

Operating results for the fiscal year

For fiscal 2022, the overall Group was able to record revenue of ¥200.0 billion for the first time. Despite returning to profitability, core operating profit fell year on year for various reasons, including upfront costs to expand production capacity for the Japan business.

For the Japan business, revenue was basically unchanged from the previous fiscal year because of new products' contributions to revenue and a recovery trend in existing products following the removal of limits on shipments since the second half, but core operating profit for the business declined year on year. This was primarily because of drug price revisions in April, upfront costs related to Trust Pharmatech, which was made a consolidated subsidiary in 2022, and higher energy prices. For the U.S. business, revenue rose on account of firm sales of brand products and the weak yen. It was also possible to record operating profit due to cuts in expenses.

As for upfront costs, a reason for the decline in profit, a merit for investing in Trust Pharmatech and the Kyushu Factory, the decision for which was quickly made before the rise in the prices of goods in order to reinforce our capacity to provide a stable supply, is that it will definitely be possible to recover the investment if the environment surrounding the generic industry (including drug price system) changes. We will determine which products will ensure sustainable business and be sure to include those in the next Medium-Term Business Plan.

Cash flows

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

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

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

Financial policy

Our basic policy is to maintain the optimal capital structure that ensures financial soundness and flexibility while improving capital efficiency in order to continue to enhance corporate value and increase shareholders' return through that. As for fund demand related to R&D and capital investments, we will implement our basic policy by continuing to secure cash flows from operating activities and implementing flexible financial measures to match changes in the market environment.

This fiscal year, cash flows from operating activities totaled ¥13,026 million, and some of those funds were used to repay part of the loans taken out when acquiring Upsher-Smith. As indicated in the Medium-Term Business Plan, we also plan on actively and effectively making investments for growth, which includes about ¥75.0 billion for R&D investments/acquisitions (e.g., products), about ¥70.0 billion for capital investments, and ¥30.0 billion for new businesses (max. amount). As for capital investments, we expect to construct a new solid dosage form facility at Sawai Pharmaceutical's Daini Kyushu Factory (total amount for step 1, ¥35.0 billion) in order to expand production capacity to meet greater future demand.

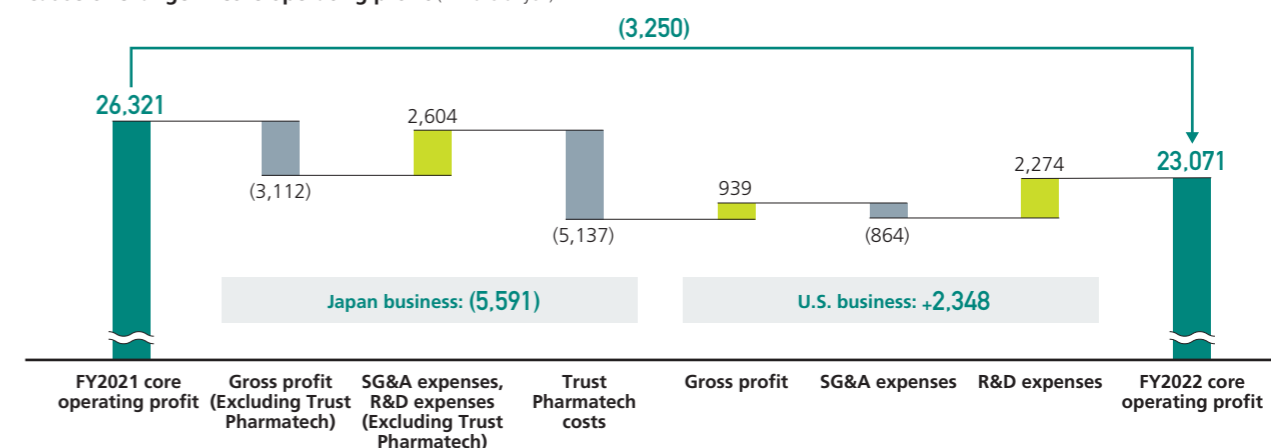
Dividend Policy

We have positioned shareholder return as one important management issue. Our policy on allocation of profit is that we not only balance the active securing of investments for future growth and shareholder return, but also basically pay a stable, sustainable dividend with a target payout ratio of 30% taking into comprehensive consideration such factors as annual consolidated business performance, payout ratio, and other shareholder returns.

As for internal reserves, we allocate those to investments for new growth, such as R&D and capital investments that contribute to future enhancement of corporate value. The basic policy is to pay a dividend from retained earnings twice a year, an interim dividend and year-end dividend. The Board of Directors is the decision making body for the interim dividend, and the General Meeting of Shareholders is that for the year-end dividend.

The dividend for this fiscal year was an interim dividend of ¥65 per share and a year-end dividend of ¥65 per share.

Cause of change in core operating profit (Millions of yen)



Note: Results by segment in Japan and the U.S. are not consistent with the overall figures, as each segment profit includes inter-segment transactions.

FY2022 Business Performance and FY2023 Forecasts

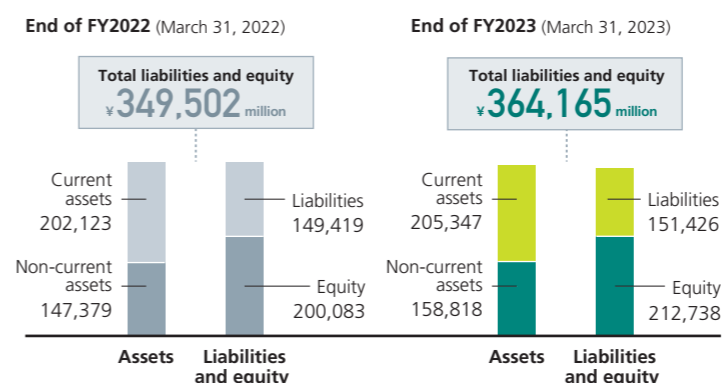
(Millions of yen)

	FY2021		FY2022		FY2023 (forecast)	
	Japan	US	Japan	US	Japan	US*
Revenue	193,816	163,841	200,344	163,702	217,200	180,500
Core operating profit	26,321	27,016	23,071	21,425	19,900	16,300
Core operating profit (Excluding Trust Pharmatech)	-	-	28,208	26,562	25,300	21,700
Operating profit	(35,888)	32,361	16,984	16,054	15,100	13,500
Operating profit (Excluding Trust Pharmatech)	-	-	21,828	20,898	20,500	18,900
Profit before tax	(36,214)	-	16,789	-	14,800	-
Profit attributable to owners of the Company	(28,269)	-	12,667	-	11,300	-

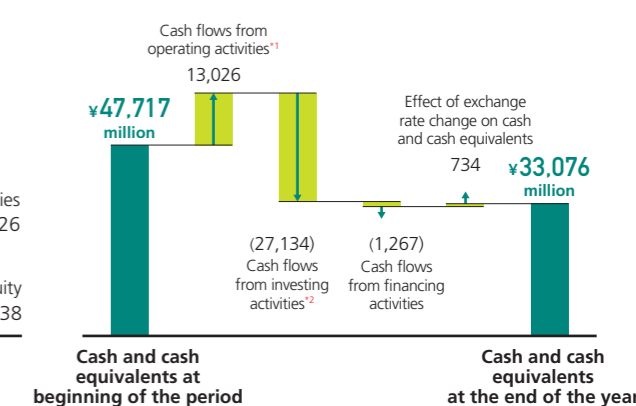
Note: Results by segment in Japan and the U.S. are not consistent with the overall figures, as each segment profit includes inter-segment transactions.

* Translated at \$1=¥135

Consolidated statements of financial position (Millions of yen)



Consolidated statements of cash flows (Millions of yen)



¹ Impact of increase in inventories, previous fiscal year impairment loss, etc.
² Impact of construction at Daini Kyushu Factory