

Financial Summary for the Fiscal Year Ended March 31, 2023 (IFRS)

May 11, 2023

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

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Scheduled Date of Annual Meeting of Stockholders: June 27, 2023

Filing Date of Annual Security Report: June 27, 2023

Scheduled Date of Dividends Payment commencement: June 28, 2023

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 Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

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

	Revenue		Operating profit (loss)		Profit (loss) before tax		Profit (loss) for the year		Profit (loss) attributable to owners of the Company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the Fiscal Year Ended March 31, 2023	200,344	3.4	16,984	—	16,789	—	12,836	—	12,667	—
For the Fiscal Year Ended March 31, 2022	193,816	—	(35,888)	—	(36,214)	—	(41,924)	—	(28,269)	—

Note: Comprehensive Income (loss): For the Fiscal Year Ended March 31, 2023: 18,203 million < - %> For the Fiscal Year Ended March 31, 2022: (35,022) million < - %>

	Basic earnings (loss) per share	Diluted earnings (loss) per share	Return on equity attributable to owners of the Company	Ratio of profit (loss) before income taxes to total assets	Ratio of operating profit (loss) to revenue
	Yen	Yen	%	%	%
For the Fiscal Year Ended March 31, 2023	289.25	288.60	6.5	4.7	8.5
For the Fiscal Year Ended March 31, 2022	(645.53)	(645.53)	(13.8)	(9.8)	(18.5)

Reference: Equity in net income of affiliated companies: For the Fiscal Year Ended March 31, 2023: - million For the Fiscal Year Ended March 31, 2022: - million

(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	Equity attributable to owners of the Company per share
	Million yen	Million yen	Million yen	%	Yen
As of March 31, 2023	364,165	212,738	201,643	55.4	4,604.67
As of March 31, 2022	349,502	200,083	190,067	54.4	4,340.32

(3) Consolidated Cash Flows

	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
For the Fiscal Year Ended March 31, 2023	13,026	(27,134)	(1,267)	33,076
For the Fiscal Year Ended March 31, 2022	34,310	(30,395)	(11,262)	47,717

2. Cash Dividends

	Dividends per share					Total dividends	Dividend pay-out ratio	Ratio of dividends to net assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
For the Fiscal Year Ended March 31, 2022	—	65.00	—	65.00	130.00	5,693	—	2.8
For the Fiscal Year Ended March 31, 2023	—	65.00	—	65.00	130.00	5,693	44.9	2.9

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 year end:
 - March 31, 2023: 43,791,339 shares
 - March 31, 2022: 43,791,339 shares
 - (ii) Number of treasury stock at year end:
 - March 31, 2023: 336 shares
 - March 31, 2022: 336 shares
 - (iii) Average number of shares issued and outstanding for the fiscal year ended March 31:
 - March 31, 2023: 43,791,003 shares
 - March 31, 2022: 43,791,075 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 year-end earnings conference for institutional investors and analysts is scheduled on May 15, 2023. Presentation and related materials of the conference will be promptly posted on our website.

Attachment Index

1. Financial Highlights for the Fiscal Year Ended March 31, 2023	2
(1) Operating Results	2
(2) Financial Position	5
(3) Cash Flow	6
2. Consolidated Financial Statements and Selected Notes	7
(1) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	7
(2) Consolidated Statements of Financial Position	9
(3) Consolidated Statements of Changes in Equity	11
(4) Consolidated Statements of Cash Flows	12
(5) Selected Notes to Consolidated Financial Statements	13
(Significant Uncertainty Regarding Going Concern Assumption)	13
(Basis of preparation of the consolidated financial statements)	13
(Significant Accounting Policies)	13
(Segment Information)	14
(Earnings Per Share)	15
(Events after Reporting Period)	15

1. Financial Highlights for the Year Ended March 31, 2023

(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.

For the year ended March 31, 2023, revenue increased to JPY 200,344 million (by 3.4%) compared to the year ended March 31, 2022, operating profit was JPY 16,984 million (JPY 35,888 million of operating loss for the year ended March 31, 2022), profit before tax was JPY 16,789 million (JPY 36,214 million of loss before tax for the year ended March 31, 2022), and profit attributable to owners of the Company was JPY 12,667 million (JPY 28,269 million of loss attributable to owners of the Company for the year ended March 31, 2022).

(Millions of yen, except percentages)				
	Year ended March 31, 2022	Year ended March 31, 2023	Change	Change (%)
Revenue	193,816	200,344	6,528	3.4
Operating profit (loss)	(35,888)	16,984	52,872	-
Profit (loss) before tax	(36,214)	16,789	53,004	-
Profit (loss) attributable to owners of the Company	(28,269)	12,667	40,935	-

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 preliminary results of the Japanese government’s drug price survey in September 2022 showed that the latest share of generic drugs was 79.0% on a volume basis.

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 2020, the first-ever interim revision in April 2021, regular revision in April 2022, and interim revision in April 2023.

Under such circumstances, the entire Japanese 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 discuss a wide range of subjects, including the distribution of pharmaceuticals, the National Health Insurance (NHI) drug pricing system, and problems related to 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, including Febuxostat tablets and oral dispersing tablets, and in December 2022, six generic drugs with 12 strengths, including Esomeprazole capsules from Sawai Pharmaceutical 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. Furthermore, in January 2023, SaluDi was selected for use in the Yabu Digital Health Aging Project implemented by the municipality of Yabu City, Hyogo Prefecture. In this way, we are drastically reforming our business models and business processes to further enhance people's lifestyles and well-being. 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. In the medical device business as well, in December 2022, we submitted an application to the Pharmaceuticals and Medical Devices Agency (PMDA) for marketing authorization for SWD001, a non-invasive neuromodulation device for acute-phase treatment of migraine.

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 163,702 million (0.1% decrease compared to the year ended March 31, 2022) and segment profit of JPY 16,054 million (50.4% decrease compared to the year ended March 31, 2022).

(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 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 this situation, USL launched "Fluoxetine Oral Solution" in January 2023 and "Dicyclomine Hydrochloride Tablets" in March 2023.

In the fiscal year ended March 31, 2022, USL sold and leased back its factory in Denver, Colorado and ceased the operation of this factory in December 2022. In January 2023, a new factory at the USL headquarters site started commercial manufacturing. USL will gradually expand the lineup of products it manufactures in the future and continue to strive for further improvements in quality and efficiency, as well as the stability of supply.

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. USL continues to implement thorough 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 36,642 million (an increase of 22.2% compared to the year ended March 31, 2022) and segment profit of JPY 930 million (segment loss of JPY 68,249 million for the year ended March 31, 2022).

(2) Financial Position

Assets

As of March 31, 2023, current assets amounted to JPY 205,347 million, an increase of JPY 3,223 million from March 31, 2022. The increase was mainly due to an increase of JPY 15,953 million in inventories achieved by production efforts to strengthen the ability for stable product supply in the Japan segment, despite a decrease of JPY 14,641 million in Cash and cash equivalents (see (3) Cash Flow below). Non-current assets as of March 31, 2023 amounted to JPY 158,818 million, an increase of JPY 11,439 million from March 31, 2022. The increase was primarily due to an increase of JPY 10,111 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 March 31, 2023 were JPY 364,165 million, an increase of JPY 14,663 million compared to the balance as of March 31, 2022.

Liabilities

As of March 31, 2023, current liabilities amounted to JPY 85,154 million, a decrease of JPY 3,685 million from March 31, 2022. This decrease resulted mainly from a decrease of 2,141 million yen in refund liabilities due to the revision of our pricing policies in the Japan segment. Non-current liabilities as of March 31, 2023 was JPY 66,272 million, an increase of JPY 5,693 million from March 31, 2022, primarily due to an increase of JPY 6,466 million in borrowings as a result of borrowing. Total liabilities as of March 31, 2023 were JPY 151,426 million, an increase of JPY 2,008 million compared to the balance as of March 31, 2022.

Equity

Total equity as of March 31, 2023 was JPY 212,738 million, an increase of JPY 12,655 million compared to the balance as of March 31, 2022, primarily due to the net profit for the year ended March 31, 2023 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 March 31, 2023 became 55.4% (54.4% as of March 31, 2022).

(3) Cash Flow

Cash and cash equivalents as of March 31, 2023 decreased by JPY 14,641 million to JPY 33,076 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 13,026 million for the year ended March 31, 2023 (decrease of JPY 21,284 million compared to the year ended March 31, 2022) which mainly consists of profit before tax (JPY 16,789 million), depreciation and amortization (JPY 17,683 million), impairment loss (JPY 3,464 million), increase in inventories (JPY 14,868 million), decrease in refund liabilities (JPY 2,551 million) and income taxes paid (JPY 7,473 million).

Cash flows used in investing activities was JPY 27,134 million for the year ended March 31, 2023 (decrease of JPY 3,261 million compared to the year ended March 31, 2022) which mainly consists of acquisition of property, plant and equipment (JPY 20,727 million), and acquisition of intangible assets (JPY 6,414 million).

Cash flows used in financing activities was JPY 1,267 million for the year ended March 31, 2023 (decrease of JPY 9,995 million compared to the year ended March 31, 2022) which mainly consists of net proceeds from short-term borrowings (JPY 10,000 million), proceeds from long-term borrowings (JPY 9,500 million), repayments of long-term borrowings (JPY 3,118 million), redemption of bonds (JPY 10,000 million) and dividends paid (JPY 5,693 million).

2. Consolidated Financial Statements and Selected Notes

(1) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

Yen in millions (except per share data)

	Year ended March 31, 2022	Year ended March 31, 2023
Revenue	193,816	200,344
Cost of sales	(127,164)	(137,711)
Gross profit	66,652	62,633
Selling, general and administrative expenses	(46,690)	(30,156)
Research and development expenses	(24,413)	(16,090)
Other income	15,181	869
Other expenses	(46,618)	(272)
Operating profit (loss)	(35,888)	16,984
Finance income	145	213
Finance expenses	(471)	(407)
Profit (loss) before tax	(36,214)	16,789
Income tax expenses	(5,710)	(3,954)
Profit (loss) for the period	(41,924)	12,836
Profit (loss) attributable to:		
Owners of the Company	(28,269)	12,667
Non-controlling interests	(13,655)	169
Total	(41,924)	12,836
Earnings per share (Yen)		
Basic earnings (loss) per share	(645.53)	289.25
Diluted earnings (loss) per share	(645.53)	288.60

(Consolidated Statements of Comprehensive Income)

Yen in millions

	Year ended March 31, 2022	Year ended March 31, 2023
Profit (loss) for the period	(41,924)	12,836
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	608	345
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	6,294	5,022
Other comprehensive income for the period, net of tax	6,902	5,367
Total comprehensive income (loss) for the period	(35,022)	18,203
Total comprehensive income (loss) attributable to:		
Owners of the Company	(22,566)	17,125
Non-controlling interests	(12,456)	1,078
Total	(35,022)	18,203

(2) Consolidated Statements of Financial Position

Yen in millions

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	47,717	33,076
Trade and other receivables	65,059	67,007
Inventories	85,853	101,805
Other financial assets	146	179
Other current assets	3,348	1,677
Subtotal	202,123	203,744
Assets held for sale	-	1,602
Total current assets	202,123	205,347
Non-current assets		
Property, plant and equipment	111,218	121,330
Intangible assets	26,289	27,096
Other financial assets	7,223	7,791
Other non-current assets	2,303	2,429
Deferred tax assets	346	173
Total non-current assets	147,379	158,818
Total assets	349,502	364,165

	As of March 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	50,912	52,815
Bonds and borrowings	13,116	13,034
Income taxes payable	3,430	1,460
Refund liabilities	7,581	5,440
Provisions	1,062	190
Other financial liabilities	4,419	4,444
Other current liabilities	8,320	7,771
Total current liabilities	88,840	85,154
Non-current liabilities		
Borrowings	53,633	60,098
Provisions	319	101
Other financial liabilities	2,889	2,492
Other non-current liabilities	1,435	1,488
Deferred tax liabilities	2,303	2,092
Total non-current liabilities	60,579	66,272
Total liabilities	149,419	151,426
Equity		
Share capital	10,000	10,000
Capital surplus	73,672	37,714
Retained earnings	98,709	141,642
Treasury shares	(2)	(2)
Other component of equity	7,688	12,289
Equity attributable to owners of the Company	190,067	201,643
Non-controlling interests	10,016	11,095
Total equity	200,083	212,738
Total liabilities and equity	349,502	364,165

(3) Consolidated statements of Changes in Equity

Year ended March 31, 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, 2021	41,219	42,453	132,429	—	2,177	218,278	22,472	240,750
Profit (loss) for the year			(28,269)			(28,269)	(13,655)	(41,294)
Other comprehensive income					5,703	5,703	1,199	6,902
Total comprehensive income (loss)	—	—	(28,269)	—	5,703	(22,566)	(12,456)	(35,022)
Acquisition of treasury shares				(2)		(2)		(2)
Dividends			(5,693)			(5,693)		(5,693)
Transfer	(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	(5,451)	(2)	(192)	(5,645)	—	(5,645)
Balance at March 31, 2022	10,000	73,672	98,709	(2)	7,688	190,067	10,016	200,083

Year ended March 31, 2023

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			12,667			12,667	169	12,836
Other comprehensive income					4,457	4,457	909	5,367
Total comprehensive income	-	-	12,667	-	4,457	17,125	1,078	18,203
Dividends		(2,846)	(2,846)			(5,693)		(5,693)
Transfer to retained earnings from capital surplus		(33,112)	33,112			-		-
Share based payment					145	145		145
Total transactions with owners	-	(35,959)	30,266	-	145	(5,548)	-	(5,548)
Balance at March 31, 2023	10,000	37,714	141,642	(2)	12,289	201,643	11,095	212,738

(4) Consolidated Statements of Cash Flows

Yen in millions

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before tax	(36,214)	16,789
Depreciation and amortization	17,045	17,683
Impairment loss	71,003	3,464
Reversal of impairment	-	(1,626)
Financial income	(152)	(222)
Financial expenses	461	406
Gain on bargain purchase	(8,704)	-
(Gain) loss on sale and disposal of property, plant and equipment and intangible assets	(2,070)	240
(Increase) decrease in trade and other receivables	6,711	(319)
Increase in inventories	(5,625)	(14,868)
Increase (decrease) in trade and other payables	(170)	1,650
Decrease in refund liabilities	(378)	(2,551)
Increase (decrease) in provisions	292	(1,090)
Increase in other financial liabilities	194	167
Other	(1,704)	(415)
Subtotal	40,689	19,308
Interest received	2	18
Dividends received	141	195
Interest paid	(512)	(410)
Income taxes paid	(6,010)	(7,473)
Income taxes refund	-	1,389
Cash flows generated from operating activities	34,310	13,026
Cash flows from investing activities		
Acquisition of property, plant and equipment	(14,513)	(20,727)
Proceeds from sale of property, plant and equipment	3,122	50
Acquisition of intangible assets	(8,831)	(6,414)
Payments for acquisition of business	(10,114)	-
Other	(59)	(43)
Cash flows used in investing activities	(30,395)	(27,134)
Cash flows from financing activities		
Net proceeds from short-term borrowings	-	10,000
Proceeds from long-term borrowings	-	9,500
Repayments of long-term borrowings	(3,834)	(3,118)
Redemption of bonds	-	(10,000)
Payments of lease liabilities	(1,715)	(1,938)
Dividends paid	(5,693)	(5,693)
Other	(20)	(18)
Cash flows used in financing activities	(11,262)	(1,267)
Effect of exchange rate change on cash and cash equivalents	795	734
Net decrease in cash and cash equivalents	(6,552)	(14,641)
Cash and cash equivalents at beginning of the period	54,269	47,717
Cash and cash equivalents at end of the period	47,717	33,076

(5) Selected Notes to Condensed Quarterly Consolidated Financial Statements

(Significant Uncertainty Regarding Going Concern Assumption)

Not applicable

(Basis of preparation of the consolidated financial statements)

1. Consolidated financial statements are in accordance with IFRS.

Sawai meets all of the requirements for a “Specified Company under Designated International Financial Reporting Standards” as stipulated under Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Ordinance No. 28, 1976, “the Ordinance”). Hence, in accordance with Article 93 of the Ordinance, the Consolidated Financial Statements have been prepared in accordance with IFRS.

2. Basis of measurement

The consolidated financial statements have been prepared using the historical cost convention except for items that are required to be accounted for at fair value such as financial instruments.

3. Presentation currency

The Consolidated Financial Statements are presented in Japanese yen, which is Company’s functional currency. All amounts have been rounded to the nearest million yen, unless otherwise indicated.

(Significant Accounting Policies)

The consolidated financial statements have been prepared based on the same policies adopted for the year ended March 31, 2022, except for the following policy for assets held for sale that was newly adopted.

Non-current assets are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. (Reversal of) impairment losses on initial classification as held-for-sale are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

(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.

Year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

Yen in millions					
	Japan Business	U.S. Business	Total	Adjustments and elimination	Amount recorded in the consolidated statements of income
Segment revenue					
Revenue from external customers	163,841	29,975	193,816	—	193,816
Intersegment revenue or transfers	—	—	—	—	—
Total	163,841	29,975	193,816	—	193,816
Segment profit (loss)	32,361	(68,249)	(35,888)	—	(35,888)
Finance income					145
Finance expenses					(471)
Loss before tax					(36,214)
Other items					
Depreciation and amortization	11,372	5,673	17,045	—	17,045
Impairment loss	2,233	68,770	71,003	—	71,003

Year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Yen in millions					
	Japan Business	U.S. Business	Total	Adjustments and elimination	Amount recorded in the consolidated statements of income
Segment revenue					
Revenue from external customers	163,702	36,642	200,344	—	200,344
Intersegment revenue or transfers	—	—	—	—	—
Total	163,702	36,642	200,344	—	200,344
Segment profit	16,054	930	16,984	—	16,984
Finance income					213
Finance expenses					(407)
Profit before tax					16,789
Other items					
Depreciation and amortization	14,255	3,428	17,683	—	17,683
(Reversal of) impairment loss	3,464	(1,626)	1,838	—	1,838

(Earnings Per Share)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit (loss) attributable to owners of the Company (million Yen)	(28,269)	12,667
Weighted average number of ordinary shares outstanding during the year (thousand shares)	43,791	43,791
Average number of ordinary shares during the year (thousand shares)	43,791	43,791
Dilutive effect (thousand shares)	-	99
Weighted average number of ordinary shares outstanding during the year after dilutive effect (thousand shares)	43,791	43,890
Profit (loss) per share (attributable to the owners of the Company)		
Basic earnings per share (Yen)	(645.53)	289.25
Diluted earnings per share (Yen)	(645.53)	288.60

There were 58 thousand and no shares, such as stock options that were anti-dilutive, not included in the calculation of diluted earnings per share for the years ended March 31, 2022 and 2023, respectively.

(Events after Reporting Period)

Not applicable