

Financial Results for
the Third Quarter of FY 2018
(Apr. 1 to Dec. 31)



Sawai Pharmaceutical Co.,Ltd.

Code 4555, First Section of the TSE

Feb. 14, 2019

Overview of the Financial Results for the Third Quarter of FY2018

- ◆ Japan: Sales increased due to favorable sales of products listed since FY2017
- ◆ United States: The main products remained strong
- ◆ On the whole, sales income increased 8.5% year-on-year and core operating income increased 9.0%

(Unit: Millions of yen)

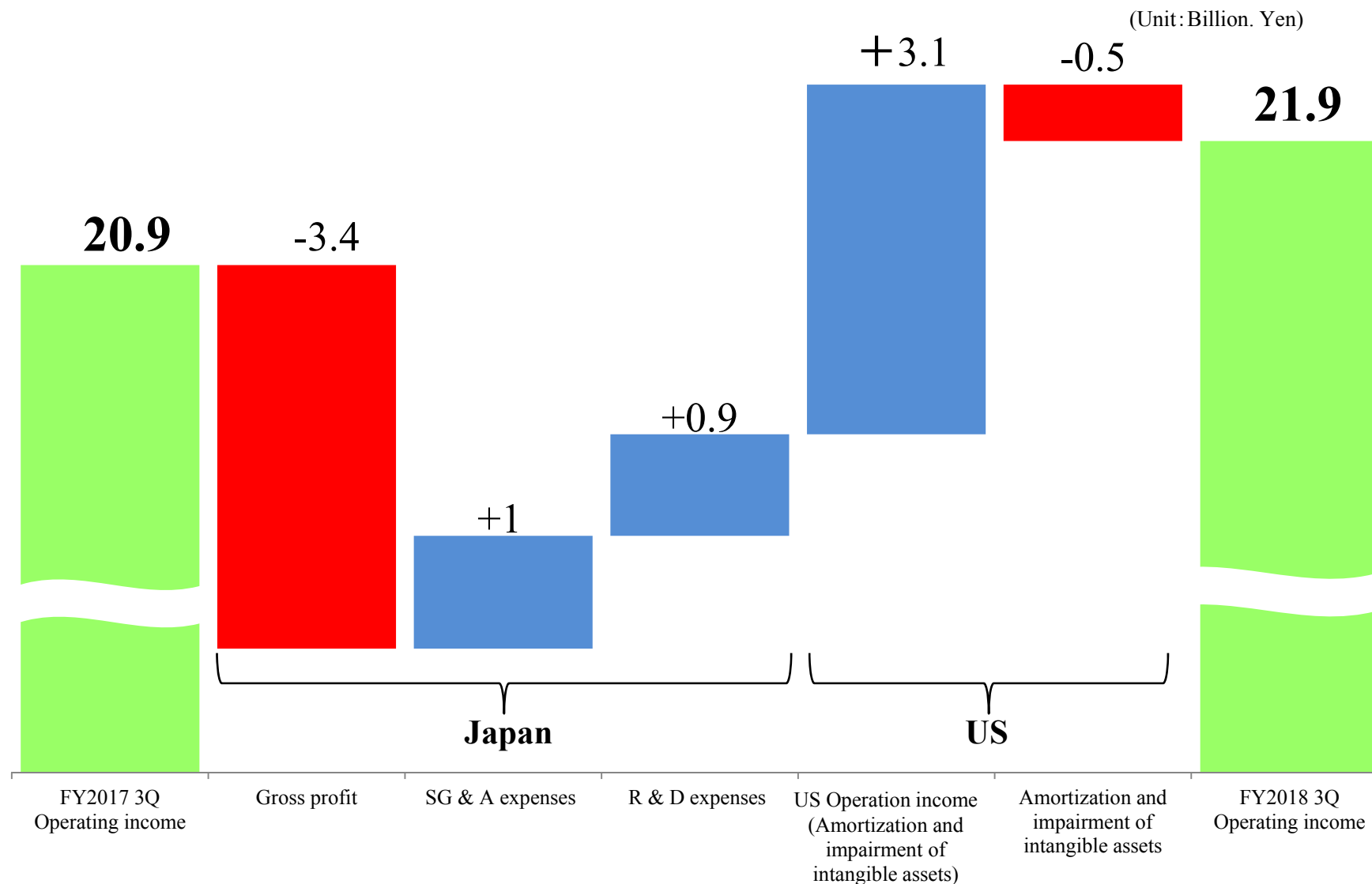
	FY 2017 3Q *1			FY 2018 3Q			Year on Year	
	Sale and Profit by Region		US	Sale and Profit by Region		US	Mil. yen	Growth (%)
	Japan	US		Japan	US			
Net Sales	127,199	103,227	23,972	137,997	107,882	30,116	10,799	8.5%
Core Operating Income *2	26,527	21,719	4,808	28,907	21,812	7,067	2,380	9.0%
Operating Income	20,909	21,069	-160	21,904	19,510	2,395	996	4.8%
Profit before tax	21,282	—	—	21,827	—	—	545	2.6%
Profit attributable to owners of the parent	15,644	—	—	16,804	—	—	1,160	7.4%

*1 Financial Results for the 3rd Quarter of FY 2017: Financial Results for 9 months of Japan operations + 7 months of US operations

*2 With the adoption of IFRS, we have introduced “Core Operating Income” as an indicator of recurring profitability, and we regard this as a key indicator of business performance that excludes non-recurring factors from operating income

FY 2018 the 3rd Quarterly Average Rate :1USD = 111 JPY

Analysis of Factors Causing Changes in Operating Income



Financial Results for the Third Quarter of FY2018 (Adjusted from Full basis to Core basis)



(Unit: Millions of yen)

	FY2018 3Q Actual		
	Full basis	Mil. yen	Core basis
Net Sales	137,997		137,997
Cost of Sales	-82,443	+1,885	-80,559
Gross Profit	55,554	+1,885	57,439
SG&A Expenses	-23,399	+3,132	-20,267
Amortization of intangible assets	-3,132	+3,132	—
R&D Expenses	-10,159	+1,894	-8,265
Other income(expenses)	-92	+92	—
Operating Income	21,904	+7,003	28,907

Expenses for step-up of inventories (increased portion by measured at fair value) and impairment loss etc.

> 1.9 billion yen

Amortization of intangible assets

>3.1 billion yen

(2.7 billion yen for US)

Impairment loss etc. > 1.9 billion yen

Sales per Medical Institution Types (Japan) (non-consolidated)



- ◆ Although the drug price revision had an impact, products for pharmacies performed strongly

The Track Record of SAWAI's Products Delivered to Medical Institutions by Distribution Companies

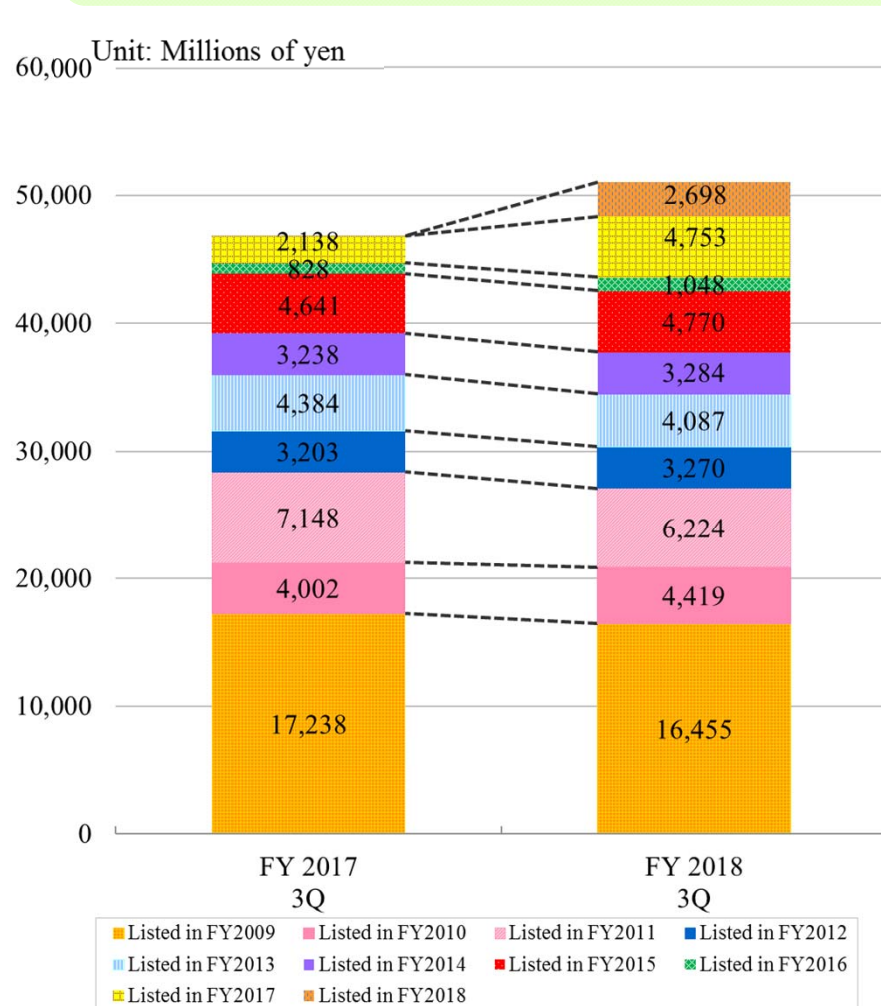
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY 2017 3Q		FY 2018 3Q			Year on Year	
		Number of Customers	Sales Share	b) Number of Customers	Coverage Rate (b/a)	Sales Share	Changes in Number of Customers	Sales Growth
Hospital	8,395	7,960	13.0%	8,071	(96.1%)	12.0%	111	-6.5%
DPC Hospital	1,730	1,652	8.0%	1,724	(99.7%)	7.3%	72	-9.5%
Clinic	105,745	34,927	10.0%	36,917	(34.9%)	9.7%	1,990	-1.1%
Pharmacy	88,435	57,219	75.1%	58,057	(65.6%)	77.0%	838	3.8%
Dispensing Pharmacy	61,074	56,895	74.7%	57,726	(94.5%)	76.6%	831	3.9%
Drug Stores, etc.	27,361	324	0.4%	331	(1.2%)	0.4%	7	-11.5%
Others	-	-	1.9%	-	-	1.3%	-	-1.1%
Total	202,575	100,106	100.0%	103,045	(50.9%)	100.0%	2,939	1.9%

DPC: Diagnosis Procedure Combination, means fixed payment system for inpatients

Sales by Listed Year of Drugs (Japan)

◆ Sales of products listed since FY2016 have increased steadily

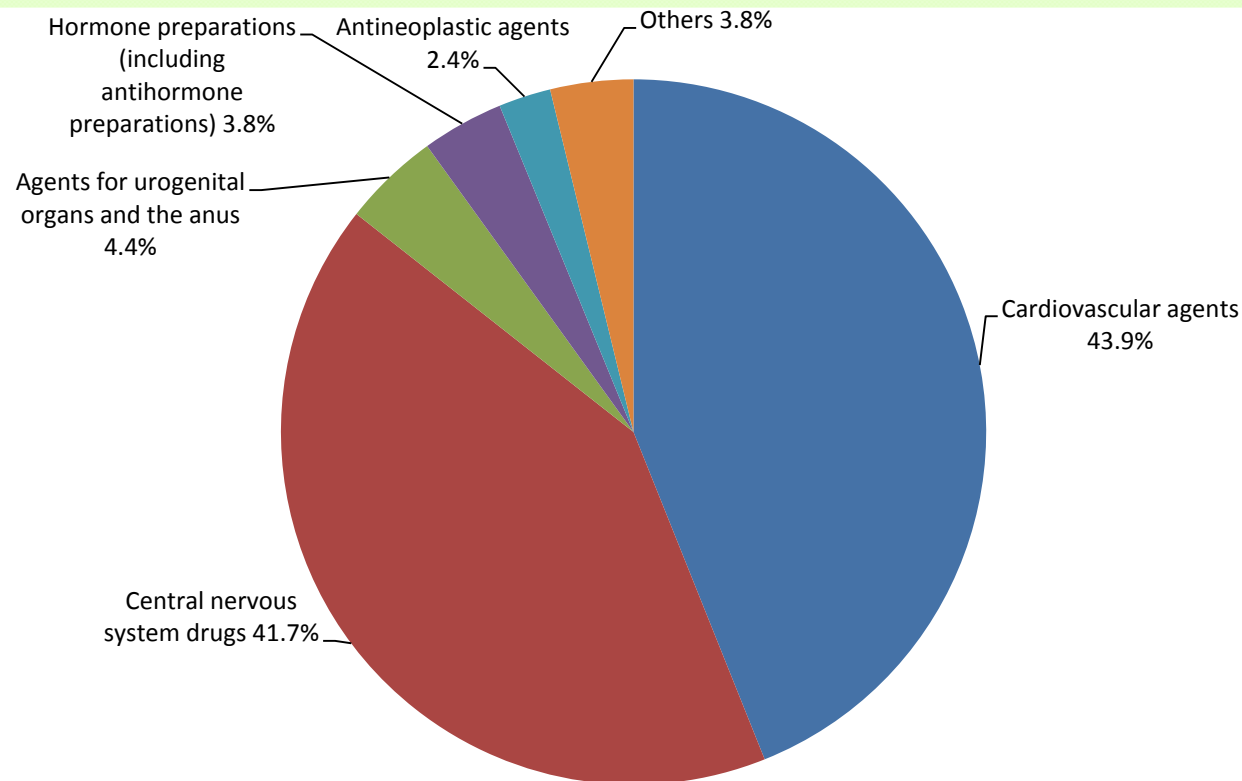


(Unit: Millions of yen, %)

	FY 2017 3Q	FY 2018 3Q	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2018	-	2,698	-
Listed in FY2017	2,138	4,753	122.3%
Listed in FY2016	828	1,048	26.6%
Listed in FY2015	4,641	4,770	2.8%
Listed in FY2014	3,238	3,284	1.4%
Listed in FY2013	4,384	4,087	-6.8%
Listed in FY2012	3,203	3,270	2.1%
Listed in FY2011	7,148	6,224	-12.9%
Listed in FY2010	4,002	4,419	10.4%
Listed in FY2009	17,238	16,455	-4.5%
Existing Drugs and Transferred Drugs, etc.	56,407	56,872	0.8%
Total	103,227	107,882	4.5%

Sales breakdown by Therapeutic category (US)

- ◆ The breakdown of sales in the US business, totaling 30.1 billion yen, is shown below
- ◆ 3rd Quarter performance has been strong in the core generic products



FY 2018 3rd Quarterly Average Rate : 1 USD = 111 JPY

FY2018 Earnings Forecasts

◆ Net Sales and Operating Income are progressing steadily with respect to the plan

(Unit: Millions of yen)

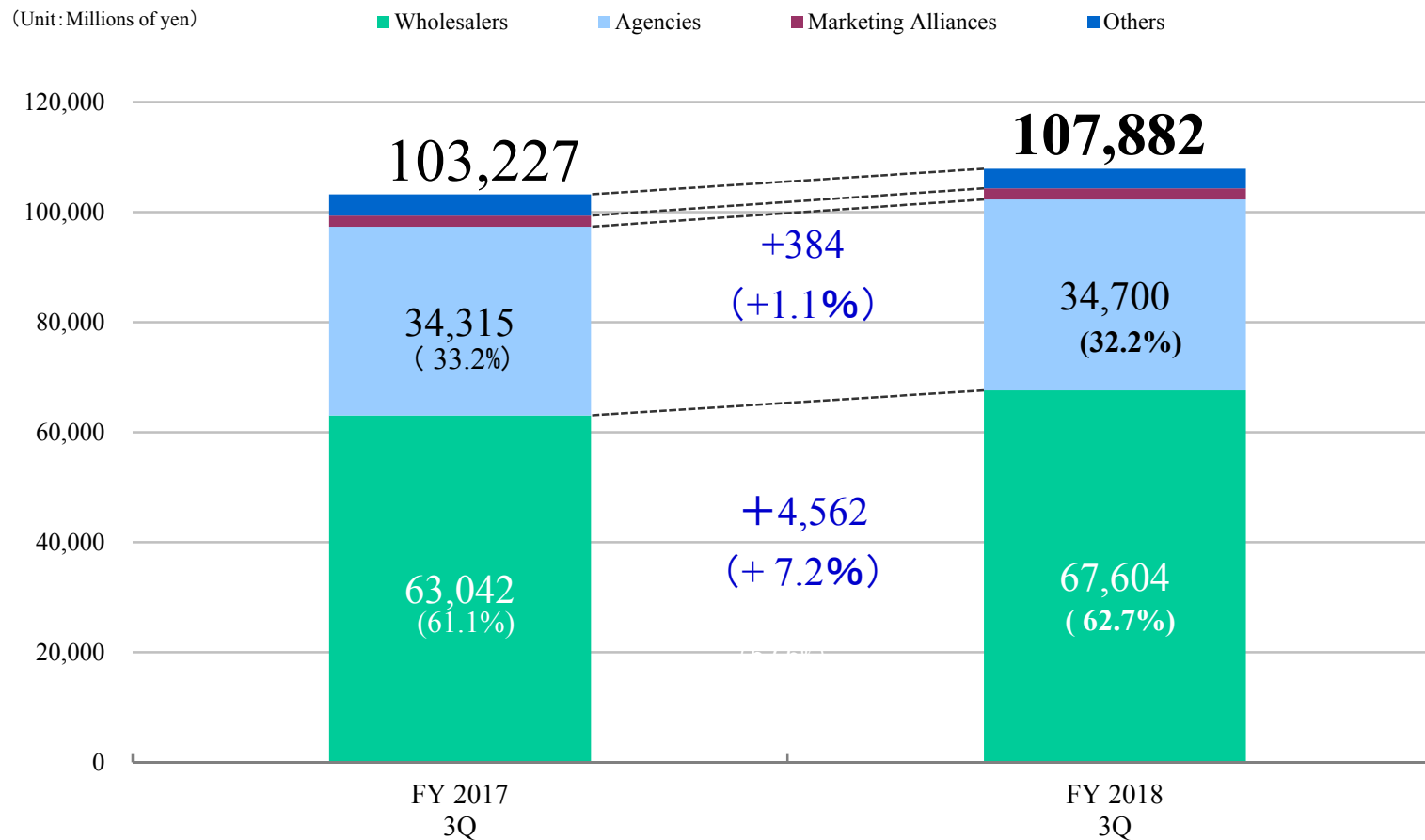
	FY 2018		FY 2018		
	3Q		Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Rate of Achievement
Net Sales	137,997	100.0%	172,500	100.0%	80.0%
Core Operating Income	28,907	20.9%	29,700	17.2%	97.3%
Operating Income	21,904	15.9%	24,000	13.9%	91.3%
Profit before tax	21,827	15.8%	23,700	13.7%	92.1%
profit attributable to owners of the parent	16,804	12.2%	17,400	10.1%	96.6%

Reference Materials



Sales by Distribution Channels (Japan)

- ◆ Sales through wholesalers expanded, with nationwide distribution network in the area of pharmacy and hospital markets



Comparison of Sales Volume (Japan)

- ◆ Sale volumes grew by double digits in most drug class

Therapeutic Category	Volume Composition		Y on Y (volume)	Y on Y (value) (Note)
	FY 2017 3Q	FY 2018 3Q		
Cardiovascular drugs	28.1%	29.1%	17.6%	3.4%
Gastro-intestinal drugs	23.0%	21.0%	3.8%	-0.9%
Central nervous system drugs	12.5%	12.4%	13.4%	22.1%
Blood/body fluid pharmaceutical products	7.8%	8.2%	20.0%	3.9%
Other metabolic drugs	6.8%	6.6%	10.7%	2.5%
Respiratory organ agents	5.8%	6.5%	27.7%	25.0%
Antiallergic drugs	2.3%	2.4%	21.3%	5.2%
Antibiotics drugs	2.7%	2.4%	4.5%	-9.6%
Antineoplastic agents	0.2%	0.2%	30.0%	-5.4%
Others	10.8%	11.2%	14.3%	12.2%
Total	100.0%	100.0%	13.6%	4.7%

Note: The contracted sales of the Kashima factory are excluded from the calculation.

Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2017 3Q ^{*2}		FY2018 3Q			FY2018 FullYear Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Key Income Statements Data								
Net Sales	127,199	100.0	137,997	100.0	8.5	172,500	100.0	2.6
Cost of Sales	73,360	57.7	82,443	59.7	12.4	102,900	59.7	4.3
Gross Profit	53,839	42.3	55,554	40.3	3.2	69,600	40.3	0.2
SG&A Expenses	23,710	18.6	23,399	17.0	-1.3	33,100	19.2	1.1
R&D Expenses	9,307	7.3	10,159	7.4	9.2	12,200	7.1	-16.1
Other income(expenses)	86	0.1	-92	—	—	-300	—	—
Operating Income	20,909	16.4	21,904	15.9	4.8	24,000	13.9	8.1
Core operating income	21,282	16.7	21,827	15.8	2.6	23,700	13.7	17.0
Profit before tax	15,644	12.3	16,804	12.2	7.4	17,400	10.1	24.1
Profit attributable to owners of the parent	26,527	20.9	28,907	20.9	9.0	29,700	17.2	-4.6
EBITDA ^{*1}	34,231	26.9	37,099	26.9	8.4	41,300	23.9	-0.7

*1. Core operating income + amortization and depreciation expenses included in core operating income + impairment charges

*2. Results for the 3Q of FY2017 : Results for 9 months of Japan operations + 7 months of US operations

	As of March 31, 2018	As of Dec 31, 2018
Key Balance Sheets Data		
Total Assets	358,453	373,287
Equity	202,441	219,591
Ratio of equity attributable to owners of the company to total assets (%)	50.6	52.7

	FY2017 3Q	FY2018 3Q	FY2018 Full Year Forecast
Amounts Per Common Share			
Basic earnings per share	419.93	383.87	397.49
Diluted earnings per Share	419.66	383.62	—
Dividend (interim)	65.0	65.0	130.0

Consolidated Financial Highlights-2

Sales and Operating Income by Area

Japan

(Unit: Millions of Yen)

Key Income Statements Data	FY2017 3Q		FY 2018 3Q			FY2018 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	103,227	100.0	107,882	100.0	4.5	136,600	100.0	1.4
Cost of Sales	62,050	60.1	70,102	65.0	13.0	87,300	63.9	4.7
Gross Profit	41,177	39.9	37,780	35.0	-8.3	49,300	36.1	-3.9
SG&A Expenses	14,854	14.4	13,854	12.8	-6.7	20,500	15.0	-0.4
R&D Expenses	5,229	5.1	4,343	4.0	-16.9	7,200	5.3	-18.0
Other income(expenses)	-24	—	-73	—	—	-300	—	—
Operating Income	21,069	20.4	19,510	18.1	-7.4	21,300	15.6	-2.8
Core operating income	21,719	21.0	21,812	20.2	0.4	22,400	16.4	-8.0
EBITDA *1	28,701	27.8	29,170	27.0	1.6	33,000	24.2	-2.4

US

Key Income Statements Data	FY2017 3Q*2		FY 2018 3Q			FY2018 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	23,972	100.0	30,116	100.0	25.6	35,900	100.0	7.7
Cost of Sales	11,310	47.2	12,341	41.0	9.1	15,600	43.5	2.5
Gross Profit	12,662	52.8	17,774	59.0	40.4	20,300	56.5	12.0
SG&A Expenses	8,856	36.9	9,572	31.8	8.1	12,600	35.1	3.5
R&D Expenses	4,077	17.0	5,815	19.3	42.6	5,000	13.9	-13.4
Other income(expenses)	111	0.5	9	0.0	-91.9	0	—	—
Operating Income	-160	—	2,395	8.0	—	2,700	7.5	791.0
Core operating income	4,808	20.1	7,067	23.5	47.0	7,300	20.3	8.5
EBITDA *1	5,529	23.1	7,901	26.2	42.9	8,300	23.1	6.9

*1. Core operating income + amortization and depreciation expenses included in core operating income + impairment charges

*2. Results for the 3rd Quarter of FY 2017 : Results for 7 months of US operations

Consolidated Financial Data

(Unit: Millions of Yen)

Selling General and Administrative Expenses		FY2017 3Q*		FY 2018 3Q			FY2018 Full Year Forecast	
			/Sales(%)		/Sales(%)	YoY(%)		/Sales (%)
R&D Expenses	Japan	5,229	5.1	4,343	4.0	-16.9	7,200	5.3
	US	4,077	17.0	5,815	19.3	42.6	5,000	13.9
	Total	9,307	7.3	10,159	7.4	9.2	12,200	7.1
Advertisemet Expenses	Total	1,293	1.0	846	0.6	-34.6	800	0.6

Capital Expenditure & Depreciation and Amortization		FY2017 3Q*		FY 2018 3Q		FY2018 Full Year Forecast	
Capital Expenditure	Japan	6,095		2,634		6,100	
	US	415		578		1,600	
	Total	6,510		3,212		7,700	
Depreciation and Amortization	Japan	7,293		8,130		10,600	
	Manufacturing Division	5,668		6,143		8,400	
	R&D Division	1,086		1,160		1,500	
	Administration Div. & Business Div.	539		827		700	
	US	2,941		4,004		5,200	
	Total	10,235		12,134		15,800	

*. Results for the 3Q of FY 2017 : Results for 7 months of US operations

Personnel Information		As of Dec 31, 2017		As of Dec 31, 2018	
Number of Employees			Comp.(%)		Comp.(%)
Japan		2,674	81.5	2,677	81.1
Manufacturing Division		1,780	54.3	1,722	53.5
R&D Division		248	7.5	260	8.1
Administration Div. & Business Div.		646	19.7	629	19.5
	(MRs)	481	-	439	-
US		607	18.5	609	18.9
Total		3,281	100.0	3,220	100.0

Disclaimer

- The plans, forecasts, strategy and other information regarding the Sawai Group contained in this presentation are based on the Company's assumptions and judgments using information available at the time of publication. Therefore, due to potential risks and uncertainties, there is no guarantee as to accuracy of this information.
- Potential risks and uncertainties include, but are not limited to, the economic environment for prescription drugs, which is the main operating domain of the Sawai Group, market competition and services offered by the Group.

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