

FY2019 Financial Results **for the 3rd Quarter**

Sawai Pharmaceutical Co.,Ltd.

4555.T, TSE 1st section

Feb. 14, 2020

Overview

- ◆ Modest year-over-year (YoY) growth in sales and operating income.
- ◆ Japan: Increased in sales and operating income, despite the impact of drug price revision implemented last October.
- ◆ United States: Sales remained unchanged from the previous year, while operating income increased.

JPY, MM

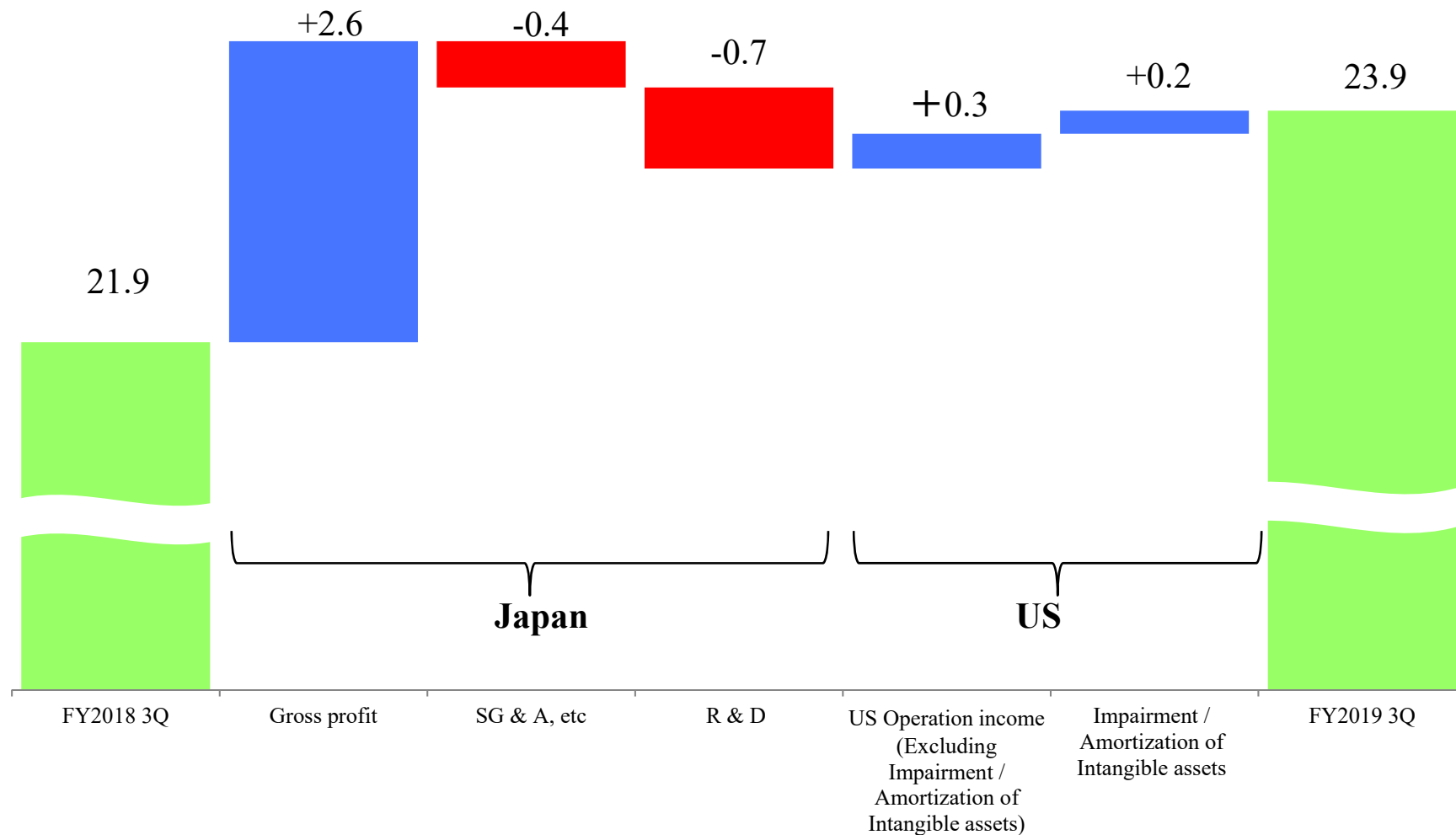
	FY 2018 3Q			FY 2019 3Q			YoY	
	by Region			by Region		+/-	Growth	
	Japan	US		Japan	US			
Net Sales	137,997	107,882	30,116	140,266	110,810	29,456	2,269	1.6%
Operating Income	21,904	19,510	2,395	23,944	21,045	2,899	2,040	9.3%
Profit before tax	21,827	—	—	23,785	—	—	1,958	9.0%
Profit attributable to owners of the parent	16,804	—	—	17,319	—	—	515	3.1%
Core Operating Income *	28,907	21,812	7,067	29,166	22,238	6,902	260	0.9%

*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 3Q Actual	FY2019 3Q Actual
1 US dollar	111	109

Operating Income Analysis

(JPY, bn)



Sales by Channel, Japan (Unconsolidated)

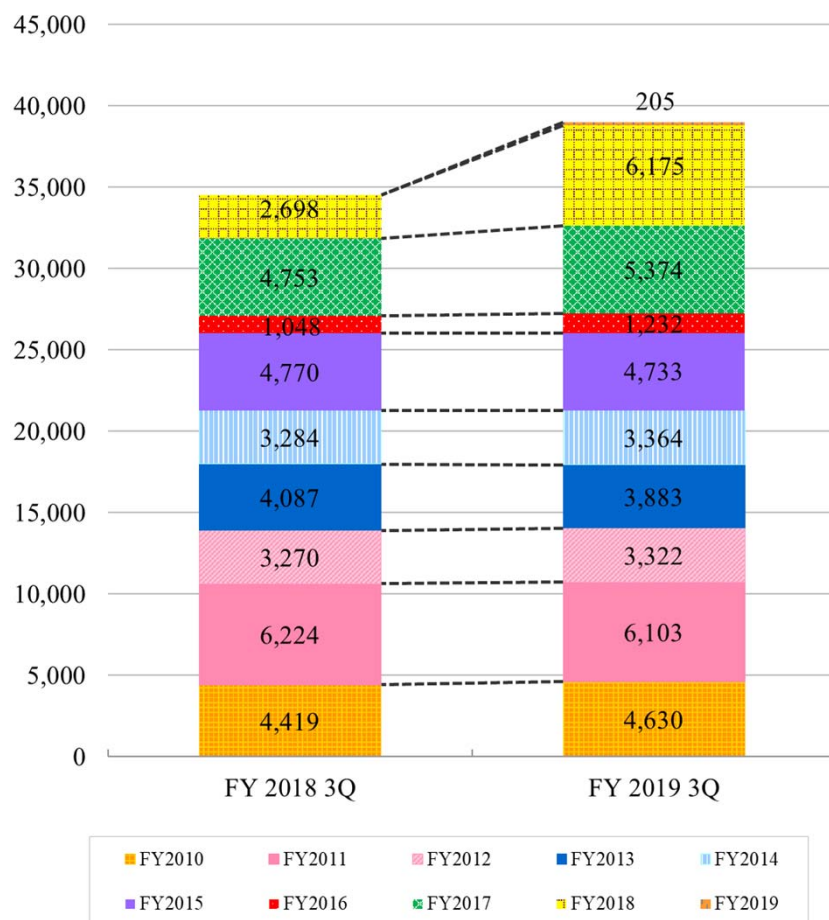
- ◆ Utilization of our core products at hospitals increased.
- ◆ Adoption rate at pharmacies improved as a result of targeted promotions.

Channel	Total, Nationwide	FY 2018 3Q		FY 2019 3Q			YoY	
		# of Customers	Sales Share	# of Customers	Coverage Rate	Sales Share	# of Customers	Sales Growth
Hospital	8,323	8,071	12.0%	8,073	97.0%	11.7%	2	3.4%
DPC* Hospital	1,727	1,724	7.3%	1,717	99.4%	7.1%	-7	2.3%
Clinic	106,048	36,917	9.7%	37,969	35.8%	9.2%	1,052	-0.1%
Pharmacy	88,944	58,057	77.0%	58,674	66.0%	77.8%	617	6.4%
Dispensing	61,513	57,726	76.6%	58,360	94.9%	77.2%	634	6.2%
Drug Stores, etc.	27,431	331	0.4%	314	1.1%	0.6%	-17	44.1%
Others	-	-	1.3%	-	-	1.3%	-	-0.2%
Total	203,315	103,045	100.0%	104,716	51.5%	100.0%	1,671	4.2%

*DPC: Diagnosis Procedure Combination, a fixed payment system for inpatients

Sales by Product Launch Year, Japan

◆ Double and triple-digit growth from products launched FY2016 - FY2018.



JPY, MM

Year Launched	FY 2018 3Q	FY 2019 3Q	YoY
FY2019	-	205	-
FY2018	2,698	6,175	128.9%
FY2017	4,753	5,374	13.1%
FY2016	1,048	1,232	17.5%
FY2015	4,770	4,733	-0.8%
FY2014	3,284	3,364	2.4%
FY2013	4,087	3,883	-5.0%
FY2012	3,270	3,322	1.6%
FY2011	6,224	6,103	-2.0%
FY2010	4,419	4,630	4.8%
Launched before FY2010	73,327	71,789	-2.1%
Total	107,882	110,810	2.7%

US Sales Analysis

- ◆ Existing Products: Making steady progress to the full year forecast, in spite of the YoY decrease.
- ◆ Recently launched products: Outperformed our estimate due to the contribution of the steady sales of Vigadrone® and the sales of two new products: Zembrace® Symtouch® and Tosymra™, acquired last July.

JPY, MM

	FY2018	FY2019	
	3Q Actual	3Q Actual	Forecast (Full Year)
Existing products	29,278	25,419	32,600
New products* ¹	838	4,037	2,700
Total	30,116	29,456	35,300
Brand products* ² (Reference)	4,135	5,421	—

*¹ Sales of products launched since FY2018

*² Sales of Qudexy®, Zembrace®, Symtouch® and Tosymra™

By therapeutic areas

Therapeutic Area	Share		FY2019 3Q YoY Sales
	FY2018 3Q	FY2019 3Q	
Central nervous system	41.7%	44.9%	5.3%
Cardiovascular	43.9%	38.6%	-14.1%
Hormone preparations	3.8%	4.9%	+26.8%
Agents for urogenital and rectal systems	4.4%	3.8%	-16.5%
Antineoplastic agents	2.4%	2.7%	11.0%
The others	1.0%	0.9%	△1.0%
Total	100.0%	100.0%	-2.2%

FY2019 Forecasts, consolidated

- ◆ Although both the Japanese and US businesses are making steady progress to achieve FY2019 forecast, our full-year forecast will not be revised, considering the current situation in Japan.

JPY, MM

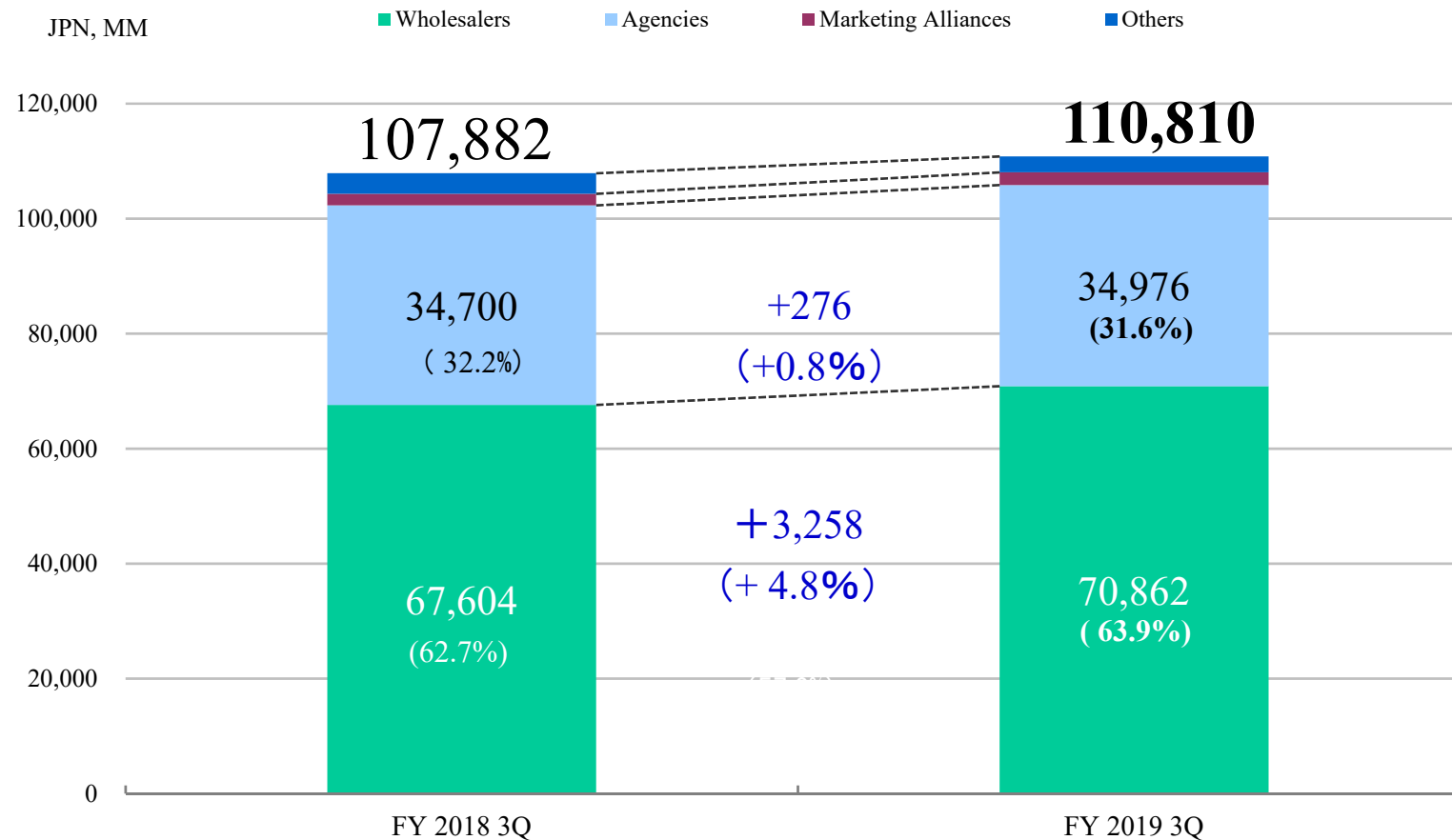
	FY2019 3Q Actual		FY2019 Full Year Forecast		
	JPY, MM	/Sales (%)	JPY, MM	/Sales (%)	Current Progress
Net Sales	140,266	100.0%	184,400	100.0%	76.1%
Operating Income	23,944	17.1%	25,800	14.0%	92.8%
Profit before tax	23,785	17.0%	25,700	13.9%	92.5%
Profit attributable to owners of the parent	17,319	12.3%	19,200	10.4%	90.2%
Core Operating Income	29,166	20.8%	32,000	17.4%	91.1%

Average rate	FY2019 3Q Actual	FY2019 Assumption
1 US dollar	109	110

Reference Materials

Sales by Distribution Channel, Japan

◆ Sales through wholesalers continued to increase.



Comparison of Sales Volume by therapeutic area, Japan

- ◆ Steady growth in CNS (Central Nervous System) line.

Therapeutic Category	Volume Composition		YoY (volume)	YoY (value*)
	FY2018 3Q	FY2019 3Q		
Cardiovascular drugs	29.1%	29.3%	4.9%	-1.8%
Gastro-intestinal drugs	21.0%	19.6%	-2.7%	-9.1%
Central nervous system drugs	12.4%	13.1%	9.7%	19.3%
Blood/body fluid pharmaceutical products	8.2%	8.4%	7.6%	-1.5%
Respiratory organ agents	6.5%	6.9%	10.7%	9.2%
Other metabolic drugs	6.6%	6.2%	-2.3%	-5.2%
Antiallergic drugs	2.4%	2.5%	10.3%	1.9%
Antibiotics drugs	2.4%	2.5%	6.7%	2.4%
Antineoplastic agents	0.2%	0.4%	73.5%	42.5%
Others	11.1%	11.1%	5.9%	18.0%
Total	100.0%	100.0%	4.5%	2.9%

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

Consolidated Financial Highlights-1

JPY, MM

	FY2018 3Q		FY2019 3Q			FY2019 Forecast		
		/Sales (%)		/Sales (%)	YoY (%)	Full Year	/Sales (%)	YoY (%)
Key Income Statements Data								
Net Sales	137,997	100.0	140,266	100.0	1.6	184,400	100.0	0.0
Cost of Sales	82,443	59.7	83,138	59.3	0.8	111,400	60.4	1.8
Gross Profit	55,554	40.3	57,128	40.7	2.8	73,000	39.6	-2.5
SG&A Expenses	23,399	17.0	24,013	17.1	2.6	32,400	17.6	0.1
R&D Expenses	10,159	7.4	9,470	6.8	-6.8	14,600	7.9	-12.4
Other income(expenses)	-92	—	298	0.2	—	-200	—	—
Operating Income	21,904	15.9	23,944	17.1	9.3	25,800	14.0	0.0
Profit before tax	21,827	15.8	23,785	17.0	9.0	25,700	13.9	0.1
Profit attributable to owners of the parent	16,804	12.2	17,319	12.3	3.1	19,200	10.4	-0.9
Core operating income	28,907	20.9	29,166	20.8	0.9	32,000	17.4	-15.2
EBITDA *	37,099	26.9	37,886	27.0	2.1	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 Dec 31, 2019
Key Balance Sheets Data		
Total Assets	372,889	388,230
Equity	223,204	233,305
Ratio of equity attributable to owners of the company to total assets (%)	53.4	53.9

	FY2018 3Q	FY2019 3Q	FY2019 Full Year Forecast
Amounts Per Common Share			
Basic earnings per share	383.87	395.59	438.53
Diluted earnings per Share	383.62	395.27	—
Dividend	—	—	130.0

Consolidated Financial Highlights-2

Sales and Operating Income by Area

Japan

JPY, MM

Key Income Statements Data	FY2018 3Q		FY 2019 3Q			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	107,882	100.0	110,810	100.0	2.7	149,100	100.0	3.5
Cost of Sales	70,102	65.0	70,433	63.6	0.5	96,500	64.7	4.1
Gross Profit	37,780	35.0	40,377	36.4	6.9	52,600	35.3	2.4
SG&A Expenses	13,854	12.8	14,538	13.1	4.9	21,400	14.4	9.8
R&D Expenses	4,343	4.0	5,031	4.5	15.8	8,200	5.5	7.8
Other income(expenses)	-73	—	237	0.2	—	-200	—	—
Operating Income	19,510	18.1	21,045	19.0	7.9	22,800	15.3	-5.9
Core operating income	21,812	20.2	22,238	20.1	2.0	24,300	16.3	-13.6
EBITDA *1	29,170	27.0	30,163	27.2	3.4	35,300	23.7	-7.0

US

Key Income Statements Data	FY2018 3Q		FY 2019 3Q			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	30,116	100.0	29,456	100.0	-2.2	35,300	100.0	-12.3
Cost of Sales	12,341	41.0	12,705	43.1	2.9	14,900	42.2	-10.9
Gross Profit	17,774	59.0	16,751	56.9	-5.8	20,400	57.8	-13.3
SG&A Expenses	9,572	31.8	9,474	32.2	-1.0	11,000	31.2	-14.9
R&D Expenses	5,815	19.3	4,465	15.2	-23.2	6,400	18.1	-29.4
Other income(expenses)	9	0.0	87	0.3	863.5	0	—	—
Operating Income	2,395	—	2,899	9.8	21.0	3,000	8.5	91.3
Core operating income	7,067	23.5	6,902	23.4	-2.3	7,700	21.8	-19.5
EBITDA *	7,901	26.2	7,697	26.1	-2.6	9,900	28.0	-7.4

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

Consolidated Financial Highlights-3

Adjusted from Full basis to Core basis

JPY, MM

	Full Basis	Adjusting (Japan)	Adjusting (US)	Core Basis	Full Basis	Adjusting (Japan)	Adjusting (US)	Core Basis
Net Sales	137,997	—	—	137,997	140,266	—	—	140,266
Cost of Sales	-82,443	1,330	555	-80,559	-83,138	47	99	-82,992
Inventory step-up	-373	—	373	—	-104	—	104	—
Impairment loss	-997	997	—	—	—	—	—	—
Other	-81,073	333	181	-80,559	-83,034	47	-5	-82,992
Gross Profit	55,554	1,330	555	57,439	57,128	47	99	57,274
SG&A Expenses	-23,399	396	2,736	-20,267	-24,013	396	3,057	-20,559
Amortization of intangible assets	-3,132	396	2,736	—	-3,453	396	3,057	—
R&D Expenses	-10,159	503	1,391	-8,265	-9,470	988	934	-7,549
Amortization of intangible assets	-811	376	435	—	-1,056	524	531	—
Impairment loss	-1,083	127	956	—	-865	463	402	—
Other income	191	-156	-35	—	409	-344	-65	—
Other expenses	-284	230	54	—	-111	107	4	—
Operating Income	21,904	2,302	4,700	28,907	23,944	1,193	4,029	29,166

Consolidated Financial Data

JPY, MM

Selling General and Administrative Expenses		FY2018 3Q		FY 2019 3Q			FY2019 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	4,343	4.0	5,031	4.5	15.8	8,200	5.5
	US	5,815	19.3	4,465	15.2	-23.2	6,400	18.1
	Total	10,159	7.4	9,470	6.8	-6.8	14,600	7.9
Advertisemet Expenses	Total	846	0.6	1,863	1.3	120.3	2,600	1.4

Capital Expenditure & Depreciation and Amortization		FY2018 3Q	FY 2019 3Q	FY2019 Full Year Forecast
Capital Expenditure	Japan	2,634	2,454	6,300
	US	578	1,643	2,300
	Total	3,212	4,097	8,600
Depreciation and Amortization	Japan	8,130	8,845	11,500
	Manufacturing Division	6,143	6,252	8,800
	R&D Division	1,160	1,339	1,700
	Administration Div. & Business Div.	827	1,255	1,000
	US	4,004	4,384	5,700
	Total	12,134	13,229	17,200

*. Results of FY2017 : Results for 10 months of US operations

Personnel Information		As of Dec 31, 2018		As of Dec 31, 2019	
Number of Employees			Comp.(%)		Comp.(%)
Japan		2,611	81.1	2,677	81.3
Manufacturing Division		1,722	53.5	1,667	53.8
R&D Division		260	8.1	253	8.2
Administration Div. & Business Div.		629	19.5	602	19.4
	(MRs)	(439)		(400)	
US		609	18.9	579	18.7
Total		3,220	100.0	3,101	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.

PR & IR Group, Corporate Strategy Department

E-mail: ir@sawai.co.jp