sawai

Financial Results for the Third Quarter of FY2017

(Apr. 1 to Dec. 31)

Sawai Pharmaceutical Co., Ltd.

Code 4555, First Section of the TSE

Feb. 13, 2018

Overview of the Financial Results the Third Quarter of FY2017

- With the Japanese generic market as a whole growing at a slower pace and sales of contract manufacturing down from the prior year, sales in Japan grew just 1.6%
- Overall sales grew 15.0% thanks to the inclusion of the June to September sales of US-based Upsher - Smith Laboratories (USL)
- Operating income excluding M&A related expenses of 1.4 billion yen rose 14.5%

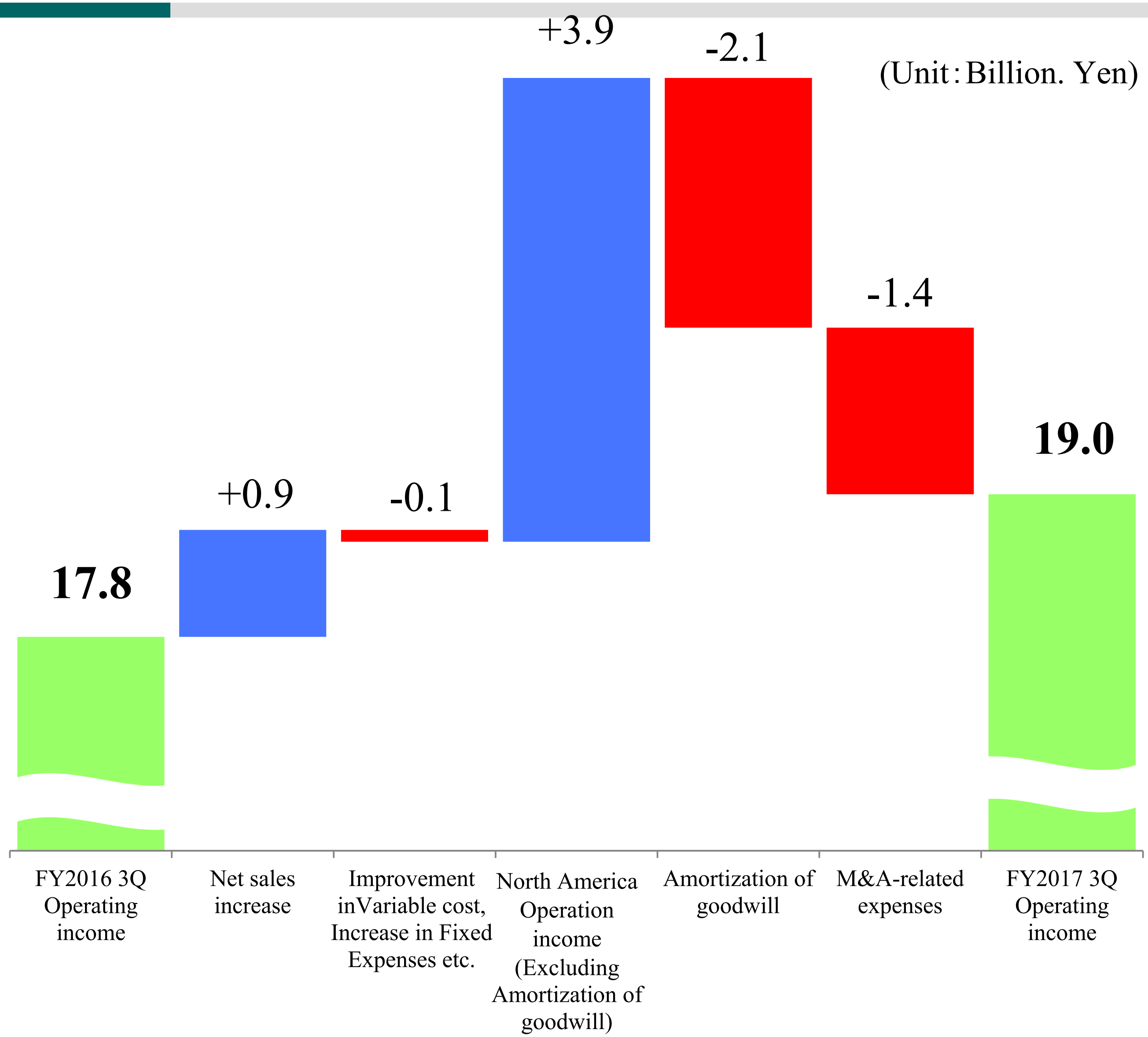
（Unit: Millions of yen）

	FY2016 3Q	FY2017 3Q			Year on Year	
			Sale and Profit by Region			
			Japan	North America	Mil. yen	Growth (%)
Net Sales	101,375	**116,539**	**102,999**	**13,539**	15,164	15.0%
Operating Income	17,897	**19,095**	**18,686**	**409**	1,197	6.7%
Operating Income (excluding extraordinary factors)※	17,897	20,499	18,686	1,813	2,601	14.5%
Ordinary Income	17,869	19,665	—	—	1,796	10.1%
profit attributable to owners of parent	13,690	**14,044**	—	—	353	2.6%

*1. A goodwill amortization expense of 2.1 billion yen associated with the USL acquisition was recorded in the North America segment

*2. Extraordinary factors: expenses related to the acquisition of the US firm Upsher-Smith Laboratories, LLC (USL)

Analysis of Factors Causing Changes in Operating Income



Sales per Medical Institution Types (Japan)
(non-consolidated)

Although growth in adoption amounts was somewhat weak for both hospitals and pharmacies, the adoption amount increased overall

The Track Record of SAWAI's Products Delivered to Medical Institutions by Distribution Companies

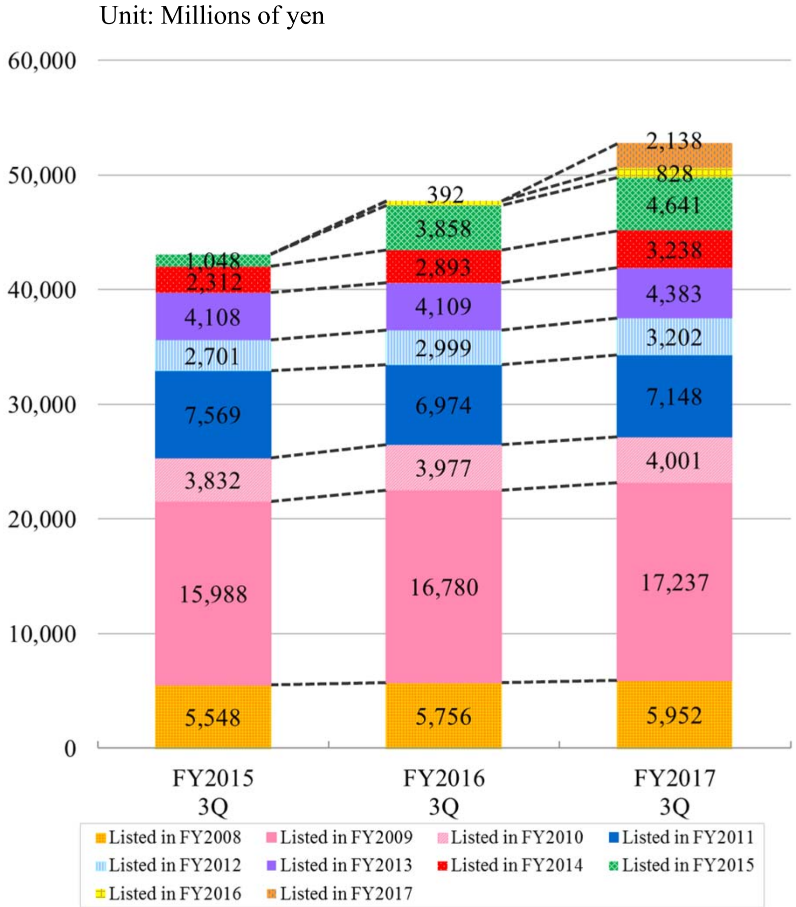
（Unit：Number of Medical Institution）

Institution Type	a) Nationwide Total Number	FY2016 3Q		FY2017 3Q			Year on Year	
		Number of Customers	Sales Share	b) Number of Customers	Coverage Rate (b/a)	Sales Share	Changes in Number of Customers	Sales Growth
Hospital	8,457	7,903	13.0%	7,960	(94.1%)	13.0%	57	8.4%
DPC Hospital	1,667	1,646	8.0%	1,652	(99.1%)	8.0%	6	7.0%
Clinic	105,429	34,083	10.3%	34,927	(33.1%)	10.0%	844	3.9%
Pharmacy	87,581	56,534	75.4%	57,219	(65.3%)	75.1%	685	7.6%
Dispensing Pharmacy	60,687	56,168	74.9%	56,895	(93.8%)	74.7%	727	7.7%
Drug Stores, etc.	26,894	366	0.6%	324	(1.2%)	0.4%	-42	-2.6%
Others	-	-	1.3%	-	-	1.9%	-	47.5%
Total	201,467	98,520	100.0%	100,106	(49.7%)	100.0%	1,586	7.9%

DPC: Diagnosis Procedure Combination, means fixed payment system for inpatients

Sales by Listed Year of Drugs (Japan)

- Sales of products listed since FY2014 steadily grow
- Sales of new products in FY2017 are in line with expectations



（Unit: Millions of yen, %）

	FY2016 3Q	FY2017 3Q	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2017	-	**2,138**	-
Listed in FY2016	392	**828**	111.1%
Listed in FY2015	3,858	**4,641**	20.3%
Listed in FY2014	2,893	**3,238**	11.9%
Listed in FY2013	4,109	**4,383**	6.7%
Listed in FY2012	2,999	**3,202**	6.8%
Listed in FY2011	6,974	**7,148**	2.5%
Listed in FY2010	3,977	**4,001**	0.6%
Listed in FY2009	16,780	**17,237**	2.7%
Listed in FY2008	5,756	**5,952**	3.4%
Existing Drugs and Transferred Drugs, etc.	53,633	**50,226**	-6.4%
Total	**101,375**	**102,999**	**1.6%**

Comparison of Sales Volume (Japan)

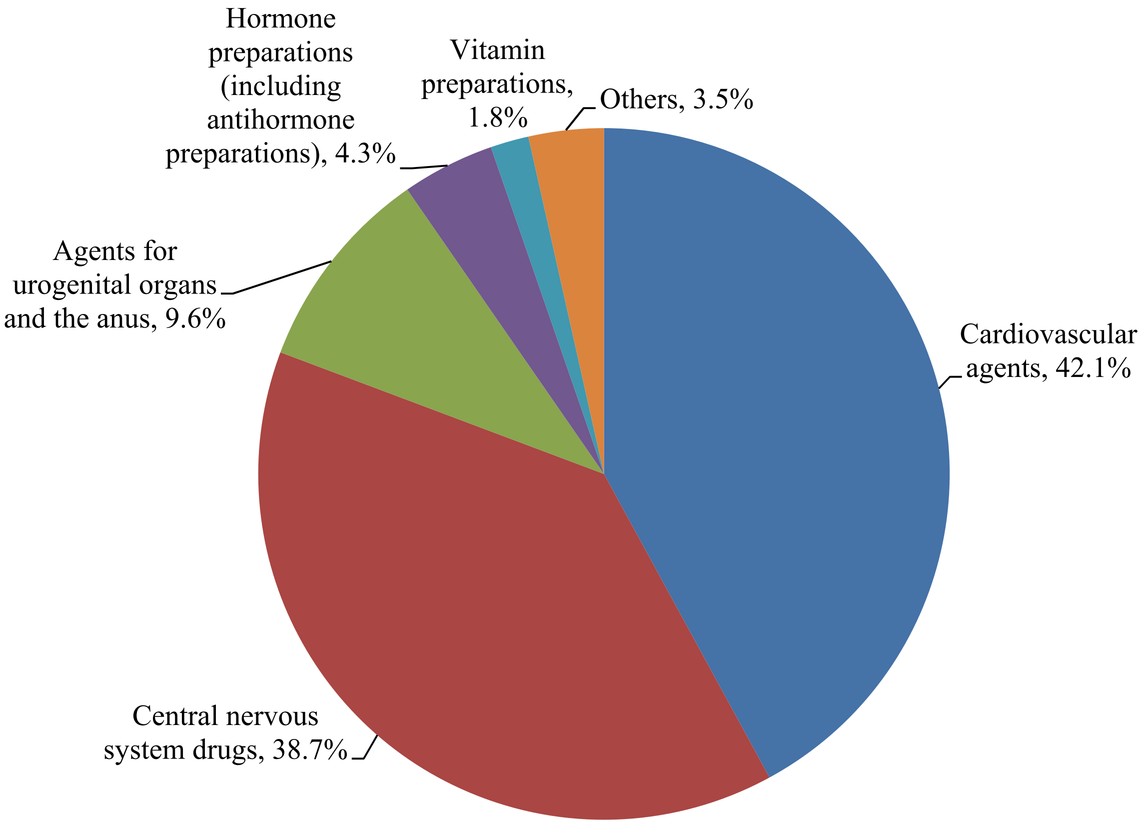
◆ Cardiovascular and central nervous system drugs have steadily increased

Therapeutic Category	Volume Composition FY2016 3Q	Volume Composition FY2017 3Q	Y on Y (volume)	Y on Y (value) (Note)
Cardiovascular drugs	26.8%	28.1%	7.8%	8.8%
Gastro-intestinal drugs	23.3%	22.9%	1.1%	0.8%
Central nervous system drugs	12.1%	12.4%	5.6%	8.3%
Blood/body fluid pharmaceutical products	7.9%	7.9%	3.5%	5.4%
Other metabolic drugs	7.1%	6.8%	-1.8%	7.2%
Respiratory organ agents	6.5%	5.8%	-8.9%	-1.5%
Antibiotics drugs	2.9%	2.7%	-5.5%	-4.6%
Antiallergic drugs	2.1%	2.2%	8.8%	10.6%
Antineoplastic agents	0.2%	0.2%	16.1%	12.4%
Others	11.1%	11.0%	3.3%	8.3%
Total	100.0%	100.0%	3.0%	5.7%

Note: The contracted sales of the Kashima factory are excluded from the calculation.

Sales breakdown by Therapeutic category (North America)

- The breakdown of sales in North America, totaling 13.5 billion yen, is shown below.
- Cardiovascular agents and central nervous system drugs account for 80.9% of total sales.

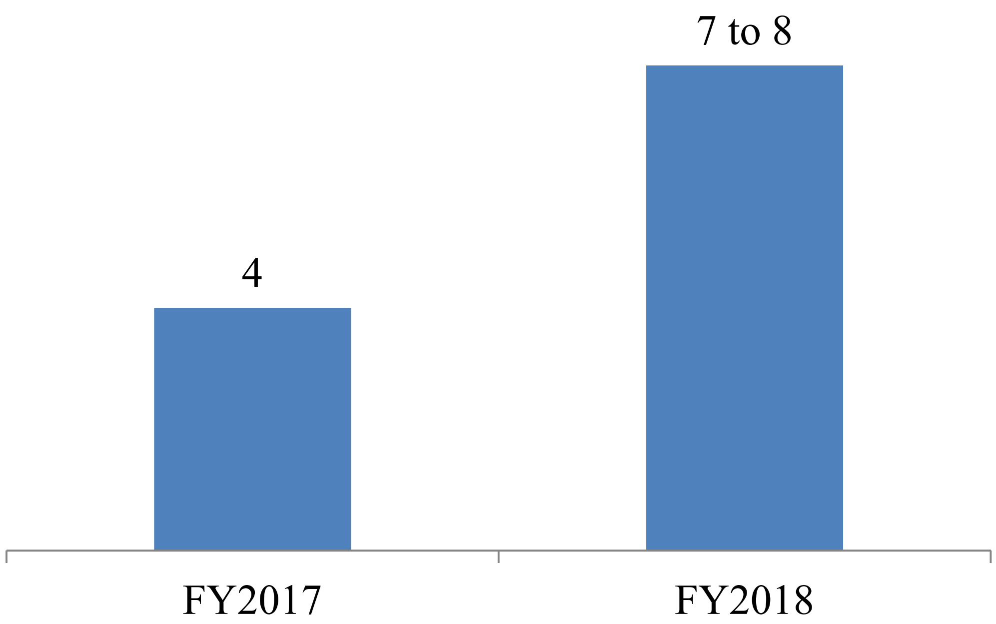


Exchange rates: 111 yen/dollar

North America Business Pipeline

- 4 launches in FY 2017
- 7 to 8 launches are anticipated in FY 2018

Pipeline Launches



Product launched since June 2017

- Exemestane Tablets, 25 mg
- KLOR-CON® Powder (Potassium Chloride) for oral solution, 20 mEq
- Bumetanide Tablets, USP, 0.5 mg, 1 mg, and 2 mg

FY2017 Earnings Forecasts (IFRS)

◆Net sales and operating income are trending largely as expected

◆However, we have revised our net profit forecast due to a reversal of deferred tax assets resulting from factors including reform of the US tax system, which took effect from January this year

◆We are not planning to change the year-end dividend as a result of this revision

（Unit: Millions of yen）

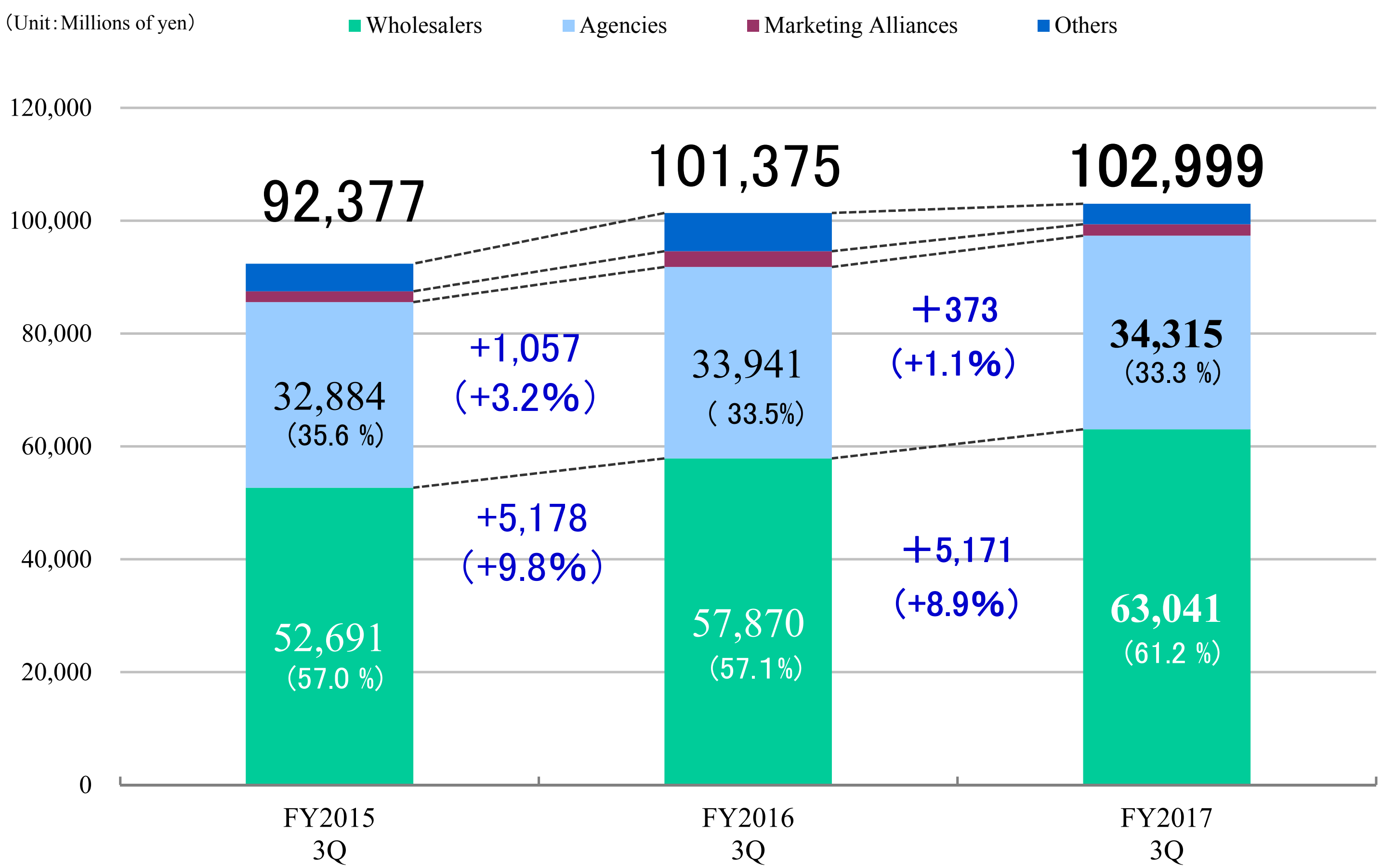
IFRS	FY2017				Change
	Initial Forecasts	Revised Forecasts	Sale and Profit by Region		
			Japan	North America	
Net Sales	168,800	168,800	137,100	31,700	±0
Gross Profit	68,100	68,100	52,800	15,300	±0
Core Operating Income	30,500	30,500	24,700	5,800	±0
Operating Income	23,700	23,700	24,000	-300	±0
Profit before tax	23,300	23,300	—	—	±0
Net profit	17,300	12,800	—	—	-4,500

* 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

Assumed Exchange Rates:1USD ￥110.0

Sales by Distribution Channels (Japan)

- Sales through wholesalers expanded, with nationwide distribution network in the area of pharmacy and hospital markets.



Consolidated Financial Highlights-1

	FY2016		FY2017		
	3Q	/Sales(%)	3Q	/Sales(%)	YoY(%)
Key Income Statements Data					
Net Sales	101,375	100.0	**116,539**	100.0	15.0
Cost of Sales	60,923	60.1	**67,164**	57.6	10.2
Gross Profit	40,451	39.9	**49,375**	42.4	22.1
SG&A Expenses	22,553	22.2	**30,279**	26.0	34.3
Operating Income	17,897	17.7	**19,095**	16.4	6.7
Ordinary Income	17,869	17.6	**19,665**	16.9	10.1
Net Profit	13,690	13.5	**14,044**	12.1	2.6

FY2017 Forecast(IFRS) *2	Full Year
Key Income Statements Data	
Net Sales	**168,800**
Cost of Sales	**100,700**
Gross Profit	**68,100**
SG&A Expenses	**29,100**
Operating Income	**23,700**
Core Operating Income	**30,500**
Profit before tax	**23,300**
Net Profit	**12,800**
EBITDA *1	**41,200**

FY2017 Forecast(JGAAP) *3	Full Year
Key Income Statements Data	
Net Sales	**160,400**
Cost of Sales	**96,100**
Gross Profit	**64,300**
SG&A Expenses	**43,600**
Operating Income	**20,700**
Ordinary Income	**20,800**
Net Profit	**11,800**

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

*2. FY2017 forecast (IFRS): earnings forecasts for 12 months of Japan operations + 10 months of North America operations (June 2017 to March 2018)

*3. FY2017 forecast (JGAAP): earnings forecasts for 12 months of Japan operations + 7 months of North America operations (June 2017 to December 2017)

Consolidated Financial Highlights-2

Sales and Operating Income by Area

Japan

	FY2016	FY2017		
	3Q	3Q	/Sales(%)	YoY(%)
Key Income Statements Data				
Net Sales	101,375	**102,999**	100.0	1.6
Cost of Sales	60,923	**61,707**	59.9	1.3
Gross Profit	40,451	**41,292**	40.1	2.1
SG&A Expenses	22,553	**22,606**	21.9	0.2
Operating Income	17,897	**18,686**	18.1	-

	FY2017 Forecast(IFRS)
	Full Year
Key Income Statements Data	
Net Sales	**137,100**
Cost of Sales	**84,300**
Gross Profit	**52,800**
SG&A Expenses	**19,800**
Operating Income	**24,000**
Core Operating Income	**24,700**
EBIDA	**34,600**

North America

	FY2016	FY2017		
	3Q	3Q	/Sales(%)	YoY(%)
Key Income Statements Data				
Net Sales	-	**13,539**	100.0	-
Cost of Sales	-	**5,456**	40.3	-
Gross Profit	-	**8,082**	59.7	-
SG&A Expenses	-	**7,673**	56.7	-
Operating Income	-	**409**	3.0	-

	FY2017 Forecast(IFRS)
	Full Year
Key Income Statements Data	
Net Sales	**31,700**
Cost of Sales	**16,400**
Gross Profit	**15,300**
SG&A Expenses	**9,300**
Operating Income	**-300**
Core Operating Income	**5,800**
EBIDA	**6,600**

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

Consolidated Financial Highlights-2

	FY2016		FY2017
	3Q		3Q
Key Balance Sheets Data			
Total Assets	221,538	*2	**353,891**
Net Assets	137,600	*2	**180,697**
Capital Adequacy Ratio(%)	62.0	*2	**50.9**

	FY2016		FY2017	
	3Q		3Q	YoY(%)
Amounts Per Common Share				
Net Income per Share	371.35		**377.01**	1.5
Diluted Net Income per Share	371.13		**376.76**	1.5
Shareholders' Equity	3,722.90	*	**4118.96**	-
Dividend (interim)	65.0		**65.0**	-

*. Comparison with 4Q of FY2016

FY2017 Forecast（IFRS）	
	Full Year
Amounts Per Common Share	
Net Income per Share	343.59
Diluted Net Income per Share	-
Shareholders' Equity	-
Dividend (interim)	130.0

Consolidated Financial Date

（Unit: Millions of Yen）

Selling General and Administrative Expenses		FY2016 3Q	/Sales(%)	YoY(%)	FY2017 3Q	/Sales(%)	YoY(%)	FY2017 Forecast(IFRS) Full Year	/Sales (%)
R&D Expenses	Japan	7,092	7.0	27.8	7,265	7.1	2.4	8,300	6.1
	North America	-	-	-	1,175	8.7	-	3,400	10.7
	Total	7,092	7.0	27.8	8,441	7.2	19.0	11,700	6.9
Advertisemet Expenses	Total	1,385	1.4	-5.2	995	0.9	-28.2	1,500	0.9

Capital Expenditure & Depreciation and Amortization		FY2016 3Q	FY2017 3Q	FY2017 Forecast(IFRS) Full Year
Capital Expenditure	Japan	9,992	6,094	15,700
	North America	0	133	879
	Total	9,992	6,228	16,579
Depreciation and Amortization	Japan			
	Manufacturing Division	4,604	5,654	7,800
	R&D Division	980	1,085	1,400
	Administration Div. & Business Div.	693	537	600
	North America	-	378	800
	Total	6,279	7,656	0

※ We expect to record 2,000 million yen of the R&D costs to intangible fixed assets.

Personnel Information	FY2016 3Q	Comp.(%)	FY2017 3Q	Comp.(%)
Number of Employees				
Japan				
Manufacturing Division	1,553	63.6	**1,780**	54.3
R&D Division	228	9.3	**248**	7.5
Administration Div. & Business Div.	662	27.1	**646**	19.7
(MRs)	*496*		***481***	
North America	-		**607**	18.5
Total	2,443	100.0	**3,281**	100.0

Disclaimer

- 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. Therefor, 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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