

Financial Summary for the First Quarter of FY2023 (IFRS)

August 9, 2023

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: August 9, 2023

Scheduled Date of Dividends Payment commencement: N/A

Supplemental Materials for the financial results: Yes

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

(Amount are rounded to the nearest million yen)

1. Financial Highlights for the First Quarter of FY2023 (for the three-month period ended June 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	%
Three-month Period Ended June 30, 2023	52,989	9.9	4,603	(4.5)	4,613	(4.2)	3,515	(5.6)	3,518	(4.2)
Three-month Period Ended June 30, 2022	48,231	(4.5)	4,820	(43.2)	4,815	(42.9)	3,722	(41.7)	3,672	(41.8)

Note: Comprehensive Income: Three-month Period Ended June 30, 2023: 9,551 million <(5.4)%> Three-month Period Ended June 30, 2022: 10,099 million <63.5%>

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three-month Period Ended June 30, 2023	80.33	80.12
Three-month Period Ended June 30, 2022	83.86	83.74

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Million yen	Million yen	Million yen	%
As of June 30, 2023	389,404	219,443	207,399	53.3
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	—				

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

Additional Information

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

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

- (3) Number of shares issued and outstanding (common stock)
 - (i) Number of shares issued and outstanding (including treasury stock) at the end of each period:
 - June 30, 2023: 43,791,339 shares
 - March 31, 2023: 43,791,339 shares
 - (ii) Number of treasury stock at the end of each period:
 - June 30, 2023: 336 shares
 - March 31, 2023: 336 shares
 - (iii) Average number of shares issued and outstanding in each period:
 - Three-month period ended June 30, 2023: 43,791,003 shares,
 - Three-month period ended June 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 first quarter earnings conference for institutional investors and analysts is scheduled on August 9, 2023. Presentation and related materials of the conference will be promptly posted on our website.

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1. Financial Highlights for the Three-month Period Ended June 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 three-month period ended June 30, 2023, revenue increased to JPY 52,989 million (by 9.9%), operating profit decreased to JPY 4,603 million (by 4.5%), profit before tax decreased to JPY 4,613 million (by 4.2%), and profit attributable to owners of the Company decreased to JPY 3,518 million (by 4.2%) compared to the three-month period ended June 30, 2022.

(Millions of yen, except percentages)

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023	Change	Change (%)
Revenue	48,231	52,989	4,758	9.9
Operating profit	4,820	4,603	(217)	(4.5)
Profit before tax	4,815	4,613	(202)	(4.2)
Profit attributable to owners of the Company	3,672	3,518	(154)	(4.2)

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, 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, which 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. The discussion results were compiled into a report in June 2023, and based on this report, further discussions on countermeasures in each field will be held by each relevant deliberating body.

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 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 Ajsai Net, a regional medical collaboration network in Nagasaki Prefecture. Leveraging this app, we will take the lead in drastic reforms in business models and processes 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.

As a result, the segment reported net sales of JPY 43,153 million (an increase of 11.5% year on year) and a profit of JPY 4,629 million (an increase of 1.3% 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.

USL launched Fluphenazine Hydrochloride Tablets, which is used for the treatment of chronic psychoses, and Brimonidine Tartrate and Timolol Maleate Ophthalmic Solution, which is used to treat high pressure inside the eye due to glaucoma or other eye diseases such as ocular hypertension, in April 2023, and Dicyclomine Hydrochloride Capsules, which is used to treat irritable bowel syndrome, in May 2023. Moreover, USL concluded an agreement to transfer 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 9,836 million (an increase of 3.2% year on year) and a loss of JPY 25 million (segment profit of JPY 250 million in the same period of the previous year).

(2) Financial Position

Assets

As of June 30, 2023, current assets amounted to JPY 217,980 million, an increase of JPY 12,633 million from March 31, 2023. The increase was mainly due to an increase of JPY 7,932 million in cash and cash equivalents as a result of borrowing, an increase of JPY 3,422 million in trade and other receivables as a result of the growth of sales and an increase of JPY 2,987 million in inventories achieved by production efforts to strengthen the ability for stable product supply in the Japan segment. Non-current assets as of June 30, 2023 amounted to JPY 171,424 million, an increase of JPY 12,607 million from March 31, 2023. The increase was primarily due to an increase of JPY 10,647 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 June 30, 2023 were JPY 389,404 million, an increase of JPY 25,240 million compared to the balance as of March 31, 2023.

Liabilities

As of June 30, 2023, current liabilities amounted to JPY 104,245 million, an increase of JPY 19,091 million from March 31, 2023. The increase was mainly due to an increase of JPY 21,730 million in (short term) borrowings based on the Japan Business segment's financing plan, despite a decrease of JPY 5,186 million in trade and other payables due to payments. Non-current liabilities as of June 30, 2023 was JPY 65,716 million, a decrease of JPY 555 million from March 31, 2023, primarily due to a decrease of JPY 779 million in borrowings as a result of repayment of long term borrowings. Total liabilities as of June 30, 2023 were JPY 169,961 million, an increase of JPY 18,535 million compared to the balance as of March 31, 2023.

Equity

Total equity as of June 30, 2023 was JPY 219,443 million, an increase of JPY 6,705 million compared to the balance as of March 31, 2023, primarily due to the net profit for the three-month period ended June 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 June 30, 2023 became 53.3% (down from 55.4% as of March 31, 2023).

(3) Cash Flow

Cash and cash equivalents as of June 30, 2023 increased by JPY 7,932 million to JPY 41,008 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 2,563 million for the current period (increase of JPY 1,420 million compared to the same period of the previous year) which mainly consists of profit before tax (JPY 4,613 million), depreciation and amortization (JPY 4,541 million), increase in inventories (JPY 2,163 million) and decrease in trade and other payables (JPY 3,800 million).

Cash flows used in investing activities was JPY 13,183 million for the current period (increase of JPY 8,977 million compared to the same period of the previous year) which mainly consists of acquisition of property, plant and equipment (JPY 13,241 million).

Cash flows generated from financing activities was JPY 17,670 million for the current period (increase of JPY 12,291 million compared to the same period of the previous year) which mainly consists of net proceeds from short-term borrowings (JPY 21,730 million) and payments of dividend (JPY 2,846 million).

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

(Condensed Quarterly Consolidated Statements of Income)

Yen in millions (except per share data)

	Three-month period ended June 30,2022	Three-month period ended June 30,2023
Revenue	48,231	52,989
Cost of sales	(32,853)	(36,831)
Gross profit	15,378	16,158
Selling, general and administrative expenses	(7,326)	(8,726)
Research and development expenses	(3,197)	(2,795)
Other income	124	87
Other expenses	(159)	(120)
Operating profit	4,820	4,603
Finance income	101	149
Finance expenses	(105)	(139)
Profit before tax	4,815	4,613
Income tax expenses	(1,093)	(1,098)
Profit for the period	3,722	3,515
Profit attributable to:		
Owners of the Company	3,672	3,518
Non-controlling interests	49	(3)
Total	3,722	3,515
Earnings per share (Yen)		
Basic earnings per share	83.86	80.33
Diluted earnings per share	83.74	80.12

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

Yen in millions

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Profit for the period	3,722	3,515
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	(93)	789
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	6,470	5,247
Other comprehensive income for the period, net of tax	6,377	6,036
Total comprehensive income for the period	10,099	9,551
Total comprehensive income attributable to:		
Owners of the Company	8,877	8,602
Non-controlling interests	1,222	949
Total	10,099	9,551

(2) Condensed Quarterly Consolidated Statements of Financial Position

Yen in millions

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	33,076	41,008
Trade and other receivables	67,007	70,429
Inventories	101,805	104,792
Other financial assets	179	178
Other current assets	1,677	1,572
Subtotal	203,744	217,980
Assets held for sale	1,602	-
Total current assets	205,347	217,980
Non-current assets		
Property, plant and equipment	121,330	131,977
Intangible assets	27,096	27,653
Other financial assets	7,791	8,983
Other non-current assets	2,429	2,696
Deferred tax assets	173	116
Total non-current assets	158,818	171,424
Total assets	364,165	389,404

Yen in millions

	As of March 31, 2023	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	52,815	47,629
Borrowings	13,034	34,764
Income taxes payable	1,460	1,394
Refund liabilities	5,440	7,325
Provisions	190	190
Other financial liabilities	4,444	4,500
Other current liabilities	7,771	8,443
Total current liabilities	85,154	104,245
Non-current liabilities		
Borrowings	60,098	59,319
Provisions	101	101
Other financial liabilities	2,492	2,299
Other non-current liabilities	1,488	1,633
Deferred tax liabilities	2,092	2,364
Total non-current liabilities	66,272	65,716
Total liabilities	151,426	169,961
Equity		
Share capital	10,000	10,000
Capital surplus	37,714	37,714
Retained earnings	141,642	142,313
Treasury shares	(2)	(2)
Other component of equity	12,289	17,373
Equity attributable to owners of the Company	201,643	207,399
Non-controlling interests	11,095	12,044
Total equity	212,738	219,443
Total liabilities and equity	364,165	389,404

(3) Condensed Quarterly Consolidated statements of Changes in Equity

Three-month period ended June 30, 2022

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

Three-month period ended June 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			3,518			3,518	(3)	3,515
Other comprehensive income					5,084	5,084	952	6,036
Total comprehensive income	-	-	3,518	-	5,084	8,602	949	9,551
Dividends			(2,846)			(2,846)		(2,846)
Total transactions with owners	-	-	(2,846)	-	-	(2,846)	-	(2,846)
Balance at June 30, 2023	10,000	37,714	142,313	(2)	17,373	207,399	12,044	219,443

(4) Condensed Quarterly Consolidated Statements of Cash Flows

Yen in millions

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Cash flows from operating activities		
Profit before tax	4,815	4,613
Depreciation and amortization	4,234	4,541
Impairment loss	222	-
Financial income	(113)	(158)
Financial expenses	97	137
Loss on sale and disposal of property, plant and equipment and intangible assets	40	198
Increase in trade and other receivables	(2,569)	(1,857)
Increase in inventories	(4,557)	(2,163)
Increase (decrease) in trade and other payables	824	(3,800)
Increase in refund liabilities	2,080	1,588
Decrease in provisions	(78)	-
Increase in other financial liabilities	54	70
Other	(2,079)	447
Subtotal	2,970	3,617
Interest received	-	53
Dividends received	101	95
Interest paid	(142)	(128)
Income taxes paid	(2,984)	(1,075)
Income taxes refund	1,199	-
Cash flows generated from operating activities	1,143	2,563
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,457)	(13,241)
Sale of property, plant and equipment	1	6
Acquisition of intangible assets	(1,729)	(1,593)
Other	(20)	1,646
Cash flows used in investing activities	(4,205)	(13,183)
Cash flows from financing activities		
Net proceeds from short-term borrowings	10,000	21,730
Proceeds from long-term borrowings	9,500	-
Repayments of long-term borrowings	(779)	(779)
Redemption of bonds	(10,000)	-
Payments of lease liabilities	(484)	(406)
Dividends paid	(2,846)	(2,846)
Others	(11)	(29)
Cash flows generated from financing activities	5,379	17,670
Effect of exchange rate change on cash and cash equivalents	863	882
Net increase in cash and cash equivalents	3,179	7,932
Cash and cash equivalents at beginning of the period	47,717	33,076
Cash and cash equivalents at end of the period	50,896	41,008

(5) Selected Notes to Condensed Quarterly Consolidated Financial Statements

(Significant Uncertainty Regarding Going Concern Assumption)

Not applicable

(Segment Information)

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

Three-month period ended June 30, 2022

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

Three-month period ended June 30, 2023

	Yen in millions				
	Operating segment			Adjustments and elimination	Amount recorded in the condensed quarterly consolidated statements of income
	Japan Business	U.S. Business	Total		
Segment revenue					
Revenue from external customers	43,153	9,836	52,989	-	52,989
Intersegment revenue or transfers	-	-	-	-	-
Total	43,153	9,836	52,989	-	52,989
Segment (operating) profit (loss)	4,629	(25)	4,603	-	4,603
Finance income					149
Finance expenses					(139)
Profit before tax					4,613