

Financial Summary for the Second Quarter of FY2023 (IFRS)

November 10, 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: Mitsuo Sawai, President and Representative Director

Contact Person: Jun Tsujii, General Manager of Group Finance Department Tel: +81-6-6105-5818

Filing Date of Quarterly Report: November 10, 2023

Scheduled Date of Dividends Payment commencement: December 1, 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 Second Quarter of FY2023 (for the six-month period ended September 30, 2023)

(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, 2023	106,789	10.8	10,681	21.1	10,606	21.8	8,403	24.5	8,444	26.8
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)

Note: Comprehensive Income: Six-month Period Ended September 30, 2023: 16,513 million yen <(1.8)%> Six-month Period Ended September 30, 2022: 16,822 million yen <58.5%>

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six-month Period Ended September 30, 2023	192.80	192.28
Six-month Period Ended September 30, 2022	152.09	151.80

(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, 2023	397,727	226,454	214,069	53.8
As of March 31, 2023	364,165	212,738	201,643	55.4

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, 2023	—	65.00	—	65.00	130.00
For the Fiscal Year Ended March 31, 2024	—	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, 2023: 43,803,339 shares
 - March 31, 2023: 43,791,339 shares
 - (ii) Number of treasury stock at the end of each period:
 - September 30, 2023: 336 shares
 - March 31, 2023: 336 shares
 - (iii) Average number of shares issued and outstanding in each period:
 - Six-month period ended September 30, 2023: 43,796,003 shares,
 - Six-month period ended September 30, 2022: 43,791,003 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 13, 2023. Presentation and related materials of the conference will be promptly posted on our website.

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1. Financial Highlights for the Six-month Period Ended September 30, 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.

During the six-month period ended September 30, 2023, revenue increased to JPY 106,789 million (by 10.8%), operating profit increased to JPY 10,681 million (by 21.1%), profit before tax increased to JPY 10,606 million (by 21.8%), and profit attributable to owners of the Company increased to JPY 8,444 million (by 26.8%) compared to the six-month period ended September 30, 2022.

(Millions of yen, except percentages)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change	Change (%)
Revenue	96,414	106,789	10,375	10.8
Operating profit	8,817	10,681	1,864	21.1
Profit before tax	8,707	10,606	1,898	21.8
Profit attributable to owners of the Company	6,660	8,444	1,784	26.8

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 “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 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, the Expert Panel on Comprehensive Measures to Achieve Rapid and Stable Supply of Pharmaceuticals, which the Ministry of Health, Labour and Welfare convened in August 2022, discussed a wide range of subjects, including the distribution of pharmaceuticals, the National Health Insurance (NHI) drug pricing system, and structural problems faced by the Japanese generic pharmaceutical industry, resulting in a report compiled in June 2023. This panel and other related deliberating bodies are currently further discussing countermeasures in each field.

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 focused on several issues such as 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.

However, Sawai Pharmaceutical revealed that Teprenone Capsules 50 mg “Sawai” manufactured at its Kyushu Plant was inappropriately tested in the dissolution test for stability monitoring for a long time. The continued inappropriate testing is primarily attributed to human and structural factors. The human factors include (1) a prevalent disregard for stability monitoring; (2) an inclination to unquestioningly follow superiors’ instructions; (3) a lack of understanding of GMP among those conducting the tests. The structural factors include (1) an inadequate supervisory system for quality control and assurance; (2) insufficient management of test records; and (3) overwork and understaffing in the quality control department responsible for overseeing these processes. We have developed the following measures aimed at preventing any recurrence and are dedicated to rebuilding trust; (1) commence a corporate culture reform project under the direct leadership of the president, (2) re-evaluate existing market products in terms of manufacturing and quality and implement corrective measures and (3) implement recurrence prevention measures in the production division including reintroduction of GMP education for all employees, clarification of the roles and responsibilities of managers and supervisors and recruitment both internally and externally for the quality control and quality assurance divisions within the plant.

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 by accommodating growing demand, as well as addressing soaring energy and raw material prices. 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 Sawai Group company established by taking over assets related to production activities from Kobayashi Kako Co., Ltd., including the staff of the relevant departments, has begun contract manufacturing products of Sawai Pharmaceutical. This new company will continue its efforts to build a solid production system with a view to becoming capable of manufacturing 20 billion or more 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 marketing, as a countermeasure against the steep rise in costs, we have passed on the cost increases to the prices of some of our products, mainly low-priced ones, while working to further improve production efficiency. In June 2023, two generic drugs with 8 strengths, including Azilsartan tablets from Sawai Pharmaceutical were inscribed on the Japanese National Health Insurance drug price list.

In the field of product development, 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, we 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 Healthy Aging Project implemented by the municipality of Yabu City, Hyogo Prefecture. In May 2023, SaluDi was also chosen as the official PHR app for Ajisai Net, a regional medical collaboration network in Nagasaki Prefecture. In July 2023, we also agreed with TOPPAN INC. (currently TOPPAN Holdings Inc.) to consider partnering in a PHR-based business. Leveraging this app, we will take the lead utilizing digital technology to further enhance people's lifestyles and well-being. In addition, in August 2022, we concluded a licensing agreement with CureApp, Inc. to gain the right 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, we will focus on SWD001, a non-invasive neuromodulation device for acute-phase treatment of migraine, for which we submitted an application for manufacturing and marketing authorization to the Pharmaceuticals and Medical Devices Agency (PMDA) in December 2022. In the health food business, in July 2023, we launched the “Kukkiri-ryoku Eye,” our second eye health supplement labeled as a food with function claims, at our official online store.

As a result, the segment reported net sales of JPY 87,673 million (an increase of 13.4% year on year) and a profit of JPY 11,105 million (an increase of 33.8% 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.

Under such circumstances, we are taking various measures to achieve stable profitability, including measures to stabilize revenue of existing products and to reduce R&D and other costs.

In April 2023, USL launched Fluphenazine Hydrochloride Tablets, which prevent psychotic disorders, and Brimonidine Tartrate and Timolol Maleate Ophthalmic Solution, which is used to lower increased intraocular pressure in glaucoma or ocular hypertension patients who need supplementary therapy for less controllable intraocular pressure. The same year, the company also launched Dicyclomine Hydrochloride Capsules, a treatment for functional or irritable bowel syndrome, in May and other new products in August, including Vigadrone Tablets for infantile spasms and refractory complex partial seizures (CPS), Famotidine for Oral Suspension effective mainly for active duodenal or gastric ulcers, and Mesalamine Extended-Release Capsules for ulcerative colitis. Moreover, USL transferred its manufacturing and selling rights for two acute-phase migraine treatments—Tosymra® Nasal Spray 10 mg (sumatriptan nasal spray) and Zembrace® SymTouch ® 3mg (sumatriptan injection)—and related assets to Tonix Medicines, Inc., a 100% owned subsidiary of Tonix Pharmaceuticals Holding Corp in June 2023.

In terms of production, since January 2023, a new factory at USL headquarters site has been engaged in commercial production to replace the USL factory in Denver, Colorado, which ended its operations in December 2022. This new factory will successively broaden the lineup of products it manufactures, as part of USL's initiatives to further enhance both product quality and production efficiency and ensure stable product supply.

As a result, the segment reported net sales of JPY 19,395 million (an increase of 1.7% year on year) and a loss of JPY 210 million (segment profit of JPY 519 million in the same period of the previous year).

(2) Financial Position

Assets

As of September 30, 2023, current assets amounted to JPY 227,483 million, an increase of JPY 22,136 million from March 31, 2023. The increase was mainly due to an increase of JPY 7,745 million in cash and cash equivalents as a result of borrowing, an increase of JPY 8,930 million in trade and other receivables as a result of the growth of sales and an increase of JPY 6,531 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, 2023 amounted to JPY 170,244 million, an increase of JPY 11,426 million from March 31, 2023. The increase was primarily due to an increase of JPY 9,715 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, 2023 were JPY 397,727 million, an increase of JPY 33,562 million compared to the balance as of March 31, 2023.

Liabilities

As of September 30, 2023, current liabilities amounted to JPY 106,581 million, an increase of JPY 21,427 million from March 31, 2023. The increase was mainly due to an increase of JPY 18,775 million in (short term) borrowings based on the Japan Business segment's financing plan and an increase of JPY 2,632 million in refund liabilities due to the timing of rebate payments, despite a decrease of JPY 3,485 million in trade and other payables due to an excess of payments for accounts payable for the acquisition of tangible fixed assets in the Japan segment over the recorded value. Non-current liabilities as of September 30, 2023 was JPY 64,692 million, a decrease of JPY 1,580 million from March 31, 2023, primarily due to a decrease of JPY 1,642 million in (long term) borrowings as a result of the transfer of a certain portion of long term borrowings to current liabilities based on the repayment schedule. Total liabilities as of September 30, 2023 were JPY 171,273 million, an increase of JPY 19,846 million compared to the balance as of March 31, 2023.

Equity

Total equity as of September 30, 2023 was JPY 226,454 million, an increase of JPY 13,716 million compared to the balance as of March 31, 2023, primarily due to the net profit for the six-month period ended September 30, 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 September 30, 2023 became 53.8% (down from 55.4% as of March 31, 2023).

(3) Cash Flow

Cash and cash equivalents as of September 30, 2023 increased by JPY 7,745 million to JPY 40,821 million, compared to the balance as of March 31, 2023.

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

Cash flows generated from operating activities was JPY 10,177 million for the current period (increase of JPY 5,324 million compared to the same period of the previous year) which mainly consists of profit before tax (JPY 10,606 million), depreciation and amortization (JPY 9,117 million), increase in trade and other receivables (JPY 5,347 million), increase in inventories (JPY 5,383 million), increase in refund liabilities (JPY 2,222 million) and income taxes paid (JPY 3,754 million).

Cash flows used in investing activities was JPY 17,015 million for the current period (increase of JPY 7,957 million compared to the same period of the previous year) which mainly consists of acquisition of property, plant and equipment (JPY 15,268 million) and acquisition of intangible assets (JPY 3,622 million).

Cash flows generated from financing activities was JPY 13,457 million for the current period (increase of JPY 9,342 million compared to the same period of the previous year) which mainly consists of net proceeds from short-term borrowings (JPY 18,608 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 30,2022	Six-month period ended September 30,2023
Revenue	96,414	106,789
Cost of sales	(65,914)	(73,531)
Gross profit	30,500	33,258
Selling, general and administrative expenses	(15,155)	(16,481)
Research and development expenses	(6,429)	(6,219)
Other income	280	351
Other expenses	(379)	(228)
Operating profit	8,817	10,681
Finance income	104	216
Finance expenses	(213)	(292)
Profit before tax	8,707	10,606
Income tax expenses	(1,956)	(2,202)
Profit for the period	6,751	8,403
Profit attributable to:		
Owners of the Company	6,660	8,444
Non-controlling interests	91	(41)
Total	6,751	8,403
Earnings per share (Yen)		
Basic earnings per share	152.09	192.80
Diluted earnings per share	151.80	192.28

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

Yen in millions

	Six-month period ended September 30,2022	Six-month period ended September 30,2023
Profit for the period	6,751	8,403
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	(98)	758
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	10,168	7,352
Other comprehensive income for the period, net of tax	10,071	8,110
Total comprehensive income for the period	16,822	16,513
Total comprehensive income attributable to:		
Owners of the Company	14,889	15,222
Non-controlling interests	1,934	1,290
Total	16,822	16,513

(2) Condensed Quarterly Consolidated Statements of Financial Position

Yen in millions

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	33,076	40,821
Trade and other receivables	67,007	75,937
Inventories	101,805	108,336
Other financial assets	179	169
Other current assets	1,677	2,219
Subtotal	203,744	227,483
Assets held for sale	1,602	-
Total current assets	205,347	227,483
Non-current assets		
Property, plant and equipment	121,330	131,045
Intangible assets	27,096	27,783
Other financial assets	7,791	8,965
Other non-current assets	2,429	2,258
Deferred tax assets	173	193
Total non-current assets	158,818	170,244
Total assets	364,165	397,727

Yen in millions

	As of March 31, 2023	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	52,815	49,330
Borrowings	13,034	31,809
Income taxes payable	1,460	2,779
Refund liabilities	5,440	8,073
Provisions	190	160
Other financial liabilities	4,444	4,493
Other current liabilities	7,771	9,936
Total current liabilities	85,154	106,581
Non-current liabilities		
Borrowings	60,098	58,456
Provisions	101	101
Other financial liabilities	2,492	2,088
Other non-current liabilities	1,488	1,631
Deferred tax liabilities	2,092	2,415
Total non-current liabilities	66,272	64,692
Total liabilities	151,426	171,273
Equity		
Share capital	10,000	10,020
Capital surplus	37,714	37,734
Retained earnings	141,642	147,241
Treasury shares	(2)	(2)
Other component of equity	12,289	19,075
Equity attributable to owners of the Company	201,643	214,069
Non-controlling interests	11,095	12,385
Total equity	212,738	226,454
Total liabilities and equity	364,165	397,727

(3) Condensed Quarterly Consolidated statements of Changes in Equity

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

Six-month period ended September 30, 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, 2023	10,000	37,714	141,642	(2)	12,289	201,643	11,095	212,738
Profit for the period			8,444			8,444	(41)	8,403
Other comprehensive income					6,778	6,778	1,331	8,110
Total comprehensive income	-	-	8,444	-	6,778	15,222	1,290	16,513
Issuance of new shares	20	20			(41)	0		0
Dividends			(2,846)			(2,846)		(2,846)
Share based payment					48	48		48
Other			1			1		1
Total transactions with owners	20	20	(2,845)	-	7	(2,797)	-	(2,797)
Balance at September 30, 2023	10,020	37,734	147,241	(2)	19,075	214,069	12,385	226,454

(4) Condensed Quarterly Consolidated Statements of Cash Flows

Yen in millions

	Six-month period ended September 30,2022	Six-month period ended September 30,2023
Cash flows from operating activities		
Profit before tax	8,707	10,606
Depreciation and amortization	8,617	9,117
Impairment loss	487	317
Financial income	(123)	(230)
Financial expenses	205	292
Loss on sale and disposal of property, plant and equipment and intangible assets	167	142
Increase in trade and other receivables	(1,216)	(5,347)
Increase in inventories	(8,236)	(5,383)
Decrease in trade and other payables	(444)	(1,369)
Increase in refund liabilities	2,031	2,222
Decrease in provisions	(654)	(30)
Increase in other financial liabilities	275	115
Other	(1,674)	2,099
Subtotal	8,143	12,550
Interest received	0	118
Dividends received	104	98
Interest paid	(218)	(252)
Income taxes paid	(4,415)	(3,754)
Income taxes refund	1,239	1,417
Cash flows generated from operating activities	4,853	10,177
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,260)	(15,268)
Sale of property, plant and equipment	10	23
Acquisition of intangible assets	(3,830)	(3,622)
Other	21	1,851
Cash flows used in investing activities	(9,058)	(17,015)
Cash flows from financing activities		
Net proceeds from short-term borrowings	10,000	18,608
Proceeds from long-term borrowings	9,500	-
Repayments of long-term borrowings	(1,559)	(1,475)
Redemption of bonds	(10,000)	-
Payments of lease liabilities	(969)	(801)
Dividends paid	(2,846)	(2,846)
Others	(11)	(29)
Cash flows generated from financing activities	4,115	13,457
Effect of exchange rate change on cash and cash equivalents	1,400	1,126
Net increase in cash and cash equivalents	1,309	7,745
Cash and cash equivalents at beginning of the period	47,717	33,076
Cash and cash equivalents at end of the period	49,026	40,821

(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, 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	

Six-month period ended September 30, 2023

	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	87,395	19,395	106,789	-	106,789	
Intersegment revenue or transfers	279	-	279	(279)	-	
Total	87,673	19,395	107,068	(279)	106,789	
Segment (operating) profit (loss)	11,105	(210)	10,895	(214)	10,681	
Finance income					216	
Finance expenses					(292)	
Profit before tax					10,606	