

Financial Summary for the First Quarter of FY2022 (IFRS)

August 10, 2022

Company Name: **Sawai Group Holdings Co., Ltd.**

Stock Code Number (Japan): 4887

Listed Stock Exchange: Tokyo Stock Exchange

URL: <https://www.sawaigroup.holdings>

Representative: Kazuhiko Sueyoshi, President and Representative Director

Contact Person: Yoshiki Sakurai, Executive officer and Group Chief Financial Officer Tel: +81-6-6105-5818

Filing Date of Quarterly Report: August 10, 2022

Scheduled Date of Dividends Payment commencement: N/A

Supplemental Materials for the financial results: Yes

IR Conference on the financial Results: Scheduled (for institutional investors and analysts)

(Amount are rounded to the nearest million yen)

1. Financial Highlights for the First Quarter of FY2022 (for the three-month period ended June 30, 2022)

(1) Consolidated Operating Results

(% of changes over the same period of the previous year)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the Company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three-month Period Ended June 30, 2022	48,231	(4.5)	4,820	(43.2)	4,815	(42.9)	3,722	(41.7)	3,672	(41.8)
Three-month Period Ended June 30, 2021	50,486	—	8,483	—	8,433	—	6,380	—	6,307	—

Note: Comprehensive Income: Three-month Period Ended June 30, 2022: 10,099 million < 63.5 % > Three-month Period Ended June 30, 2021: 6,174 million < - % >

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three-month Period Ended June 30, 2022	83.86	83.74
Three-month Period Ended June 30, 2021	144.03	143.93

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Million yen	Million yen	Million yen	%
As of June 30, 2022	365,359	207,336	196,097	53.7
As of March 31, 2022	349,502	200,083	190,067	54.4

2. Cash Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the Fiscal Year Ended March 31, 2022	—	65.00	—	65.00	130.00
For the Fiscal Year Ended March 31, 2023	—				

Notes: Revision to the cash dividend estimates since the latest announcement : No

Additional Information

- (1) Material changes in subsidiaries during this period: N/A

- (2) Changes in accounting policies and accounting estimates
 - (i) Changes in accounting policies required by IFRS: N/A
 - (ii) Changes in accounting policies other than (i): N/A
 - (iii) Changes in accounting estimates: N/A

- (3) Number of shares issued and outstanding (common stock)
 - (i) Number of shares issued and outstanding (including treasury stock) at the end of each period:
 - June 30, 2022: 43,791,339 shares
 - March 31, 2022: 43,791,339 shares
 - (ii) Number of treasury stock at the end of each period:
 - June 30, 2022: 336 shares
 - March 31, 2022: 336 shares
 - (iii) Average number of shares issued and outstanding in each period:
 - Three-month period ended June 30, 2022: 43,791,003 shares,
 - Three-month period ended June 30, 2021: 43,791,142 shares

This financial summary is not subject to audit by certified public accountants or audit firms.

Cautionary Statement with Respect to Forward-Looking Statements, and Other Information

The first quarter earnings conference for institutional investors and analysts is scheduled on August 10, 2022. Presentation and related materials of the conference will be promptly posted on our website.

Attachment Index

1. Financial Highlights for the Three-month Period Ended June 30, 2022	2
(1) Operating Results	2
(2) Financial Position	5
(3) Cash Flow	6
2. Condensed Quarterly Consolidated Financial Statements and Selected Notes	7
(1) Condensed Quarterly Consolidated Statements of Income and Condensed Quarterly Consolidated Statements of Comprehensive Income	7
(2) Condensed Quarterly Consolidated Statements of Financial Position	9
(3) Condensed Quarterly Consolidated Statements of Changes in Equity	11
(4) Condensed Quarterly Consolidated Statements of Cash Flows	12
(5) Selected Notes to Condensed Quarterly Consolidated Financial Statements	13
(Significant Uncertainty Regarding Going Concern Assumption)	13
(Segment Information)	13

1. Financial Highlights for the Three-month Period Ended June 30, 2022

(1) Operating Results

Sawai Group Holdings Co., Ltd. (the “Company”) and subsidiaries (collectively, “Sawai”) has adopted International Financial Reporting Standards (IFRS) in order to increase the international comparability of its financial information within the capital market.

During the three-month period ended June 30, 2022, revenue decreased to JPY 48,231 million (by 4.5%), operating profit decreased to JPY 4,820 million (by 43.2%), profit before tax decreased to JPY 4,815 million (by 42.9%), and profit attributable to owners of the Company decreased to JPY 3,672 million (by 41.8%) compared to the three-month period ended June 30, 2021.

(Millions of yen, except percentages)

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2022	Change	Change (%)
Revenue	50,486	48,231	(2,254)	(4.5)
Operating profit	8,483	4,820	(3,663)	(43.2)
Profit before tax	8,433	4,815	(3,618)	(42.9)
Profit attributable to owners of the Company	6,307	3,672	(2,635)	(41.8)

In May 2021, the Company announced its long-term vision, “Sawai Group Vision 2030,” and its medium-term business plan for the three-year period ending March 31, 2024 titled “START 2024.” Sawai Group Vision 2030 defines the world Sawai wants to build by 2030 as “A world where more people receive healthcare services and live a full life with peace of mind among society” and the ideal state it hopes to reach by 2030 as “A company with a strong presence that continues to contribute to people’s health by providing a multifaced mix of products and services based on scientific evidence that meets individual needs.” START 2024 defines three categories for growth: 1) expanding share of the Japanese generics market, 2) business investment for future growth in the U.S., and 3) cultivating new growth areas. The plan also envisions that Sawai will increase sales of new products and strengthen its stable supply capabilities in the generics business while focusing resources on the three areas of the digital medical device business, the orphan drugs (including drugs for ALS) business, and the health food business with a view to entry into new businesses.

(i) Japan Business Segment

In the Japan Business segment, the Japanese Cabinet’s two basic policies—the “Basic Policy on Economic and Fiscal Management and Reform 2017 ~Increasing productivity through investment in human resources~” and the “Basic Policy on Economic and Fiscal Management and Reform 2019 ~A New Era of Reiwa: Challenges toward Society 5.0~”—clarify the government policy of setting quantitative targets for the widespread use of generic drugs and increasing incentives thereto. In addition, the “Basic Policy on Economic and Fiscal Management and Reform 2021,” approved by the Japanese Cabinet in June 2021, states, “With the aim of ensuring the reliability of the quality and stable supply of generic drugs as the main pillar, the Government and the private sector will work together to strengthen the manufacturing control system, strengthen the supervision of manufacturing sites, and implement quality inspections of commercial products. The goal is to increase the volume share of generic drugs to 80% or more in all prefectures by the end of FY2023.” On the occasion of the April 2022 medical fee revision, the evaluation standards were revised in favor of pharmacies dispensing a high percentage of generic drugs and medical institutions using a high percentage of generic drugs in order to further encourage the use of generic pharmaceuticals. As a result, the Japanese government’s drug price survey in September 2021 showed that the share of generic drugs had increased to 79.2%.

On the other hand, Sawai has experienced increasing difficulty earning greater profits. This is attributable to drug price revisions recently made for several consecutive years: regular revision in April 2018, temporary revision in October 2019 due to an increase in the Japanese consumption tax rate, regular revision in April 2021, and the first-ever interim revision in April 2022.

Under such circumstances, the entire Japanese generic drug market has faced the uncertainty of product supply due to health problems caused by pharmaceutical products of a second-tier generic drug company at the end of 2021 and violations committed by a number of generic drug companies, including major ones, against the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. In response to this situation, in September 2021, the Japanese Ministry of Health, Labour and Welfare (MHLW) announced the “Pharmaceutical Industry Vision 2021,” which states that only enterprises that are able to monitor the actual conditions of manufacturing facilities and manage and supervise them to ensure that products are manufactured appropriately according to the Good Quality Practice (GQP) standards should be allowed to manufacture and distribute pharmaceutical products, and that the importance of continuous and stable product supply to the medical field should be reaffirmed. Ensuring good product quality and a reliable product supply system is thus positioned as the top priority of the generic drug industry and companies therein.

In this business environment, Sawai, as a leading generic drug manufacturer in Japan, works according to START 2024 to reinforce its quality control system, increase sales of new products, and strengthen its capability for stable product supply with the aim of achieving its medium-term target of expanding its share of the Japanese generics market, while striving to restore public trust in the entire generic drug industry.

Given that the Japanese generic drug industry has seen serious quality control violations committed by certain companies, Sawai Pharmaceutical Co., Ltd. (“Sawai Pharmaceutical”), the core company in the Sawai Group, has taken the lead in minimizing quality risks mainly by ensuring the good quality of active pharmaceutical ingredients (APIs) in compliance with Good Manufacturing Practice (GMP) standards, maintaining the effectiveness of the quality control system through constant checks on GMP compliance at manufacturing facilities, and exerting manufacturing and quality control based on the internationally accepted Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S) GMP Guide. (The PIC/S is a non-binding, informal cooperative arrangement between Regulatory Authorities in the field of GMP of medicinal products for human or veterinary use.) Furthermore, Sawai has implemented various initiatives to ensure that medical professionals are able to use its products without concern, including disclosing the names of all its manufacturing subcontractors and API suppliers and the dates of audits performed over their operations. Sawai also released a video introducing its efforts to improve quality control last fiscal year.

We are also pursuing even higher efficiency and lower cost for our production and supply systems by utilizing the unique characteristics of each of our six factories throughout Japan with the aim of eliminating the uncertainty of generic drug supply and accommodating growing demand. As part of such efforts, last fiscal year, we decided to construct a new solid-formulation production facility with a maximum capacity to produce three billion tablets at the Daini Kyushu Factory site. Additionally, Trust Pharmatech Co., Ltd., a company newly established by Sawai last fiscal year, took over assets related to production activities from Kobayashi Kako Co., Ltd. and accepted the staff of Kobayashi Kako’s relevant divisions in April 2022. This new company is striving to build a production system by leveraging these transferred assets in order to become capable of manufacturing more than 20 billion tablets a year as soon as possible. Furthermore, Sawai opened and began to operate the East Japan Daini Distribution Center and the West Japan Daini Distribution Center last fiscal year with the aim of further strengthening its product supply system from the aspect of distribution.

In terms of product development and marketing, in June 2022, five generic drugs with 11 strengths from Sawai Pharmaceutical, including Febuxostat tablets and oral dispersing tablets, were inscribed on the Japanese National Health Insurance drug price list.

Moreover, Sawai Pharmaceutical has selected six technologies in three categories from technologies that can add value to medicines and create harmony in their formulation, such as technologies for making medicines more comfortable to take and for increasing the efficiency of pharmaceutical production. These original formulation technologies are collectively named “SAWAI HARMOTECH[®]” and have been publicly disclosed since February 2022.

As a new initiative for the personal health record (PHR) business, in April 2022, we announced that we would link SaluDi, a PHR management app from the Sawai Pharmaceutical brand, and Smart One Health, a PHR management system developed by Integrity Healthcare Co., Ltd., with specified health guidance based on MIRAMED[®], a behavior modification support system developed by the Precision Health Department (Project Research Associate Akiko Kishi) of the University of Tokyo Center of Innovation (COI). Through this collaboration, we will verify the feasibility and effectiveness of a one-stop service for health, disease prevention, specified health guidance, and recommendation for medical consultation.

For our COVID-19 countermeasures, we established a Crisis Management Office in line with the Rules on Crisis Management and the Disaster BCP in February 2020 and have taken in-house measures to prevent COVID-19 infection, such as improving office ventilation and disinfection and instructing employees to wash and disinfect their hands, wear masks, and periodically check their body temperature. We also hold all meetings online in principle and have revised internal rules to restrict long-distance business trips, as well as allowing employees to switch flexibly between different working styles, including flex time, staggered work hours, and remote work, in order to ensure the operational continuity of each plant in Japan and consequently stable product supply. Under the states of emergency declared by the Japanese government, our medical representatives (MRs) avoided visiting medical institutions and instead began to utilize digital and other technologies to provide services. It is expected that any further lingering impacts of the pandemic will have an adverse impact on the supply of pharmaceuticals by disrupting raw material imports and logistics, on the demand for pharmaceuticals by restraining patients from having medical consultations, and on activities for sharing pharmaceutical information by restricting them. As a company primarily manufacturing and marketing pharmaceuticals, we will continue to implement infection control measures and maintain a stable supply of pharmaceuticals, which are essential for people's lives and health.

As a result, the segment reported net sales of JPY 38,704 million (a decrease of 11.0% year on year) and a profit of JPY 4,570 million (a decrease of 43.5% year on year).

(ii) U.S. Business Segment

We entered the U.S. market by acquiring Upsher-Smith Laboratories, LLC (USL) in May 2017. START 2024, the current medium-term plan, envisions that Sawai will make “business investments for future growth in the U.S.” with the growth drivers of “contribution to sales by promoting sales of existing brand drugs and generics,” “further expansion of the product lineup mainly in niche generics,” and “strengthening of product pipelines with high complexity and the product lineup in cooperation with Sawai Pharmaceutical.” To accelerate our growth strategy in the U.S. Business segment, we will work closely with Sumitomo Corporation of the Americas, a U.S.-based Sumitomo Corporation subsidiary that owns a 20% share in USL.

In the U.S. generic drug market, however, generic drug prices have consistently declined. This is thought to have resulted from three major purchasing groups holding an approximately 90% market share through the formation of alliances amongst wholesalers and pharmacies, and also from the high number of approvals given by the U.S. Food and Drug Administration (FDA) for Abbreviated New Drug Applications (ANDA). USL is still in a challenging business environment with increasing competition in the generic market, as seen by the market entry of generic alternatives to Qudexy[®], our core branded product.

In the year ended March 31, 2022, we reviewed the future plan of the U.S. segment as part of our efforts to examine how to ensure USL's sustainable growth and reconstruct its business. As a result, we recognized impairment losses of JPY 68,770 million on the assets of the U.S. segment, including goodwill. However, in the current fiscal year, we are taking various measures to ensure that the U.S. segment will go back into the black as early as possible, including measures to stabilize revenue and to reduce R&D and other costs.

In the fiscal year ended March 31, 2022, USL sold and leased back its factory in Denver, Colorado to gradually transfer its manufacturing operations to the new factory under construction at its headquarters site in Minnesota, with the aim of improving quality control and production efficiency.

In early March 2020, USL established a cross-departmental COVID-19 Response Team to gather a wide range of information and develop countermeasures. Except for certain employees engaged in essential on-site operations, such as those engaged in manufacturing and R&D, USL has already shifted to telework. The company has also implemented measures to prevent the spread of infection among employees and has switched to IT-based sales activities. Significant progress in COVID-19 vaccinations in the U.S. has led economic activities to return to normal. Although the pandemic has discouraged patients from seeking medical assistance and has restricted business activities, USL continues to implement infection control measures and maintain its system for the stable supply of pharmaceutical products, which are essential for maintaining people's life and health.

As a result, the segment reported net sales of JPY 9,527 million (an increase of 36.1% year on year) and a profit of JPY 250 million (a decrease of 36.4% year on year).

(2) Financial Position

Assets

As of June 30, 2022, current assets amounted to JPY 215,306 million, an increase of JPY 13,183 million from March 31, 2022. The increase was mainly due to an increase of JPY 3,179 million in cash and cash equivalents as a result of borrowing, an increase of JPY 3,516 million in trade and other receivables as a result of a sales increase in the U.S. segment and the effect of translation, and an increase of JPY 5,922 million in inventories achieved by production efforts to strengthen the ability for stable product supply in the Japan segment. Non-current assets as of June 30, 2022 amounted to JPY 150,053 million, an increase of JPY 2,674 million from March 31, 2022. The increase was primarily due to an increase of JPY 1,704 million in the value of property, plant and equipment resulting from an increase in the suspense account related to the ongoing construction of a new plant in the U.S. segment after payment and translation. Total assets as of June 30, 2022 were JPY 365,359 million, an increase of JPY 15,857 million compared to the balance as of March 31, 2022.

Liabilities

As of June 30, 2022, current liabilities amounted to JPY 88,724 million, a decrease of JPY 115 million from March 31, 2022. Income taxes payable decreased by JPY 2,051 million mainly due to the payment of income taxes payable, and other current liabilities decreased by JPY 1,408 million mainly due to the difference in the accounting period for bonuses payable, while refund liabilities increased by JPY 2,591 million mainly due to the timing of rebate payments. Non-current liabilities as of June 30, 2022 was JPY 69,299 million, an increase of JPY 8,720 million from March 31, 2022, primarily due to an increase of JPY 8,721 million in borrowings as a result of borrowing. Total liabilities as of June 30, 2022 were JPY 158,023 million, an increase of JPY 8,605 million compared to the balance as of March 31, 2022.

Equity

Total equity as of June 30, 2022 was JPY 207,336 million, an increase of JPY 7,252 million compared to the balance as of March 31, 2022, primarily due to the net profit for the three-month period ended June 30, 2022 and the favorable effect of foreign exchange rates, offset by dividend payments. As a result, the ratio of equity attributable to owners of the Company to total assets as of June 30, 2022 became 53.7% (down from 54.4% as of March 31, 2022).

(3) Cash Flow

Cash and cash equivalents as of June 30, 2022 increased by JPY 3,179 million to JPY 50,896 million, compared to the balance as of March 31, 2022.

The results of cash flow for each activity are as follows:

Cash flows generated from operating activities was JPY 1,143 million for the current period (decrease of JPY 9,454 million compared to the same period of the previous year) which mainly consists of profit before tax (JPY 4,815 million), depreciation and amortization (JPY 4,234 million), increase in trade and other receivables (JPY 2,569 million), increase in inventories (JPY 4,557 million), increase in refund liabilities (JPY 2,080 million) and income taxes paid (JPY 2,984 million).

Cash flows used in investing activities was JPY 4,205 million for the current period (decrease of JPY 245 million compared to the same period of the previous year) which mainly consists of acquisition of property, plant and equipment (JPY 2,457 million), and acquisition of intangible assets (JPY 1,729 million).

Cash flows generated from financing activities was JPY 5,379 million for the current period (JPY 2,628 million used in the same period of the previous year) which mainly consists of net proceeds from short-term borrowings (JPY 10,000 million), proceeds from long-term borrowings (JPY 9,500 million), redemption of bonds (JPY 10,000 million) and payments of dividend (JPY 2,846 million).

2. Condensed Quarterly Consolidated Financial Statements and Selected Notes
(1) Condensed Quarterly Consolidated Statements of Income and Condensed Quarterly Consolidated Statements of Comprehensive Income

(Condensed Quarterly Consolidated Statements of Income)

Yen in millions (except per share data)

	Three-month period ended June 30,2021	Three-month period ended June 30,2022
Revenue	50,486	48,231
Cost of sales	(31,777)	(32,853)
Gross profit	18,709	15,378
Selling, general and administrative expenses	(8,106)	(7,326)
Research and development expenses	(4,185)	(3,197)
Other income	2,067	124
Other expenses	(2)	(159)
Operating profit	8,483	4,820
Finance income	68	101
Finance expenses	(118)	(105)
Profit before tax	8,433	4,815
Income tax expenses	(2,053)	(1,093)
Profit for the period	6,380	3,722
Profit attributable to:		
Owners of the Company	6,307	3,672
Non-controlling interests	73	49
Total	6,380	3,722
Earnings per share (Yen)		
Basic earnings per share	144.03	83.86
Diluted earnings per share	143.93	83.74

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

Yen in millions

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2022
Profit for the period	6,380	3,722
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	(71)	(93)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(135)	6,470
Other comprehensive income for the period, net of tax	(206)	6,377
Total comprehensive income for the period	6,174	10,099
Total comprehensive income attributable to:		
Owners of the Company	6,127	8,877
Non-controlling interests	47	1,222
Total	6,174	10,099

(2) Condensed Quarterly Consolidated Statements of Financial Position

Yen in millions

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	47,717	50,896
Trade and other receivables	65,059	68,576
Inventories	85,853	91,775
Other financial assets	146	177
Other current assets	3,348	3,881
Total current assets	202,123	215,306
Non-current assets		
Property, plant and equipment	111,218	112,923
Intangible assets	26,289	27,015
Other financial assets	7,223	7,190
Other non-current assets	2,303	2,572
Deferred tax assets	346	353
Total non-current assets	147,379	150,053
Total assets	349,502	365,359

Yen in millions

	As of March 31, 2022	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	50,912	51,482
Bonds and borrowings	13,116	13,118
Income taxes payable	3,430	1,379
Refund liabilities	7,581	10,172
Provisions	1,062	1,062
Other financial liabilities	4,419	4,599
Other current liabilities	8,320	6,912
Total current liabilities	88,840	88,724
Non-current liabilities		
Borrowings	53,633	62,353
Provisions	319	241
Other financial liabilities	2,889	3,031
Other non-current liabilities	1,435	1,428
Deferred tax liabilities	2,303	2,246
Total non-current liabilities	60,579	69,299
Total liabilities	149,419	158,023
Equity		
Share capital	10,000	10,000
Capital surplus	73,672	37,714
Retained earnings	98,709	135,494
Treasury shares	(2)	(2)
Other component of equity	7,688	12,891
Equity attributable to owners of the Company	190,067	196,097
Non-controlling interests	10,016	11,238
Total equity	200,083	207,336
Total liabilities and equity	349,502	365,359

(3) Condensed Quarterly Consolidated statements of Changes in Equity

Three-month period ended June 30, 2021

	Yen in millions							
	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other component of equity	Total		
Balance at April 1, 2021	41,219	42,453	132,429	—	2,177	218,278	22,472	240,750
Profit for the period			6,307			6,307	73	6,380
Other comprehensive income					(180)	(180)	(26)	(206)
Total comprehensive income	—	—	6,307	—	(180)	6,127	47	6,174
Acquisition of treasury shares				(1)		(1)		(1)
Dividends			(2,846)			(2,846)		(2,846)
Increase (decrease) by share transfers	(31,219)	31,219				—		—
Total transactions with owners	(31,219)	31,219	(2,846)	(1)	—	(2,847)	—	(2,847)
Balance at June 30, 2021	10,000	73,672	135,890	(1)	1,997	221,558	22,519	244,077

Three-month period ended June 30, 2022

	Yen in millions							
	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other component of equity	Total		
Balance at April 1, 2022	10,000	73,672	98,709	(2)	7,688	190,067	10,016	200,083
Profit for the period			3,672			3,672	49	3,722
Other comprehensive income					5,204	5,204	1,172	6,377
Total comprehensive income	—	—	3,672	—	5,204	8,877	1,222	10,099
Dividends		(2,846)				(2,846)		(2,846)
Transfer to retained earnings from capital surplus		(33,112)	33,112			—		—
Total transactions with owners	—	(35,959)	33,112	—	—	(2,846)	—	(2,846)
Balance at June 30, 2022	10,000	37,714	135,494	(2)	12,891	196,097	11,238	207,336

(4) Condensed Quarterly Consolidated Statements of Cash Flows

Yen in millions

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2022
Cash flows from operating activities		
Profit before tax	8,433	4,815
Depreciation and amortization	4,314	4,234
Impairment loss	826	222
Financial income	(66)	(113)
Financial expenses	119	97
(Gain) loss on sale and disposal of property, plant and equipment and intangible assets	(1,989)	40
Decrease (increase) in trade and other receivables	4,560	(2,569)
Decrease (increase) in inventories	104	(4,557)
Increase (decrease) in trade and other payables	(1,155)	824
Increase in refund liabilities	1,192	2,080
Decrease in provisions	(104)	(78)
Increase in other financial liabilities	78	54
Other	(2,671)	(2,079)
Subtotal	13,641	2,970
Interest received	1	-
Dividends received	65	101
Interest paid	(149)	(142)
Income taxes paid	(2,961)	(2,984)
Income taxes refund	-	1,199
Cash flows generated from operating activities	10,597	1,143
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,089)	(2,457)
Sale of property, plant and equipment	2,808	1
Acquisition of intangible assets	(1,986)	(1,729)
Other	(184)	(20)
Cash flows used in investing activities	(4,451)	(4,205)
Cash flows from financing activities		
Net proceeds from short-term borrowings	1,600	10,000
Proceeds from long-term borrowings	-	9,500
Repayments of long-term borrowings	(958)	(779)
Redemption of bonds	-	(10,000)
Payments of lease liabilities	(423)	(484)
Dividends paid	(2,846)	(2,846)
Others	(1)	(11)
Cash flows generated from (used in) financing activities	(2,628)	5,379
Effect of exchange rate change on cash and cash equivalents	(14)	863
Net decrease in cash and cash equivalents	3,504	3,179
Cash and cash equivalents at beginning of the period	54,269	47,717
Cash and cash equivalents at end of the period	57,773	50,896

(5) Selected Notes to Condensed Quarterly Consolidated Financial Statements

(Significant Uncertainty Regarding Going Concern Assumption)

Not applicable

(Segment Information)

Sawai's operating segments are the components for which separate financial information is available, and the Board of Directors, as the chief operating decision maker, regularly assesses the financial information in deciding how to allocate resources, measure performance, and forecast future periods. Sawai manufactures and sells generic pharmaceutical products with operations in Japan and the U.S., each requiring differing marketing strategies. Accordingly, Sawai has designated two operating segments, which are Japan Business segment and U.S. Business segment.

Three-month period ended June 30, 2021

	Yen in millions				
	Operating segment			Adjustments and elimination	Amount recorded in the condensed quarterly consolidated statements of income
	Japan Business	U.S. Business	Total		
Segment revenue					
Revenue from external customers	43,487	6,999	50,486	-	50,486
Intersegment revenue or transfers	-	-	-	-	-
Total	43,487	6,999	50,486	-	50,486
Segment (operating) profit (loss)	8,091	392	8,483	-	8,483
Finance income					68
Finance expenses					(118)
Profit before tax					8,433

Three-month period ended June 30, 2022

	Yen in millions				
	Operating segment			Adjustments and elimination	Amount recorded in the condensed quarterly consolidated statements of income
	Japan Business	U.S. Business	Total		
Segment revenue					
Revenue from external customers	38,704	9,527	48,231	-	48,231
Intersegment revenue or transfers	-	-	-	-	-
Total	38,704	9,527	48,231	-	48,231
Segment (operating) profit (loss)	4,570	250	4,820	-	4,820
Finance income					101
Finance expenses					(105)
Profit before tax					4,815