



Always Putting Patients First

sawai

Sawai Pharmaceutical Co., Ltd.
Integrated Report 2018
For the Year Ended March 31, 2018



I Corporate Philosophy

Always Putting Patients First

- 1 It is **sawai**'s mission to enable people to live healthy lives through pharmaceutical products imbued with our whole-hearted dedication.
- 2 It is **sawai**'s challenge to grow in tandem with society through innovation and cooperation, while pursuing creativity.
- 3 It is **sawai**'s hope that we will become an indispensable part of society through our desire to be of service.

Editorial Policy

In addition to the presentation of its financial and business information, Sawai has added environment-related and other non-financial information to produce an integrated report, based on the international integrated reporting framework of the International Integrated Reporting Council (IIRC).

This report presents information related to Sawai and its consolidated subsidiaries for FY2017 (April 1, 2017 to March 31, 2018).

* Some information is presented that does not fall within this period.

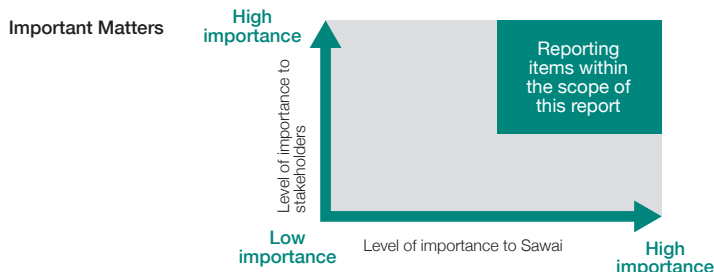
Approach to Integrated Reporting

This report was prepared with the support of the Company's CSR Committee, which includes the director in charge of CSR, and its Secretariat. It presents relevant information that may materially affect the ability of the Company to create value in the short, medium, and long terms.

Definition of Materiality

This report contains information regarding the Company's strategy and performance, its future outlook as well as its creation of corporate value in the short, medium, and long terms. In addition, this report includes information on matters related to finance, economic, social, environmental, governance, and other matters.

Such information contained in this report has been included based on judgments regarding materiality from the points of view of assessments of quantity, quality, risk, and opportunities as well as inputs from dialogue with stakeholders. Information deemed to be of particularly high importance has been included.





All of Sawai's activities are based on its Corporate Philosophy of "Always Putting Patients First."

By providing stable supplies of conscientiously prepared, high-quality, high-value-added generic pharmaceuticals to as many patients as possible, we are fulfilling our social responsibilities.

We believe that doing this will contribute to the advancement of people, society, and medical care.

A Caution Concerning Forward-Looking Statements

This report contains forward-looking statements regarding the Company's plans, outlook, strategies, and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication.

Accordingly, please be aware that the impact of certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report.

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Stable supply capability

With our industry-leading production system, we are able to maintain a stable supply of high-quality pharmaceutical products.

Production capacity

Approximately

15.5

billion tablets per year

Number of product lines
Approximately

720

individual selling items

Sawai

Corporate “Always Putting

Number of personnel handling product inquiries
(368,000 inquiries per year)

19

personnel

Number of Medical Representatives (MRs)

479

personnel

Provision of information

We provide information about our products in a timely manner through three main information channels.

*All data presented here is based on the actual performance of the Sawai Pharmaceutical Group (Japan) in FY2017.

Formulation technology

We are constantly refining our designs to make our pharmaceutical products even easier for patients to take.

R&D expenditures

Approximately

8.8

billion yen

*Calculated on an IFRS basis



Number of patents held

26

patents



Philosophy Patients First"

Contribution toward reducing healthcare expenditures

Approximately

274.6

billion yen

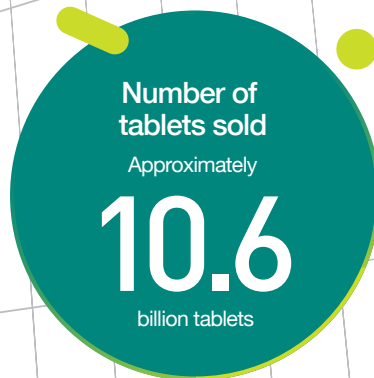


Number of tablets sold

Approximately

10.6

billion tablets



Waste recycling rate

46%



Social contribution

We make a positive contribution to society by providing high-quality generic drugs at reasonable prices.

Continuing to grow together with society as a leading manufacturer of generic drugs

When generic drugs were virtually unknown, Sawai began persistently raising awareness. The Company also anticipated the burgeoning demand for generic pharmaceuticals, arising from promotional policies on the part of government, and successfully made prior investments in production facilities and personnel. These two factors have allowed Sawai to achieve rapid growth in generics in recent years. Moving forward, we will continue to help reduce the burdens placed on patients, improve convenience, and continue to contribute to healthcare financing by staying the course in the years to come.

Important Events in Society

1961
Universal health insurance coverage was implemented in Japan.

2002
Introduction of incentives for doctors/pharmacists

2008
Introduction of premiums for generic dispensing systems (addition to basic dispensing fee)

2007
Government identified the generic drugs' (volume basis) share*1 target of 30% or more by March 2013

Sawai Pharmacy, the forerunner of Sawai Pharmaceutical Co., Ltd. was established as a drugstore in 1929. Subsequently, in the years before and after the Second World War when pharmaceutical products were in short supply, Sawai transformed itself into a manufacturer of over-the-counter pharmaceutical products in order to meet society's needs.

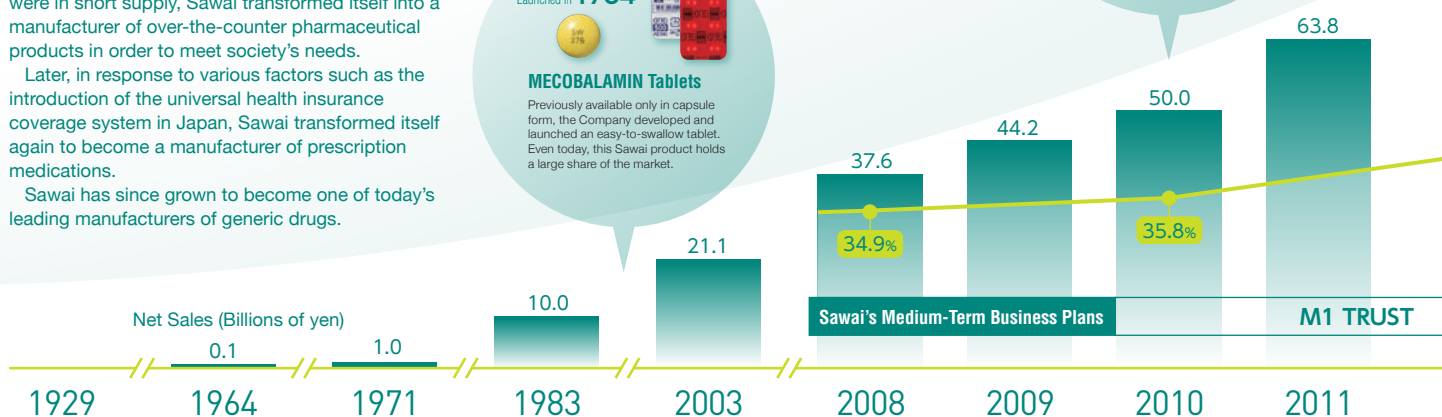
Later, in response to various factors such as the introduction of the universal health insurance coverage system in Japan, Sawai transformed itself again to become a manufacturer of prescription medications.

Sawai has since grown to become one of today's leading manufacturers of generic drugs.

Launched in 1984
MECOBALAMIN Tablets
Previously available only in capsule form, the Company developed and launched an easy-to-swallow tablet. Even today, this Sawai product holds a large share of the market.

Launched in 2009
TAMSULOSIN OD Tablets
The Company was first to market after fully utilizing its highly advanced technologies to secure a sustained-release formulation while also avoiding infringing on any existing patents.

Launched in 2009
LANSOPRAZOLE OD Tablets
This is one of Sawai's main product lines. It is a patented preparation featuring high stability, high tablet strength, and pleasant taste making it easy to take. The product is also available in bottles, making it more convenient for healthcare professionals to handle.



Sawai's History

1929

Sawai Pharmacy, the forerunner of Sawai Pharmaceutical Co., Ltd., was founded in Asahi -ku, Osaka City.



The company's head office and factory. "Yoron P," one of Sawai's main products at the time, was a natural active vitamin preparation patented for pharmaceutical formulation technology.

1981

Modern Kyushu Factory, which at that time surpassed those of original drug manufacturers, completed

1965

Sawai transformed itself from a manufacturer of over-the-counter medications into a manufacturer of prescription medications.

1948

Sawai Pharmaceutical Co., Ltd. incorporated in Asahi-ku, Osaka

2003

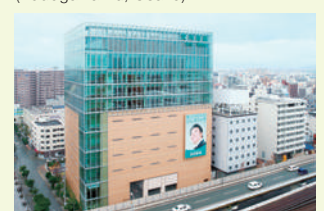
Listed on the First Section of the TSE



Ceremony for listing on the First Section of the TSE

2006

New premises completed, Head Office and Research Laboratories combined and relocated to current premises (Yodogawa-ku, Osaka)



Head Office and Research Laboratories

A world-leading generic drug manufacturer

Sawai's Value Creation

Sustainability

Financial Section/Data

2015

Government identified the generic drugs' (volume basis) share*² target of 70% or more by mid-2017 and set the target of 80% or more as quickly as possible during the period up to the end of FY2020

*1 Former numerical indicator share =
Generics/all pharmaceutical products

*2 New numerical indicator share =
Generics/(Originator drugs for which
generic drugs exist + Generics)

2013

Government identified the generic drugs' (volume basis) share*² target of 60% or more by the end of March 2018

2011

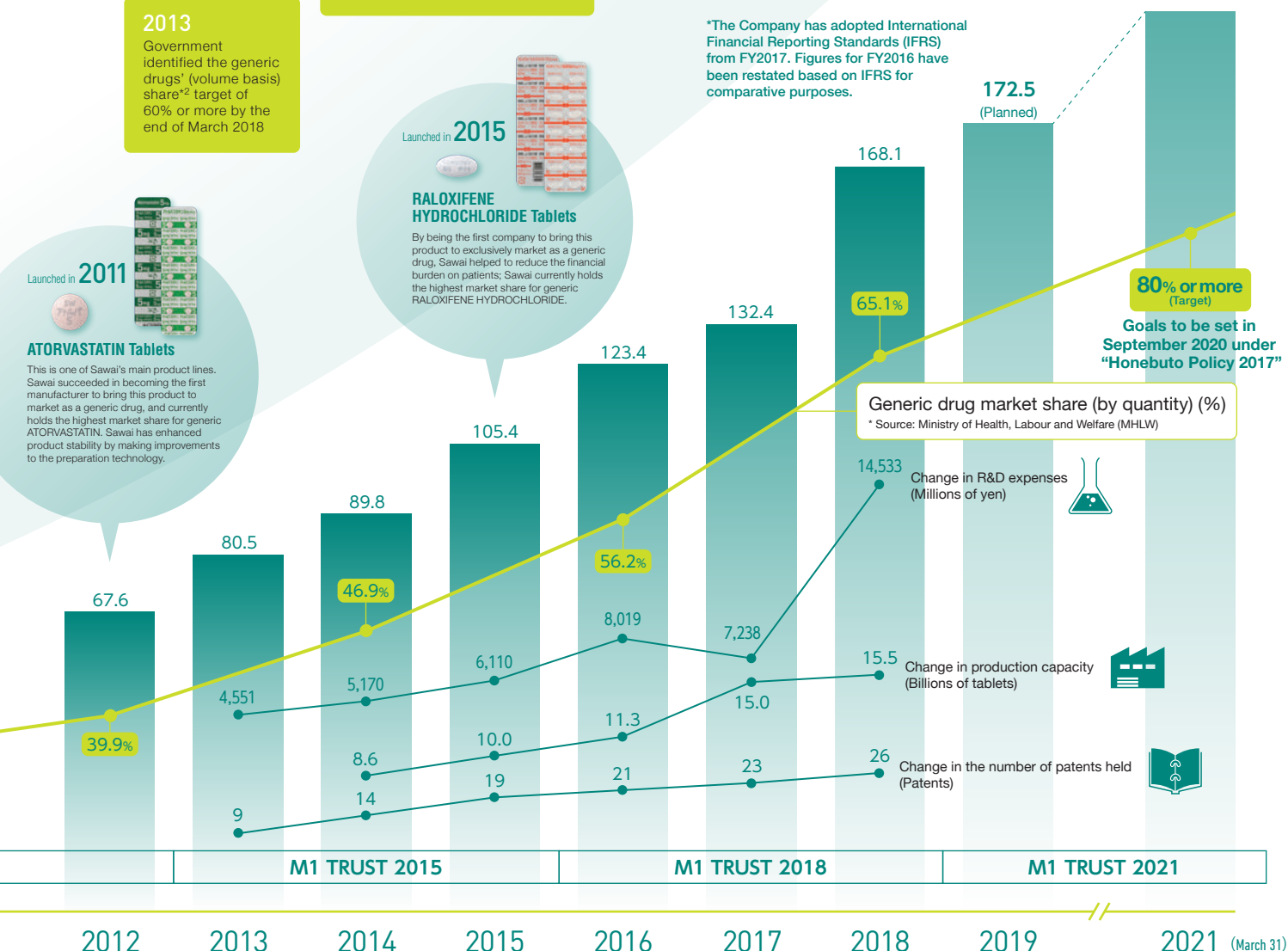
ATORVASTATIN Tablets
This is one of Sawai's main product lines. Sawai succeeded in becoming the first manufacturer to bring this product to market as a generic drug, and currently holds the highest market share for generic ATORVASTATIN. Sawai has enhanced product stability by making improvements to the preparation technology.

2015

Launched in 2015 RALOXIFENE HYDROCHLORIDE Tablets

By being the first company to bring this product to exclusively market as a generic drug, Sawai helped to reduce the financial burden on patients; Sawai currently holds the highest market share for generic RALOXIFENE HYDROCHLORIDE.

*The Company has adopted International Financial Reporting Standards (IFRS) from FY2017. Figures for FY2016 have been restated based on IFRS for comparative purposes.



2012

2013

2014

2015

2016

2017

2018

2019

2021 (March 31)

2007

Sawai established a new Corporate Philosophy and Code of Conduct.

2013

New pharmaceutical plant at the Kanto Factory completed



Pharmaceutical plant at the Kanto Factory

2015

The Pharmaceutical Development Center was completed, and the functions of the former Pharmaceutical Technology Center were consolidated into the new Center

2014

Sawai's antiplatelet product "CILOSTAZOL OD Tablets 'Sawai'" received the Asahi Chemical Formulation Development Award from the Pharmaceutical Society of Japan

2016

Sanda Nishi Factory completed



Sanda Nishi Factory

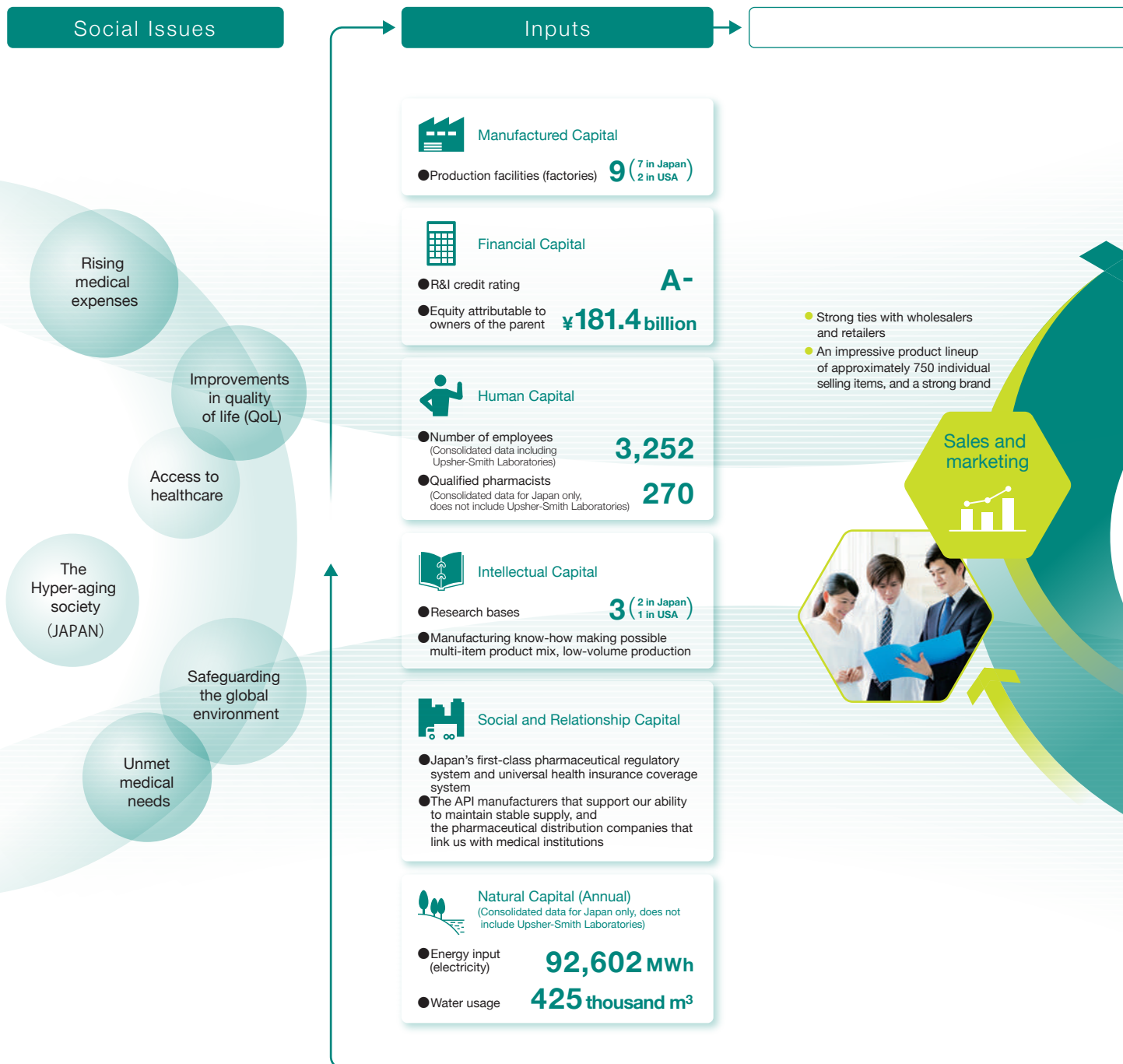
2017

Acquired Upsher-Smith Laboratories, LLC and entered the U.S. market in earnest



From left: Mitsuo Sawai, President, Sawai Pharmaceutical Co., Ltd., and Rusty Field, President & CEO, Upsher-Smith Laboratories, LLC

Aiming to make a positive contribution toward the development of a sustainable society by helping patients realize improved, more satisfactory quality of life, while also reducing health



ment of a health and a care expenditure

The first to concurrently develop, launch, and consistently supply high-quality, high-value-added generic drugs, Sawai provides conscientiously created products to patients through medical institutions. Our business model centers on efforts to achieve a sustainable growth cycle—in realizing our Corporate Philosophy, we will increase our corporate value—by helping patients realize healthy lives and by contributing to society by reducing medical expenses.



Transforming into a World-Leading Generic Drug Company

President, Representative Director

M. Sawai



As Sawai closes out a challenging FY2017, I remain confident that this year also represents a pivotal point in the Company's history. With the acquisition of Upsher-Smith Laboratories in the United States, Sawai officially began its transformation into a global enterprise – despite the challenges we faced.

The environment for FY2017 proved difficult. Sawai's financial performance fell short of its initial plan. Despite a strong performance by Upsher-Smith, market challenges in Japan resulted in operating income falling slightly below forecast on an overall basis.

The biggest factor contributing to the shortfall was the slowdown in sales revenue in the Japanese market, largely due to loss of market share to Authorized Generics (AGs) as well as to a highly competitive pricing environment. The Company's greatest strength as a generics manufacturer is its ability to offer stable supply and high quality, along with strong R&D capabilities. We believed that this added value would allow us to differentiate ourselves from AGs, generic drugs sold with the permission of the original manufacturer after patents have expired. In Japan, AGs represent more than 50% of the market which contains AG-versions. In FY2017, they performed very strongly and gained major market share. At the same time, our commitment to fair pricing (even in the midst of extreme competition among non-AG products) resulted in sales revenue falling below target in Japan.

At the same time, the Company has taken a major step forward in realizing its ambition in the global generics

marketplace. In May 2017, as part of our effort to build an operating foundation for future growth through new markets, we acquired Upsher-Smith Laboratories, LLC (Upsher-Smith) – a company with nearly a century-long history in the United States. By acquiring a firm with integrated R&D, manufacturing and sales, the Company has taken its first step toward becoming a global enterprise.

In summary, while business in Japan struggled in FY2017, I believe that we also gained an important new avenue to future growth in our business outside Japan. This June marked exactly 10 years since I assumed the position of president. At that time, net sales amounted to just about ¥37.0 billion. With strong support from patients, health care professionals, shareholders, investors and other stakeholders, we have been able to grow significantly by seizing opportunities created by the government's policy of encouraging generic drug use. While the business environment is expected to become even more challenging, we will continue to enhance corporate value by upholding our commitment to our guiding philosophy of always putting patients first.

Financial Highlights

Millions of yen

	FY2016	FY2017*1			Year on Year	
			By Segment*2		Amount	Growth (%)
			Japan	U.S.		
Net Sales	132,392	168,068	134,720	33,347	35,676	26.9%
Core operating income	23,558	31,118	24,349	6,730	7,560	32.1%
Operating income	22,943	22,209	21,903	303	(733)	(3.2%)
Profit before tax	22,757	20,251	—	—	(2,505)	(11.0%)
Profit attributable to owners of the parent	17,969	14,017	—	—	(3,952)	(22.0%)

*1 Financial Results for FY2017 (IFRS): Financial Results for 12 months of Japan operations + 10 months of U.S. operations (June 2017 to March 2018)

*2 Because segment results are not adjusted, they are not consistent with total figures.

New Medium-term Business Plan “M1 TRUST 2021 (FY2019 – FY2021)”

Review of the previous medium-term business plan “M1 TRUST 2018”

M1 TRUST 2018, our previous medium-term business plan which ran through the fiscal year ending March, 2018, focused on transforming Sawai into a company that can continue to grow in the midst of rapidly changing market conditions (see chart). Notable among our efforts to achieve that goal was our acquisition of Upsher-Smith. In addition to enabling us to significantly exceed our net sales target of ¥157 billion for the final year of the medium-term plan, it allowed us to build an operating foundation for full-scale entry into the U.S. market and begin offering high-quality, high-added-value generic drugs to patients there as well as in Japan.


At the same time, while we maintained a firm hold on our

number one position in the Japanese generics market with a 14.9% market share on a volume basis, we were unable to meet our planned target of 16%. This was primarily due to the government’s basic policy of optimizing medical expenses resulting in an overall decrease in expected market size of approximately one billion tablets, but the growth of AGs also contributed to this shortfall.

In terms of income, we achieved our target for the first year of the medium-term plan, but were unable to do so in the second and third years, due in part to a struggling Japanese market. We will continue with efforts to strengthen our cost-control capabilities, as we experienced an increase in losses on disposal.

In terms of strengthening our ability to provide a stable supply, we put a production capacity in place for 15.5 billion tablets in anticipation of providing a stable supply in the era of an 80% generic substitution rate.

Summary of M1 TRUST 2018 Results

Vision	To transform into a company that can continue to grow in the midst of rapidly changing market conditions	
Period Covered	April 2015 through March 2018	
Financial Targets for FY2017	<div> <div>Net Sales</div> <div>Target: ¥157 billion ▶ Actual: ¥168 billion*</div> </div> <div> <div>Operating Income</div> <div>Target: ¥26 billion ▶ Actual: ¥22 billion</div> </div>	
What “M1 TRUST 2018” Will Achieve	<div> <div>1 Firmly maintain the number one market share in the generics industry in Japan</div> <div>Share within the generics market on volume basis</div> <div>Target: 16.0% ▶ Actual: 14.9%</div> <div>Revenue growth rate (annual average)</div> <div>Target: 14.1% ▶ Actual: 16.8%</div> <div>*Diagnosis procedure combination</div> </div> <div> <div>2 Strengthen stable supply and cost-control capabilities in response to changing market conditions</div> <div>Production capacity</div> <div>Target: 15.5 billion tablets ▶ Actual: 15.5 billion tablets</div> <div>Capital Expenditure for 3 years</div> <div>Target: 55 billion yen ▶ Actual: 49.3 billion yen</div> </div> <div> <div>3 Build an operating foundation for future growth through new business opportunities</div> <div>Upsher-Smith Laboratories, LLC (Upsher-Smith)</div> <div>Total purchase price: ¥116.5 billion</div> <div>(20% stake has been sold to Sumitomo Corporation of Americas)</div> </div> <div> <ul style="list-style-type: none"> •Volume share target within the generics market was not achieved •Intensifying price competition due to commoditization and increase in AGs ●Target share was not achieved due to a larger-than-anticipated increase in the number of AG products launched. ●Intensifying price competition due to increased price pressure from major dispensing pharmacies and drug chains. ●Although existing products grew steadily, the use of generics at DPC* facilities stabilized and the sales volume of existing products did not increase as much as we had expected. <ul style="list-style-type: none"> •Maintain high quality and continue stable supply •Cost rate worsened in contrast with initial plan ●Sales and quantity targets were not achieved, as a result, the cost rate was worse than the initial plan. ●Gross profit target was not achieved, however, optimizing selling, general, & administrative (SG&A) expenses curbed profit decline. <ul style="list-style-type: none"> •Complete establishing the foundation in the US market through Upsher-Smith acquisition •Development and application of Pitavastatin (PIV) products are on track ●Acquisition of Upsher-Smith created a foundation for US market penetration. Efforts are under way for synergy creation. ●Three Paragraph IV candidate products are on track and PIV product is expected to launch by FY2023. ●Sawai is the sixth market entrant to the domestic biosimilar market. Although sales are not significant, certain knowledge was acquired. </div>	

*Net sales for the fiscal year ended March 31, 2018 is based on IFRS.

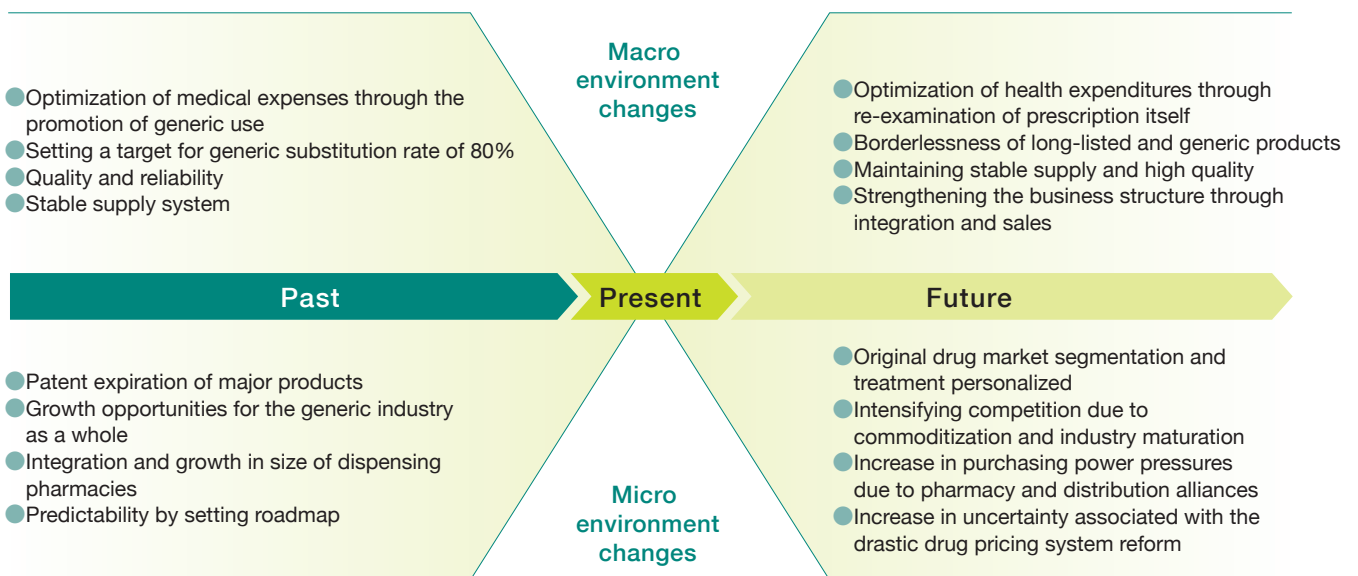
Understanding the Market Environment

Conditions surrounding the Company's business have changed rapidly in recent years. As Japan grows closer to its goal of achieving a market in which generics have an 80% share, a relative slowdown in growth is expected. In addition, fundamental reform of the drug pricing system, the increasingly borderless nature among long-term listed drugs and generics, and drug price revisions associated with the

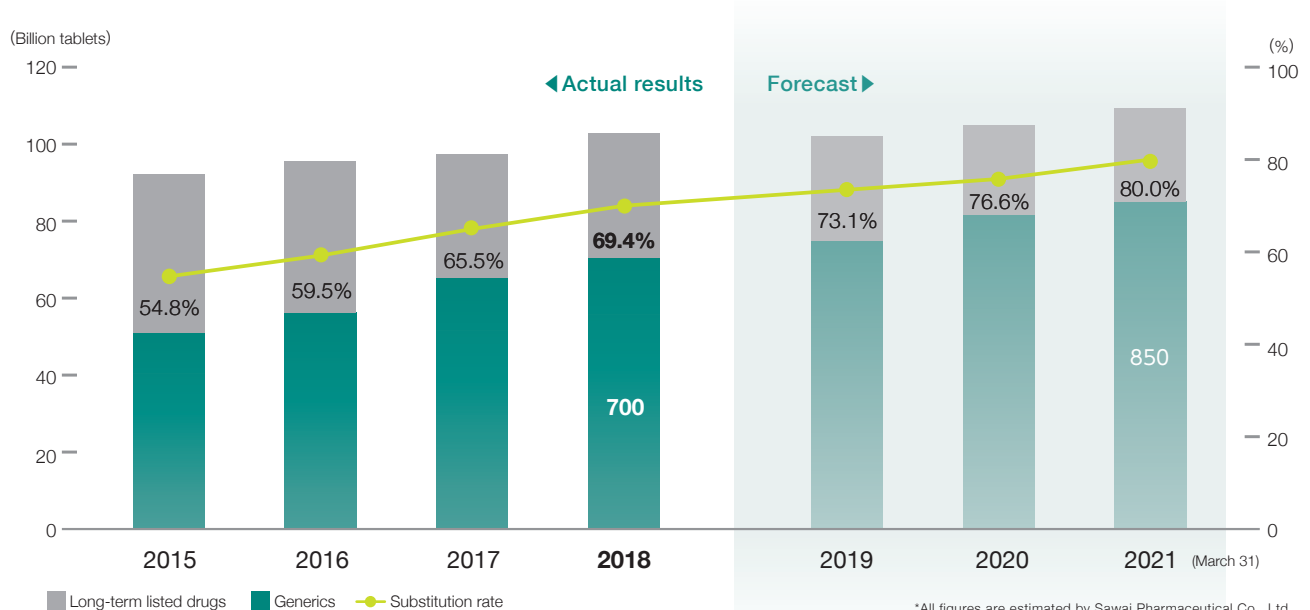
consumption tax increase scheduled for October 2019 are expected to result in a challenging market environment. We believe these developments may trigger moves toward reorganization of the generic drug industry.

Our outlook for the size of the generic drug market on a volume basis, which grew by 19 billion tablets over the previous three years, sees growth holding at about 15 billion tablets over the next three years, for a total of approximately 85 billion tablets in FY2021 reflecting the impact of moves toward proper drug use.

Changes in the Micro/Macro Environment



Volume Forecast in the Generics Market



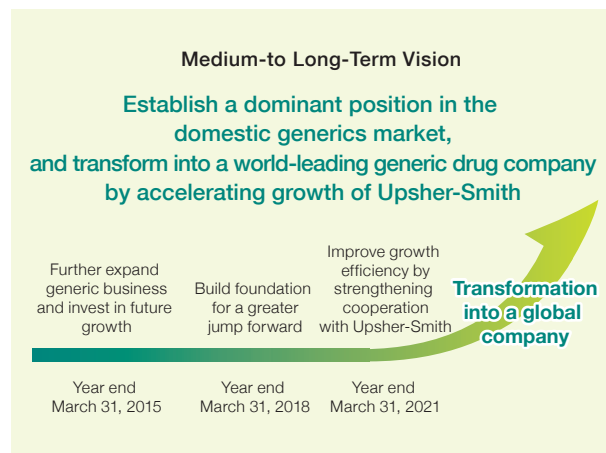
New Medium-term Business Plan “M1 TRUST 2021 (FY2019 – FY2021)”

Medium- to Long-term Vision and the new medium-term business plan “M1 TRUST 2021”

For the Company to compete effectively in this market environment, we have announced a medium- to long-term vision to establish a dominant position in the domestic generics market, and to transform into a world-leading generic drug company by accelerating growth of Upsher-Smith. Over the next three years, we will focus on achieving efficient growth through strengthened alliances in the Japanese market, while at the same time accelerating globalization through Upsher-Smith as a base in the U.S. Those efforts will focus on key tasks based on the new medium-term business plan “M1 TRUST 2021” (hereinafter referred to as “M1 TRUST 2021”).

Leverage Strengths to Boldly Tackle Key Tasks

In the Japanese market, where conditions are changing rapidly and the future is difficult to predict, we will leverage our strengths. These include production capacity that has been built through investment over the years and a solid financial base; an industry-leading lineup of products and outstanding R&D and sales capabilities; and the existence of a business base in the U.S. market through Upsher-Smith. In our position as the leader in Japan's generics industry, we will build a structure capable of responding to changes in the



industry and strengthen cost competitiveness against expected moves toward industry consolidation. In other words, we will seek the most effective management approach that may include strategic alliances with others in the industry who share common goals to drive efficiencies rather than solely relying on organic growth.

In the U.S. market, Upsher-Smith growth will be driven by leveraging the synergies created by our intellectual property strategy and pharmaceutical technology capabilities, Upsher-Smith's marketing and branding power, and other mutual strengths. By increasing our presence in the U.S., we will work toward accelerating our transformation into a global company.

Key Measures under M1 TRUST 2021

Sales-Related Initiatives

- Improve efficiency through selection and concentration
- Optimize distribution

Production-Related Initiatives

- Establish manufacturing systems to improve efficiency and flexibility
- Strengthen purchasing power

R&D-Related Initiatives

- Product development focused on added value and cost effectivity
- Obtain approvals in an effective and secured manner

Reliability Assurance-Related Initiatives

- Strengthen cooperation in quality assurance
- Strengthen regulatory affairs management system, including Upsher-Smith

Initiatives in the US Market

- Create synergies between Sawai and Upsher-Smith
- Expand pipeline by strengthening in-house development
- Achieve product diversification by in-licensing

The first key task in the U.S. market will be to leverage synergies between Sawai and Upsher-Smith, while pursuing a bold effort to achieve our growth strategy with a significantly expanded pipeline supported by Upsher-Smith's unique commercialization capabilities.

Financial Targets

Currently, we have only disclosed financial targets under M1 TRUST 2021 for the fiscal year ending March 31, 2019. In the Japanese market in particular, we expect conditions to remain uncertain due to the direction of drug price revisions associated with the increase in the

consumption tax, other fundamental drug pricing system reforms, and the impact of guidelines for good distribution practices. Given these uncertainties, we have determined that announcing year two and three financial targets based on a variety of assumptions would not represent an appropriate disclosure of information to the market, and thus the plan lists consolidated performance for the Japanese market only for the single year.

Financial Targets for the Year Ending March 31, 2019

Unit: ¥million

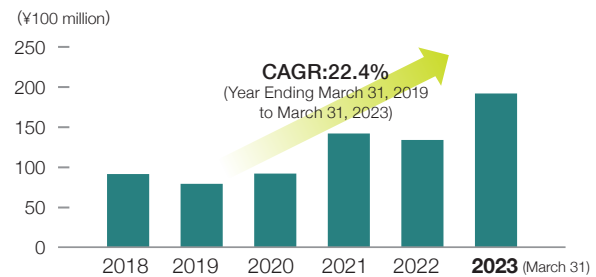
	Fiscal year ended March 31, 2018			Fiscal year ending March 31, 2019 (Targets)			Year on Year Change	
	Total	By segment		Total	By segment		Amount	Growth
		Japan	U.S.		Japan	U.S.		
Net sales	168,068	134,720	33,347	172,500	136,600	35,900	4,432	2.6%
Gross profit	69,440	51,309	18,131	69,600	49,300	20,300	160	0.2%
Operating income	22,209	21,903	303	24,000	21,300	2,700	1,791	8.1%
Profit before tax	20,251	—	—	23,700	—	—	3,449	17.0%
Profit attributable to owners of the parent	14,017	—	—	17,400	—	—	3,383	24.1%

* IFRS basis Because segment results are not adjusted, they are not consistent with total figures.

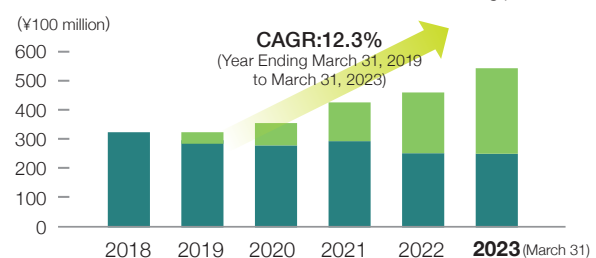
We plan to launch approximately 25 products in the U.S. market during the next three years. In addition, we expect five to 10 products to come to market each year for the next five years, and we have thus disclosed a five-year numerical plan that incorporates the effect of those new products. For fiscal year ending March 31, 2019, compound annual growth rate (CAGR) on net sales is expected to reach 12.3%, with a CAGR on EBITDA of 22.4%. The plan calls for raising EBITDA from the current level of approximately ¥10 billion to approximately ¥15 billion in three years and approximately ¥20 billion in five years.

Upsher-Smith and Sawai enjoy a similar management philosophy that has allowed us to leverage synergies following our merger. Upsher-Smith has expertise developed through its long history in the U.S. market, including its ability to identify niche opportunities and a culture focused on high-quality generics. Going forward, we will work to raise Upsher-Smith's profitability to levels that are comparable to our own, in an effort to make Upsher-Smith a second pillar within the Sawai Group.

Upsher-Smith: EBITDA



Upsher-Smith: Net Sales



Upsher-Smith P/L plan

Unit: ¥million

	Year Ended March 31, 2018 (10 month)	Year Ending March 31					CAGR Year Ending March 31, 2019 Year Ending March 31, 2023
		2019	2020	2021	2022	2023	
Net sales	33,347	35,900	37,600	44,700	47,300	56,900	12.3%
Existing products	33,347	31,800	28,900	29,700	25,500	25,400	—
Pipeline	—	4,100	8,700	15,000	21,700	31,500	—
Operating income(before PPA)	7,486	7,600	8,500	13,000	13,000	18,500	27.5%
Operating income	1,874	2,700	3,000	7,500	7,500	13,000	45.5%
EBITDA	9,463	8,700	9,500	14,500	14,000	19,500	22.4%

* \$1=¥105 (2019/3 or later)

The Company believes that its greatest contribution to society is through improving patient access to healthcare and the health of medical care funding through its primary business of providing generic drugs.

Corporate Social Responsibility (CSR)

I believe that our greatest contribution to society at large, and the Company's raison d'être, is improving access to medical care for patients and to the health of medical care funding*1 through providing generic drugs (the realization of our Corporate Philosophy).

*1 The amount contributed in reduced healthcare costs in FY2017 was approximately ¥274.6 billion on a domestic basis.

hiring and training of production personnel and other human resources; the deployment of energy-saving and low-carbon emission manufacturing equipment; and the maintenance of a healthy working environment—is related to CSR and cannot be considered separately from the business.

The 2030 Agenda for Sustainable Development Goals (SDGs) has been much talked about recently, and as a pharmaceutical company, we fully support these goals, with a particular focus on Goal Three, good health and well-being. I would like to further strengthen our efforts in this area going forward.

Initiatives to SDGs > See page 21



Amid the ever-increasing demand for generic drug products that is expected in the years ahead, I am constantly focused on how we can secure stable supply. Every issue involved in that quest—including the securing of high-quality APIs; the

In FY2018, we received sole approval among generics companies for oseltamivir, an anti-influenza drug. While we had to overcome a number of challenges to achieve this, including post-marketing surveillance of drug resistance in and outside Japan, and profitability issues, a strong sense of mission to contribute to society drove us to continue these efforts.

We are also working to develop value-added preparations that put patient convenience first, expanding our lineup of orally disintegrating tablets that can be taken without water, and adding product identifiers to our tablets to improve drug distinguishability. At the same time, as we fulfill our mission of providing a stable supply of these products, we are also working to deploy the latest environmentally friendly manufacturing equipment, which can save energy and curb greenhouse gas emissions although it adds to our cost. The sum of these efforts will be to differentiate us from other companies, and will, I believe, enhance the perceived value of Sawai.

I treat the securing and training of personnel as a major issue for our rapidly growing company. For example, following the acquisition of Upsher-Smith, we recognized that we need to add personnel with global experience. In addition, in our effort to promote diversity, including women and non-Japanese nationals, we appointed a woman to the Board in 2015, and another to the post of corporate officer in 2016. Further efforts to promote diversity include the steady implementation of plan-based policies, including work-style reforms in collaboration with our labor union, and proactively attracting and training a diverse employee base.

We are also involved in a variety of activities that contribute to CSR from the viewpoints of respect for human rights and the life science industry including, the support of international friendly matches in women's wheelchair basketball; participation in health events, as well as support for sporting events.

Additionally, in May 2018 I was appointed chairman of the Japan Generic Medicines Association (JGA). As we head into

an era of 80% use of generics, both the generics industry and the JGA will take on an increased role and engage in a variety of activities, including drug pricing system policy recommendations to ensure a sustainable, stable supply of generics as part of the social infrastructure essential for patients, and revision of our vision for the generics industry. Going forward, I will be looking not only at advancing CSR through our own corporate activities, but as head of this industry organization I will continue to consider what we can and should do to support social issues and encourage all those involved in the generics industry to approach their work with an awareness of CSR.

Corporate Governance

At Sawai, important management matters are referred to the Board of Directors after thorough discussion by internal directors and corporate officers including managing executive officers, senior executive officers, and executive officers. Decision-making by the Board is conducted after obtaining a variety of opinions based on the expertise and objective viewpoints of external directors and external auditors. The acquisition of Upsher-Smith in particular, involved very significant risk-taking, and was subject to a very thorough internal and external review that led us to

determine that the purchase was necessary to our growth and move to approve the acquisition.

Further, with changes in social values and the expansion of our business to markets outside Japan, we are seeing a diversification in the types of risks we must address and their potential impact. We recently established a new Risk Management Committee, with the goal of further strengthening our risk management capabilities. The committee will be responsible for overseeing risk management in each of our divisions, and will work to identify and address important risks that might threaten the continuity of our business. By adding these kinds of committees, and working to supplement the supervisory function of the Board of Directors, we will improve and strengthen the effectiveness of the Board. As part of corporate governance at Sawai, we are developing and deploying activities focused on strengthening the business and improving quality, which are grounded in our Corporate Philosophy and Code of Conduct. For the current fiscal year, employees are being asked to work with the theme of 闘 (battle)*2, engaging to win the battle not only with rival companies but with Sawai's past and their own pasts. Going forward, we will work to further strengthen corporate governance in response to the mandate entrusted to us by our shareholders and investors.

*2 闘(battle): The Sawai theme for the current fiscal year (FY2018). Each year, President Sawai sets a theme with a single kanji character.



Building a U.S. Business Foundation

Special Feature: Expanding Cooperation with Upsher-Smith

Upsher-Smith Laboratories, LLC (Upsher-Smith), an established pharmaceutical firm with nearly a century of experience conducting business in the U.S. market, became a member of the Sawai Group in May 2017. Upsher-Smith has a corporate philosophy and culture very similar to Sawai, with integrated business functions including R&D, production, marketing, and sales. It is expected to play a major role in the globalization of the Sawai Group.

The Sawai Group's medium-term business plan, M1 TRUST 2021, identifies three key tasks in the U.S. market that leverage the strengths of both Sawai and Upsher-Smith:

1. Expand the U.S. product lineup and enhance the intellectual property strategy
2. Continue to develop Paragraph IV application products
3. Realize a growth strategy utilizing Upsher-Smith's unique characteristics

Sawai is actively implementing these three tasks.

The following message from President & CEO Rusty Field outlines how Upsher-Smith, as the U.S. subsidiary of the Sawai Group, established a group policy for quality and safety immediately following the acquisition aimed at realizing mutual synergistic benefits. The Company is also accelerating investment in the development pipeline to diversify the product portfolio and bring more products to market.



President & CEO (Upsher-Smith) **Rusty Field**

Message from Upsher-Smith President Field

As a new member of the Sawai Group, and as its first U.S. subsidiary, Upsher-Smith has quickly transformed itself from a privately owned organization into an important engine of growth for Sawai. In just over a year, we have succeeded in integrating with Sawai across a number of fronts, capitalizing on existing synergies and creating new opportunities for growth – all while meeting our own business targets. Consider Research and Development. R&D teams from Sawai and Upsher-Smith almost immediately began work to identify synergies in our product lines, as well as opportunities for future development. These teams have already begun collaborating on some development projects from Sawai's portfolio of products. To ensure that all current and future products meet the highest industry standards, teams from Sawai and Upsher-Smith created integrated Quality and

Safety Policies and implemented them across the company – all within six months of deal close.

Going forward, Upsher-Smith plans to leverage the Sawai Group's diverse R&D skills and technologies to create new opportunities for growth. Already, a member of the Sawai R&D team has joined the Upsher-Smith group in Minnesota to help identify new product opportunities for both parent company and subsidiary.

On the business side, seven Sawai team members and two from Sumitomo Corporation have moved to Minnesota with the aim of harmonizing the areas of operations, finance, corporate development and corporate strategy. With their help, Upsher-Smith has experienced an expansion of its business development network, which has exposed both organizations to an increased number of deal opportunities.

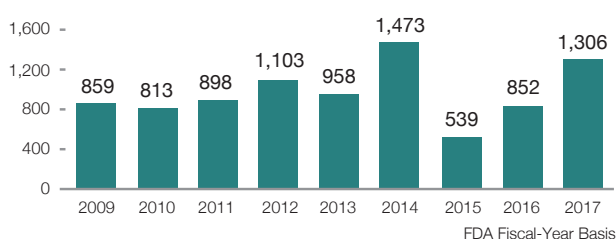
The combined group expects to unlock synergies with Sumitomo, primarily through access to its supply chain network. In short, Upsher-Smith is well positioned within Sawai as a platform for future growth.

What's more, Upsher-Smith has performed well as an individual company, despite the challenge presented by the high level of competition in the U.S. generics market. In 2017, the U.S. Food and Drug Administration approved a record number of abbreviated new drug applications (ANDAs). While this is positive news in terms of overall activity, it also means that the U.S. market is growing even more competitive. Despite challenging market conditions and the increase in competition, Upsher-Smith either met or exceeded nearly all of its corporate objectives for 2017 and there are several reasons for optimism over the coming years. For example:

- Competitors have begun to reduce production capacity, remove products from the market, and close plants, leaving Upsher-Smith better positioned within the industry.
- The FDA has committed to reducing the time it takes for a new generic drug to gain approval. This will be beneficial given the increase in ANDAs the Company plans to file.
- The spirit at the FDA to approve more complex generics is improving.

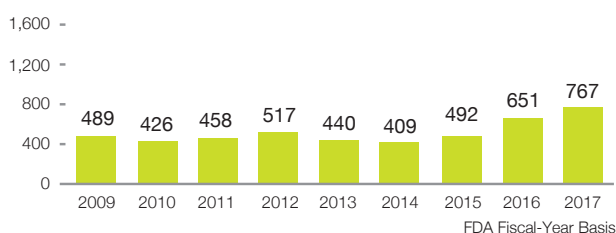
Received ANDAs

Received ANDA's Continue to Outpace Approvals



Approved ANDAs

2017 was a Record Year for ANDA Approvals



Source: U.S. Food and Drug Administration, Office of Generic Drugs; GDUFA Approvals Dec 2017

While the outlook for 2018 remains positive, succeeding in the U.S. environment will require Upsher-Smith to diversify its product portfolio and to launch even more products at a faster pace. For this reason, Upsher-Smith plans to launch five to 10 products every year onto the market for the next five years. We are committed to significantly increasing our pipeline of products to include new dosage forms as well as more traditional and specialty products. Today, we are pleased to have a portfolio that is more diversified than ever before and a pipeline that includes complex generics, liquids, and ophthalmics.

As the Company continues to grow, it is important that we remain committed to supporting programs and initiatives that help create a sense of community between our company, pharmacies and the people who rely on our therapies. Upsher-Smith has a long history of working with independent and community pharmacists and is proud to sponsor awards annually recognizing leaders in the field. Community involvement is a priority within the Company and is shown through our support for several advocacy organizations including the Epilepsy Foundation of America. As a way to better understand patients' unmet needs, employees are encouraged to volunteer with local organizations.

For almost one hundred years, Upsher-Smith has thrived in a highly competitive, constantly evolving generics market. The company has done so by consistently creating high-quality pharmaceutical products that meet patients' needs. Going forward, we anticipate that Upsher-Smith will continue to succeed by creating new synergies and opportunities for itself and for our parent company, Sawai, all while staying true to our vision: We improve the health and lives of patients through our unwavering commitment to high-quality products and sustainable growth.



Research and Development



We are aiming for further growth by strictly controlling costs and leveraging technical capabilities.

Executive Officer and Vice President of Research & Development Division

Shoji Yokota, Ph.D.

We recognize that cost-conscious R&D is needed more than ever before because drug prices in Japan will decline further as a result of substantial revisions to the National Health Insurance (NHI) drug pricing system. Therefore, in addition to the Research & Development Division's three basic objectives of being the first to put products on the market, developing added-value drug formulations, and avoiding conflict with preceding patents, we are focusing on creating drug formulation and production methods that facilitate low-cost and stable production. It is our goal to more accurately assess the market value of our products in development, paying close attention to cost and efficiency in planning and managing drug development projects.

In the United States, Sawai's abbreviated new drug application for Pitavastatin tablets has been approved by

the Food and Drug Administration, and applications were filed for two more drugs, including mirabegron tablets. Aiming for even more growth, we will work to effectively put products on the U.S. market in collaboration with Upsher-Smith Laboratories, a Sawai Group company, and aggressively develop newly formulated products in order to differentiate Sawai from its competitors.

Production and Stable Supplies



We are cutting costs to boost competitiveness while giving top priority to ensuring a stable supply of products.

Executive Officer,
Vice President of Manufacturing Division and
General Manager of Stable Supply Management

Motohiko Kimura

Sawai's operating environment is growing increasingly challenging due to a substantial overhaul of the NHI drug pricing system in Japan. In response, the Manufacturing Division has been carrying out exhaustive measures for reducing production costs while giving top priority to ensuring a stable supply of products. Since production costs account for about 60% of sales, we are pursuing all new innovative ideas across every production process, from the procurement of raw materials to shipment of product. As specific measures for cutting costs and raising productivity, we are broadening our sources for drug ingredients, rapidly adjusting production plans in line with sales plans, revamping outsourced operations (including proactive use of external sources), bundling procurement of main equipment and machinery, more strictly controlling inventories, reducing disposal

amounts, and working to improve yields to achieve record highs. Moreover, based on the Sawai Group Policy for Global Procurement, we are deepening cooperation with Upsher-Smith Laboratories to optimize the procurement of raw materials. By cutting costs in these ways, the Manufacturing Division is aiming to boost the Sawai Group's competitiveness.

Sales and Marketing



We are building the credibility of Sawai's generic products to prepare for the time when generic drugs account for 80% of the Japanese market.

Corporate Officer and
Vice President of Sales Division

Seiji Nishimura

Sawai's operating environment is on the verge of a transformation as a result of major revisions to Japan's NHI drug pricing system as well as various other healthcare-related policies and systems being planned and implemented. The Japanese government aims to expand the use of generic drugs to 80% of the domestic pharmaceutical market on a volume basis. While authorized generic products* continue to maintain a significant share of the

market in Japan, the level of recognition and credibility of regular generic drugs—including Sawai's products—has yet to reach comparable levels. Therefore, the Sales Division will continue to promote tailored marketing campaigns in cooperation with wholesalers and sales agents across the country in order to increase the recognition and credibility of Sawai's added-value generic products in the future.

*Authorized generic products are generic drugs that have been authorized by a brand pharmaceutical company to be produced or marketed by a different company.

Quality Assurance



We will strive to ensure quality every single day.

Director, Executive Officer,
Vice President of Reliability Assurance Division and
General Marketing Compliance Officer

Toru Terashima

Through our quality assurance activities, we aim to build more trust from users and safeguard the quality of all APIs, additives, and packaging materials used in Sawai products. On-site inspections of production plants are conducted more than 180 times per year—the most frequent in the Japanese pharmaceutical industry. In addition to work on major revisions of rules concerning product package inserts and products subject to

complicated post-marketing safety monitoring requirements in Japan, we are cooperating closely with Upsher-Smith Laboratories to comply with all pharmaceutical industry regulations in the U.S. market. Looking ahead, we will strive to ensure quality throughout all operations on a daily basis, with the goal of securing and enhancing Sawai's reputation as a trustworthy brand.

Strategic Planning, Corporate Communications, and Investor Relations



We are creating strategies for dealing with a challenging profit environment and industry reorganization.

Director, Senior Managing Executive Officer,
Vice President of Corporate Strategy Department, and
Supervisor of Research & Development Division

Kenzo Sawai

In the Japanese pharmaceutical market, maintaining profitability has become challenging due to major revisions of the NHI drug pricing system. We anticipate that the pharma industry will respond by reorganizing at an increasingly rapid pace. The Corporate Strategy Department is creating strategies based on various scenarios so that the Sawai Group can effectively manage through this trend. In the North American market, we are working

to generate and leverage synergies with Upsher-Smith Laboratories, which joined the Group in 2017. Meanwhile, we are aiming to establish Sawai as a global brand through corporate communications and investor relations initiatives, making full use of the Internet and social networking services, while providing more substantial information in English.

Aiming to make Sawai a company that grows and develops sustainably together with society

Sawai's approach to corporate social responsibility (CSR) is based on its understanding that "the business activities of Sawai themselves are its greatest contribution to society." As a result, Sawai aims for its own and society's sustainable growth and development by realizing its Corporate Philosophy through its business activities, and by acting in accordance with its Code of Conduct in its business processes.



Strengthening the CSR awareness of each and every Sawai employee

In order to realize our Corporate Philosophy of "Always Putting Patients First," Sawai has formulated a Code of Conduct that describes how we should interact with our various stakeholders. Sawai's CSR Materiality is embodied in this Code of Conduct.

While striving to "grow in tandem with society" as outlined in our Corporate Philosophy, in order to realize our CSR goals, in the future we will continue to ensure thorough dissemination of our Corporate Philosophy and Code of Conduct, aiming to strengthen the CSR awareness of each and every Sawai employee.

Director responsible for CSR promotion **Kazuhiko Sueyoshi**

In realizing one of the tenets of its Corporate Philosophy—"to enable people to live healthy lives through pharmaceutical products"—and as a provider of generic drugs, Sawai is working to preserve the global environment in cooperation with local communities and society as a whole.

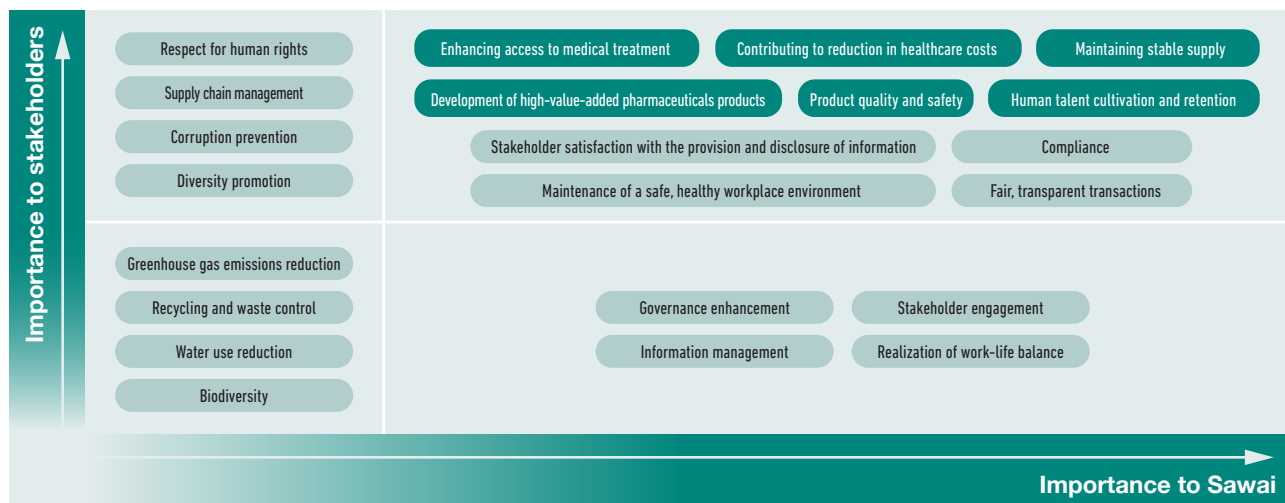


Sawai contributes to society through its business activities, and undertakes a wide variety of social contribution activities for the benefit of local communities.

To attain sustainable growth and increase corporate value in the medium-to-long term, and to work toward the realization of consistently fair, highly transparent business, Sawai considers the enhancement of corporate governance to be a major management issue.

Identification of Materiality

Sawai focuses on enhancing sustainability by identifying issues that are important to our company and to our stakeholders—including the contribution that we make toward enhancing access to medical treatment and toward reducing healthcare costs through the provision of generic drugs. This is further supported by the implementation of environmental, social, and corporate governance (ESG) that is closely integrated with our business activities.

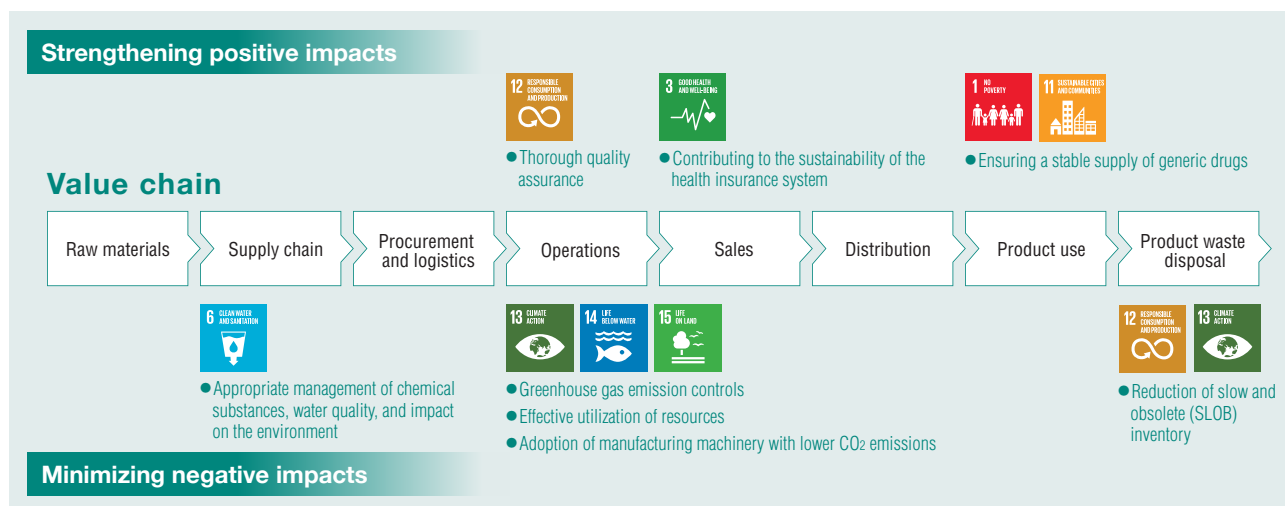


Measures Relating to the U.N. Sustainable Development Goals (SDGs)



The 17 Sustainable Development Goals (SDGs) and 169 individual targets that were adopted by the United Nations General Assembly as part of “Transforming our World: the 2030 Agenda for Sustainable Development” in 2015 offer important recommendations on the kinds of action we need to take to safeguard humanity’s future. Sawai contributes toward the realization of several of the SDGs through its business activities. We have a particular focus on Goal 3:

“Ensure healthy lives and promote well-being for all at all ages,” and we are implementing measures that target 13 individual items.



Environment



Chemical Substances etc. – Emissions Controls and Appropriate Management

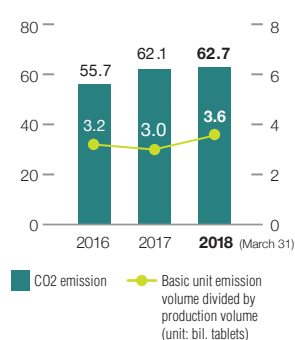
Sawai is working to strengthen its management systems, including the appropriate management of designated chemical substances covered by the Pollutant Release and Transfer Register (PRTR) system, and analysis and measurement of water quality—including biological oxygen demand (BOD) and chemical oxygen demand (COD)—and atmospheric pollutants—including nitrogen oxides (NOx), sulfur oxides (SOx) and volatile organic compounds (VOCs)—ensuring compliance with relevant laws and regulations.

In FY2017, Sawai implemented an interview-based survey targeting all Sawai Group factories and research facilities in Japan to verify the current state of compliance with applicable environment-related laws, regulations and agreements. The survey was used as an opportunity to enhance environmental compliance awareness.

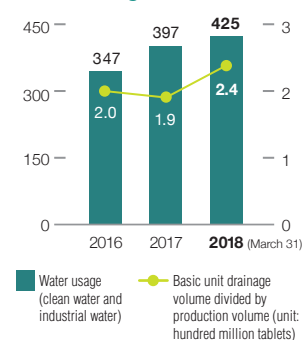
Measures Directed at Enhancing the Recycling Rate

Sawai is promoting the realization of “zero emissions” at its main factories, to support the development of the Cyclical Society. In FY2017, improvements were made to facilitate recycling of waste acids, waste alkalis, waste oil, and mixed sludge at Sawai's R&D facilities, and recycling of waste plastic such as Press-Through-Packaging (PTP) sheet, which was previously disposed of as waste, at the Sanda Factory, Sanda Nishi Factory, and Osaka Factory.

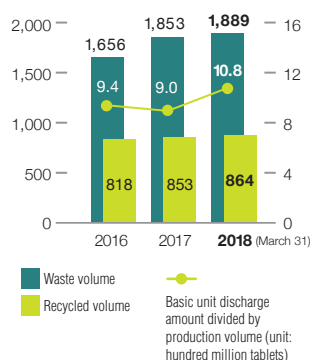
CO₂ Emission (kt-CO₂)



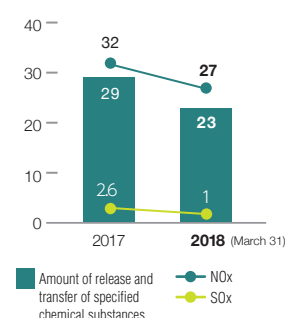
Water Usage (Thousand m³)



Waste Volume / Recycled Volume (t)



Chemical Substances, etc. (t)



Biodiversity Measures

Besides implementing surveys designed to assess the level of usage of biologically derived raw materials, in June 2018, Sawai contributed to the preservation of biodiversity by participating in the "Acheilognathus longipinnis (Deepbody bitterling)* Conservation Activity." Sawai helped to protect this endangered fish species by assisting in the removal of invasive fish species and in the implementation of river cleanup activities.

*Acheilognathus longipinnis

Freshwater fish classified in Acheilognathus of Acheilognathinae, a family of Cyprinidae
VULNERABLE (IUCN Red List Ver. 2.3 (1994))
Endangered Species 1A class, Critically Endangered (Ministry of the Environment Red List) /
Designated Natural Treasure in Japan

Implementation of Cleanup Activities at Sawai Business Locations

Sawai implements "Company-wide Cleanup Activity" on an ongoing basis, cleaning the streets in the vicinity of all Sawai business locations.

FY2017 Implementation Results

Total number of times cleanup was implemented	52 times
Total number of employees participating	999 employees
Total amount of garbage collected	9,349 liters



Raising Environmental Awareness

Sawai's "Environment Magazine" internal newsletter is distributed to all employees once a month, presenting environment-related information and introducing environmental protection measures that are being implemented, both within the Company and elsewhere.

By issuing this newsletter on a regular basis, Sawai is able to strengthen awareness of and concern about environmental issues, while also helping employees to develop a more in-depth understanding of the Company's environmental protection activities.



VOICE



We are implementing practical, effective environmental improvement activities.

Sawai's CSR Global Environment Team was established three years ago to implement measures aimed at helping to safeguard the global environment and prevent global warming, while also contributing to the development of the Cyclical Society. As a pharmaceuticals manufacturer, Sawai is required to comply with a wide range of strict rules and standards. We are working steadily to implement new measures, focusing on those areas where we can make a difference. Through Sawai's monthly internal newsletter "Environment Magazine," which is distributed to all employees, we have been able to strengthen the environmental awareness of Sawai personnel, and expand the scope of participation in companywide cleanup activities and measures to safeguard biodiversity. In the future, we will continue our efforts to strengthen environmental awareness both within and outside the company, striving to implement measures that make a real improvement.

Leader of Global Environment Team **Seishi Sato**

Society



Certification under the Ministry of Economy, Trade and Industry's Certified Health and Productivity Management Organization Recognition Program ("White 500") for 2018

We believe that better pharmaceutical products are generated in a workplace that supports mental and physical well-being, and we strive to create a safe, healthy working environment that is free from harassment.

In recognition of our efforts in this area, Sawai was certified in 2018 by the Ministry of Economy, Trade and Industry (METI) as a Certified Health & Productivity Management Organization (The large enterprise category). These efforts include the appointment of full-time public health nurses for all of our factories and close collaboration between Sawai's Human Resources Department and individual workplaces on the implementation of health-related activities; the utilization of periodic health examinations and stress checks; and presentism surveys to safeguard the mental health of our employees and prevent lifestyle diseases.

In FY2017, building on results achieved in an anti-smoking campaign that Sawai had undertaken for many years, Company managers issued a "Quit Smoking Declaration."



Work-Style Reform Measures

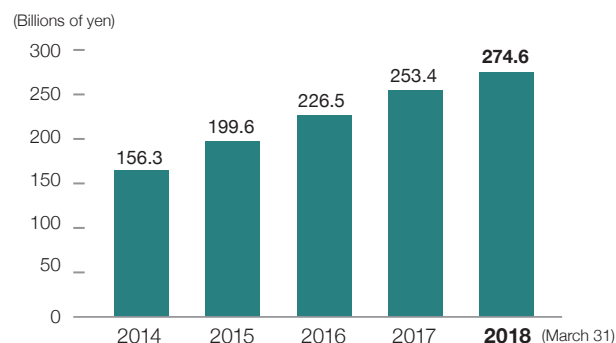
In line with our goals of promoting diversity and a culture of unity, and achieving work-life balance, Sawai coordinates the actions of related departments to implement measures aimed at creating an employee-friendly working environment. Given cost constraints, a key factor is how effective work-style reform measures are in boosting productivity. With this in mind, Sawai has established a Work-Style Reform Committee, which has worked closely with the labor unions to implement improvements.



Measures Aimed at Enhancing Access to Medical Treatment and Reducing Healthcare Costs

With Japan becoming a hyper-aging society, and with the advances that have been made in medical technology, the rising cost of healthcare has emerged as a serious social problem. By providing generic drugs that are just as effective as the originator drugs at reasonable prices, Sawai is contributing toward the reduction of healthcare costs. As the scale of Sawai's business operations has grown, so too has its contribution to healthcare cost reduction. The estimated size of this contribution (within Japan) in the year ended March 31, 2018 was approximately 274.6 billion yen. The use of generic drugs also helps to improve access to medical treatment by reducing the size of the individual contribution payments that patients are required to pay themselves, which could otherwise discourage people from seeking treatment.

Reduction in Medical Expenses (within Japan)



Human Talent Cultivation and Education/Training Systems

At Sawai, we believe that employees' individual personalities and capabilities are our greatest assets, and each and every one of us should work to improve ourselves as professionals. Reflecting this attitude, we put in place a wide range of systems for human talent cultivation and employee education.

To encourage our employees to undertake educational programs that will be useful for their roles and for their career development, we have established a system that enables employees to choose courses they wish to take at external educational institutions. We have also adopted distance correspondence study courses.



Bribery Prevention Guidelines

With the strengthening of bribery prevention measures in countries throughout the world, Sawai has drawn up a new version of the "Sawai Pharmaceutical Bribery Prevention Guidelines" to support its continued global expansion.



VOICE



Receipt of a letter of thanks from the Japan Anti-Tuberculosis Association

Sawai provided sponsorship for the making of the film "For Global Health." In recognition of the benefits achieved as a result of the film – spreading awareness of infectious diseases – Sawai received an official letter of thanks from the Japan Anti-Tuberculosis Association (of which Her Imperial Highness Princess Akishino is the Patroness) on June 28, 2018.

Corporate Governance

Evaluating the Effectiveness of the Board of Directors

A survey was implemented to evaluate the effectiveness of Sawai's Board of Directors in FY2017. An analysis of the findings showed that: (1) Although some improvement has been made, there is still a need to provide directors and auditors with a broader range of information, and a need to further strengthen the training they receive; and (2) In regard to decisions relating to the appointment and compensation of senior executives and directors, a framework is needed to facilitate the appropriate involvement of, and provision of advice by, the Company's independent external directors. In the future, Sawai will strive for improvement in these areas.



VOICE

Aiming to realize flexible management suitable for changing times through the appointment of Board members who possess wide-ranging specialist expertise

For Japan, which has one of the longest life expectancies in the world thanks to the establishment of a universal health insurance system, the importance of generic drugs is growing more pronounced.

As a leading player in Japan's generic drug sector, Sawai's mission of providing a stable supply of generic drugs is important not only to its own stakeholders but to all citizens of Japan.

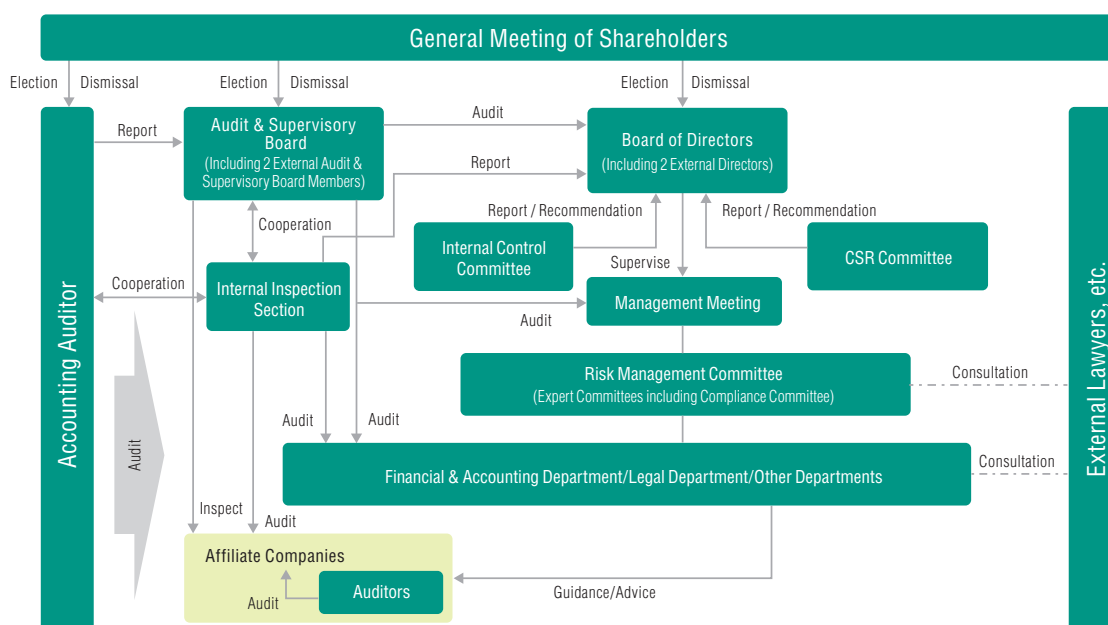
Having brought the U.S.-based company, Upsher-Smith Laboratories, LLC into the Sawai Group as an important partner, the Sawai Group's role is being extended from Japan to include overseas markets too. For me to be appointed as a member of Sawai's Audit & Supervisory Board from outside the Company at this point in time is a great honor that I will carry out with a profound sense of responsibility. Sawai's Board of Directors provides its members (including the external directors), who possess specialist expertise in a wide range of areas, with opportunities to express their opinions, and Sawai has succeeded in cultivating a corporate culture that makes effective use of the multifaceted advice and suggestions that the Board members offer by encouraging a lively exchange of views. As a result, Sawai is able to benefit from a free, constructive exchange of ideas.



The knowledge that I have acquired as a tax accountant enables me to analyze financial and accounting data. I also hope to make use of my experience handling international tax affairs while to offering timely, appropriate advice and suggestions from an independent, objective stance. I look forward to helping Sawai build a corporate culture conducive to the realization of its Corporate Philosophy of "Always Putting Patients First," and to establish a managerial framework that possesses the flexibility needed to respond to changing times.

External auditor **Junichi Hirano**

Corporate Governance Structure



Management Structure

Sawai has adopted the “company with auditors” system, where directors with extensive knowledge of the pharmaceutical industry and of Sawai’s own internal condition are involved in overseeing the Company’s operations. This team monitors all aspects of the business while maintaining high ethical standards. At the same time, Sawai’s external directors and its Audit & Supervisory Board exercise a controlling and supervisory function from an external perspective. Sawai deemed this system to be optimal from the point of view of enhancing operational efficiency while also ensuring compliance with the requirements of the law. Sawai has also adopted the “corporate officer” system, to ensure separation of managerial decision-making and operational implementation functions, and to clarify the scope of responsibilities for business execution.

Auditing and Supervisory System

In addition to the mutual supervision and monitoring performed by individual directors, Sawai’s auditors also play an important role in supervision. Besides attending meetings of the Audit & Supervisory Board, auditors also attend meetings of the Board of Directors, where they exercise due diligence by asking questions and expressing views from an objective standpoint, which contributes toward the effectiveness of the Board of Directors. The auditors also exchange information with the Internal Inspection Section and the accounting auditor; they receive reports based on audit investigations, and may themselves conduct investigations and compile reports, implementing appropriate auditing of how individual directors are exercising their duty of supervision.

Diversity in the Board of Directors

The nomination of candidates for directorships is based on a comprehensive evaluation of whether potential candidates possess the necessary experience and expertise, track record, wisdom, and high moral character that are required for the role. The process also takes into account the size, structure (in terms of the balance between different categories of member), and diversity of the Board of Directors. Since the Board needs to engage in practical discussions and exchanges of views, the maximum number of directors has been set at 12; currently, the Board has eight directors (including two independent external directors, one of whom is a woman).

External Directors, and Auditors Appointed from Outside the Company

External directors and auditors appointed from outside the Company apply their expertise in areas such as legal affairs, taxation, accounting, and healthcare, offering an independent perspective that fulfills an auditing and monitoring function. Sawai selects candidates who conform to the requirements and criteria specified by the Companies Act and by the Tokyo Stock Exchange (TSE) and who are capable of offering advice that can contribute to the strengthening of Sawai’s corporate value, so that they can pose questions and offer opinions from an external perspective during meetings of the Board of Directors. External directors and external auditors have support staff allocated to them, and have the right to request reasonable investigation expenses, in order to strengthen their auditing and supervisory function.

Corporate Governance

Corporate Governance Code

Appropriate and prompt decision-making and execution of duties in response to external changes in the environment, combined with fair and highly transparent management are key to improving corporate governance to achieve sustainable growth and improve corporate value over the medium to

longterm. Each year, we continue to strive for further improvement in our compliance with Japan's Corporate Governance Code.

Anti-Takeover Defense Measures

Currently, Sawai has not adopted anti-takeover defense measures, but, if a party were to seek to purchase a large block of Sawai's shares, Sawai would actively request that the party provide the information necessary to enable shareholders to accurately assess the situation.

As necessary, Sawai will take appropriate measures, within prescribed legal limits, to prevent any impairment to its corporate values and the mutual interests of its shareholders.

Executive Compensation

The compensation of individual directors is set based on a maximum overall allocation that is approved by the General Shareholders' Meeting, and then, following internal Company regulations, is set by a decision of the Board of Directors. Compensation consists of three components: a base salary,

stock options (excluding external directors) linked to corporate value, and a performance-linked bonus. There were no directors who received ¥100 million or more in compensation and Sawai deems the amounts paid to individual directors to be appropriate.

Total Compensation Allocation for Management, Total Allocation of Compensation by Type, and Number of Eligible Recipients

Executive Position	Total Compensation Allocation (Millions of yen)	Total Allocation of Compensation by Type (Millions of yen)			Number of Eligible Recipients
		Base Salary	Stock Options	Bonus	
Directors (Excluding external directors)	361	271	16	74	7
Auditors (Excluding external auditors)	23	23	—	—	2
External directors and auditors	21	21	—	—	5

Internal Control and Compliance

On the basis of "Systems for Ensuring Proper Business Operations," Sawai is working to improve internal control and compliance by ascertaining the status of its operations and taking any necessary process improvement measures. In addition to receiving advice from specialists in various fields, consultations are held with the Compliance Committee and Internal Control Committee, which are chaired by the President. In addition, having established a dedicated compliance-related report/help desk, Sawai is able to receive an early line of sight on potential violations and improper behavior and work quickly to prevent and/or correct these issues.



Risk Management Committee

Sawai implements risk management with the aim of minimizing the potential harm that could be caused to the Company's operational resources from various types of latent risk affecting the Company's activities. In the past, risk management was mainly undertaken at the level of the individual departments; however, in the case of major risks that require a Companywide

response, it was decided that a horizontal risk management system was needed. A Risk Management Committee was established in FY2017 to facilitate the thorough implementation of risk management measures.

Business Risks

What Sawai considers to be its main risks are listed below. In the event that any such risks emerge, it is possible that such circumstances may have an effect on the Sawai Group's management performance and financial condition.

Types of Major Risk	Explanation of Risks
Regulatory risk arising from the Pharmaceutical and Medical Devices Law and other regulations	The Sawai Group's (The Group) activities are subject to regulations such as Japan's Pharmaceutical and Medical Devices Law, which requires the Group's places of business to obtain permits, registration, and licenses, as well as submit notifications to regional governments. There remains the possibility that the Group's operations will be suspended by the regulatory authorities and that permits to manufacture and sell pharmaceuticals could be cancelled.
Changes in Japan's NHI drug price scheme and healthcare system	Previously, the prices of many pharmaceuticals were reduced once every two years based on a survey of actual market prices. There remains the possibility, however, that there will be further changes to the drug pricing system and National Health Insurance for the purpose of reducing medical costs.
Lawsuits pertaining to intellectual property	Even after the expiration of substance or use patents on a generic's originator drug, there are many cases where more than one patent remains. There is the possibility that a lawsuit will be brought against the Group based on these remaining patents.
Effects of competition and other factors	In addition to the many companies entering the generic market, the manufacturers of the originator drugs are endeavoring to address the deterioration in market share even after the expiration of their patents by implementing various measures, such as authorized generic drugs. Depending on the course of events, the possibility exists that the Company may not be able to secure its planned level of sales and profit.
Product recalls and suspension of sales	In the case of generic drugs, the risk of unknown serious side effects is extremely small. If new, unexpected side effects emerge, or incidents occur in which ingredients become contaminated with impurities, there is potential for a product recall or sales suspension. Depending on the details of any incident, the Group may have to bear responsibility for product liability.
Temporary suspension and delays in production due to natural disasters	The Group maintains production facilities in several regions. In the event of natural disasters or issues that arise because of technical or regulatory matters, production at these facilities may be suspended, and the possibility exists that the supply of products could be halted. In addition, since some major raw materials are provided by specified external suppliers, there is the possibility that, if supply of those materials were to be stopped because of natural disasters and/or other circumstances, substitutes for those materials would be difficult to source.
Global business development	The Group evaluates new business development opportunities such as overseas development, capital alliances, and company acquisitions, with market intelligence that, in addition to business profitability, includes the relevant laws and the politico-economic conditions. There is the possibility that, due to unexpected circumstances outside of our original assumptions, the desired effect will not justify the investment.
Company acquisitions	On May 31, 2017, the Company acquired Upsher-Smith Laboratories, LLC for U.S.\$1.05 billion. As is the case with company acquisitions, the possibility exists that the desired effect will not be obtained. This may be due to factors such as management, environment or business changes, or delays in the progress of the merger or information that did not come to light during due diligence.
Information management	The Group holds personal data and trade secrets from inside and outside the Company as well as large amounts of other information. We strive for thorough information management, and have put IT security measures in place, but there is always a possibility for leaks, alterations, and data loss due to system failures or accidents.
Other	In addition to the risks given here, the Group faces a range of other risks that may possibly arise. These include financial market conditions, foreign exchange fluctuations, corporate governance, including compliance risks, and various environmental issues.

Directors, Auditors, and Officers

As of June 30, 2017

Directors (Board Members)



Chairman, Representative Director

Hiroyuki Sawai

Apr.1963 Joined the Company
Aug.1968 Managing Director
Apr.1978 Representative Senior Managing Director
Sept.1988 President, Representative Director
Jun.2008 Chairman, Representative Director (incumbent)



President, Representative Director

Mitsuo Sawai

Jan.1989 Joined the Company
Jun.2000 Director, Deputy Vice President of Sales Division, and General Manager of Sales Planning Department
Jun.2002 Managing Director, Vice President of Sales Division, and General Manager of Sales Planning Department
Jun.2005 Senior Managing Director, Vice President of Sales Division
Jun.2008 President, Representative Director (incumbent)



Director, Senior Managing Executive Officer, Vice President of Corporate Strategy Department and Supervisor of Research & Development Division

Kenzo Sawai*

Apr.1995 Joined Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)
Apr.2001 Joined the Company
Jun.2010 Director, Vice President of Corporate Strategy Department
Jun.2013 Director, Senior Executive Officer, Vice President of Corporate Strategy Department, and Deputy Vice President of Sales Division
Jun.2017 Director, Senior Managing Executive Officer, Vice President of Corporate Strategy Department and Supervisor of Sales Division
Jun.2018 President, Member of the Board of Sawai America LLC (incumbent)
Chairman of the Board of Upsher-Smith Laboratories, LLC (hereinafter referred to as "Upsher-Smith") (incumbent)
Jun.2018 Director, Senior Managing Executive Officer, Vice President of Corporate Strategy Department and Supervisor of Research & Development Division (incumbent)



Director, Senior Executive Officer, and Supervisor of Sales Division

Minoru Kodama*

Apr.1976 Joined The Sanwa Bank, Limited (currently MUFG Bank, Ltd.)
May.2006 Joined the Company
Jun.2007 Director, General Manager of Corporate Planning Department
Jun.2012 Managing Director, Vice President of Corporate Administration Division, and Deputy Vice President of Sales Division
Jun.2013 Director, Senior Executive Officer, Vice President of Corporate Administration Division, and Deputy Vice President of Sales Division
Jun.2018 Director, Senior Executive Officer, and Supervisor of Sales Division (incumbent)



Director, Senior Executive Officer, and Vice President of Corporate Administration Division

Kazuhiko Sueyoshi*

Apr.1980 Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
Apr.2012 Joined the Company
General Manager of Controller Department
Jun.2017 Executive Administration of the Board of Upsher-Smith (incumbent)
Feb.2018 Executive Officer, Deputy Vice President of Corporate Administration Division, and General Manager of Controller Department
Jun.2018 Director, Senior Executive Officer, and Vice President of Corporate Administration Division (incumbent)



Director, Executive Officer, Vice President of Reliability Assurance Division, and General Marketing Compliance Officer

Toru Terashima*

Apr.1984 Joined Sumitomo Chemical Company, Limited
Oct.1984 Joined Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)
Jan.2016 Joined the Company
Jun.2016 Corporate Officer, and Vice President of Reliability Assurance Division
Jun.2017 Director, Corporate Officer, Vice President of Reliability Assurance Division
Jun.2018 Director, Executive Officer, Vice President of Reliability Assurance Division, and General Marketing Compliance Officer (incumbent)



External Director

Hidefumi Sugao

Apr.1979 Registered as an Attorney
Jun.1982 Opened Sugao Law Office (incumbent)
May1994 External Director of Nishimatsuya Chain Co., Ltd. (incumbent)
Jun.2007 External Audit & Supervisory Board Member of the Company
Jun.2012 External Director of the Company (incumbent)



External Director

Nawomi Todo

Jun.1984 Obtained Medical License
Jul.1984 Staff Doctor at Osaka University Hospital
Jul.1987 Staff Doctor at Osaka Police Hospital, Association of Osaka Police Foundation
Jul.1990 Staff Doctor at Nissay Hospital
Jan.2002 Staff Doctor at Osaka-tetsusho Health Insurance Society (incumbent)
Jan.2007 Obtained Certified Occupational Physician Qualification of Japan Medical Association
Jun.2015 External Director of the Company (incumbent)

*Concurrently as officers

Auditors (Audit & Supervisory Board Members)



Standing Statutory Auditor

Tadao Tsubokura

Jul. 2008 Joined the Company
General Manager of Controller
Department
Apr. 2012 General Manager of General
Affairs Department
Jun. 2018 Standing Statutory Auditor
(incumbent)



Statutory Auditor

Hidetsugu Matsunaga

Oct. 2005 Joined the Company
Apr. 2008 General Manager of Human
Resources Department, and
General Manager of Information
System Department
Apr. 2012 Advisor
Jun. 2012 Audit & Supervisory Board
Member (incumbent)
Standing Statutory Auditor
Jun. 2018 Statutory Auditor (incumbent)



External Auditor

Takanobu Tomohiro

Apr. 1991 Registered as an attorney
Joined Kogoshi Takizawa Law
Office
(currently, Kobe-Kaito Law Office)
Apr. 1994 Partner of Kobe-Kaito Law Office
(incumbent)
Jun. 2016 External Auditor (incumbent)



External Auditor

Junichi Hirano

Jul. 2013 Director, Co-ordination Division,
Second Large Enterprise
Examination Department, Osaka
Regional Taxation Bureau
Jul. 2014 District Director, Higashi
Yodogawa Tax Office
Jul. 2015 District Director, Himeji Tax Office
Aug. 2016 Established a Certified Tax
Accountant Office
(incumbent)
Jun. 2017 External Auditor (incumbent)

Officers excluding those who are concurrently appointed as Board Members

Executive Officers

Supervisor of External Affairs
Department

Kyozo Inari

In charge of Overseas Operations,
Corporate Strategy Department,
Member of the Board of Sawai America
LLC. and Vice Chairman of the Board of
Upsher-Smith

Masahiro Sasaki

General Manager of Human Resources
Department

Akira Hamada

Vice President of Manufacturing
Division and General Manager of
Stable Supply Management
President, Representative Director of
Medisa Shinyaku Inc.

Motohiko Kimura

Vice President of Research &
Development Division
Executive R&D of the Board of
Upsher-Smith

Shoji Yokota, Ph.D.

Corporate Officers

Deputy Vice President of Research &
Development Division

Yuji Tokunaga, Ph.D.

Director, Intellectual Property Department

Nobuko Sugimoto

Factory Manager of Kashima and
Supervisor of Kanto Factory

Toshiya Hasuo

General Manager of Controller
Department

Yoshiki Sakurai

General Manager of Tokyo Daiichi Branch

Vice President of Sales Division

Yukihiro Fuchida

Seiji Nishimura

We will implement financial strategies to address expected moves toward industry consolidation and accelerate Sawai's transformation into a global enterprise.

Mission as the New CFO

I was appointed to the position of Director of Finance following the General Meeting of Shareholders in June 2018.

By implementing financial strategies to address expected moves toward consolidation in the generics industry and accelerate Sawai's transformation into a global enterprise, we will contribute to the achievement of our Medium-to Long-term Vision and the new medium-term business plan "M1 TRUST 2021."

[New Medium-term Business Plan M1 TRUST 2021](#) > [See page 10](#)

Director and Senior Executive Officer
Kazuhiko Sueyoshi



FY2017 Financial Highlights

Sawai adopted International Financial Reporting Standards (IFRS) beginning in FY2017 to enhance the international comparability of its financial information. We also introduced core operating income as a key metric used in management decision-making.

The business environment in the Japanese market remained challenging as a result of diminished effects from the government's plan to promote the use of generics, and increasing competition from authorized generics (AGs) in new generic-drug releases. In the United States, Sawai's acquisition of Upsher-Smith Laboratories, LLC (Upsher-Smith) established a

solid business foundation in the U.S. market, but during this first fiscal year after the merger we recorded one-time expenses such as M&A-related costs and increased expenditures from revaluation of inventory, as well as amortization and impairment expenses for intangible assets.

As a result, net sales rose 26.9% year-on-year to ¥168.1 billion, with operating income down 3.2% to ¥22.2 billion, although core operating income increased 32.1% to ¥31.1 billion. Total assets increased substantially, up ¥132.8 billion from the end of the previous fiscal year to ¥358.5 billion, though goodwill and intangible assets stemming from the Upsher-Smith acquisition were the main factors for the increase.

[Financial Statements](#) > [See page 34](#)

Performance by Segment

Billions of yen

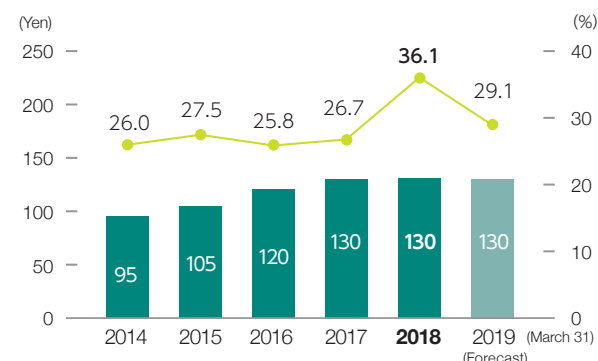
Segment	Net Sales	YoY	Core Operating Income	YoY	Operating Income	YoY
Japan	134.7	+1.8%	24.3	+3.4%	21.9	(4.5%)
U.S.	33.3	—	6.7	—	0.3	—
Total	168.1	+26.9%	31.1	+32.1%	22.2	(3.2%)

*Financial results for 12 months of Japan operations + 10 months of U.S. operations (10 months after the merger)

Growth Investments and Shareholder Returns

Sawai's proactive capital investments during the previous business plan increased our production capacity to 15.5 billion tablets, and quickly established a production structure to support the government's target of 80% generics use. However, to realize our new Medium- to Long-term Vision to "establish a dominant position in the domestic generics market, and transform into a world-leading generic drug company by accelerating growth of Upsher-Smith," we will need to further invest in both the Japanese and U.S. markets. For Sawai, shareholder returns is a management priority. 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%. For the fiscal year ended March 31, 2018, Sawai paid an annual dividend of 130 yen per share (interim and year-end dividends of 65 yen per share), for a total return to shareholders of ¥5.2 billion.

Cash Dividends per Share and Payout Ratio



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

■ Cash dividends per share ● Payout ratio (right)

Financial Soundness

Considering developments such as the introduction of annual drug pricing reviews and other fundamental

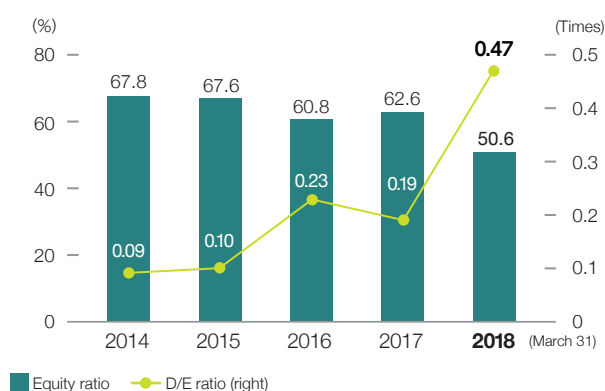
changes to Japan's prescription drug pricing system, the pharmaceutical industry is likely to undergo restructuring in the near future. For the Sawai Group to take advantage of this opportunity, it is critical that we act flexibly, securing and maintaining a solid financial base.

Our financial position deteriorated temporarily due to the incurring of a large amount of debt to finance the acquisition of Upsher-Smith. By issuing new shares, and the sale of a stake in our U.S. business to Sumitomo Corporation of Americas (SCOA), we were able to improve our financial condition. As a result, we maintained our credit rating of "A-" from Rating and Investment Information, Inc. (R&I), the same as it was prior to the acquisition. The capital increase resulted in a short-term rise in capital cost, but we feel that over the long term it was the best choice for the company.

In addition, Sawai is making concerted efforts to increase earnings, lower costs including reducing product waste, and raise productivity. We are also working to enhance the cash conversion cycle through activities such as inventory reduction, in an effort to improve capital efficiency.

Further, to lower capital costs Sawai will maintain and strengthen trust through proactive disclosure and dialogue with shareholders and investors. We will also work to develop and implement optimal financial strategies aimed at managing market risks, and maximizing returns over the long term.

Equity Ratio and D/E Ratio



■ Equity ratio ● D/E ratio (right)

Cash Flows

Billions of yen

	FY2014	FY2015	FY2016	FY2017	FY2018
Cash Flows generated from Operating Activities	13.4	12.1	20.0	23.3	28.5
Cash Flows used in Investing Activities	(8.3)	(14.1)	(22.9)	(18.8)	(127.9)
Free Cash Flows	5.1	(2.0)	(3.0)	4.4	(99.4)
Cash Flows generated from (used in) Financing Activities	(0.2)	(0.9)	13.5	(6.8)	108.6
Cash and cash equivalents at the end of the year	25.5	22.6	33.1	30.8	40.0

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

Eleven-Year Summary

Years Ended March 31

IFRS	Millions of yen		Japanese-GAAP
	2018	2017	
Sales revenues	¥ 168,068	¥ 132,392	Net sales
Cost of sales	98,628	80,548	Cost of sales
Gross profit	69,440	51,844	Gross profit
Selling, general and administrative expenses (including research and development (R&D) expenses)	47,264	28,497	Selling, general and administrative expenses
Core operating income	31,118	23,558	Operating income
Profit before tax	20,251	22,757	Profit before income taxes
Profit attributable to owners of the parent	14,017	17,969	Profit attributable to owners of parent
Total assets	358,453	225,609	Total assets
Inventories	65,217	61,924	Inventories
Total current liabilities	72,275	55,490	Total current liabilities
Total non-current liabilities	83,737	28,882	Total long-term liabilities
Total equity	202,441	141,237	Net assets
Cash flows from operating activities	28,472	23,270	Net cash provided by operating activities
Cash flows used in investing activities	(127,900)	(18,827)	Net cash used in investing activities
Cash flows from (used in) financing activities	108,597	(6,761)	Net cash provided by (used in) financing activities
Cash and cash equivalents at the end of the year	39,992	30,771	Cash and cash equivalents at end of year
R&D expenses	14,533	7,238	Research and development (R&D) expenses
Capital expenditures	16,807	18,839	Capital expenditures
Depreciation and amortization	14,239	8,520	Depreciation and amortization
	%		
Ratio of R&D expenses to sales revenues	8.6	5.5	Ratio of R&D expenses to sales
Return on equity	8.7	13.4	Return on equity
Ratio of equity attributable to owners of the parent to total assets	50.6	62.6	Shareholders'equity to total assets
	Yen		
Amounts per share			Amounts per common share:
Basic earnings per share	¥ 360.49	¥ 487.38	Net income—basic
Diluted earnings per share	360.26	487.08	Net income—diluted
Dividends per share	130.00	130.00	Cash dividends applicable to period
Equity attributable to owners of the parent per share	4,143.15	3,830.84	Net assets

Notes: 1. Diluted net income per common share is not disclosed from 2008 to 2009 because there were no outstanding convertible securities.

2. Net assets from 2008 included non-controlling interests due to the application of the Japanese Corporate Law.

3. Capital expenditures are presented on a cash flow basis.

4. 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.

5. From the fiscal year ended March 31, 2016, the Company has adopted a revised accounting standard for business combinations.

The Company has changed "Net income" to "Profit attributable to owners of parent" by the change.

6. 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.

Millions of yen									
2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
¥132,428	¥123,492	¥105,454	¥ 89,824	¥ 80,503	¥ 67,603	¥ 63,853	¥ 50,070	¥ 44,284	¥ 37,631
80,309	71,858	60,048	48,353	42,511	34,411	33,736	26,275	25,156	20,130
52,119	51,634	45,406	41,471	37,992	33,192	30,117	23,795	19,128	17,501
31,486	28,449	24,718	22,380	20,607	18,188	16,531	15,276	14,461	13,453
20,633	23,185	20,688	19,091	17,385	15,004	13,586	8,519	4,668	4,048
19,871	23,092	20,298	18,990	18,098	14,928	12,289	8,372	4,320	3,129
15,914	17,156	14,053	12,193	12,022	9,026	7,183	4,982	2,439	1,739
221,539	206,492	166,180	149,348	127,843	123,400	117,056	81,236	72,320	66,295
61,777	55,668	44,663	39,182	29,529	25,780	21,218	18,081	13,588	13,500
54,876	50,078	42,209	39,097	30,105	26,932	25,811	25,441	20,911	17,152
29,063	30,692	11,572	8,949	36,258	37,893	40,382	9,537	9,703	8,938
137,600	125,722	112,399	101,302	61,480	58,575	50,863	46,258	41,706	40,205
20,628	19,975	12,112	13,422	12,256	7,814	5,937	7,907	3,169	9,549
(16,206)	(22,937)	(14,123)	(8,283)	(1,373)	(2,371)	(20,362)	(5,329)	(3,037)	(6,562)
(6,740)	13,473	(922)	(178)	(10,970)	(4,578)	24,756	348	1,027	(4,958)
30,771	33,096	22,604	25,537	20,584	20,671	19,805	9,474	6,548	5,389
10,208	8,019	6,110	5,170	4,551	4,317	3,902	3,593	3,409	3,222
16,194	17,775	13,251	7,353	4,599	4,599	2,805	5,370	2,841	6,567
8,645	7,044	5,863	4,989	3,793	3,389	3,066	3,025	2,709	2,575
%									
7.7	6.5	5.8	5.8	5.7	6.4	6.1	7.2	7.7	8.6
12.1	14.4	13.2	15.0	20.1	16.5	15.1	11.8	6.2	4.6
62.0	60.8	67.6	67.8	48.0	47.4	43.4	54.5	55.4	58.3
Yen									
¥ 431.65	¥ 465.57	¥ 382.26	¥ 365.18	¥ 386.71	¥ 285.25	¥ 228.04	¥ 158.66	¥ 77.66	¥ 55.37
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	27.50	27.50
3,722.90	3,405.20	3,053.29	2,755.29	2,027.15	1,846.84	1,605.16	1,408.83	1,275.53	1,230.09

Consolidated Statements of Financial Position

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2018 and 2017, and as of April 1, 2016 (Date of transition to IFRS)

	Millions of yen		
	2018	2017	2016
Assets			
Current assets			
Cash and cash equivalents	¥ 39,992	¥ 30,771	¥ 33,096
Trade and other receivables	56,206	41,214	36,335
Inventories	65,217	61,924	55,778
Other current assets	733	301	600
Total current assets	162,149	134,210	125,809
Non-current assets			
Property, plant and equipment	88,059	77,856	72,331
Goodwill	37,717	-	-
Intangible assets	58,918	6,293	3,557
Other financial assets	6,560	5,814	4,887
Other non-current assets	759	261	147
Deferred tax assets	4,292	1,176	1,858
Total non-current assets	196,305	91,399	82,781
Total assets	¥358,453	¥225,609	¥208,590
	Millions of yen		
	2018	2017	2016
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	¥ 39,909	¥ 39,856	¥ 40,035
Bonds and borrowings	4,718	1,601	1,665
Income taxes payable, etc.	7,383	1,561	3,721
Refund liabilities	6,678	2,269	1,725
Other financial liabilities	5,754	6,784	272
Other current liabilities	7,833	3,420	3,162
Total current liabilities	72,275	55,490	50,581
Non-current liabilities			
Bonds and borrowings	79,787	25,183	26,766
Other financial liabilities	2,855	2,986	3,169
Other non-current liabilities	1,031	660	751
Deferred tax liabilities	63	53	56
Total non-current liabilities	83,737	28,882	30,742
Total liabilities	156,012	84,372	81,323
Equity			
Share capital	41,170	27,171	27,167
Capital surplus	42,574	27,803	27,800
Retained earnings	99,657	90,434	77,258
Treasury shares	(1,385)	(6,006)	(6,006)
Other components of equity	(666)	1,836	1,049
Total interests attributable to owners of the parent	181,350	141,237	127,267
Non-controlling interests	21,091	-	-
Total equity	202,441	141,237	127,267
Total liabilities and equity	¥358,453	¥225,609	¥208,590

Consolidated Statements of Income

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
Sales revenues	¥ 168,068	¥ 132,392
Cost of sales	(98,628)	(80,548)
Gross profit	69,440	51,844
Selling, general and administrative expenses	(32,731)	(21,259)
Research and development expenses	(14,533)	(7,238)
Other income	328	283
Other expenses	(294)	(687)
Operating income	22,209	22,943
Financial income	160	104
Financial expenses	(2,118)	(290)
Profit before tax	20,251	22,757
Income tax	(6,140)	(4,788)
Profit for the year	14,111	17,969
Profit attributable to:		
Owners of the parent	14,017	17,969
Non-controlling interests	94	-
Total	¥ 14,111	¥ 17,969

	Yen	
	2018	2017
Earnings per share		
Basic earnings per share	¥ 360.49	¥ 487.38
Diluted earnings per share	360.26	487.08

Consolidated Statements of Comprehensive Income

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen	
	2018	2017
Profit for the year	¥ 14,111	¥ 17,969
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income	452	625
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,233)	-
Other comprehensive income, net of tax	(3,780)	625
Total comprehensive income	¥ 10,331	¥ 18,594
Comprehensive income attributable to:		
Owners of the parent	11,580	18,594
Non-controlling interests	(1,249)	-
Total	10,331	18,594

Sawai Pharmaceutical Co., Ltd.

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URL: <https://www.sawai.co.jp/en>