Sawai Group Holdings Co., Ltd.

FY2021 Financial Results for the 3rd Quarter

Feb 14, 2022

4887.T, TSE 1st section

sawai

Summary

sawai

In Japan

- Shipping adjustments continue for more than half of products, which are selected based on the inventory status, following the increased demand for Sawai Pharmaceutical products due to supply stoppages etc. of products from other generics companies.
- Unable to meet demand, revenue growth in Japan has slowed.
- In order to respond to growing demand, measures were implemented to increase production to the fullest extent possible by operating at night and on holidays.
- Production volume for FY2021 is expected to be approx. 15.5 billion tablets (YoY: approx. 13.9 billion tablets). The Aim is to further increase production by strengthening the personnel structure.
- In order to increase production capacity over the medium to long term, the construction of a new solid dosage form facility within the Daini Kyushu Factory site has commenced. There has also been an agreement to take over Kobayashi Kako's production assets and related personnel for Sawai Group Holdings in December 2021.

In the United States

- There has been steady progress in newly launched and brand products, while existing generic products remain challenging.
- An unexpected gain arose from the negotiated release of the escrow account*, which was established in agreement with the seller upon the acquisition of Upsher-Smith Laboratories, LLC (USL) in May 2017.

*At the time of the acquisition, USL was the defendant in the Justice Department's investigation and civil antitrust litigation regarding the marketing of certain pharmaceutical products in the United States. The escrow was set up to protect Sawai from the risk of potential costs and damages associated with those legal proceedings.

Overview

sawai

- **Japan:** Despite the impact of the NHI drug price revision, and the impact of shipping adjustments due to supply stoppages, etc. of products from other generics companies, sales exceeded the same period of the previous fiscal year with an increase of sales from products launched in FY2020, etc. Core operating income decreased due to an increase in R&D expenses, etc.
- **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

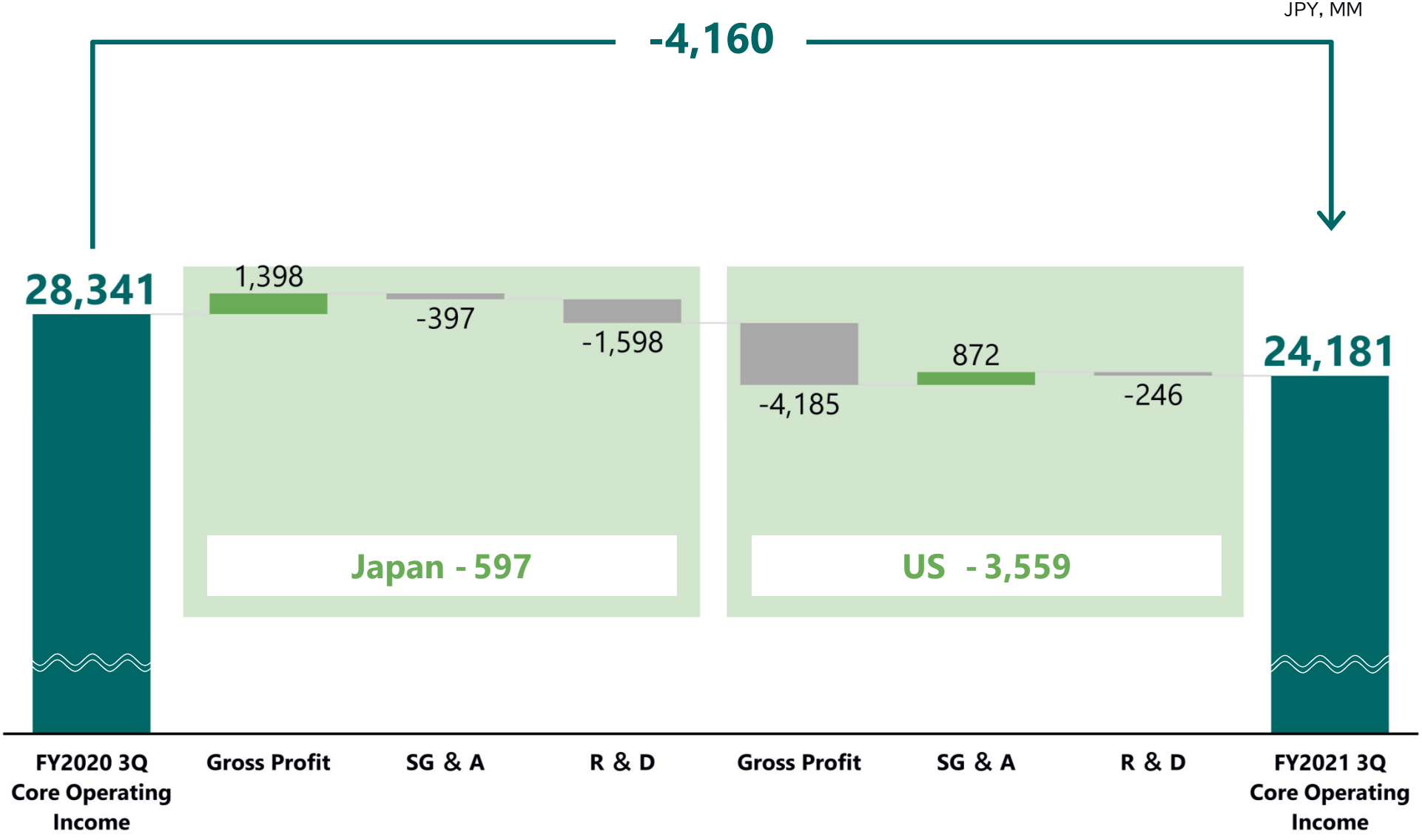
	FY 2020 3Q			FY 2021 3Q			YoY
		Japan	US		Japan	US	
Net Sales	142,697	115,940	26,757	**148,627**	**125,291**	**23,336**	+4.2% (+5,930)
Core Operating Income	28,341	24,334	3,995	**24,181**	**23,737**	**436**	-14.7% (-4,160)
Operating Income	22,850	22,786	64	**23,936**	**21,210**	**2,726**	+4.8% (+1,086)
Profit before tax	22,595	-	-	**23,731**	**-**	**-**	+5.0% (+1,136)
Profit attributable to owners of the parent	17,388	-	-	**15,883**	**-**	**-**	-8.7% (-1,505)
Average rate		US$1＝¥106			US$1＝¥111		

- Results by segment in Japan and the U.S. are not consistent with the overall figures, as each segment profit includes inter-segment transactions.
- Core operating income is calculated by excluding profits and losses attributed to non-recurring factors from operating income.

Core Operating Income Analysis

sawai

JPY, MM

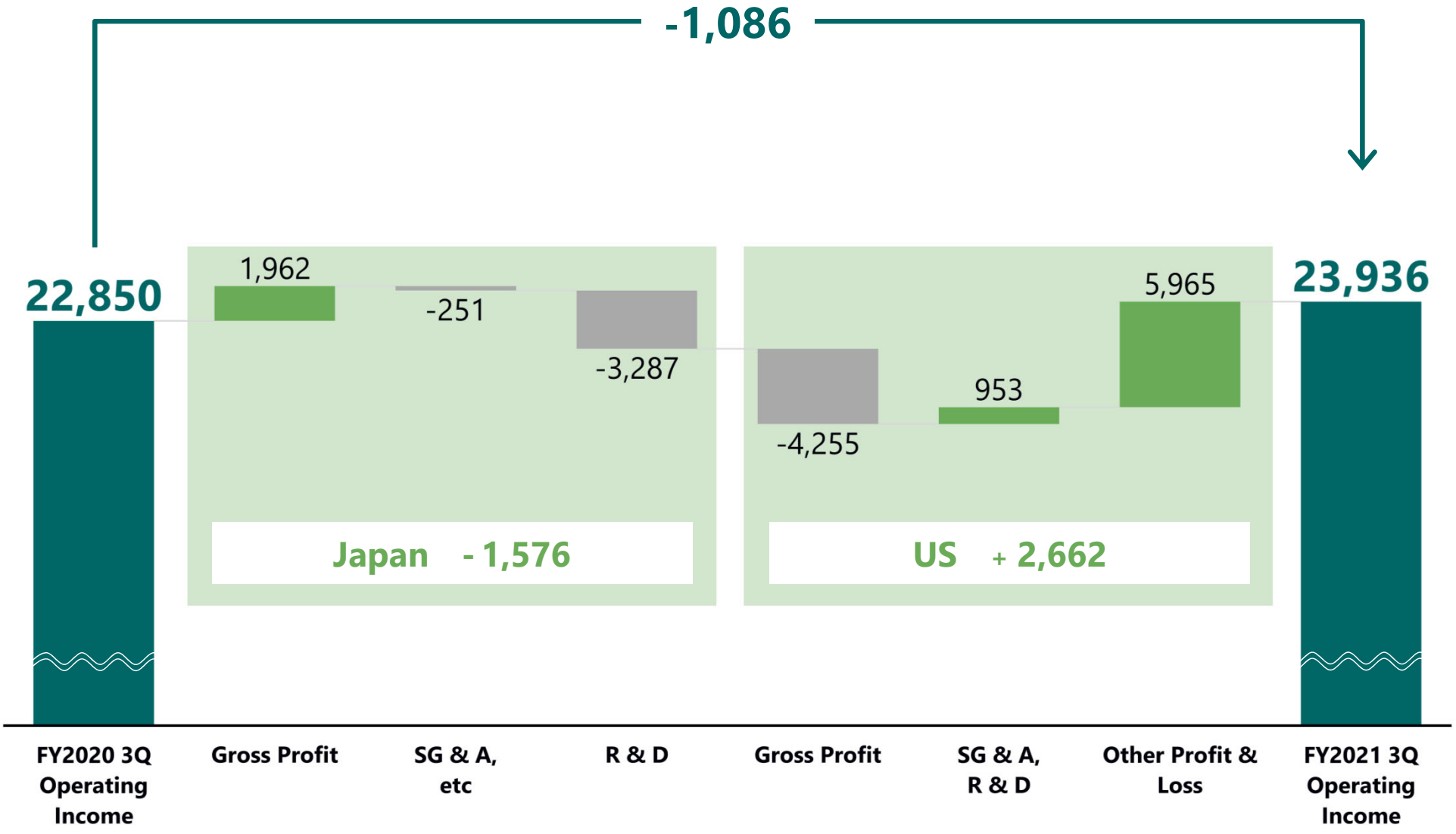


- Results by segment in Japan and the U.S. are not consistent with the overall figures, as each segment profit includes inter-segment transactions.

Operating Income Analysis

sawai

JPY, MM



Sales by Channel in Japan, Unconsolidated

sawai

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

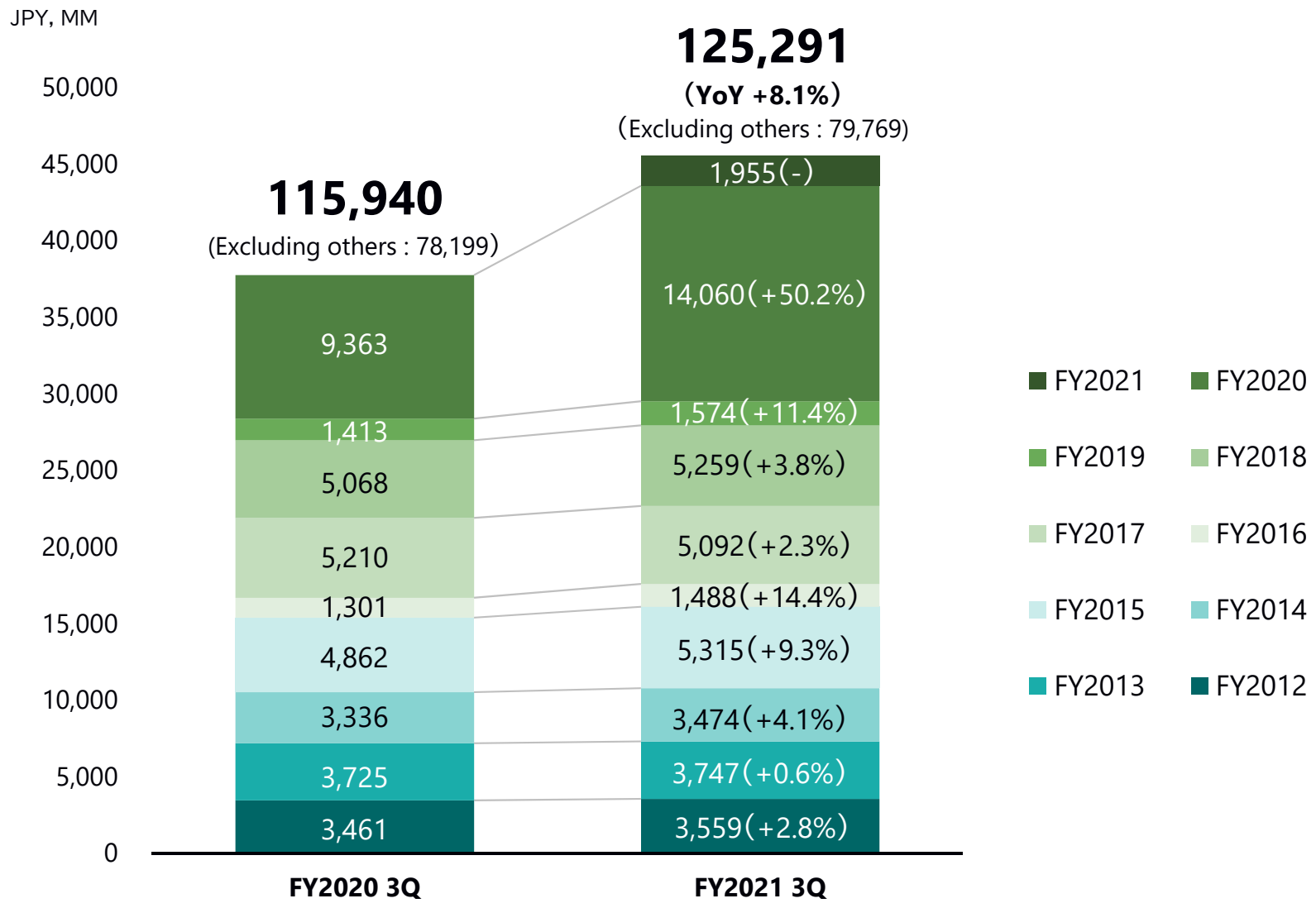
Medical institutions		FY2020 3Q		FY2021 3Q			YoY	
Channel	Total, Nationwide	# of Customers	Sales Share	# of Customers	Coverage Rate	Sales Share	# of Customers	Sales Growth
Hospital	8,228	8,036	10.8%	**8,018**	**97.4%**	**10.0%**	-18	+2.7%
DPC* Hospital	1,757	1,749	6.6%	**1,751**	**99.7%**	**6.1%**	+2	+3.3%
Clinic	109,828	38,541	8.9%	**39,319**	**35.8%**	**8.5%**	+778	+4.6%
Pharmacy	89,854	59,419	79.1%	**60,362**	**67.2%**	**80.4%**	+943	+12.2%
Dispensing	62,662	59,107	78.5%	**60,059**	**95.8%**	**79.9%**	+952	+12.4%
Drug Stores, etc.	27,192	312	0.6%	**303**	**1.1%**	**0.5%**	-9	-1.9%
Others	-	-	1.2%	**-**	**-**	**1.1%**	-	+0.4%
Total	207,910	105,996	100.0%	**107,699**	**51.8%**	**100.0%**	+1,703	+9.8%

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

Sales by Product Launch Year, Japan

sawai

- Steady growth in sales of products launched in FY2020.



US Sales Analysis

sawai
UPSHER-SMITH
Partners in Health Since 1919

- Sales of main generic products declined significantly, due to the impact of competitor entries into the markets.
- The sales of the newly launched products, including isotretinoin capsules that were launched in June 2021, came in above forecast.
- Brand products made steady growth due to unique distribution and sales promotion measures.

By Segment

JPY, MM

	FY2020 3Q		FY2021 3Q		YoY
	Actual	Comp.	Actual	Comp.	
Generic products	21,972	82.1%	**16,931**	**72.6%**	-22.9%
Main products*1	12,702	47.5%	**7,021**	**30.1%**	-44.7%
New products launched in FY2021	-	-	**1,958**	**8.4%**	-
Others	9,270	34.6%	**7,953**	**34.1%**	-14.2%
Brand products*2	4,785	17.9%	**6,405**	**27.4%**	+33.9%
Total	26,757	100.0%	**23,336**	**100.0%**	-12.8%

*1 Klor-Con®, Chlorpromazine, Qudexy® XR
*2 Zembrace Symtouch®, Tosymra®, Vigadrone®

By therapeutic areas

JPY, MM

	FY2020 3Q		FY2021 3Q		YoY
	Actual	Comp.	Actual	Comp.	
Central nervous system	13,872	51.8%	**11,004**	**47.2%**	-20.7%
Cardiovascular	8,607	32.2%	**7,269**	**31.1%**	-15.5%
Dermatologic agents	456	1.7%	**2,289**	**9.8%**	+401.6%
Hormone preparations (including antihormone preparations)	855	3.2%	**966**	**4.1%**	+13.0%
Agents for urogenital organs and the anus	1,264	4.7%	**547**	**2.3%**	-56.7%
Others	1,703	6.3%	**1,261**	**5.3%**	-25.9%
Total	26,757	100.0%	**23,336**	**100.0%**	-12.8%
Average rate	US$1＝¥106		US$1＝¥111		

Progress towards FY2021 Forecasts, Consolidated

sawai

- Although the US business fell short of the initial plan due to a significant decline in sales of key generics, on a consolidated basis, both sales and core operating income achieved steady progress toward the annual plan.
- The full-year forecast remains unchanged as the circumstances surrounding the business environment are unclear, considering shipment adjustments due to the supply stoppages of products from other generics companies, etc.

JPY, MM

	FY 2021 Full Year Forecast			FY2021 3Q Actual			Progress rate for full-year forecasts
		Japan	US		Japan	US	
Net Sales	196,400	163,700	32,700	**148,627**	**125,291**	**23,336**	75.7%
Core Operating Income	31,300*3	27,900	3,400	**24,181**	**23,737**	**436**	77.3%
Operating Income	26,400	26,400	0	**23,936**	**21,210**	**2,726**	90.7%
Profit before tax	26,100	-	-	**23,731**	**-**	**-**	90.9%
Profit attributable to owners of the parent	19,500	-	-	**15,883**	**-**	**-**	81.4%
Average rate		US$1＝ ¥110			US$1＝ ¥111		

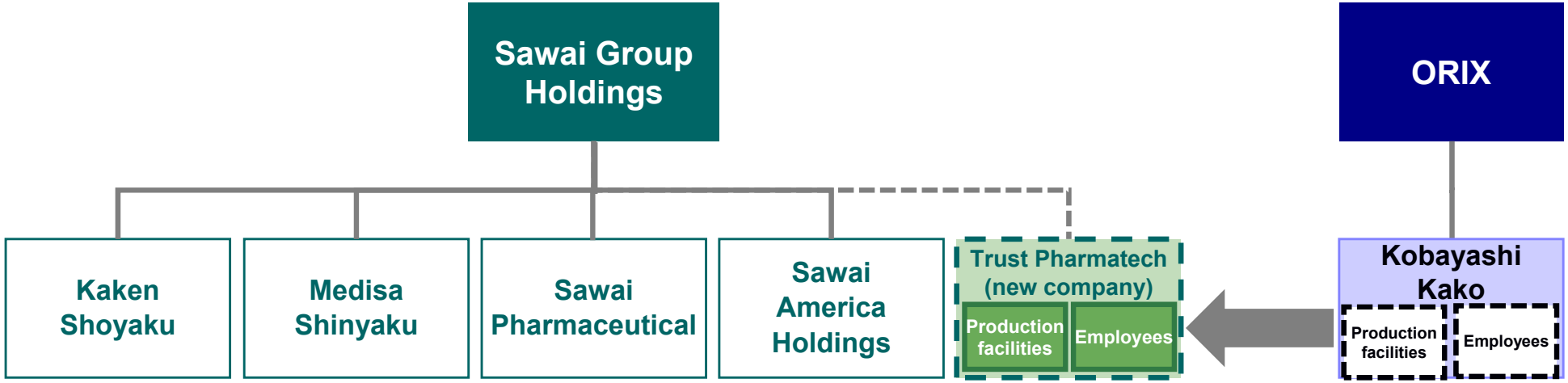
*1 Results by segment in Japan and the U.S. are not consistent with the overall figures, as each segment profit includes inter-segment transactions.
*2 Core operating income is calculated by excluding profits and losses attributed to non-recurring factors from operating income.
*3 Adjust the followings from operating income
- Japan: SG&A expenses 500, R&D expenses 1,000
- US : SG&A expenses 4,600, R&D expenses 600, other income and expenditure -1,800

Progress of the Mid-Term Business Plan, "START 2024"

Outline of the deal : Acquisition structure

sawai

- Established a new company, Trust Pharmatech, under Sawai Group Holdings.
- Trust Pharmatech to take over Kobayashi Kako's production assets and related personnel.
- Completed an interview with employees eligible for transfer (approximately 500 employees) and assuming a substantial number of employees will agree to join Sawai Group.
- Training for transferred employees is scheduled to be implemented at Sawai Pharmaceutical's factories beginning in April 2022.



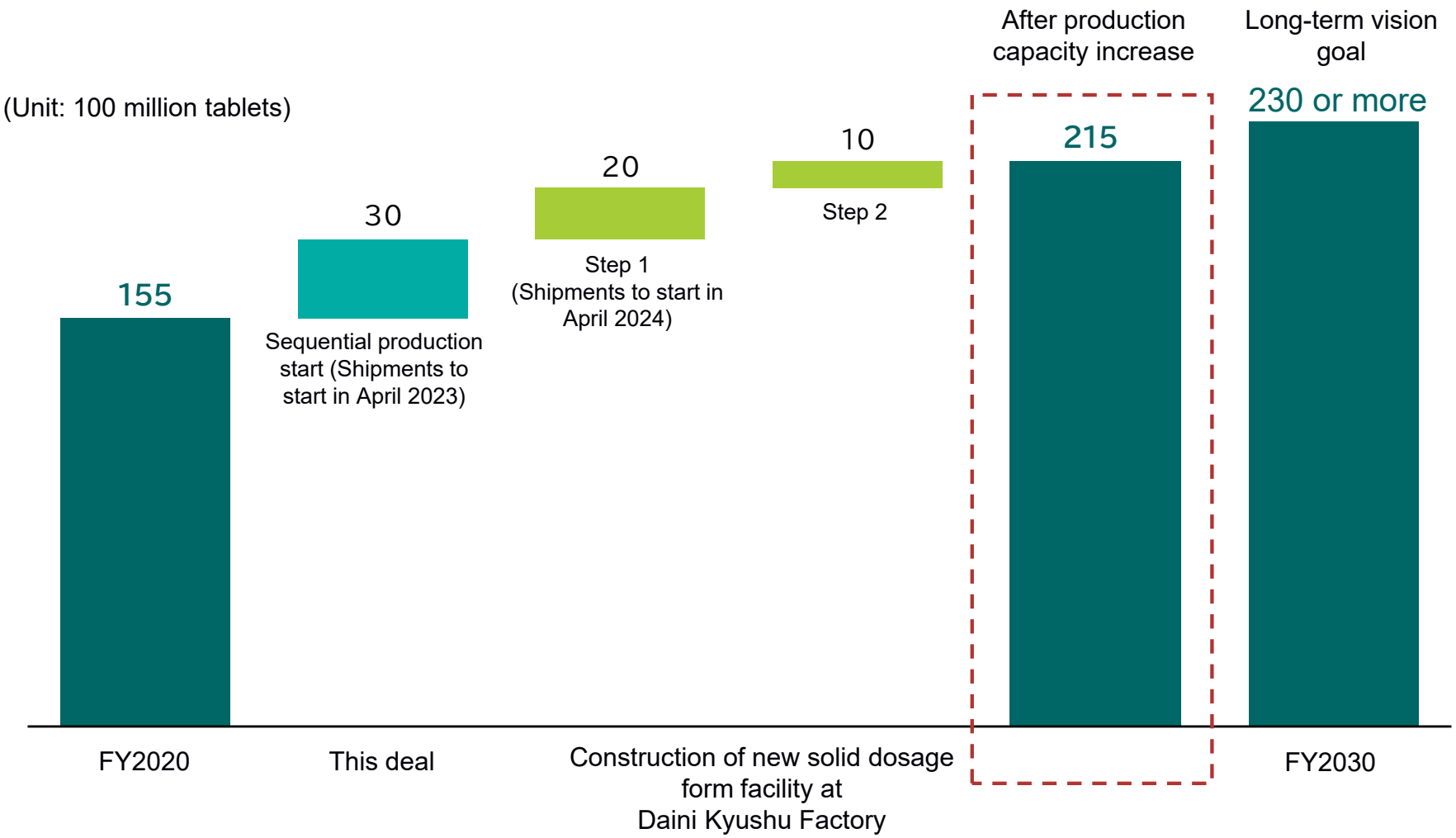
Acquiring entity	• Establish the new company Trust Pharmatech directly under Sawai Group Holdings • Trust Pharmatech to take over Kobayashi Kako's assets related to drug manufacturing • Kobayashi Kako's employees related to drug manufacturing to be transferred to the new company

Expected effects

sawai

- Aim at further increasing market share by reinforcing production capacity with this deal and the construction of the new solid dosage form facility at the Daini Kyushu Factory.

Production capacity and long-term vision



Reference Materials

Comparison of Sales Volume by Therapeutic Area, Japan

sawai

- Significant increase in sales volume for each therapeutic category.

(Unit: %)

	FY2020 3Q Comp.	FY2021 3Q Comp.	YoY (volume)	YoY (value)
Cardiovascular drugs	29.8%	**29.7%**	+14.1%	+3.5%
Gastro-intestinal drugs	18.6%	**17.0%**	+4.5%	-1.3%
Central nervous system drugs	13.4%	**13.8%**	+18.5%	+19.1%
Blood/body fluid pharmaceutical products	8.3%	**8.5%**	+18.4%	+10.7%
Other metabolic drugs	6.9%	**7.0%**	+16.6%	+13.1%
Vitamin drugs	5.6%	**6.2%**	+26.0%	+24.0%
Respiratory organ agents	5.2%	**5.3%**	+14.8%	+11.0%
Antibiotics drugs	1.9%	**1.9%**	+17.1%	+12.0%
Agents for urogenital organs and the anus	1.5%	**1.7%**	+31.0%	+14.8%
Others	8.8%	**8.9%**	+14.6%	+3.4%
Total	100.0%	**100.0%**	+14.5%	+8.1%

Consolidated Financial Highlights-1

sawai

Key Income Statements Data

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast		
	3Q	/Sales (%)	3Q	/Sales (%)	YoY	Full Year	/Sales (%)	YoY
Net Sales	142,697	100.0%	**148,627**	100.0%	4.2%	196,400	100.0%	+4.9%
Cost of Sales	85,909	60.2%	**94,133**	63.3%	9.6%	120,600	61.4%	+5.1%
Gross Profit	56,788	39.8%	**54,494**	36.7%	-4.0%	75,800	38.6%	+4.6%
SG&A Expenses	24,857	17.4%	**24,088**	16.2%	-3.1%	34,800	17.7%	-12.9%
R&D Expenses	9,312	6.5%	**12,867**	8.7%	38.2%	16,400	8.4%	+18.1%
Other income(expenses)	231	0.2%	**6,398**	4.3%	2665.1%	1,800	0.9%	+557.1%
Core operating income	28,341	19.9%	**24,181**	16.3%	-14.7%	31,300	15.9%	-8.1%
Operating Income	22,850	16.0%	**23,936**	16.1%	4.8%	26,400	13.4%	+39.8%
Profit before tax	22,595	15.8%	**23,731**	16.0%	5.0%	26,100	13.3%	+41.4%
Profit attributable to owners of the parent	17,388	12.2%	**15,883**	10.7%	-8.7%	19,500	9.9%	+58.0%
EBITDA *1	36,970	25.9%	**32,201**	21.7%	-12.9%	42,500	21.6%	-6.6%

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

Key Balance Sheets Data

JPY, MM

	As of March 31, 2021	As of Dec 31, 2021
Total Assets	393,341	**411,128**
Equity	240,750	**256,658**
Ratio of equity attributable to owners of the company to total assets (%)	55.5%	**56.6%**

Amounts Per Common Share

JPY

	FY2020 3Q Actual	FY2021 3Q Actual	FY2021 Full Year Forecast
Basic earnings per share	397.11	**362.69**	445.30
Diluted earnings per Share	396.71	**362.35**	-
Dividend	65.00*2	**65.00*2**	130.00

*2 FY2021 1H Actual

Consolidated Financial Highlights-2

sawai

Sales and Operating Income by Area, Japan

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast		
	3Q	/Sales(%)	3Q	/Sales(%)	YoY	Full Year	/Sales(%)	YoY
Net Sales	115,940	100.0%	**125,291**	100.0%	+8.1%	163,700	100.0%	+6.6%
Cost of Sales	72,642	62.7%	**80,031**	63.9%	+10.2%	103,600	63.3%	+6.4%
Gross Profit	43,297	37.3%	**45,259**	36.1%	+4.5%	60,100	36.7%	+7.0%
SG&A Expenses	15,460	13.3%	**15,909**	12.7%	+2.9%	23,300	14.2%	+6.8%
R&D Expenses	5,084	4.4%	**8,371**	6.7%	+64.7%	10,400	6.4%	+27.9%
Other income(expenses)	34	0.0%	**232**	0.2%	+589.7%	0	-	-
Core operating income	24,334	21.0%	**23,737**	18.9%	- 2.5%	27,900	17.0%	- 7.8%
Operating Income	22,786	19.7%	**21,210**	16.9%	- 6.9%	26,400	16.1%	+0.4%
EBITDA *	32,166	27.7%	**30,919**	24.7%	- 3.9%	37,900	23.2%	- 6.7%

Sales and Operating Income by Area, US

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast		
	3Q	/Sales(%)	3Q	/Sales(%)	YoY	Full Year	/Sales(%)	YoY
Net Sales	26,757	100.0%	**23,336**	100.0%	- 12.8%	32,700	100.0%	- 2.8%
Cost of Sales	13,267	49.6%	**14,101**	60.4%	+6.3%	17,000	52.0%	- 2.2%
Gross Profit	13,490	50.4%	**9,235**	39.6%	- 31.5%	15,700	48.0%	- 3.4%
SG&A Expenses	9,407	35.2%	**8,182**	35.1%	- 13.0%	11,500	35.2%	- 36.5%
R&D Expenses	4,229	15.8%	**4,502**	19.3%	+6.4%	6,000	18.3%	+4.0%
Other income(expenses)	210	0.8%	**6,175**	26.5%	+2841.7%	1,800	5.5%	+649.3%
Core operating income	3,995	14.9%	**436**	1.9%	- 89.1%	3,400	10.4%	- 9.7%
Operating Income	64	0.2%	**2,726**	11.7%	+4152.5%	0	-	-
EBITDA *	4,793	17.9%	**1,273**	5.5%	- 73.4%	4,600	14.1%	- 4.8%

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

Consolidated Financial Highlights-3

sawai

Adjusted from Full basis to Core basis

JPY, MM

	FY2020 3Q Actual				FY2021 3Q Actual			
	Full Basis	Adjusting		Core Basis	Full Basis	Adjusting		Core Basis
		Japan	US			Japan	US	
Net Sales	142,697	-	-	142,697	**148,627**	-	-	**148,627**
Cost of Sales	- 85,909	348	35	- 85,526	**- 94,133**	- 216	105	**- 94,243**
Inventory step-up	- 25	-	25	-	**- 7**	-	7	**-**
Impairment loss	-	-	-	-	**-**	-	-	**-**
Others	- 357	348	9	-	**118**	- 216	98	-
Gross Profit	56,788	348	35	57,170	**54,494**	- 216	105	**54,383**
SG&A Expenses	- 24,857	397	3,513	- 20,947	**- 24,088**	448	3,160	**- 20,480**
Amortization of intangible assets	- 3,913	396	3,517	-	**- 3,613**	444	3,168	**-**
Others	3	1	- 4	-	**4**	4	- 8	**-**
R&D Expenses	- 9,312	837	593	- 7,883	**- 12,867**	2,526	619	**- 9,722**
Amortization of intangible assets	- 1,252	708	543	-	**- 1,498**	878	619	**-**
Impairment loss	- 177	128	49	-	**- 1,645**	1,645	-	**-**
Other income	275	- 70	- 205	-	**6,407**	- 237	- 6,170	**-**
Other expenses	- 44	41	3	-	**- 10**	10	-	**-**
Operating Income	22,850	1,552	3,938	28,341	**23,936**	2,530	- 2,285	**24,181**

Consolidated Financial Data

sawai

Selling General and Administrative Expenses

JPY, MM

	FY2020 Actual		FY2021 Actual			FY2021 Forecast	
	3Q	/Sales(%)	3Q	/Sales(%)	YoY	Full year	/Sales(%)
R&D Expenses	9,312	6.5%	**12,867**	8.7%	+38.2%	16,400	8.4%
Japan	5,084	4.4%	**8,371**	6.7%	+64.7%	10,400	6.4%
US	4,229	15.8%	**4,502**	19.3%	+6.4%	6,000	18.3%
Advertisement Expenses	1,802	1.3%	**2,091**	1.4%	+16.0%	3,800	1.9%

Capital Expenditure & Depreciation and Amortization

JPY, MM

	FY2020 3Q Actual	FY2021 3Q Actual	FY2021 Full Year Forecast
Capital Expenditure	10,910	**9,952**	12,300
Japan	5,794	**6,004**	7,800
US	5,116	**3,948**	4,500
Depreciation and Amortization	13,794	**13,130**	17,900
Japan	8,935	**8,505**	10,900
Manufacturing Division	6,230	**5,505**	7,400
R&D Division	1,471	**1,678**	1,800
Administration Div. & Business Div.	1,234	**1,322**	1,700
US	4,859	**4,625**	7,000

Personnel Information

Number of Employees

	FY2020 Actual		FY2021 Actual	
	As of Dec 31, 2020	Comp.(%)	As of Dec 31, 2021	Comp.(%)
Japan	2,459	80.9%	**2,467**	82.2%
Manufacturing Division	1,616	53.2%	**1,631**	54.4%
R&D Division	248	8.2%	**251**	8.4%
Administration Div. & Business Div.	595	19.6%	**585**	19.5%
(MRs)	385	-	**381**	-
US	579	19.1%	**533**	17.8%
Total	3,038	100.0%	**3,000**	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.

Contact Information

Sawai Group Holdings Co., Ltd.
Group Public Relations & Investor Relations Office

ir@sawai.co.jp

