

Sawai Group Holdings Co., Ltd.

FY2021 Financial Results for the 1st Quarter

Aug 5, 2021

4887.T, TSE 1st section

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- **Japan:** Despite the impact of the NHI drug price revision, both sales and core operating income significantly exceeded the same period of the previous fiscal year due to increased demand associated with sales of products launched in FY2020 and the supply stoppages of products from other generics companies.
- **United States:** Both sales and core operating income decreased from the same period last year, due to the impact of competitor entries into key USL generic product markets.

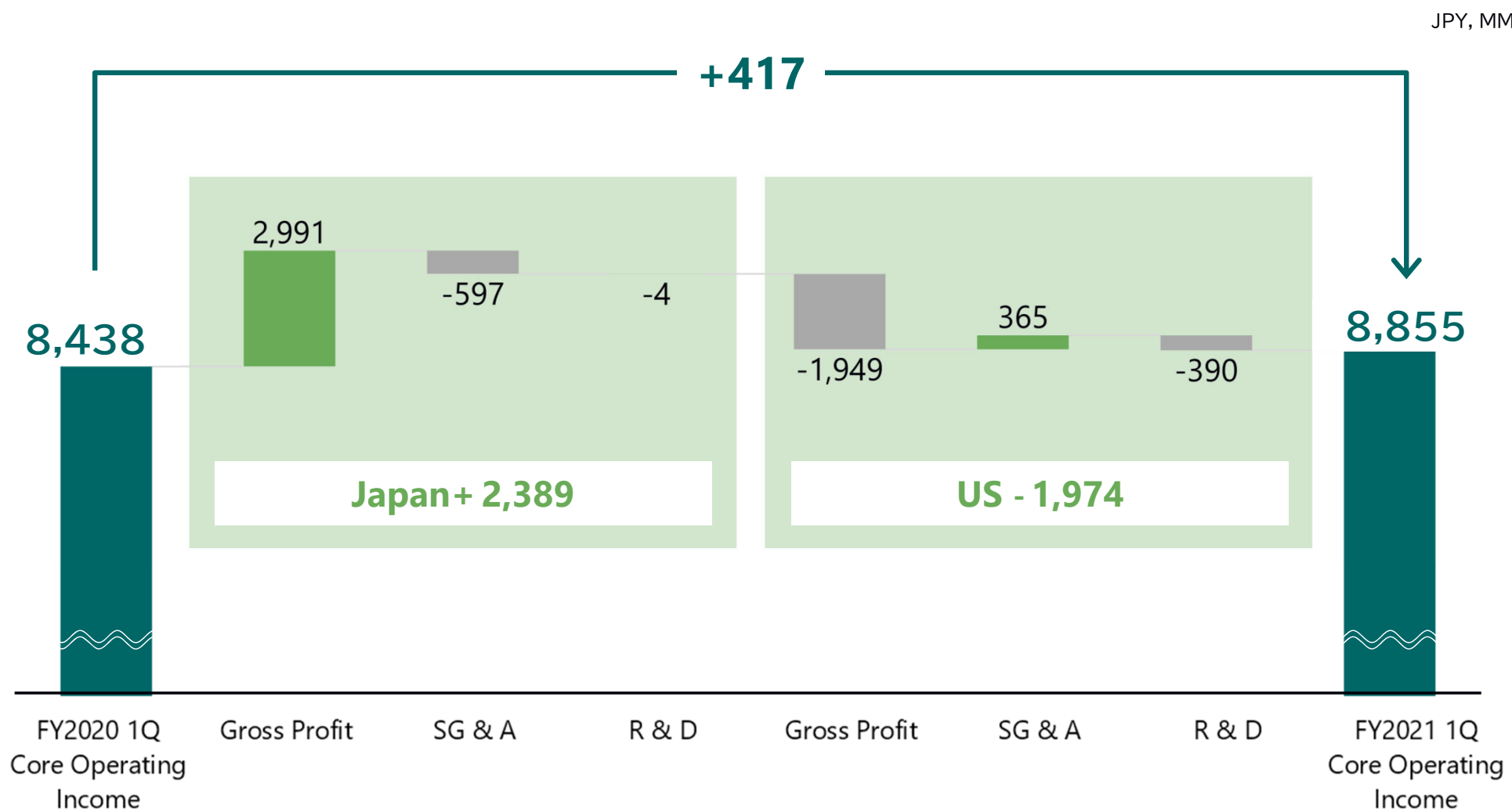
JPY, MM

	FY 2020 1Q			FY 2021 1Q			YoY
		Japan	US		Japan	US	
Net Sales	43,942	35,156	8,786	50,486	43,487	6,999	+14.9% (+6,544)
Core Operating Income	8,438	6,843	1,591	8,855	9,233	-383	+4.9% (+417)
Operating Income	6,881	6,548	333	8,483	8,091	392	+23.3% (+1,602)
Profit before tax	6,814	-	-	8,433	-	-	+23.8% (+1,619)
Profit attributable to owners of the parent	5,470	-	-	6,307	-	-	+15.3% (+837)
Average rate	US\$1 = ¥108			US\$1 = ¥109			

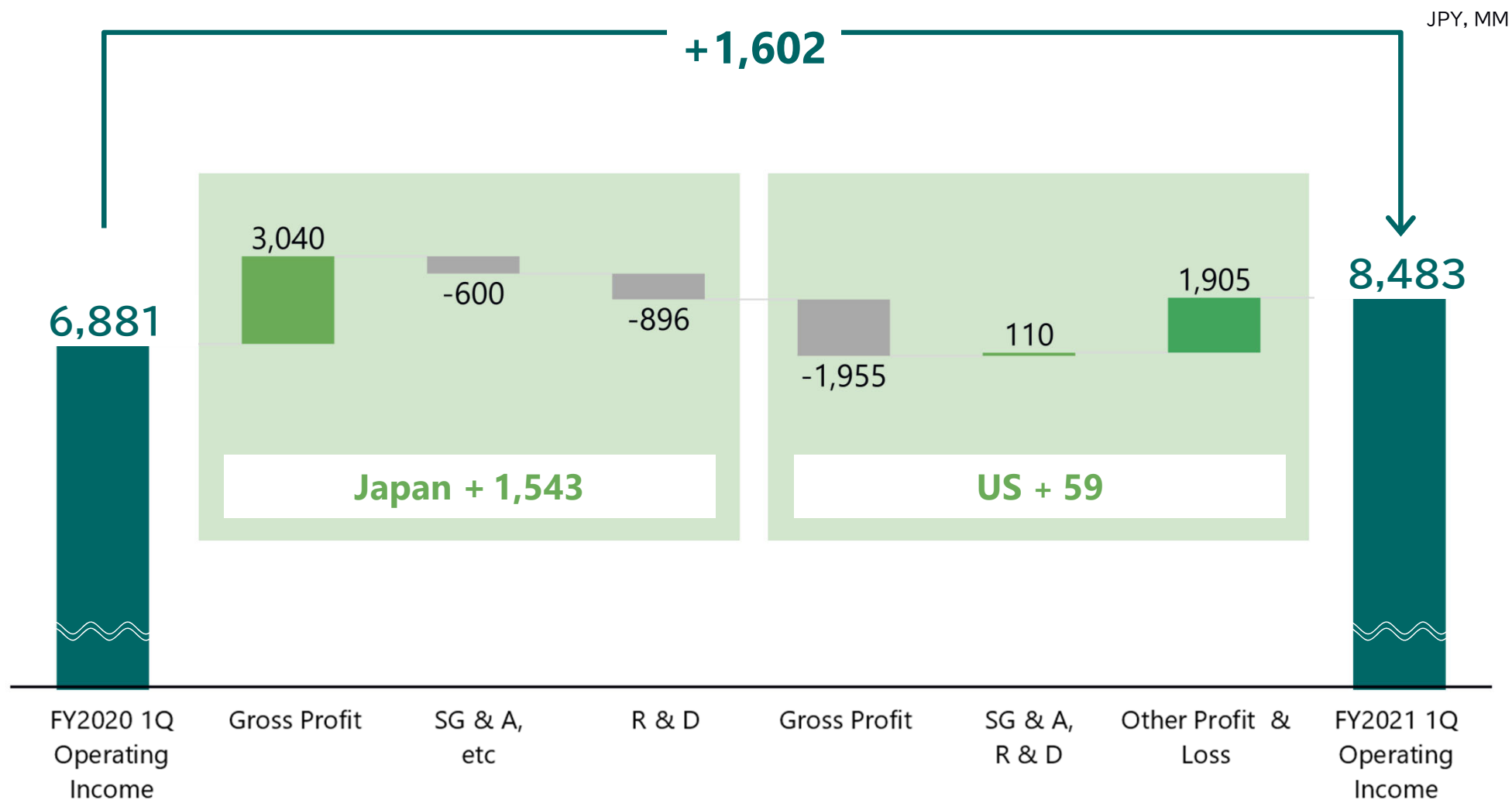
* With the adoption of IFRS, we have introduced “Core Operating Income” as an indicator of recurring profitability, and we regard this as a key indicator of business performance that excludes non-recurring factors from operating income

Core Operating Income Analysis

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Operating Income Analysis



Sales by Channel in Japan, Unconsolidated

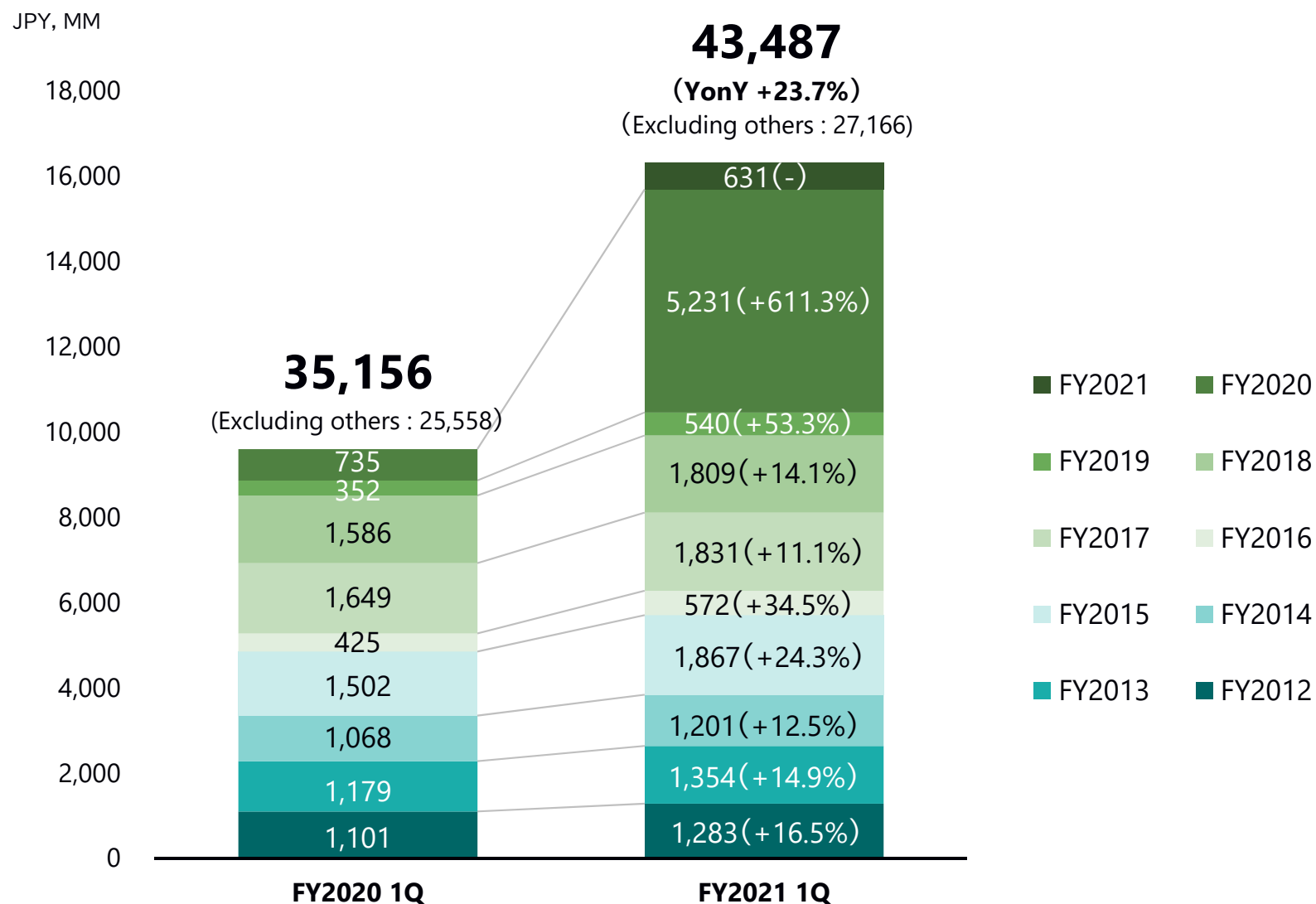
- Significant growth in sales due to the adoption of products launched in FY2020 and main products.

Medical institutions		FY2020 1Q		FY2021 1Q			YoY	
Channel	Total, Nationwide	# of Customers	Sales Share	# of Customers	Coverage Rate	Sales Share	# of Customers	Sales Growth
Hospital	8,249	7,884	11.2%	7,908	95.9%	9.6%	24	+8.8%
DPC* Hospital	1,757	1,749	6.8%	1,743	99.2%	5.8%	-6	+8.6%
Clinic	106,677	30,617	8.9%	33,134	31.1%	8.6%	+2,517	+23.2%
Pharmacy	89,352	57,979	78.7%	59,153	66.2%	80.7%	+1,174	+30.4%
Dispensing	62,270	57,731	78.0%	58,898	94.6%	80.1%	+1,167	+30.5%
Drug Stores, etc.	27,082	248	0.6%	255	0.9%	0.6%	+7	+9.7%
Others	-	-	1.2%	-	-	1.1%	-	+16.9%
Total	204,278	96,480	100.0%	100,195	49.0%	100.0%	+3,715	+26.4%

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

Sales by Product Launch Year, Japan

- Steady growth in sales of products launched in FY2020, which have many competitive advantages, including single-launch products.



- Sales declined significantly, due to the impact of competitor entries into key USL generic product markets.
- Steady progress in brand products.
- Two new products has newly launched in 1Q 2021.

By segment

JPY, MM

	FY2020 1Q		FY2021 1Q		YoY
	Actual	Comp.	Actual	Comp.	
Generic products	7,431	84.6%	4,965	70.9%	-33.2%
Main products*1	4,369	49.7%	2,450	35.0%	-43.9%
New products launched in FY2021	-	-	2	0.0%	-
Others	3,063	34.9%	2,513	35.9%	-18.0%
Brand products*2	1,354	15.4%	2,034	29.1%	+50.2%
Total	8,786	100.0%	6,999	100.0%	-20.3%

*1 Klor-con®, Chlorpromazine, Qudexy®

*2 Zembrace® Syntouch®, Tosymra™, Vigadrone

By therapeutic areas

JPY, MM

	FY2020 1Q		FY2021 1Q		YoY
	Actual	Comp.	Actual	Comp.	
Central nervous system	4,279	48.7%	3,411	48.7%	-20.3%
Cardiovascular	2,847	32.4%	2,544	36.3%	-10.7%
Hormone preparations (including antihormone preparations)	393	4.5%	312	4.5%	-20.5%
Agents for urogenital organs and the anus	368	4.2%	164	2.3%	-55.4%
Alkaloid narcotics	166	1.9%	157	2.2%	-5.5%
Others	732	8.3%	410	6.0%	-44.0%
Total	8,786	100.0%	6,999	100.0%	-20.3%

Average rate

US\$1 = ¥108

US\$1 = ¥109

New Businesses

Progress of Digital Medical Devices Business

- Neurolief received approval from FDA for a digital medical device for the indication of migraine.
- Sawai Pharmaceutical is currently preparing for application of the device to PMDA.

A digital medical device for migraine and depression

Sawai Pharmaceutical and Neurolief entered into an exclusive development and marketing agreement. Patients can use this non-invasive brain neuromodulation device at home, and can share treatment data with their physician, in addition to uploading the data to the cloud database through a dedicated app. It is also designed to self-learn and analyze the treatments using AI technology in order to optimize the treatments for patients according to their symptoms. It will widen the treatment options to patients who are receiving drug treatment but do not feel the effect.

The number of target patients

392,000 (Patients with migraine who are refractory to drug treatment)
161,000 (Patients with acute depression who are refractory to drug treatment)

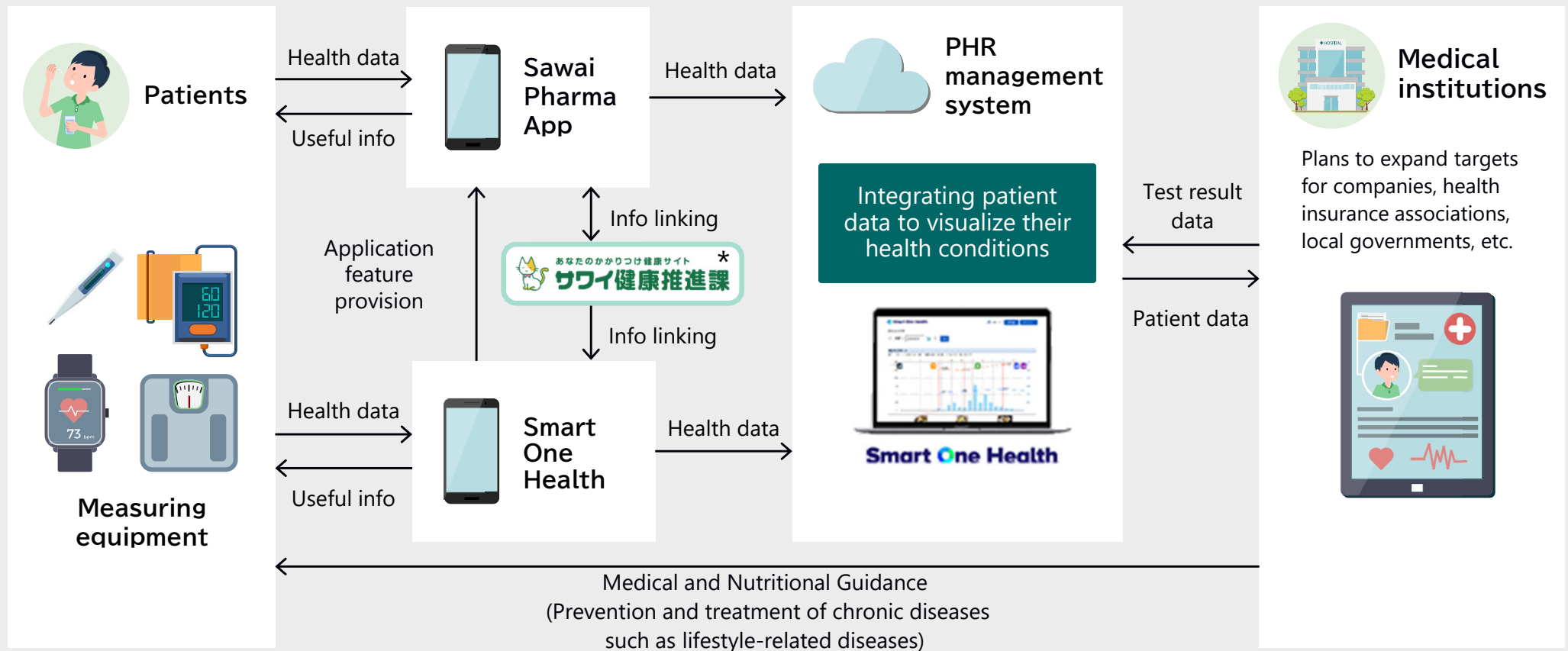
Estimated Schedule(Japan)

Migraine	Current Status: Prior consultation with the authorities prior to the development Plan: <ul style="list-style-type: none">- Application: March 2022- Target for launch : 2024
Depression	Plan: <ul style="list-style-type: none">- Application: 2023- Target for launch : 2025

New Businesses

Commencement of PHR Business

- Started collaboration with Integrity Healthcare Co., Ltd. in May 2021 on the Personal Health Records (PHR) business, which will become important along with the expansion and spread of online medical care.
- Sawai Pharmaceutical provides the PHR management system as a Sawai brand provided by Integrity Healthcare on an OEM basis.



FY2021 Forecasts, Consolidated

- Net sales and core operating income are on track to achieve forecast.

JPY, MM

	FY 2021 Full Year Forecast			FY2021 1Q Actual			Progress rate for full-year forecasts
		Japan	US		Japan	US	
Net Sales	196,400	163,700	32,700	50,486	43,487	6,999	25.7%
Core Operating Income	31,300	27,900	3,400	8,855	9,233	-383	28.3%
Operating Income	26,400	26,400	0	8,483	8,091	392	32.1%
Profit before tax	26,100	-	-	8,433	-	-	32.3%
Profit attributable to owners of the parent	19,500	-	-	6,307	-	-	32.3%

Average rate

US\$1 = ¥110

US\$1 = ¥109

* 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



Reference Materials

- Since the end of FY2020, we have received many orders that have significantly exceeded our production capacity due to the impact of supply stoppages of multiple items from other generics companies, which has hindered our stable supply of these products. We are currently working to further increases in production.

Product Supply Status
(# of products concerned:
Approx. 400 items)

- Concerns over product supply emerged in the Japanese generics industry from the end of 2020.
 - Cause 1 : Health hazard occurred from a drug manufactured by Company A
 - Cause 2 : Company B ceases manufacturing due to the violation of the Pharmaceutical and Medical Devices
- Suspension of supply, supply restrictions, discontinuation of sales, etc., of other generics companies resulted in orders exceeding our expectations, which interferes with the stable supply toward medical institutions that have adopted Sawai products.
- Requests for new adoptions and orders for increased quantity from existing medical institutions have been declined in order to prioritize stable supply to existing medical institutions.

Measures to be
taken in connection with
this case

- DONE** Release of inventory as much as possible so as not to interfere with medical care.
- Short-Term** Consider increasing personnel at factories and outsourcing new manufacturing to reliable CDMO (Contract Development and Manufacturing Organization)
- Mid to Long Term** Consider construction of a new factory capable of early operation

- Sales of new products in FY2021 are expected to be JPY5.5 billion, including products scheduled to be launched in December 2021.

Product name	Brand products
Eszopiclone Tablets 1mg, 2mg, 3mg	Lunesta® Tablets 1mg, 2mg, 3mg
Solifenacin Succinate Tablets 2.5mg, 5mg	Vesicare® Tablets 2.5mg, 5mg
Solifenacin Succinate OD Tablets 2.5mg, 5mg	Vesicare® OD Tablets 2.5mg, 5mg
Zilmlo® Combination Tablets LD, HD	ZACRAS® Combination Tablets LD&HD
Zilmlo® Combination OD Tablets LD, HD	
Epinastine Hydrochloride Ophthalmic Solution 0.05%	ALESION® Ophthalmic Solution 0.05%
Duloxetine Capsules 20mg, 30mg	Cymbalta® Capsules 20mg, 30mg
Tadalafil Tablets AD 20mg	Adcirca® Tablets 20mg
Pemetrexed for Intravenous Infusion 100mg, 500mg, 800mg	Alimta® Injection 100mg, 500mg
Pemetrexed Intravenous Infusion 100mg, 500mg, 800mg	
Deferasirox Granules 90mg, 360mg	JADENU® Granules Sachet 90mg, 360mg

Comparison of Sales Volume by Therapeutic Area, Japan

- Significant increase in sales volume for each therapeutic category.

(Unit: %)

	FY2020 1Q	FY2021 1Q	YoY	YoY
	Comp.	Comp.	(volume)	(value)
Cardiovascular drugs	30.8%	30.5%	+26.5%	+14.4%
Gastro-intestinal drugs	19.2%	16.9%	+12.0%	+5.8%
Central nervous system drugs	13.5%	13.5%	+28.0%	+30.7%
Blood/body fluid pharmaceutical products	8.7%	8.5%	+25.6%	+17.0%
Other metabolic drugs	6.7%	6.9%	+30.6%	+31.5%
Vitamin drugs	3.8%	6.6%	+118.9%	+466.7%
Respiratory organ agents	5.2%	4.8%	+17.1%	+15.0%
Antibiotics drugs	1.8%	1.8%	+32.3%	+27.5%
Agents for urogenital organs and the anus	1.5%	1.8%	+53.5%	+48.3%
Others	8.8%	8.7%	+27.9%	+7.8%
Total	100.0%	100.0%	+27.8%	+23.7%

Consolidated Financial Highlights-1

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Key Income Statements Data

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast				
	1Q	/Sales (%)	1Q	/Sales (%)	YoY	1H	/Sales (%)	Full Year	/Sales (%)	YoY
Net Sales	43,942	100.0%	50,486	100.0%	+14.9%	94,800	100.0%	196,400	100.0%	+4.9%
Cost of Sales	26,318	59.9%	31,777	62.9%	+20.7%	58,800	62.0%	120,600	61.4%	+5.1%
Gross Profit	17,624	40.1%	18,709	37.1%	+6.2%	36,000	38.0%	75,800	38.6%	+4.6%
SG&A Expenses	8,024	18.3%	8,106	16.1%	+1.0%	17,100	18.0%	34,800	17.7%	-12.9%
R&D Expenses	2,885	6.6%	4,185	8.3%	+45.1%	7,400	7.8%	16,400	8.4%	+18.1%
Other income(expenses)	166	0.4%	2,065	4.1%	+1141.8%	1,800	1.9%	1,800	0.9%	+557.1%
Core operating income	8,438	19.2%	8,855	17.5%	+4.9%	14,800	15.6%	31,300	15.9%	-8.1%
Operating Income	6,881	15.7%	8,483	16.8%	+23.3%	13,300	14.0%	26,400	13.4%	+39.8%
Profit before tax	6,814	15.5%	8,433	16.7%	+23.8%	13,100	13.8%	26,100	13.3%	+41.4%
Profit attributable to owners of the parent	5,470	12.4%	6,307	12.5%	+15.3%	10,000	10.5%	19,500	9.9%	+58.0%
EBITDA *	11,338	25.8%	11,537	22.9%	+1.8%	20,400	21.5%	42,500	21.6%	-6.6%

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

Key Balance Sheets Data

JPY, MM

	As of March 31, 2021	FY2021 1Q Actual
Total Assets	393,341	392,471
Equity	240,750	244,077
Ratio of equity attributable to owners of the company to total assets (%)	55.5%	56.5%

Amounts Per Common Share

JPY

	FY2020 1Q Actual	FY2021 1Q Actual	FY2021 Full Year Forecast
Basic earnings per share	124.95	144.03	445.29
Diluted earnings per Share	124.83	143.93	-
Dividend (interim)	-	-	130.00

Consolidated Financial Highlights-2

Sales and Operating Income by Area, Japan

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast		
	1Q	/Sales(%)	1Q	/Sales(%)	YoY	Full Year	/Sales(%)	YoY
Net Sales	35,156	100.0%	43,487	100.0%	+23.7%	163,700	100.0%	+6.6%
Cost of Sales	22,205	63.2%	27,496	63.2%	+23.8%	103,600	63.3%	+6.4%
Gross Profit	12,951	36.8%	15,991	36.8%	+23.5%	60,100	36.7%	+7.0%
SG&A Expenses	4,845	13.8%	5,442	12.5%	+12.3%	23,300	14.2%	+6.8%
R&D Expenses	1,604	4.6%	2,500	5.7%	+55.9%	10,400	6.4%	+27.9%
Other income(expenses)	45	0.1%	42	0.1%	-8.3%	0	-	-
Core operating income	6,843	19.5%	9,233	21.2%	+34.9%	27,900	17.0%	-7.8%
Operating Income	6,548	18.6%	8,091	18.6%	+23.6%	26,400	16.1%	+0.4%
EBITDA *	9,462	26.9%	11,633	26.8%	+22.9%	37,900	23.2%	-6.7%

Sales and Operating Income by Area, US

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast		
	1Q	/Sales(%)	1Q	/Sales(%)	YoY	Full Year	/Sales(%)	YoY
Net Sales	8,786	100.0%	6,999	100.0%	-20.3%	32,700	100.0%	-2.8%
Cost of Sales	4,113	46.8%	4,281	61.2%	+4.1%	17,000	52.0%	-2.2%
Gross Profit	4,673	53.2%	2,718	38.8%	-41.8%	15,700	48.0%	-3.4%
SG&A Expenses	3,180	36.2%	2,665	38.1%	-16.2%	11,500	35.2%	-36.5%
R&D Expenses	1,284	14.6%	1,689	24.1%	+31.6%	6,000	18.3%	+4.0%
Other income(expenses)	124	1.4%	2,029	29.0%	+1535.4%	1,800	5.5%	+649.3%
Core operating income	1,591	18.1%	-383	-	-	3,400	10.4%	-9.7%
Operating Income	333	3.8%	392	5.6%	+17.8%	0	-	-
EBITDA *	1,873	21.3%	-101	-	-	4,600	14.1%	-4.8%

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

Consolidated Financial Highlights-3

Adjusted from Full basis to Core basis

JPY, MM

	FY2020 1Q Actual				FY2021 1Q Actual			
	Full Basis	Adjusting		Core Basis	Full Basis	Adjusting		Core Basis
		Japan	US			Japan	US	
Net Sales	43,942	-	-	43,942	50,486	-	-	50,486
Cost of Sales	-26,318	9	14	-26,295	-31,777	-40	20	-31,797
Inventory step-up	-14	-	14	-	-4	-	4	-
Impairment loss	-	-	-	-	-	-	-	-
Others	-9	9	-	-	0	0	-	-
Gross Profit	17,624	9	14	17,647	18,709	-40	20	18,688
SG&A Expenses	-8,024	132	1,188	-6,704	-8,106	132	1,038	-6,936
Amortization of intangible assets	-1,320	132	1,188	-	-1,171	132	1,039	-
Others	-	-	-	-	1	-	-1	-
R&D Expenses	-2,885	200	180	-2,505	-4,185	1,092	196	-2,897
Amortization of intangible assets	-380	200	180	-	-461	265	196	-
Impairment loss	-	-	-	-	-826	826	-	-
Other income	170	-47	-123	-	2,067	-42	-2,025	-
Other expenses	-4	4	-	-	-1	1	-	-
Operating Income	6,881	297	1,259	8,438	8,483	1,143	-771	8,855

Selling General and Administrative Expenses

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast	
	1Q	/Sales(%)	1Q	/Sales(%)	YoY	Full year	/Sales(%)
R&D Expenses	2,885	6.6%	4,185	8.3%	+45.1%	16,400	8.4%
Japan	1,604	4.6%	2,500	5.7%	+55.9%	10,400	6.4%
US	1,284	14.6%	1,689	24.1%	+31.6%	6,000	18.3%
Advertisement Expenses	581	1.3%	539	1.1%	-7.2%	3,800	1.9%

Capital Expenditure & Depreciation and Amortization

JPY, MM

	FY2020 1QActual	FY2021 1QActual	FY2021 Full Year Forecast
Capital Expenditure	1,999	4,501	12,300
Japan	1,164	2,979	7,800
US	836	1,522	4,500
Depreciation and Amortization	4,600	4,314	17,900
Japan	2,950	2,797	10,900
Manufacturing Division	2,091	1,840	7,400
R&D Division	449	527	1,800
Administration Div. & Business Div.	409	430	1,700
US	1,650	1,517	7,000

Personnel Information Number of Employees

	FY2020 Actual		FY2021 Actual	
	As of March 31, 2021	Comp.(%)	As of June 30, 2021	Comp.(%)
Japan	2,469	80.8%	2,495	81.9%
Manufacturing Division	1,625	53.2%	1,650	54.2%
R&D Division	249	8.2%	250	8.2%
Administration Div. & Business Div.	595	19.5%	595	19.5%
(MRs)	394	-	383	-
US	585	19.2%	550	18.1%
Total	3,054	100.0%	3,045	100.0%

- 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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