

Financial Results for
the 1st Half of FY 2019
(Apr. 1 to Sep. 30)



Sawai Pharmaceutical Co.,Ltd.

Code 4555, First Section of the TSE

Nov. 8, 2019

Overview of the Financial Results for the 1H of FY2019

- ◆ Achieved growth both in revenue and profits vs. previous year
- ◆ Japan: Business grew steadily as the market expanded by the national government's initiative that pursues 80% market share for generics by September 2020
- ◆ United States: Although the results saw a decline in both revenue and profits vs. previous year, it is still making steady progress to achieve FY2019 forecast

(Unit: Millions of yen)

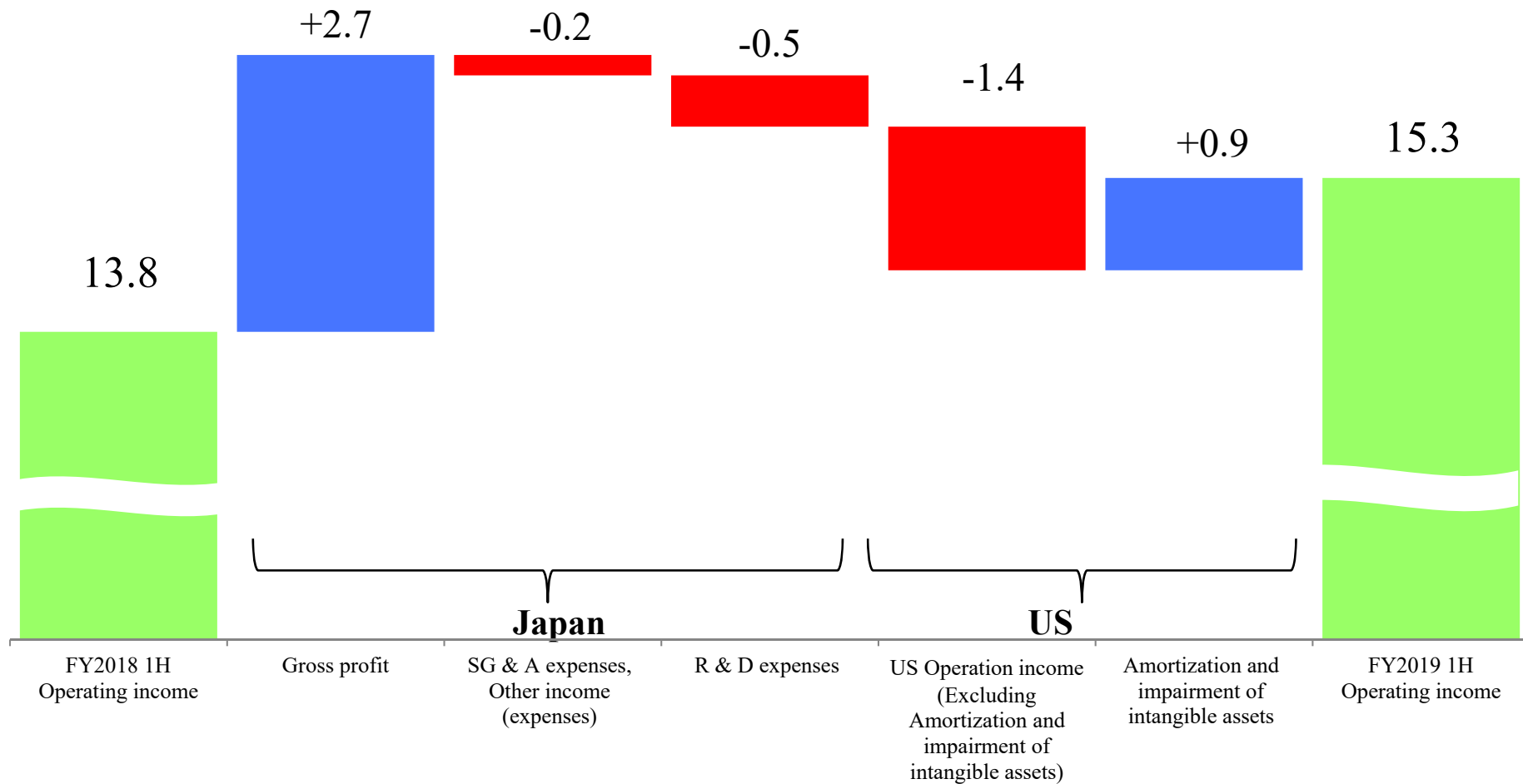
	FY 2018 1H			FY 2019 1H			Year on Year	
	Sale and Profit by Region			Sale and Profit by Region			Mil. yen	Growth (%)
	Japan	US		Japan	US			
Net Sales	88,792	68,598	20,194	90,481	72,003	18,478	1,689	1.9%
Core Operating Income *	17,777	12,501	5,252	18,476	14,754	3,709	699	3.9%
Operating Income	13,766	11,784	1,974	15,255	13,801	1,453	1,488	10.8%
Profit before tax	13,690	—	—	15,153	—	—	1,462	10.7%
Profit attributable to owners of the parent	10,517	—	—	10,972	—	—	455	4.3%

*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 2Q Actual	FY2019 2Q Actual
1 US dollar	110	109

Analysis of Factors Causing Changes in Operating Income

(Unit: Billion Yen)



Financial Results for the 1H of FY2019 (Adjusted from Full basis to Core basis)

(Unit: Millions of yen)

	FY2019 1H Actual		
	Full basis	Mil. yen	Core basis
Net Sales	90,481		90,481
Cost of Sales	-53,259	+74	-53,185
Gross Profit	37,221	+74	37,296
SG&A Expenses	-15,758	+2,121	-13,636
Amortization of intangible assets	-2,121	+2,121	—
R&D Expenses	-6,351	+1,168	-5,183
Other income(expenses)	142	-142	—
Operating Income	15,255	+3,221	18,476

(1) Cost-of-sales increase due to inventory step-up
> 74 million yen

(2) Amortization of intangible assets
>2.1 billion yen
(1.9 billion yen for US)

Amortization of intangible assets, Impairment loss etc.> 1.2 billion yen

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

- ◆ Account gain on our core products in hospital sector 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

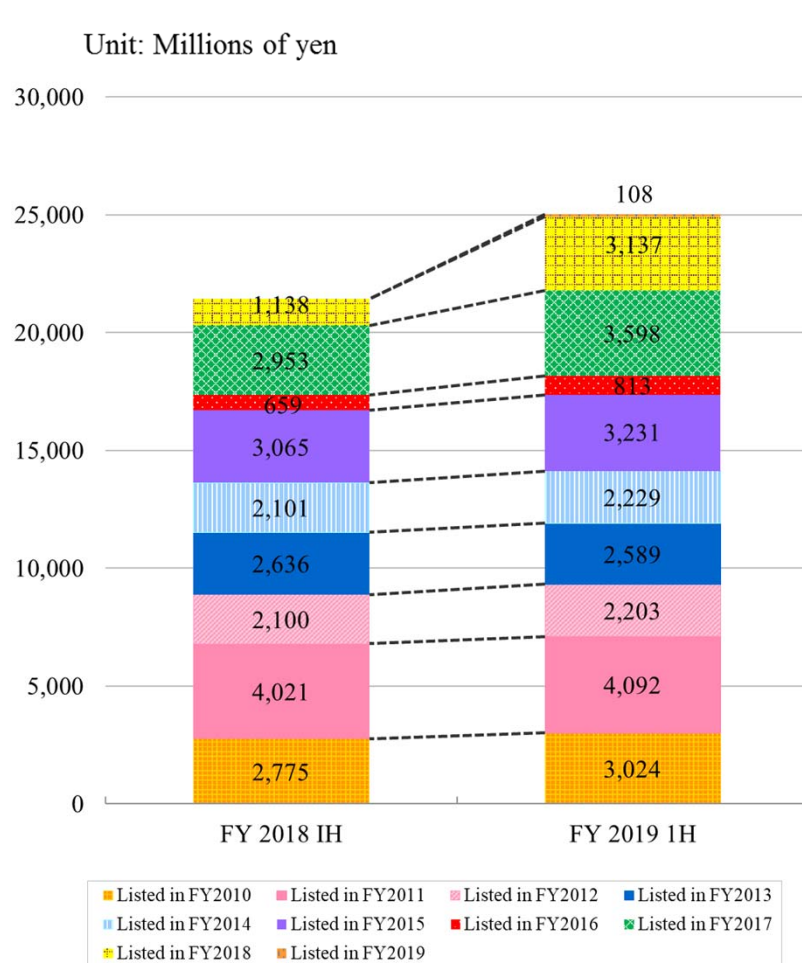
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY 2018 1H		FY 2019 1H			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	8,339	7,993	12.0%	7,984	(95.7%)	11.6%	-9	5.5%
DPC Hospital	1,727	1,715	7.3%	1,712	(99.1%)	7.0%	-3	4.1%
Clinic	106,333	34,095	9.7%	34,638	(32.6%)	9.3%	543	4.3%
Pharmacy	88,973	57,447	76.9%	58,071	(65.3%)	77.9%	624	10.5%
Dispensing Pharmacy	61,495	57,143	76.5%	57,783	(94.0%)	77.3%	640	10.2%
Drug Stores, etc.	27,478	304	0.5%	288	(1.0%)	0.6%	-16	48.5%
Others	-	-	1.4%	-	-	1.2%	-	0.8%
Total	203,645	99,535	100.0%	100,693	(49.4%)	100.0%	1,158	8.0%

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 IH	FY 2019 IH	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2019	-	108	-
Listed in FY2018	1,138	3,137	175.6%
Listed in FY2017	2,953	3,598	21.8%
Listed in FY2016	659	813	23.3%
Listed in FY2015	3,065	3,231	5.4%
Listed in FY2014	2,101	2,229	6.1%
Listed in FY2013	2,636	2,589	-1.8%
Listed in FY2012	2,100	2,203	4.9%
Listed in FY2011	4,021	4,092	1.8%
Listed in FY2010	2,775	3,024	9.0%
Existing Drugs and Transferred Drugs, etc.	47,149	46,978	-0.4%
Total	68,598	72,003	5.0%

Sales Performance of US Business

- ◆ Existing Products: Grew as planned despite the ongoing, severe competitive environment.
- ◆ Newly launched products: Making strong progress with products including Vigadrone.

Sales of Existing products and New products

(Unit: Millions of yen)

	FY2018	FY2019	
	1H Actual	1H Actual	Forecast (Full Year)
Existing products	20,031	16,133	32,600
New products*	163	2,344	2,700
Total	20,194	18,478	35,300

* Sales of products launched since FY2018

Comparison of Sales by therapeutic areas

Therapeutic Area	Share		FY2019 1H Yo Y Sales
	FY2018 1H	FY2019 1H	
Central nervous system	40.2%	44.9%	2.2%
Cardiovascular	46.2%	38.0%	-24.7%
Hormone preparations	4.0%	5.2%	+17.1%
Agents for urogenital organs and the anus	4.7%	3.5%	-31.4%
Antineoplastic agents	1.3%	3.2%	126.5%
The others	3.6%	5.2%	+34.7%
Total	100.0%	100.0%	-8.5%

FY2019 Earnings Forecasts(consolidated)

- ◆ Both Japanese and US business are making steady progress to achieve FY2019 forecast.

(Unit: Millions of yen)

	FY2019 1H Actual		FY2019 Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Current Progress
Net Sales	90,481	100.0%	184,400	100.0%	49.1%
Core Operating Income	18,476	20.4%	32,000	17.4%	57.7%
Operating Income	15,255	16.9%	25,800	14.0%	59.1%
Profit before tax	15,153	16.7%	25,700	13.9%	59.0%
Profit attributable to owners of the parent	10,972	12.1%	19,200	10.4%	57.1%

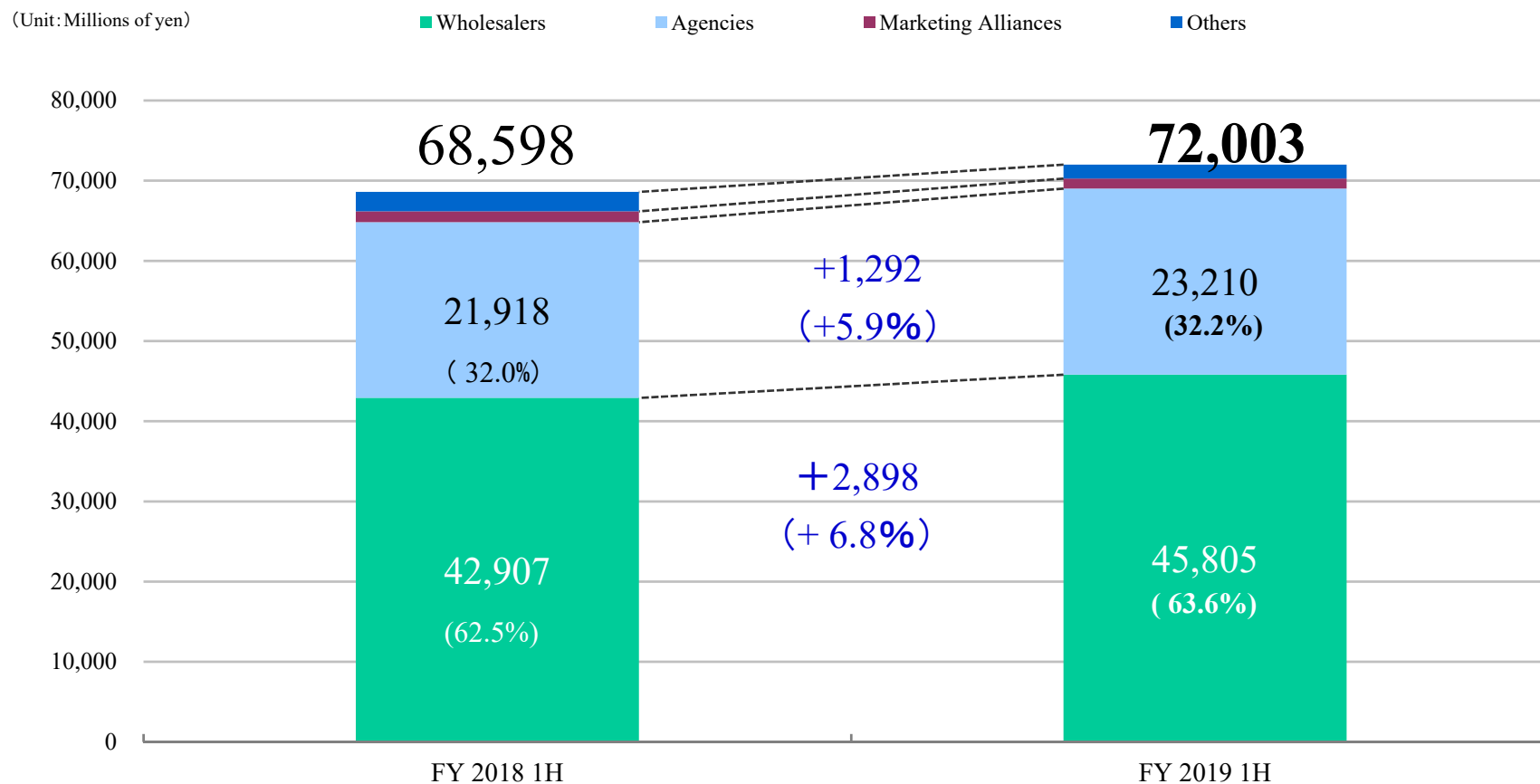
Average rate	FY2019 2Q Actual	FY2019 Assumption
1 US dollar	109	110

Reference Materials



Sales by Distribution Channels (Japan)

◆ Sales through both wholesalers and agencies increased.



Comparison of Sales Volume (Japan) by therapeutic area

- ◆ Sales of central nervous system drugs grew steadily.

Therapeutic Category	Volume Composition		Y on Y (volume)	Y on Y (value) (Note)
	FY2018 1H	FY2019 1H		
Cardiovascular drugs	29.4%	29.2%	4.9%	1.0%
Gastro-intestinal drugs	21.4%	19.9%	-1.7%	-6.7%
Central nervous system drugs	12.3%	13.2%	13.7%	26.0%
Blood/body fluid pharmaceutical products	8.2%	8.2%	6.0%	1.6%
Respiratory organ agents	6.0%	6.9%	20.5%	14.8%
Other metabolic drugs	6.7%	6.2%	-2.8%	-2.3%
Antiallergic drugs	2.3%	2.5%	12.5%	6.7%
Antibiotics drugs	2.3%	2.4%	10.0%	4.8%
Antineoplastic agents	0.2%	0.4%	67.0%	45.5%
Others	11.2%	11.1%	6.5%	13.2%
Total	100.0%	100.0%	5.7%	5.1%

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

Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2018 1H		FY2019 1H			FY2019 Forecast				
		/Sales (%)		/Sales (%)	YoY (%)	1H	/Sales (%)	Full Year	/Sales (%)	YoY (%)
Key Income Statements Data										
Net Sales	88,792	100.0	90,481	100.0	1.9	90,100	100.0	184,400	100.0	0.0
Cost of Sales	52,359	59.0	53,259	58.9	1.7	53,700	59.6	111,400	60.4	1.8
Gross Profit	36,433	41.0	37,221	41.1	2.2	36,400	40.4	73,000	39.6	-2.5
SG&A Expenses	15,653	17.6	15,758	17.4	0.7	16,300	18.1	32,400	17.6	0.1
R&D Expenses	6,955	7.8	6,351	7.0	-8.7	7,200	8.0	14,600	7.9	-12.4
Other income(expenses)	-59	—	142	0.2	—	-100	—	-200	—	—
Operating Income	13,766	15.5	15,255	16.9	10.8	12,800	14.2	25,800	14.0	0.0
Profit before tax	13,690	15.4	15,153	16.7	10.7	12,800	14.2	25,700	13.9	0.1
Profit attributable to owners of the parent	10,517	11.8	10,972	12.1	4.3	9,600	10.7	19,200	10.4	-0.9
Core operating income	17,777	20.0	18,476	20.4	3.9	15,900	17.6	32,000	17.4	-15.2
EBITDA *	23,218	26.1	24,267	26.8	4.5	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 Sep 30, 2019
Key Balance Sheets Data		
Total Assets	372,889	381,841
Equity	223,204	227,641
Ratio of equity attributable to owners of the company to total assets (%)	53.4	53.5

	FY2018 1H	FY2019 1H	FY2019 Full Year Forecast
Amounts Per Common Share			
Basic earnings per share	240.25	250.61	438.53
Diluted earnings per Share	240.10	250.42	—
Dividend	(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	FY2018 1H		FY 2019 1H			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	68,598	100.0	72,003	100.0	5.0	149,100	100.0	3.5
Cost of Sales	44,420	64.8	45,123	62.7	1.6	96,500	64.7	4.1
Gross Profit	24,179	35.2	26,880	37.3	11.2	52,600	35.3	2.4
SG&A Expenses	9,319	13.6	9,690	13.5	4.0	21,400	14.4	9.8
R&D Expenses	2,979	4.3	3,514	4.9	17.9	8,200	5.5	7.8
Other income(expenses)	-97	—	125	0.2	—	-200	—	—
Operating Income	11,784	17.2	13,801	19.2	17.1	22,800	15.3	-5.9
Core operating income	12,501	18.2	14,754	20.5	18.0	24,300	16.3	-13.6
EBITDA *1	17,378	25.3	20,017	27.8	15.2	35,300	23.7	-7.0

US

Key Income Statements Data	FY2018 1H		FY 2019 1H			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	20,194	100.0	18,478	100.0	-8.5	35,300	100.0	-12.3
Cost of Sales	7,940	39.3	8,136	44.0	2.5	14,900	42.2	-10.9
Gross Profit	12,254	60.7	10,341	56.0	-15.6	20,400	57.8	-13.3
SG&A Expenses	6,357	31.5	6,067	32.8	-4.6	11,000	31.2	-14.9
R&D Expenses	3,976	19.7	2,851	15.4	-28.3	6,400	18.1	-29.4
Other income(expenses)	54	0.3	30	0.2	-44.2	0	—	—
Operating Income	1,974	—	1,453	7.9	-26.4	3,000	8.5	91.3
Core operating income	5,252	26.0	3,709	20.1	-29.4	7,700	21.8	-19.5
EBITDA *	5,816	28.8	4,238	22.9	-27.1	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 1H		FY 2019 1H			FY2019 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	2,979	4.3	3,514	4.9	17.9	8,200	5.5
	US	3,976	19.7	2,851	15.4	-28.3	6,400	18.1
	Total	6,955	7.8	6,351	7.0	-8.7	14,600	7.9
Advertisemet Expenses	Total	585	0.7	1,338	1.5	128.7	2,600	1.4

Capital Expenditure & Depreciation and Amortization		FY2018 1H	FY 2019 1H	FY2019 Full Year Forecast
Capital Expenditure	Japan	1,909	1,515	6,300
	US	389	767	2,300
	Total	2,297	2,282	8,600
Depreciation and Amortization	Japan	5,370	5,877	11,500
	Manufacturing Division	4,066	4,142	8,800
	R&D Division	752	893	1,700
	Administration Div. & Business Div.	552	842	1,000
	US	2,630	2,740	5,700
Total	8,000	8,618	17,200	

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

Personnel Information	As of Sep 30, 2018		As of Sep 30, 2019	
Number of Employees		Comp.(%)		Comp.(%)
Japan	2,626	81.4	2,677	81.8
Manufacturing Division	1,730	53.6	1,683	54.2
R&D Division	262	8.1	253	8.1
Administration Div. & Business Div.	634	19.6	605	19.5
(MRs)	(453)		(409)	
US	602	18.6	567	18.2
Total	3,228	100.0	3,108	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.

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