

Financial Summary for the Second Quarter of FY2022 (IFRS)

November 8, 2022

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

Stock Code Number (Japan): 4887

Listed Stock Exchange: Tokyo Stock Exchange

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

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Filing Date of Quarterly Report: November 8, 2022

Scheduled Date of Dividends Payment commencement: December 2, 2022

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 Second Quarter of FY2022 (for the six-month period ended September 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	%
Six-month Period Ended September 30, 2022	96,414	(0.9)	8,817	(36.2)	8,707	(36.2)	6,751	(27.3)	6,660	(29.3)
Six-month Period Ended September 30, 2021	97,302	—	13,822	—	13,649	—	9,293	—	9,422	—

Note: Comprehensive Income: Six-month Period Ended September 30, 2022: 16,822 million < 58.5 % > Six-month Period Ended September 30, 2021: 10,614 million < - % >

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six-month Period Ended September 30, 2022	152.09	151.80
Six-month Period Ended September 30, 2021	215.15	214.96

(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 September 30, 2022	381,984	214,204	202,254	52.9
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	—	65.00			

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:
 - September 30, 2022: 43,791,339 shares
 - March 31, 2022: 43,791,339 shares
 - (ii) Number of treasury stock at the end of each period:
 - September 30, 2022: 336 shares
 - March 31, 2022: 336 shares
 - (iii) Average number of shares issued and outstanding in each period:
 - Six-month period ended September 30, 2022: 43,791,003 shares
 - Six-month period ended September 30, 2021: 43,791,113 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 second quarter earnings conference for institutional investors and analysts is scheduled on November 10, 2022. Presentation and related materials of the conference will be promptly posted on our website.

Attachment Index

1. Financial Highlights for the Six-month Period Ended September 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 Six-month Period Ended September 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 six-month period ended September 30, 2022, revenue decreased to JPY 96,414 million (by 0.9%), operating profit decreased to JPY 8,817 million (by 36.2%), profit before tax decreased to JPY 8,707 million (by 36.2%), and profit attributable to owners of the Company decreased to JPY 6,660 million (by 29.3%) compared to the six-month period ended September 30, 2021.

(Millions of yen, except percentages)				
	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022	Change	Change (%)
Revenue	97,302	96,414	(888)	(0.9)
Operating profit	13,822	8,817	(5,005)	(36.2)
Profit before tax	13,649	8,707	(4,942)	(36.2)
Profit attributable to owners of the Company	9,422	6,660	(2,761)	(29.3)

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. Against this backdrop, in August 2022, the MHLW organized an Expert Panel on Comprehensive Measures to Achieve Rapid and Stable Supply of Pharmaceuticals to initiate discussions on a wide range of subjects, including the distribution of pharmaceuticals, the National Health Insurance (NHI) drug pricing system, and verification of the industrial structure.

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, in September 2022, we completed construction of an injection production facility at the Kyushu Factory site and began construction of 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. In September 2022, we launched the “Health Support Community supported by SaluDi” in collaboration with QON Inc. to facilitate close communication between community members and thereby raise public awareness of healthy lifespans, healthcare and the PHR. In addition, in August, we concluded a licensing agreement with CureApp Inc. to develop and sell digital therapeutics (DTx) in the field of non-alcoholic steatohepatitis (NASH) with the aim of utilizing apps in this field to not only enhance digital-healthcare technology and expertise but also deliver IT-based solutions directly to patients and healthcare professionals.

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 77,337 million (a decrease of 6.6% year on year) and a profit of JPY 8,297 million (a decrease of 42.5% 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 19,077 million (an increase of 31.7% year on year) and a profit of JPY 519 million (segment loss of JPY 609 million in the same period of the previous year).

(2) Financial Position

Assets

As of September 30, 2022, current assets amounted to JPY 219,487 million, an increase of JPY 17,363 million from March 31, 2022. The increase was mainly due to an increase of JPY 4,621 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 10,333 million in inventories achieved by production efforts to strengthen the ability for stable product supply in the Japan segment. Non-current assets as of September 30, 2022 amounted to JPY 162,497 million, an increase of JPY 15,119 million from March 31, 2022. The increase was primarily due to an increase of JPY 13,281 million in the value of property, plant and equipment resulting from capital investments made by subsidiaries, including payments for the construction of a new solid-formulation production facility at the Sawai Pharmaceutical Daini Kyushu Factory. Total assets as of September 30, 2022 were JPY 381,984 million, an increase of JPY 32,482 million compared to the balance as of March 31, 2022.

Liabilities

As of September 30, 2022, current liabilities amounted to JPY 99,436 million, an increase of JPY 10,597 million from March 31, 2022. The increase resulted mainly from an increase of JPY 9,993 million in trade and other payables caused by accounts payable accrued for the construction of a new solid-formulation production facility at the Sawai Pharmaceutical Daini Kyushu Factory and from an increase of JPY 2,806 million in refund liabilities due to the timing of rebate payments. Non-current liabilities as of September 30, 2022 was JPY 68,344 million, an increase of JPY 7,765 million from March 31, 2022, primarily due to an increase of JPY 8,025 million in borrowings as a result of borrowing. Total liabilities as of September 30, 2022 were JPY 167,781 million, an increase of JPY 18,362 million compared to the balance as of March 31, 2022.

Equity

Total equity as of September 30, 2022 was JPY 214,204 million, an increase of JPY 14,120 million compared to the balance as of March 31, 2022, primarily due to the net profit for the six-month period ended September 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 September 30, 2022 became 52.9% (down from 54.4% as of March 31, 2022).

(3) Cash Flow

Cash and cash equivalents as of September 30, 2022 increased by JPY 1,309 million to JPY 49,026 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 4,853 million for the current period (decrease of JPY 16,990 million compared to the same period of the previous year) which mainly consists of profit before tax (JPY 8,707 million), depreciation and amortization (JPY 8,617 million), increase in inventories (JPY 8,236 million), increase in refund liabilities (JPY 2,031 million) and income taxes paid (JPY 4,415 million).

Cash flows used in investing activities was JPY 9,058 million for the current period (decrease of JPY 1,508 million compared to the same period of the previous year) which mainly consists of acquisition of property, plant and equipment (JPY 5,260 million), and acquisition of intangible assets (JPY 3,830 million).

Cash flows generated from financing activities was JPY 4,115 million for the current period (JPY 4,016 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)

	Six-month period ended September 30,2021	Six-month period ended September 30,2022
Revenue	97,302	96,414
Cost of sales	(61,414)	(65,914)
Gross profit	35,888	30,500
Selling, general and administrative expenses	(16,196)	(15,155)
Research and development expenses	(8,118)	(6,429)
Other income	2,254	280
Other expenses	(6)	(379)
Operating profit	13,822	8,817
Finance income	72	104
Finance expenses	(245)	(213)
Profit before tax	13,649	8,707
Income tax expenses	(4,356)	(1,956)
Profit for the period	9,293	6,751
Profit attributable to:		
Owners of the Company	9,422	6,660
Non-controlling interests	(129)	91
Total	9,293	6,751
Earnings per share (Yen)		
Basic earnings per share	215.15	152.09
Diluted earnings per share	214.96	151.80

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

Yen in millions

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Profit for the period	9,293	6,751
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	52	(98)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	1,269	10,168
Other comprehensive income for the period, net of tax	1,321	10,071
Total comprehensive income for the period	10,614	16,822
Total comprehensive income attributable to:		
Owners of the Company	10,500	14,889
Non-controlling interests	114	1,934
Total	10,614	16,822

(2) Condensed Quarterly Consolidated Statements of Financial Position

Yen in millions

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	47,717	49,026
Trade and other receivables	65,059	69,680
Inventories	85,853	96,186
Other financial assets	146	175
Other current assets	3,348	4,420
Total current assets	202,123	219,487
Non-current assets		
Property, plant and equipment	111,218	124,499
Intangible assets	26,289	27,830
Other financial assets	7,223	7,212
Other non-current assets	2,303	2,604
Deferred tax assets	346	352
Total non-current assets	147,379	162,497
Total assets	349,502	381,984

Yen in millions

	As of March 31, 2022	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	50,912	60,904
Bonds and borrowings	13,116	13,034
Income taxes payable	3,430	2,478
Refund liabilities	7,581	10,387
Provisions	1,062	530
Other financial liabilities	4,419	4,741
Other current liabilities	8,320	7,361
Total current liabilities	88,840	99,436
Non-current liabilities		
Borrowings	53,633	61,657
Provisions	319	197
Other financial liabilities	2,889	2,843
Other non-current liabilities	1,435	1,396
Deferred tax liabilities	2,303	2,252
Total non-current liabilities	60,579	68,344
Total liabilities	149,419	167,781
Equity		
Share capital	10,000	10,000
Capital surplus	73,672	37,714
Retained earnings	98,709	138,482
Treasury shares	(2)	(2)
Other component of equity	7,688	16,060
Equity attributable to owners of the Company	190,067	202,254
Non-controlling interests	10,016	11,950
Total equity	200,083	214,204
Total liabilities and equity	349,502	381,984

(3) Condensed Quarterly Consolidated statements of Changes in Equity

Six-month period ended September 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			9,422			9,422	(129)	9,293
Other comprehensive income					1,078	1,078	243	1,321
Total comprehensive income	—	—	9,422	—	1,078	10,500	114	10,614
Acquisition of treasury shares				(1)		(1)		(1)
Dividends			(2,846)			(2,846)		(2,846)
Increase (decrease) by share transfers	(31,219)	31,219				—		—
Forfeiture of share based payment			242		(242)	—		—
Share based payment					50	50		50
Total transactions with owners	(31,219)	31,219	(2,604)	(1)	(192)	(2,797)	—	(2,797)
Balance at September 30, 2021	10,000	73,672	139,247	(1)	3,063	225,981	22,586	248,567

Six-month period ended September 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			6,660			6,660	91	6,751
Other comprehensive income					8,228	8,228	1,842	10,071
Total comprehensive income	—	—	6,660	—	8,228	14,889	1,934	16,822
Dividends		(2,846)				(2,846)		(2,846)
Transfer to retained earnings from capital surplus		(33,112)	33,112			—		—
Share based payment					145	145		145
Total transactions with owners	—	(35,959)	33,112	—	145	(2,702)	—	(2,702)
Balance at September 30, 2022	10,000	37,714	138,482	(2)	16,060	202,254	11,950	214,204

(4) Condensed Quarterly Consolidated Statements of Cash Flows

Yen in millions

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Cash flows from operating activities		
Profit before tax	13,649	8,707
Depreciation and amortization	8,699	8,617
Impairment loss	1,331	487
Financial income	(69)	(123)
Financial expenses	245	205
(Gain) loss on sale and disposal of property, plant and equipment and intangible assets	(2,128)	167
Decrease (increase) in trade and other receivables	6,215	(1,216)
Increase in inventories	(2,713)	(8,236)
Decrease in trade and other payables	(18)	(444)
Increase in refund liabilities	2,133	2,031
Decrease in provisions	(283)	(654)
Increase in other financial liabilities	185	275
Other	(2,179)	(1,674)
Subtotal	25,067	8,143
Interest received	1	0
Dividends received	67	104
Interest paid	(318)	(218)
Income taxes paid	(2,974)	(4,415)
Income taxes refund	—	1,239
Cash flows generated from operating activities	21,843	4,853
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,494)	(5,260)
Sale of property, plant and equipment	3,050	10
Acquisition of intangible assets	(6,028)	(3,830)
Other	(95)	21
Cash flows used in investing activities	(10,567)	(9,058)
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	(1,916)	(1,559)
Redemption of bonds	—	(10,000)
Payments of lease liabilities	(847)	(969)
Dividends paid	(2,846)	(2,846)
Other	(7)	(11)
Cash flows (used in) generated from financing activities	(4,016)	4,115
Effect of exchange rate change on cash and cash equivalents	16	1,400
Net increase in cash and cash equivalents	7,276	1,309
Cash and cash equivalents at beginning of the period	54,269	47,717
Cash and cash equivalents at end of the period	61,545	49,026

(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.

Six-month period ended September 30, 2021

	Yen in millions					Amount recorded in the condensed quarterly consolidated statements of income
	Operating segment			Adjustments and elimination		
	Japan Business	U.S. Business	Total			
Segment revenue						
Revenue from external customers	82,818	14,484	97,302	—	97,302	
Intersegment revenue or transfers	—	—	—	—	—	
Total	82,818	14,484	97,302	—	97,302	
Segment (operating) profit (loss)	14,431	(609)	13,822	(0)	13,822	
Finance income					72	
Finance expenses					(245)	
Profit before tax					13,649	

Six-month period ended September 30, 2022

	Yen in millions					Amount recorded in the condensed quarterly consolidated statements of income
	Operating segment			Adjustments and elimination		
	Japan Business	U.S. Business	Total			
Segment revenue						
Revenue from external customers	77,337	19,077	96,414	—	96,414	
Intersegment revenue or transfers	—	—	—	—	—	
Total	77,337	19,077	96,414	—	96,414	
Segment (operating) profit	8,297	519	8,817	(0)	8,817	
Finance income					104	
Finance expenses					(213)	
Profit before tax					8,707	