

**Financial Results for
the First Quarter of FY2017
(Apr. 1 to Jun. 30)**



Sawai Pharmaceutical Co.,Ltd.

Code 4555, First Section of the TSE

Aug. 14, 2017

Overview of the Financial Results for the 1Q of FY2017



- ◆ Net sales growth stalled at 2.1% year-on-year due to lackluster growth of the generic pharmaceutical products market and a large decrease in contracted sales
- ◆ Operating income excluding M&A-related expenses increased 13.7% year-on-year

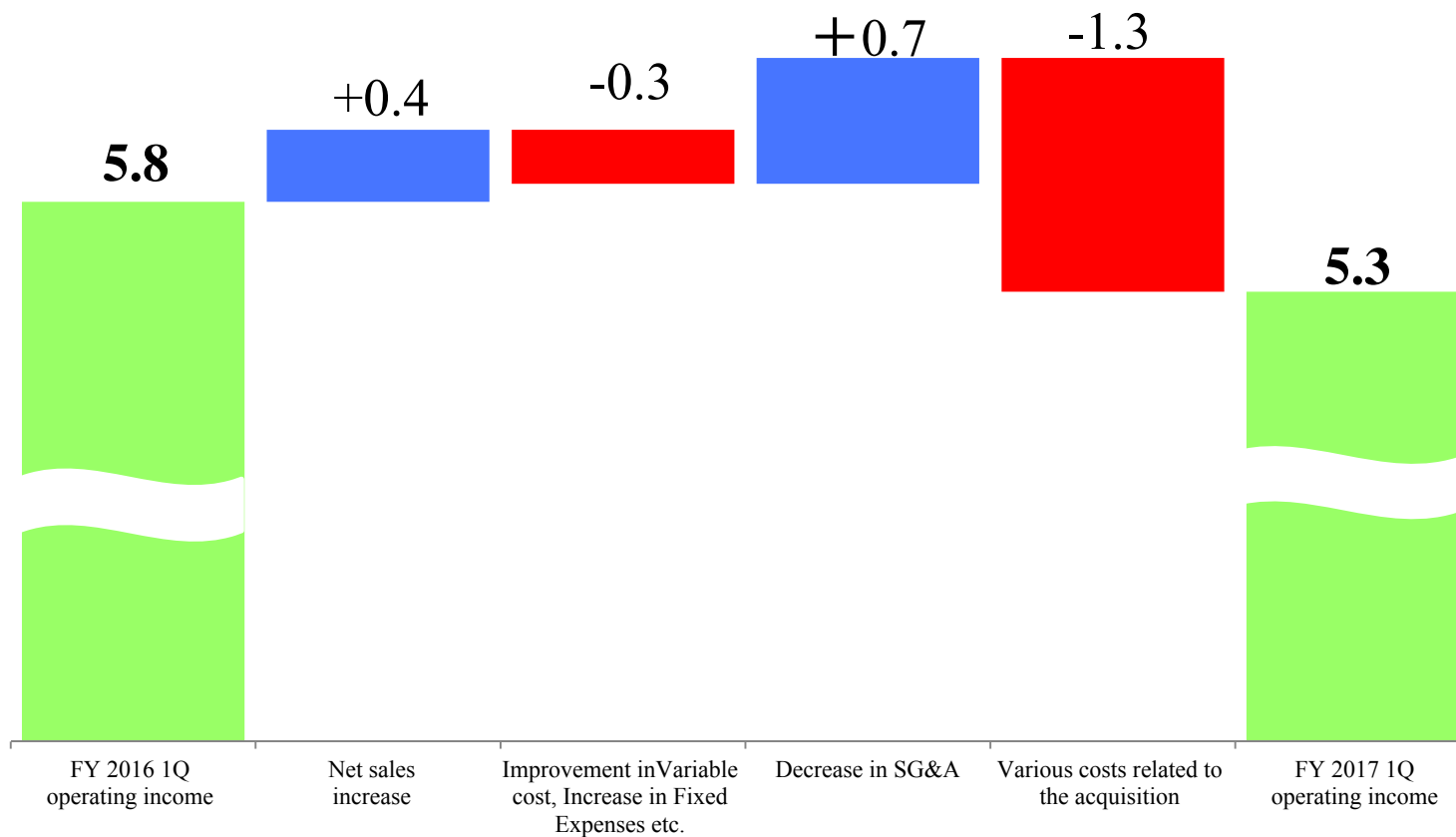
(Unit: Millions of yen)

	FY2016 1Q		FY2017 1Q		Year on Year	
	Millions of yen	/Sales (%)	Millions of yen	/Sales (%)	Mil. yen	Growth (%)
Net Sales	32,948	100.0%	33,646	100.0%	697	2.1%
Operating Income	5,891	17.9%	5,376	16.0%	-514	-8.7%
Operating Income (excluding extraordinary factors)※	5,891	17.9%	6,696	19.9%	805	13.7%
Ordinary Income	5,914	17.9%	6,109	18.2%	195	3.3%
profit attributable to owners of parent	4,357	13.2%	4,656	13.8%	299	6.9%

※ Extraordinary factors: expenses related to the acquisition of the US firm Upsher-Smith Laboratories, LLC (USL)

Analysis of Factors Causing Changes in Operating Income

(Unit: Billion. Yen)



Sales per Medical Institution Types (non-consolidated)



Although growth in adoption amounts was somewhat weak for both hospitals and pharmacies, the adoption amount increased overall

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

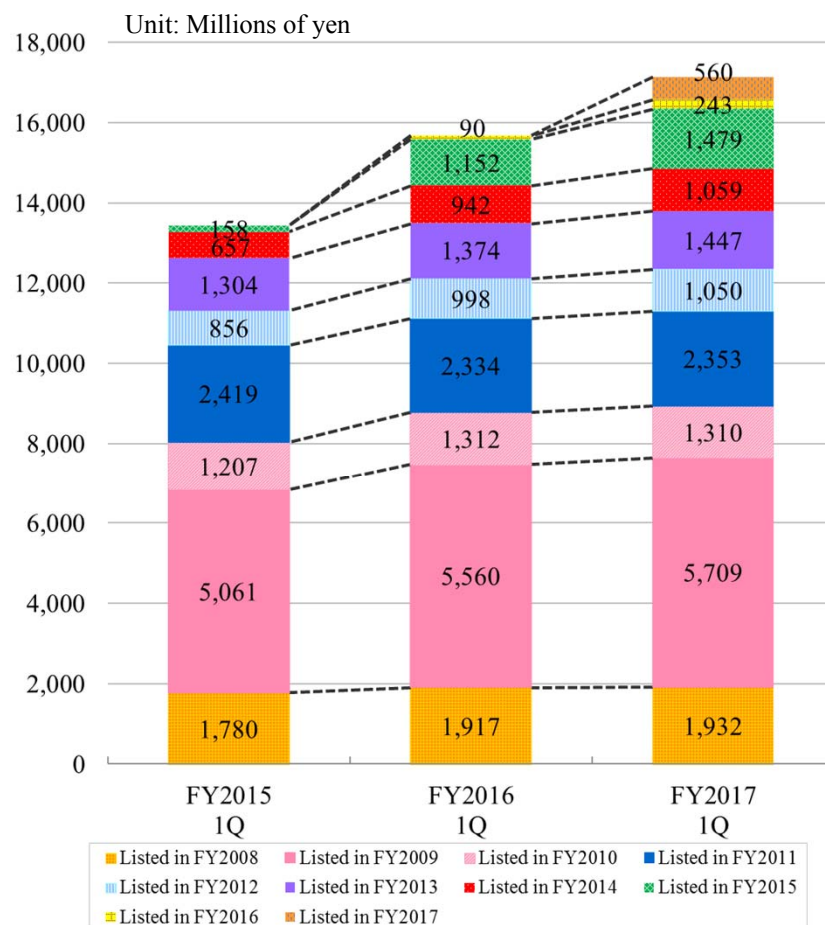
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY2016 1Q		FY2017 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	8,477	7,698	12.8%	7,804	(92.1%)	13.1%	106	8.9%
DPC Hospital	1,667	1,643	7.9%	1,644	(98.6%)	8.0%	1	7.0%
Clinic	105,433	28,570	10.3%	29,624	(28.1%)	10.0%	1,054	3.2%
Pharmacy	87,974	55,165	75.8%	55,836	(63.5%)	75.2%	671	5.3%
Dispensing Pharmacy	60,509	54,854	75.2%	55,560	(91.8%)	74.7%	706	5.3%
Drug Stores, etc.	27,465	311	0.5%	276	(1.0%)	0.6%	-35	7.8%
Others	-	-	1.1%	-	-	1.7%	-	46.9%
Total	201,884	91,433	100.0%	93,264	(46.2%)	100.0%	1,831	6.1%

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

Sales by Listed Year of Drugs

- ◆ Sales of products listed since FY2014 steadily grow
- ◆ Sales of new products in FY2017 are in line with expectations

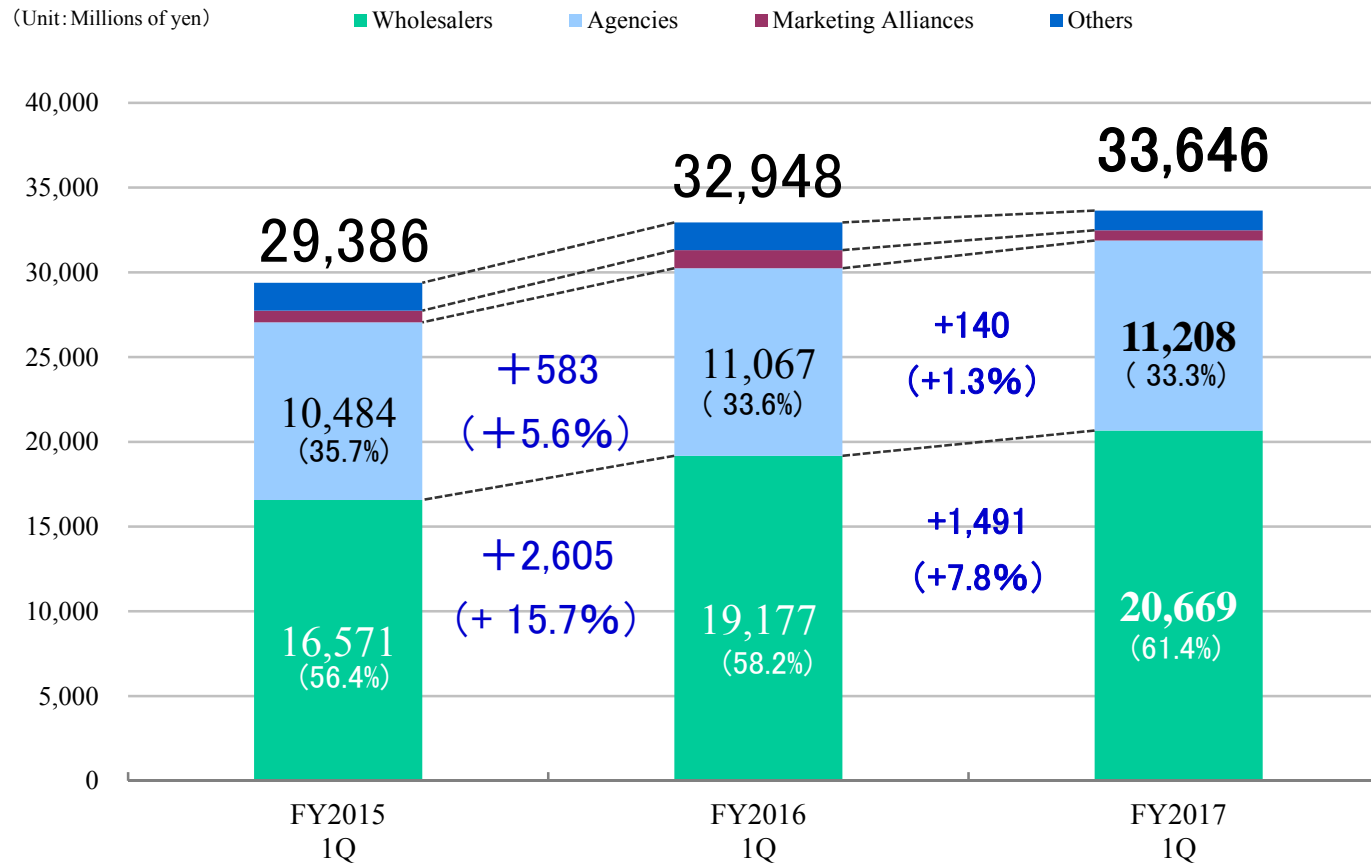


(Unit: Millions of yen, %)

	FY2016 1Q	FY2017 1Q	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2017	-	560	-
Listed in FY2016	90	243	168.5%
Listed in FY2015	1,152	1,479	28.4%
Listed in FY2014	942	1,059	12.4%
Listed in FY2013	1,374	1,447	5.3%
Listed in FY2012	998	1,050	5.2%
Listed in FY2011	2,334	2,353	0.8%
Listed in FY2010	1,312	1,310	-0.1%
Listed in FY2009	5,560	5,709	2.7%
Listed in FY2008	1,917	1,932	0.8%
Existing Drugs and Transferred Drugs, etc.	17,264	16,499	-4.4%
Total	32,948	33,646	2.1%

Sales by Distribution Channels

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



Comparison of Sales Volume

- ◆ Cardiovascular and central nervous system drugs have steadily increased

Therapeutic Category	Volume Composition		Y on Y (volume)	Y on Y (value) (Note)
	FY2016 1Q	FY2017 1Q		
Cardiovascular drugs	26.8%	27.8%	5.2%	6.3%
Gastro-intestinal drugs	23.3%	23.3%	1.7%	-0.5%
Central nervous system drugs	12.0%	12.3%	3.4%	6.4%
Blood/body fluid pharmaceutical products	8.1%	7.8%	-2.8%	0.3%
Other metabolic drugs	7.2%	6.7%	-5.2%	5.8%
Respiratory organ agents	6.5%	5.7%	-10.8%	-3.4%
Antibiotics drugs	2.8%	2.7%	-3.1%	-0.3%
Antiallergic drugs	2.2%	2.4%	8.5%	11.4%
Antineoplastic agents	0.2%	0.2%	16.2%	11.7%
Others	10.9%	11.1%	3.1%	7.4%
Total	100.0%	100.0%	1.4%	4.1%

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

FY2017 Earnings Forecasts(IFRS)

- ◆ The initial earnings forecast is unchanged because the first quarter financial results are progressing nearly as planned
- ◆ Full-year earnings forecasts based on the impact of the acquisition of the US firm Upsher-Smith Laboratories, LLC (USL) are planned to be announced as soon as a decision is made regarding accounting treatment such as PPA

(Unit: Millions of yen)

(JGAAP)	FY2016 Full Year Results		(IFRS)	FY2016 Full Year Results		FY2017 Full Year Results		
	Mil. yen	/Sales (%)		Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	YoY
Net Sales	132,428	100.0%	Net Sales	132,392	100.0%	142,000	100.0%	7.3%
Cost of Sales	80,308	60.6%	Cost of Sales	80,497	60.8%	85,300	60.1%	6.0%
Gross Profit	52,119	39.4%	Gross Profit	51,895	39.2%	56,700	39.9%	9.3%
SG&A Expenses (excluding R&D)	21,277	16.1%	SG&A Expenses (excluding R&D)	21,119	16.0%	23,900	16.8%	13.2%
R&D Expenses	10,207	7.7%	R&D Expenses	7,211	5.4%	8,300	5.8%	15.1%
—			Other income(expenses)			-300	—	—
Operating Income	20,633	15.6%	Operating Income	22,987	17.4%	24,200	17.0%	5.3%
Ordinary Income	20,557	15.5%	Finance income (costs)	-186	—	-400	—	—
Profit before tax	19,870	15.0%	Profit before tax	22,801	17.2%	23,800	16.8%	4.4%
Net Income	15,914	12.0%	Profit for the year attributable to owners of the parent	17,984	13.6%	18,200	12.8%	1.2%

※1 Of R&D expenses, 2.8 billion yen in FY2016 and 2.0 billion yen in FY2017 are expected to be recorded as 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)

- ◆ Progress made according to Japanese GAAP towards the earnings forecasts for FY2017 (ending March 31, 2018) is as follows

(Unit: Millions of yen)

	FY2016		FY2017		
	1Q		Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Rate of Achievement
Net Sales	33,646	100.0%	142,000	100.0%	23.7%
Operating Income	5,376	16.0%	22,500	15.8%	23.9%
Operating Income (excluding extraordinary factors)※	6,696	19.9%	24,300	17.1%	27.6%
Ordinary Income	6,109	18.2%	22,300	15.7%	27.4%
profit attributable to owners of parent	4,656	13.8%	16,700	11.8%	27.9%

※ Extraordinary factors: expenses related to the acquisition of the US firm Upsher-Smith Laboratories, LLC (USL)

Member of the Board of USL

sawai

UPSHER-SMITH

◆ Member of the Board of USL is as follows

Name	Title	Title (Sawai Pharmaceutical)
Kenzo Sawai	Chairman	Director, Senior Managing Executive Officer, General Manager, Corporate Strategy Department
Masahiro Sasaki	Vice Chairman	Executive Officer, In charge of Overseas Operations, Corporate Strategy Department
Rusty Field	President & CEO	—
Kazuhiko Sueyoshi	Executive Administration	Executive Officer, General Manager, Controller Department
Shoji Yokota	Executive R&D	Corporate Officers, Deputy Vice President of Reserchi & Development Division and Director, Analytical Chemistry Department

Value Creation Vision for Sawai and USL Collaboration

sawai

UPSHER-SMITH

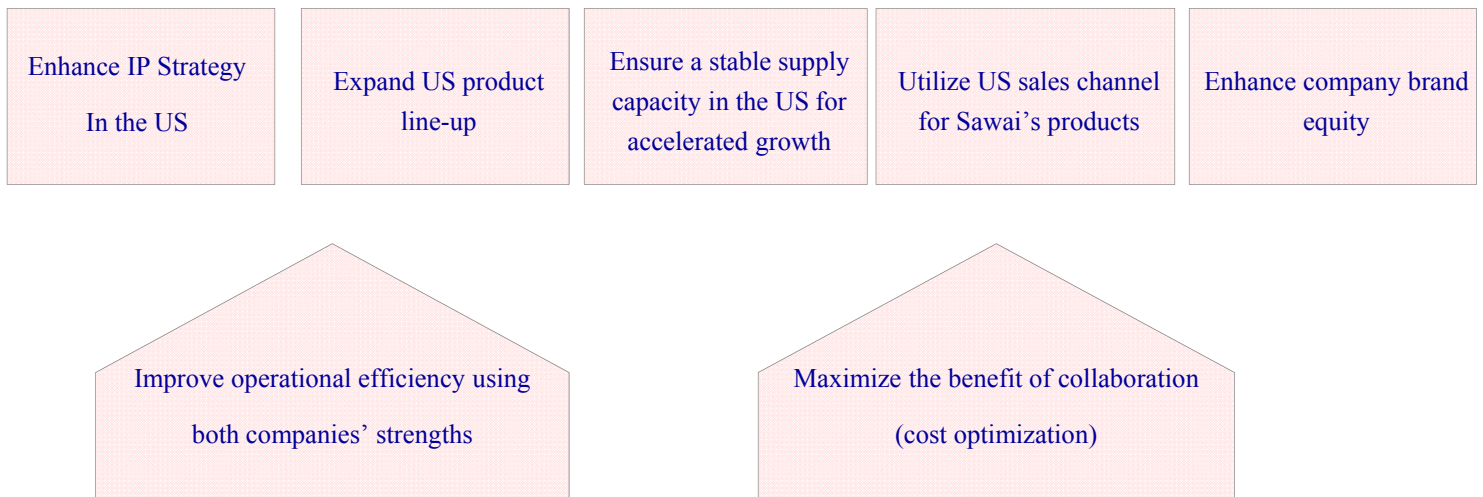
Collaboration Vision
with USL

Sawai Group to become
“a globally recognized generic pharmaceutical company”

Strategy



Initiatives



Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2016		FY2017		FY2017 Forecast (IFRS)		
	1Q		1Q	YoY (%)	Full Year	YoY (%)	
Key Income Statements Data							
Net Sales	32,948		33,646	2.1	Net Sales	142,000	-
Cost of Sales	19,320		19,884	2.9	Cost of Sales	85,300	-
Gross Profit	13,628		13,762	1.0	Gross Profit	56,700	-
SG&A Expenses	7,737		8,385	8.4	SG&A Expenses(※2)	23,900	-
Operating Income	5,891		5,376	-8.7	Operating Income	24,200	-
Ordinary Income	5,914		6,109	3.3	Profit before tax	23,800	-
profit attributable to owners of parent	4,357		4,656	6.9	Profit for the year attributable to owners of the parent	18,200	-
Key Balance Sheets Data							
Total Assets	221,538	※1	354,923	-	Total Assets	-	-
Net Assets	137,600	※1	140,076	-	Net Assets	-	-
Capital Adequacy Ratio(%)	62.0	※1	39.4	-22.6	Capital Adequacy Ratio(%)	-	-

※1 Comparison with 4Q of FY2016

※2 Excluding R&D

Consolidated Financial Highlights-2

(Unit: Millions of Yen)

	FY2016	FY2017	
	1Q	1Q	YoY (%)
Profitability & Efficiency Indication			
Gross Profit Ratio	41.4	40.9	-0.5
SG&A Expenses Ratio	23.5	24.9	1.4
Operating Income Ratio	17.9	16.0	-1.9
Ordinary Income Ratio	17.9	18.2	0.2
Return on Sales	13.2	13.8	0.6
Amounts Per Common Share			
Net Income per Share	118.19	126.31	6.9
Diluted Net Income per Share	118.13	126.23	6.9
Shareholders' Equity	3,722.90 ※1	3,789.15	1.8
Dividend (interim)	-	-	-

※1 Comparison with 4Q of FY2016

※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	-
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	FY2016		FY2017		Year on Year	
	1Q	Comp.(%)	1Q	Comp.(%)	1Q	RC(%)
Number of Employees						
Manufacturing Division	727	(45.1)	1,773	(66.5)	1,046	(143.9)
R&D Division	220	(13.6)	246	(9.2)	26	(11.8)
Administration Div. & Business Di	665	(41.3)	649	(24.3)	-16	(-2.4)
(MRs)	502		498		-4	(-0.8)
Total	1,612	(100.0)	2,668	(100.0)	1,056	(65.5)
Contingent employees (excluded)	1,095	-	417	-	-678	(-61.9)
Personnel Costs						
Total	4,969	(15.1)	5,528	(16.4)	559	(11.2)

Consolidated Financial Data-2

(Unit: Millions of Yen)

Selling, General and Administrative Expenses	FY2016		FY2017		FY2017 Forecast	
	1Q	/Sales(%)	1Q	/Sales(%)	Full Year	/Sales(%)
R&D Expenses	2,582	(7.8)	2,150	(6.4)	8,300	(5.8)
Year on Year changes (%)		(67.7)		(-16.7)		(-)
Advertisement Expenses	599	(1.8)	342	(1.0)	1,500	(1.1)
Year on Year changes (%)		(-5.4)		(-42.8)		(-27.7)

Capital Expenditure & Depreciation and Amortization	FY2016		FY2017		FY2017 Forecast	
	1Q		1Q		Full Year	
Capital Expenditure	3,219		2,626		15,700	
Depreciation and Amortization						
Manufacturing Division	1,450		1,860		7,800	
R&D Division	328		322		1,400	
Administration Div. & Business Div.	216		135		600	
Total	1,994		2,318		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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