

CFO Message



Executive Officer
Yoshiki Sakurai

Fiscal 2019 Financial Highlights

In Japan, while our fiscal 2019 performance was impacted by drug price revisions in line with the consumption tax hike, we made efforts to sell high added-value products in the pharmacy market such as “Minodronic Acid Tablets”, which won a “WorldStar Award” for its packaging.

In addition, while maintaining and improving the quality of our products, we took proactive steps to purchase multiple raw materials and other resources while reducing a variety of other costs to enhance our cost competitiveness. In the United States, we worked with Upsher-Smith to expand our pipeline amid a difficult environment characterized by price declines and intensifying competition.

As a result, although sales revenue was down slightly compared to the previous year, we maintained operating income increases.

Years Ended March 31

IFRS	Millions of yen				Japanese-GAAP
	2020	2019	2018	2017	
Sales revenues	¥182,537	¥184,341	¥ 168,068	¥ 132,392	Net sales
Cost of sales	109,037	109,442	98,628	80,548	Cost of sales
Gross profit	73,500	74,899	69,440	51,844	Gross profit
Selling, general and administrative expenses (including research and development (R&D) expenses)	46,862	49,051	47,264	28,497	Selling, general and administrative expenses
Operating income	26,793	25,798	22,209	22,943	Operating income
Profit before tax	26,497	25,666	20,251	22,757	Profit before income taxes
Profit attributable to owners of the parent	19,279	19,376	14,017	17,969	Profit attributable to owners of parent
Total assets	384,814	372,889	358,453	225,609	Total assets
Inventories	75,460	63,449	65,217	61,924	Inventories
Total current liabilities	80,124	70,350	72,275	55,490	Total current liabilities
Total non-current liabilities	71,004	79,334	83,737	28,882	Total long-term liabilities
Total equity	233,686	223,204	202,441	141,237	Net assets
Cash flows from operating activities	30,256	42,923	28,472	23,270	Net cash provided by operating activities
Cash flows used in investing activities	(18,173)	(16,820)	(127,900)	(18,827)	Net cash used in investing activities
Cash flows from (used in) financing activities	(12,747)	(9,513)	108,597	(6,761)	Net cash provided by (used in) financing activities
Cash and cash equivalents at the end of the year	56,082	57,067	39,992	30,771	Cash and cash equivalents at end of year
R&D expenses	13,487	16,671	14,533	7,238	Research and development (R&D) expenses
Capital expenditures	18,173	10,709	16,807	18,839	Capital expenditures
Depreciation and amortization	17,954	16,280	14,239	8,520	Depreciation and amortization
		%			
Ratio of R&D expenses to sales revenues	7.4	9.0	8.6	5.5	Ratio of R&D expenses to sales
Return on equity	9.4	10.2	8.7	13.4	Return on equity
Ratio of equity attributable to owners of the parent to total assets	54.6	53.4	50.6	62.6	Shareholders' equity to total assets
		Yen			
Amounts per share :					Amounts per common share:
Basic earnings per share	¥ 440.37	¥ 442.62	¥ 360.49	¥ 487.38	Net income—basic
Diluted earnings per share	440.00	442.32	360.26	487.08	Net income—diluted
Dividends per share	130.00	135.00	130.00	130.00	Cash dividends applicable to period
Equity attributable to owners of the parent per share	4,796.40	4,551.50	4,143.15	3,830.84	Net assets

Notes: 1. Capital expenditures are presented on a cash flow basis.

2. The Company split its common stock two for one on October 1, 2013. Amounts per common share for years prior to 2014 were recalculated to reflect the share split.

3. The Company has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2018. In applying IFRS, “Core Operating Income” has been introduced as an ordinary profitability index.

4. Dividend per share in 2019 included our 90th anniversary commemorative dividend of 5 yen.

Financial Soundness

Sawai expects restructuring in the industry driven by a fundamental reform of the drug pricing system and a worsening operating environment due to annual drug price revisions. We will strive to maintain and secure a solid financial foundation to flexibly and quickly respond to the upcoming industry restructuring and achieve sustainable growth on a global basis, including at Upsher-Smith.

In response to the COVID-19 pandemic, we made efforts to improve free cash flow and ensure a certain level of inventory to maintain a stable pharmaceutical supply structure, which is essential for preserving human health and life.

Shareholder Returns

We strive for balance with our growth-oriented investments, while conducting a comprehensive assessment that takes into account factors such as the consolidated financial results in each period, the dividend payout ratio, and other shareholder return measures. Our goal is to achieve a stable and ongoing dividend payment with a payout ratio of approximately 30%. In fiscal 2019, we paid an annual dividend of ¥130 per share (a total return to shareholders of ¥5.7 billion).

Millions of yen							
2017	2016	2015	2014	2013	2012	2011	2010
¥132,428	¥123,492	¥105,454	¥ 89,824	¥ 80,503	¥ 67,603	¥ 63,853	¥ 50,070
80,309	71,858	60,048	48,353	42,511	34,411	33,736	26,275
52,119	51,634	45,406	41,471	37,992	33,192	30,117	23,795
31,486	28,449	24,718	22,380	20,607	18,188	16,531	15,276
20,633	23,185	20,688	19,091	17,385	15,004	13,586	8,519
19,871	23,092	20,298	18,990	18,098	14,928	12,289	8,372
15,914	17,156	14,053	12,193	12,022	9,026	7,183	4,982
221,539	206,492	166,180	149,348	127,843	123,400	117,056	81,236
61,777	55,668	44,663	39,182	29,529	25,780	21,218	18,081
54,876	50,078	42,209	39,097	30,105	26,932	25,811	25,441
29,063	30,692	11,572	8,949	36,258	37,893	40,382	9,537
137,600	125,722	112,399	101,302	61,480	58,575	50,863	46,258
20,628	19,975	12,112	13,422	12,256	7,814	5,937	7,907
(16,206)	(22,937)	(14,123)	(8,283)	(1,373)	(2,371)	(20,362)	(5,329)
(6,740)	13,473	(922)	(178)	(10,970)	(4,578)	24,756	348
30,771	33,096	22,604	25,537	20,584	20,671	19,805	9,474
10,208	8,019	6,110	5,170	4,551	4,317	3,902	3,593
16,194	17,775	13,251	7,353	4,599	4,599	2,805	5,370
8,645	7,044	5,863	4,989	3,793	3,389	3,066	3,025
%							
7.7	6.5	5.8	5.8	5.7	6.4	6.1	7.2
12.1	14.4	13.2	15.0	20.1	16.5	15.1	11.8
62.0	60.8	67.6	67.8	48.0	47.4	43.4	54.5
Yen							
¥ 431.65	¥ 465.57	¥ 382.26	¥ 365.18	¥ 386.71	¥ 285.25	¥ 228.04	¥ 158.66
431.39	465.25	381.85	330.41	318.17	235.07	203.67	158.43
130.00	120.00	105.00	95.00	85.00	70.00	55.00	35.00
3,722.90	3,405.20	3,053.29	2,755.29	2,027.15	1,846.84	1,605.16	1,408.83