

FY2020 Financial Results **for the 1st Quarter**

Sawai Pharmaceutical Co.,Ltd.

4555.T, TSE 1st section

Aug 6, 2020

Influence of COVID-19 on business

Overall

Japan: In February, Sawai assembled a Crisis Management team and implemented thorough measures to prevent infection. Sawai transitioned to a remote working model with the exception of employees who needed to remain on-site.

US: In March, USL assembled a cross-functional Crisis Response Team (CRT) to gather and review information and to develop and implement applicable policies and processes. USL transitioned to a remote working model with the exception of critical workers who needed to remain on-site and also shifted to a digitally based sales and marketing model.

Supply Chain

Both JP and US have adequate supply inventories. There is no disruption on the importation of raw materials or logistics at this point of time.

Sales & Marketing

Japan: Due to medical institutions restricting in-person visits by Medical Representatives, the provision of medical information has shifted to delivery by phone, online meetings, letters, etc.

US: Brand and generic sales declined due to lower customer orders in May/June after a significant inventory build in Mar/Apr. Brand sales were also impacted by lower patient utilization, physicians transitioning to remote patient servicing and restriction of in-person physician sales activities.

R&D and others

Japan: No significant impact on development schedule.

US: Several R&D projects have seen delays due to the shutdowns in US and OUS.

Overview

- ◆ Sales in both Japan and the US have been affected of the market decline due to COVID-19 prevalence.
- ◆ Progress in profits is on a track to meet the forecast.

JPY, MM

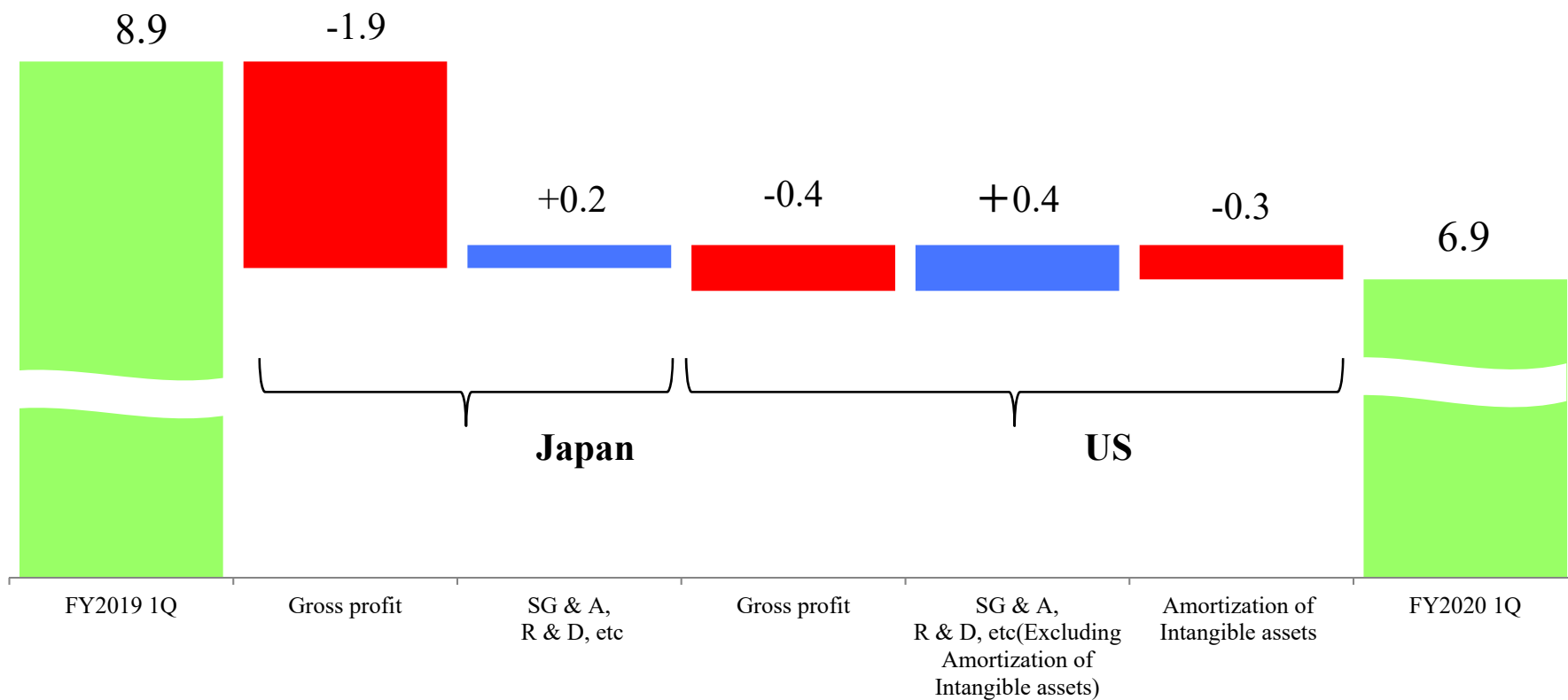
	FY 2019 1Q			FY 2020 1Q			YoY	
		by Region			by Region		+/-	Growth
		Japan	US		Japan	US		
Net Sales	47,134	37,789	9,344	43,942	35,156	8,786	-3,192	-6.8%
Operating Income	8,885	8,234	650	6,881	6,548	333	-2,004	-22.6%
Profit before tax	8,900	—	—	6,814	—	—	-2,086	-23.4%
Profit attributable to owners of the parent	6,436	—	—	5,470	—	—	-966	-15.0%
Core Operating Income *	10,646	8,885	1,754	8,438	6,843	1,591	-2,209	-20.7%

*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

Average rate	FY2019 1Q Actual	FY2020 1Q Actual
1 US dollar	110	108

Operating Income Analysis

(JPY, bn)



Sales by Channel, Japan (Unconsolidated)

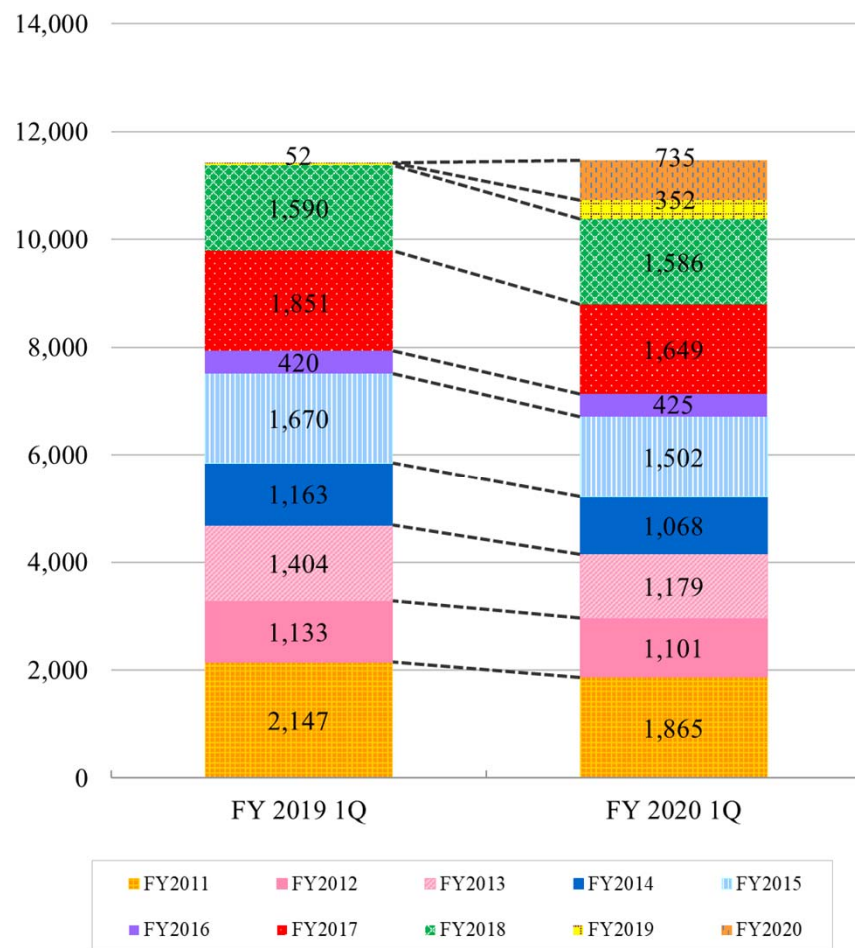
- ◆ The sales in both hospital and pharmacy sectors were affected by patients refraining from seeking medical attention due to the COVID-19 prevalence, in addition to the impact of two drug price revisions.

Channel	Total, Nationwide	FY 2019 1Q		FY 2020 1Q			YoY	
		# of Customers	Sales Share	# of Customers	Coverage Rate	Sales Share	# of Customers	Sales Growth
Hospital	8,290	7,890	11.6%	7,884	95.1%	11.2%	-6	-9.1%
DPC* Hospital	1,757	1,720	7.0%	1,749	99.5%	6.8%	29	-10.2%
Clinic	106,255	30,976	9.2%	30,617	28.8%	8.9%	-359	-10.4%
Pharmacy	89,281	57,371	77.9%	57,979	64.9%	78.7%	608	-5.5%
Dispensing	61,709	57,107	77.3%	57,731	93.6%	78.0%	624	-5.5%
Drug Stores, etc.	27,572	264	0.6%	248	0.9%	0.6%	-16	-4.0%
Others	-	-	1.3%	-	-	1.2%	-	-6.0%
Total	203,826	96,237	100.0%	96,480	47.3%	100.0%	243	-7.4%

*DPC: Diagnosis Procedure Combination, a fixed payment system for inpatients

Sales by Product Launch Year, Japan

◆ New products launched FY 2020 started off as expected.



JPY, MM

Year Launched	FY 2019 1Q	FY 2020 1Q	YoY
FY2020	-	735	-
FY2019	52	352	574.5%
FY2018	1,590	1,586	-0.3%
FY2017	1,851	1,649	-10.9%
FY2016	420	425	1.3%
FY2015	1,670	1,502	-10.1%
FY2014	1,163	1,068	-8.1%
FY2013	1,404	1,179	-16.0%
FY2012	1,133	1,101	-2.7%
FY2011	2,147	1,865	-13.2%
Launched before FY2010	26,360	23,693	-10.1%
Total	37,789	35,156	-7.0%

US Sales Analysis

- ◆ Products launched before FY2018 :
Sales declined due to COVID-19 driven customer ordering and increased competition on key products.
- ◆ Products launched after FY2018 :
Sales activities were restricted due to COVID-19 prevalence, but sales increased because of the brand products USL acquired in the previous FY.

By therapeutic areas

JPY, MM

	FY2019	FY2020	
	1Q Actual	1Q Actual	Forecast (Full Year)
Existing products	8,385	6,753	29,500
New products*¹	959	2,033	11,100
Total	9,344	8,786	40,600
Brand products*² (Reference)	1,351	1,748	—

Therapeutic Area	FY2020 1Q		YoY Sales
	FY2019 1Q	FY2020 1Q	
Central nervous system	45.9%	48.7%	-0.3%
Cardiovascular	36.2%	32.4%	-15.8%
Antineoplastic agents	3.6%	4.6%	+21.1%
Hormone preparations	6.0%	4.5%	-29.8%
Agents for urogenital and rectal systems	3.3%	4.2%	20.3%
The others	5.0%	5.6%	+5.2%
Total	100.0%	100.0%	-6.0%

*¹ Sales of products launched since FY2018

*² Sales of Qudexy[®], Zembrace[®], Symtouch[®] and Tosymra[™]

FY2020 Forecasts, consolidated

- ◆ Progress in profits exceeded the forecast.
- ◆ From 2Q forward, we will aim for early achievement of targets through sales of new products, etc.

	FY2020 1Q Actual		FY2020 Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen		/Sales (%)
Net Sales	43,942	100.0%	200,200	100.0%	21.9%
Operating Income	6,881	15.7%	26,850	13.4%	25.6%
Profit before tax	6,814	15.5%	26,550	13.3%	25.7%
Profit attributable to owners of the parent	5,470	12.4%	20,050	10.0%	27.3%
Core Operating Income	8,438	19.2%	34,800	17.4%	24.2%

Average rate	FY2020 1Q Actual	FY2020 Assumption
1 US dollar	109	110

Transition to a Holding Company Structure and New Businesses

◆ Transitioning to a Structure of Holding Company “Sawai Group Holdings”

(previously announced on July 28)

• Background of the Transition

To ensure the continuous growth of the Company’s group, it is essential to build new businesses which quickly respond to the needs of the time, while further reinforcing existing business conducted mainly in Japan and the United States. The Share Transfer is slated to be implemented through sole-share transfer by the Company, whereby the Company will be a subsidiary company resulting from the Share Transfer, and the Holding Company will be the wholly owning parent company incorporated in the Share Transfer.

• Purpose of the Transition

1. Acceleration of strategic alliance
2. Building a system for promptly developing new businesses
3. Separation of the management/supervision of the group from execution of operations
4. Development of Personnel to Manage the Company’s Group

• Schedule of the Transition (tentative)

Sep. 30, 2020	Record date for the Extraordinary General Meeting
Dec. 21, 2020	Extraordinary General Meeting for approval of the share transfer plan
Apr. 1, 2021	Date of listing of the shares of the Holding Company

◆ Entering into Co-development and license agreement for ALS with Neugen Pharma

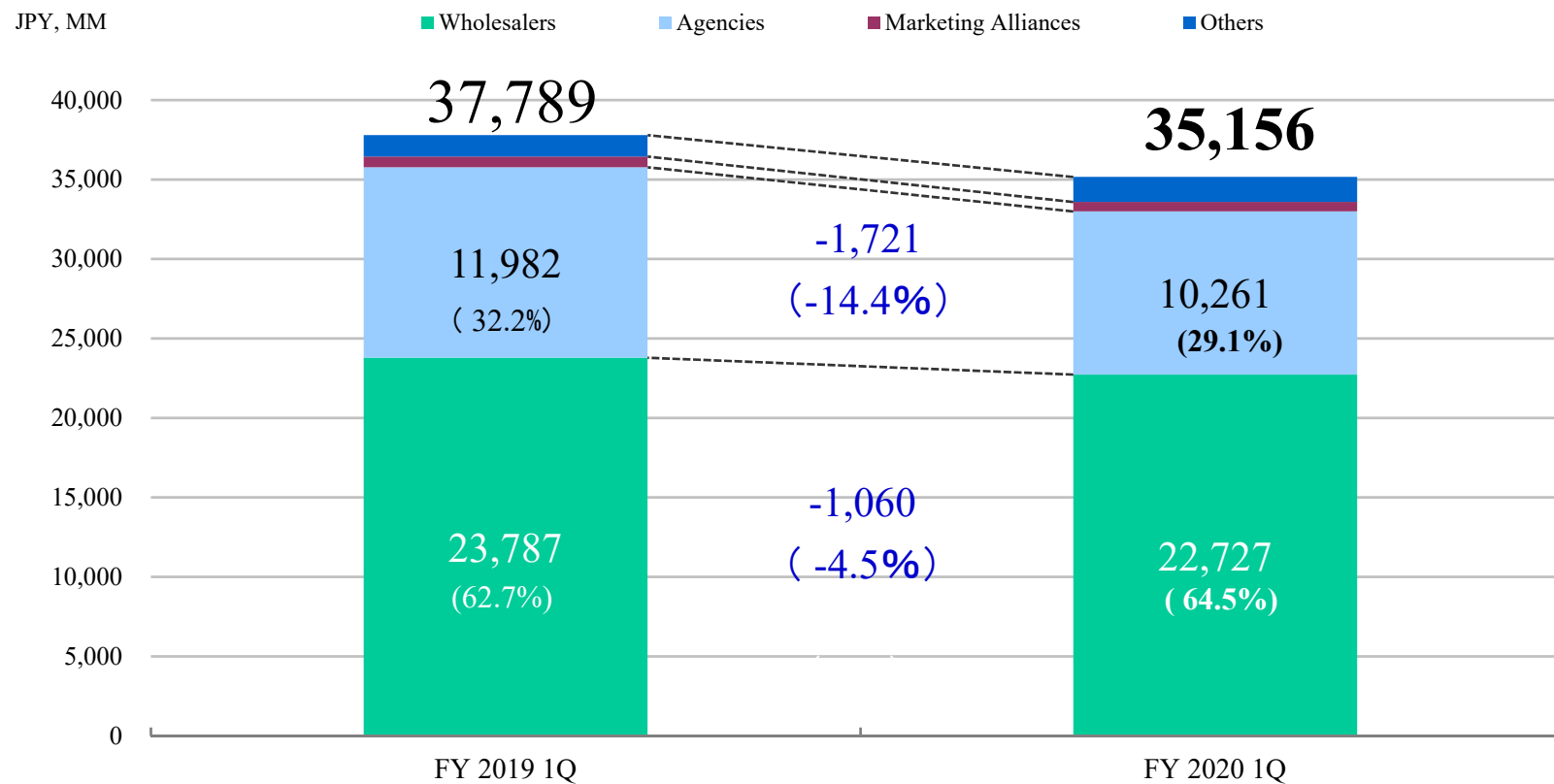
(previously announced on June 22)

Sawai will proceed with the joint development of WN1316*, which was discovered by Neugen Pharma, targeting global markets including North America, Europe, Asia, and Japan, for all indications applicable as an ethical drug. *PLOS ONE January 2014|volume 9|Issue 1/e87728

Reference Materials

Sales by Distribution Channel, Japan

◆ Sales through both wholesalers and agencies decreased.



Comparison of Sales Volume by therapeutic area, Japan

- ◆ Steady growth in CNS (Central Nervous System) line.
- ◆ Volume reductions of more than 20% for respiratory organ agents and antibiotics due to the decline in visits to pediatrics and otolaryngology.

Therapeutic Category	Volume Composition		YoY (volume)	YoY (value)
	FY2019 1Q	FY2020 1Q		
Cardiovascular drugs	29.4%	30.8%	5.8%	-5.5%
Gastro-intestinal drugs	19.6%	19.2%	-1.0%	-10.4%
Central nervous system drugs	13.0%	13.5%	4.4%	11.9%
Blood/body fluid pharmaceutical products	8.3%	8.7%	5.0%	-3.9%
Other metabolic drugs	6.3%	6.7%	8.4%	-2.0%
Respiratory organ agents	6.8%	5.2%	-22.6%	-19.0%
Antiallergic drugs	2.7%	2.7%	-0.2%	-9.7%
Antibiotics drugs	2.5%	1.8%	-27.8%	-31.0%
Antineoplastic agents	0.4%	0.5%	19.3%	-4.3%
Others	11.0%	10.9%	0.8%	-12.0%
Total	100.0%	100.0%	0.9%	-7.0%

Consolidated Financial Highlights-1

JPY, MM

	FY2019 1Q		FY2020 1Q			FY2020 Forecast				
		/Sales (%)		/Sales (%)	YoY (%)	1H	/Sales (%)	Full Year	/Sales (%)	YoY (%)
Key Income Statements Data										
Net Sales	47,134	100.0	43,942	100.0	-6.8	96,000	100.0	200,200	100.0	9.7
Cost of Sales	27,232	57.8	26,318	59.9	-3.4	56,700	59.1	119,600	59.7	9.7
Gross Profit	19,902	42.2	17,624	40.1	-11.4	39,300	40.9	80,600	40.3	9.7
SG&A Expenses	7,646	16.2	8,024	18.3	4.9	17,300	18.0	36,400	18.2	9.1
R&D Expenses	3,514	7.5	2,885	6.6	-17.9	8,800	9.2	17,600	8.8	30.5
Other income(expenses)	143	0.3	166	0.4	16.5	150	0.2	250	0.1	60.7
Operating Income	8,885	18.9	6,881	15.7	-22.6	13,350	13.9	26,850	13.4	0.2
Profit before tax	8,900	18.9	6,814	15.5	-23.4	13,250	13.8	26,550	13.3	0.2
Profit attributable to owners of the parent	6,436	13.7	5,470	12.4	-15.0	9,950	10.4	20,050	10.0	4.0
Core operating income	10,646	22.6	8,438	19.2	-20.7	16,500	17.2	34,800	17.4	1.2
EBITDA *	13,544	28.7	11,338	25.8	-16.3	22,400	23.3	46,800	23.4	1.4

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

	As of March 31, 2019	As of June 30, 2020
Key Balance Sheets Data		
Total Assets	384,814	383,446
Equity	233,686	235,358
Ratio of equity attributable to owners of the company to total assets (%)	54.6	55.2

	FY2019 1Q	FY2020 1Q	FY2020 Full Year Forecast
Amounts Per Common Share			
Basic earnings per share	147.02	124.95	457.94
Diluted earnings per Share	146.92	124.83	—
Dividend	—	—	130.0

Consolidated Financial Highlights-2

Sales and Operating Income by Area

Japan

JPY, MM

Key Income Statements Data	FY2019 1Q		FY 2020 1Q			FY2020 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	37,789	100.0	35,156	100.0	-7.0	159,600	100.0	10.7
Cost of Sales	22,946	60.7	22,205	63.2	-3.2	101,000	63.3	10.0
Gross Profit	14,844	39.3	12,951	36.8	-12.7	58,600	36.7	12.1
SG&A Expenses	4,812	12.7	4,845	13.8	0.7	23,100	14.5	12.7
R&D Expenses	1,923	5.1	1,604	4.6	-16.6	10,200	6.4	35.1
Other income(expenses)	126	0.3	45	0.1	-64.1	0	—	—
Operating Income	8,234	21.8	6,548	18.6	-20.5	25,300	15.9	3.7
Core operating income	8,885	23.5	6,843	19.5	-23.0	28,000	17.5	5.7
EBITDA *1	11,513	30.5	9,462	26.9	-17.8	38,000	23.8	2.3

US

Key Income Statements Data	FY2019 1Q		FY 2020 1Q			FY2020 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	9,344	100.0	8,786	100.0	-6.0	40,600	100.0	5.7
Cost of Sales	4,286	45.9	4,113	46.8	-4.0	18,600	45.8	8.3
Gross Profit	5,058	54.1	4,673	53.2	-7.6	22,000	54.2	3.6
SG&A Expenses	2,833	30.3	3,180	36.2	12.2	13,300	32.8	3.1
R&D Expenses	1,598	17.1	1,284	14.6	-19.7	7,400	18.2	24.3
Other income(expenses)	24	0.3	124	1.4	416.5	250	0.6	—
Operating Income	650	—	333	3.8	-48.8	1,550	3.8	-35.1
Core operating income	1,754	18.8	1,591	18.1	-9.3	6,800	16.7	-13.7
EBITDA *	2,023	21.7	1,873	21.3	-7.4	8,800	21.7	-1.9

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

Consolidated Financial Highlights-3

Adjusted from Full basis to Core basis

JPY, MM

	Full Basis	Adjusting (Japan)	Adjusting (US)	Core Basis	Full Basis	Adjusting (Japan)	Adjusting (US)	Core Basis
Net Sales	47,134	—	—	47,134	43,942	—	—	43,942
Cost of Sales	-27,232	—	48	-27,184	-26,318	9	14	-26,295
Inventory step-up	-48	—	48	—	-14	—	14	—
Impairment loss	—	—	—	—	—	—	—	—
Others	—	—	—	—	-9	9	—	—
Gross Profit	19,902	—	48	19,950	17,624	9	14	17,647
SG&A Expenses	-7,646	132	900	-6,613	-8,024	132	1,188	-6,704
Amortization of intangible assets	-1,032	132	900	—	-1,320	132	1,188	—
R&D Expenses	-3,514	645	179	-2,690	-2,885	200	180	-2,505
Amortization of intangible assets	-361	181	179	—	-380	200	180	—
Impairment loss	-463	463	—	—	—	—	—	—
Other income	220	-203	-16	—	170	-47	-123	—
Other expenses	-77	77	0	—	-4	4	—	—
Operating Income	8,885	650	1,111	10,646	6,881	297	1,259	8,438

Consolidated Financial Data

JPY, MM

Selling General and Administrative Expenses		FY2019 1Q		FY 2020 1Q			FY2020 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	1,923	5.1	1,604	4.6	-16.6	10,200	6.4
	US	1,598	17.1	1,284	14.6	-19.7	7,400	18.2
	Total	3,514	7.5	2,885	6.6	-17.9	17,600	8.8
Advertisemet Expenses	Total	437	0.9	581	1.3	32.9	2,900	1.4

Capital Expenditure & Depreciation and Amortization		FY2019 1Q	FY 2020 1Q	FY2020 Full Year Forecast
Capital Expenditure	Japan	756	1,164	7,500
	US	339	836	6,800
	Total	1,095	1,999	14,300
Depreciation and Amortization	Japan	2,941	2,950	11,500
	Manufacturing Division	2,040	2,091	8,300
	R&D Division	450	449	1,500
	Administration Div. & Business Div.	451	409	1,700
	US	1,349	1,650	6,900
	Total	4,290	4,600	18,400

Personnel Information		As of June 30, 2019		As of June 30, 2020	
Number of Employees			Comp.(%)		Comp.(%)
Japan		2,570	82.1	2,677	80.8
	Manufacturing Division	1,702	54.4	1,625	53.2
	R&D Division	254	8.1	249	8.2
	Administration Div. & Business Div.	614	19.6	595	19.5
	(MRs)	(415)		(394)	
US		561	17.9	585	19.2
	Total	3,131	100.0	3,054	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 of the 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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