

# Financial Results for the First Quarter of FY 2018 (Apr. 1 to Jun. 30)

Sawai Pharmaceutical Co., Ltd.

Code 4555, First Section of the TSE

# Overview of the Financial Results for the First Quarter of FY2018



- ◆ In the Japan business, although the drug price revision had an impact, sales increased by 4.8% year-on-year due to the effects of the policy to promote the use of generic drugs
- ◆ In the US business, growth remained strong in the main products of Upsher-Smith Laboratories, LLC (USL), which became fully consolidated from this period
- ◆ On the whole, sales income increased 18.7% year-on-year and core operating income increased 12.9%

(Unit: Millions of yen)

	F	FY 2017 1Q *1			FY 2018 1Q			Year on Year	
		Sale and Pro	Sale and Profit by Region		Sale and Pro	fit by Region			
		Japan	US		Japan	US	Mil. yen	Growth (%)	
Net Sales	38,152	33,631	4,522	45,298	35,255	10,042	7,146	18.7%	
Core Operating Income *2	7,941	7,537	405	8,969	6,397	2,563	1,027	12.9%	
Operating Income	6,592	7,218	-626	7,320	6,015	1,302	728	11.0%	
Profit before tax	7,197		_	7,350	_	_	153	2.1%	
Profit attributable to owners of the parent	5,621	_	_	5,258	_	_	-363	-6.5%	

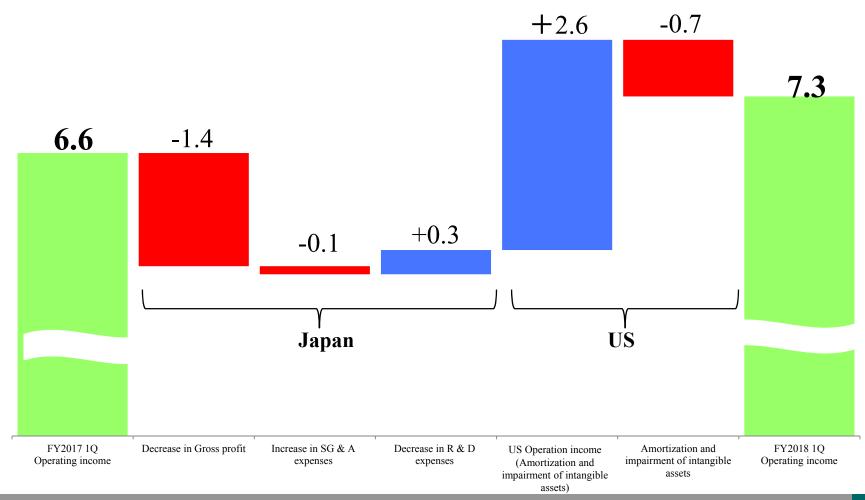
<sup>\*1</sup> Financial Results for 1Q of FY 2017: Financial Results for 3 months of Japan operations + 1 months of US operations (June 2017)

<sup>\*2</sup> 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



#### **Analysis of Factors Causing Changes in Operating Income**

(Unit:Billion. Yen)







		t: Millions of yen)		
IFRS	FY	2018 1Q Actu	ıal	
	Full basis	Mil. yen	Core basis	(1) Cost-of-sales increase due to
Net Sales	45,298		45,298	inventory step-up
Cost of Sales	-26,893	+219	-26,675	> 0.2 billion yen
Gross Profit	18,405	+219	18,623	(2) Amortization of intangible assets
SG&A Expenses	-7,961	+1,029	-6,932	>1 billion yen
Amortization of intangible assets	-1,029	+1,029	_	(0.9 billion yen for US)
<b>R&amp;D</b> Expenses	-3,055	+332	-2,723	Impairment loss etc.> 0.3 billion yen
Other income( expenses)	-69	+69		
<b>Operating Income</b>	7,320	+1,648	8,969	

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



◆ Although the drug price revision had an impact, products for pharmacies performed strongly

# The Track Record of SAWAI's Products Delivered to Medical Institutions by Distribution Companies (Unit: Number of Medical Institution)

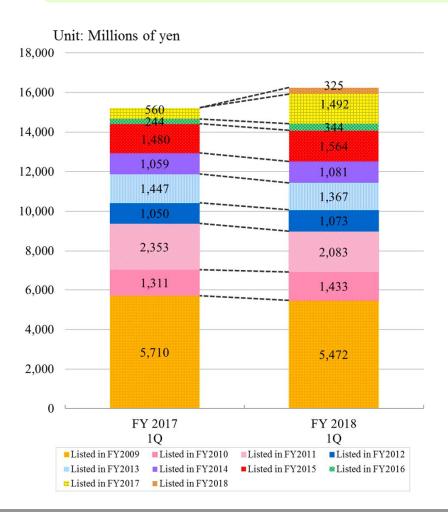
Institution Typo	a) Nationwide	FY 2017 1Q		FY 2018 1Q			Year on Year		
Institution Type	Total Number	Number of Customers	Sales Share	b) Number of Customers	Coverage Rate (b/a)	Sales Share	Changes in Number of Customers	Sales Growth	
Hospital	8,420	7,804	13.1%	7,865	(93.4%)	11.9%	61	-7.2%	
DPC Hospital	1,730	1,644	8.0%	1,720	(99.4%)	7.3%	76	-9.6%	
Clinic	105,782	29,624	10.0%	30,284	(28.6%)	9.7%	660	-1.7%	
Pharmacy	88,001	55,836	75.2%	56,661	(64.4%)	77.1%	825	4.6%	
Dispensing Pharmacy	60,939	55,560	74.7%	56,389	(92.5%)	76.6%	829	4.7%	
Drug Stores, etc.	27,062	276	0.6%	272	(1.0%)	0.5%	-4	-14.0%	
Others	-	-	1.7%	-	-	1.4%	-	-15.8%	
Total	202,203	93,264	100.0%	94,810	(46.9%)	100.0%	1,546	2.1%	

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



## Sales by Listed Year of Drugs (Japan)

- ◆ Sales of products listed since FY2015 have increased steadily
- ◆ Sales of new products in FY2018 make greater progress than expected

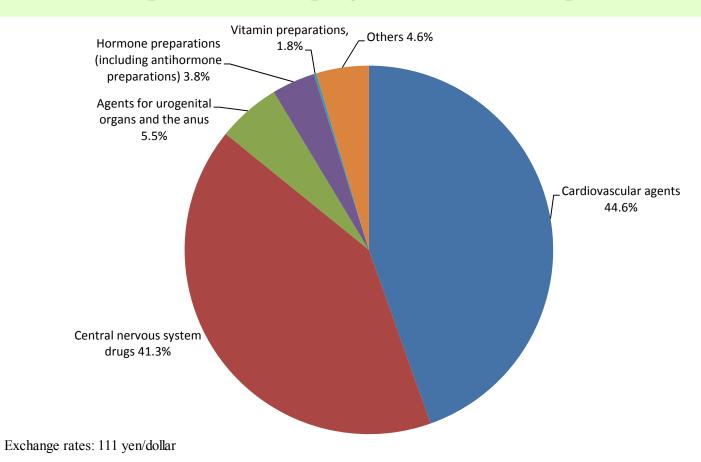


	(Unit: Millions of yen, %)									
	FY 2017 1Q	FY 2018 1Q	Y on Y (%)							
	Mil. yen	Mil. yen	Growth							
Listed in FY2018	-	325	-							
Listed in FY2017	560	1,492	166.4%							
Listed in FY2016	244	344	41.2%							
Listed in FY2015	1,480	1,564	5.7%							
Listed in FY2014	1,059	1,081	2.1%							
Listed in FY2013	1,447	1,367	-5.5%							
Listed in FY2012	1,050	1,073	2.2%							
Listed in FY2011	2,353	2,083	-11.5%							
Listed in FY2010	1,311	1,433	9.3%							
Listed in FY2009	5,710	5,472	-4.2%							
Existing Drugs and Transferred Drugs, etc.	18,416	19,020	3.3%							
Total	33,631	35,255	4.8%							



#### Sales breakdown by Therapeutic category (US)

- ◆ The breakdown of sales in the US business, totaling 100 billion yen, is shown below
- The two main products make progress faster than the plan





#### **FY2018 Earnings Forecasts**

- ◆Income is progressing steadily with respect to the plan
- ◆Because the outlook for the environment surrounding the Company from the second quarter onwards is uncertain, the initial earnings forecast is unchanged

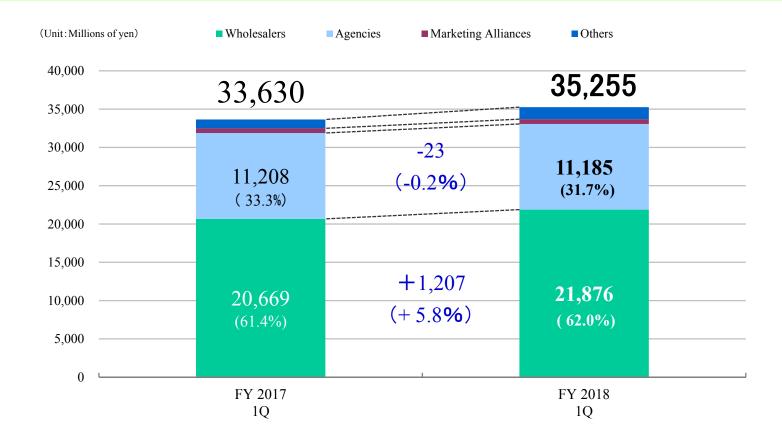
(Unit: Millions of yen)

	FY 20	18	FY 2018				
	1Q		Full Year Forecast				
	Mil. yen	/Sales (%)	Mil. yen	/S ales (%)	Rate of Achievement		
Net Sales	45,298	100.0%	172,500	100.0%	26.3%		
Core Operating Income	8,969	19.8%	29,700	17.2%	30.2%		
Operating Income	7,320	16.2%	24,000	13.9%	30.5%		
Profit before tax	7,350	16.2%	23,700	13.7%	31.0%		
profit attributable to owners of the parent	5,258	11.6%	17,400	10.1%	30.2%		



### Sales by Distribution Channels (Japan)

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





## **Comparison of Sales Volume (Japan)**

◆ Sale volumes grew by double digits in most drug class

	Volume Co	omposition	W7 W7	Y on Y (value) (Note)	
The rape utic Category	FY 2017 1Q	FY 2018 1Q	Y on Y (volume)		
Cardiovascular drugs	27.8%	29.5%	19.9%	5.2%	
Gastro-intestinal drugs	23.3%	21.4%	3.6%	3.3%	
Central nervous system drugs	12.3%	12.2%	11.9%	16.0%	
Blood/body fluid pharmaceutical products	7.8%	7.8%	13.4%	1.3%	
Other metabolic drugs	6.7%	6.8%	13.4%	3.4%	
Respiratory organ agents	5.7%	6.2%	22.9%	22.3%	
Antibiotics drugs	2.4%	2.5%	22.0%	6.1%	
Antiallergic drugs	2.7%	2.3%	-1.8%	-14.0%	
Antineoplastic agents	0.2%	0.3%	27.7%	-4.4%	
Others	11.1%	11.0%	11.6%	15.9%	
Total	100.0%	100.0%	12.9%	5.3%	

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



## **Consolidated Financial Highlights-1**

(Unit: Millions of Yen)

	FY2017 1Q <sup>*1</sup>		FY2	2018 1Q			FY2	018 Forecast		
		/Sales(%)		/Sales(%)	YoY(%)	1H	/Sales (%)	FullYear	/Sales (%)	YoY (%)
<b>Key Income Statements Data</b>										
Net Sales	38,152	100.0	45,298	100.0	18.7	84,400	100.0	172,500	100.0	2.6
Cost of Sales	22,365	58.6	26,893	59.4	20.2	50,800	60.2	102,900	59.7	4.3
Gross Profit	15,787	41.4	18,405	40.6	16.6	33,600	39.8	69,600	40.3	0.2
SG&A Expenses	7,110	18.6	7,961	17.6	12.0	16,600	19.7	33,100	19.2	1.1
R&D Expenses	2,083	5.5	3,055	6.7	46.7	6,300	7.5	12,200	7.1	-16.1
Other income( expenses)	-2	_	-69	_	_	-200	_	-300	_	_
Operating Income	6,592	17.3	7,320	16.2	11.0	10,500	12.4	24,000	13.9	8.1
Core operating income	7,197	18.9	7,350	16.2	2.1	10,300	12.2	23,700	13.7	17.0
Profit before tax	5,621	14.7	5,258	11.6	-6.5	7,600	9.0	17,400	10.1	24.1
Profit attributable to owners of the parent	7,941	20.8	8,969	19.8	12.9	13,200	15.6	29,700	17.2	-4.6
EBITDA *2	10,305	27.0	11,697	25.8	13.5	_	_	41,300	23.9	-0.7

<sup>\*1.</sup> Results for 1Q of FY 2017: Results for 3 months of Japan operations + 1 months of US operations (June 2017)

<sup>\*2.</sup> Core operating income + amortization and depreciation expenses included in core operating income + impairment charges

	As of March 31, 2018	As of June 30, 2018
<b>Key Balance Sheets Data</b>		
Total Assets	358,453	362,618
Equity	202,441	209,565
Ratio of equity attributable to owners of the company to total assets (%)	50.6	51.7

	FY2017 1Q	FY2018 1Q	FY2018 Forecast		
<b>Amounts Per Common Share</b>			1H	FullYear	
Basic earnings per share	152.46	120.12	173.63	397.52	
Diluted earnings per Share	152.37	120.04	_	_	
Dividend (interim)	_	_	65.0	130.0	



## **Consolidated Financial Highlights-2**

#### Sales and Operating Income by Area

Japan (Unit: Millions of Yen)

	FY2017	1Q	FY	2018 1Q		FY2018	8 Foreca	100.0 1.4 63.9 4.7		
<b>Key Income Statements Data</b>		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)		
Net Sales	33,631	100.0	35,255	100.0	4.8	136,600	100.0	1.4		
Cost of Sales	19,949	59.3	22,981	65.2	15.2	87,300	63.9	4.7		
Gross Profit	13,681	40.7	12,274	34.8	-10.3	49,300	36.1	-3.9		
SG&A Expenses	4,678	13.9	4,710	13.4	0.7	20,500	15.0	-0.4		
R&D Expenses	1,781	5.3	1,472	4.2	-17.4	7,200	5.3	-18.0		
Other income( expenses)	-5	_	-78	_	_	-300	_	_		
Operating Income	7,218	21.5	6,015	17.1	-16.7	21,300	15.6	-2.8		
Core operating income	7,537	22.4	6,397	18.1	-15.1	22,400	16.4	-8.0		
EBITDA *2	9,803	29.1	8,825	25.0	-10.0	33,000	24.2	-2.4		

#### US

	FY2017 1	Q*1	FY	2018 1Q		FY2018	8 Foreca	st
<b>Key Income Statements Data</b>		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	4,522	100.0	10,042	100.0	122.1	35,900	100.0	7.7
Cost of Sales	2,416	53.4	3,912	39.0	61.9	15,600	43.5	2.5
Gross Profit	2,106	46.6	6,130	61.0	191.1	20,300	56.5	12.0
SG&A Expenses	2,432	53.8	3,259	32.5	34.0	12,600	35.1	3.5
R&D Expenses	302	6.7	1,583	15.8	423.8	5,000	13.9	-13.4
Other income( expenses)	2	0.0	14	0.1	559.5	0	_	_
Operating Income	-626	_	1,302	13.0	_	2,700	7.5	791.0
Core operating income	405	8.9	2,563	25.5	533.4	7,300	20.3	8.5
EBITDA *2	502	11.1	2,863	28.5	470.3	8,300	23.1	6.9

<sup>\*1.</sup> Results for 1Q of FY 2017: Results for 1 months of US operations (June 2017)

<sup>\*2.</sup> Core operating income + amortization and depreciation expenses included in core operating income + impairment charges



### **Consolidated Financial Date**

(Unit: Millions of Yen)

Selling General and		FY2017 1	Q*	FY	Y 2018 1Q		
Administrative Expenses			/Sales (%)		/Sales (%)	YoY(%)	
	Japan	1,781	5.3	1,472	4.2	-17.3	
R&D Expenses	US	302	6.7	1,583	15.8	423.8	
	Total	2,083	5.5	3,055	6.7	46.7	
Advertis emet Expens es	Total	343	0.9	294	0.6	-14.3	

FY2018 Forecast				
Full Year	/Sales (%)			
7,200	5.3			
5,000	13.9			
12,200	7.1			
800	0.6			

Capital Expending Depreciation and		FY2017 1Q*	FY 2018 1Q	
	Japan	2,626	1,459	
Capital Expenditure	US	94	231	
	Total	2,720	1,690	
Depreciation and Amortization	Japan	2,307	2,659	
	Manufacturing Division	1,864	2,023	
	R&D Division	308	359	
	Administration Div. & Business Div.	136	278	
	US	407	1,313	
	Total	2,714	3,972	

FY2018 Forecast Full Year
6,100
1,600
7,700
10,600
8,400
1,500
700
5,200
15,800

<sup>\*.</sup> Results for 1Q of FY 2017: Results for 1 months of US operations (June 2017)

Personnel Information	As of June 30, 2017		As of June 30, 2018	
Number of Employees		Comp.(%)		Comp.(%)
Japan	2,668	82.3	2,677	81.3
Manufacturing Division	1,773	54.7	1,772	53.8
R&D Division	246	7.6	265	8.1
Administration Div. & Business Div.	649	20.0	640	19.4
(MRs)	498	-	469	-
US	573	17.7	614	18.7
Total	3,241	100.0	3,291	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 as to 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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