

Financial Results for FY2016

(Apr. 1 to Mar. 31)

Sawai Pharmaceutical Co.,Ltd.

Code 4555, First Section of the TSE

May. 15, 2017

Overview of the Financial Results for FY2016

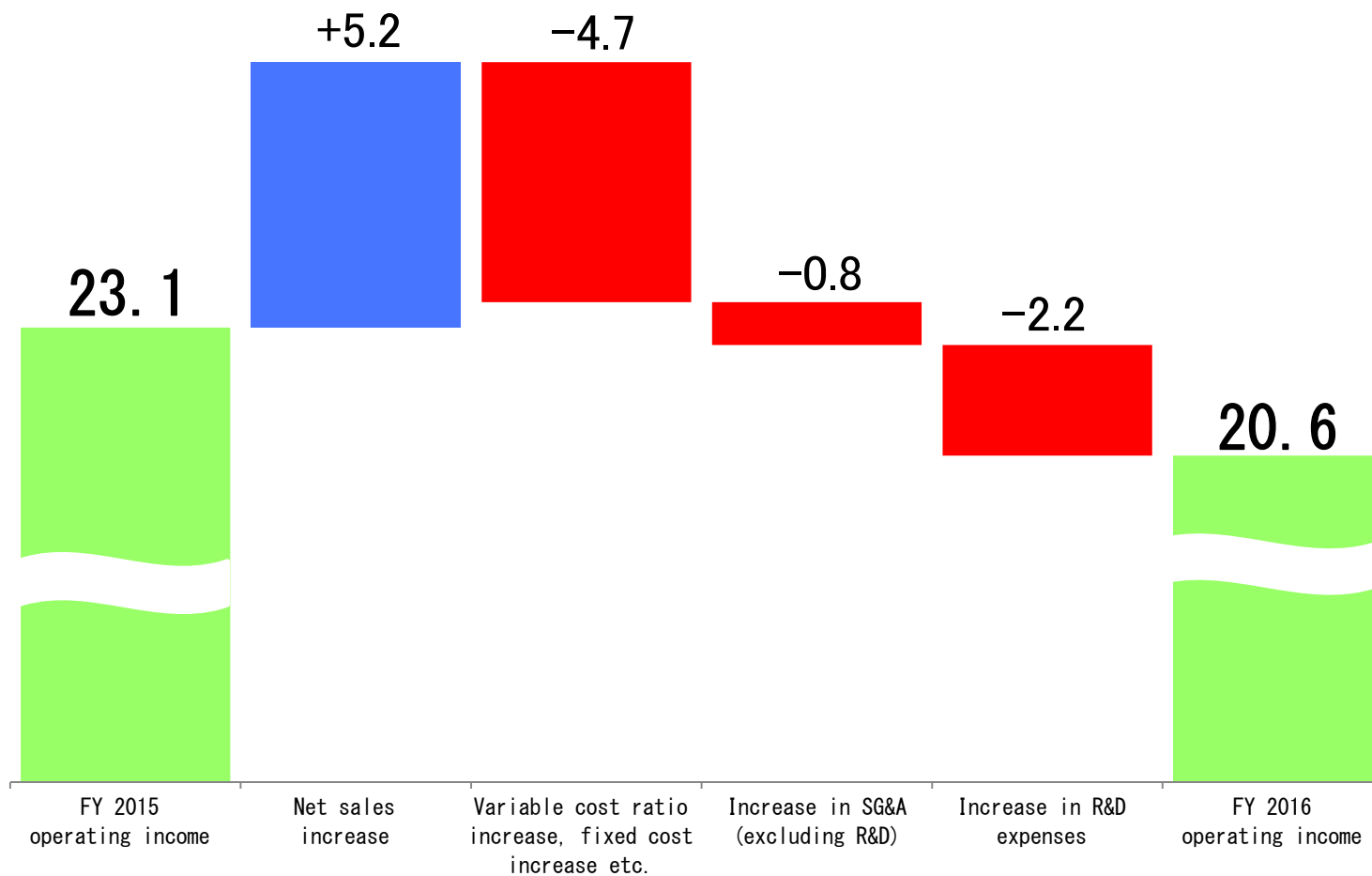
- ◆ Although net sales increased by 7.2% YoY, operating income fell short of the plan by 12.2% due to an increase in the cost to sales ratio and increased R&D costs.

(Unit: Millions of yen)

	FY2015	FY2016			
	Full Year	Forecasts	Full Year Results	Forecasts Ratio	Difference
Net Sales	123,492	134,500	132,428	-1.5%	7.2%
Operating Income	23,185	23,500	20,633	-12.2%	-11.0%
Ordinary Income	23,025	23,300	20,557	-11.8%	-10.7%
Profit attributable to owners of parent	17,155	17,500	15,914	-9.1%	-7.2%

Analysis of Factors Causing Changes in Operating Income

(Unit: Billion. Yen)



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

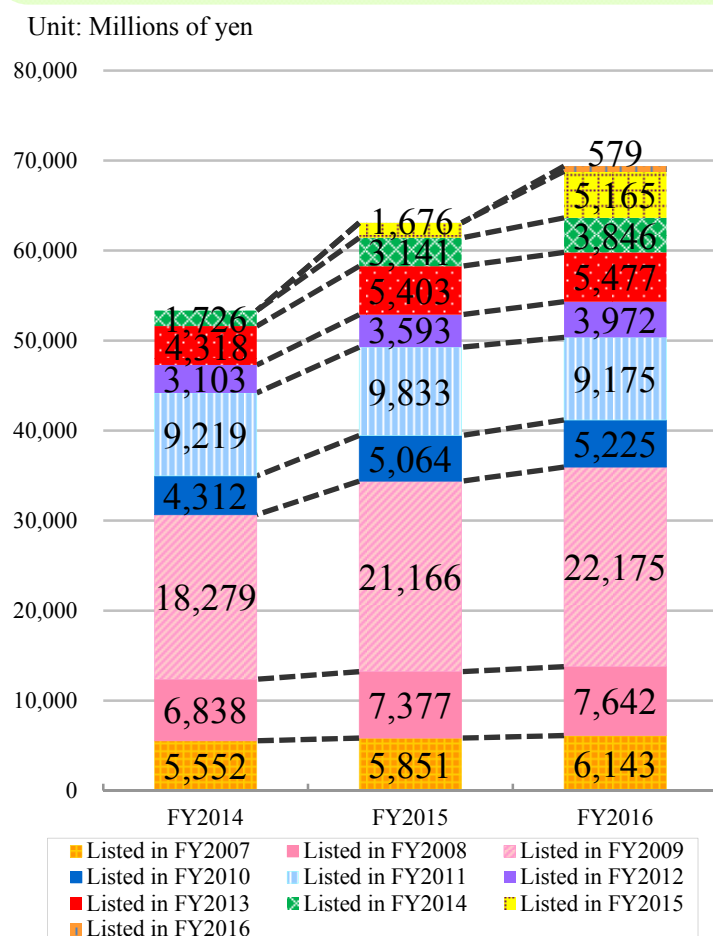
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY2015 Full Year Result		FY2016 Full Year Result			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	7,889	13.6%	7,961	(93.8%)	12.8%	72	3.1%
DPC Hospital	1,667	1,559	8.4%	1,647	(98.8%)	7.9%	88	1.0%
Clinic	105,276	34,301	10.7%	35,682	(33.9%)	10.4%	1,381	5.2%
Pharmacy	87,738	56,366	74.6%	57,064	(65.0%)	75.5%	698	10.3%
Dispensing Pharmacy	60,439	55,974	74.1%	56,671	(93.8%)	75.0%	697	10.3%
Drug Stores, etc.	27,299	392	0.5%	393	(1.4%)	0.5%	1	17.8%
Others	-	-	1.1%	-	-	1.3%	-	26.4%
Total	201,497	98,556	100.0%	100,707	(50.0%)	100.0%	2,151	9.0%

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

Sales by Listed Year of Drugs

◆ Sales of products listed since FY2014 steadily grow

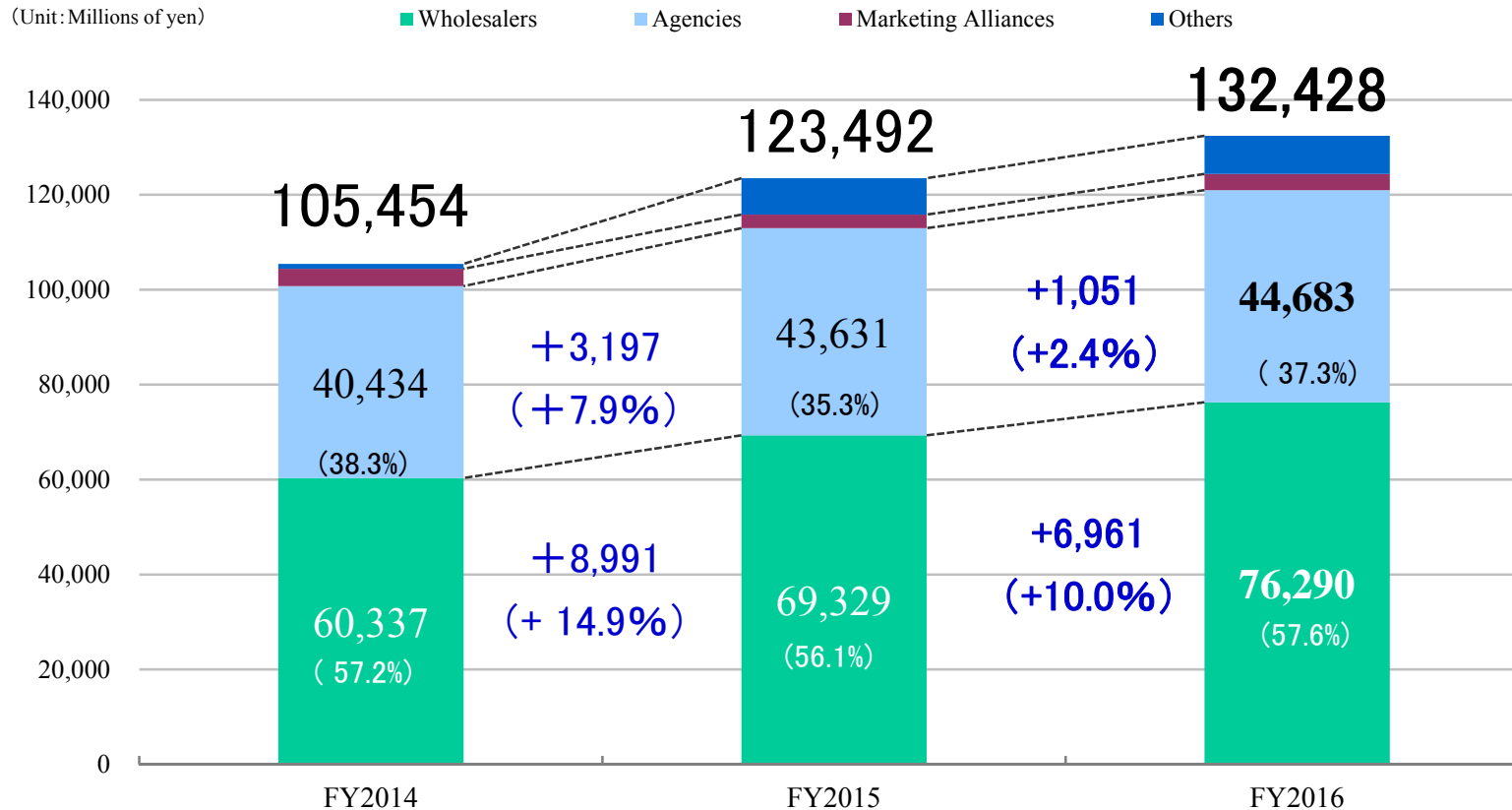


(Unit: Millions of yen, %)

	FY2015	FY2016	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2016	-	579	-
Listed in FY2015	1,676	5,165	208.2%
Listed in FY2014	3,141	3,846	22.4%
Listed in FY2013	5,403	5,477	1.4%
Listed in FY2012	3,593	3,972	10.5%
Listed in FY2011	9,833	9,175	-6.7%
Listed in FY2010	5,064	5,225	3.2%
Listed in FY2009	21,166	22,175	4.8%
Listed in FY2008	7,377	7,642	3.6%
Listed in FY2007	5,851	6,143	5.0%
Existing Drugs and Transferred Drugs, etc.	60,382	63,025	4.4%
Total	123,492	132,428	7.2%

Sales by Distribution Channels

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



Comparison of Sales Volume

- ◆ Impact of generic drug promotion measures have increased sales volume by 14.3% 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	FY2016		
Cardiovascular drugs	25.9%	26.8%	18.5%	3.7%
Gastro-intestinal drugs	24.0%	23.3%	11.0%	5.6%
Central nervous system drugs	11.8%	12.1%	16.7%	7.4%
Blood/body fluid pharmaceutical products	7.2%	7.8%	24.2%	8.4%
Other metabolic drugs	7.5%	6.9%	4.9%	11.5%
Respiratory organ agents	6.7%	6.6%	11.6%	9.9%
Antibiotics drugs	2.9%	2.9%	16.7%	8.7%
Antiallergic drugs	2.2%	2.5%	25.6%	9.3%
Urogenital and anal organ agents	1.3%	1.3%	14.1%	-4.6%
Others	10.5%	9.8%	7.4%	25.8%
Total	100.0%	100.0%	14.3%	8.0%

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

FY2017 Earnings Forecasts(IFRS)

- ◆ In order to improve the international comparability of financial information, IFRS will be used instead of Japanese GAAP in FY2017.
- ◆ Steady growth is anticipated to continue from an expected increase in net sales due to factors such as patent expiration for many top-selling products.

FY2016 Full Year Results			FY2017 Forecast Full Year Results (IFRS)		
	Mil. yen	/Sales (%)		Mil. yen	/Sales (%)
Net Sales	132,428	100.0%	Net Sales	142,000	100.0%
Cost of Sales	80,308	60.6%	Cost of Sales	85,300	60.1%
Gross Profit	52,119	39.4%	Gross Profit	56,700	39.9%
SG&A Expenses (excluding R&D)	21,277	16.1%	SG&A Expenses (excluding R&D)	23,900	16.8%
R&D Expenses	10,207	7.7%	R&D Expenses	8,300	5.8%
—			Other income(expenses)	-300	—
Operating Income	20,633	15.6%	Operating Income	24,200	17.0%
Ordinary Income	20,557	15.5%	Finance income (costs)	-400	—
Profit before tax	19,870	15.0%	Profit before tax	23,800	16.8%
Net Income	15,914	12.0%	Profit for the year attributable to owners of the parent	18,200	12.8%

※1 We expect to record 2,000 million yen of the R&D costs to intangible fixed assets.

※2 This forecast factor in various costs related to the acquisition of Upsher-Smith Laboratories, Inc.(about 1,800 million yen), but does not factor in any of the impact on consolidated results for sales and earnings.

FY2017 Earnings Forecasts(JGAAP)

- ◆ The earnings forecast for FY2017 according to Japanese GAAP is shown below

(Unit: Millions of yen)

	FY2016		FY2017 Forecast						
	Full Year Results		Medium-term BP			Full Year Forecasts			
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Differences	Mil. yen	/Sales (%)	Difference	Degree of Progress
Net Sales	132,428	100.0%	157,000	100.0%	18.6%	142,000	100.0%	7.2%	-9.6%
Cost of Sales	80,308	60.6%	96,500	61.5%	20.2%	85,300	60.1%	6.2%	-11.6%
Gross Profit	52,119	39.4%	60,500	38.5%	16.1%	56,700	39.9%	8.8%	-6.3%
SG&A Expenses	31,485	23.8%	34,500	22.0%	9.6%	34,200	24.1%	8.6%	-0.9%
Operating Income	20,633	15.6%	26,000	16.6%	26.0%	22,500	15.8%	9.0%	-13.5%
Ordinary Income	20,557	15.5%	25,500	16.2%	24.0%	22,300	15.7%	8.5%	-12.5%
Net Income	15,914	12.0%	18,500	11.8%	16.2%	16,700	11.8%	4.9%	-9.7%

※ This forecast factor in various costs related to the acquisition of Upsher-Smith Laboratories, Inc.(about 1,800 million yen), but does not factor in any of the impact on consolidated results for sales and earnings.

Dividends of surplus

- ◆ Year-end dividends are 65 yen as initially forecast
The annual dividend increased by 10 yen YoY to 130 yen

	Resolved amount	Previous dividend forecast (announced May 12, 2016)	Actual dividends of the previous fiscal year (ended March 31,2016)
Record date	March 31,2017	Same as left	March 31,2016
Dividend per share	65.00 Yen	55.00 Yen	65.00 Yen
Total amount of dividends	2,396 million yen	—	2,396million yen
Effective date	June 28, 2017	—	June 26, 2016

Analysis of Cash Flows Statement

(Unit: Millions of yen)

	FY2015 Full Year Results	FY2016 Full Year Results
Income before Income Taxes and Minority Interests	23,091	19,870
Depreciation and Amortization	7,044	8,645
Working Capital	-5,309	-10,834
Income Taxes Paid	-6,127	-6,836
Others	1,276	9,782
Cash Flows from Operating Activities	19,975	20,628
Capital Expenditure (tangible and intangible)	-17,775	-16,194
Others	-5,162	-12
Cash Flows from Investing Activities	-22,937	-16,206
Net Increase/Decrease of Interest-bearing debt	17,353	-1,665
Dividends	-4,050	-4,792
Others	171	-282
Cash Flows from Financing Activities	13,473	-6,740
Net Increase/Decrease in Cash and Cash Equivalents	10,492	-2,325

Major Factors of YOY Changes (Unit: Millions of yen)

- Increase in trade notes and accounts receivables: - 5,000
- Increase in inventories: - 6,100

- Acquisition of tangible fixed assets: - 15,400

- Long-term loan repayments: - 1,600

New Products (Planned)

◆ The following products are planned to be listed in June

Major Products	Brand Drugs	Therapeutic Category
Telmisartan Tablets	Micardis Tablets	Treatment of hypertension
Telthia combination Tablets	Micombi Combination Tablets	Treatment of hypertension
Teramuro Combination Tablets	Micamlo Combination Tablets	Treatment of hypertension
Aripiprazole Tablets	ABILIFY	An antipsychotic drug
Montelukast Sodium (OD Tablets, Chewable Tablets, Fine Granules)	KIPRES (OD Tablets, Chewable Tablets, Fine Granules) SINGULAIR (OD Tablets, Chewable Tablets, Fine Granules)	leukotriene receptor antagonist/Treatment of allergic rhinitis
ENTECAVIR OD Tablets	Baraclude Tablets	An antiviral medication
MIGLITOL OD Tablets	SEIBULE OD Tab	Treatment of diabetes mellitus

Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2015		FY2016				FY2017 Forecast (IFRS)		
	1H	Full Year	1H	YoY (%)	Full Year	YoY (%)	Full Year	YoY (%)	
Key Income Statements Data							Key Income Statements Data		
Net Sales	58,958	123,492	65,416	11.0	132,428	7.2	Net Sales	142,000	-
Cost of Sales	33,831	71,858	38,794	14.7	80,308	11.8	Cost of Sales	85,300	-
Gross Profit	25,127	51,634	26,622	5.9	52,119	0.9	Gross Profit	56,700	-
SG&A Expenses	13,520	28,448	15,261	12.9	31,485	10.7	SG&A Expenses(※)	23,900	-
Operating Income	11,606	23,185	11,360	-2.1	20,633	-11.0	Operating Income	24,200	-
Ordinary Income	11,438	23,025	11,326	-1.0	20,557	-10.7	Profit before tax	23,800	-
Profit attributable to owners of parent	8,498	17,155	8,565	0.8	15,914	-7.2	Profit for the year attributable to owners of the parent	18,200	-
Key Balance Sheets Data							Key Balance Sheets Data		
Total Assets	186,237	206,492	215,873	-	221,538	-	Total Assets	-	-
Net Assets	119,114	125,720	131,909	-	137,600	-	Net Assets	-	-
Capital Adequacy Ratio(%)	63.9	60.8	61.0	0.2 ※	62.0	1.2	Capital Adequacy Ratio(%)	-	-

※1 Comparison with 4Q of FY2015

※2 Excluding R&D

Consolidated Financial Highlights-2

(Unit: Millions of Yen)

	FY2015		FY2016			
	1H	Full Year	1H	YoY(%)	Full Year	YoY(%)
Profitability & Efficiency Indication						
Gross Profit Ratio	42.6	41.8	40.7	-1.9	39.4	-2.5
SG&A Expenses Ratio	22.9	23.0	23.3	0.4	23.8	0.7
Operating Income Ratio	19.7	18.8	17.4	-2.3	15.6	-3.2
Ordinary Income Ratio	19.4	18.6	17.3	-2.1	15.5	-3.1
Return on Sales	14.4	13.9	13.1	-1.3	12.0	-1.9
Return on Equity	-	14.4	-	-	12.1	-2.3
Amounts Per Common Share						
Net Income per Share	230.76	465.57	232.33	0.7	431.65	-7.3
Diluted Net Income per Share	230.57	465.25	232.20	0.7	431.39	-7.3
Shareholders' Equity	3,227.88	3,405.20	3,570.31	4.8 ※1	3,722.90	9.3
Dividend (interim)	55	120	65	18.2	130	8.3

※1 Comparison with 4Q of FY2015

※2 Excluding R&D

FY2017 Forecast (IFRS)		
	Full Year	YoY(%)
Profitability & Efficiency Indication		
Gross Profit Ratio	39.9	-
SG&A Expenses Ratio※2	16.8	-
Operating Income Ratio	17.0	-
Return on Sales	12.8	-
Return on Equity	-	-
Amounts Per Common Share		
Net Income per Share	493.65	-
Diluted Net Income per Share	-	-
Shareholders' Equity	-	-
Dividend (interim)	130	-

Consolidated Financial Data-1

(Unit: Person, Millions of Yen)

Personnel Information	FY2015		FY2016		Year on Year	
	Full Year	Comp.(%)	Full Year	Comp.(%)	Full Year	RC(%)
Number of Employees						
Manufacturing Division	628	(42.1)	1,612	(64.4)	984	(156.7)
R&D Division	209	(14.0)	230	(9.2)	21	(10.0)
Administration Div. & Business D: (MRs)	653 499	(43.8)	660 500	(26.4)	7 1	(1.1) (0.2)
Total	1,490	(100.0)	2,502	(100.0)	1,012	(67.9)
Contingent employees (excluded)	1,027	-	582	-	-445	(-43)
Personnel Costs						
Total	19,987	(16.2)	20,620	(15.6)	633	(3.2)

Consolidated Financial Data-2

(Unit: Millions of Yen)

Selling, General and Administrative Expenses	FY2015		FY2016		FY2017 Forecast	
	Full Year	/Sales(%)	Full Year	/Sales(%)	Full Year	/Sales(%)
R&D Expenses	8,019	(6.5)	10,207	(7.7)	8,300	(5.8)
Year on Year changes (%)		(31.3)		(27.3)		(-)
Advertisement Expenses	2,072	(1.7)	2,074	(1.6)	1,500	(1.1)
Year on Year changes (%)		(-1.5)		(0.1)		(-27.7)

Capital Expenditure & Depreciation and Amortization	FY2015		FY2016		FY2017 Forecast	
	Full Year		Full Year		Full Year	
Capital Expenditure	24,294		13,978		15,700	
Depreciation and Amortization						
Manufacturing Division	5,336		6,418		7,800	
R&D Division	834		1,308		1,400	
Administration Div. & Business Div.	873		919		600	
Total	7,044		8,645		9,800	

※ We expect to record 2,000 million yen of the R&D costs to intangible fixed assets.

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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