

Financial Results for
the 1st Half of FY 2018
(Apr. 1 to Sep. 30)

Sawai Pharmaceutical Co.,Ltd.

Code 4555, First Section of the TSE

Nov. 14, 2018

Overview of the Financial Results for the 1H of FY2018

- ◆ In the Japan business, although the drug price revision had an impact, sales increased by 3.1% 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)
- ◆ On the whole, sales income increased 11.0% year-on-year and core operating income increased 9.5%

(Unit: Millions of yen)

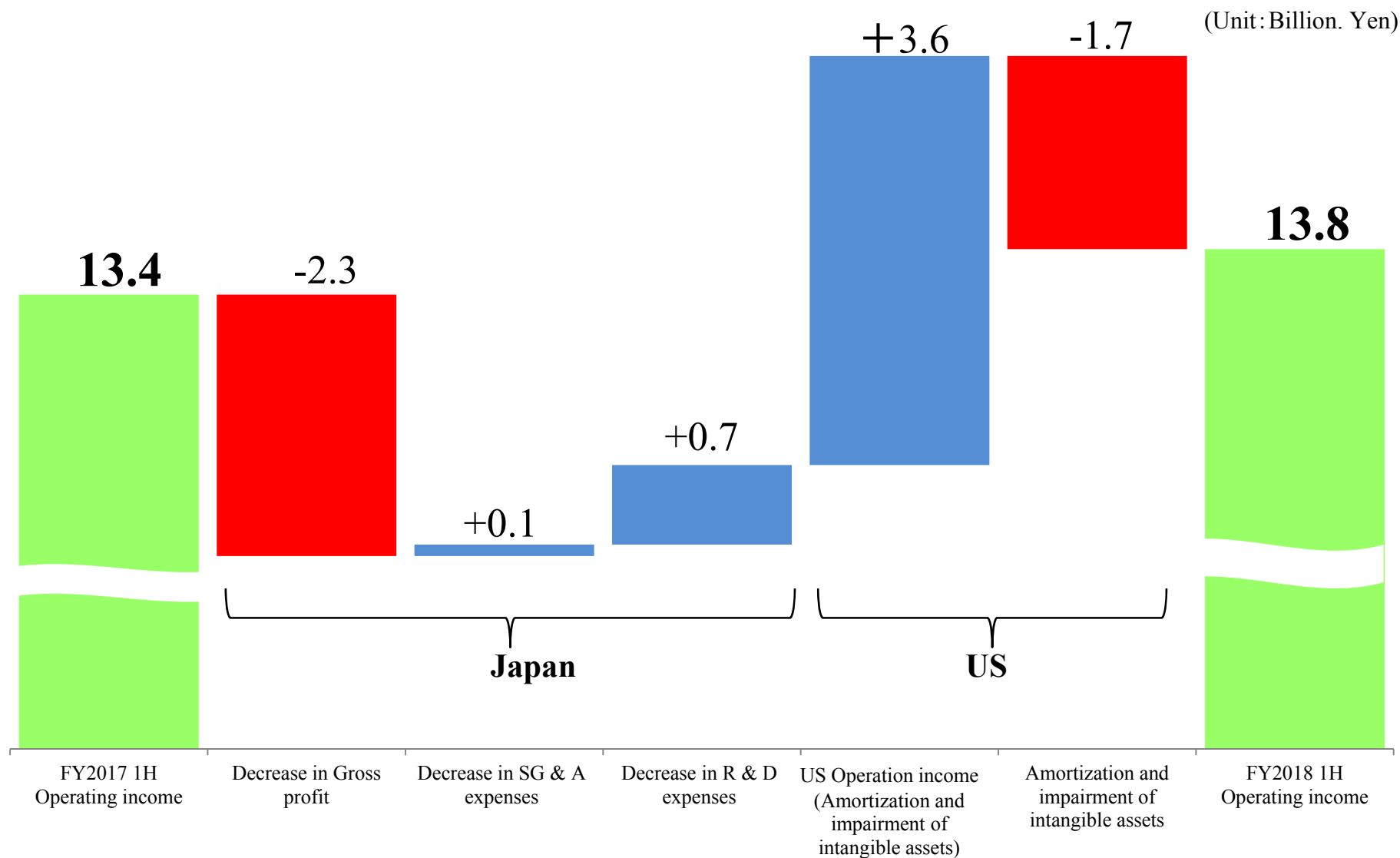
	FY 2017 1H *1			FY 2018 1H			Year on Year	
		Sale and Profit by Region		Sale and Profit by Region		Mil. yen	Growth (%)	
		Japan	US	Japan	US			
Net Sales	79,983	66,504	13,479	88,792	68,598	20,194	8,809	11.0%
Core Operating Income *2	16,236	13,775	2,461	17,777	12,501	5,252	1,541	9.5%
Operating Income	13,435	13,358	77	13,766	11,784	1,974	331	2.5%
Profit before tax	13,922	—	—	13,690	—	—	-231	-1.7%
Profit attributable to owners of the parent	10,788	—	—	10,517	—	—	-272	-2.5%

*1 Financial Results for the 1H of FY 2017: Financial Results for 6 months of Japan operations + 4 months of US operations

*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 1H Quarterly Average Rate :1USD = 110 JPY

Analysis of Factors Causing Changes in Operating Income



Financial Results for the 1H of FY2018 (Adjusted from Full basis to Core basis)

(Unit: Millions of yen)

IFRS	FY2018 1Q Actual			
	Full basis	Mil. yen	Core basis	
Net Sales	88,792		88,792	
Cost of Sales	-52,359	+318	-52,042	(1) Cost-of-sales increase due to inventory step-up > 0.3 billion yen
Gross Profit	36,433	+318	36,750	
SG&A Expenses	-15,653	+2,075	-13,578	(2) Amortization of intangible assets >2.1 billion yen (1.8 billion yen for US)
Amortization of intangible assets	-2,075	+2,075	—	
R&D Expenses	-6,955	+1,560	-5,395	Impairment loss etc. > 1.6 billion yen
Other income(expenses)	-59	+59	—	
Operating Income	13,766	+4,011	17,777	

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

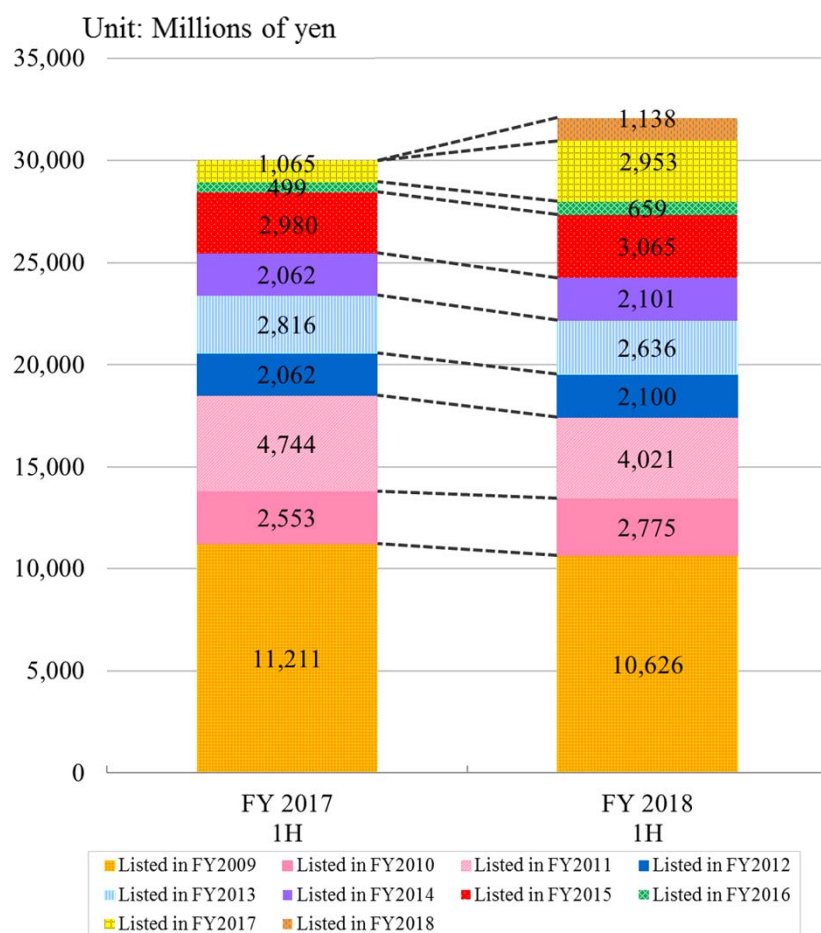
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY 2017 1H		FY 2018 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	8,403	7,906	13.0%	7,993	(95.1%)	12.0%	87	-7.3%
DPC Hospital	1,730	1,650	7.9%	1,715	(99.1%)	7.3%	65	-9.6%
Clinic	105,888	32,552	10.1%	34,095	(32.2%)	9.7%	1,543	-2.7%
Pharmacy	88,477	56,555	75.3%	57,447	(64.9%)	76.9%	892	2.6%
Dispensing Pharmacy	61,040	56,250	74.7%	57,143	(93.6%)	76.5%	893	2.8%
Drug Stores, etc.	27,437	305	0.6%	304	(1.1%)	0.5%	-1	-19.0%
Others	-	-	1.6%	-	-	1.4%	-	-7.8%
Total	202,768	97,013	100.0%	99,535	(49.1%)	100.0%	2,522	0.7%

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

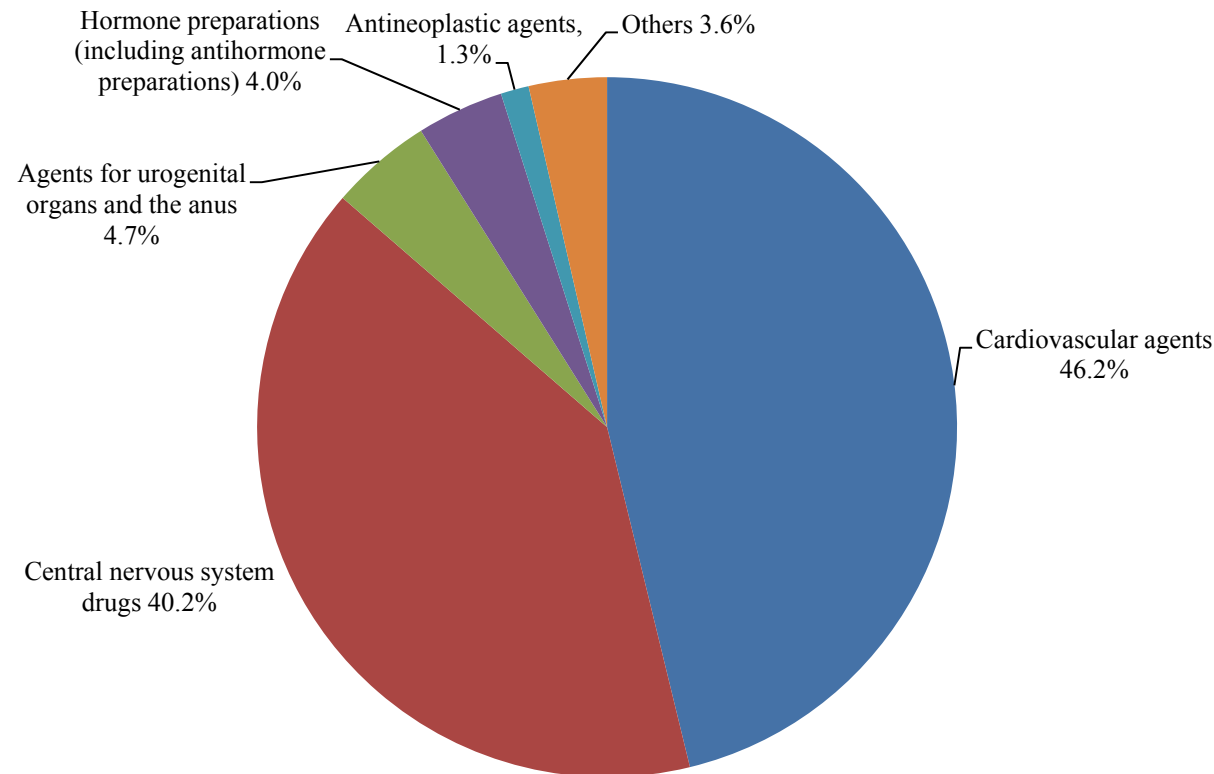


(Unit: Millions of yen, %)

	FY 2017 1H	FY 2018 1H	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2018	-	1,138	-
Listed in FY2017	1,065	2,953	177.3%
Listed in FY2016	499	659	31.9%
Listed in FY2015	2,980	3,065	2.8%
Listed in FY2014	2,062	2,101	1.9%
Listed in FY2013	2,816	2,636	-6.4%
Listed in FY2012	2,062	2,100	1.9%
Listed in FY2011	4,744	4,021	-15.2%
Listed in FY2010	2,553	2,775	8.7%
Listed in FY2009	11,211	10,626	-5.2%
Existing Drugs and Transferred Drugs, etc.	36,512	36,523	0.0%
Total	66,504	68,598	3.1%

Sales breakdown by Therapeutic category (US)

- ◆ The breakdown of sales in the US business, totaling 20.2 billion yen, is shown below
- ◆ 1st half performance has been strong in the core generic products



FY 2018 1H Quarterly Average Rate :1USD = 110 JPY

FY2018 Earnings Forecasts

- ◆ Net Sales and Operating Income are progressing steadily with respect to the plan
- ◆ Because the outlook for the environment surrounding the Company from the third quarter onwards is uncertain, the initial earnings forecast is unchanged

(Unit: Millions of yen)

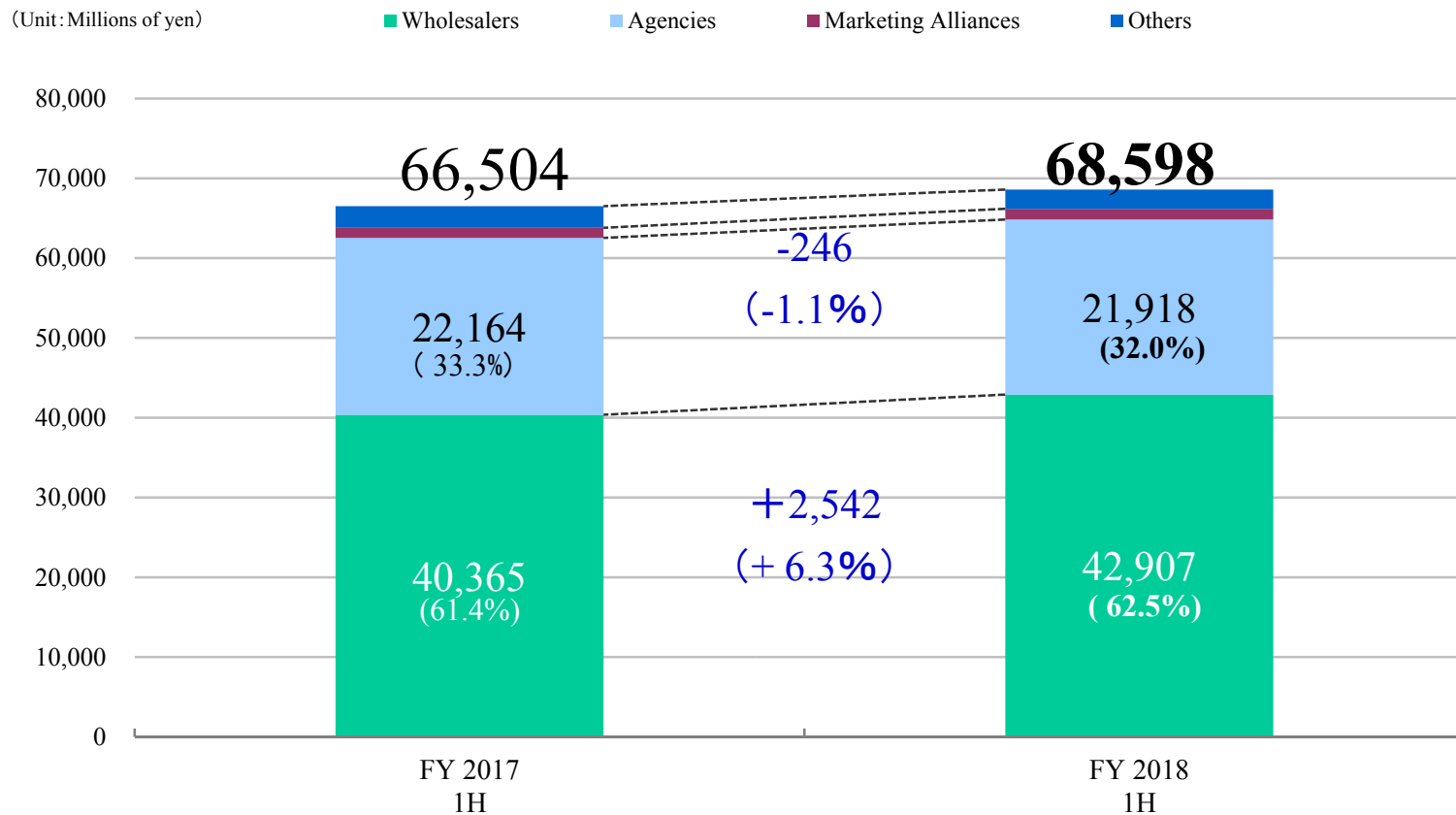
	FY 2018 1H		FY 2018 Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Rate of Achievement
	Net Sales	88,792	100.0%	172,500	100.0%
Core Operating Income	17,777	20.0%	29,700	17.2%	59.9%
Operating Income	13,766	15.5%	24,000	13.9%	57.4%
Profit before tax	13,690	15.4%	23,700	13.7%	57.8%
profit attributable to owners of the parent	10,517	11.8%	17,400	10.1%	60.4%

Reference Materials



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 1H	FY 2018 1H		
Cardiovascular drugs	28.1%	29.4%	17.6%	3.3%
Gastro-intestinal drugs	23.3%	21.4%	3.1%	-1.0%
Central nervous system drugs	12.4%	12.3%	11.7%	17.6%
Blood/body fluid pharmaceutical products	7.9%	8.2%	16.7%	3.8%
Other metabolic drugs	6.8%	6.7%	11.9%	3.2%
Respiratory organ agents	5.5%	6.0%	23.5%	21.7%
Antiallergic drugs	2.2%	2.3%	20.5%	4.8%
Antibiotics drugs	2.6%	2.3%	2.1%	-10.0%
Antineoplastic agents	0.2%	0.2%	27.6%	-5.6%
Others	11.0%	11.2%	11.3%	8.0%
Total	100.0%	100.0%	12.3%	3.7%

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

Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2017 1H ^{*1}		FY2018 1H			FY2018 FullYear Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Key Income Statements Data								
Net Sales	79,983	100.0	88,792	100.0	11.0	172,500	100.0	2.6
Cost of Sales	46,796	58.5	52,359	59.0	11.9	102,900	59.7	4.3
Gross Profit	33,187	41.5	36,433	41.0	9.8	69,600	40.3	0.2
SG&A Expenses	14,991	18.7	15,653	17.6	4.4	33,100	19.2	1.1
R&D Expenses	4,865	6.1	6,955	7.8	43.0	12,200	7.1	-16.1
Other income(expenses)	104	0.1	-59	—	—	-300	—	—
Operating Income	13,435	16.8	13,766	15.5	2.5	24,000	13.9	8.1
Core operating income	13,922	17.4	13,690	15.4	-1.7	23,700	13.7	17.0
Profit before tax	10,788	13.5	10,517	11.8	-2.5	17,400	10.1	24.1
Profit attributable to owners of the parent	16,236	20.3	17,777	20.0	9.5	29,700	17.2	-4.6
EBITDA ^{*2}	21,231	26.5	23,218	26.1	9.4	41,300	23.9	-0.7

*1. Results for the 1H of FY 2017 : Results for 6 months of Japan operations + 4 months of US operations

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

	As of March 31, 2018	As of Sep 30, 2018
Key Balance Sheets Data		
Total Assets	358,453	368,588
Equity	202,441	219,190
Ratio of equity attributable to owners of the company to total assets (%)	50.6	53.1

	FY2017 1H	FY2018 1H	FY2018 Full Year Forecast
Amounts Per Common Share			
Basic earnings per share	292.61	240.25	397.50
Diluted earnings per Share	292.41	240.10	—
Dividend (interim)	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	FY2017 1H		FY 2018 1H			FY2018 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	66,504	100.0	68,598	100.0	3.1	136,600	100.0	1.4
Cost of Sales	39,980	60.1	44,420	64.8	11.1	87,300	63.9	4.7
Gross Profit	26,524	39.9	24,179	35.2	-8.8	49,300	36.1	-3.9
SG&A Expenses	9,488	14.3	9,319	13.6	-1.8	20,500	15.0	-0.4
R&D Expenses	3,682	5.5	2,979	4.3	-19.1	7,200	5.3	-18.0
Other income(expenses)	4	0.0	-97	—	—	-300	—	—
Operating Income	13,358	20.1	11,784	17.2	-11.8	21,300	15.6	-2.8
Core operating income	13,775	20.7	12,501	18.2	-9.2	22,400	16.4	-8.0
EBITDA *2	18,376	27.6	17,378	25.3	-5.4	33,000	24.2	-2.4

US

Key Income Statements Data	FY2017 1H*1		FY 2018 1H			FY2018 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	13,479	100.0	20,194	100.0	49.8	35,900	100.0	7.7
Cost of Sales	6,816	50.6	7,940	39.3	16.5	15,600	43.5	2.5
Gross Profit	6,663	49.4	12,254	60.7	83.9	20,300	56.5	12.0
SG&A Expenses	5,503	40.8	6,357	31.5	15.5	12,600	35.1	3.5
R&D Expenses	1,183	8.8	3,976	19.7	236.1	5,000	13.9	-13.4
Other income(expenses)	99	0.7	54	0.3	-46.2	0	—	—
Operating Income	77	0.6	1,974	9.8	2474.2	2,700	7.5	791.0
Core operating income	2,461	18.3	5,252	26.0	113.4	7,300	20.3	8.5
EBITDA *2	2,855	21.2	5,816	28.8	103.7	8,300	23.1	6.9

*1. Results for the 1H of FY 2017 : Results for 4 months of US operations

*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 1H*		FY 2018 1H			FY2018 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	3,682	5.5	2,979	4.3	-19.1	7,200	5.3
	US	1,183	8.8	3,976	19.7	236.1	5,000	13.9
	Total	4,865	6.1	6,955	7.8	43.0	12,200	7.1
Advertisemet Expenses	Total	636	0.8	585	0.7	-8.0	800	0.6

Capital Expenditure & Depreciation and Amortization		FY2017 1H*	FY 2018 1H	FY2018 Full Year Forecast
Capital Expenditure	Japan	4,588	1,909	6,100
	US	133	389	1,600
	Total	4,721	2,297	7,700
Depreciation and Amortization	Japan	4,708	5,370	10,600
	Manufacturing Division	3,744	4,066	8,400
	R&D Division	694	752	1,500
	Administration Div. & Business Div.	269	552	700
	US	1,627	2,630	5,200
	Total	6,335	8,000	15,800

*. Results for the 1H of FY 2017 : Results for 4 months of US operations

Personnel Information		As of Sep 30, 2017		As of Sep 30, 2018	
Number of Employees			Comp.(%)		Comp.(%)
Japan		2,667	82.4	2,677	81.4
Manufacturing Division		1,767	54.6	1,730	53.6
R&D Division		248	7.7	262	8.1
Administration Div. & Business Div.		652	20.1	634	19.6
(MRs)		500	-	453	-
US		571	17.6	602	18.6
Total		3,238	100.0	3,228	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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