

**Financial Results for**  
**the First Quarter of FY 2018**  
**(Apr. 1 to Jun. 30)**

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**Sawai Pharmaceutical Co.,Ltd.**

Code 4555, First Section of the TSE

Aug. 14, 2018

## Overview of the Financial Results for the First Quarter of FY2018

- ◆ In the Japan business, although the drug price revision had an impact, sales increased by 4.8% year-on-year due to the effects of the policy to promote the use of generic drugs
- ◆ In the US business, growth remained strong in the main products of Upsher-Smith Laboratories, LLC (USL), which became fully consolidated from this period
- ◆ On the whole, sales income increased 18.7% year-on-year and core operating income increased 12.9%

(Unit: Millions of yen)

	FY 2017 1Q *1			FY 2018 1Q			Year on Year	
	Sale and Profit by Region		US	Sale and Profit by Region		US	Mil. yen	Growth (%)
	Japan	US		Japan	US			
<b>Net Sales</b>	38,152	33,631	4,522	<b>45,298</b>	<b>35,255</b>	<b>10,042</b>	7,146	18.7%
<b>Core Operating Income *2</b>	7,941	7,537	405	<b>8,969</b>	<b>6,397</b>	<b>2,563</b>	1,027	12.9%
<b>Operating Income</b>	6,592	7,218	-626	<b>7,320</b>	<b>6,015</b>	<b>1,302</b>	728	11.0%
<b>Profit before tax</b>	7,197	—	—	<b>7,350</b>	—	—	153	2.1%
<b>Profit attributable to owners of the parent</b>	5,621	—	—	<b>5,258</b>	—	—	-363	-6.5%

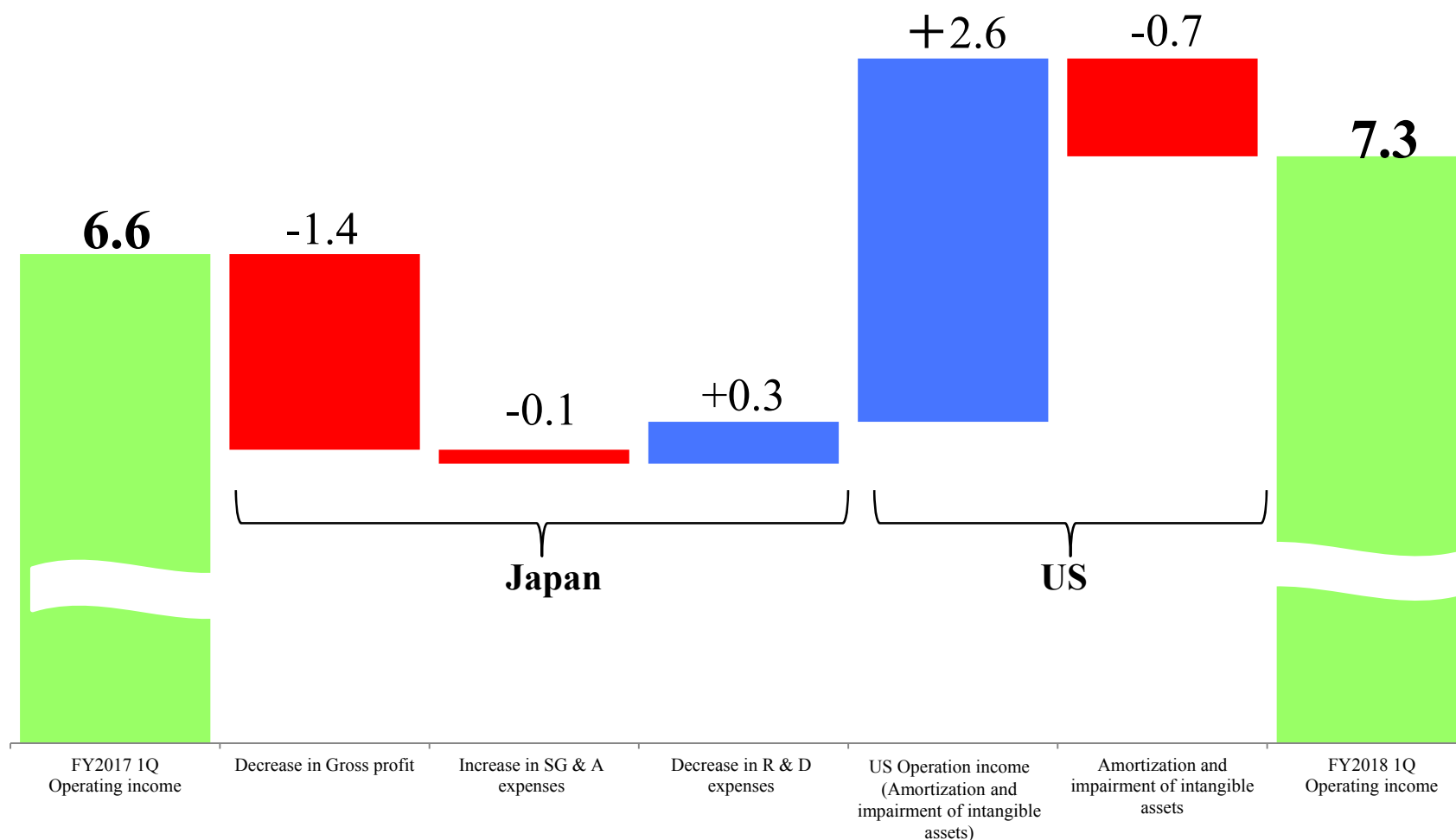
\*1 Financial Results for 1Q of FY 2017: Financial Results for 3 months of Japan operations + 1 months of US operations (June 2017)

\*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 Q1 Quarterly Average Rate :1USD = 109 JPY

# Analysis of Factors Causing Changes in Operating Income

(Unit: Billion. Yen)



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



(Unit: Millions of yen)

IFRS	FY2018 1Q Actual		
	Full basis	Mil. yen	Core basis
<b>Net Sales</b>	<b>45,298</b>		<b>45,298</b>
<b>Cost of Sales</b>	-26,893	+219	-26,675
<b>Gross Profit</b>	<b>18,405</b>	<b>+219</b>	<b>18,623</b>
<b>SG&amp;A Expenses</b>	-7,961	+1,029	-6,932
Amortization of intangible assets	-1,029	+1,029	—
<b>R&amp;D Expenses</b>	-3,055	+332	-2,723
<b>Other income( expenses)</b>	-69	+69	—
<b>Operating Income</b>	<b>7,320</b>	<b>+1,648</b>	<b>8,969</b>

(1) Cost-of-sales increase due to inventory step-up  
> 0.2 billion yen

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

Impairment loss etc.> 0.3 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

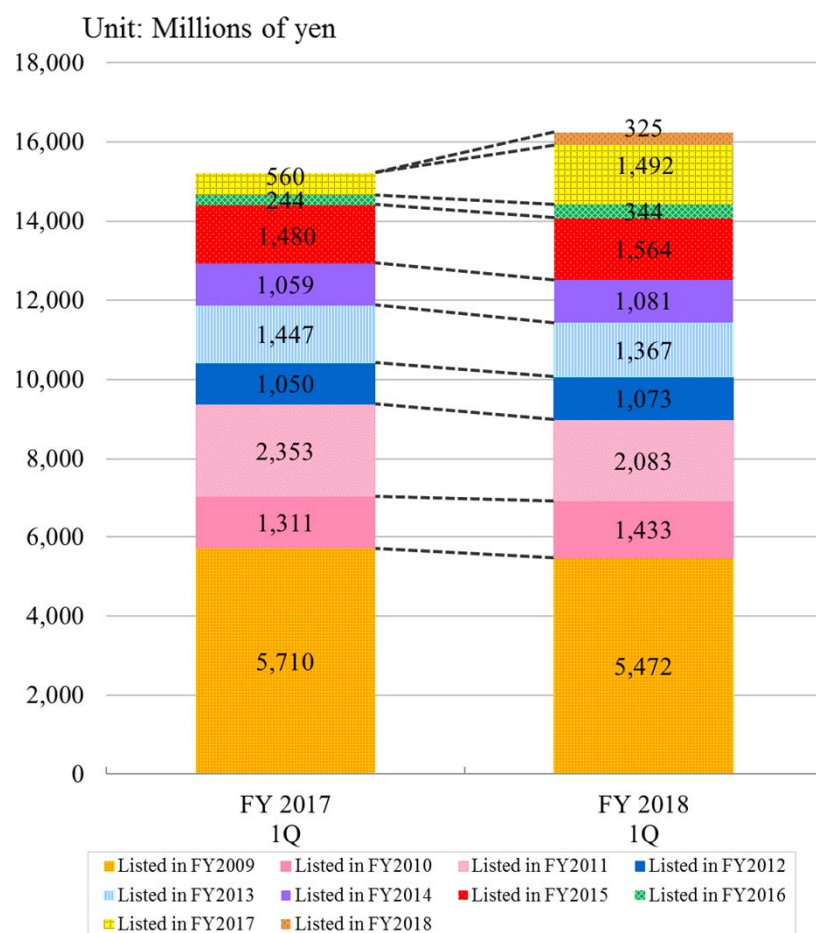
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY 2017 1Q		FY 2018 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	8,420	7,804	13.1%	7,865	(93.4%)	11.9%	61	-7.2%
DPC Hospital	1,730	1,644	8.0%	1,720	(99.4%)	7.3%	76	-9.6%
Clinic	105,782	29,624	10.0%	30,284	(28.6%)	9.7%	660	-1.7%
Pharmacy	88,001	55,836	75.2%	56,661	(64.4%)	77.1%	825	4.6%
Dispensing Pharmacy	60,939	55,560	74.7%	56,389	(92.5%)	76.6%	829	4.7%
Drug Stores, etc.	27,062	276	0.6%	272	(1.0%)	0.5%	-4	-14.0%
Others	-	-	1.7%	-	-	1.4%	-	-15.8%
<b>Total</b>	<b>202,203</b>	<b>93,264</b>	<b>100.0%</b>	<b>94,810</b>	<b>(46.9%)</b>	<b>100.0%</b>	<b>1,546</b>	<b>2.1%</b>

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

# Sales by Listed Year of Drugs (Japan)

- ◆ Sales of products listed since FY2015 have increased steadily
- ◆ Sales of new products in FY2018 make greater progress than expected

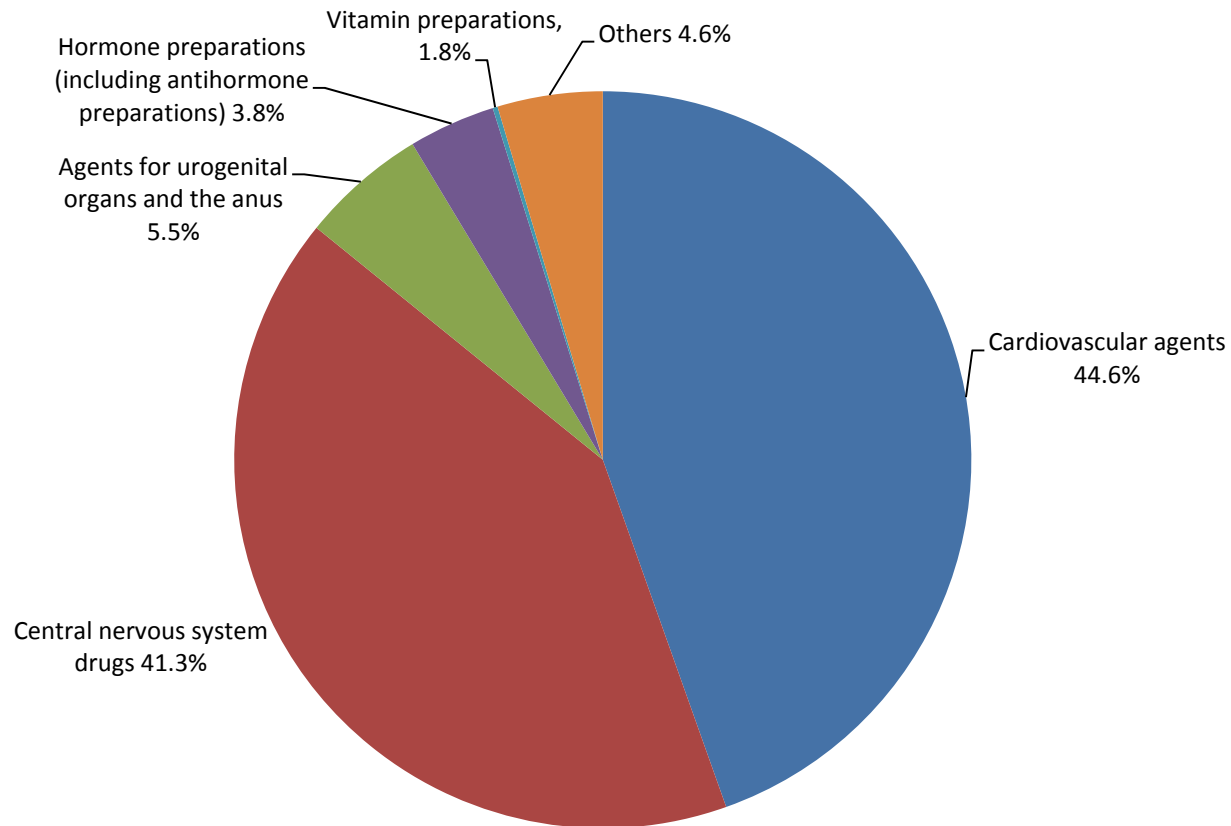


(Unit: Millions of yen, %)

	FY 2017 1Q	FY 2018 1Q	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2018	-	<b>325</b>	-
Listed in FY2017	560	<b>1,492</b>	166.4%
Listed in FY2016	244	<b>344</b>	41.2%
Listed in FY2015	1,480	<b>1,564</b>	5.7%
Listed in FY2014	1,059	<b>1,081</b>	2.1%
Listed in FY2013	1,447	<b>1,367</b>	-5.5%
Listed in FY2012	1,050	<b>1,073</b>	2.2%
Listed in FY2011	2,353	<b>2,083</b>	-11.5%
Listed in FY2010	1,311	<b>1,433</b>	9.3%
Listed in FY2009	5,710	<b>5,472</b>	-4.2%
Existing Drugs and Transferred Drugs, etc.	18,416	<b>19,020</b>	3.3%
<b>Total</b>	<b>33,631</b>	<b>35,255</b>	<b>4.8%</b>

## Sales breakdown by Therapeutic category (US)

- ◆ The breakdown of sales in the US business, totaling 10 billion yen, is shown below
- ◆ The two main products make progress faster than the plan



Exchange rates: 111 yen/dollar

## FY2018 Earnings Forecasts

- ◆ Income is progressing steadily with respect to the plan
- ◆ Because the outlook for the environment surrounding the Company from the second quarter onwards is uncertain, the initial earnings forecast is unchanged

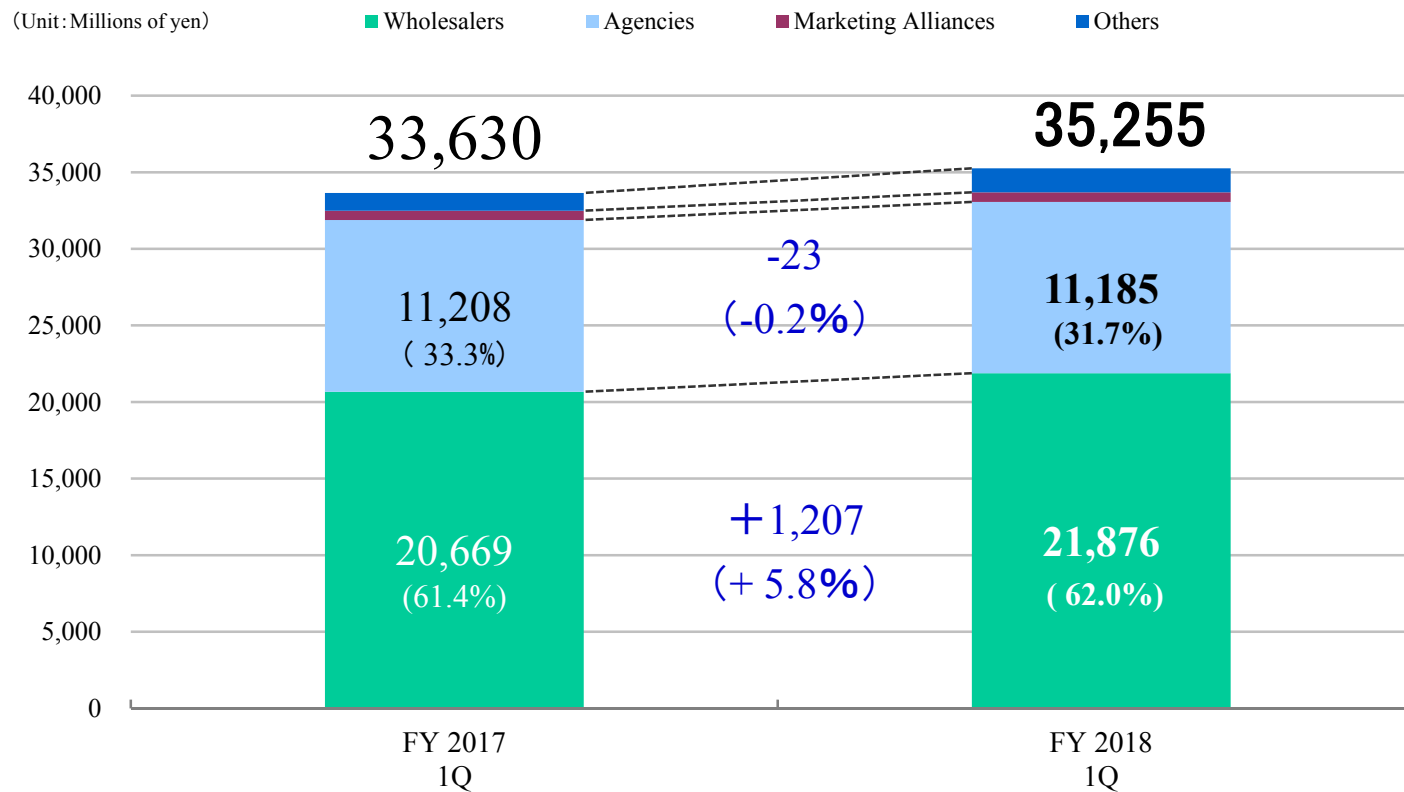
(Unit: Millions of yen)

	FY 2018 1Q		FY 2018 Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Rate of Achievement
	Net Sales	<b>45,298</b>	100.0%	<b>172,500</b>	100.0%
Core Operating Income	<b>8,969</b>	19.8%	<b>29,700</b>	17.2%	30.2%
Operating Income	<b>7,320</b>	16.2%	<b>24,000</b>	13.9%	30.5%
Profit before tax	<b>7,350</b>	16.2%	<b>23,700</b>	13.7%	31.0%
profit attributable to owners of the parent	<b>5,258</b>	11.6%	<b>17,400</b>	10.1%	30.2%



# 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 1Q	FY 2018 1Q		
Cardiovascular drugs	27.8%	29.5%	19.9%	5.2%
Gastro-intestinal drugs	23.3%	21.4%	3.6%	3.3%
Central nervous system drugs	12.3%	12.2%	11.9%	16.0%
Blood/body fluid pharmaceutical products	7.8%	7.8%	13.4%	1.3%
Other metabolic drugs	6.7%	6.8%	13.4%	3.4%
Respiratory organ agents	5.7%	6.2%	22.9%	22.3%
Antibiotics drugs	2.4%	2.5%	22.0%	6.1%
Antiallergic drugs	2.7%	2.3%	-1.8%	-14.0%
Antineoplastic agents	0.2%	0.3%	27.7%	-4.4%
Others	11.1%	11.0%	11.6%	15.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>12.9%</b>	<b>5.3%</b>

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

# Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2017 1Q <sup>*1</sup>		FY2018 1Q			FY2018 Forecast				
		/Sales (%)		/Sales (%)	YoY (%)	1H	/Sales (%)	FullYear	/Sales (%)	YoY (%)
<b>Key Income Statements Data</b>										
Net Sales	38,152	100.0	<b>45,298</b>	100.0	18.7	84,400	100.0	172,500	100.0	2.6
Cost of Sales	22,365	58.6	<b>26,893</b>	59.4	20.2	50,800	60.2	102,900	59.7	4.3
Gross Profit	15,787	41.4	<b>18,405</b>	40.6	16.6	33,600	39.8	69,600	40.3	0.2
SG&A Expenses	7,110	18.6	<b>7,961</b>	17.6	12.0	16,600	19.7	33,100	19.2	1.1
R&D Expenses	2,083	5.5	<b>3,055</b>	6.7	46.7	6,300	7.5	12,200	7.1	-16.1
Other income( expenses)	-2	—	<b>-69</b>	—	—	<b>-200</b>	—	<b>-300</b>	—	—
Operating Income	6,592	17.3	<b>7,320</b>	16.2	11.0	10,500	12.4	24,000	13.9	8.1
Core operating income	7,197	18.9	<b>7,350</b>	16.2	2.1	10,300	12.2	23,700	13.7	17.0
Profit before tax	5,621	14.7	<b>5,258</b>	11.6	-6.5	7,600	9.0	17,400	10.1	24.1
Profit attributable to owners of the parent	7,941	20.8	<b>8,969</b>	19.8	12.9	13,200	15.6	29,700	17.2	-4.6
EBITDA <sup>*2</sup>	10,305	27.0	<b>11,697</b>	25.8	13.5	—	—	41,300	23.9	-0.7

\*1. Results for 1Q of FY 2017 : Results for 3 months of Japan operations + 1 months of US operations (June 2017)

\*2. Core operating income + amortization and depreciation expenses included in core operating income + impairment charges

	As of March 31, 2018	As of June 30, 2018
<b>Key Balance Sheets Data</b>		
Total Assets	358,453	<b>362,618</b>
Equity	202,441	<b>209,565</b>
Ratio of equity attributable to owners of the company to total assets (%)	50.6	<b>51.7</b>

	FY2017 1Q	FY2018 1Q	FY2018 Forecast	
<b>Amounts Per Common Share</b>			1H	FullYear
Basic earnings per share	152.46	<b>120.12</b>	173.63	397.52
Diluted earnings per Share	152.37	<b>120.04</b>	—	—
Dividend (interim)	—	—	65.0	130.0

# Consolidated Financial Highlights-2

## Sales and Operating Income by Area

### Japan

(Unit: Millions of Yen)

Key Income Statements Data	FY2017 1Q		FY 2018 1Q			FY2018 Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	33,631	100.0	<b>35,255</b>	100.0	4.8	136,600	100.0	1.4
Cost of Sales	19,949	59.3	<b>22,981</b>	65.2	15.2	87,300	63.9	4.7
Gross Profit	13,681	40.7	<b>12,274</b>	34.8	<b>-10.3</b>	49,300	36.1	<b>-3.9</b>
SG&A Expenses	4,678	13.9	<b>4,710</b>	13.4	0.7	20,500	15.0	<b>-0.4</b>
R&D Expenses	1,781	5.3	<b>1,472</b>	4.2	<b>-17.4</b>	7,200	5.3	<b>-18.0</b>
Other income( expenses)	<b>-5</b>	—	<b>-78</b>	—	—	<b>-300</b>	—	—
Operating Income	7,218	21.5	<b>6,015</b>	17.1	<b>-16.7</b>	21,300	15.6	<b>-2.8</b>
Core operating income	7,537	22.4	<b>6,397</b>	18.1	<b>-15.1</b>	22,400	16.4	<b>-8.0</b>
EBITDA *2	9,803	29.1	<b>8,825</b>	25.0	<b>-10.0</b>	33,000	24.2	<b>-2.4</b>

### US

Key Income Statements Data	FY2017 1Q*1		FY 2018 1Q			FY2018 Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	4,522	100.0	<b>10,042</b>	100.0	122.1	35,900	100.0	7.7
Cost of Sales	2,416	53.4	<b>3,912</b>	39.0	61.9	15,600	43.5	2.5
Gross Profit	2,106	46.6	<b>6,130</b>	61.0	191.1	20,300	56.5	12.0
SG&A Expenses	2,432	53.8	<b>3,259</b>	32.5	34.0	12,600	35.1	3.5
R&D Expenses	302	6.7	<b>1,583</b>	15.8	423.8	5,000	13.9	<b>-13.4</b>
Other income( expenses)	2	0.0	<b>14</b>	0.1	559.5	0	—	—
Operating Income	<b>-626</b>	—	<b>1,302</b>	13.0	—	2,700	7.5	791.0
Core operating income	405	8.9	<b>2,563</b>	25.5	533.4	7,300	20.3	8.5
EBITDA *2	502	11.1	<b>2,863</b>	28.5	470.3	8,300	23.1	6.9

\*1. Results for 1Q of FY 2017 : Results for 1 months of US operations (June 2017)

\*2. 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		FY2017 1Q*		FY 2018 1Q			FY2018 Forecast	
			/Sales (%)		/Sales (%)	YoY (%)	Full Year	/Sales (%)
R&D Expenses	Japan	1,781	5.3	1,472	4.2	-17.3	7,200	5.3
	US	302	6.7	1,583	15.8	423.8	5,000	13.9
	<b>Total</b>	2,083	5.5	3,055	6.7	46.7	12,200	7.1
Advertisemet Expenses	<b>Total</b>	343	0.9	294	0.6	-14.3	800	0.6

Capital Expenditure & Depreciation and Amortization		FY2017 1Q*	FY 2018 1Q	FY2018 Forecast Full Year
Capital Expenditure	Japan	2,626	1,459	6,100
	US	94	231	1,600
	<b>Total</b>	2,720	1,690	7,700
Depreciation and Amortization	Japan	2,307	2,659	10,600
	Manufacturing Division	1,864	2,023	8,400
	R&D Division	308	359	1,500
	Administration Div. & Business Div.	136	278	700
	US	407	1,313	5,200
	<b>Total</b>	2,714	3,972	15,800

\*. Results for 1Q of FY2017 : Results for 1 months of US operations (June 2017)

Personnel Information	As of June 30, 2017		As of June 30, 2018	
Number of Employees		Comp.(%)		Comp.(%)
Japan	2,668	82.3	2,677	81.3
Manufacturing Division	1,773	54.7	1,772	53.8
R&D Division	246	7.6	265	8.1
Administration Div. & Business Div.	649	20.0	640	19.4
(MRs)	498	-	469	-
US	573	17.7	614	18.7
<b>Total</b>	3,241	100.0	3,291	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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