

FY2020 Financial Results **for the 3rd Quarter**

Sawai Pharmaceutical Co.,Ltd.

4555.T, TSE 1st section

Feb 12, 2021

Overview

- ◆ Japan: Sales and operating income increased year-over-year due to an increase in sales of new products, despite the impact of patients refraining from seeking medical attention due to COVID-19, the reduction in the number of flu patients, and the impact of two NHI drug price revisions.
- ◆ United States: Sales and operating income decreased due to the negative impact of COVID-19 on acute brand prescriptions and the entry of competitors to existing products.
- ◆ Consolidated: Profit is on track to achieve forecast.

JPY, MM

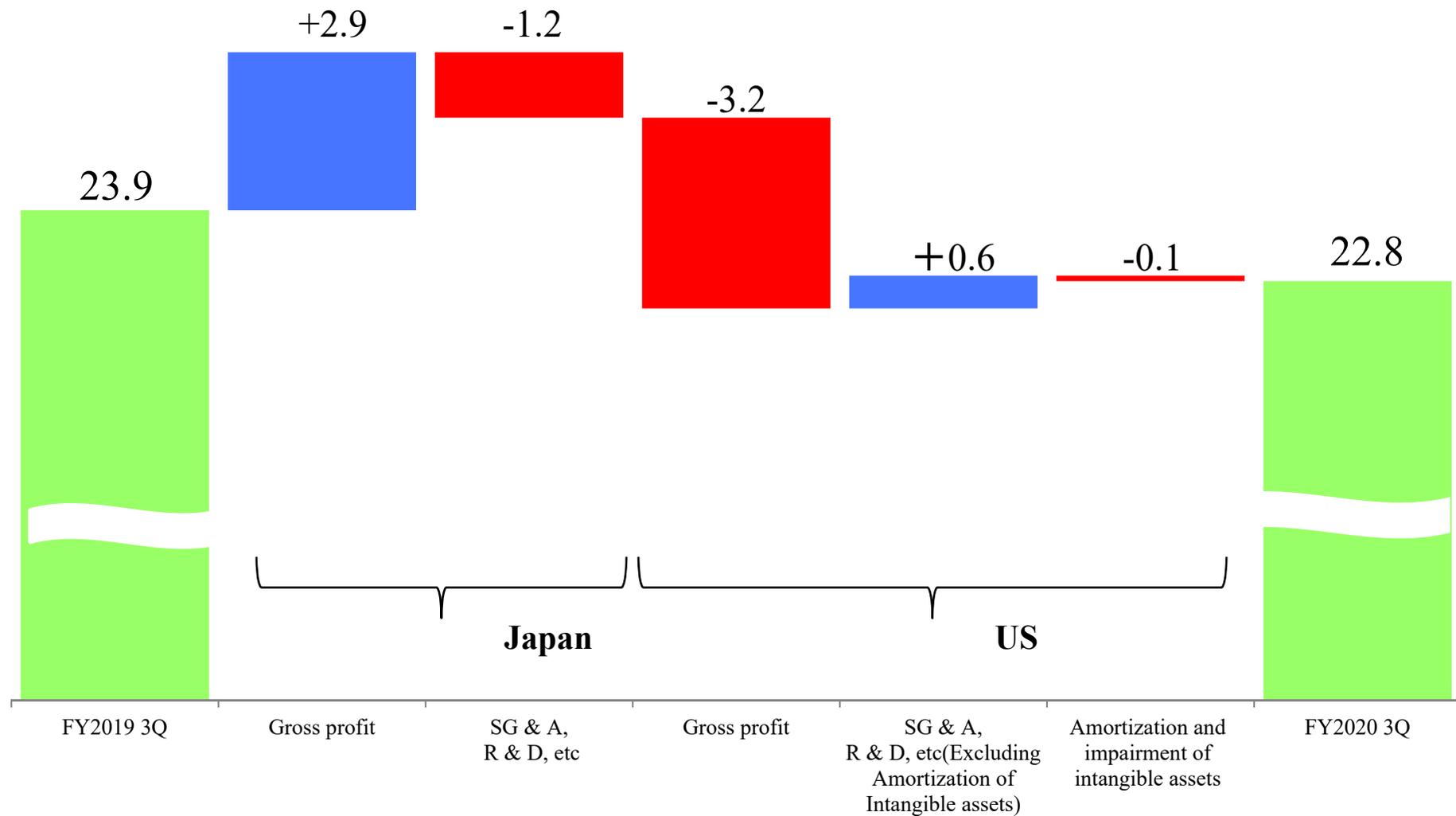
	FY 2019 3Q			FY 2020 3Q			YoY		FY2020 Full Year Forecast	
	by Region		US	by Region		US	+/-	Growth	Mil. yen	/Sales (%)
	Japan	US		Japan	US					
Net Sales	140,266	110,810	29,456	142,697	115,940	26,757	2,430	1.7%	200,200	71.3%
Operating Income	23,944	21,045	2,899	22,850	22,786	64	-1,094	-4.6%	26,850	85.1%
Profit before tax	23,785	—	—	22,595	—	—	-1,190	-5.0%	26,550	85.1%
Profit attributable to owners of the parent	17,319	—	—	17,388	—	—	69	0.4%	20,050	86.7%
Core Operating Income *	29,166	22,238	6,902	28,341	24,334	3,995	-825	-2.8%	34,800	81.4%

*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 3Q Actual	FY2020 3Q Actual
1 US dollar	109	106

Operating Income Analysis

(JPY, bn)



Sales by Channel, Japan (Unconsolidated)

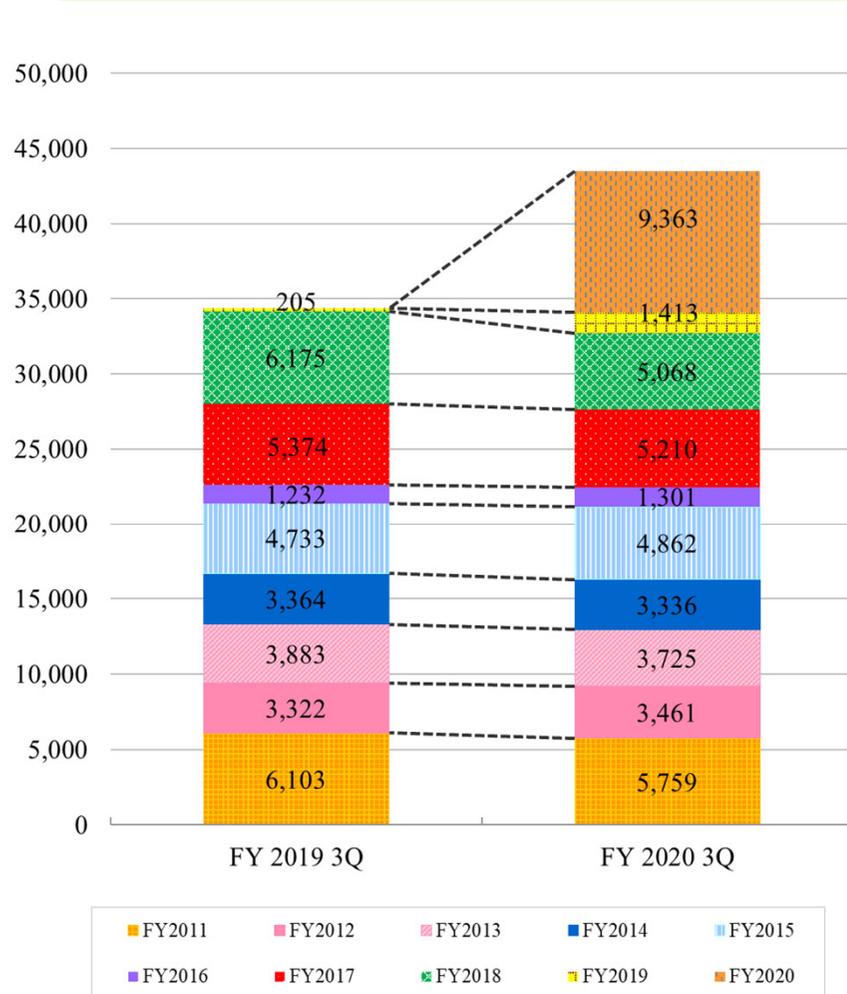
- ◆ Sales in the hospital sector were affected by patients refraining from seeking medical attention, due to COVID-19, in addition to the impact of two NHI drug price revisions.
- ◆ Sales increased steadily due to the adoption of new products in the pharmacy sector.

Channel	Total, Nationwide	FY 2019 3Q		FY 2020 3Q			YoY	
		# of Customers	Sales Share	# of Customers	Coverage Rate	Sales Share	# of Customers	Sales Growth
Hospital	8,270	8,073	11.7%	8,036	97.2%	10.8%	-37	-4.7%
DPC* Hospital	1,757	1,717	7.1%	1,749	99.5%	6.6%	32	-4.0%
Clinic	106,194	37,969	9.2%	38,541	36.3%	8.9%	572	0.3%
Pharmacy	89,199	58,674	77.8%	59,419	66.6%	79.1%	745	5.4%
Dispensing	61,948	58,360	77.2%	59,107	95.4%	78.5%	747	5.4%
Drug Stores, etc.	27,251	314	0.6%	312	1.1%	0.6%	-2	-5.2%
Others	-	-	1.3%	-	-	1.2%	-	-3.8%
Total	203,663	104,716	100.0%	105,996	52.0%	100.0%	1,280	3.4%

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

Sales by Product Launch Year, Japan

- ◆ Steady sales growth for new products launched in FY2020, mainly in categories with few competitors.



JPY, MM

Year Launched	FY 2019 3Q	FY 2020 3Q	YoY
FY2020	-	9,363	-
FY2019	205	1,413	587.5%
FY2018	6,175	5,068	-17.9%
FY2017	5,374	5,210	-3.0%
FY2016	1,232	1,301	5.7%
FY2015	4,733	4,862	2.7%
FY2014	3,364	3,336	-0.8%
FY2013	3,883	3,725	-4.1%
FY2012	3,322	3,461	4.2%
FY2011	6,103	5,759	-5.6%
Launched before FY2010	76,419	72,442	-5.2%
Total	110,810	115,940	4.6%

US Sales Analysis

- ◆ Overall sales decreased due to the negative impact of COVID-19 on acute brand prescriptions and new competitor entries into key USL generic product markets.
- ◆ As of Q3 2020, Vigadrone is now USL's third largest product.

JPY, MM

	FY2019	FY2020	
	3Q Actual	3Q Actual	Forecast (Full Year)
Existing products	25,419	20,131	29,500
New products*¹	4,037	6,626	11,100
Total	29,456	26,757	40,600
Brand products*² (Reference)	5,421	5,315	—

*¹ Sales of products launched since FY2018

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

By therapeutic areas

Therapeutic Area			FY2020 1H
	FY2019 3Q	FY2020 3Q	YoY Sales
Central nervous system	44.9%	51.8%	+4.9%
Cardiovascular	38.6%	32.2%	-24.2%
Agents for urogenital and rectal systems	3.8%	4.7%	+13.3%
Hormone preparations	4.9%	3.2%	-40.3%
Antineoplastic agents	2.7%	1.9%	-35.5%
The others	5.1%	6.2%	+7.9%
Total	100.0%	100.0%	-9.2%

FY2020 Forecasts, consolidated

- ◆ Growth in profit is on track to achieve FY2020 forecast.
- ◆ Our full-year forecast remains unchanged as the circumstances surrounding the business environment is unclear, considering the impact of COVID-19 etc.

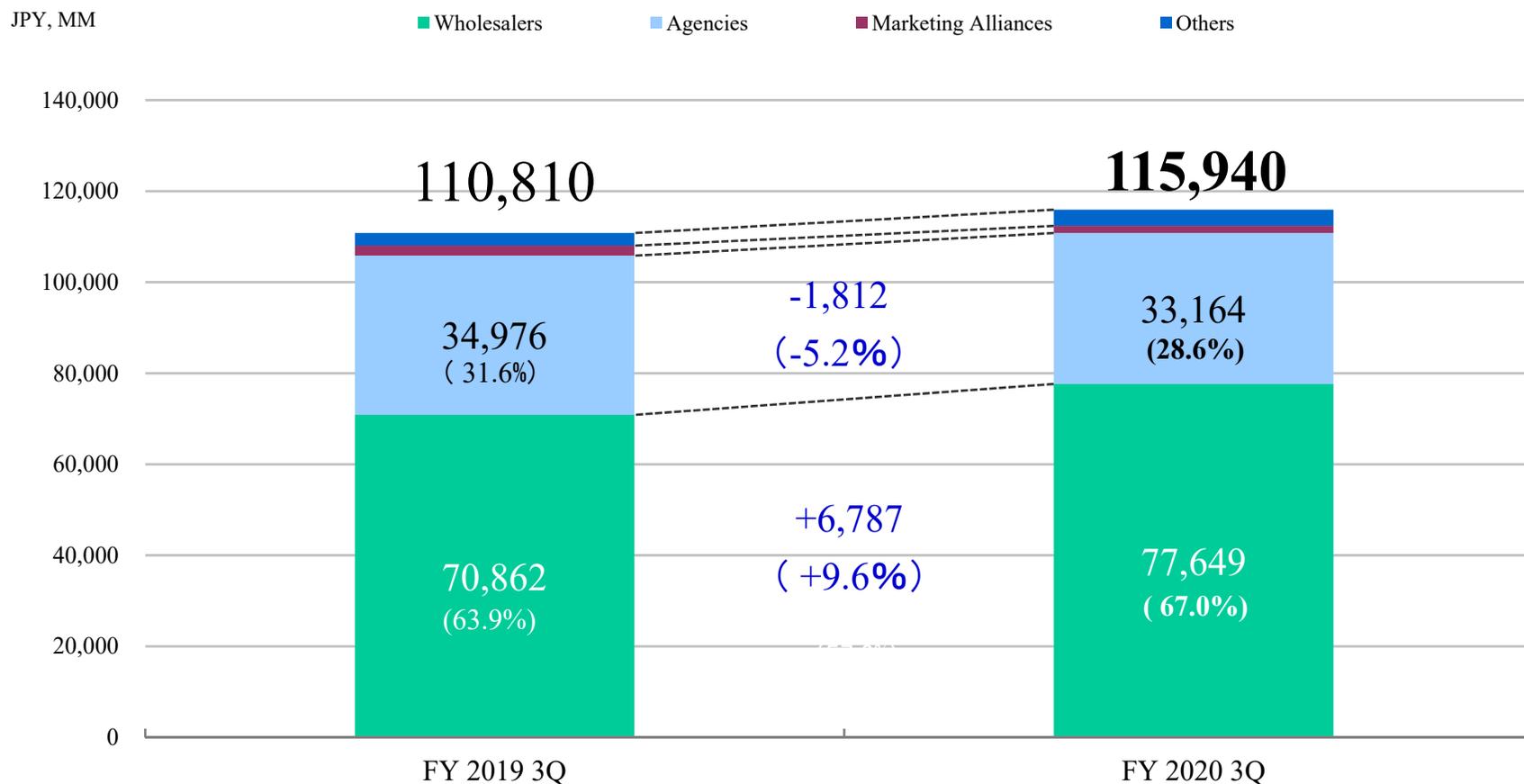
	FY2020 3Q Actual		FY2020 Full Year Forecast		
	Mil. yen	/Sales (%)	Mil. yen		/Sales (%)
Net Sales	142,697	100.0%	200,200	100.0%	71.3%
Operating Income	22,850	16.0%	26,850	13.4%	85.1%
Profit before tax	22,595	15.8%	26,550	13.3%	85.1%
Profit attributable to owners of the parent	17,388	12.2%	20,050	10.0%	86.7%
Core Operating Income	28,341	19.9%	34,800	17.4%	81.4%

Average rate	FY2020 3Q Actual	FY2020 Assumption
1 US dollar	106	110

Reference Materials

Sales by Distribution Channel, Japan

◆ Sales through wholesalers increased due to newly launched products.



Comparison of Sales Volume by therapeutic area, Japan

- ◆ Steady growth in CNS (Central Nervous System) and Vitamin lines.
- ◆ Volume reductions of more than 20% for respiratory organ agents and antibiotics due to the decline in the number of visits patients made to Pediatric and Otolaryngology offices.

Therapeutic Category	Volume Composition		YoY (volume)	YoY (value)
	FY2019 3Q	FY2020 3Q		
Cardiovascular drugs	29.3%	29.8%	7.3%	1.4%
Gastro-intestinal drugs	19.6%	18.6%	0.4%	-3.3%
Central nervous system drugs	13.1%	13.4%	7.8%	22.1%
Blood/body fluid pharmaceutical products	8.4%	8.3%	3.1%	1.3%
Other metabolic drugs	6.2%	6.9%	17.8%	19.5%
Vitamin drugs	3.9%	5.6%	51.6%	270.4%
Respiratory organ agents	6.9%	5.2%	-20.0%	-15.8%
Antibiotics drugs	2.5%	1.9%	-21.1%	-19.3%
Antineoplastic agents	0.4%	0.4%	11.7%	-3.3%
Others	9.7%	9.9%	7.2%	-5.7%
Total	100.0%	100.0%	5.4%	4.6%

Consolidated Financial Highlights-1

JPY, MM

	FY2019 3Q		FY2020 3Q			FY2020 Forecast		
		/Sales (%)		/Sales (%)	YoY (%)	Full Year	/Sales (%)	YoY (%)
Key Income Statements Data								
Net Sales	140,266	100.0	142,697	100.0	1.7	200,200	100.0	9.7
Cost of Sales	83,138	59.3	85,909	60.2	3.3	119,600	59.7	9.7
Gross Profit	57,128	40.7	56,788	39.8	-0.6	80,600	40.3	9.7
SG&A Expenses	24,013	17.1	24,857	17.4	3.5	36,400	18.2	9.1
R&D Expenses	9,470	6.8	9,312	6.5	-1.7	17,600	8.8	30.5
Other income(expenses)	298	0.2	231	0.2	-22.4	250	0.1	60.7
Operating Income	23,944	17.1	22,850	16.0	-4.6	26,850	13.4	0.2
Profit before tax	23,785	17.0	22,595	15.8	-5.0	26,550	13.3	0.2
Profit attributable to owners of the parent	17,319	12.3	17,388	12.2	0.4	20,050	10.0	4.0
Core operating income	29,166	20.8	28,341	19.9	-2.8	34,800	17.4	1.2
EBITDA *	37,886	27.0	36,970	25.9	-2.4	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 Dec 31, 2020
Key Balance Sheets Data		
Total Assets	384,814	390,865
Equity	233,686	239,363
Ratio of equity attributable to owners of the company to total assets (%)	54.6	55.5

	FY2019 3Q	FY2020 3Q	FY2020 Full Year Forecast
Amounts Per Common Share			
Basic earnings per share	395.59	397.11	457.85
Diluted earnings per Share	395.27	396.71	—
Dividend (interim)	(65.0)	(65.0)	130.0

Consolidated Financial Highlights-2

Sales and Operating Income by Area

Japan

JPY, MM

Key Income Statements Data	FY2019 3Q		FY 2020 3Q			FY2020 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	110,810	100.0	115,940	100.0	4.6	159,600	100.0	10.7
Cost of Sales	70,433	63.6	72,642	62.7	3.1	101,000	63.3	10.0
Gross Profit	40,377	36.4	43,297	37.3	7.2	58,600	36.7	12.1
SG&A Expenses	14,538	13.1	15,460	13.3	6.3	23,100	14.5	12.7
R&D Expenses	5,031	4.5	5,084	4.4	1.1	10,200	6.4	35.1
Other income(expenses)	237	0.2	34	0.0	-85.8	0	—	—
Operating Income	21,045	19.0	22,786	19.7	8.3	25,300	15.9	3.7
Core operating income	22,238	20.1	24,334	21.0	9.4	28,000	17.5	5.7
EBITDA *	30,163	27.2	32,166	27.7	6.6	38,000	23.8	2.3

US

Key Income Statements Data	FY2019 3Q		FY 2020 3Q			FY2020 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	29,456	100.0	26,757	100.0	-9.2	40,600	100.0	5.7
Cost of Sales	12,705	43.1	13,267	49.6	4.4	18,600	45.8	8.3
Gross Profit	16,751	56.9	13,490	50.4	-19.5	22,000	54.2	3.6
SG&A Expenses	9,474	32.2	9,407	35.2	-0.7	13,300	32.8	3.1
R&D Expenses	4,465	15.2	4,229	15.8	-5.3	7,400	18.2	24.3
Other income(expenses)	87	0.3	210	0.8	142.0	250	0.6	—
Operating Income	2,899	9.8	64	0.2	-97.8	1,550	3.8	-35.1
Core operating income	6,902	23.4	3,995	14.9	-42.1	6,800	16.7	-13.7
EBITDA *	7,697	26.1	4,793	17.9	-37.7	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	140,266	—	—	140,266	142,697	—	—	142,697
Cost of Sales	-83,138	47	99	-82,992	-85,909	348	35	-85,526
Inventory step-up	-104	—	104	—	-25	—	25	—
Impairment loss	—	—	—	—	—	—	—	—
Others	—	47	-5	—	-507	348	9	—
Gross Profit	57,128	—	99	57,274	56,788	348	35	57,170
SG&A Expenses	-24,013	396	3,057	-20,559	-24,857	397	3,513	-20,947
Amortization of intangible assets	-3,453	396	3,057	—	-3,913	396	3,517	—
R&D Expenses	-9,470	988	934	-7,549	-9,312	837	593	-7,883
Amortization of intangible assets	-1,056	524	531	—	-1,252	708	543	—
Impairment loss	-865	463	402	—	-177	128	49	—
Other income	409	-344	-65	—	275	-70	-205	—
Other expenses	-111	107	4	—	-44	41	3	—
Operating Income	23,944	1,193	4,029	29,166	22,850	1,552	3,938	28,341

Consolidated Financial Data

JPY, MM

Selling General and Administrative Expenses		FY2019 3Q		FY 2020 3Q			FY2020 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	5,031	4.5	5,084	4.4	1.1	10,200	6.4
	US	4,465	15.2	4,229	15.8	-5.3	7,400	18.2
	Total	9,470	6.8	9,312	6.5	-1.7	17,600	8.8
Advertisemet Expenses	Total	1,863	1.3	1,802	1.3	-3.3	2,900	1.4

Capital Expenditure & Depreciation and Amortization		FY2019 3Q	FY 2020 3Q	FY2020 Full Year Forecast
Capital Expenditure	Japan	2,454	5,794	7,500
	US	1,643	5,116	6,800
	Total	4,097	10,910	14,300
Depreciation and Amortization	Japan	8,845	8,935	11,500
	Manufacturing Division	6,252	6,230	8,300
	R&D Division	1,339	1,471	1,500
	Administration Div. & Business Div.	1,255	1,234	1,700
	US	4,384	4,859	6,900
Total	13,229	13,794	18,400	

Personnel Information		As of Dec 31, 2019		As of Dec 31, 2020	
Number of Employees			Comp.(%)		Comp.(%)
Japan		2,522	81.3	2,677	80.9
Manufacturing Division		1,667	53.8	1,616	53.2
R&D Division		253	8.2	248	8.2
Administration Div. & Business Div. (MRs)		602	19.4	595	19.6
		(400)		(385)	
US		579	18.7	579	19.1
Total		3,101	100.0	3,038	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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