

Always Putting Patients First

**sawai**



Sawai Pharmaceutical Co., Ltd.  
**Integrated Report 2019**  
For the Year Ended March 31, 2019



# 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.

All of Sawai's activities are based on its Corporate Philosophy of "Always Putting Patients First." By providing a stable supply 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.

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**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 FY2018 (April 1, 2018 to March 31, 2019).

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

**Approach to Integrated Reporting**

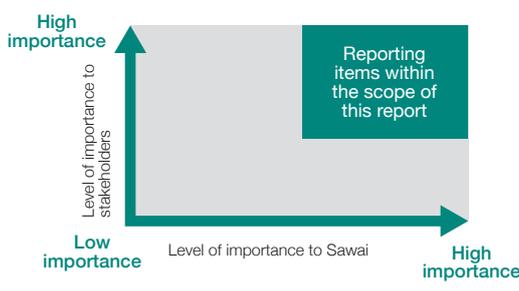
This report was prepared with the support of the Company's CSR Committee, which includes the director in charge of CSR, and its Secretariat. It presents relevant information that may materially affect the ability of the Company to create value in the short, medium, and long terms.

**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.

**Important Matters**



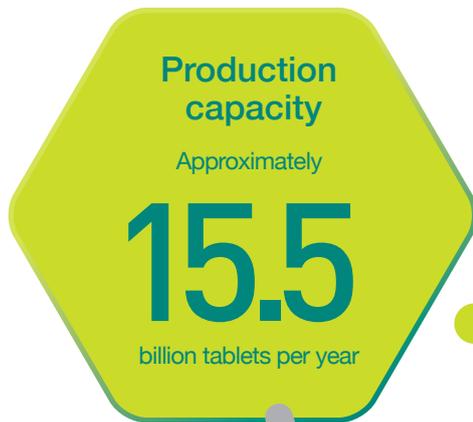
**A Caution Concerning Forward-Looking Statements**

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.

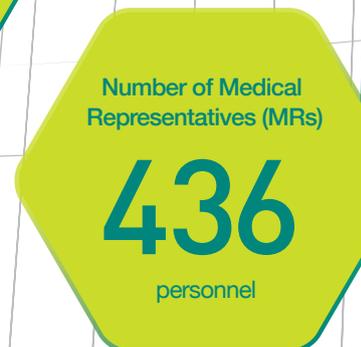
# Stable supply capability

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



Sawai

# Corporate “Always Putting



# Provision of information

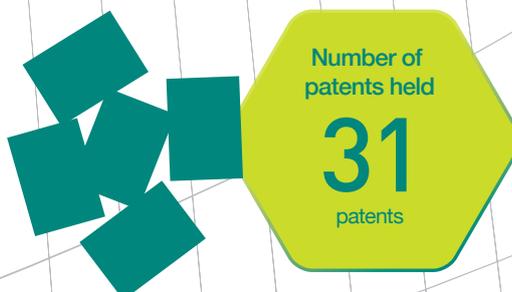
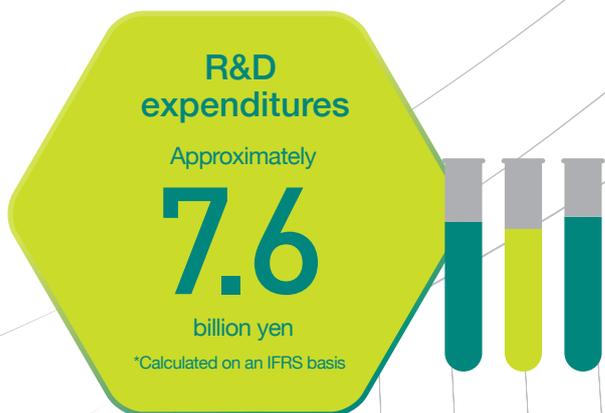
We provide information about our products in a timely manner through three main information channels.



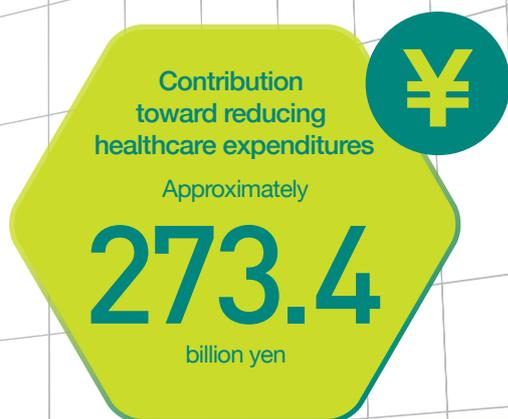
\*All data presented here is based on the actual performance of the Sawai Pharmaceutical Group (Japan) in FY2018.

# Formulation technology

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



# Philosophy "Patients First"



# Social contribution

We make a positive contribution to society by providing high-quality and high, value-added generic drugs.

# 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.

## Sawai's History

### 1929

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



Eye drops, our core product when Sawai was founded

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.

### 1948

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



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.

### 1965

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

### 1981

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

### 2003

Listed on the First Section of the TSE



Ceremony for listing on the First Section of the TSE

### 2007

Sawai established a new Corporate Philosophy and Code of Conduct.

### 2006

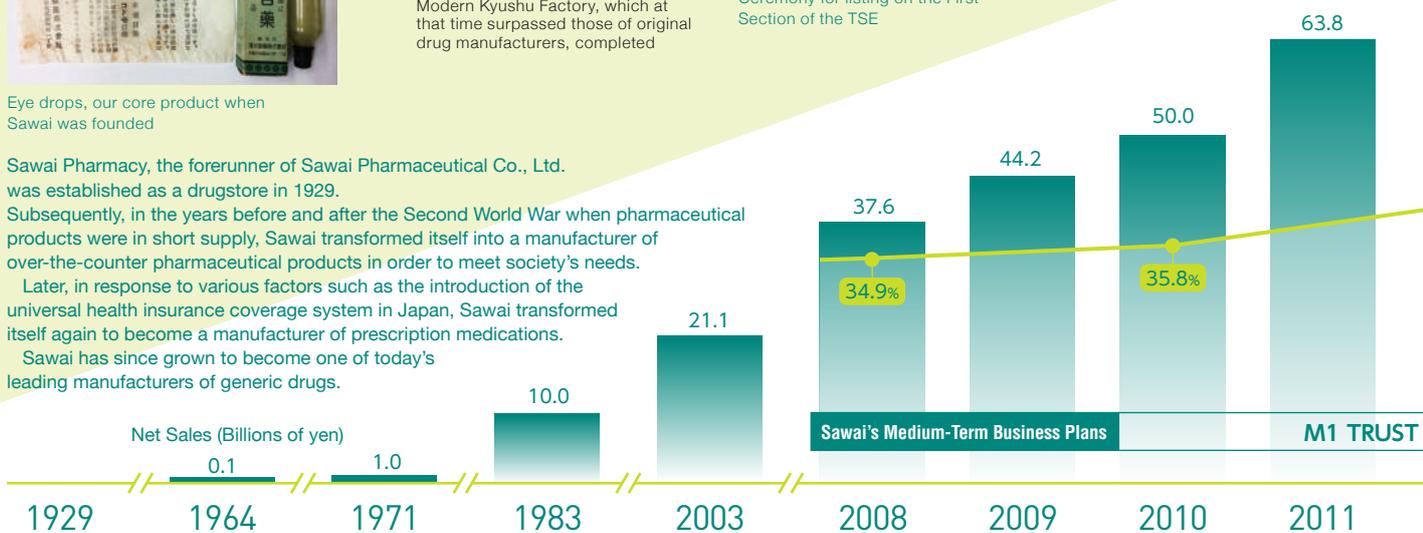
New premises completed, Head Office and Research Laboratories combined and relocated to current premises (Yodogawa-ku, Osaka)



Head Office and Research Laboratories

### 2010

Wholesale route sales surpass those of agencies becoming the sales driver



## Important Events in Society

### 1961

Universal health insurance coverage was implemented in Japan.

### 2002

Introduction of incentives for doctors/pharmacists

### 2007

Government identified the generic drugs' (volume basis) share<sup>1</sup> target of 30% or more by March 2013

### 2008

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

A world-leading generic drug manufacturer

Sawai's Value Creation

Sustainability

Financial Section/Data

## 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

## 2013

New pharmaceutical plant at the Kanto Factory completed



Pharmaceutical plant at the Kanto Factory

## 2016

Sanda Nishi Factory completed



Sanda Nishi Factory

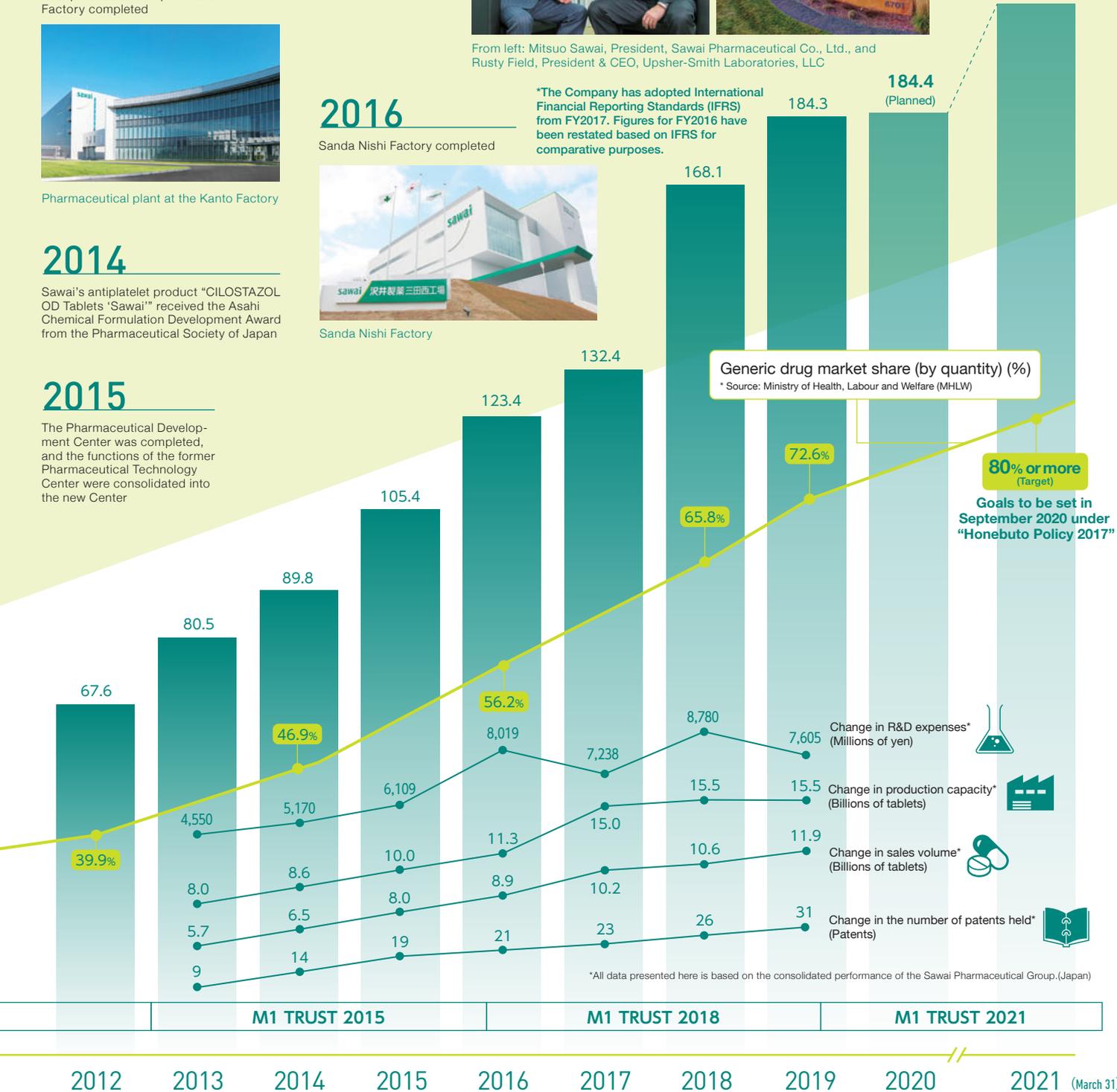
\*The Company has adopted International Financial Reporting Standards (IFRS) from FY2017. Figures for FY2016 have been restated based on IFRS for comparative purposes.

## 2014

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

## 2015

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



\*All data presented here is based on the consolidated performance of the Sawai Pharmaceutical Group.(Japan)

### 2013

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

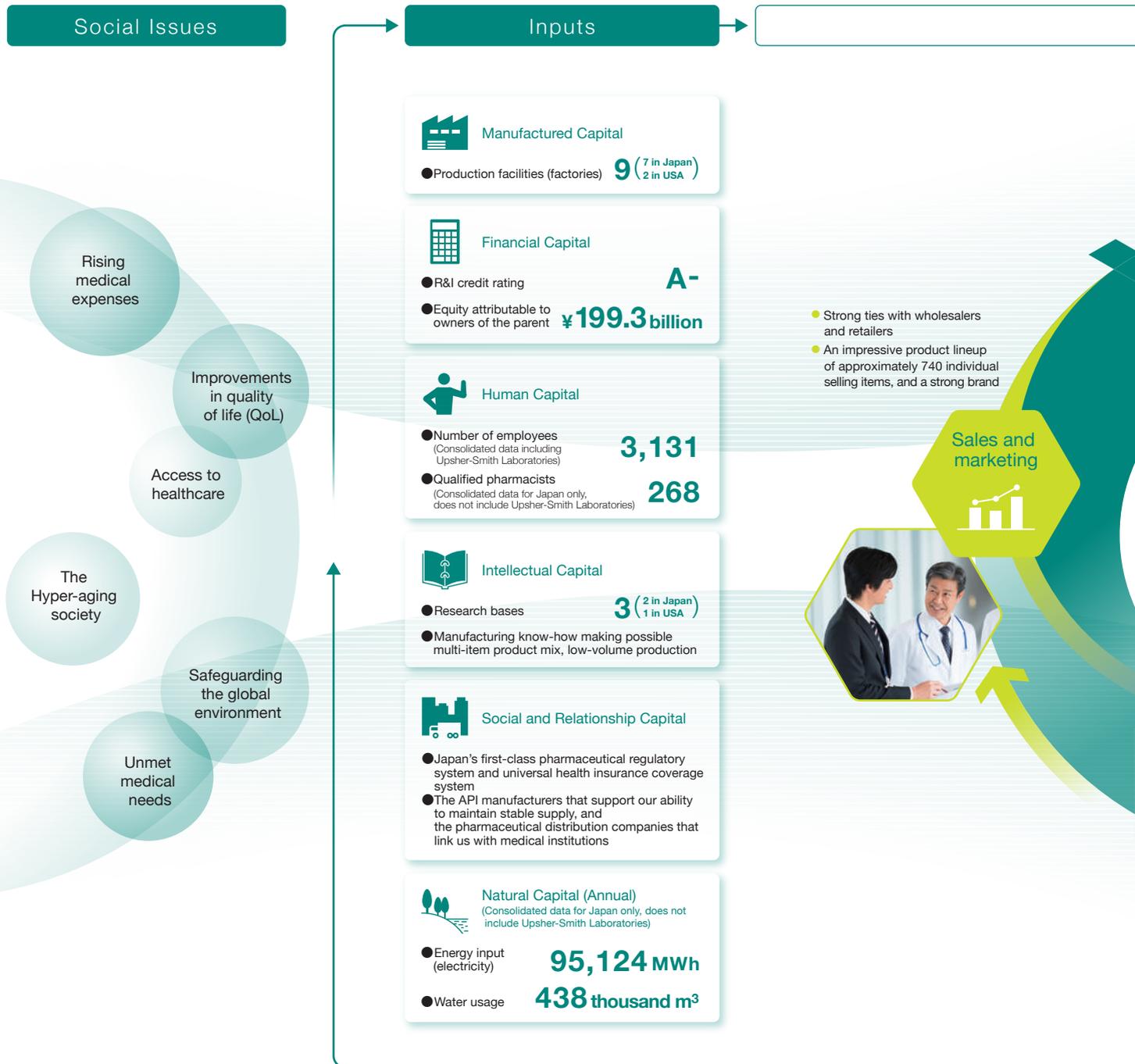
### 2015

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)

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



# ment of a health and a care costs

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.



# Turning Dramatic Changes in the Business Aiming for Sustainable Growth as We

President,  
Representative Director

*M. Sawai*



# Environment into Opportunities; Enter the 100th Year Since Our Founding

## Looking Back on Fiscal 2018

The dramatic overhaul of the drug pricing system in April 2018 was a systemic reform that brought the prices of long-term listed drugs and generic drugs closer together. As a result, the patient copayment gap has become narrower than ever, leading to industry-wide concern as to whether the switch to generic drugs would actually occur.

However, when looked at more carefully, the impact of these systemic reforms was negligible, and as

before, the switch from long-term listed drugs to generic drugs proceeded smoothly. In this environment, solid sales of core products such as Oseltamivir and Capecitabine, which are new exclusive products brought to market (as of January 2019), as well as successful efforts to enhance cost competitiveness through more efficient production and multiple purchases, enabled us to achieve higher than expected sales revenues and operating income.

### Consolidated Financial Highlights

Millions of yen

	FY2017		FY2018		Year on year	
	Amount	Composition of sales	Amount	Composition of sales	Amount	Growth rate
Net sales	168,068	100.0%	<b>184,341</b>	100.0%	16,273	9.7%
Core operating income	31,118	18.5%	<b>37,738</b>	20.5%	6,620	21.3%
Operating income	22,209	13.2%	<b>25,798</b>	14.0%	3,588	16.2%
Profit before tax	20,251	12.0%	<b>25,666</b>	13.9%	5,415	26.7%
Profit attributable to owners of the parent	14,017	8.3%	<b>19,376</b>	10.5%	5,359	38.2%

## Solid Core Product Sales Lead to Higher than Expected Sales Revenues and Operating Income

## Future Outlook

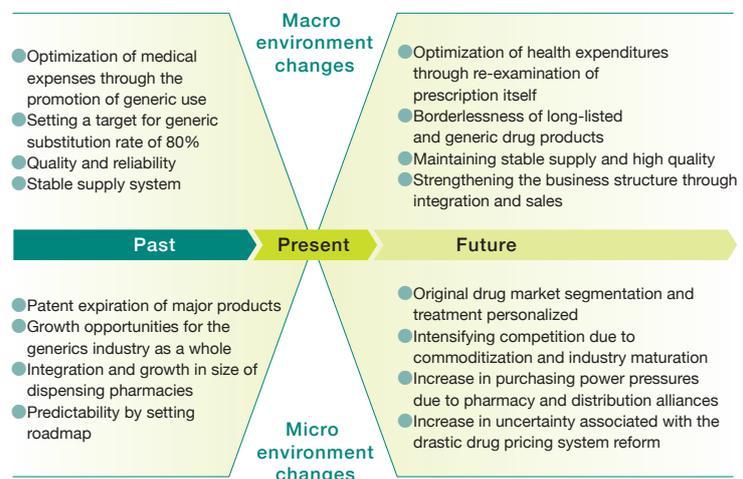
Fiscal 2019 is expected to be quite challenging for the industry. Drug price revisions are expected after the consumption tax hike in October 2019, and further drug price revisions are planned in April 2020. This is the first time that two drug price revisions will occur in such a short period of time. If these challenging conditions persist, some companies will leave the market, making it a near certainty that market share will be concentrated among major generic drug makers. As these conditions provide us with an opportunity to further demonstrate our strengths, Sawai sees a silver lining among even these dark clouds.

While we are also focused on “regional comprehensive care systems” and other government initiatives, this does not change the fact that, ultimately, it is the physician who prescribes generic drugs dispensed to patients at pharmacies. Thus, even if the system changes, we believe the impact will be minor as long as we continue to build relationships of trust with medical institutions as we have up to now.

In Japan, it is thought that the goal for generic drugs is an 80% share. The share of generic drugs in the United States is 90%. In Japan, which is becoming a super-aged society, the share of generic drugs will not stop at 80% given the trend up to now. Even if it is

difficult to reach a 90% share, I think it will naturally rise to more than 85%. Furthermore, up to now generic drug makers have grown overall due to national policy protections, but going forward, we are entering a period in which the capabilities of individual companies will be tested. In other words, there will still be a large growth market for Sawai, and we believe that opportunities to further expand market share will arise as competitors are eliminated.

### Changes in the Micro/Macro Environment



## Synergies with Upsher-Smith

From the very beginning, we have engaged in ongoing discussions regarding synergies with Upsher-Smith Laboratories, LLC (Upsher-Smith), which we acquired in 2017. One of those is expanding the pipeline

through collaborations with Sawai, but it will take three to four years until we can bring a product to market, making it difficult to see any immediate effects of these efforts. As Upsher-Smith was also originally involved in new drug production, they have new drug development capabilities, new drug production equipment, and personnel that we think can be used to create new synergies.

This fiscal year, the U.S. market appears extremely challenging. We will steadily increase our product lineup and number of pipeline assets to continue uncovering more opportunities for new synergies and pipelines than previously planned.

### Financial Highlights of U.S. Business

Millions of yen

	FY2017*	FY2018
Net sales	33,347	40,242
Core operating income	6,730	9,563
Operating income	303	1,568

\*June 1, 2017 to March 31, 2018

## Sustainable Development Goals (SDGs) and Social Contributions

Sawai is aware that its business of providing generic drugs is in itself something that gives hope to people burdened by illness. As a manufacturer of products that affect human life, we conduct our work with sincerity and in good faith so as not to cause anxiety to patients on the basis of supporting the SDGs so that no one is left behind. However, we cannot

address all SDGs, so we focus on Goal 3 (see below) and tackle them one by one. Recently, our Minodronic Acid Tablets won an award\* for their patient-friendly packaging at a global contest. Efforts such as these are born from consideration for how we can make patients happy.

\* See P.20

### Measures Relating to the U.N. SDGs



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.

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



## Supply Stability: Our Commitment to the Social Infrastructure

Recent discontinuation of the sales and manufacturing of high-profile generic drug products and recalls are shaking the confidence in supply stability. There are various reasons for this, including profitability and active pharmaceutical ingredients (APIs) origin issues. In an era in which generic drugs account for 80% of the market, and market share is becoming concentrated among major companies due to industry reorganization and other factors, Sawai recognizes its tremendous responsibility of ensuring a stable supply of products as part of social infrastructure.

Furthermore, the appropriate preparation is required when accepting G1\* long-term listed drugs. Thus, in addition to quality control, including APIs, and capital investment, we must organize our portfolio and

respond with the collective wisdom of our employees to fulfill our responsibilities regarding supply stability.

### \*G1 Rule

This rule incrementally lowers prices of original drugs ("long-term listed drugs") to the same price as generic drugs over a period of six years for products having a generic replacement of 80% and more (G1) among long-term listed drugs for which 10 years have passed since the initial generic listing. Under this rule, long-term listed drugs can be withdrawn from the market, in which case the generic drug manufacturer who wants to be a successor is responsible for increased production and information provision.

## Corporate Governance Enhancements

With regard to corporate governance, up to now our founder had been responsible for managing the company. We recognize that we had lagged somewhat behind current trends, but we have now arrived at a point where we are able to establish and operate a Governance Committee for Nomination and Compensation. Discussions pertaining to corporate

executive appointments, dismissals and evaluations are led mainly by external directors from an objective perspective. We designed a system that works as an incentive taking compensation levels in the industry into consideration, enabling us to recruit talented human resources from outside the Company. We expect this to contribute to the enhancement of our corporate values.

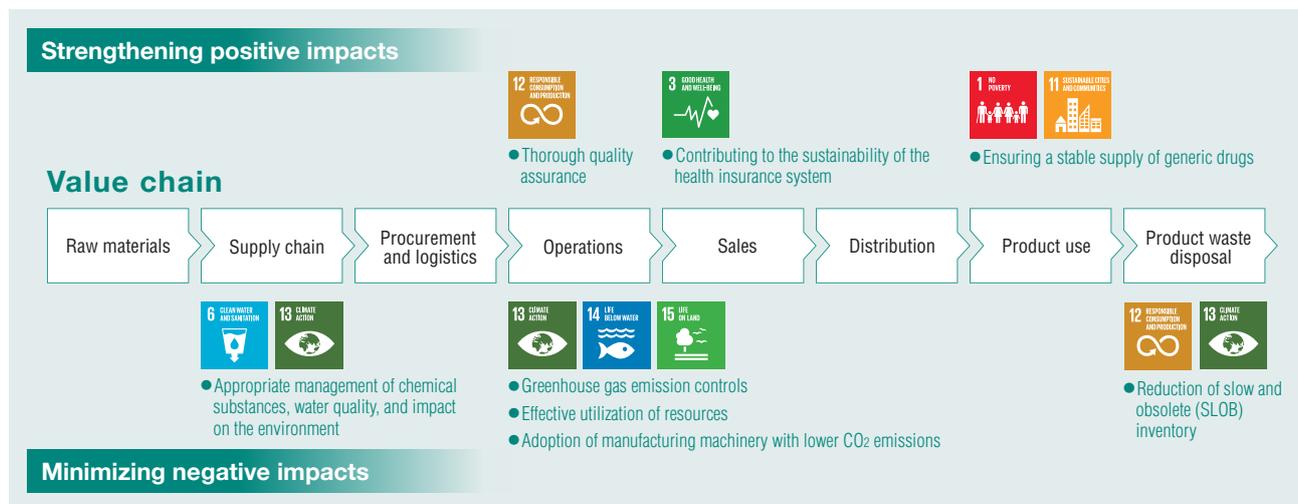
## Environmental Contributions

While we have long engaged in environmental measures at our factories in Japan, we are also constantly thinking about the API manufacturing process.

The pharmaceutical supply chain is extremely long,

and at present, environmental costs are increasing in each process, leading to higher costs. However, we cannot use APIs without this kind of environmental investment. We also engage in green procurement, which includes disclosing information on country of origin. \*

\* As of July 1, 2019



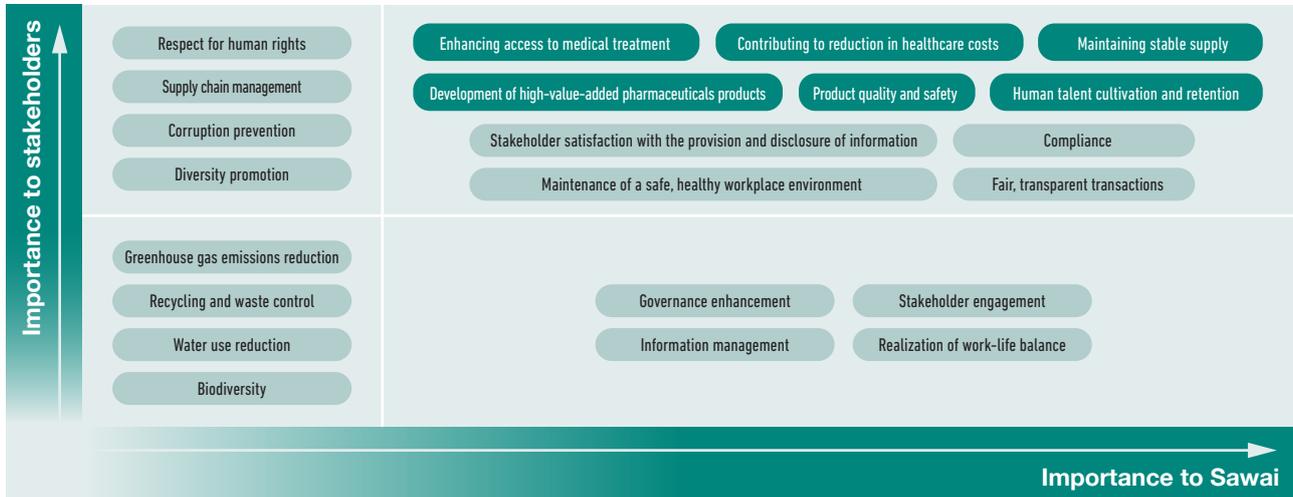
## Sound Management and Employee Diversity

In addition to being recognized under the Ministry of Economy, Trade and Industry's Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category) for two years straight, Sawai was selected for inclusion in the MSCI Japan Empowering Women (WIN) Select Index, one of the indices used by the GPIF\*, and in 2019, we were selected for inclusion in the FTSE4Good Index Series, the global standard for ESG investment. These accomplishments reflect high esteem for our efforts toward the promotion of health and women's participation

in the workplace. However, we must strive to accomplish further innovations and improvements with regard to employee health, an improved work-life balance, employee workstyles and the creation of workplace environments amid a decline in the workforce. Also, from the perspective of diversity, we must move forward with the recruitment of foreigners. As many APIs exist overseas, we must welcome talented foreigners into our ranks to build out our international capabilities.

\* Japan's Government Pension Investment Fund, the largest government pension fund in the world.

## Identification of Materiality



## Human Resource Development

The “Guidelines Regarding Sales Information Provision Activities” were announced in April 2019 and will go into effect in October. These guidelines substantially restrict the information that Medical Representatives (MRs) are able to provide, which is why now more than ever we need MRs that can build relationships of trust with customers. We are entering an era in which

Artificial Intelligence(AI) will replace half of all human work, yet some work is valuable precisely because humans perform it—I think MRs are one example of this. Thus, if we make human resource development one of Sawai’s strengths, I believe we will be able to further enhance our brand power and organizational capabilities.

## Toward Sustainable Growth

Thanks to all our stakeholders, in 2019 we commemorated 90 years since our founding. Everything Sawai has done up to now has been an embodiment of our belief in “Always Putting Patients First” by viewing the world through the eyes of the end user.

I believe that, as a pharmaceutical manufacturing and sales company, continuing to constantly create products that we put our hearts into will lead to sustainable growth for the next 100 years—and the 100 years after that. Fortunately, Upsher-Smith has also always been managed from the patient’s perspective.

We must strive to ensure that this belief is steadily passed on to the next generation. To this end, I myself, and all employees going forward will pay meticulous attention to our work as we carefully manufacture pharmaceutical products. We will make consumers

happy and never betray their trust and confidence in us. We must be consumed by this simple honesty in all our endeavors.



## Message from Rusty Field

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



### Approaching Our 100 Year Milestone

In 2019, Upsher-Smith marks a century of delivering high-quality, life-enhancing medications to the patients who need them. For one hundred years, we have provided a high level of service, built strong industry relationships, and ensured safe and reliable product supply for all our partners in care. This rich history provides a springboard to a successful future as we work to bring an even greater diversity of products to a wider array of U.S. customers.

I am pleased to report that in FY2018, we achieved our high-level financial goals, including EBITDA and cash flow targets. We brought 75 percent of our approved ANDAs to market in calendar year 2018, significantly expanding and diversifying our portfolio of products, and we did so at a time when only 36 percent of FDA-approved ANDA products launched.

The year 2018 marked a turning point in the US generics industry. After almost four years of intense downward pricing pressure, generic price deflation has begun to stabilize in mid-single digit annual

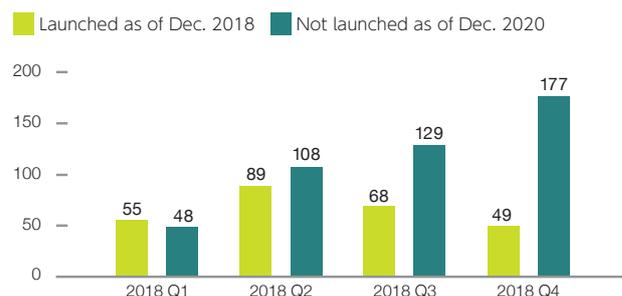
declines. Competition remains intense across the industry, and companies have had to adjust expectations and focus on strategies to lower expenses, such as reductions in force, plant closures, product removals, and consolidation. In addition, the FDA has been accelerating ANDA approvals since 2014, a move which has led to increased competition as more companies have entered the U.S. generics market. Despite these challenges, there are trends that could have a positive impact on performance in the coming years. Given the economic reality of high debt and falling margins, some companies have made financial decisions to exit certain product markets or delay approved product launches. In calendar year 2018, the FDA saw a record spike in ANDA withdrawals, while only 261 of the 723 approved ANDAs had gone to market by December. These trends create new opportunities for nimble companies to enter new markets, expand market share, and launch competitive products.

Going forward, we will use a number of closely connected strategies to ensure we continue to grow,

### Approved ANDA Product Launch Ratio in 2018



### ANDA Approvals: Launched vs. Not Launched by Quarter



Source: FDA, IQVIA

beginning with expense reduction. We are right-sizing our entire organization, increasing efficiencies and aligning expenses with expected revenues. These efforts to control costs will bring near-term net income to a positive level and increase our cash flow so that we can invest in future growth.

## For Sustainable Growth

One of the ways we will invest is in acquisitions, as we aggressively pursue both generic and brand product opportunities. We are targeting branded products that allow us to leverage our sales force's existing brand commercial capabilities. In July 2019, we acquired two FDA-approved products from Dr. Reddy's Laboratories, Ltd. These products, which are indicated for the acute treatment of migraine in adults, are an excellent fit with our current portfolio. They bring us new dosage forms with their intranasal and injectable delivery systems and allow us to drive faster growth in a space with an established group of prescribers. At the same time, we are also investing in infrastructure to increase our capabilities and remain competitive. Through an initiative known as Project Keystone, we are building a modern, efficient, high-quality manufacturing facility that will add significant net income to the bottom line in three years.

As we advance, we need to address several ongoing challenges, beginning with our existing pipeline. While we are gaining our targeted share, prices and margins have been lower than expected. We expect challenging market conditions to continue but we have taken action to position the company for success. Going forward, and with help from Sawai, we aim to deliver organic pipeline growth. We are increasing investment in new starts with the goal of driving growth for the next three to four years and beyond. In this way, we plan to achieve sustainable growth, as promised in our vision statement, and to Do More Good™ for more people, even in the face of an evolving market. We have greatly benefited in this work through the contributions of our expatriate employees who have crossed an ocean to deepen their own understanding of the US market, and bring their knowledge of Sawai, its culture and goals to our Maple Grove headquarters. This team has been an invaluable resource as we integrate our operations with Sawai's, and they play a critical role in the transfer of information to our colleagues in Japan.

I want to thank the entire expatriate team for going above and beyond the call of duty to help us manage



the complex process of integration and to drive Upsher-Smith toward an even more innovative, growth-focused, and globally-oriented future.

## Looking Ahead to the Next 100 Years

As Upsher-Smith grows, it is important that we continue to make community involvement a priority. The Company supports programs that help create a sense of community between our company, pharmacists, and the people who rely on our therapies. Upsher-Smith is proud to sponsor awards annually that recognize leaders in the field of pharmacy, actively participate in and support numerous nonprofits, and offer funds for corporate sponsorships, medical education grants, clinical research, and charitable contributions. Our employees are active in the community and are encouraged to volunteer with local organizations as a way to better understand patients' unmet needs.

Upsher-Smith is fortunate to have a parent company like Sawai, one that shares our focus on long-term success. We are also privileged to have the cash-on-hand we need to invest in our core business, enhance our manufacturing and improve our processes. As we look ahead to the next 100 years, we're inspired not only by what we have accomplished thus far, but also by the prospect of working with all of our partners to deliver the products that will lead to a healthier world.

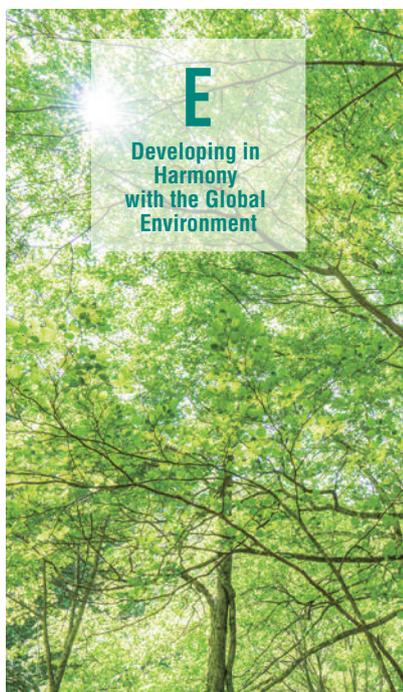


# Sawai seeks to contribute to resolving social issues and realize a sustainable society.

The rising cost of medical care has now become a serious social issue as a result of the rapidly falling birth rate and aging society as well as the availability of more advanced medical care.

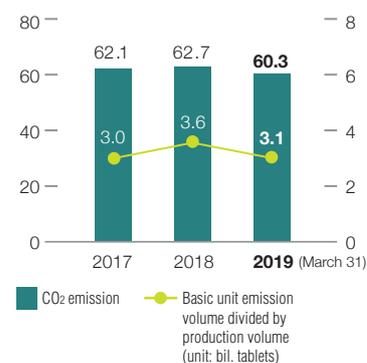
As a specialized manufacturer of generic drugs that offers equivalent quality and higher added value despite having a price lower than the originator drug, we have worked to increase the use of generic drugs to lighten the burden and improve convenience for patients through our Corporate Philosophy of "Always Putting Patients First."

To continue practicing this philosophy, we aim to enhance the Corporate Social Responsibility (CSR) awareness of employees and contribute to the realization of a sustainable society through efforts in our business and business processes which are based on our belief that "the business activities of Sawai themselves are its greatest contribution to society."

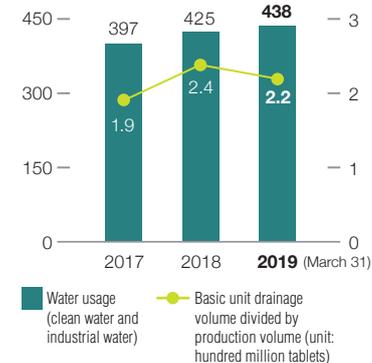


In realizing one of the tenets of its Corporate Philosophy—"to enable people to live healthy lives through pharmaceutical products"—and as a provider of generic drugs, Sawai is working to preserve the global environment in cooperation with local communities and society as a whole.

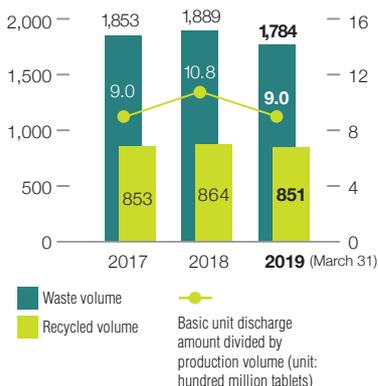
CO<sub>2</sub> Emission (kt-CO<sub>2</sub>)



Water Usage (Thousand m<sup>3</sup>)



Waste Volume / Recycled Volume (t)



Chemical Substances, etc. (t)





## S Contributing to Society

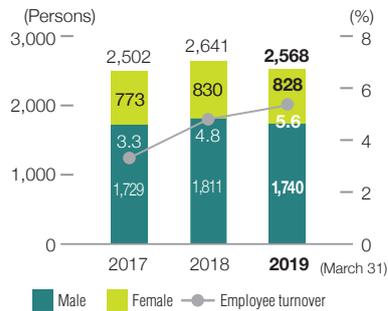
Sawai contributes to society through its business activities, and undertakes a wide variety of social contribution activities for the benefit of local communities.



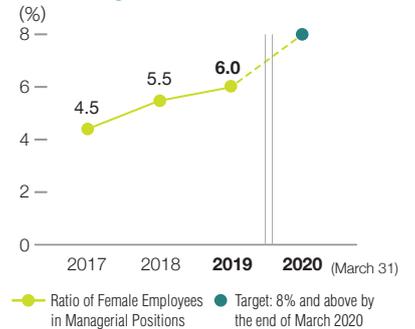
## G Fair and Highly Transparent Management

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 goal.

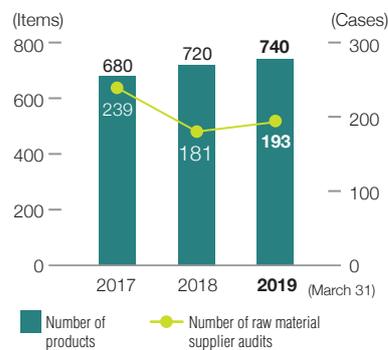
### Number of Employees (Consolidated, Japan only)



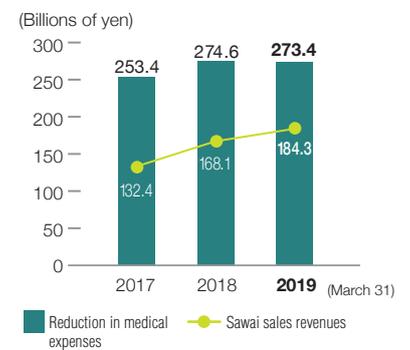
### Ratio of Female Employees in Managerial Positions



### Products and Stable Supply



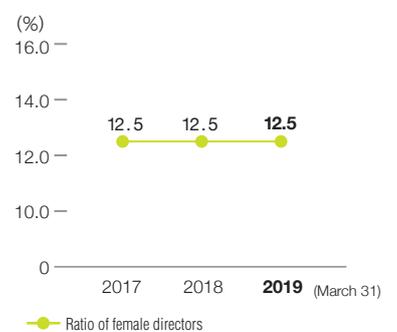
### Reduction in Medical Expenses



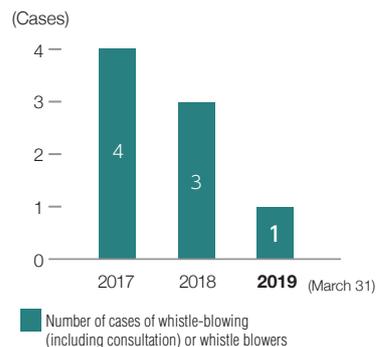
### Number of Directors



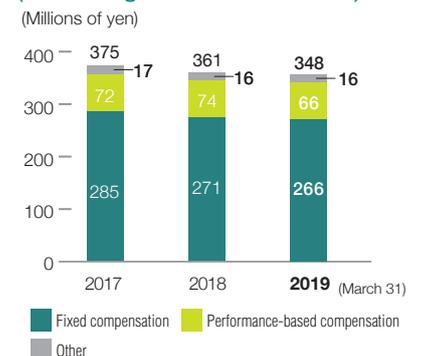
### Ratio of Female Directors



### Number of Cases of Whistle-Blowing (including consultation) or Whistle Blowers



### Total compensation allocation for eligible directors (excluding external directors)





### Participation in the Japan Business and Biodiversity Partnership

Sawai supports the Declaration of Biodiversity released by Keidanren (Japan Business Federation) and strives to conduct business activities with regard for biodiversity in line with the action policy of the Japan Business and Biodiversity Partnership.

#### Action Policy of the Japan Business and Biodiversity Partnership

- |  |  |
|--|--|
| <b>1. Responsibility of management</b>                                 | Commit to corporate management aiming at corporate activities in harmony with nature towards realizing a sustainable society       |
| <b>2. Global perspective</b>   | Act from a global perspective on the biodiversity crisis   |
| <b>3. Voluntary actions</b>  | Act voluntarily and steadily to contribute to biodiversity   |
| <b>4. Integrated environmental business management</b>                 | Promote integrated environmental business management   |
| <b>5. Revitalization of regions making full use of natural capital</b> | Contribute to regional revitalization utilizing natural capital, holding nature in high regard                                     |
| <b>6. Partnership</b>  | Collaborate with relevant international and national organizations   |
| <b>7. Environmental education and human resource development</b>       | Spearhead initiatives on environmental education and human resource development to create a society that will nurture biodiversity |

### Participation in Conservation Activities for the Deepbody Bitterling, an Endangered Species

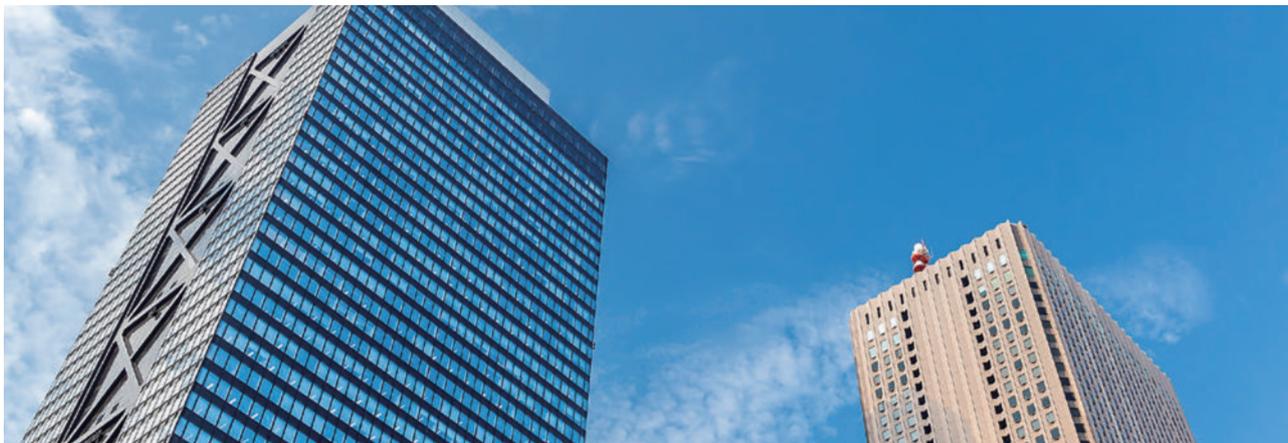
The Deepbody Bitterling (*Acheilognathus longipinnis*), a species of fish in the family of Cyprinidae, is an endangered species that is a Designated Natural Treasure in Japan. Large numbers of Deepbody Bitterlings used to be seen in the Yodo River, but their numbers have decreased so sharply that for a time no

observation was reported. The Deepbody Bitterling is an iconic fish of the Yodo River.

Twice a year, Sawai assists in removing invasive fish species and in river cleanup activities in the Johoku Wando area of Asahi-ku, Osaka City, near where Sawai was founded.







### Received WorldStar Award

Sawai received a WorldStar Award in the global WorldStar Competition sponsored by the World Packaging Organisation (WPO) for our Minodronic Acid Tablet 50 mg osteoporosis medicine it manufactures and sells. This packaging also won the Accessible Design Packaging Award in the Japan Packaging Contest 2018, and an Asia Star 2018 Award in the Consumer Package category. The packaging was recognized both in Japan and globally for allowing even elderly patients without a lot of strength to access tablets just by folding the cardboard packaging. In addition, the front of the packaging

includes space to write the date of when the medicine is taken and stickers to put on a calendar so patients do not forget to take the medicine. Sawai will continue to design packaging and innovate pharmaceutical preparations to make them easier to use for patients, especially the elderly and people with disabilities.



### Sawai Web School

Sawai is striving to create environments in which highly capable people with the desire to improve themselves can make contributions to the company. The Sawai Web School was introduced in 2017 as an internal education system. This system was fully implemented in FY2018, and in the one year since its introduction, a total of approximately 10,000 employees have taken e-learning courses, providing the equivalent of 10 times the educational opportunities as group trainings. The system is closely linked to the Human Resource

Department database to manage course recipients, and is very user-friendly, with courses able to be taken on smartphones and other devices outside of the company. Sawai Web School is used for education and training by the Human Resource Department as well as those organized by other divisions, including MR training and compliance education.



### Efforts to Eradicate Infectious Diseases

Sawai recognizes the importance of taking action to fight tuberculosis, AIDS, and other infectious diseases, which is also set as one of the targets of the SDGs. Sawai has been offering support for the production of and donations for educational videos about tuberculosis countermeasures and AIDS prevention to create understanding not just among medical practitioners, but also among patients and their families. In addition, Sawai offered support for the production of the medical-themed movie "For Global Health" and has conducted other

donation and charity activities. Sawai received a letter of appreciation for its contributions from the Japan Anti-Tuberculosis Association, which organizes the Double-Barred Cross sticker movement aimed at eliminating tuberculosis and other lung diseases to create a healthy and bright future.

The Double-Barred Cross sticker movement character "Seal Boya"



## Labor-Management Cooperation

On September 27, the Labor-Management Work Style Reform Committee, which was formed in FY2018, proposed the following six solutions to issues to President Sawai.

[Issues to address]

- Revision of the work shift system to meet operational needs
- Shortened work hours with higher efficiency
- Making specific tasks less dependent on specialized individual skills
- Strengthening capacity development
- Encouraging greater organizational metabolism
- Facilitating greater information sharing among organizations and between management and staff levels

Amid predictions of a highly challenging business environment surrounding the pharmaceutical industry from the effects of the major drug pricing reform, labor and management are working together to resolve the issues of improving productivity and promoting work-life balance.



From left: President Mitsuo Sawai and Chairman Toshitaka Niiyasu of Sawai Pharmaceutical Workers Union

## Selected for the MSCI Japan Empowering Women (WIN) Select Index

Sawai was selected for the MSCI Japan Empowering Women (WIN) Select Index, which is one of the indices used by the Government Pension Investment Fund Japan (GPIF), an independent administrative institution and one of the world's largest public fund investors, to make investments based on ESG initiatives, an indicator of non-financial value. Companies that lead their industry in employing,

retaining, and promoting women and advancing diversity are selected for the MSCI Japan Empowering Women (WIN) Select Index. Sawai actively strives to advance diversity, generate new ideas and value, and create a corporate culture of openness with a sense of unity through communication and teamwork based on respect for one another's positions.

## Videos Aimed at Solving Social Issues

Viewing the falling birth rate, aging society, and longer healthy life expectancy as a social issue, Sawai has created and released related videos online with the goal of contributing, even if in some small way, to solving this issue.

One video shows how to make the act of taking medicine more enjoyable for children who resist taking medicine. Sawai made this video with the wish of making this time even a little more fun and alleviating this worry for parents who are raising the next generation. Another

video discusses conversations parents and children should have at length about parents' aging, which are usually difficult conversations to have, based on a medical questionnaire that got people to talk candidly about their feelings. Sawai will continue to make these offerings to society to help solve social issues.



## VOICE



### Pink Ribbon Advisor Certification

The members of the Oncology and Hospital Sales Promotion Office have received Pink Ribbon Advisor certification from the Japan Society of Breast Health, an authorized nonprofit organization, for the purpose of deepening understanding for breast cancer and providing information with consideration for the feelings of breast cancer patients. Sawai intends to continue undertaking activities not only to increase people's knowledge about breast cancer, but also to provide more empathetic care that takes into account the feelings of patients, their families and other loved ones.

Some of the Oncology and Hospital Sales Promotion Office members receiving their Pink Ribbon Advisor certification

## Board of Directors



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)

Mr. Hiroyuki Sawai is well-versed in the generic drug business, having been honored with The Order of the Rising Sun, Gold Rays with Neck Ribbon in recognition of his experience working on the dissemination of generic drugs and related educational activities for many years in Japan.



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)

Mr. Mitsuo Sawai is well-versed in the generic drug business. The Company appointed him to drive enhancements to the corporate value of the Sawai Group by building relationships with business partners and other stakeholders and conducting management in line with Sawai's corporate philosophy.



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 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)

Mr. Kenzo Sawai is well-versed in the generic drug business. The Company appointed him to utilize his strategic planning and implementation abilities to support the Sawai Group's growth, medium- to long-term business plans overseas strategies, alliances and advertising efforts.



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)

Mr. Kazuhiko Sueyoshi has expertise in finance and accounting, and the Company appointed him to contribute deep insights into corporate management based on his extensive experience and being well-versed in compliance, CSR and all other aspects of corporate governance.



Director, Senior Executive Officer, Vice President of Reliability Assurance Division

### 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)  
 Jun.2019 Director, Senior Executive Officer, Vice President of Reliability Assurance Division

Mr. Toru Terashima is in charge of general manufacturing and sales. The Company appointed him to provide professional knowledge and business experience in the research, development, and production of, and regulatory affairs related to, pharmaceuticals.



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)

Ms. Nawomi Todo has extensive professional knowledge and experience as a medical doctor. The Company appointed her to continue providing beneficial advice to patients and physicians from an independent perspective.



External Director

### Masatoshi Ohara

Apr.1979 Registered as a lawyer at Osaka Bar Association  
 Joined Kikkawa Sogo Law Offices (currently Kikkawa Law Offices) (incumbent)  
 Aug.1986 Attorney admitted in the State of New York, the U.S.  
 Apr.2004 Member of the Board of Directors for the Kinki Federation of Bar Associations  
 Apr.2017 The President of Osaka Bar Association, the Vice President of Japan Federation of Bar Associations  
 Jan.2018 External Director of Teijin Frontier Co., Ltd. (incumbent)  
 Jun.2019 External Director of the Company (incumbent)

Mr. Masatoshi Ohara has extensive experience and professional knowledge as a lawyer in the United States and Japan. The Company appointed him to utilize his experience as an external director at other companies to provide beneficial advice from an independent perspective.

\*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)

Mr. Tadao Tsubokura conducts audits drawing on his experience as the leader of the Company's business management and general affairs departments, participates in the Audit & Supervisory Board as a Standing Statutory Auditor, and serves as the contact point for the Board of Directors.



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)

Mr. Hidetsugu Matsunaga conducts audits based on his experience as the leader of the Company's human resources and information system departments and his experience as a Standing Statutory Auditor.



External Auditor

### Takanobu Tomohiro

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

Mr. Takanobu Tomohiro has a wealth of expertise and experience as a lawyer, and provides useful advice and auditing from an independent standpoint as an External Auditor.



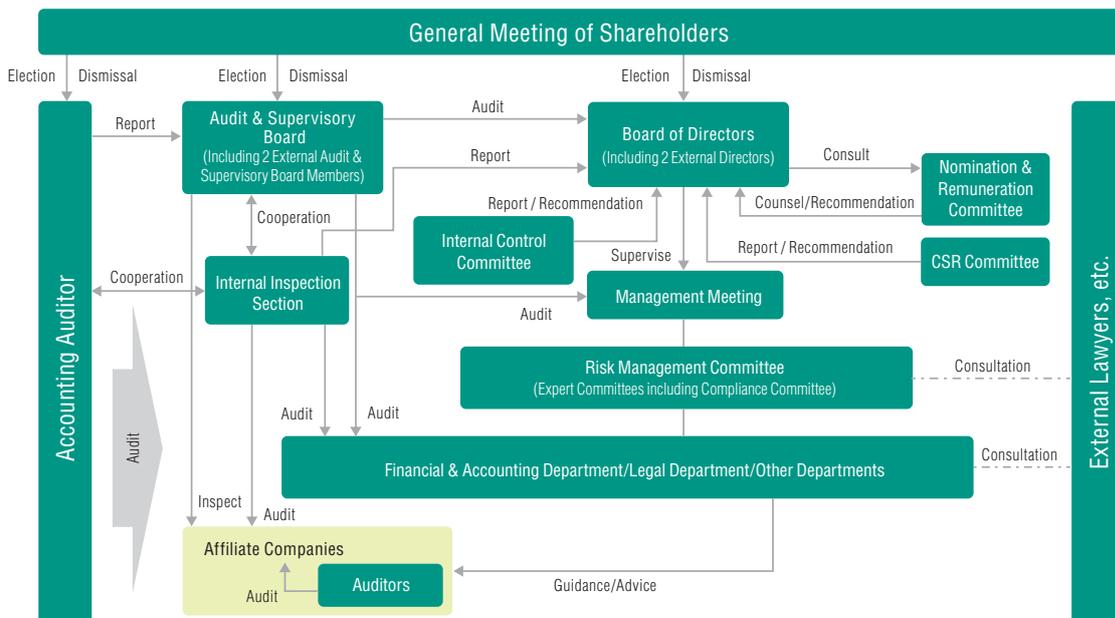
External Auditor

### 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)

Mr. Junichi Hirano opened a tax accountant office after serving as the District Director of the Himeji Tax Office. He has considerable knowledge of finance and accounting, and provides useful advice and audits from an independent standpoint.

## Corporate Governance Structure



## Corporate Governance Activities

### Basic Approach

Sawai emphasizes enhanced corporate governance as a top-priority management issue, and Sawai's corporate management embodies a high degree of fairness and transparency. To achieve sustainable growth, and increase corporate value in the medium- to long term, Sawai has built a management structure that enables rapid and appropriate decision-making and operational execution in response to changes in the external environment.

### Analysis and Evaluation of Board of Directors Effectiveness

Sawai's Board of Directors votes on resolutions after holding careful discussions with a high degree of openness. However, upon analysis and evaluation of the need to undertake more deliberate reviews of decisions on nominations and compensation of management executives and directors, Sawai established the Governance Committee for Nominations and Compensation to receive suitable involvement and advice from independent external directors to a greater degree.

### Governance Committee for Nominations and Compensation

Committee members consist of directors selected by a decision of the Board of Directors. The committee is required to have three or more members, with half or more independent, external directors. Members who have special conflicts of interest with matters for deliberation (such as matters relating to their own nomination or compensation) are required to recuse themselves from participating in the deliberations, and the Board of Directors is required to give the advice and suggestions of the committee due respect to ensure that, even more than in the past, decisions are made from objective viewpoints. The appointment and dismissal of management executives, of the chief executive officer (CEO), the CEO succession plan, compensation of management executives and corporate officers, and the basic policies, regulations, and procedures for these matters are the main topics of deliberation for the committee.

### Executive Compensation

With the establishment of the Governance Committee for Nominations and Compensation, the internal regulations on executive compensation have been revised. Compensation of directors (excluding external directors) consists of fixed compensation, performance-based compensation, and stock options. One evaluation indicator that is used to determine performance-based compensation is the core operating income before deducting investment expenses, which is operating income before deductions are taken for losses due to non-recurring factors and investment expenses, including expenses for research and development. Quantitative as well as qualitative evaluation items are used to create incentives to contribute to sustained improvement of corporate value in the medium- to long term, retain talented management executives, and constrain excessive risk-taking.

### Compliance

In FY2018, the Compliance Committee (chaired by the president) met quarterly and periodically conducted education on themes including respect for human rights with a central focus on preventing sexual harassment, e-learning for information security, and distribution of information security news. In FY2019, the President issued a statement on eliminating impropriety, and the company plans to conduct e-learning on compliance, monthly, for all employees starting in May.



## Risk Management Committee

In fiscal 2018, the Risk Management Committee (chaired by the president) met two times. Each year, the committee reviews the importance and impact of risks classified into 18 categories, analyzing and

evaluating risks faced by the Company using a risk assessment sheet and reviewing countermeasures intended to minimize damage to Company management resources.

## 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
<b>Regulatory risk arising from the Pharmaceutical and Medical Devices Law and other regulations</b>	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.
<b>Changes in Japan's NHI drug price scheme and healthcare system</b>	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.
<b>Lawsuits pertaining to intellectual property</b>	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.
<b>Effects of competition and other factors</b>	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.
<b>Product recalls and suspension of sales</b>	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.
<b>Temporary suspension and delays in production due to natural disasters</b>	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.
<b>Global business development</b>	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.
<b>Company acquisitions</b>	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.
<b>Information management</b>	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.
<b>Other</b>	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.

\*Authorized generics (AG) are generic drugs marketed and sold by a company that has been authorized by the original manufacturer or patent holder to make use of those patent rights.

## External Director Message



# Aiming to strengthen our international competitiveness and corporate value through social contributions in the pharmaceutical field

External Director **Masatoshi Ohara**

In recent years, awareness of the importance of corporate social responsibility (CSR) and environment, social, and governance (ESG) in corporate management has grown. To create a society that is better and easier to live in, corporations, as a member of society, are expected to make more contributions to society than before. Amid this trend, companies' approach to corporate governance is expected to not only consider increasing shareholder profits but also customers (in Sawai's case, patients and health care providers), employees, business partners, and local communities. Evaluations of corporate value are also placing more focus on long-term and sustainable value based on these factors. As a leading generics (GE) manufacturer, Sawai has made contributions to society through the provision of high-quality pharmaceuticals that patients and health care professionals can use with peace of mind. In our rapidly globalizing world, Sawai is working to transform itself into a leading company in the global GE field centered in the United States, through means

including acquisitions of U.S. GE companies. Meanwhile, the pharmaceutical field is directly connected to the health and life of patients, and as such, countries institute a range of pharmaceutical regulations and rigorous quality standards. The required compliance with these and other factors imposes constraints on Sawai's business activities, and the risks are many. As an external director, I intend to fulfill my responsibility in good faith based on my past experience as a lawyer so that I can, with close cooperation and information sharing among Sawai's corporate auditors, auditing firm, and internal control divisions, contribute in even small ways to maintaining fair governance in management and legal compliance, including in the supply chain, from procurement of active pharmaceutical ingredients to delivery of medicines to health care organizations, and to strengthening its international competitiveness so that Sawai can make contributions to society through its business activities and increase its corporate value.



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

Director and Senior Executive Officer **Kazuhiko Sueyoshi**

### Fiscal 2018 Financial Highlights

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

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

### Consolidated Results

Millions of yen

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

### Shareholder Returns

We strive for balance with our growth-oriented investments, while conducting a comprehensive assessment that takes into account factors such as the consolidated financial results in each period, the dividend payout ratio, and shareholder return measures. Our goal is to achieve a stable and ongoing dividend payment with a payout ratio of approximately 30%. In fiscal 2018, we paid an annual dividend of ¥135 per share, including a dividend of ¥5 for Sawai's 90th anniversary (a total return to shareholders of ¥5.9 billion).

### Financial Soundness

Sawai expects restructuring and shakeups in the industry going forward, driven by a fundamental reform of the drug pricing system and a worsening operating environment due to annual drug price revisions.

We will strive to maintain and secure a solid financial foundation to flexibly respond to the upcoming industry restructuring and achieve sustainable growth on a global basis, including Upsher-Smith.

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

### Cash Flows

Millions of yen

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

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

### Cash Dividends per Share and Payout Ratio



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

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

# Eleven-Year Summary

Years Ended March 31

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

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

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

3. 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.

4. 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.

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

Millions of yen								
2017	2016	2015	2014	2013	2012	2011	2010	2009
¥132,428	¥123,492	¥105,454	¥ 89,824	¥ 80,503	¥ 67,603	¥ 63,853	¥ 50,070	¥ 44,284
80,309	71,858	60,048	48,353	42,511	34,411	33,736	26,275	25,156
52,119	51,634	45,406	41,471	37,992	33,192	30,117	23,795	19,128
31,486	28,449	24,718	22,380	20,607	18,188	16,531	15,276	14,461
20,633	23,185	20,688	19,091	17,385	15,004	13,586	8,519	4,668
19,871	23,092	20,298	18,990	18,098	14,928	12,289	8,372	4,320
15,914	17,156	14,053	12,193	12,022	9,026	7,183	4,982	2,439
221,539	206,492	166,180	149,348	127,843	123,400	117,056	81,236	72,320
61,777	55,668	44,663	39,182	29,529	25,780	21,218	18,081	13,588
54,876	50,078	42,209	39,097	30,105	26,932	25,811	25,441	20,911
29,063	30,692	11,572	8,949	36,258	37,893	40,382	9,537	9,703
137,600	125,722	112,399	101,302	61,480	58,575	50,863	46,258	41,706
20,628	19,975	12,112	13,422	12,256	7,814	5,937	7,907	3,169
(16,206)	(22,937)	(14,123)	(8,283)	(1,373)	(2,371)	(20,362)	(5,329)	(3,037)
(6,740)	13,473	(922)	(178)	(10,970)	(4,578)	24,756	348	1,027
30,771	33,096	22,604	25,537	20,584	20,671	19,805	9,474	6,548
10,208	8,019	6,110	5,170	4,551	4,317	3,902	3,593	3,409
16,194	17,775	13,251	7,353	4,599	4,599	2,805	5,370	2,841
8,645	7,044	5,863	4,989	3,793	3,389	3,066	3,025	2,709
%								
7.7	6.5	5.8	5.8	5.7	6.4	6.1	7.2	7.7
12.1	14.4	13.2	15.0	20.1	16.5	15.1	11.8	6.2
62.0	60.8	67.6	67.8	48.0	47.4	43.4	54.5	55.4
Yen								
¥ 431.65	¥ 465.57	¥ 382.26	¥ 365.18	¥ 386.71	¥ 285.25	¥ 228.04	¥ 158.66	¥ 77.66
431.39	465.25	381.85	330.41	318.17	235.07	203.67	158.43	—
130.00	120.00	105.00	95.00	85.00	70.00	55.00	35.00	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

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