

# **Financial Results for FY 2018**

## **(Apr. 1 to Mar. 31)**

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**Sawai Pharmaceutical Co.,Ltd.**

Code 4555, First Section of the TSE

May. 14, 2019

# Overview of the Financial Results for FY2018

- ◆ Revenue and profit growth exceeded forecasts.
- ◆ Sales of major products in both Japan and the US grew steadily.

(Unit: Millions of yen)

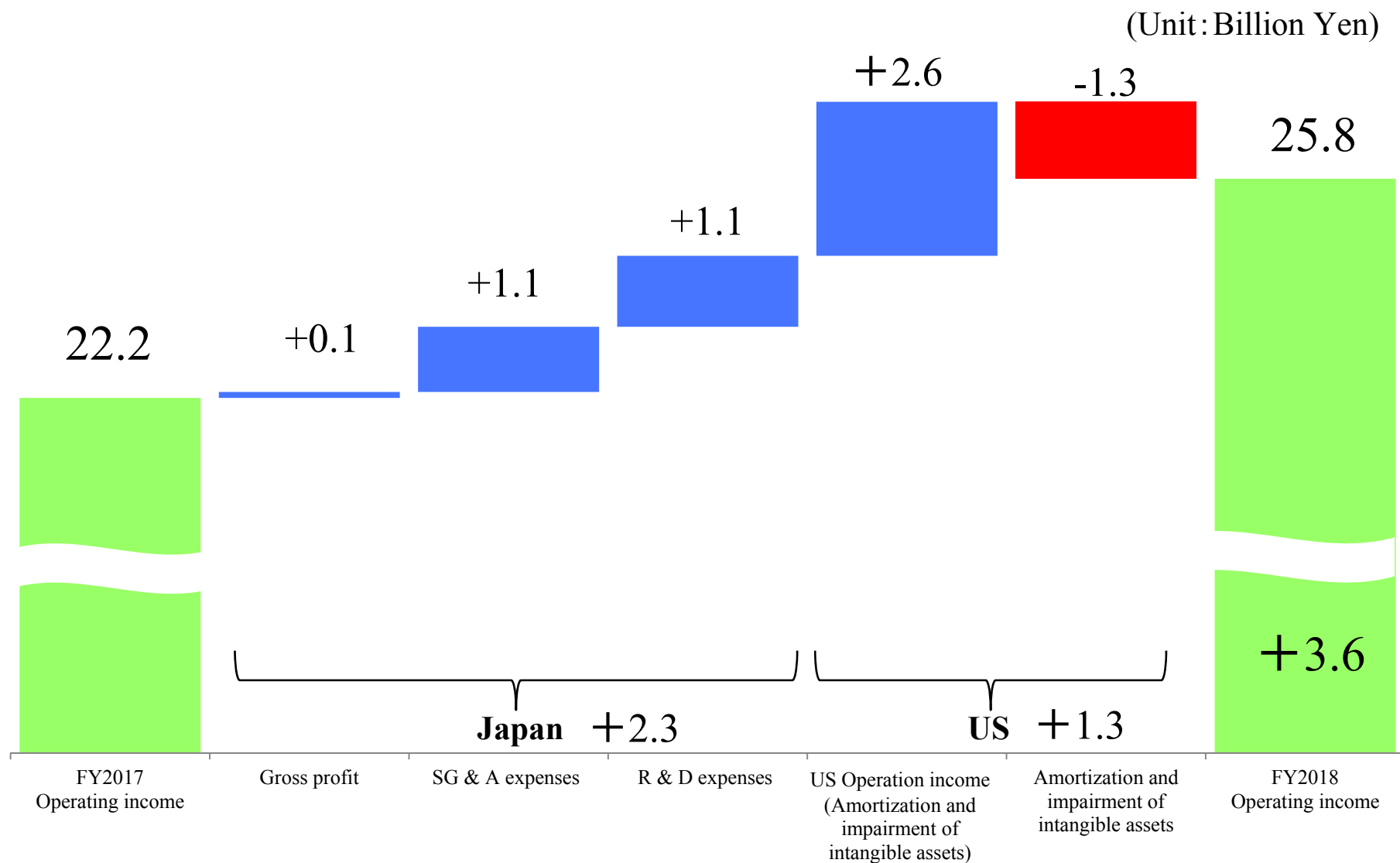
	FY 2017 *1			FY 2018			Year on Year		FY 2018 Forecasts
	Sale and Profit by Region		US	Sale and Profit by Region		US	Mil. yen	Growth (%)	
	Japan	US		Japan	US				
<b>Net Sales</b>	168,068	134,720	33,347	<b>184,341</b>	<b>144,098</b>	<b>40,242</b>	16,273	9.7%	172,500
<b>Core Operating Income *2</b>	31,118	24,349	6,730	<b>37,738</b>	<b>28,130</b>	<b>9,563</b>	6,620	21.3%	29,700
<b>Operating Income</b>	22,209	21,903	303	<b>25,798</b>	<b>24,230</b>	<b>1,568</b>	3,588	16.2%	24,000
<b>Profit before tax</b>	20,251	—	—	<b>25,666</b>	—	—	5,415	26.7%	23,700
<b>Profit attributable to owners of the parent</b>	14,017	—	—	<b>19,376</b>	—	—	5,359	38.2%	17,400

\*1 Financial Results of FY 2017: Financial Results for 12 months of Japan operations + 10 months of US operations

\*2 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

Average rate	FY2017 Actual	FY2018 Actual
1 US dollar	111	111

# Analysis of Factors Causing Changes in Operating Income



# Financial Results for FY2018

## (Adjusted from Full Basis to Core Basis)

(Unit: Millions of yen)

	FY2018 Actual		
	Full basis	Mil. yen	Core basis
<b>Net Sales</b>	<b>184,341</b>		<b>184,341</b>
<b>Cost of Sales</b>	-109,442	+2,238	-107,204
<b>Gross Profit</b>	<b>74,899</b>	<b>+2,238</b>	<b>77,137</b>
<b>SG&amp;A Expenses</b>	-32,380	+4,167	-28,213
Amortization of intangible assets	-4,167	+4,167	—
<b>R&amp;D Expenses</b>	-16,671	+5,485	-11,186
<b>Other income(expenses)</b>	-50	+50	—
<b>Operating Income</b>	<b>25,798</b>	<b>+11,940</b>	<b>37,738</b>

Expenses for step-up of inventories (increased portion by measured at fair value) and impairment loss etc.  
> 2.2 billion yen

Amortization of intangible assets  
>4.2 billion yen  
(3.6 billion yen for US)

Impairment loss etc.> 5.5 billion yen

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



- ◆ Reinforce promotional activities towards pharmacies, etc. resulted in successful outcomes with an increase in adoption rates.

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

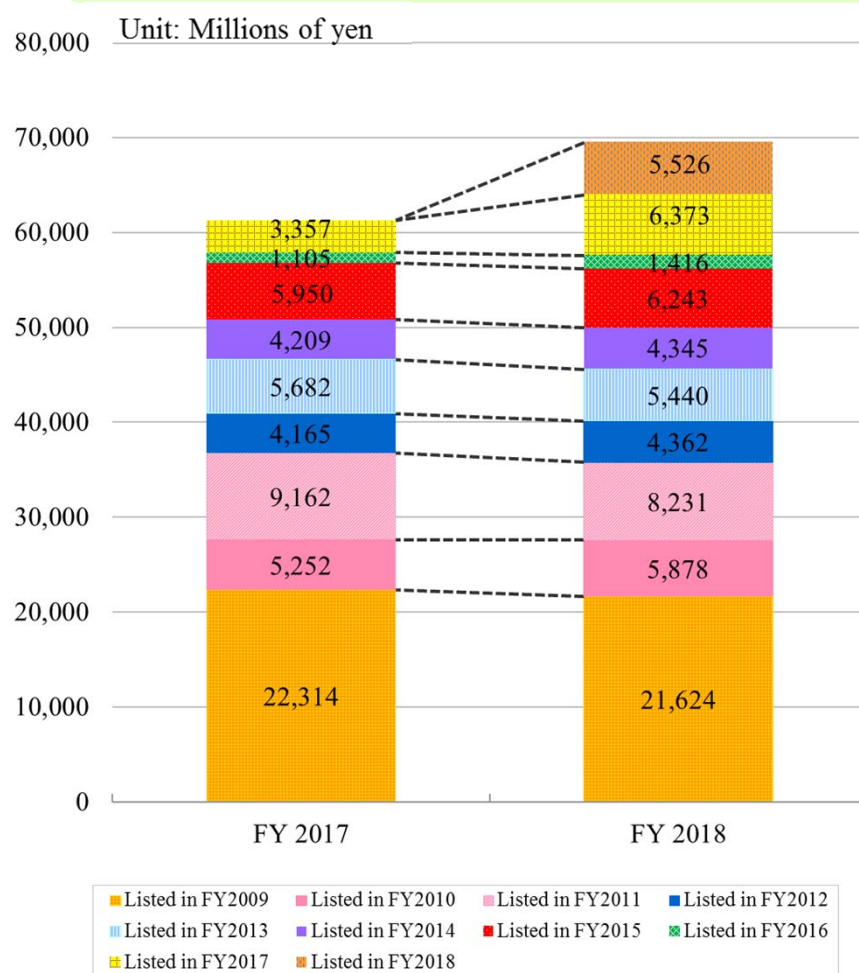
(Unit: Number of Medical Institution)

Institution Type	a) Nationwide Total Number	FY 2017		FY 2018			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	8,382	8,007	12.7%	8,116	(96.8%)	11.8%	109	-1.8%
DPC Hospital	1,730	1,652	7.8%	1,718	(99.3%)	7.1%	66	-5.8%
Clinic	105,967	36,501	10.0%	39,576	(37.3%)	9.8%	3,075	4.0%
Pharmacy	88,722	57,706	75.3%	58,510	(65.9%)	77.1%	804	7.9%
Dispensing Pharmacy	61,215	57,367	75.0%	58,136	(95.0%)	76.6%	769	8.0%
Drug Stores, etc.	27,507	339	0.4%	374	(1.4%)	0.4%	35	-6.1%
Others	-	-	1.9%	-	-	1.3%	-	6.9%
<b>Total</b>	<b>203,071</b>	<b>102,214</b>	<b>100.0%</b>	<b>106,202</b>	<b>(52.3%)</b>	<b>100.0%</b>	<b>3,988</b>	<b>6.3%</b>

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

# Sales by Listed Year of Products (Japan)

◆ Sales of newly launched products and main products grew steadily.



(Unit: Millions of yen, %)

	FY 2017	FY 2018	Y on Y (%)
	Mil. yen	Mil. yen	Growth
Listed in FY2018	-	<b>5,526</b>	-
Listed in FY2017	3,357	<b>6,373</b>	89.9%
Listed in FY2016	1,105	<b>1,416</b>	28.2%
Listed in FY2015	5,950	<b>6,243</b>	4.9%
Listed in FY2014	4,209	<b>4,345</b>	3.2%
Listed in FY2013	5,682	<b>5,440</b>	-4.3%
Listed in FY2012	4,165	<b>4,362</b>	4.7%
Listed in FY2011	9,162	<b>8,231</b>	-10.2%
Listed in FY2010	5,252	<b>5,878</b>	11.9%
Listed in FY2009	22,314	<b>21,624</b>	-3.1%
Existing Drugs and Transferred Drugs, etc.	73,524	<b>74,660</b>	1.5%
<b>Total</b>	<b>134,720</b>	<b>144,098</b>	<b>7.0%</b>

## Sales Performance of US Business

- ◆ Existing products: sales exceeded forecasts due to the delayed entry of competitors to the two main products.
- ◆ Newly launched products: seven products were launched. Sales fell short due to more competitive entries than expected and delays in launch.
- ◆ Central Nervous System Products: sales have grown steadily, as the main product, Qudexy® XR, continues to perform favorably.

### Sales of Existing products and New products

(Unit: Millions of yen)

	FY2017	FY2018	
	Actual*1	Actual	FY2018 Forecast
Existing products	33,347	38,896	31,800
New products*2	—	1,346	4,100
<b>Total</b>	<b>33,347</b>	<b>40,242</b>	<b>35,900</b>

### Comparison of Sales by therapeutic areas

Therapeutic Category	Value Composition		Y on Y
	FY2017*1	FY2018	
Cardiovascular agents	46.5%	43.3%	+12.4%
General anesthetics	35.6%	42.9%	+45.5%
Agents for urogenital organs and the anus	8.7%	4.3%	-40.5%
Hormone preparations	3.9%	3.9%	22.8%
Antineoplastic agents	0.4%	1.8%	527.1%
Others	4.9%	3.8%	-10.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>+20.7%</b>

\*1 Results of FY 2017 : Results for 10 months of US operations

\*2 Sales of products launched since FY2018

## FY2019 Earnings Forecasts (consolidated)

◆ Despite challenging market conditions in both Japan and the US, revenues and operating profits are expected to remain unchanged from the previous year.

(Unit: Millions of yen)

	FY2018 Full Year Results		FY2019 Full Year Forecast		Year on Year	
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)
Net Sales	<b>184,341</b>	100.0%	<b>184,400</b>	100.0%	59	+0.0%
Core Operating Income	<b>37,738</b>	20.5%	<b>32,000</b>	17.4%	-5,738	-15.2%
Operating Income	<b>25,798</b>	14.0%	<b>25,800</b>	14.0%	2	+0.0%
Profit before tax	<b>25,666</b>	13.9%	<b>25,700</b>	13.9%	34	+0.1%
Profit attributable to owners of the parent	<b>19,376</b>	10.5%	<b>19,200</b>	10.4%	-176	-0.9%

Average rate	FY2018 Actual	FY2019 Assumption
1 US dollar	111	110



## FY2019 Earnings Forecasts (Japan)

◆ Although volume increase is expected as a result of the effort to reach 80 percent of generics share in Japan, growth in revenue but a decrease in profit are projected, due to impacts including the drug price revision.

(Unit: Millions of yen)

	FY2018 Full Year Results		FY2019 Forecast		Year on Year	
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Mil. yen	Growth (%)
Net Sales	144,098	100.0%	<b>149,100</b>	100.0%	5,002	3.5%
Gross profit	51,370	35.6%	<b>52,600</b>	35.3%	1,230	2.4%
SG&A Expenses (excluding R&D)	19,495	13.5%	21,400	14.4%	1,905	9.8%
R&D Expenses	7,605	5.3%	8,200	5.5%	595	7.8%
Other income( expenses)	-40	—	-200	—	-160	—
Operating Income	24,230	16.8%	<b>22,800</b>	15.3%	-1,430	-5.9%
Core Operating Income	28,130	19.5%	24,300	16.3%	-3,830	-13.6%

## FY2019 Earnings Forecasts (US)

- ◆ 13 applications to the FDA and 6 launches are planned.
- ◆ Sales of existing products are expected to decline; however, profit is projected to be on target with the medium-term business plan.

(Unit: Millions of yen)

	FY2018 Full Year Results		FY2019 Forecast		Year on Year		FY2019 Forecast Medium-term BP	
	Mil. yen	/Sales (%)	Mil. yen	/Sales (%)	Mil. yen	Growth (%)	Mil. yen	/Sales (%)
Net Sales	<b>40,242</b>	100.0%	<b>35,300</b>	100.0%	-4,942	-12.3%	<b>37,600</b>	100.0%
Existing products	<b>38,896</b>	96.7%	<b>32,600</b>	92.4%	-6,296	-16.2%	<b>28,900</b>	76.9%
New products*1	<b>1,346</b>	3.3%	<b>2,700</b>	7.6%	1,354	100.6%	<b>8,700</b>	23.1%
Gross profit	<b>23,529</b>	58.5%	<b>20,400</b>	57.8%	-3,129	-13.3%	—	—
SG&A Expenses (excluding R&D)	12,929	32.1%	11,000	31.2%	-1,929	-14.9%	—	—
R&D Expenses*2	9,067	22.5%	6,400	18.1%	-2,667	-29.4%	—	—
Other income( expenses)	35	0.1%	0	—	-35	—	—	—
Operating Income	<b>1,568</b>	3.9%	<b>3,000</b>	8.5%	1,432	91.3%	<b>3,000</b>	8.0%
Core Operating Income	<b>9,563</b>	23.8%	<b>7,700</b>	21.8%	-1,863	-19.5%	—	—

\*1 Sales of products launched since FY2018

\*2 R&D Expenses are expected to remain unchanged from the previous year, excluding impairments

Average rate	FY2018 Actual	FY2019 Assumption
1 US dollar	111	110

# Dividends of Surplus

- ◆ Year-end dividends are 70 yen, adding the commemorative dividend of 5 yen for Sawai's 90th anniversary.
- ◆ The annual dividend increased by 5 yen from the previous year, to 135 yen.

## —— Basic Policy ——

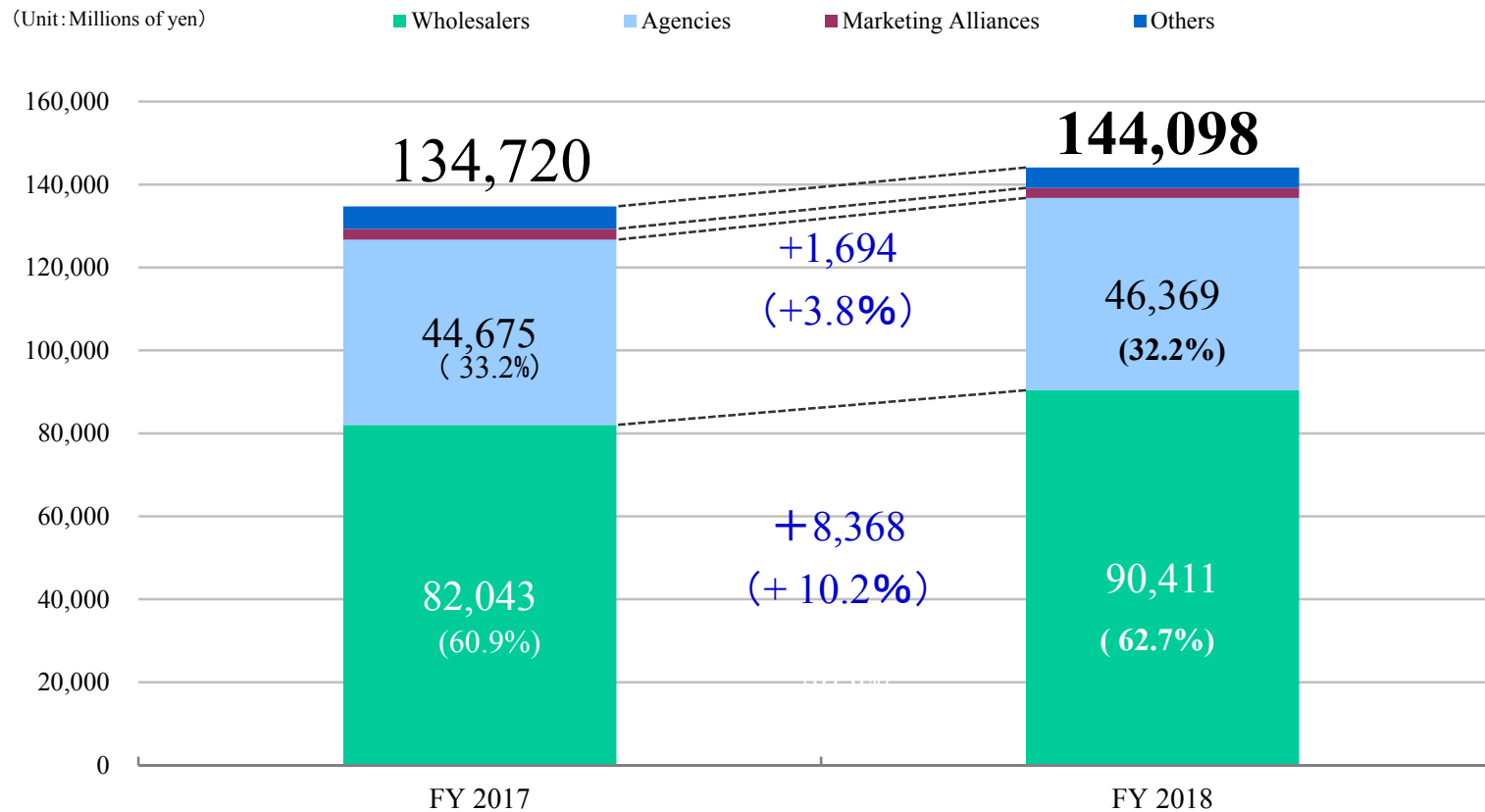
Implement stable distribution aimed at a dividend payout ratio of 30%

Record date	Dividend per share			Total cash dividend	Payout ratio
	Interim	Year-end	Total		
<b>Fiscal year ended March 2019</b>	<b>JPY 65</b>	<b>JPY 70</b>	<b>JPY 135</b>	<b>JPY 5,910 million</b>	<b>30.5%</b>
<b>Fiscal year ended March 2018</b>	JPY 65	JPY 65	JPY 130	JPY 5,242 million	36.1%

# Reference Materials

# Sales by Distribution Channels (Japan)

- ◆ Sales through wholesalers increased due to an expanded, nationwide distribution network of pharmacy and hospital markets.



# Comparison of Sales Volume (Japan)

- ◆ Sales volume grew by double digits in most therapeutic areas.

Therapeutic Category	Volume Composition		Y on Y (volume)	Y on Y (value) (Note)
	FY 2017	FY 2018		
Cardiovascular drugs	28.1%	28.9%	16.3%	4.4%
Gastro-intestinal drugs	22.5%	20.7%	3.9%	-0.3%
Central nervous system drugs	12.4%	12.4%	13.6%	26.0%
Blood/body fluid pharmaceutical products	7.8%	8.1%	17.2%	4.8%
Other metabolic drugs	6.7%	6.5%	8.7%	3.1%
Respiratory organ agents	6.1%	6.7%	24.2%	22.5%
Antiallergic drugs	2.6%	2.9%	25.9%	11.0%
Antibiotics drugs	2.7%	2.5%	4.0%	-7.7%
Antineoplastic agents	0.2%	0.3%	39.1%	5.9%
Others	10.9%	11.0%	13.2%	21.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>12.8%</b>	<b>7.2%</b>

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

# New Products in Japan (Planned)

◆ The following products are scheduled to be listed in June.

Product Name	Brand products	Indications
Silodosin OD Tablets 2 mg [SAWAI] and 4 mg [SAWAI]	URIEF <sup>®</sup> OD Tablets 2 mg and 4 mg, and URIEF <sup>®</sup> Tablets 2 mg and 4 mg	Bladder outlet obstruction associated with prostatic hyperplasia
Gefitinib Tablets 250 mg [SAWAI]	IRESSA <sup>®</sup> Tablets 250	Inoperable or recurrent non-small cell lung cancer with mutated EGFR
Blonanserin Tablets 2 mg [SAWAI], 4 mg [SAWAI] and 8 mg [SAWAI]	Lonasen <sup>®</sup> Tablets 2mg, 4 mg and 8 mg, and Lonasen <sup>®</sup> Powder 2%	Schizophrenia

# Consolidated Financial Highlights-1

(Unit: Millions of Yen)

	FY2017 <sup>*2</sup>		FY2018			FY2019 Forecast				
		/Sales (%)		/Sales (%)	YoY (%)	1H	/Sales (%)	Full Year	/Sales (%)	YoY (%)
<b>Key Income Statements Data</b>										
Net Sales	168,068	100.0	<b>184,341</b>	100.0	9.7	90,100	100.0	184,400	100.0	0.0
Cost of Sales	98,628	58.7	<b>109,442</b>	59.4	11.0	53,700	59.6	111,400	60.4	1.8
Gross Profit	69,440	41.3	<b>74,899</b>	40.6	7.9	36,400	40.4	73,000	39.6	-2.5
SG&A Expenses	32,731	19.5	<b>32,380</b>	17.6	-1.1	16,300	18.1	32,400	17.6	0.1
R&D Expenses	14,533	8.6	<b>16,671</b>	9.0	14.7	7,200	8.0	14,600	7.9	-12.4
Other income( expenses)	33	0.0	<b>-50</b>	—	—	<b>-100</b>	—	<b>-200</b>	—	—
Operating Income	22,209	13.2	<b>25,798</b>	14.0	16.2	12,800	14.2	25,800	14.0	0.0
Profit before tax	20,251	12.0	<b>25,666</b>	13.9	26.7	12,800	14.2	25,700	13.9	0.1
Profit attributable to owners of the parent	14,017	8.3	<b>19,376</b>	10.5	38.2	9,600	10.7	19,200	10.4	-0.9
Core operating income	31,118	18.5	<b>37,738</b>	20.5	21.3	15,900	17.6	32,000	17.4	-15.2
EBITDA <sup>*1</sup>	41,604	24.8	<b>48,685</b>	26.4	17.0	22,500	25.0	45,200	24.5	-7.2

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

\*2. Results of FY 2017 : Results for 12 months of Japan operations + 10 months of US operations

	As of March 31, 2018	As of March 31, 2019
<b>Key Balance Sheets Data</b>		
Total Assets	358,453	<b>372,889</b>
Equity	202,441	<b>223,204</b>
Ratio of equity attributable to owners of the company to total assets (%)	50.6	<b>53.4</b>

	FY2017	FY2018	FY2019 Full Year Forecast	
Amounts Per Common Share			1H	
Basic earnings per share	360.49	<b>442.62</b>		438.59
Diluted earnings per Share	360.26	<b>442.32</b>	—	—
Dividend	130.0	<b>135.0</b>	65.0	130.0



# Consolidated Financial Highlights-2

## Sales and Operating Income by Area

### Japan

(Unit: Millions of Yen)

Key Income Statements Data	FY2017		FY 2018			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	134,720	100.0	<b>144,098</b>	100.0	7.0	149,100	100.0	3.5
Cost of Sales	83,411	61.9	<b>92,728</b>	64.4	11.2	96,500	64.7	4.1
Gross Profit	51,309	38.1	<b>51,370</b>	35.6	0.1	52,600	35.3	2.4
SG&A Expenses	20,579	15.3	<b>19,495</b>	13.5	-5.3	21,400	14.4	9.8
R&D Expenses	8,780	6.5	<b>7,605</b>	5.3	-13.4	8,200	5.5	7.8
Other income( expenses)	-47	—	<b>-40</b>	—	—	<b>-200</b>	—	—
Operating Income	21,903	16.3	<b>24,230</b>	16.8	10.6	22,800	15.3	-5.9
Core operating income	24,349	18.1	<b>28,130</b>	19.5	15.5	24,300	16.3	-13.6
EBITDA *1	33,797	25.1	<b>37,947</b>	26.3	12.3	35,300	23.7	-7.0

### US

Key Income Statements Data	FY2017*2		FY 2018			FY2019 Full Year Forecast		
		/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)	YoY (%)
Net Sales	33,347	100.0	<b>40,242</b>	100.0	20.7	35,300	100.0	-12.3
Cost of Sales	15,217	45.6	<b>16,713</b>	41.5	9.8	14,900	42.2	-10.9
Gross Profit	18,131	54.4	<b>23,529</b>	58.5	29.8	20,400	57.8	-13.3
SG&A Expenses	12,171	36.5	<b>12,929</b>	32.1	6.2	11,000	31.2	-14.9
R&D Expenses	5,773	17.3	<b>9,067</b>	22.5	57.0	6,400	18.1	-29.4
Other income( expenses)	117	0.4	<b>35</b>	0.1	-69.7	0	—	—
Operating Income	303	—	<b>1,568</b>	3.9	—	3,000	8.5	91.3
Core operating income	6,730	20.2	<b>9,563</b>	23.8	42.1	7,700	21.8	-19.5
EBITDA *1	7,767	23.3	<b>10,693</b>	26.6	37.7	9,900	28.0	-7.4

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

\*2. Results of FY 2017 : Results for 10 months of US operations

# Consolidated Financial Data

(Unit: Millions of Yen)

Selling General and Administrative Expenses		FY2017*		FY 2018			FY2019 Full Year Forecast	
			/Sales (%)		/Sales (%)	YoY (%)		/Sales (%)
R&D Expenses	Japan	8,780	6.5	7,605	5.3	-13.4	8,200	5.5
	US	5,773	17.3	9,067	22.5	57.0	6,400	18.1
	<b>Total</b>	14,533	8.6	16,671	9.0	14.7	14,600	7.9
Advertisemet Expenses	<b>Total</b>	1,834	1.1	1,418	0.8	-22.7	2,600	1.4

Capital Expenditure & Depreciation and Amortization		FY2017*		FY 2018		FY2019 Full Year Forecast	
Capital Expenditure	Japan	9,871		4,351		6,300	
	US	802		856		2,300	
	<b>Total</b>	10,673		5,207		8,600	
Depreciation and Amortization	Japan	9,981		10,899		11,500	
	Manufacturing Division	7,673		8,191		8,800	
	R&D Division	1,497		1,608		1,700	
	Administration Div. & Business Div.	811		1,100		1,000	
	US	4,258		5,382		5,700	
	<b>Total</b>	14,239		16,280		17,200	

\*. Results of FY 2017 : Results for 10 months of US operations

Personnel Information		As of March 31, 2017		As of March 31, 2018	
Number of Employees			Comp.(%)		Comp.(%)
Japan		2,641	81.2	2,677	82.0
Manufacturing Division		1,749	53.8	1,687	53.9
R&D Division		246	7.6	257	8.2
Administration Div. & Business Div.		646	19.9	624	19.9
	(MRs)	(479)		(436)	
US		611	18.8	563	18.0
<b>Total</b>		3,252	100.0	3,131	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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