

Production-related investment, including the sixth-stage expansion of Medisa Shinyaku's Kyushu Factory and the third-stage expansion of the Sanda Factory, pushed up property, plant and equipment by ¥2,967 to ¥31,822 million. Accumulated depreciation also rose, adding on ¥2,016 million for a total of ¥22,314 million.

Capital expenditures were ¥1,132 million higher than at the end of the previous term, reaching a total of ¥5,468 million.

The total of intangible assets and investments and other assets dropped ¥555 million to ¥1,544 million as a result of goodwill amortization and a loss on devaluation of investments in securities, net.

Total liabilities increased versus the end of the previous term to ¥30,614 million, representing a 17.3% increase of ¥4,524 million. The increase was primarily associated with current liabilities including bank loans and other accounts payable. Interest bearing debt increased from the end of the previous period by 16.5%, or ¥1,917 million, to ¥13,551 million.

Net assets were 3.7% higher from the end of the previous year, a ¥1,500 million increase to ¥41,706 million, while the equity ratio decreased 2.9 points to 55.4%

## Cash Flows

### Cash flows from operating activities

Cash flows from operating activities declined by ¥6,380 million from the previous year to a net inflow of ¥3,169 million. Primary components were ¥4,320 million in income before income taxes and minority interests, ¥2,709 million in depreciation and amortization, ¥449 million from the decrease in trade notes and accounts payable, ¥1,978 million for the increase in trade notes and accounts receivable, and a ¥1,456 million outflow for income taxes paid.

### Cash flows from investing activities

Cash flows used in investment activities fell to a net outflow of ¥3,037 million, consisting mainly of payments for purchase of property, plant and equipment, which represents a year-on-year fall of ¥3,526 million.

### Cash flows from financing activities

Cash flows from financing activities amounted to a net inflow ¥1,027 million. The primary item was proceeds from long-term debt.

As a result, cash and cash equivalents at end of year increased by ¥1,159 million from the previous fiscal year to ¥6,548 million.

## Dividend Policy

The Company considers the distribution of profits to shareholders its most important management priority and has a basic policy of continuing to pay dividends according to business performance while maintaining the internal reserves necessary for future business development and strengthening the financial structure.

For the year under review, Sawai stressed shareholder returns and paid an annual dividend of ¥55 per share, consisting of an interim dividend of ¥30 per share and a year-end dividend of ¥25. The consolidated dividend ratio was 35.4%.

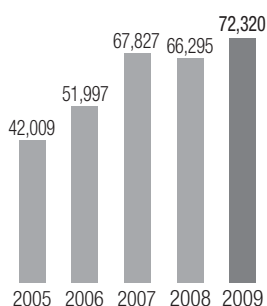
## Outlook for Fiscal 2009

We expect that the Japanese economy will continue to face a challenging environment, characterized by a drastic drop in exports and depressed domestic demand for both personal consumption and business investment. We further believe that this period will be a favorable one for promoting the use of generic drugs, and expect to see market expansion.

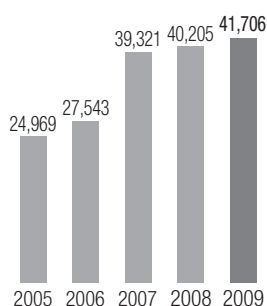
The Sawai Group will augment its business performance by making further inroads in developing new markets through vigorous sales activities while championing the excellence of our products on the basis of quality, information provision, and stable supply. In fiscal 2009, we will execute numerous measures designed to fulfill the M1 TRUST Medium-term Business Plan as we embark on the first year of the plan.

We forecast net sales of ¥49,000 million, operating income of ¥5,800 million, and net income of ¥3,150 million in FY2009 by engaging in business operations according to the policies outlined above.

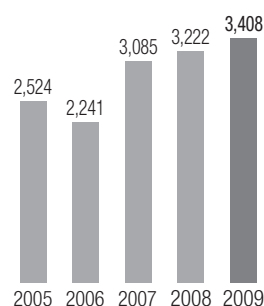
**Total Assets**  
(Millions of yen)



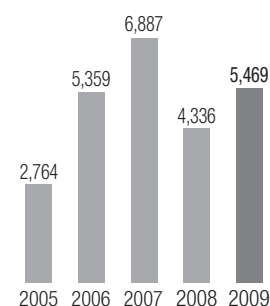
**Net Assets**  
(Millions of yen)



**Research and Development (R&D) Expenses**  
(Millions of yen)



**Capital Expenditures**  
(Millions of yen)



(Years ended March 31)