

Financial Results for
the Third Quarter of FY2016
(Apr. 1 to Dec. 31)



Sawai Pharmaceutical Co.,Ltd.

Code 4555, First Section of the TSE

Feb. 10, 2017

Overview of the Financial Results the Third Quarter of FY2016

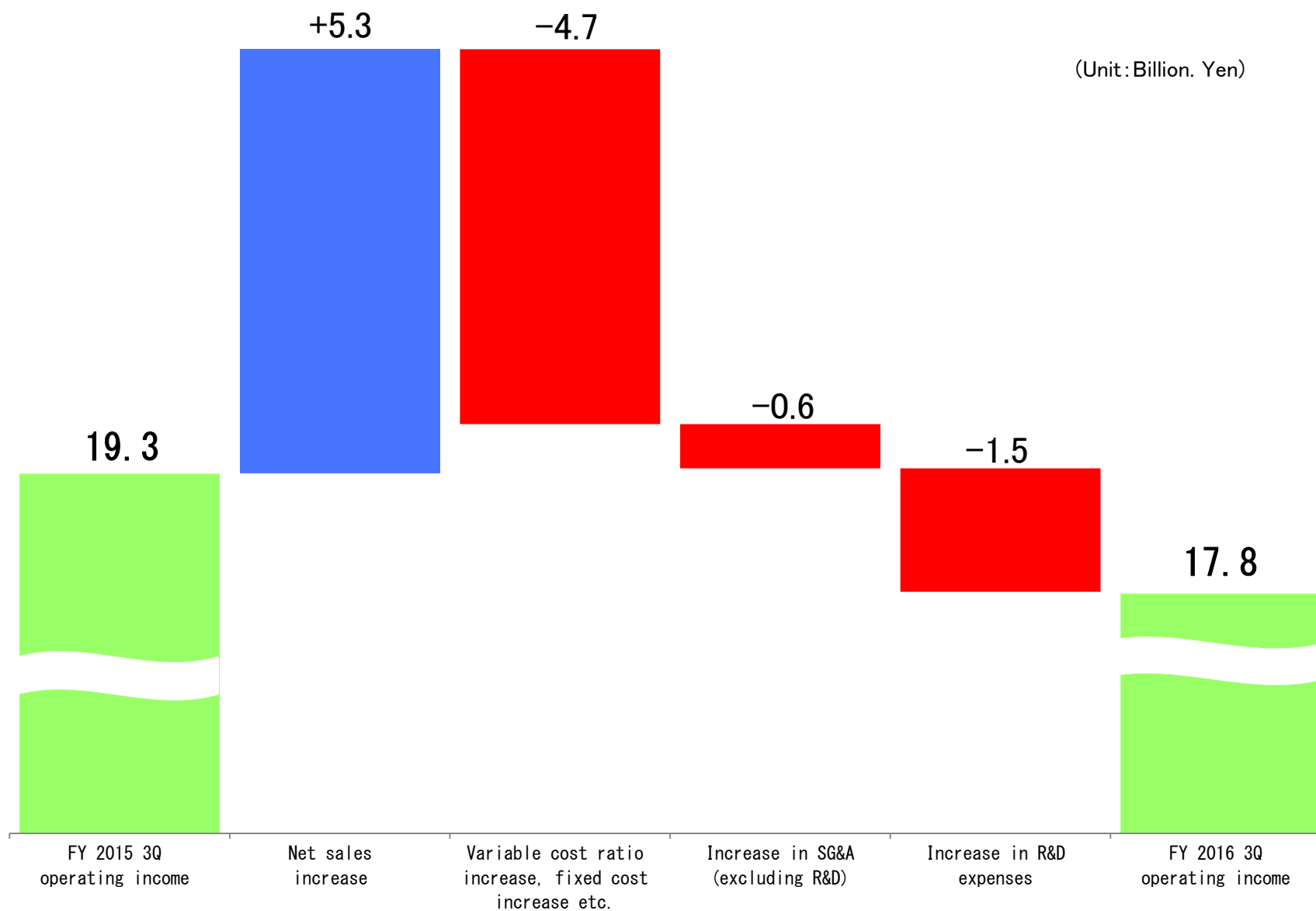


- ◆ Net sales increased by only 9.7% YoY due to growth in the generic market being weaker than anticipated.
- ◆ Operating income decreased by 7.4% YoY due to an increase in the cost of sales ratio and increased R&D costs, in addition to the factors mentioned above.

(Unit: Millions of yen)

	FY2015 3Q		FY2016 3Q		Year on Year	
	Millions of yen	/Sales (%)	Millions of yen	/Sales (%)	Mil. yen	Growth (%)
Net Sales	92,377	100.0%	101,375	100.0%	8,997	9.7%
Operating Income	19,331	20.9%	17,897	17.7%	-1,433	-7.4%
Ordinary Income	19,107	20.7%	17,869	17.6%	-1,238	-6.5%
profit attributable to owners of parent	14,005	15.2%	13,690	13.5%	-314	-2.2%

Analysis of Factors Causing Changes in Operating Income



Sales per Medical Institution Types (non-consolidated)



- ◆ There has been an overall increase in adoption amounts, although these were less than anticipated.
- ◆ Those for insurance pharmacies have maintained double digit growth.

The Track Record of SAWAI's Products Delivered to Medical Institutions by Distribution Companies

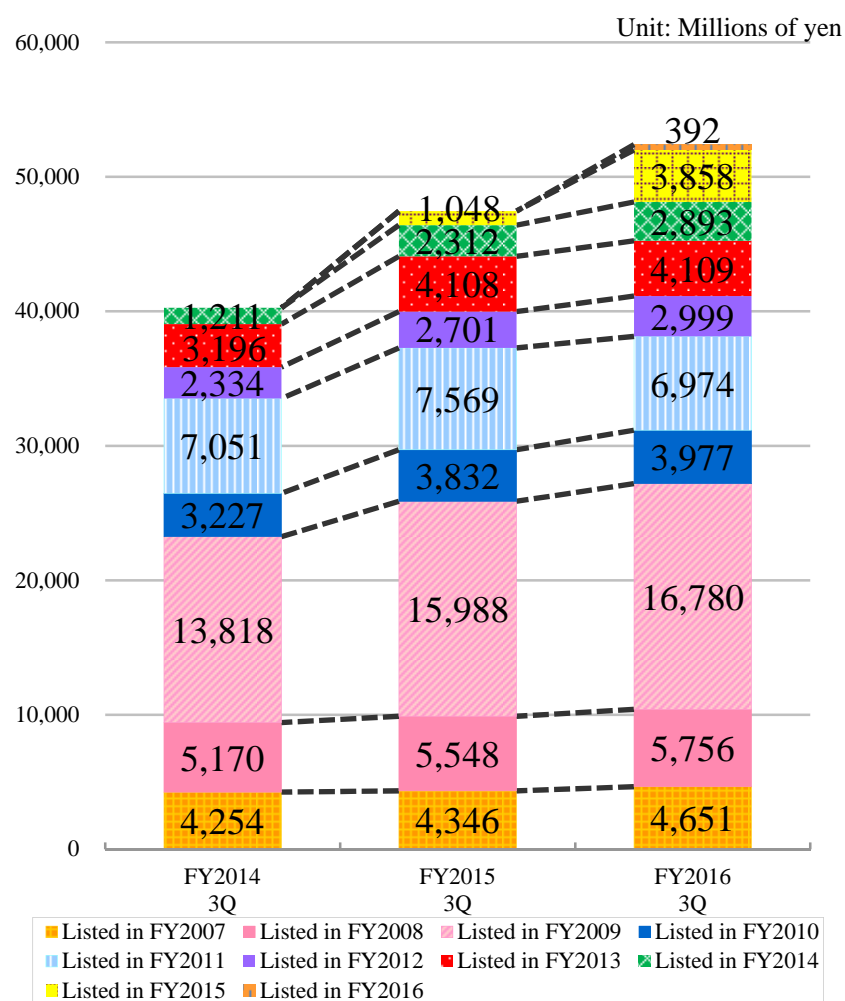
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY2015 3Q		FY2016 3Q			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	8,483	7,816	13.8%	7,903	(93.2%)	13.0%	87	2.9%
DPC Hospital	1,667	1,555	8.5%	1,646	(98.7%)	8.0%	91	1.1%
Clinic	104,919	32,732	10.8%	34,083	(32.5%)	10.3%	1,351	5.0%
Pharmacy	87,331	55,832	74.3%	56,534	(64.7%)	75.4%	702	11.1%
Dispensing Pharmacy	60,298	55,467	73.8%	56,168	(93.2%)	74.9%	701	11.0%
Drug Stores, etc.	27,033	365	0.5%	366	(1.4%)	0.6%	1	21.5%
Others	-	-	1.1%	-	-	1.3%	-	23.8%
Total	200,733	96,380	100.0%	98,520	(49.1%)	100.0%	2,140	9.4%

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

Sales by Listed Year of Drugs

◆ Sales of products listed since FY2014 steadily grow.



(Unit: Millions of yen, %)

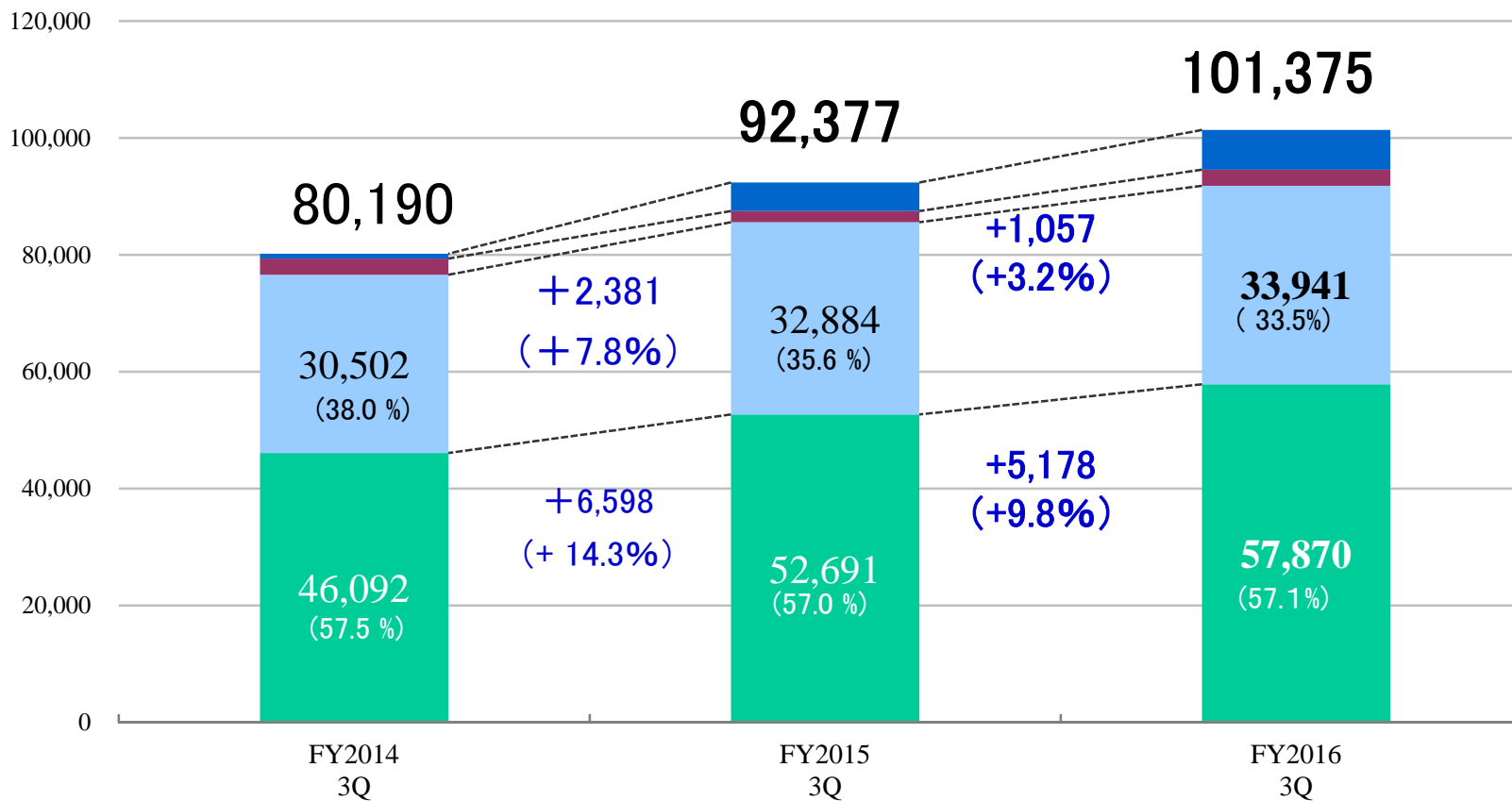
	FY2015 3Q	FY2016 3Q	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2016	-	392	-
Listed in FY2015	1,048	3,858	267.9%
Listed in FY2014	2,312	2,893	25.1%
Listed in FY2013	4,108	4,109	0.0%
Listed in FY2012	2,701	2,999	11.1%
Listed in FY2011	7,569	6,974	-7.9%
Listed in FY2010	3,832	3,977	3.8%
Listed in FY2009	15,988	16,780	5.0%
Listed in FY2008	5,548	5,756	3.8%
Listed in FY2007	4,346	4,651	7.0%
Existing Drugs and Transferred Drugs, etc.	44,922	48,982	9.0%
Total	92,377	101,375	9.7%

Sales by Distribution Channels

◆ Sales through wholesalers expanded, with nationwide distribution network in the area of pharmacy and hospital markets.

(Unit: Millions of yen)

■ Wholesalers ■ Agencies ■ Marketing Alliances ■ Others



Comparison of Sales Volume

- ◆ Impact of generic drug promotion measures have increased sales volume by 16.2% YoY.
- ◆ Cardiovascular, central nervous system drugs and blood/body fluid pharmaceutical products have steadily increased.

Therapeutic Category	Volume Composition		Y on Y (volume)	Y on Y (value) (Note)
	FY2015 3Q	FY2016 3Q		
Cardiovascular drugs	26.0%	26.8%	20.1%	4.0%
Gastro-intestinal drugs	24.3%	23.3%	11.6%	7.9%
Central nervous system drugs	11.9%	12.1%	17.8%	7.8%
Blood/body fluid pharmaceutical products	7.1%	7.9%	29.4%	12.2%
Other metabolic drugs	7.5%	7.1%	9.5%	14.8%
Respiratory organ agents	6.6%	6.5%	14.1%	12.3%
Antibiotics drugs	2.8%	2.9%	19.3%	10.8%
Antiallergic drugs	1.9%	2.1%	29.6%	11.1%
Urogenital and anal organ agents	1.3%	1.3%	21.2%	13.6%
Others	10.6%	10.0%	8.6%	10.8%
Total	100.0%	100.0%	16.2%	8.6%

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

FY2016 Earnings Forecasts

- ◆ Although the 3Q results is slightly behind the anticipated pace, FY 2016 full year forecasts remain unchanged.

(Unit: Millions of yen)

	FY2016		FY2016 Forecast		
	3Q		Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Rate of Achievement
Net Sales	101,375	100.0%	134,500	100.0%	75.4%
Operating Income	17,897	17.7%	23,500	17.5%	76.2%
Ordinary Income	17,869	17.6%	23,300	17.3%	76.7%
Profit attributable to owners of parent	13,690	13.5%	17,500	13.0%	78.2%

Consolidated Financial Highlights-1

(Unit : Millions of Yen)

	FY2015		FY2016		FY2016 Forecast	
	3Q	Full Year	3Q	YoY (%)	Full Year	YoY (%)
Key Income Statements Data						
Net Sales	92,377	123,492	101,375	9.7	134,500	8.9
Cost of Sales	52,589	71,858	60,923	15.8	79,000	9.9
Gross Profit	39,788	51,634	40,451	1.7	55,500	7.5
SG&A Expenses	20,457	28,448	22,553	10.2	32,000	12.5
Operating Income	19,331	23,185	17,897	-7.4	23,500	1.4
Ordinary Income	19,107	23,025	17,869	-6.5	23,300	1.2
Profit attributable to owners of parent	14,005	17,155	13,690	-2.2	17,500	2.0
Key Balance Sheets Data						
Total Assets	201,834	206,492	214,580	-	-	-
Net Assets	122,857	125,720	135,115	-	-	-
Capital Adequacy Ratio(%)	60.8	60.8	62.8	2.0	*	-

※ Comparison with Q4 of FY2015

Consolidated Financial Highlights-2

(Unit : Millions of Yen)

	FY2015		FY2016		FY2016 Forecast	
	3Q	Full Year	3Q	YoY(%)	Full Year	YoY(%)
Profitability & Efficiency Indication						
	(Unit : %)					
Gross Profit Ratio	43.1	41.8	39.9	-3.2	41.3	-0.5
SG&A Expenses Ratio	22.1	23.0	22.2	0.1	23.8	0.8
Operating Income Ratio	20.9	18.8	17.7	-3.3	17.5	-1.3
Ordinary Income Ratio	20.7	18.6	17.6	-3.1	17.3	-1.3
Return on Sales	15.2	13.9	13.5	-1.7	13.0	-0.9
Amounts Per Common Share						
Net Income per Share	380.14	465.57	371.35	-2.3	474.67	2.0
Diluted Net Income per Share	379.87	465.25	371.13	-2.3	-	-
Shareholders' Equity	3,328.48	3,405.20	3,656.35	7.4 ※	-	-
Dividend (interim)	(55)	120	65	18.2	130	8.3

※ Comparison with 4Q of FY2015

Consolidated Financial Data-1

(Unit : Person, Millions of Yen)

Personnel Information	FY2015		FY2016		Year on Year	
	3Q	Comp.(%)	3Q	Comp.(%)	3Q	RC(%)
Number of Employees						
Manufacturing Division	639	(42.9)	1,553	(63.6)	914	(143.0)
R&D Division	209	(14.0)	228	(9.3)	19	(9.1)
Administration Div. & Business Div.	643	(43.1)	662	(27.1)	19	(3.0)
<i>(MRs)</i>	500		496		-4	(-0.8)
Total	1,491	(100.0)	2,443	(100.0)	952	(63.8)
Contingent employees (excluded)	1,018	-	639	-	-378	(-37.2)
Personnel Costs	3Q	Sales(%)	3Q	Sales(%)	3Q	RC(%)
Total	14,249	(15.4)	15,142	(14.9)	893	(6.3)

Consolidated Financial Data-2

(Unit : Millions of Yen)

Selling, General and Administrative Expenses	FY2015		FY2016		FY2016 Forecast	
	3Q	/Sales(%)	3Q	/Sales(%)	Full Year	/Sales(%)
R&D Expenses	5,548	(6.0)	7,092	(7.0)	9,700	(7.2)
Year on Year changes (%)		(28.6)		(27.8)		(21.0)
Advertisement Expenses	1466	(1.6)	1385	(1.4)	2,200	(1.6)
Year on Year changes (%)		(11.7)		(-5.6)		(6.2)

Capital Expenditure & Depreciation and Amortization	FY2015		FY2016		FY2016 Forecast	
	3Q		3Q		Full Year	
Capital Expenditure	17,159		9,992		15,000	
Depreciation and Amortization						
Manufacturing Division	3,924		4,604		6,000	
R&D Division	517		980		1,300	
Administration Div. & Business Div.	643		693		900	
Total	5,085		6,279		8,200	

Disclaimer

- The plans, forecasts, strategies 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 the accuracy of this information.
- Potential risks and uncertainties may 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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