 1, 2025	58,052	29,993	5,506	11,091	4,399	2,834	111,876
Balance at March 31, 2026	56,806	31,670	5,611	11,091	7,553	2,902	115,633

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 statements of income.

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

	Millions of yen			
	Building and structures	Machinery and equipment	Tools, furniture and fixtures	Total
Fiscal year ended March 31, 2025	2,457	307	70	2,834
Fiscal year ended March 31, 2026	2,649	210	43	2,902

15. Goodwill and Intangible Assets

The components of goodwill and intangible assets are as follows:

Fiscal year ended March 31, 2025

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

Fiscal year ended March 31, 2026

	Millions of yen						
		Intangible Assets					
	Goodwill	Marketed products	Research and development	Trademark	Software	Other	Total
Acquisition cost							
Balance at April 1, 2025	—	25,603	21,093	19	8,792	6,581	62,088
Acquisition	—	201	5,678	—	467	157	6,504
Acquisition through business combination	13	860	—	—	11	422	1,293
Disposition	—	(8)	—	—	(195)	—	(202)
Transfer	—	9,598	(4,298)	—	747	(6,047)	—
Balance at March 31, 2026	13	36,254	22,473	19	9,823	1,113	69,682
Accumulated amortization amount and accumulated impairment losses							
Balance at April 1, 2025	—	(18,207)	(9,767)	(10)	(6,745)	(164)	(34,892)
Amortization expenses	—	(2,465)	—	(1)	(755)	(29)	(3,250)
Acquisition through business combination	—	(341)	—	—	(3)	—	(345)
Impairment and reversal of impairment	—	(117)	(1,619)	—	—	—	(1,736)
Disposition	—	8	—	—	187	—	194
Other	—	(1,451)	1,451	—	—	—	—
Balance at March 31, 2026	—	(22,574)	(9,934)	(11)	(7,315)	(193)	(40,028)
Carrying amount							
Balance at April 1, 2025	—	7,396	11,326	9	2,048	6,417	27,196
Balance at March 31, 2026	13	13,680	12,539	8	2,508	919	29,654

Depreciation on intangible assets is included in “Cost of sales,” “Selling, general and administrative expenses,” and “Research and development expenses” in the consolidated statements of income.

(2) Significant intangible assets

The Company recognized the specific significance of an intangible asset as other in progress worth JPY 4,950 million and JPY 4,050 million for year ended March 31, 2025 and 2026, respectively, 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 9 years starting from the next fiscal year.

(3) Impairment test

The Group has only one cash-generating unit: the segment for manufacturing and selling generic pharmaceutical products.

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

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, 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, 2025:

	Millions of yen
	Amount of impairment loss
Marketed products	391
Research and development	2,685
Total	3,076

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, 2026

During the year ended March 31, 2026, 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, 6.4%. 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, 2026:

	Millions of yen
	Amount of impairment loss
Marketed products	5
Research and development	1,619
Total	1,624

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, 2025	As of March 31, 2026
Trade accounts payable	24,965	23,909
Other accounts payable	25,812	25,180
Total	50,777	49,088

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, 2025	As of March 31, 2026
Short-term borrowings	7,157	7,830
Current portion of long-term borrowings	14,346	6,845
Long-term borrowings	49,930	62,961
Bonds	19,906	27,387
Total	91,339	105,023
Current liabilities	21,503	14,675
Non-current liabilities	69,836	90,348

The composition of the bonds is as follows:

		Millions of yen				
Name of Bond	Issue date	Principal amount in contractual currency	As of March 31, 2025	As of March 31, 2026	Interest rate	Maturity
1st Unsecured Bonds	March 2024	10,000	9,955	9,966	0.877%	March 2029
2nd Unsecured Bonds	June 2024	10,000	9,950	9,962	1.132%	June 2029
3rd Unsecured Bonds	December 2025	7,500	—	7,458	1.911%	December 2030
			19,906	27,387		

The composition of the borrowings is as follows:

	Millions of yen				
Name of Borrowings	Original principal amount	Carrying amount March 31,		Interest rate	Maturity
		2025	2026		
Short-term borrowings (Short term liquidation of account receivable)	7,830	7,157	7,830	1-month TIBOR + 0.3%	—
2017 fixed rate loans	13,000	13,000	13,000	0.67%	December 2027
2020 fixed rate loans	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	5,872	3-month TIBOR + 0.65%	June 2029
2025 fixed rate loans	3,000	—	3,000	1.95%	December 2030
2024 variable rate loans	8,000	7,143	6,001	3-month TIBOR + 0.65%	June 2031
2024 variable rate loans	2,000	1,785	1,500	3-month TIBOR + 0.55%	June 2031
2025 variable rate loans	11,500	—	11,089	3-month TIBOR + 0.70%	October 2032
2025 variable rate loans	6,000	—	5,786	3-month TIBOR + 0.70%	November 2032
2024 variable rate loans	14,820	13,530	11,810	3-month TIBOR + 0.65%	December 2032
2024 variable rate loans	2,832	2,581	2,248	3-month TIBOR + 0.35%	December 2032
		71,433	77,636		

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

Year ended March 31, 2025

	Millions of yen					
	Balance at the beginning of the year	Cash flows from financing activities	Changes by non-cash elements			Balance at the end of the year
			Acquisition	Foreign exchange movement	Other	
Bonds	9,944	9,941	—	—	21	19,906
Short-term borrowings	12,848	(5,692)	—	—	—	7,157
Long-term borrowings	60,098	4,178	—	—	—	64,276
Lease liability	4,237	(1,716)	1,519	—	(272)	3,767
Total	87,128	6,712	1,519	—	(252)	95,106

Year ended March 31, 2026

	Millions of yen					
	Balance at the beginning of the year	Cash flows from financing activities	Changes by non-cash elements			Balance at the end of the year
			Acquisition	Foreign exchange movement	Other	
Bonds	19,906	7,455	—	—	26	27,387
Short-term borrowings	7,157	674	—	—	—	7,830
Long-term borrowings	64,276	5,529	—	—	—	69,806
Lease liability	3,767	(1,819)	2,161	—	(142)	3,967
Total	95,106	11,839	2,161	—	(116)	108,990

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, 2025	234	16,757	92	17,084
Increase	120	—	—	120
Increase due to business combination	—	—	23	23
Usage	(240)	(16,757)	(8)	(17,006)
Other	(24)	—	—	(24)
March 31, 2026	90	—	107	197
Provisions (current)	90	—	—	90
Provisions (non-current)	—	—	107	107

(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 recognized expected expenses for damage payment as a provision for loss on litigation to ensure that the event after the previous reporting period would be accurately reflected under IAS 37. The claimed damages were paid to the counterparty in the reporting period.

(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, 2025	As of March 31, 2026
Financial liabilities measured at amortized cost		
Guarantee deposits	3,824	4,501
MDL in the United States	5,101	5,952
Financial liabilities measured at FVTPL		
Financial liabilities relating to contingent consideration arrangements	—	887
Lease liabilities	3,767	3,967
Total	12,693	15,307
Other financial liabilities (current)	5,237	6,022
Other financial liabilities (non-current)	7,456	9,285

20. Government Grants

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Other non-current liabilities	312	511

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, 2025	Fiscal year ended March 31, 2026
Interest expense on lease liabilities	41	41
Expense relating to short-term leases	562	603
Expense relating to leases of low-value assets	81	78
Total cash outflows from leasing activities	2,401	2,542

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	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Buildings and structures	692	743
Machinery and equipment	155	119
Tools, furniture and fixtures	28	28
Total	875	890

The following table shows the maturity analysis of lease liabilities.

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Current portion	1,441	1,543
Over 1 year and within 5 years	1,706	1,403
Over 5 years	738	1,164
Total	3,885	4,110
Present value of total lease liabilities	3,767	3,967
Lease liabilities (current)	1,413	1,521
Lease liabilities (non-current)	2,355	2,446

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, 2025	As of March 31, 2026
Accrued bonuses	3,476	3,845
Accrued expenses	1,586	977
Short-term deposits received	145	160
Accrued consumption taxes	—	2,919
Other	131	222
Total	5,339	8,123

23. Employee Benefits

Amount recognized as expenses in relation to the defined contribution plan is JPY 861 million and JPY 928 million for year ended March 31, 2025 and 2026, respectively.

24. Equity and other Equity Items

(1) Share Capital and Capital Surplus

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

	Number of shares authorized (Thousands of shares)	Number of shares issued (Thousands of shares)	Share capital (Yen in millions)	Capital surplus (Yen in millions)
Balance as of April 1, 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
Increase	—	34	26	37
Decrease	—	16,017	—	33,240
Balance as of March 31, 2026	232,800	115,487	10,079	4,564

*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 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 stock acquisition rights (before the stock split) and an increase of 87,646 thousand shares due to the stock split. The increase in the number of shares issued for the fiscal year ended March 31, 2026, was due to the issuance of new 20 thousand shares as restricted stock compensation and an increase of 14 thousand shares due to the exercise of stock acquisition rights, while the decrease was due to the cancellation of 16,017 thousand treasury shares.

*3 The increases of share capital and capital surplus in the fiscal year ended March 31, 2025, were caused by the exercise of stock acquisition rights. The increases of share capital and capital surplus for the fiscal year ended March 31, 2026, were caused by the issuance of new shares as restricted stock compensation and the exercise of stock acquisition rights, while the decrease was due to the cancellation of treasury 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 as 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, 2024	0	2
Increase	16,018	33,241
Decrease	—	—
Balance as of March 31, 2025	16,018	33,243
Increase	—	—
Decrease	16,017	33,240
Balance as of March 31, 2026	2	3

*1 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.

*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, 2025

	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	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 compensation	96	—	—	96
Total transactions with owners	31	(1,713)	—	(1,683)
Balance at the end of the year	428	1,579	13	2,020

Fiscal year ended March 31, 2026

	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	428	1,579	13	2,020
Other comprehensive income	—	449	3	452
Total current comprehensive income	—	449	3	452
Issuance of new shares	(15)	—	—	(15)
Transfer from other components of equity to retained earnings	—	(130)	—	(130)
Total transactions with owners	(15)	(130)	—	(145)
Balance at the end of the year	413	1,898	17	2,327

25. Dividends

Amount of dividends and dividends per share are as follows:

Fiscal year ended March 31, 2025

Date of resolution	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (June 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

Fiscal year ended March 31, 2026

Date of resolution	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (June 25, 2025)	3,117	27	March 31, 2025	June 26, 2025
Board of Directors' meeting (November 14, 2025)	3,118	27	September 30, 2025	December 1, 2025

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

Fiscal year ended March 31, 2025

Date of resolution	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (June 25, 2025)	3,117	27	March 31, 2025	June 26, 2025

Fiscal year ended March 31, 2026

Date of resolution	Total amount of dividends (Yen in millions)	Dividends per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (June 25, 2026)	3,234	28	March 31, 2026	June 26, 2026

The above dividend amounts will be proposed for an approval resolution at the annual general meeting of shareholders scheduled for June 25, 2026.

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 57% of revenue. Trade receivables with the top four companies were JPY 27,394 million and JPY 32,162 million as of March 31, 2025 and 2026, 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, 2025 and 2026 were as follows:

Fiscal year ended March 31, 2025

	Millions of yen				
	Trade receivables and contract assets	Financial assets excluding trade receivables and contract assets			Total
		Loss allowance measured at the amount equal to 12-month expected credit loss	Loss allowance measured at the amount equal to lifetime expected credit loss		
	Loss allowance measured at the amount equal to lifetime expected credit loss		Non-credit-impaired financial assets	Credit-impaired financial assets	
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

Fiscal year ended March 31, 2026

	Millions of yen				
	Trade receivables and contract assets	Financial assets excluding trade receivables and contract assets			Total
		Loss allowance measured at the amount equal to 12-month expected credit loss	Loss allowance measured at the amount equal to lifetime expected credit loss		
	Loss allowance measured at the amount equal to lifetime expected credit loss		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at the beginning of the year	18	0	—	—	18
Increased amount during the period	2	0	—	7	9
Decreased amount during the period (utilization)	—	—	—	—	—
Decreased amount during the period (reversal)	—	(0)	—	—	(0)
Balance at the end of the year	20	0	—	7	27

[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, 2025

	Millions of yen				
	Trade receivables and contract assets	Financial assets excluding trade receivables and contract assets			Total
		Loss allowance measured at the amount equal to 12-month expected credit loss	Loss allowance measured at the amount equal to lifetime expected credit loss		
	Loss allowance measured at the amount equal to lifetime expected credit loss		Non-credit-impaired financial assets	Credit-impaired financial assets	
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

As of March 31, 2026

	Millions of yen				
	Trade receivables and contract assets	Financial assets excluding trade receivables and contract assets			Total
		Loss allowance measured at the amount equal to 12-month expected credit loss	Loss allowance measured at the amount equal to lifetime expected credit loss		
	Loss allowance measured at the amount equal to lifetime expected credit loss		Non-credit-impaired financial assets	Credit-impaired financial assets	
Not past due	51,207	406	—	—	51,613
Within 30 days	0	—	—	—	0
Over 30 days within 60 days	—	—	—	—	—
Over 60 days within 90 days	—	—	—	—	—
Over 90 days within 1 year	—	—	—	—	—
Over 1 year	—	—	—	7	7
Total	51,208	406	—	7	51,620

[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, 2025	As of March 31, 2026
Guarantee deposits	3,824	4,501

(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, 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	—	—	—	—	—
Contingent considerations	—	—	—	—	—	—	—	—
Total	96,272	99,078	27,161	4,992	27,408	14,756	17,004	7,757

As of March 31, 2026

	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	27,387	28,933	344	344	10,344	10,257	7,643	—
Borrowings	77,636	80,563	15,569	30,086	7,371	9,635	9,241	8,661
Refund liabilities	1,155	1,155	1,155	—	—	—	—	—
Guarantee deposits	4,501	4,501	4,501	—	—	—	—	—
Contingent considerations	887	950	—	—	500	—	450	—
Total	111,566	116,102	21,570	30,430	18,215	19,892	17,334	8,661

[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, 2025	As of March 31, 2026
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:

	Thousands of U.S. dollars	
	As of March 31, 2025	As of March 31, 2026
Financial assets	27,344	6,501
Financial liabilities	(35,019)	(42,190)
Net amount of exposure in the consolidated statement of financial position	(7,675)	(35,689)
Net amount of exposure	(7,675)	(35,689)

(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, 2025

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

Fiscal year ended March 31, 2026

Millions of yen			
Profit or loss		Equity, net of tax	
Strengthening	Weakening	Strengthening	Weakening
429	(429)	396	(396)

[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 (318) million and JPY (308) million in the year ended March 31, 2025 and 2026.

Exposure to interest fluctuation risk is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Borrowings to which variable interest rate applies	31,776	44,306

[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, 2025	As of March 31, 2026
10% decrease in stock price	(134)	(155)

(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 a business combinations is calculated based onat 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, 2025		As of March 31, 2026	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	19,906	19,693	27,387	26,843
Borrowings	71,433	70,690	77,636	76,701
Total	91,339	90,383	105,023	103,544

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, 2025

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity instruments measured at FVOCI				
Equity securities	1,953	—	1,793	3,746
Financial assets measured at FVTPL				
Contingent considerations	—	—	2,399	2,399
Total	1,953	—	4,193	6,145
Financial liabilities				
Financial liabilities measured at FVTPL				
Contingent considerations	—	—	—	—
Total	—	—	—	—

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

As of March 31, 2026

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity instruments measured at FVOCI				
Equity securities	2,265	—	1,977	4,242
Financial assets measured at FVTPL				
Contingent considerations	—	—	125	125
Total	2,265	—	2,102	4,368
Financial liabilities				
Financial liabilities measured at FVTPL				
Contingent considerations	—	—	887	887
Total	—	—	887	887

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

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Balance at the beginning of the year	1,729	4,193
Gain or loss		
Net profit or loss *	5	128
Gain recognized as changes in fair value of financial instruments measured at FVOCI	64	184
Sales and settlement	—	(2,402)
Recognized contingent considerations	2,394	—
Balance at the end of the year	4,193	2,102

* Net profit or loss is included in “Financial income” or “Financial expenses” in the consolidated statements of income.

The following table illustrates a reconciliation from the beginning balance to the ending balance of Level 3 financial liabilities.

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Balance at the beginning of the year	—	—
Profit or loss		
Net profit or loss *	—	(33)
Increase due to business combination	—	920
Balance at the end of the year	—	887

* Net profit or loss is included in “Financial income” or “Financial expenses” in the consolidated statements of income.

The reasonableness of the valuations has been verified 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, 2025 and 2026.

	Millions of yen		
	Effect of offsetting on the statement of financial position		
	Gross Amounts	Gross amounts set off	Net amounts presented
As of March 31, 2025			
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

	Millions of yen		
	Effect of offsetting on the statement of financial position		
	Gross Amounts	Gross amounts set off	Net amounts presented
As of March 31, 2026			
Financial assets			
Trade receivables and others	51,555	—	51,555
Total	51,555	—	51,555
Financial Liabilities			
Refund liability	1,155	—	1,155
Total	1,155	—	1,155

(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, 2025	As of March 31, 2026
Book value of transferred financial assets	5,362	4,878
Book value of related liabilities	7,157	7,830

27. Share-based Compensation

(1) Service Length-Based Restricted Stock Compensation Plan

[1] Overview

The Company has introduced a service length-based restricted stock compensation plan based on equity-settled shares, in which the Company's common shares subject to certain transfer restriction periods and provisions for acquisition by the Company without consideration are granted to eligible directors and other persons with the aim of ensuring that they share benefits and risks entailed by stock price fluctuations with shareholders, thereby further enhancing their motivation to contribute to medium- to long-term performance improvement and corporate value enhancement.

Each eligible director, etc. shall contribute all monetary compensation claims granted by the Company in kind and receive shares of the Company's common stock on the condition that they continue to serve as a director, etc. of the Group for a prescribed period.

In this plan, the Company's common shares shall be delivered on the condition that the Company and each eligible director, etc. conclude an agreement that includes the provisions for (i) the prohibition of any form of disposition of the shares, including transferring them to third parties and using them as a security, for a prescribed period and (ii) the Company's acquisition of the shares without consideration upon the occurrence of certain events.

For details on this plan, please refer to "(4) Compensation for Directors and Officers" at "4. Corporate Governance" in Section 4 "Information on the Company."

[2] Number of shares granted during the period and fair value

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Grant date	—	July 10,2025
Number of shares granted (shares)	—	19,920
Fair value per share (yen)	—	1,843

* The fair value under this plan was calculated based on the market value of the Company's shares on the grant date, and no adjustment that took into account the forecast value of dividends was made.

(2) Performance-Based Restricted Stock Compensation Plan

[1] Overview

The Company has introduced a performance-based restricted stock compensation plan based on equity-settled and cash-settled shares with the aim of more clearly linking compensation for eligible directors and other persons to medium- to the long-term performance and stock value of the Company. Under this plan, each fiscal year serves as a performance evaluation period, and shares of the Company's common stock are granted to each eligible director, etc. in a number in proportion to the degree of achievement of targets set by the Company's Board of Directors for numerical and other indicators, such as financial results and the stock price, for the relevant performance evaluation period.

The Board of Directors of the Company sets targets for performance evaluation indicators for each fiscal year as the target period, and the number of shares to be delivered to each eligible director, etc. is calculated by multiplying the base number of shares by an evaluation factor based on the degree of achievement of the performance evaluation indicator targets after the end of the performance evaluation period. The Company shall grant each eligible director, etc. monetary compensation claims according to the thus calculated number of shares, and the recipient shall contribute all the monetary compensation claims in kind and receive the Company's common shares.

In this plan, the Company's common shares shall be delivered on the condition of the execution of an agreement between the Company and each eligible director, etc. that includes the provisions for (i) the prohibition of any form of disposition of the shares, including transferring them to third parties and using them as a security, for a prescribed period; and (ii) the Company's acquisition of the shares without consideration upon the occurrence of certain events.

For details on this plan, please refer to "(4) Compensation for Directors and Officers" at "4. Corporate Governance" in Section 4 "Information on the Company."

[2] Number of shares granted and fair value of performance-based restricted stock granted during the period

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Grant date	—	June 25,2025
Number of shares granted (shares)	—	22,161
Weighted average fair value per share (yen)	—	1,818

* The fair value under this plan was calculated based on the market value of the Company's shares on the date of the Board of Directors resolution at the beginning of the applicable period, and no adjustment that took into account the forecast value of dividends was made.

(3) Stock Options

[1] Overview

Until the fourth quarter of the fiscal year ended March 2025, the Company used to use a stock option system, in which all stock options were accounted for as equity-settled share-based compensation.

Stock acquisition rights issued as stock options were granted to directors and other officers of the Sawai Group under a resolution of the Company's Board of Directors, in line with the operational procedure approved at the Company's general meeting of shareholders. Under this plan, 600 shares of common stock per stock acquisition right were granted to each eligible recipient. Any non-exercise of the rights within the exercise period would cause the options to expire. For details on this system, please refer to "(1) Details on the Stock Option System" at "1. Stock Information" in Section 4 "Information on the Company."

[2] Stock option activity and weighted average exercise price

	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
	Number of options (shares)	Weighted average exercise price (yen/share)	Number of options (shares)	Weighted average exercise price (yen/share)
Balance outstanding at beginning of year	379,200	1	377,400	1
Granted	57,600	1	—	—
Exercised	(59,400)	1	(14,400)	1
Balance outstanding at end of year	377,400	1	363,000	1
Balance exercisable at end of year	377,400	1	363,000	1

*1 The number of stock options is stated in terms of the number of shares.

*2 The weighted average share price at the time of exercise of stock options for the fiscal years ended March 31, 2025 and 2026 was 2,216 yen and 1,891 yen, respectively.

*3 The weighted average remaining contractual life of stock options outstanding at the end of the fiscal years ended March 31, 2025 and 2026 was 26.7 years and 25.6 years, respectively.

*4 The Company conducted a 3-for-1 stock split for shares of its common stock, with October 1, 2024 as the effective date. The number of options, weighted average exercise price, and weighted average share price described above were calculated on the supposition that the stock split had been conducted at the beginning of the previous fiscal year.

(4) Amounts recorded in the consolidated statements of income

The expenses for share-based compensation recorded in the consolidated statements of income are broken down as follows. These expenses are included in "Selling, general and administrative expenses."

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Equity-settled	96	48
Cash-settled	—	12
Total	96	60

* The carrying amount of liabilities arising from share-based compensation transactions was JPY 12 million for the reporting period.

28. 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.

29. Related Parties

Compensation for key management personnel is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Basic compensation and bonuses	100	98
Share-based compensation	21	13
Total	121	111

30. Business combination

As of March 31, 2025

There was no business combination.

As of March 31, 2026

(1) Outline of business combination

[1] Name and principal business of the acquired company

Name	FrontAct Co., Ltd.
Business activities	Development, manufacturing, sales and marketing, leasing, export and import of products, software, and systems including but not limited to medical care, nursing care, welfare, health, and daily living

[2] Reasons for the business combination

In addition to its core generic pharmaceutical business, the Group is engaged in new businesses such as digital healthcare with the aim of achieving further sustainable growth over the medium to long term. FrontAct utilizes digital technology to provide new solutions for various healthcare-related issues and has strengths in business development using biosignal processing technology and disease prediction algorithms. We acquired FrontAct in the recognition that adding the company to our group would allow us to expand our product lineup, acquire specialized personnel and expertise, and further strengthen our business foundation.

[3] Method of obtaining control of the acquired company

Acquisition of shares with cash as consideration

[4] Date of acquisition

June 30, 2025

[5] Percentage of voting equity interests acquired

100%

(2) Acquisition price and its breakdown

Cash	JPY 500 million
Contingent considerations	JPY 920 million
Total	JPY 1,420 million

Of the acquisition price, JPY 0 million is recognized as shares of the acquired company and JPY 1,420 million as receivables from loans to the acquired company.

(3) Acquisition-related expenses

Acquisition-related expenses of JPY 25 million were recorded under "Selling, general and administrative expenses" in the previous fiscal year and the reporting period.

(4) Fair value of assets acquired and the liabilities assumed, as well as goodwill

[1] Fair value of assets and liabilities at the date of business combination

	Millions of yen
Fair value of assets acquired, and liabilities assumed	Amount
Current assets	461
Non-current assets	1,157
Total assets	1,618
Current liabilities	1,566
Non-current liabilities	94
Total liabilities	1,660

[2] Amount of goodwill recognized

Amount of goodwill JPY 13 million

*1 As of the end of the reporting period, the fair value of identifiable assets and liabilities at the acquisition date had been calculated, and the allocation of the acquisition considerations had been completed.

*2 The goodwill has arisen primarily in relation to the company's expected capacity to generate earnings in the future.

(5) Cash flows from acquisition

Millions of yen

Description	Amount
Cash and cash equivalents paid for acquisition	500
Cash and cash equivalents held by the acquired company at the time of acquisition	(199)
Expenses for purchase of shares of subsidiaries and others resulting in change in the scope of consolidation	301

(6) Contingent considerations

Contingent considerations are payable on the acquired company's achievement of prescribed performance targets over a specified period, and the agreement provides that contingent considerations of up to JPY 950 million (undiscounted) may be paid.

(7) Impact on the Group

The details of profit and loss arising related to this business combination from the acquisition date onward and of profit and loss that are deemed to arise on the supposition that the business combination occurred at the beginning of the fiscal year are omitted here as their impact on the consolidated statements of income is immaterial.

31. Discontinued Operation

The Company has recorded profit/loss related to the U.S. Business under the category of "discontinued operation."

(1) Discontinued Operation

Millions of yen

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Discontinued Operation		
Revenue *1	12,955	—
Expenses*1	—	(1,458)
Profit (loss) before tax on the discontinued operation	12,955	(1,458)
Income tax expenses*2	(3,159)	359
Profit (loss) for the period on the discontinued operation	9,796	(1,098)
Profit (loss) on the discontinued operation attributable to:		
Owners of parent	9,796	(1,098)

*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 and a loss of JPY 1,458million 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, 2026.

*2 Tax expenses related to the gain (loss) on sales of shares of subsidiaries and affiliates due to the transfer of the U.S. business amounted to JPY 3,159 million and JPY (359) million as of March 31, 2025 and 2026, respectively.

(2) Cash flows from discontinued operation

Millions of yen

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities	—	—
Cash flows from investing activities *	28,233	1,617
Cash flows from financing activities	—	—
Total	28,233	1,617

* 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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Consideration for the transfer *	39,294	1,617
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	1,617

* 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 as of March 31, 2025.

32. Commitment and Contingency

Commitment to acquire property, plant and equipment

Commitment to acquire property, plant and equipment was JPY 6,919 million and JPY 17,122 million as of March 31, 2025 and 2026, respectively.

33. Events after Reporting Period

There were no events after reporting period.

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