

Financial Results for
the First Quarter of FY 2019
(Apr. 1 to Jun. 30)

Sawai Pharmaceutical Co.,Ltd.

Code 4555, First Section of the TSE

Aug. 6, 2019

Overview of the Financial Results for the 1st Quarter of FY2019

- ◆ Japan: Business grew steadily as the market expanded as a result of the government policy that states a goal of 80% market share for generics by September 2020.
- ◆ United States: US business grew as planned.
- ◆ Consolidated net sales increased by 4.1% and core operating income grew by 18.7% on a year-on-year basis.

(Unit: Millions of yen)

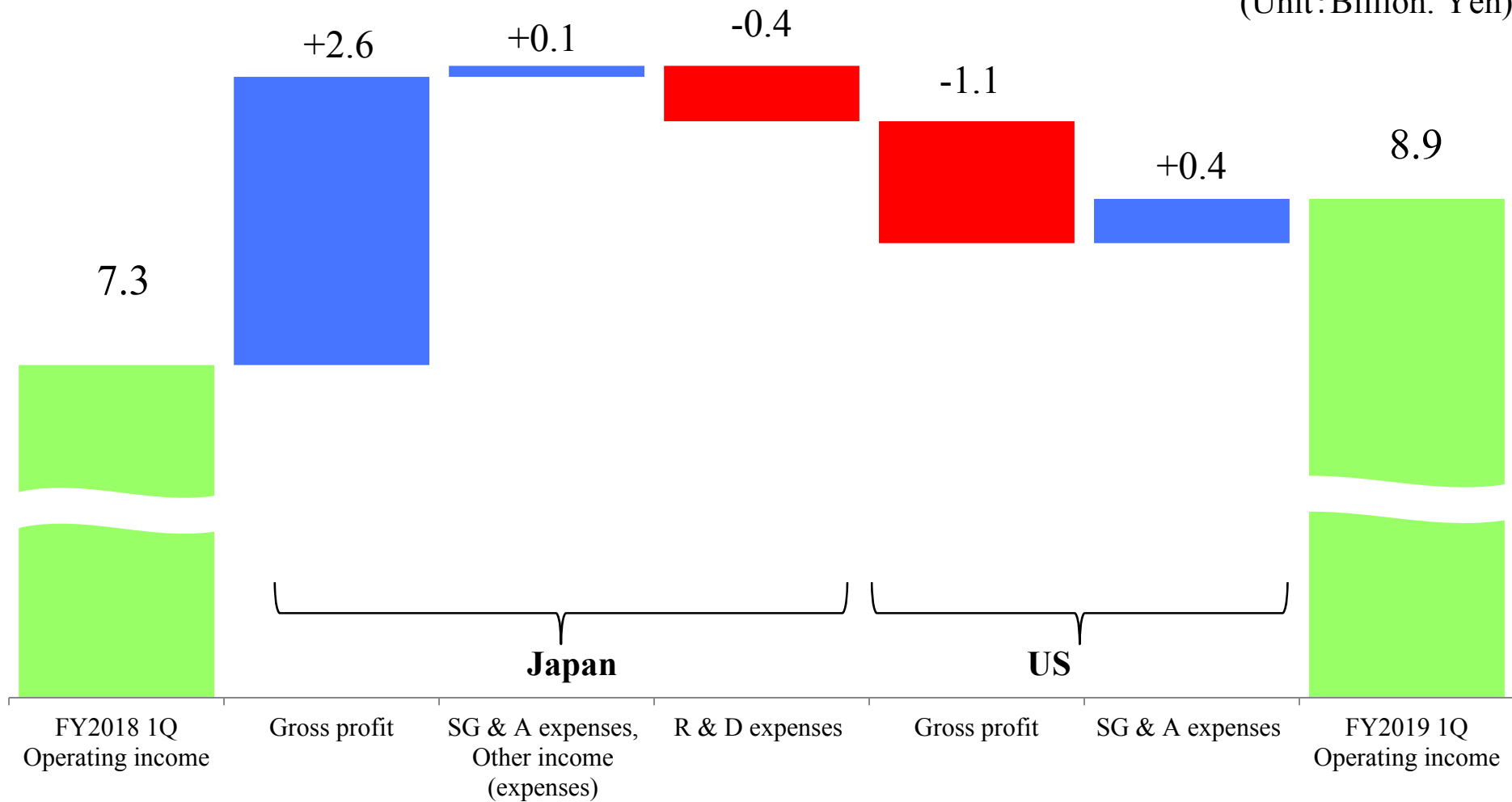
	FY 2018 1Q			FY 2019 1Q			Year on Year	
	Sale and Profit by Region			Sale and Profit by Region			Mil. yen	Growth (%)
	Japan	US		Japan	US			
Net Sales	45,298	35,255	10,042	47,134	37,789	9,344	1,836	4.1%
Core Operating Income *	8,969	6,397	2,563	10,646	8,885	1,754	1,678	18.7%
Operating Income	7,320	6,015	1,302	8,885	8,234	650	1,564	21.4%
Profit before tax	7,350	—	—	8,900	—	—	1,550	21.1%
Profit attributable to owners of the parent	5,258	—	—	6,436	—	—	1,178	22.4%

*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

Average rate	FY2018 1Q Actual	FY2019 1Q Actual
1 US dollar	109	110

Analysis of Factors Causing Changes in Operating Income

(Unit: Billion. Yen)



Financial Results for the First Quarter of FY2019 (Adjusted from Full basis to Core basis)



(Unit: Millions of yen)

	FY2019 1Q Actual		
	Full basis	Mil. yen	Core basis
Net Sales	47,134		47,134
Cost of Sales	-27,232	+48	-27,184
Gross Profit	19,902	+48	19,950
SG&A Expenses	-7,646	+1,032	-6,613
Amortization of intangible assets	-1,032	+1,032	—
R&D Expenses	-3,514	+824	-2,690
Other income(expenses)	143	-143	—
Operating Income	8,885	+1,762	10,646

(1) Cost-of-sales increase due to inventory step-up
> 48 million yen

(2) Amortization of intangible assets
>1 billion yen
(0.9 billion yen for US)

Amortization of intangible assets, Impairment loss etc.> 0.8 billion yen

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



- ◆ Utilization of our core products at hospitals increased.
- ◆ Reinforced promotional activities towards pharmacies resulted in successful outcomes with an increase in adoption.

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

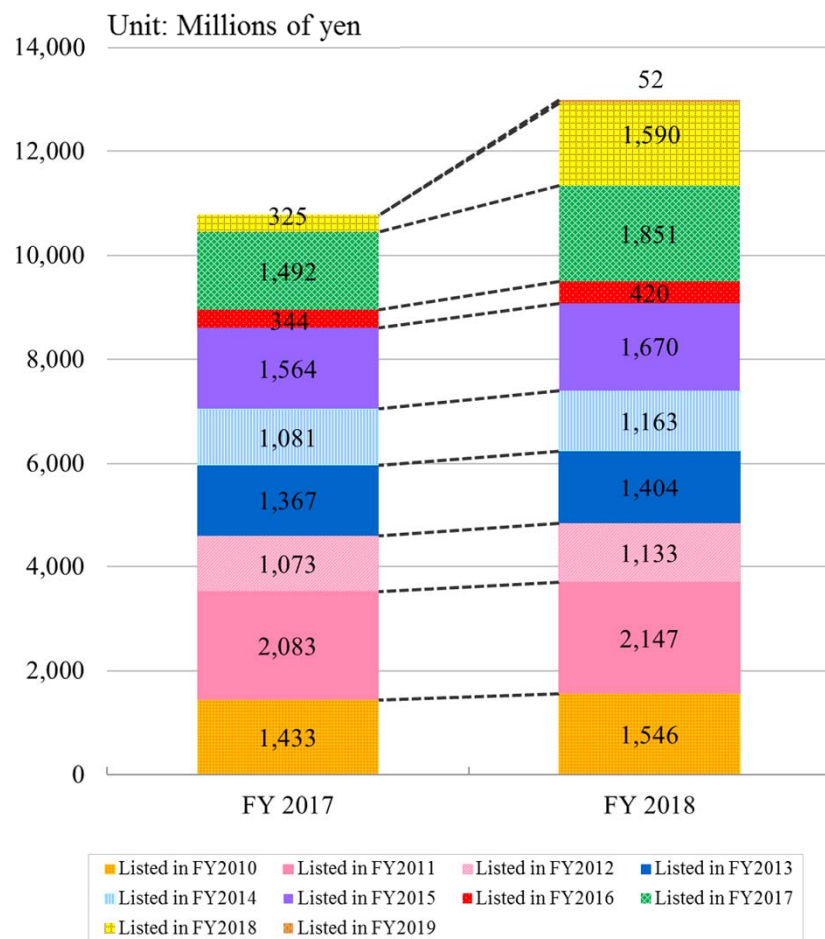
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY 2018 1Q		FY 2019 1Q			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	8,354	7,865	11.9%	7,890	(94.4%)	11.6%	25	7.0%
DPC Hospital	1,727	1,720	7.3%	1,720	(99.6%)	7.0%	0	5.9%
Clinic	106,113	30,284	9.7%	30,976	(29.2%)	9.2%	692	4.8%
Pharmacy	88,750	56,661	77.1%	57,371	(64.6%)	77.9%	710	11.2%
Dispensing Pharmacy	61,358	56,389	76.6%	57,107	(93.1%)	77.3%	718	10.9%
Drug Stores, etc.	27,392	272	0.5%	264	(1.0%)	0.6%	-8	46.4%
Others	-	-	1.3%	-	-	1.3%	-	0.1%
Total	203,217	94,810	100.0%	96,237	(47.4%)	100.0%	1,427	9.9%

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

Sales by Listed Year of Drugs (Japan)

◆ New products launched in FY2017 and FY2018 grew steadily.



(Unit: Millions of yen, %)

	FY 2018 1Q	FY 2019 1Q	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2019	-	52	-
Listed in FY2018	325	1,590	389.9%
Listed in FY2017	1,492	1,851	24.0%
Listed in FY2016	344	420	22.0%
Listed in FY2015	1,564	1,670	6.8%
Listed in FY2014	1,081	1,163	7.5%
Listed in FY2013	1,367	1,404	2.7%
Listed in FY2012	1,073	1,133	5.6%
Listed in FY2011	2,083	2,147	3.1%
Listed in FY2010	1,433	1,546	7.9%
Existing Drugs and Transferred Drugs, etc.	24,493	24,813	1.3%
Total	35,255	37,789	7.2%

Sales Performance of US Business

- ◆ Existing Products: grew as planned despite the ongoing, severe competitive environment.
- ◆ Newly launched products: off to a good start to meet our forecast for the current period.
- ◆ Sales of central nervous system products have grown steadily.

Sales of Existing products and New products

(Unit: Millions of yen)

	FY2018 1Q	FY2019 1Q	
	Actual*	Actual	FY2019 Forecast
Existing products	10,041	8,385	32,600
New products*	1	959	2,700
Total	33,347	9,344	35,300

* Sales of products launched since FY2018

Comparison of Sales by therapeutic areas

Therapeutic Category	Value Composition		Y on Y
	FY2018 1Q	FY2019 1Q	
Central nervous system drugs	41.3%	45.9%	+3.5%
Cardiovascular agents	44.6%	36.2%	-24.5%
Hormone preparations	3.8%	6.0%	+46.4%
Antineoplastic agents	0.7%	3.6%	+382.5%
Agents for urogenital organs and the anus	5.5%	3.3%	-45.0%
Others	4.1%	5.0%	+15.7%
Total	100.0%	100.0%	-7.0%

Acquisition of two products (US)

◆ Acquired two products from Dr. Reddy’s Laboratories Ltd. for the purpose of diversifying the branded portfolio in central nervous system area .

■ Products

Two products for migraine treatments

■ Acquisition price

Upsher-Smith will pay U.S.\$70 million as upfront consideration, U.S.\$40.5 million in near term milestones and additional financial considerations including, existing contractual obligation and inventory.

■ Sales Forecasts

Estimated sales for FY 2019 : Under 20 million \$

Estimated sales for FY 2022 : Over 50 million \$

Product Name	Generic name	launch date
Zembrace [®] SymTouch [®] injection 3 mg	sumatriptan injection	Already launched
Tosymra [™] nasal spray 10 mg	sumatriptan nasal spray	Scheduled for launch by the end of 2019

FY2019 Earnings Forecasts(consolidated)

◆ Both Japanese and the US business performed as forecasted .

(Unit: Millions of yen)

	FY2019 1Q Actual		FY2019 Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Rate of Achievement
Net Sales	47,134	100.0%	184,400	100.0%	25.6%
Core Operating Income	10,646	22.6%	32,000	17.4%	33.3%
Operating Income	8,885	18.9%	25,800	14.0%	34.4%
Profit before tax	8,900	18.9%	25,700	13.9%	34.6%
Profit attributable to owners of the parent	6,436	13.7%	19,200	10.4%	33.5%

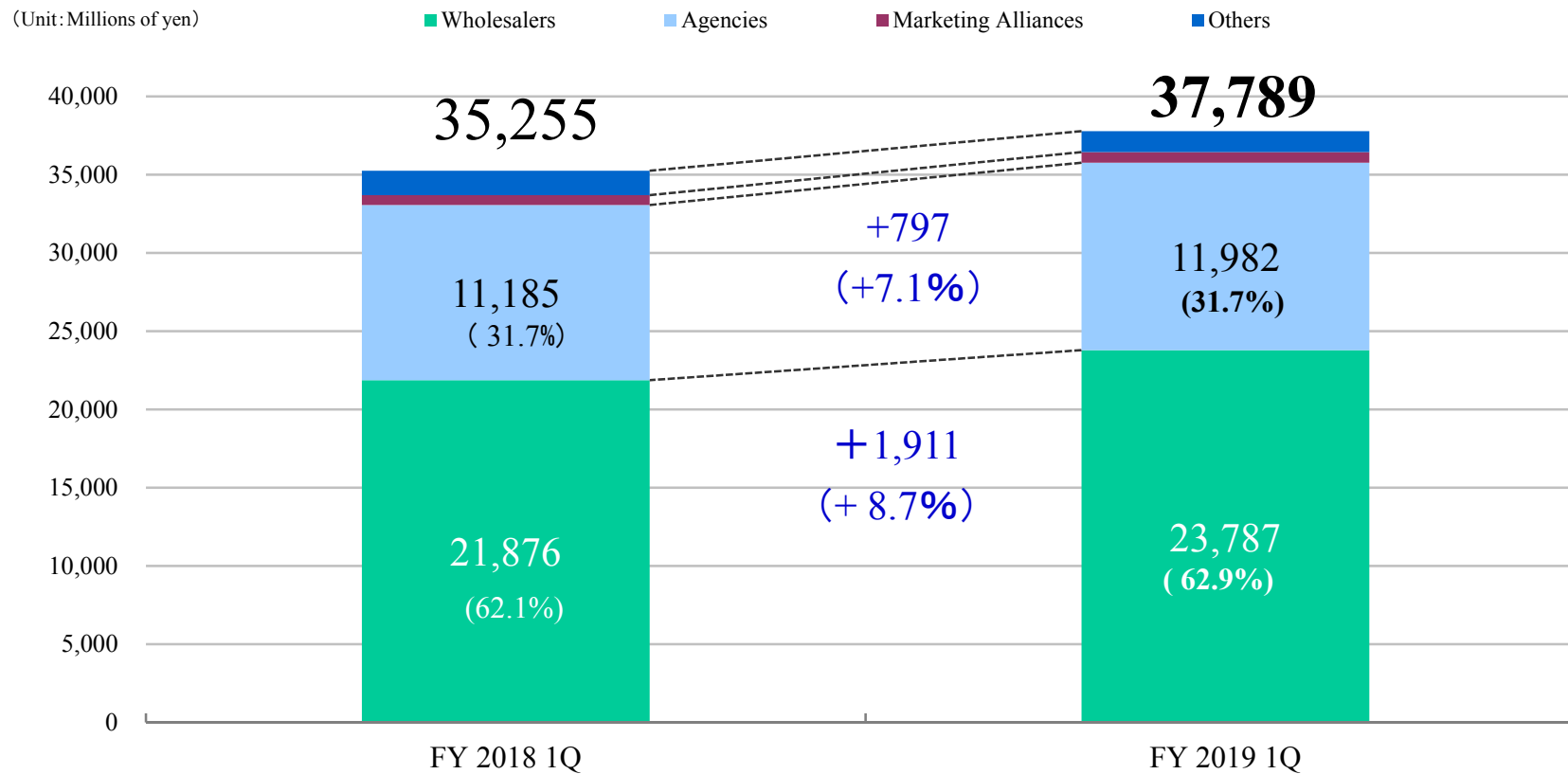
Average rate	FY2019 1Q Actual	FY2019 Assumption
1 US dollar	110	110

Reference Materials



Sales by Distribution Channels (Japan)

◆ Sales through both wholesalers and agencies increased.



Comparison of Sales Volume (Japan)

◆ Sales of central nervous system drugs grew steadily.

Therapeutic Category	Volume Composition		Y on Y (volume)	Y on Y (value) (Note)
	FY2018 1Q	FY2019 1Q		
Cardiovascular drugs	29.5%	29.4%	4.7%	3.3%
Gastro-intestinal drugs	21.4%	19.6%	-3.6%	-7.5%
Central nervous system drugs	12.2%	13.0%	12.5%	28.5%
Blood/body fluid pharmaceutical products	7.8%	8.3%	11.5%	8.1%
Respiratory organ agents	6.2%	6.8%	15.9%	13.1%
Other metabolic drugs	6.8%	6.3%	-2.4%	1.1%
Antiallergic drugs	2.5%	2.7%	11.0%	7.4%
Antibiotics drugs	2.3%	2.5%	13.0%	10.5%
Antineoplastic agents	0.3%	0.4%	66.4%	46.7%
Others	11.0%	11.0%	4.6%	-0.5%
Total	100.0%	100.0%	5.1%	5.4%

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

Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2018 1Q		FY2019 1Q			FY2019 Forecast				
		/Sales (%)		/Sales (%)	YoY (%)	1H	/Sales (%)	Full Year	/Sales (%)	YoY (%)
Key Income Statements Data										
Net Sales	45,298	100.0	47,134	100.0	4.1	90,100	100.0	184,400	100.0	0.0
Cost of Sales	26,893	59.4	27,232	57.8	1.3	53,700	59.6	111,400	60.4	1.8
Gross Profit	18,405	40.6	19,902	42.2	8.1	36,400	40.4	73,000	39.6	-2.5
SG&A Expenses	7,961	17.6	7,646	16.2	-4.0	16,300	18.1	32,400	17.6	0.1
R&D Expenses	3,055	6.7	3,514	7.5	15.0	7,200	8.0	14,600	7.9	-12.4
Other income(expenses)	-69	—	143	0.3	—	-100	—	-200	—	—
Operating Income	7,320	16.2	8,885	18.9	21.4	12,800	14.2	25,800	14.0	0.0
Profit before tax	7,350	16.2	8,900	18.9	21.1	12,800	14.2	25,700	13.9	0.1
Profit attributable to owners of the parent	5,258	11.6	6,436	13.7	22.4	9,600	10.7	19,200	10.4	-0.9
Core operating income	8,969	19.8	10,646	22.6	18.7	15,900	17.6	32,000	17.4	-15.2
EBITDA *	11,697	25.8	13,544	28.7	15.8	22,500	25.0	45,200	24.5	-7.2

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

	As of March 31, 2019	As of June 30, 2019
Key Balance Sheets Data		
Total Assets	372,889	374,893
Equity	223,204	222,762
Ratio of equity attributable to owners of the company to total assets (%)	53.4	53.3

	FY2018 1Q	FY2019 1Q	FY2019 Forecast	
			1H	Full Year
Amounts Per Common Share				
Basic earnings per share	120.12	147.02		438.59
Diluted earnings per Share	120.04	146.92	—	—
Dividend	—	—	65.0	130.0

Consolidated Financial Highlights-2

Sales and Operating Income by Area

Japan

(Unit: Millions of Yen)

Key Income Statements Data	FY2018 1Q		FY 2019 1Q			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	35,255	100.0	37,789	100.0	7.2	149,100	100.0	3.5
Cost of Sales	22,981	65.2	22,946	60.7	-0.2	96,500	64.7	4.1
Gross Profit	12,274	34.8	14,844	39.3	20.9	52,600	35.3	2.4
SG&A Expenses	4,710	13.4	4,812	12.7	2.2	21,400	14.4	9.8
R&D Expenses	1,472	4.2	1,923	5.1	30.7	8,200	5.5	7.8
Other income(expenses)	-78	—	126	0.3	—	-200	—	—
Operating Income	6,015	17.1	8,234	21.8	36.9	22,800	15.3	-5.9
Core operating income	6,397	18.1	8,885	23.5	38.9	24,300	16.3	-13.6
EBITDA *1	8,825	25.0	11,513	30.5	30.4	35,300	23.7	-7.0

US

Key Income Statements Data	FY2018 1Q		FY 2019 1Q			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	10,042	100.0	9,344	100.0	-7.0	35,300	100.0	-12.3
Cost of Sales	3,912	39.0	4,286	45.9	9.6	14,900	42.2	-10.9
Gross Profit	6,130	61.0	5,058	54.1	-17.5	20,400	57.8	-13.3
SG&A Expenses	3,259	32.5	2,833	30.3	-13.1	11,000	31.2	-14.9
R&D Expenses	1,583	15.8	1,598	17.1	0.9	6,400	18.1	-29.4
Other income(expenses)	14	0.1	24	0.3	70.4	0	—	—
Operating Income	1,302	13.0	650	7.0	-50.0	3,000	8.5	91.3
Core operating income	2,563	25.5	1,754	18.8	-31.6	7,700	21.8	-19.5
EBITDA *	2,863	28.5	2,023	21.7	-29.3	9,900	28.0	-7.4

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

Consolidated Financial Data

(Unit: Millions of Yen)

Selling General and Administrative Expenses		FY2018 1Q		FY 2019 1Q			FY2019 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	1,472	4.2	1,923	5.1	30.7	8,200	5.5
	US	1,583	15.8	1,598	17.1	0.9	6,400	18.1
	Total	3,055	6.7	3,514	7.5	15.0	14,600	7.9
Advertisemet Expenses	Total	294	0.6	437	0.9	48.8	2,600	1.4

Capital Expenditure & Depreciation and Amortization		FY2018 1Q	FY 2019 1Q	FY2019 Full Year Forecast
Capital Expenditure	Japan	1,459	756	6,300
	US	231	339	2,300
	Total	1,690	1,095	8,600
Depreciation and Amortization	Japan	2,659	2,941	11,500
	Manufacturing Division	2,023	2,040	8,800
	R&D Division	359	450	1,700
	Administration Div. & Business Div.	278	451	1,000
	US	1,313	1,349	5,700
Total	3,972	4,290	17,200	

*. Results of FY 2017 : Results for 10 months of US operations

Personnel Information	As of June 30, 2018		As of June 30, 2019	
		Comp.(%)		Comp.(%)
Number of Employees				
Japan	2,677	81.3	2,677	82.1
Manufacturing Division	1,772	53.8	1,702	54.4
R&D Division	265	8.1	254	8.1
Administration Div. & Business Div.	640	19.4	614	19.6
(MRs)	(469)		(415)	
US	614	18.7	561	17.9
Total	3,291	100.0	3,131	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 of the 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.

Contact Information

Sawai Pharmaceutical Co., Ltd.
Corporate Strategy Department
PR & IR Group

E-mail : ir@sawai.co.jp