

# **FY2020 Financial Results** **for the 1st Half**

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**Sawai Pharmaceutical Co.,Ltd.**

4555.T, TSE 1<sup>st</sup> section

Nov 9, 2020

# Overview

- ◆ Japan: Due to an increase in sales of new products, sales and operating income were on par, year over year, despite the impact of patients refraining from seeking medical attention due to COVID-19, and the impact of two NHI drug price revisions.
- ◆ United States: Despite the market decline due to COVID-19 and the entry of competitors to existing products, sales were at the same level as the previous year. Operating income decreased.
- ◆ Consolidated: Progress in profits is on track to meet the forecast.

JPY, MM

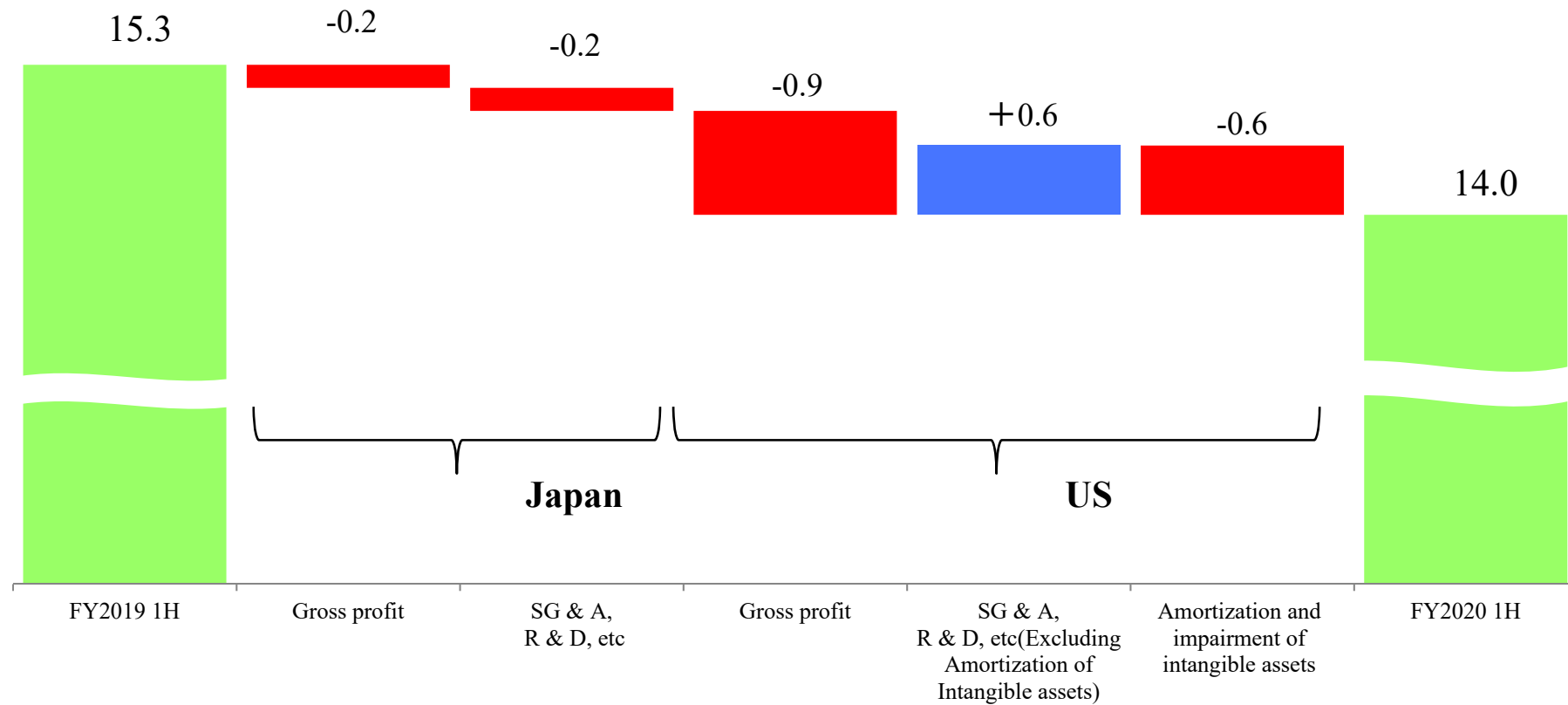
	FY 2019 1H			FY 2020 1H			YoY	
		by Region			by Region		+/-	Growth
		Japan	US		Japan	US		
Net Sales	90,481	72,003	18,478	<b>90,172</b>	<b>72,098</b>	<b>18,074</b>	-309	-0.3%
Operating Income	15,255	13,801	1,453	<b>14,012</b>	<b>13,397</b>	<b>615</b>	-1,243	-8.1%
Profit before tax	15,153	—	—	<b>13,812</b>	—	—	-1,341	-8.8%
Profit attributable to owners of the parent	10,972	—	—	<b>10,800</b>	—	—	-172	-1.6%
Core Operating Income *	18,476	<b>14,754</b>	3,709	<b>17,581</b>	<b>14,307</b>	<b>3,268</b>	-895	-4.8%

\*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	FY2019 1H Actual	FY2020 1H Actual
1 US dollar	109	107

# Operating Income Analysis

(JPY, bn)



## Sales by Channel, Japan (Unconsolidated)

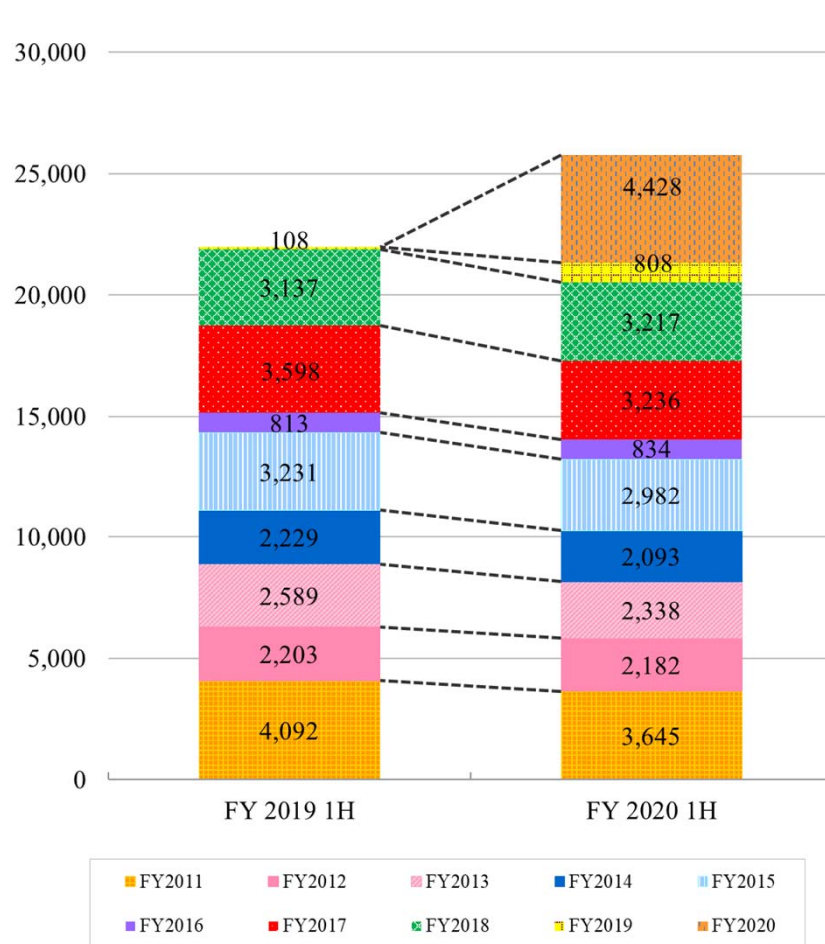
- ◆ The sales in the hospital sector were affected by patients refraining from seeking medical attention, due to COVID-19, in addition to the impact of two NHI drug price revisions.
- ◆ From June forward, sales increased steadily due to the adoption of new products in the pharmacy sector.

Channel	Total, Nationwide	FY 2019 1H		FY 2020 1H			YoY	
		# of Customers	Sales Share	# of Customers	Coverage Rate	Sales Share	# of Customers	Sales Growth
Hospital	8,281	7,984	11.6%	7,978	96.3%	10.9%	-6	-7.5%
DPC* Hospital	1,757	1,712	7.0%	1,748	99.5%	6.6%	36	-7.4%
Clinic	106,582	34,638	9.3%	35,249	33.1%	9.0%	611	-5.3%
Pharmacy	89,420	58,071	77.9%	58,815	65.8%	78.9%	744	-0.3%
Dispensing	61,854	57,783	77.3%	58,527	94.6%	78.3%	744	-0.3%
Drug Stores, etc.	27,566	288	0.6%	288	1.0%	0.6%	0	-5.4%
Others	-	-	1.2%	-	-	1.2%	-	-4.8%
<b>Total</b>	<b>204,283</b>	<b>100,693</b>	<b>100.0%</b>	<b>102,042</b>	<b>50.0%</b>	<b>100.0%</b>	<b>1,349</b>	<b>-1.9%</b>

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

# Sales by Product Launch Year, Japan

◆ Newly launched products in FY2020 came in above forecast.



JPY, MM

Year Launched	FY 2019 1H	FY 2020 1H	YoY
FY2020	-	<b>4,428</b>	-
FY2019	108	<b>808</b>	649.7%
FY2018	3,137	<b>3,217</b>	2.6%
FY2017	3,598	<b>3,236</b>	-10.1%
FY2016	813	<b>834</b>	2.7%
FY2015	3,231	<b>2,982</b>	-7.7%
FY2014	2,229	<b>2,093</b>	-6.1%
FY2013	2,589	<b>2,338</b>	-9.7%
FY2012	2,203	<b>2,182</b>	-1.0%
FY2011	4,092	<b>3,645</b>	-10.9%
Launched before FY2010	50,003	<b>46,335</b>	-7.3%
<b>Total</b>	<b>72,003</b>	<b>72,098</b>	<b>0.1%</b>

# US Sales Analysis

◆ Despite COVID-19 and competitive challenges, 1H FY20 vs. 1H FY19 revenue remains relatively flat.

JPY, MM

	FY2019	FY2020	
	1H Actual	1H Actual	Forecast (Full Year)
<b>Existing products</b>	16,133	13,774	29,500
<b>New products*<sup>1</sup></b>	2,344	4,300	11,100
<b>Total</b>	18,478	18,074	40,600
<b>Brand products*<sup>2</sup> (Reference)</b>	3,046	3,510	—

\*<sup>1</sup> Sales of products launched since FY2018

\*<sup>2</sup> Sales of Qudexy<sup>®</sup>, Zembrace<sup>®</sup>, Symtouch<sup>®</sup> and Tosymra<sup>™</sup>

## By therapeutic areas

Therapeutic Area	FY2019 1H	FY2020 1H	FY2020 1H YoY Sales
	Central nervous system	42.8%	
Cardiovascular	38.0%	31.7%	-18.5%
Agents for urogenital and rectal systems	3.5%	4.8%	+32.8%
Hormone preparations	5.2%	3.4%	-35.6%
Antineoplastic agents	3.2%	2.6%	-21.1%
The others	7.3%	6.5%	Δ12.3%
<b>Total</b>	100.0%	100.0%	-2.2%

## FY2020 Forecasts, consolidated

- ◆ Progress in profits exceeded the forecast.
- ◆ Our full-year forecast remains unchanged as the circumstances surrounding the generics industry continues to be unclear.

	FY2020 1H Actual		FY2020 Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen		/Sales (%)
Net Sales	<b>90,172</b>	100.0%	<b>200,200</b>	100.0%	45.0%
Operating Income	<b>14,012</b>	15.5%	<b>26,850</b>	13.4%	52.2%
Profit before tax	<b>13,812</b>	15.3%	<b>26,550</b>	13.3%	52.0%
Profit attributable to owners of the parent	<b>10,800</b>	12.0%	<b>20,050</b>	10.0%	53.9%
Core Operating Income	<b>17,581</b>	19.5%	<b>34,800</b>	17.4%	50.5%

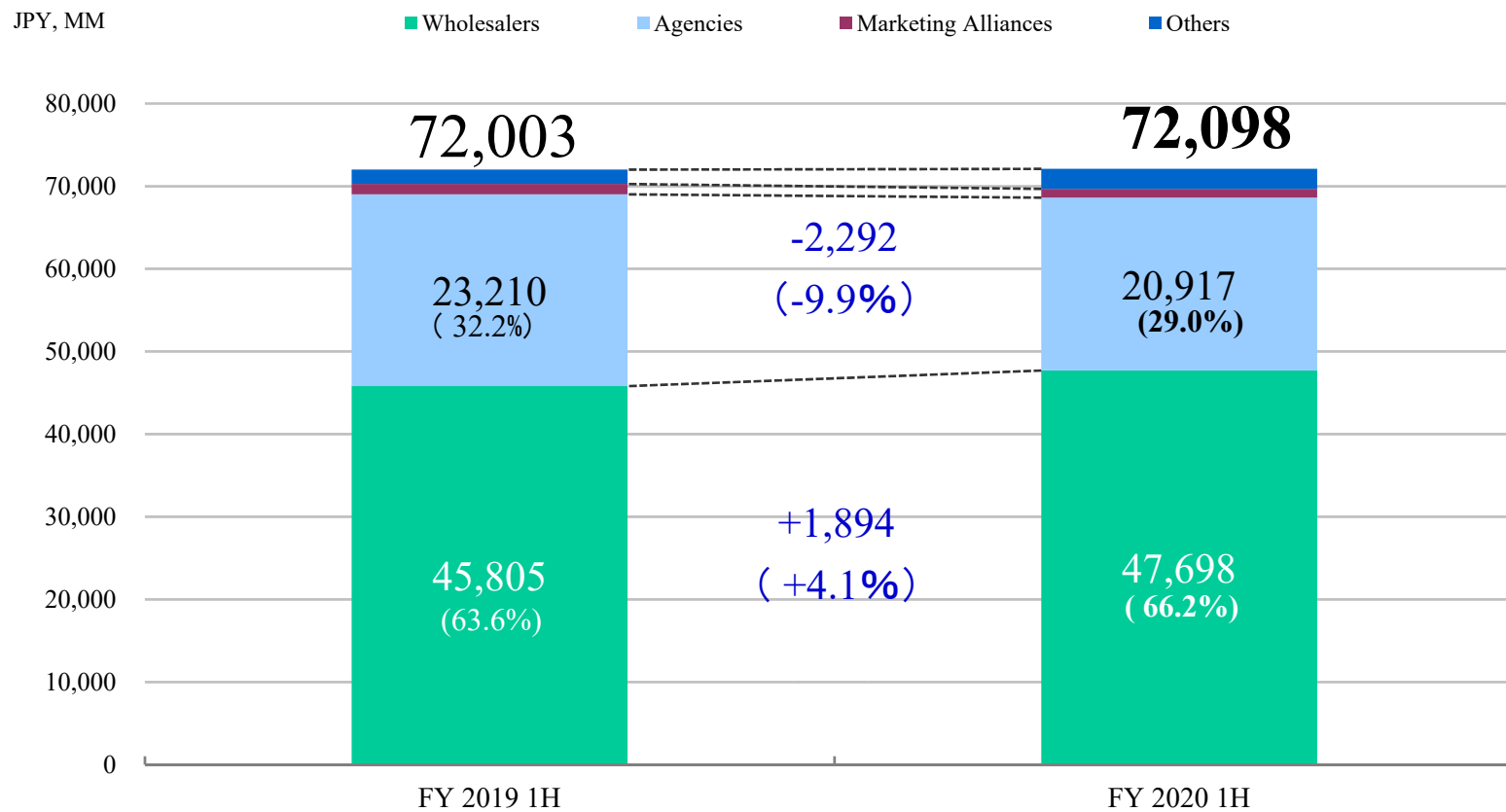
Average rate	FY2020 1H Actual	FY2020 Assumption
1 US dollar	107	110

# Reference Materials



# Sales by Distribution Channel, Japan

◆ Sales through wholesalers increased due to newly launched products, etc.



## Comparison of Sales Volume by therapeutic area, Japan

- ◆ Steady growth in CNS (Central Nervous System) and Vitamin lines.
- ◆ Volume reductions of more than 20% for respiratory organ agents and antibiotics due to the decline in the number of visits patients made to Pediatric and Otolaryngology offices.

Therapeutic Category	Volume Composition		YoY (volume)	YoY (value)
	FY2019 1H	FY2020 1H		
Cardiovascular drugs	29.2%	30.0%	5.7%	-2.4%
Gastro-intestinal drugs	19.9%	19.0%	-1.3%	-7.3%
Central nervous system drugs	13.2%	13.4%	4.1%	16.3%
Blood/body fluid pharmaceutical products	8.2%	8.4%	5.5%	-1.5%
Other metabolic drugs	6.2%	6.9%	14.2%	10.1%
Vitamin drugs	4.0%	5.2%	32.7%	187.1%
Antibiotics drugs	2.4%	1.8%	-22.5%	-22.9%
Antineoplastic agents	0.4%	0.5%	19.1%	-3.2%
Respiratory organ agents	6.9%	5.1%	-24.0%	-17.7%
Others	9.6%	9.7%	4.1%	-6.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2.9%</b>	<b>0.1%</b>

# Consolidated Financial Highlights-1

JPY, MM

	FY2019 1H		FY2020 1H			FY2020 Forecast				
		/Sales (%)		/Sales (%)	YoY (%)	1H	/Sales (%)	Full Year	/Sales (%)	YoY (%)
<b>Key Income Statements Data</b>										
Net Sales	90,481	100.0	<b>90,172</b>	100.0	<b>-0.3</b>	96,000	100.0	200,200	100.0	9.7
Cost of Sales	53,259	58.9	<b>54,103</b>	60.0	1.6	56,700	59.1	119,600	59.7	9.7
Gross Profit	37,221	41.1	<b>36,069</b>	40.0	<b>-3.1</b>	39,300	40.9	80,600	40.3	9.7
SG&A Expenses	15,758	17.4	<b>16,110</b>	17.9	2.2	17,300	18.0	36,400	18.2	9.1
R&D Expenses	6,351	7.0	<b>6,148</b>	6.8	<b>-3.2</b>	8,800	9.2	17,600	8.8	30.5
Other income( expenses)	142	0.2	<b>202</b>	0.2	42.0	150	0.2	250	0.1	60.7
Operating Income	15,255	16.9	<b>14,012</b>	15.5	<b>-8.1</b>	13,350	13.9	26,850	13.4	0.2
Profit before tax	15,153	16.7	<b>13,812</b>	15.3	<b>-8.8</b>	13,250	13.8	26,550	13.3	0.2
Profit attributable to owners of the parent	10,972	12.1	<b>10,800</b>	12.0	<b>-1.6</b>	9,950	10.4	20,050	10.0	4.0
Core operating income	18,476	20.4	<b>17,581</b>	19.5	<b>-4.8</b>	16,500	17.2	34,800	17.4	1.2
EBITDA *	24,267	26.8	<b>23,364</b>	25.9	<b>-3.7</b>	22,400	23.3	46,800	23.4	1.4

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

	As of March 31, 2019	As of Sep 30, 2020
<b>Key Balance Sheets Data</b>		
Total Assets	384,814	<b>388,966</b>
Equity	233,686	<b>238,388</b>
Ratio of equity attributable to owners of the company to total assets (%)	54.6	<b>55.3</b>

	FY2019 1H	FY2020 1H	FY2020 Full Year Forecast
<b>Amounts Per Common Share</b>			
Basic earnings per share	250.61	<b>246.65</b>	457.94
Diluted earnings per Share	250.42	<b>246.41</b>	—
Dividend (interim)	(65.0)	<b>(65.0)</b>	130.0

## Consolidated Financial Highlights-2

### Sales and Operating Income by Area

#### Japan

JPY, MM

Key Income Statements Data	FY2019 1H		FY 2020 1H			FY2020 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	72,003	100.0	<b>72,098</b>	100.0	0.1	159,600	100.0	10.7
Cost of Sales	45,123	62.7	<b>45,437</b>	63.0	0.7	101,000	63.3	10.0
Gross Profit	26,880	37.3	<b>26,660</b>	37.0	-0.8	58,600	36.7	12.1
SG&A Expenses	9,690	13.5	<b>9,885</b>	13.7	2.0	23,100	14.5	12.7
R&D Expenses	3,514	4.9	<b>3,434</b>	4.8	-2.3	10,200	6.4	35.1
Other income( expenses)	125	0.2	<b>55</b>	0.1	-56.1	<b>0</b>	—	—
Operating Income	13,801	19.2	<b>13,397</b>	18.6	-2.9	25,300	15.9	3.7
Core operating income	14,754	20.5	<b>14,307</b>	19.8	-3.0	28,000	17.5	5.7
EBITDA *	20,017	27.8	<b>19,552</b>	27.1	-2.3	38,000	23.8	2.3

#### US

Key Income Statements Data	FY2019 1H		FY 2020 1H			FY2020 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	18,478	100.0	<b>18,074</b>	100.0	-2.2	40,600	100.0	5.7
Cost of Sales	8,136	44.0	<b>8,665</b>	47.9	6.5	18,600	45.8	8.3
Gross Profit	10,341	56.0	<b>9,409</b>	52.1	-9.0	22,000	54.2	3.6
SG&A Expenses	6,067	32.8	<b>6,228</b>	34.5	2.6	13,300	32.8	3.1
R&D Expenses	2,851	15.4	<b>2,718</b>	15.0	-4.6	7,400	18.2	24.3
Other income( expenses)	30	0.2	<b>153</b>	0.8	412.7	250	0.6	—
Operating Income	1,453	—	<b>615</b>	3.4	-57.7	1,550	3.8	-35.1
Core operating income	3,709	20.1	<b>3,268</b>	18.1	-11.9	6,800	16.7	-13.7
EBITDA *	4,238	22.9	<b>3,807</b>	21.1	-10.2	8,800	21.7	-1.9

\* 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	90,481	—	—	90,481	<b>90,172</b>	—	—	<b>90,172</b>
Cost of Sales	-53,259	—	74	-53,185	<b>-54,103</b>	126	32	<b>-53,944</b>
Inventory step-up	-74	—	74	—	<b>-21</b>	—	21	—
Impairment loss	—	—	—	—	—	—	—	—
Others	—	—	—	—	<b>-137</b>	126	12	—
Gross Profit	37,221	—	74	37,296	<b>36,069</b>	126	32	<b>36,227</b>
SG&A Expenses	-15,758	264	1,857	-13,636	<b>-16,110</b>	264	2,361	<b>-13,485</b>
Amortization of intangible assets	-2,121	264	1,857	—	<b>-2,625</b>	264	2,361	—
R&D Expenses	-6,351	814	354	-5,183	<b>-6,148</b>	575	412	<b>-5,161</b>
Amortization of intangible assets	-705	351	354	—	<b>-819</b>	456	363	—
Impairment loss	-463	463	—	—	<b>-168</b>	119	49	—
Other income	252	-230	-21	—	<b>210</b>	-57	-153	—
Other expenses	-109	105	0	—	<b>-9</b>	6	3	—
Operating Income	15,255	953	2,268	18,476	<b>14,012</b>	913	2,655	<b>17,581</b>

# Consolidated Financial Data

JPY, MM

Selling General and Administrative Expenses		FY2019 1H		FY 2020 1H			FY2020 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	3,514	4.9	3,434	4.8	-2.3	10,200	6.4
	US	2,851	15.4	2,718	15.0	-4.6	7,400	18.2
	<b>Total</b>	<b>6,351</b>	<b>7.0</b>	<b>6,148</b>	<b>6.8</b>	<b>-3.2</b>	<b>17,600</b>	<b>8.8</b>
Advertisemet Expenses	<b>Total</b>	<b>1,338</b>	<b>1.5</b>	<b>1,291</b>	<b>1.4</b>	<b>-3.5</b>	<b>2,900</b>	<b>1.4</b>

Capital Expenditure & Depreciation and Amortization		FY2019 1H	FY 2020 1H	FY2020 Full Year Forecast
Capital Expenditure	Japan	1,515	4,860	7,500
	US	767	2,649	6,800
	<b>Total</b>	<b>2,282</b>	<b>7,509</b>	<b>14,300</b>
Depreciation and Amortization	Japan	5,877	5,965	11,500
	Manufacturing Division	4,142	4,184	8,300
	R&D Division	893	962	1,500
	Administration Div. & Business Div.	842	819	1,700
	US	2,740	3,262	6,900
<b>Total</b>	<b>8,618</b>	<b>9,227</b>	<b>18,400</b>	

Personnel Information		As of Sep 30, 2019		As of Sep 30, 2020	
Number of Employees			Comp.(%)		Comp.(%)
Japan		2,541	81.8	<b>2,677</b>	80.8
Manufacturing Division		1,683	54.2	<b>1,609</b>	53.0
R&D Division		253	8.1	<b>249</b>	8.2
Administration Div. & Business Div.		605	19.5	<b>595</b>	19.6
	(MRs)	(409)		<b>(394)</b>	
US		567	18.2	<b>584</b>	19.2
<b>Total</b>		<b>3,108</b>	<b>100.0</b>	<b>3,037</b>	<b>100.0</b>

## 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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