

Medium-Term Business Plan (Revised Version)

Year ended March 31, 2016 ~ Year ending March 31, 2018



August, 2016

sawai

Medium-term Business Plan -M1 Trust 2018 - Background to Revision of the Plan

Background to Revision of the Medium-term Business Plan

1) Changes in market conditions surrounding the generics market

- Basic Policy on Economic and Fiscal Management and Reform 2015 (Summary)
Putting forward the timing to achieve 80% share in generics
- FY 2016 revision of drug pricing system and medical fees

2) Need to build a system for stable supply based on the above

- Forward revision of the Production Capex plan
¥44.0 billion / 3 years => ¥55.0 billion / 3 years

3) Executing strategic investments aimed at further expansion in the US market

- Product development in the US market to follow pitavastatin

Overview of Revision to the “M1 TRUST 2018” Medium-term Business Plan

Vision

To transform into a company that can continue to grow in the midst of rapidly changing market conditions

Period Covered

April 2015 ~ March 2018

Targets for year ending March 31, 2018

Net sales: **¥ 157.0 bil. (+ ¥ 10.0 bil.)**

Operating income: **¥ 26.0 bil. (+ ¥ 1.0 bil.) (vs. previous plan)**



What M1 TRUST 2018 will achieve

(1) Firmly maintain the No. 1 market share in the generics industry

- Volume share in generics: FY Mar 2018 target **16.0% (+0.7% vs. previous plan)**
- Revenue growth rate : Annual average of **14.1 % (+2.4%, vs. previous plan)**

(2) Strengthen stable supply and cost control capabilities in response an era of 80% generics share in the market

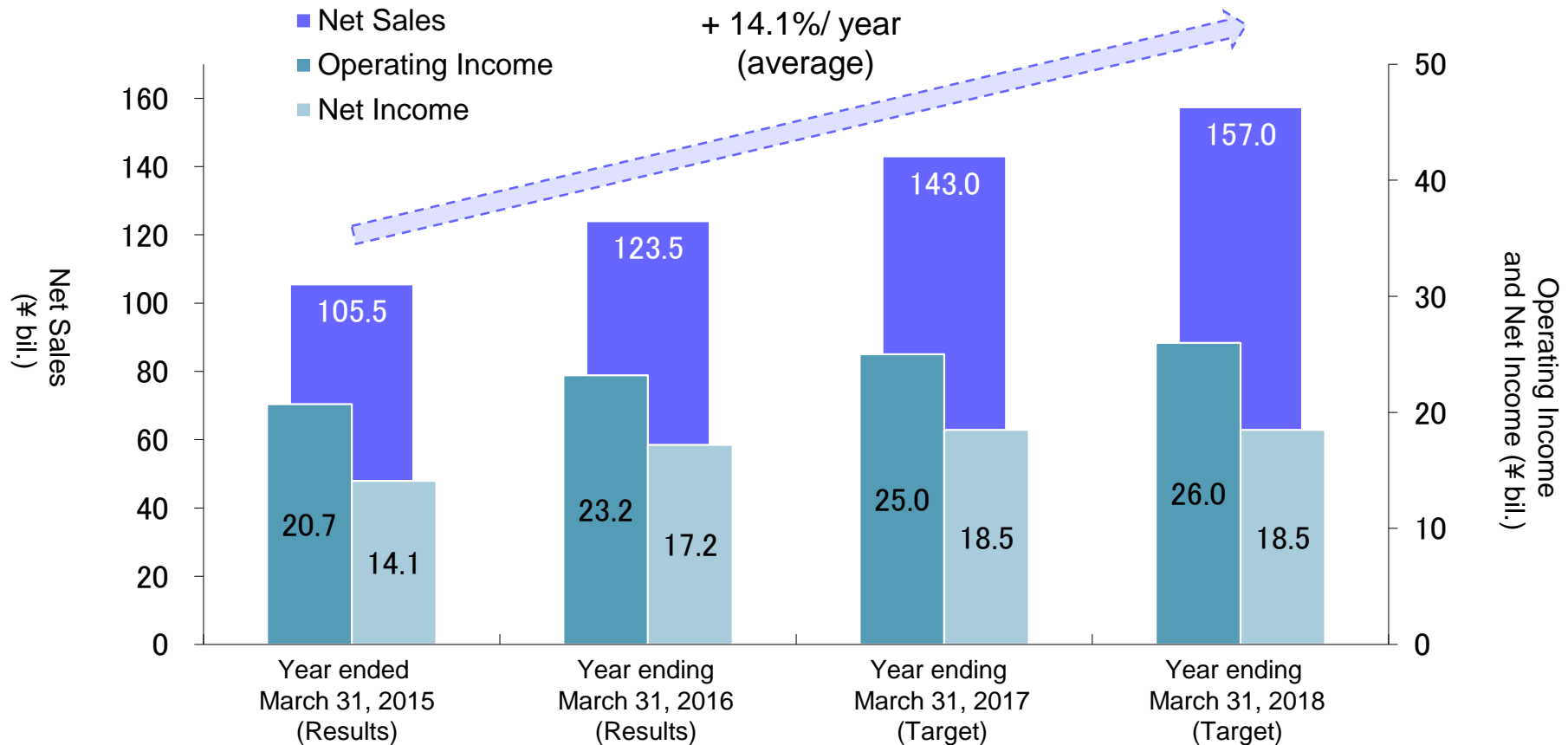
- Production capacity : 10.0 billion tablets ⇒ 15.5 billion tablets
Build a system based on 20.0 billion tablets by FY 3/2021
- Capital investment: Capital investment of **¥ 55.0 bil. (+ ¥ 11.0 bil. vs. previous plan)**
- Supply system: enhance immediate response to demand by consigning manufacture for some products**
- Reduce raw material procurement costs

(3) Build an operating foundation for future growth through new business fields

- Accelerate efforts aimed at** building a foundation for overseas business
- Review potential business models aimed at building the biosimilar business

Overview of the Medium-term Business Plan Financial Targets (Consolidated)

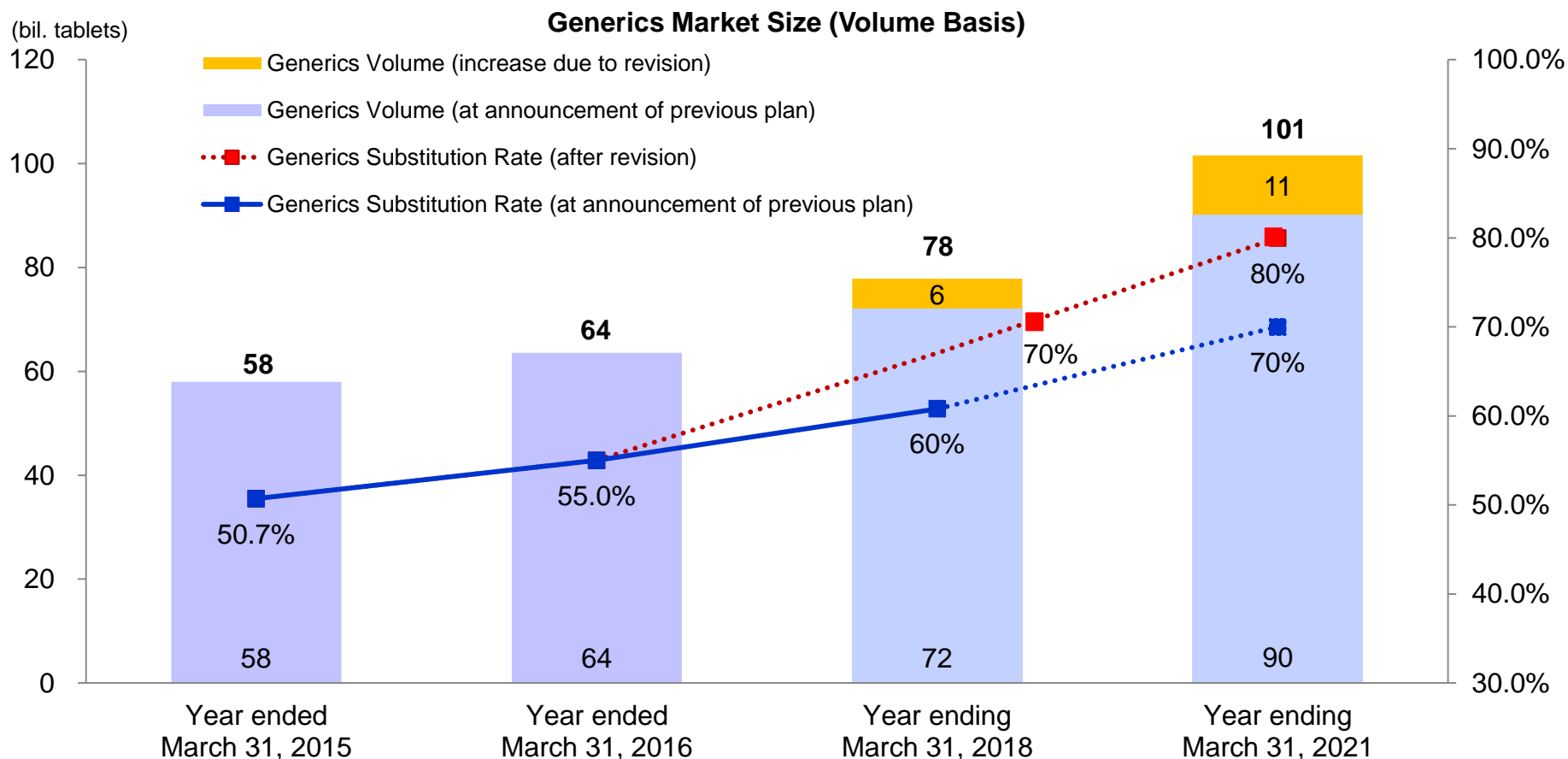
Revenues are expected to be ¥ 157.0 billion, up ¥ 10.0 billion vs. the previous plan. Operating profits are expected to absorb increased expenditures from investments and be ¥ 1.0 billion higher at ¥ 26.0 billion



Recognition of Market Conditions

Revision of Generics Market Volume Forecast for Achieving Roadmap

The volume of generics will increase greatly and expand to over 100.0 billion tablets when the share reaches 80%. Meanwhile, volume share targets have been raised but **attaining the target goal of 70% at mid 2017** is expected to be difficult.



Medium- to Long-Term Vision

Medium- to Long-Term Vision

Target net sales of 200 billion in the year ending March 31, 2021

Globally recognized generic drug company

M1 TRUST

M1 TRUST
2015

M1 TRUST
2018

Capture a leading position for the generics business

Year ended March 31, 2012

- Net sales ¥67.6 bil.
- Operating income ¥15.0 bil.

Further expansion of and investment in the generics business

Year ended March 31, 2015

- Net sales ¥105.5 bil.
- Operating income ¥20.7 bil.

Foundation building for a greater jump forward

Year ending March 31, 2018

- Net sales ¥157.0 bil.
- Operating income ¥26.0 bil.

Achieving dramatic growth

Year ending March 31, 2021

- Net sales ¥200.0 bil. or more

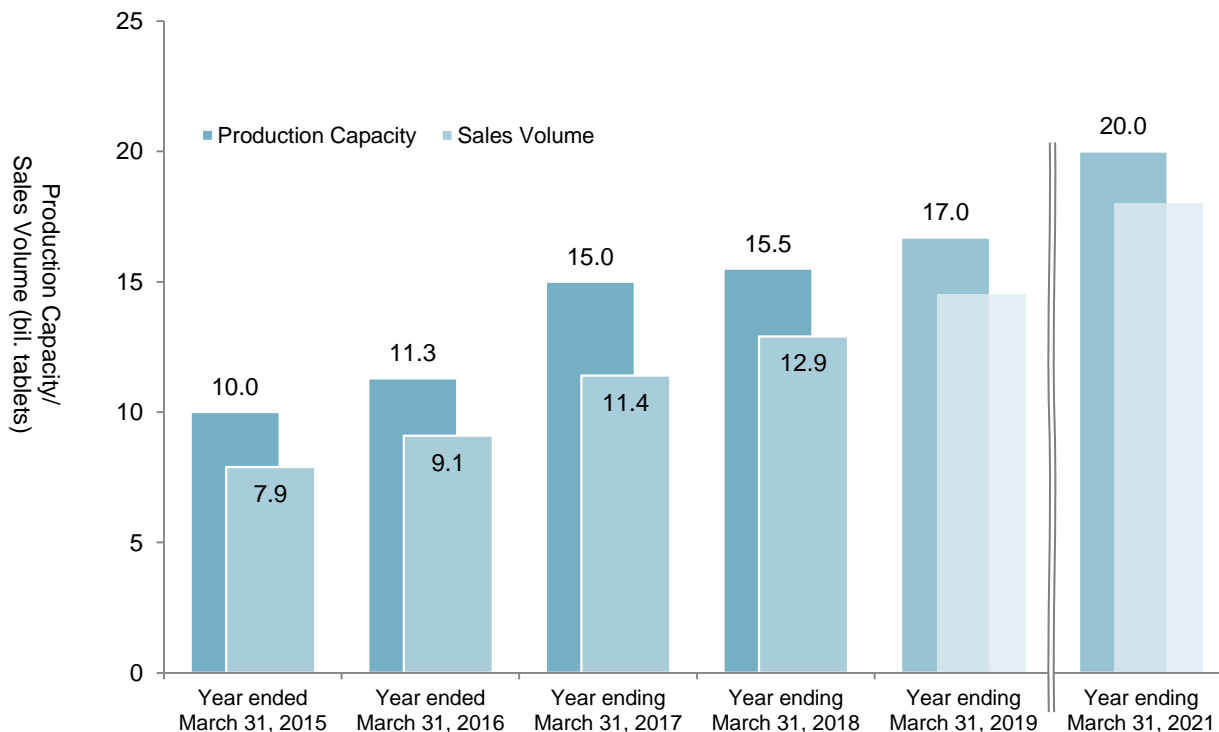
Medium-term Business Plan

- Production Facility Investment Plan -

Build a production system to the scale of 17.0 billion tablets by FY Mar 2019
 Build a production system to the scale of 20.0 billion tablets by FY Mar 2021

— Production Capacity/Sales Volume Plan —

— Capital Investment Plan —



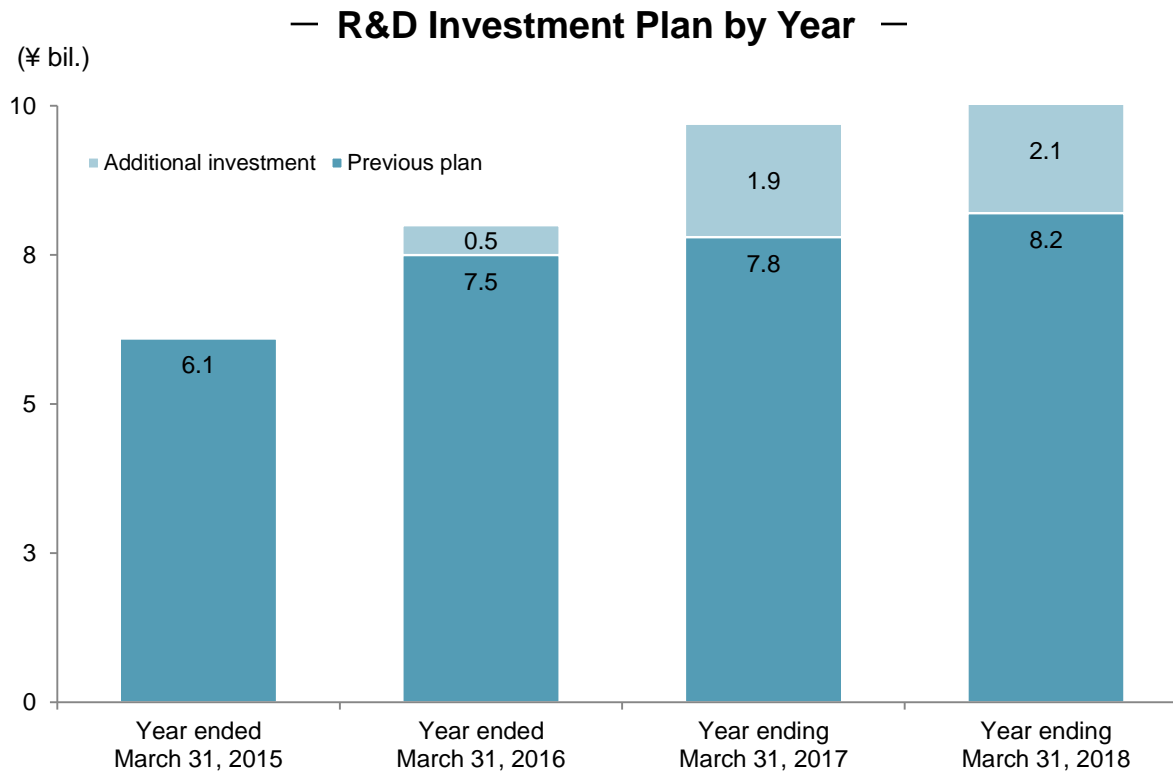
¥55.0 bil. / 3 Years
 (+¥11.0 bil.)

- Achieve stable supply by boosting production facilities in anticipation of increased volume demand

Financial Targets

-R&D Investment Plan-

In conjunction with the increase in development items for products slated for the US, an additional 4.5 billion yen is planned within the 3 year period.



— Total During Period —

¥28.0 bil./3 years
(+¥4.5 bil)

- Acceleration of development to ensure being first to market
- Development of more medicines oriented toward patients and medical institutions
- Increase in development of new products for deployment in the US market

Financial Targets

Shareholder Return and Capital Policy

ROE 12% will remain as per initial projection even after changes to investment and profit plans

Basic Policy

- Proactively secure investment funds for future growth
- Implement stable distribution aimed at a dividend payout ratio of 30%

	Year ended March 31, 2015 (Results)	Previous Plan		New Plan	
		Year ending March 31, 2018 (Target)	Ratio to year ended March 31, 2015	Year ending March 31, 2018 (Target)	Ratio to year ended March 31, 2015
Net income	¥14.1 bil	¥17.0 bil	+21%	¥18.5 bil	+31%
ROE	13%	12%	—	13%	—
EPS	¥382	¥461	+21%	¥500	+31%

Financial Targets

Financial Targets (Consolidated)

(¥million)

	Year ended March 31, 2015	Year ended March 31, 2016		Year ending March 31, 2017		Year ending March 31, 2018	
	Results	Target (Prev.)	Results	Target (Prev.)	Target (New)	Target (Prev.)	Target (New)
Net sales	105,454	124,000	123,492	134,000	143,000	147,000	157,000
Cost of sales	60,047	71,900	71,858	79,500	85,000	89,000	96,500
Gross profit	45,406 (43.1%)	52,100 (42.0%)	51,634 (41.8%)	54,500 (40.7%)	58,000 (40.6%)	58,000 (39.5%)	60,500 (38.5%)
SG&A expenses	24,718	30,100	28,448	31,500	33,000	33,000	34,500
Operating income (Operating income ratio)	20,688 (19.6%)	22,000 (17.7%)	23,185 (18.8%)	23,000 (17.2%)	25,000 (17.5%)	25,000 (17.0%)	26,000 (16.6%)
Ordinary income (Ordinary income ratio)	20,619 (19.6%)	21,700 (17.5%)	23,025 (18.6%)	22,600 (16.9%)	24,700 (17.3%)	24,500 (16.7%)	25,500 (16.2%)
Net income (Net income ratio)	14,053 (13.3%)	15,500 (12.5%)	17,155 (13.9%)	15,500 (11.6%)	18,500 (12.9%)	17,000 (11.6%)	18,500 (11.8%)

Financial Targets

SG&A Expenses, Number of Personnel, Capital Investment (Consolidated)

(¥ million)

Breakdown of SG&A Expenses	Year ended March 31, 2015 (Results)	Year ended March 31, 2016		Year ending March 31, 2017		Year ending March 31, 2018	
		Target (Prev.)	Results	Target (Prev.)	Target (New)	Target (Prev.)	Target (New)
Personnel expenses	8,146	8,500	8,944	9,000	9,000	9,500	9,000
R&D expenses	6,109	7,500	8,019	7,800	9,700	8,200	10,300
(Ratio to sales)	(5.8%)	(6.0%)	(6.5%)	(5.8%)	(6.8%)	(5.6%)	(6.6%)
Advertising expenses	2,102	2,400	2,072	2,400	2,200	2,400	2,300

(people)

Number of Personnel	Year ended March 31, 2015 (Results)	Year ended March 31, 2016		Year ending March 31, 2017		Year ending March 31, 2018	
		Target (Prev.)	Results	Target (Prev.)	Target (New)	Target (Prev.)	Target (New)
Number of Personnel	2,142	2,770	2,517	2,880	3,000	3,050	3,200
Number of MRs	488	490	499	500	500	510	510

(¥ million)

Capital Investment Plan	Year ended March 31, 2015 (Results)	Year ended March 31, 2016		Year ending March 31, 2017		Year ending March 31, 2018	
		Target (Prev.)	Results	Target (Prev.)	Target (New)	Target (Prev.)	Target (New)
Capital expenditure	12,452	25,500	24,294	10,500	15,000	8,000	16,000
Depreciation expenses	5,863	6,700	7,044	7,700	8,100	8,800	9,500

- 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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