

Message from CFO



Promoting financial strategies conducive to sustainable growth on a global basis while maintaining financial soundness in preparation for industry restructuring

Director and Senior Executive Officer **Kazuhiko Sueyoshi**

■ Fiscal 2018 Financial Highlights

Operating results for fiscal 2018 reflect our efforts to sell new products that have no competition such as Oseltamivir mainly in the pharmacy market, as well as sales of value-added products despite the impact of drastic drug price revisions in Japan. We also attempted to maintain and improve product quality while proactively lowering costs through various initiatives including efficient production, multiple purchases of raw materials and strengthening cost competitiveness. In the United States, despite a challenging environment in which prices were falling and competition was intensifying, we promoted collaborations with Upsher-Smith involving R&D and intellectual property strategies in an effort to expand our pipeline.

As a result, sales revenues rose 9.7% year-on-year to ¥184,341 million and profit attributable to owners of the parent increased 38.2% year-on-year to ¥19,376 million.

Consolidated Results

Millions of yen

	FY2017	FY2018	Increase/decrease	Growth rate
Net sales	168,068	184,341	+16,273	+9.7
Core operating income	31,118	37,738	+6,620	+21.3
Operating income	22,209	25,798	+3,588	+16.2
Profit before tax	20,251	25,666	+5,415	+26.7
Profit attributable to owners of the parent	14,017	19,376	+5,359	+38.2

■ 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 shareholder return measures. Our goal is to achieve a stable and ongoing dividend payment with a payout ratio of approximately 30%. In fiscal 2018, we paid an annual dividend of ¥135 per share, including a dividend of ¥5 for Sawai's 90th anniversary (a total return to shareholders of ¥5.9 billion).

■ Financial Soundness

Sawai expects restructuring and shakeups in the industry going forward, 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 respond to the upcoming industry restructuring and achieve sustainable growth on a global basis, including Upsher-Smith.

Although ensuring stable supplies is our mission, holding excess inventories poses a high risk during a time when drug price revisions occur every year. Efforts to reduce inventories have resulted in higher efficiencies in production divisions and substantially improved free cash flows.

Cash Flows

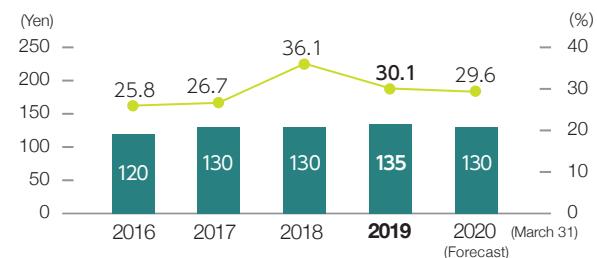
Millions of yen

	FY2014	FY2015	FY2016	FY2017	FY2018
Cash Flows generated from Operating Activities	12,112	19,975	23,270	28,472	42,923
Cash Flows used in Investing Activities	(14,123)	(22,937)	(18,827)	(127,900)	(16,820)
Free Cash Flows	(2,011)	(2,962)	4,443	(99,428)	26,103
Cash Flows generated from (used in) Financing Activities	(921)	13,473	(6,761)	108,597	(9,513)
Cash and cash equivalents at the end of the year	22,603	33,096	30,771	39,992	57,067

*The Company has adopted International Financial Reporting Standards from FY2017.

Cash Dividends per Share and Payout Ratio

■ Cash dividends per share ■ Payout ratio (right)



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* The fiscal year ended March 2019 includes a 90th anniversary commemorative dividend of ¥5 per share.