

Sawai Group Holdings Co., Ltd.

FY2023 Financial Results Presentation

May 13, 2024

4887.T, TSE Prime

sawai

The US Business was classified as discontinued operations.

The line items from net sales through profit before tax show the amount of the Japan as continued operations.

Profit and Profit attributable to owners of parent show the combined amount of the continuing operations and the discontinued operations.

FY2023 Actual

- **Sales increased 8.0% year on year and core operating income rose 11.7% year on year.**

- (+) Increase in sales of products launched in FY2022 and FY2023

- (+) Reflected the impact of rising costs on prices, mainly on low-priced generics

- (-) Decline in unit prices due to the NHI drug revision

- (-) Impact of soaring prices of energy, API and materials

- (-) Cost of recall of certain items

- **Supply status**

- ⇒ Current number of limited or suspended shipment items: 249 items against 557 regular shipment items (as of May 13)

- ⇒ Reviewed products under shipment limitation as needed in consideration of other companies, and demand and inventory status, etc. of limited shipment items.

- **Production volume**

- ⇒ Production volume of FY2023, including the volume of contract manufacturing, was approx.15.9 billion tablets (vs. approx. 16.6 billion tablets in FY2022)

Transfer of shares, etc. of Sawai's U.S. subsidiary

- **Completed the share transfer to Bora Pharmaceutical Holdings, Inc. on Apr. 1 (U.S. Time).**

- Net sales increased 8.0% year on year due to sales growth in products launched after FY2022.
- On the profit side, core operating income increased 11.7% year on year due to an increase in sales and revised distribution cost policy, despite the impact of rising cost of sales.

JPY, MM

	FY2022 Actual	FY2023 Actual	YoY	FY2023 Forecast	Achievement
Net Sales	163,702	176,862	+8.0%	180,000	98.3%
Core Operating Income	21,428	23,931	+11.7%	23,000	104.0%
Core Operating Income (Excluding Trust Pharmatech)	26,562	29,830	+12.3%	28,500	104.7%
Operating Income	16,054	18,620	+16.0%	20,000	93.1%
Operating Income (Excluding Trust Pharmatech)	20,898	24,481	+17.1%	25,500	96.0%
Profit before tax	15,850	18,262	+15.2%	19,700	92.7%
Quarterly Profit attributable to owners of the parent	12,667	13,695	+8.1%	-	-
Basic earnings per share(EPS)	289.25	312.67	+8.1%	-	-
Profit attributable to owners of parent (ROE)	6.5	6.6	-	-	-

Average rate

US\$1 = ¥135

US\$1 = ¥145

*1 The line items from net sales through profit before tax show the amount of the Japan as continued operations. Profit and Profit attributable to owners of parent show the combined amount of the continuing operations and the discontinued operations.

*2 Core operating income is calculated by excluding profits and losses attributed to non-recurring factors from operating income.

Overview of US Business (discontinued operation)

- FY2023 actual of the discontinued operation is as below.

JPY, MM

	FY2022 Actual	FY2023 Actual	YoY	
Net Sales	36,799	40,254	+9.4%	+3,455
Cost	35,859	62,768	+75.0%	+26,909
Profit before tax	940	-22,514	-	-23,454
Corporate income tax expense	-	-18,991	-	+18,991
Profit	940	-3,523	-	-4,463
Quarterly Profit attributable to owners of the parent	771	1,016	+31.8%	+245

Average rate US\$1 = ¥135 US\$1 = ¥145

* Of the expenses, 20,918 million yen is a loss recognized as a result of measuring the disposal group constituting discontinued operations at fair value less costs to sell.

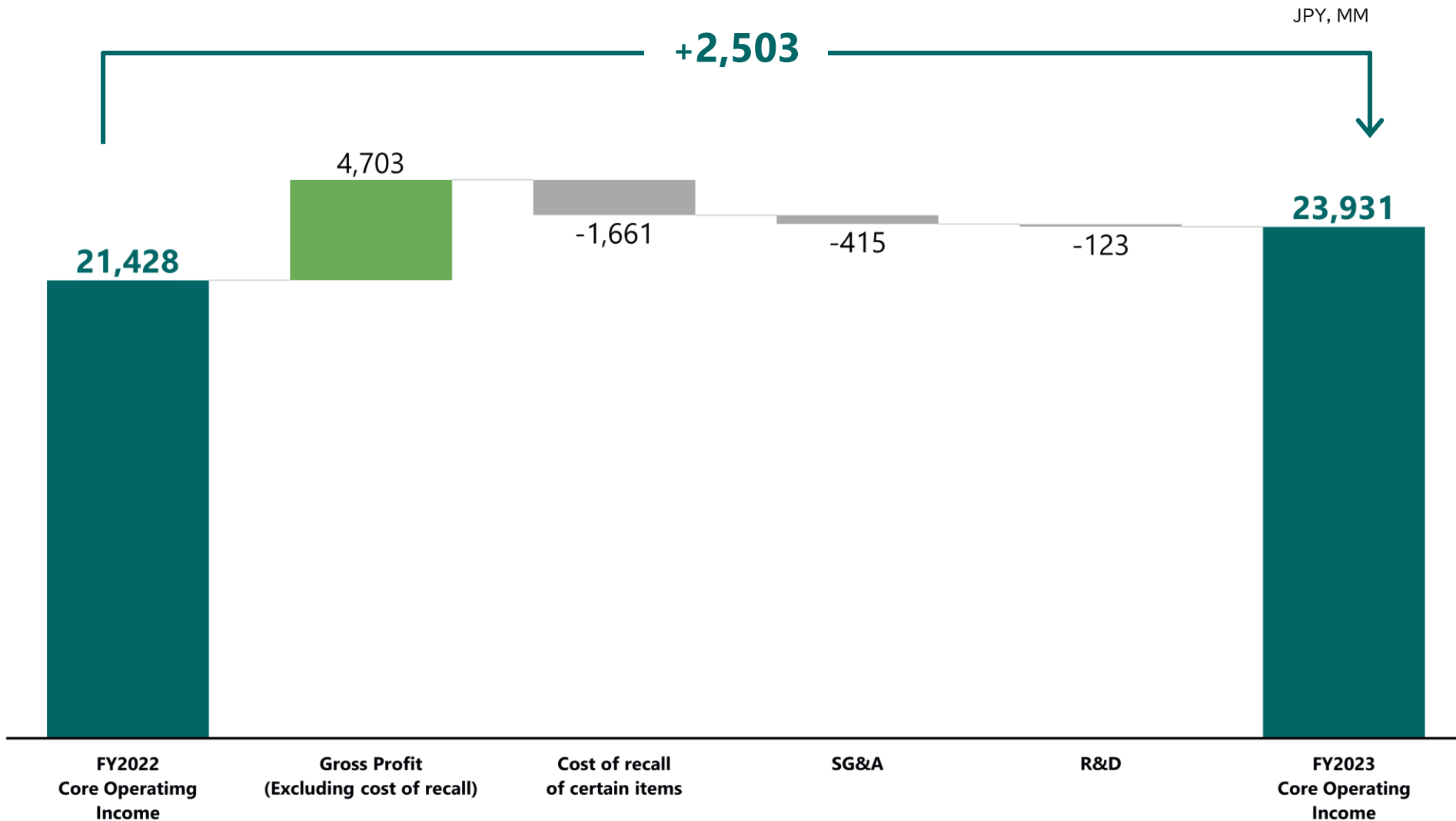
With the closing of share transfer on Apr. 1 (U.S. time) 15,500 million yen of loss from discontinued operation will be posted in FY2024.

(The effect of foreign exchange fluctuation between the time of the acquisition and the time of sale of the US business (presented under exchange differences on translation of foreign operations on the statement of financial position).

Core Operating Income Analysis, Japan

JPY, MM

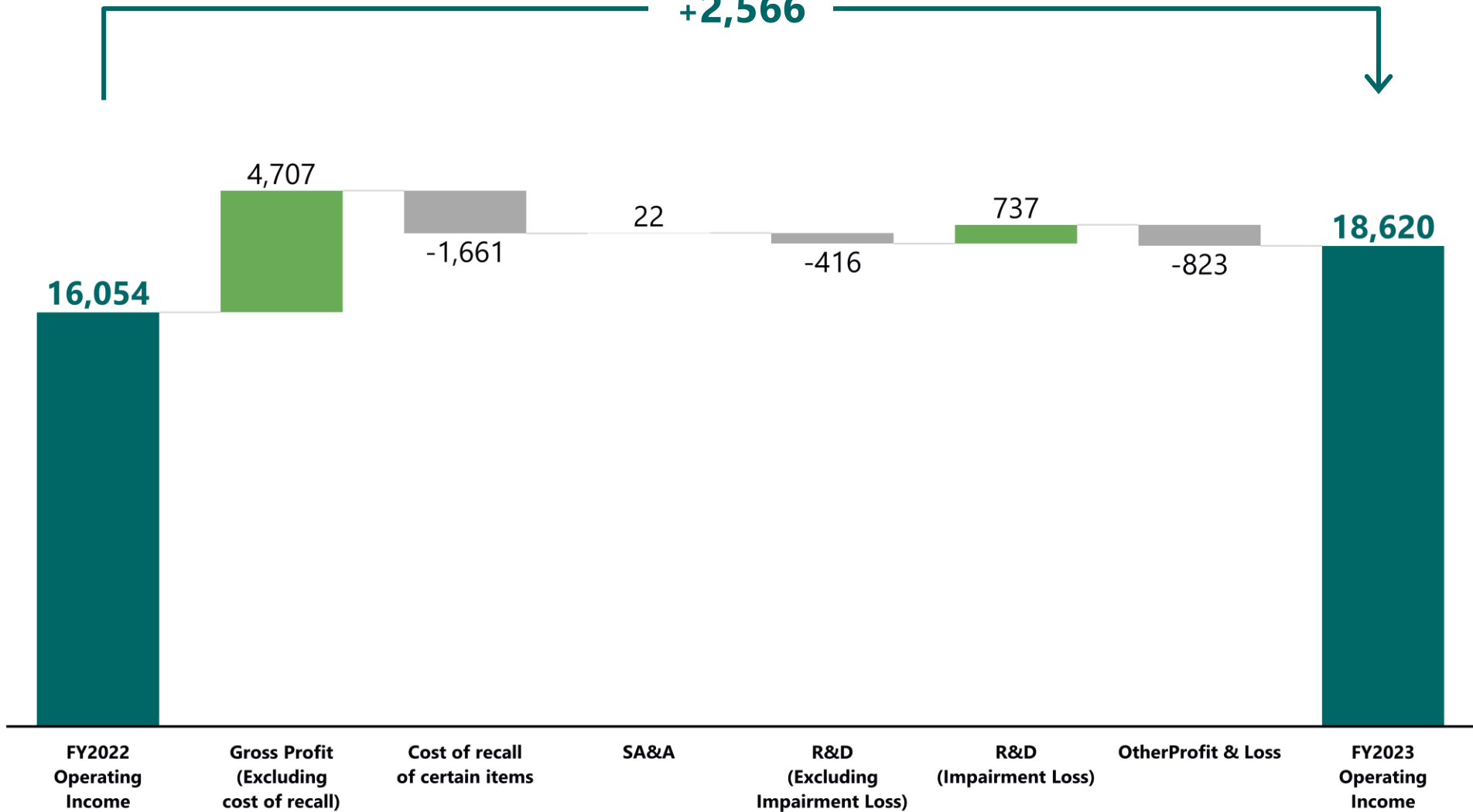
+2,503



Operating Income Analysis, Japan

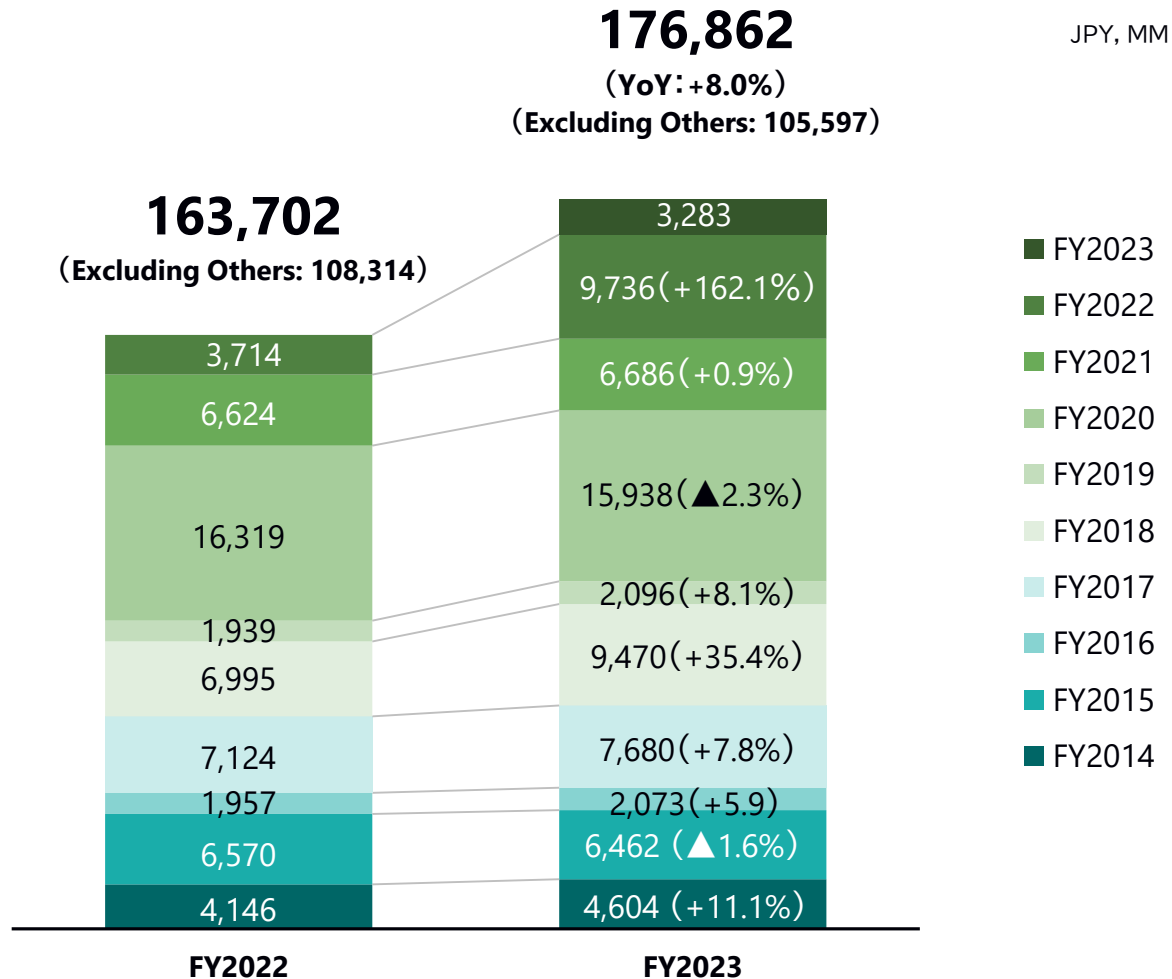
JPY, MM

+2,566



Sales by Product Launch Year

- Sales of products launched since FY2022 grew.



- The assets held for sale* account has been separated and presented under the current assets and current liabilities sections after being revalued to fair value less costs to sell based on the contracted sale price.

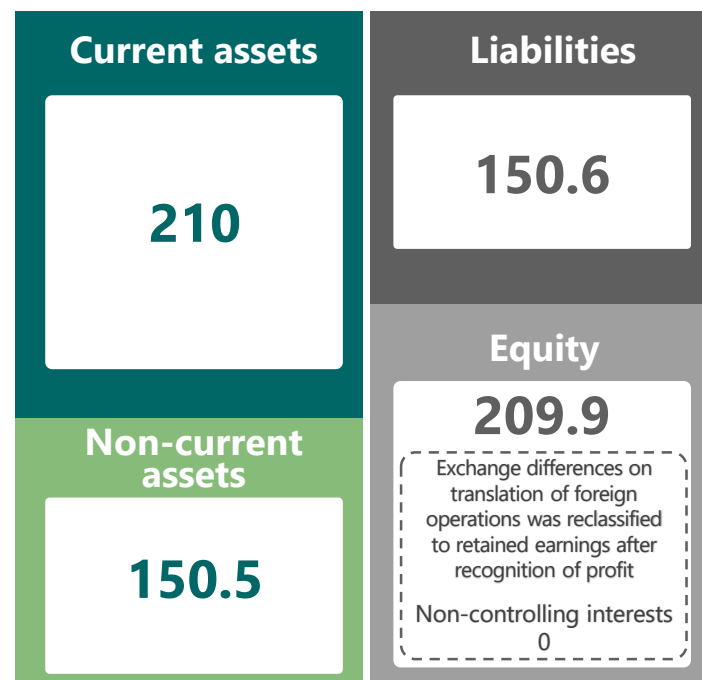
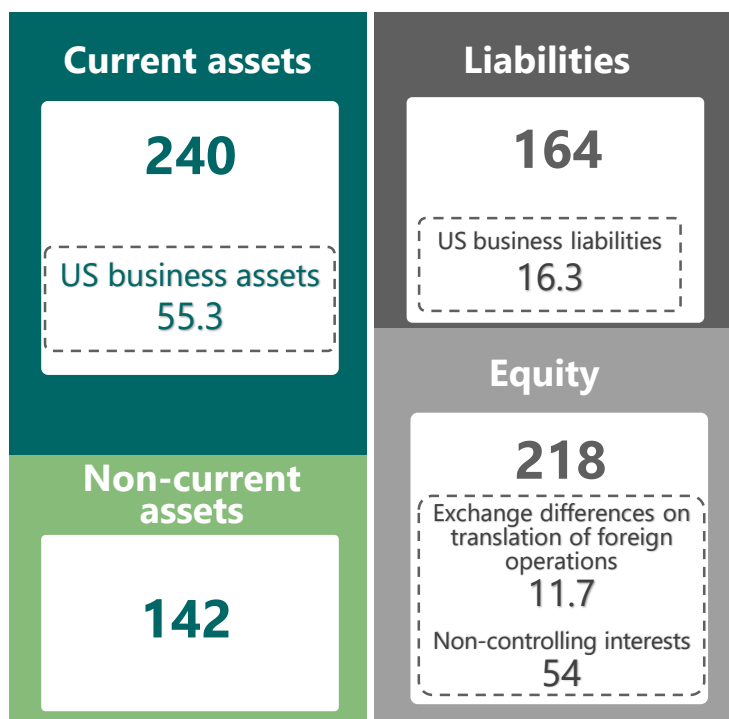
As of March 31, 2023

As of December 31, 2023

JPY, BN

Total assets 382

Total assets 360.5



Capital adequacy ratio: **55.7%**

Capital adequacy ratio: **58.2%**

Net D/E Ratio: **0.27**

Net D/E Ratio: **0.08**

* Assets held for sale represented a part of the US business as of March 31, 2023 and the entire US business as of December 31, 2023.

Consolidated Statements of Cash Flows

(JPY, MM)

	FY2022 Actual	FY2023 Actual	YoY Change	Factors
CF from operating activities	13,026	23,149	+10,123	Profit before tax: 18,262 Loss before tax from discontinued operations: +18,055 Inventories: -9,168 Trade and other receivables: -3,930
CF from investing activities	-27,134	-23,112	+4,022	Acquisition of property, plant and equipment: -17,915 Acquisition of intangible assets: -6,734
CF from financing activities	-1,267	2,363	+3,630	Net increase in short-term borrowings: +2,848 Proceeds from Issuance of Bonds: +9,943 Dividend payment amount: -5,694
Cash and cash equivalents at end of the period	33,076	26,368	-6,708	
EBITDA (adjusted)	33,507	35,943	+2,436	

* Core operating income + Depreciation/amortization and impairment losses that were excluded for the purpose of calculating core operating income

FY2024 Full Year Forecast

- Sales are expected to increase 14.2% due to growth of new products and main items.
- Cost will increase with the recruitment and further development of talents to drive growth, and operational start of the new solid dosage facility at Daini Kyushu Factory.
- Core operating income and operating income will increase 17.0%, 39.6% respectively year on year due to revenue increase.
- Profit will increase 50% year on year with the addition of realized exchange rate gains by finalizing the sales of our U.S. subsidiary.

(JPY, MM)

	FY2023 Actual	FY2024 Forecasts	YoY
Net Sales	176,862	202,000	+14.2%
Gross Profit	54,319	64,000	+17.8%
Core Operating Income	23,931	28,000^{*1}	+17.0%
Operating Income	18,620	26,000	+39.6%
Profit before tax	18,262	27,200	+48.9%
Quarterly Profit attributable to owners of the parent	13,695	30,000^{*2}	+119.1%
EBITDA(after adjustment)	35,943	41,400	+15.2%
EPS(yen)	312.67	228.30^{*3}	
ROE (%)	6.6	14.0	
ROIC (%)	4.8	10.1	

Average rate US\$1 = ¥145 US\$1 = ¥145

Continued operations

*1 Adjusted the following from operating income.

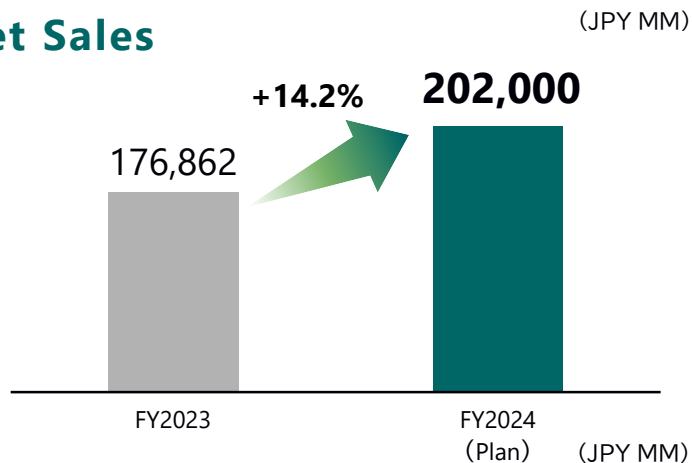
FY2024 Full Year Forecast	R&D expenses 2,000
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*2 With the foreign currency translation adjustment due to discontinuing the operations of the U.S. Business, gains and losses from discontinued operations increased 155,000 million yen.

*3 Note: On May 13, 2024, the Board of Directors resolved to implement a three-for-one stock split on October 1, 2024.

- Assume gross profit will increase 9,681 million yen despite an increase in depreciation cost, etc. from recently launched products.

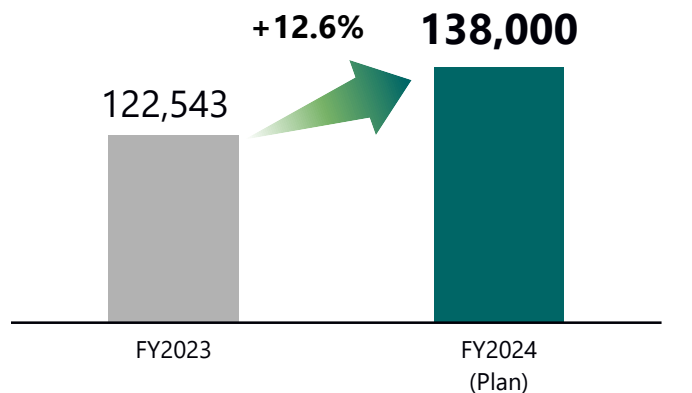
Net Sales



Net Sales Analysis

- Sales volume of existing products +8.9%
(incl. products launched after FY2023 +9.5%)
- Sales increase of recently launched products +4,500
(products launched after FY2023)

Cost of Sales



Cost of Sales Analysis

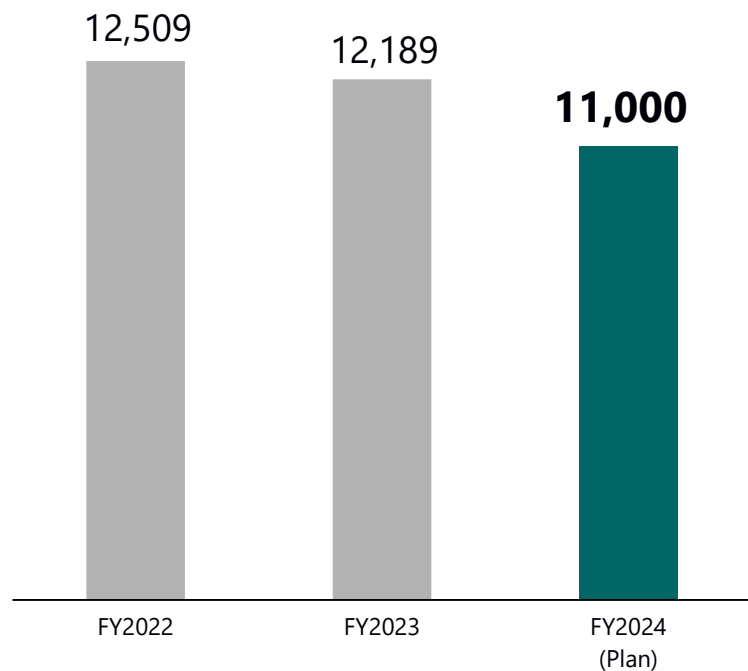
- Depreciation +1,500 (mainly related to Daini Kyushu Factory)
- Labor cost increase + about 3,600
(additional production staff of 300, etc.)
- Variable cost increase +8,100
(increase in procurement cost, sales volume)

- Continue investment for future growth also in FY2024

R&D Expenses

R&D expenses of at least 10 billion yen per year to develop high-value-added products.

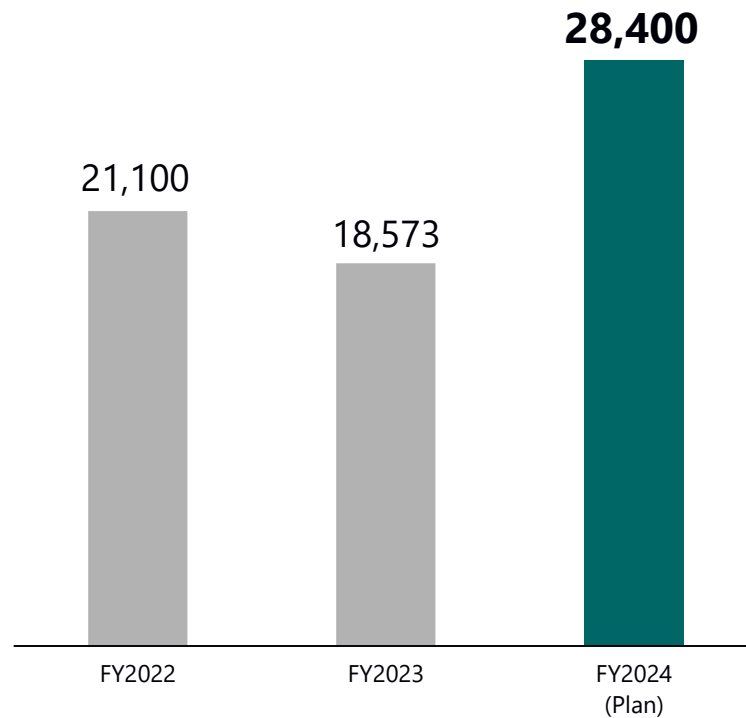
(JPY MM)



Capital Expenditures

Capital expenditures of 60 billion yen over the three years from FY2022 to expand production capacity

(JPY MM)



- The Company will split its common stock three for one (effective date: Oct. 1, 2024)
- FY2024 dividend forecast per share will increase from 130 yen to 159 yen for the first time in eight years (before stock split).

Stock split

- The Company's common stock will be split three for one.

Reference date	Sep. 30, 2024
Effective date	Oct. 1, 2024

Dividend per share

- FY2023 year-end dividend and FY2024 dividend forecast are as below.
- FY2023 year-end dividend will be submitted for resolution at the 3rd Annual General Meeting of Shareholders scheduled on Jun. 25 2024.

	FY2023	FY2024 (Forecast)
Interim	65 yen	78 yen
Year-end	65 yen	81 yen* (27×3)
Total	130 yen	159 yen* (53×3)

* Before stock split

Dividend on Equity (DOE) target under the next Medium-term Business Plan period

- DOE target will be released in Jun. under the next Medium-term Business Plan.



Initiatives to
strengthen supply
capacity

Daini Kyushu Factory construction progress

- Scheduled to start operation in Jul. 2024
- To meet the rising demand start investment for Step 2 in FY2024
- Production capacity after completing investment will be 3.5 billion tablets (initially planned at 3.0 billion tablets)

Summary

Address	1144-3, Hiratsune, Iizuka, Fukuoka, Japan
Investment	Step 1: approx. 37 billion yen Step 2: approx. 8 billion yen
Production Capacity (Tablets)	Step 1: 2 billion in 2024 Step 2: Add 1.5 billion in 2027 (Initial plan: 1.0 billion)
Employment plan	FY2024: 120 (addition)

Schedule



- Aim to drive production further with the increased utilization of Trust’s facility and operational start of the Daini Kyushu Factory.

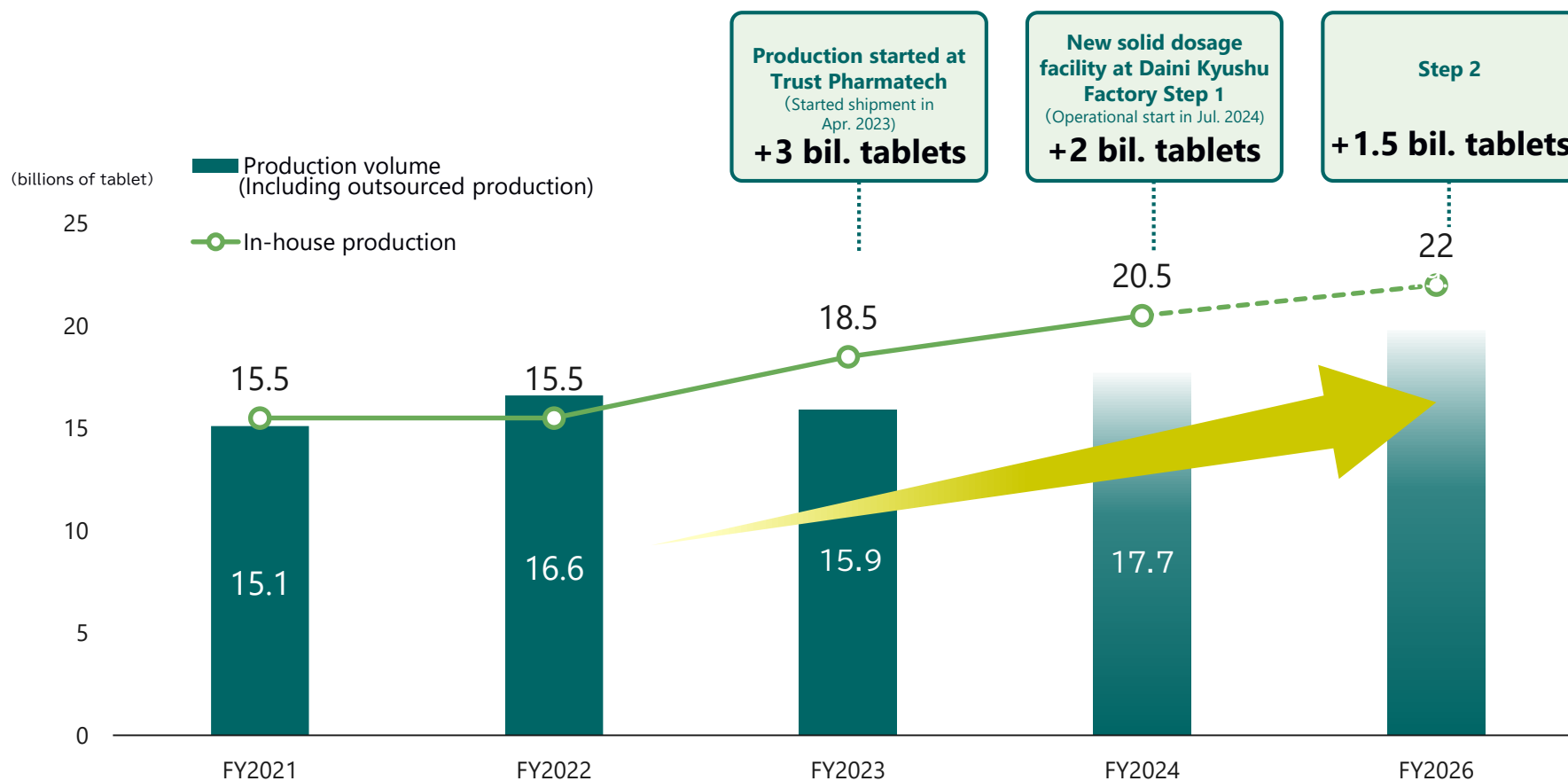
Production volume forecast

Trust	<ul style="list-style-type: none"> • Transfer of products to Trust is progressing steadily. • FY2024 production volume will decline with a change in the production plan. • Production of 9 million tablets is planned in FY2024.
New solid dosage facility at Daini Kyushu Factory	<ul style="list-style-type: none"> • Operational start is scheduled in Jul. • FY2024 production volume is planned at 300 million tablets.

		FY2023		FY2024 Plan
		Initial plan	Actual	
Quantity of products (Tablets)	Trust	600 million	240 million	900 million
	New solid dosage facility at Daini Kyushu Factory	-	-	300 million
Number of items	Trust	9	4	9
	New solid dosage facility at Daini Kyushu Factory	-	-	10

Future Production Capacity to Strengthen Stable Supply Capabilities

- Due to increased production by Trust and other factors, production volume in FY2023 was 17.7 billion tablets including outsourced production (FY2022 15.9 billion).
- Further capital investment is planned to address growing demand.
- Aim to further expand market share in Japanese generics market.



* Production capacity: The current number of items is assumed to be two shifts per week to keep the machine running. Outsourcing is not included.

Recurrence prevention
measures responding
to inappropriate tests
at Sawai's subsidiary

Measures to prevent recurrence inappropriate tests at Sawai's subsidiary

Responding to the inappropriate dissolution testing conducted for Teprenone Capsules 50 mg "Sawai" to monitor its drug stability, the following measures to prevent its recurrence are steadily taken such as the Corporate Culture Reform Project led by the President.

1

Corporate Culture Reform Project

2

Re-assess the existing products from manufacturing and quality perspectives, and implement corrective measures

3

Implement recurrence prevention measures in the production division of Sawai Pharmaceutical

4

Implement recurrence prevention measures at the Kyushu Plant of Sawai Pharmaceutical

5

Implement recurrence prevention measures at quality & safety divisions of Sawai Pharmaceutical

Details of initiatives and progress are disclosed on our webpage and updated regularly.

(Please click the following URL for details)

https://www.sawai.co.jp/important_news/detail/17

テーマ	実施事項	2023					2024							
		11	12	1	2	3	4	5	6	7	8			
1	法令遵守週刊を設置し（原則毎月3連日）、役員を含む全従業員に薬機法、GMP基礎等のコンプライアンス教育を実施													
	再教育や日常の注意喚起を継続することによる法令遵守、コンプライアンス精神の浸透の徹底													
	2023年度の改善活動「M1倶楽部活動」に法令遵守の観点可能な限り織り込む													
	2024年度の改善活動「M1倶楽部活動」のテーマを法令遵守とする コンプライアンス委員会の開催頻度を増やし、毎月開催とする													
2	全社レベルでの選材選所登用の推進のための人事制度見直し													
3	社内外からの有能な人材の積極登用													
4	本社管理部門の体制や機能の見直し強化													
5	内部通報システムの活用推進強化													
6	社長と従業員の直接対話の場の設置、社長メッセージ定期発信による経営陣と従業員との対話の促進													

※集にスクロールで進みます。→

■ 実施済み ■ 予定

A webpage showing the progress of measures taken



Townhall meetings for direct dialogues between President and employees



Directions under the
new Medium-term
Business Plan

- 1** Set the directions to achieve “Vision 2030” placing a top priority on restoring trust in the Company.
- 2** In Japanese generics business, concentrate management resources on quality assurance and production capacity enhancement. In addition to the growth during the current medium-term business plan, establish a framework to drive growth forward in the next business plan period.
- 3** Continue investment in growth areas where synergies with Japanese generics business are expected toward a long-term growth.
- 4** Promote management focused on related KPIs based on the “Basic policy of reviewing business portfolio and capital policy” released in Jan. 2024.



Reference Materials

- 2 ingredients and 3 products were listed in NHI price list (Please see below for the new products listed in Jun.)

Product name	Brand products
Zonisamide OD Tablets: 25mg, 50mg	TRERIEF [®] OD Tablets 25mg, 50mg
Zinc Acetate Hydrate Granules: 5%	NOBELZIN [®] Granules 5%

Sales by Channel in Japan

- Sales increased due to the steady growth of main products and products launched since FY2022.

Medical institutions		FY2022		FY2023			YoY	
Channel	Total, Nationwide	# of Customers	Sales Share	# of Customers	Coverage Rate	Sales Share	# of Customers	Sales Growth
Hospital	8,121	8,043	10.2%	8,035	98.9%	11.0%	-8	+15.6%
DPC Hospital	1,761	1,759	6.3%	1,757	99.8%	7.1%	-2	+19.5%
Clinic	111,022	44,197	8.9%	44,346	39.9%	8.9%	+149	+7.1%
Pharmacy	90,439	61,692	79.8%	62,253	68.8%	79.0%	+561	+5.9%
Dispensing	63,858	61,358	79.3%	61,895	96.9%	78.6%	+537	+6.0%
Drug Stores, etc	26,581	334	0.5%	358	1.3%	0.4%	+24	-9.5%
Others	-	-	1.1%	-	-	1.1%	-	+2.3%
Total	209,582	113,932	100.0%	114,634	54.7%	100.0%	+702	+7.0%

Comparison of Sales Volume by Therapeutic Area, Japan

- Sales of cardiovascular drugs, central nervous system drugs, and other metabolic drugs have increased steadily due to sales of launched products and mainstay products in recent years.

	FY2022	FY2023	YoY (volume)	YoY (value)
	Comp.	Comp.		
Cardiovascular drugs	27.5%	28.3%	+7.7%	+8.1%
Gastro-intestinal drugs	16.5%	15.6%	-1.3%	+4.9%
Central nervous system drugs	15.1%	15.1%	+4.3%	+6.7%
Other metabolic drugs	8.5%	8.4%	+3.2%	-2.7%
Blood/body fluid pharmaceutical products	8.1%	8.3%	+7.3%	+14.7%
Respiratory organ agents	5.6%	5.9%	+10.8%	+15.0%
Vitamin drugs	5.6%	5.3%	-0.9%	-0.9%
Antiallergic drugs	3.6%	3.7%	+8.3%	+6.6%
Antibiotics drugs	2.0%	2.1%	+12.1%	+20.2%
Others	7.5%	7.3%	+1.9%	+12.2%
Total	100.0%	100.0%	+4.6%	+8.0%

Digital medical devices business

■ SWD001 (non-invasive neuromodulation device)

- Acute treatment of migraine: A medical device, Relivion®, obtained the marketing and manufacturing approval from the Ministry of Health, Labour and Welfare of Japan in December 2023.
- Depression: Application for approval will be considered after the completion of clinical studies in the US.

■ SWD002 (DTx for NASH*1)

- Phase 3 study started in January 2024 for Digital Therapeutic App for NASH* that entered into a development and marketing license agreement with CureApp, Inc.

■ SaluDi (PHR*2 app)

- Promoting introduction to medical facilities to strengthen cooperation with regional medical care providers and generic drugs business (Adopted by 1,340 medical facilities as of Apr. 30, 2024).

*1 NASH: non-alcoholic steatohepatitis

*2 PHR: Personal Health Record

Health food business

■ Foods with Functional Claims

- Continue to market two products, “Triple Seikatsu Shukan” (Triple lifestyle habits) and “Kukkiri Ryoku Ai” (Sharp eyesight).
- Continue to develop products and services in the pre-disease and prevention field.

New Drug Businesses (Orphan diseases)

■ Orphan Drugs

- Strengthening the internal evaluation structure and continuing to consider expanding the pipeline.

Consolidated Financial Highlights-1

Key Income Statements Data

(単位:百万円)

	FY2022 Actual		FY2023 Actual			FY2023 Forecast		
	Full Year	/Sales (%)	Full Year	/Sales (%)	YoY	1H	/Sales (%)	Full Year
Net Sales	163,702	100.0%	176,862	100.0%	+8.0%	99,000	100.0%	202,000
Cost of Sales	113,450	69.3%	122,543	69.3%	+8.0%	66,500	67.2%	138,000
Gross Profit	50,252	30.7%	54,319	30.7%	+8.1%	32,500	32.8%	64,000
SG&A Expenses	22,245	13.6%	23,244	13.1%	+4.5%	13,500	13.6%	27,000
R&D Expenses	12,509	7.6%	12,189	6.9%	-2.6%	5,400	5.5%	11,000
Other income(expenses)	557	0.3%	-267	-	-	-	-	-
Core operating income	21,428	13.1%	23,931	13.5%	+11.7%	14,600	14.7%	28,000
Core Operating Income (Excluding Trust Pharmatech)	26,565	16.2%	29,830	16.9%	+12.3%	-	-	-
Operating Income	16,054	9.8%	18,620	10.5%	+16.0%	13,600	13.7%	26,000
Operating Income (Excluding Trust Pharmatech)	20,898	12.8%	24,481	13.8%	+17.1%	-	-	-
Profit before tax	15,850	9.7%	18,262	10.3%	+15.2%	15,100	15.3%	27,200
quarterly profit	12,667	7.7%	13,695	7.7%	+8.1%	22,000	22.2%	30,000
Profit attributable to owners of the parent	33,507	20.5%	35,943	20.3%	+7.3%	21,300	21.5%	41,400
EBITDA *1	163,702	100.0%	176,862	100.0%	+8.0%	99,000	100.0%	202,000

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

Key Performance Indicator

	FY2022 Actual	FY2023 Actual	FY2024 Full Year Forecast
ROE (%)	6.5	6.6	14.0
ROIC (%)	4.9	4.8	10.1
Basic earnings per share	289.25	312.67	228.30 ^{※1}
Diluted earnings per Share	288.60	311.79	-
Dividend(interim)	130.00	130.00	159.00(53×3)

*1 Note: On May 13, 2024, the Board of Directors resolved to implement a three-for-one stock split on October 1, 2024.

Key Balance Sheets Data

(JPY, MM)

	FY2022 Actual	FY2023 Actual
Total Assets	364,165	382,024
Equity	212,738	218,030
Ratio of equity attributable to owners of the company to total assets (%)	55.4	55.7
Net D/E ratio	0.20	0.27

Statement of cash flows

(JPY, MM)

	FY2022 Actual	FY2023 Actual
CF from sales activities	13,026	23,149
CF from investment activities	-27,134	-23,112
CF from financing activities	-1,267	2,363
cash and cash equivalents at the end	33,076	26,368
Free Cash Flow	-14,108	+37

Consolidated Financial Highlights-3

Adjusted from Full basis to Core basis

(JPY, MM)

	FY2022 Actual			FY2023 Actual		
	Full Basis	Adjusting	Core Basis	Full Basis	Adjusting	Core Basis
Net Sales	163,702	-	163,702	176,862	-	176,862
Cost of Sales	- 113,450	48	- 113,402	- 122,543	43	- 122,500
Others	- 48	48	-	- 43	43	-
Gross Profit	50,252	48	50,300	54,319	43	54,362
SG&A Expenses	- 22,245	806	- 21,439	- 23,244	369	- 22,875
Amortization of intangible assets	- 595	595	-	- 339	339	-
Others	- 211	211	-	- 31	31	-
R&D Expenses	- 12,509	5,076	- 7,433	- 12,189	4,632	- 7,557
Amortization	- 1,580	1,580	-	- 1,820	1,820	-
Impairment loss	- 3,464	3,464	-	- 2,727	2,727	-
Others	- 33	33	-	- 85	85	-
Other income	730	- 730	-	189	- 189	-
Other expenses	- 174	174	-	- 456	456	-
Operating Income	16,054	5,374	21,428	18,620	5,312	23,931

Selling General and Administrative Expenses

(JPY, MM)

	FY2022 Actual		FY2023 Actual			FY202 Forecast	
	Full year	/Sales (%)	Full year	/Sales (%)	YoY	Full year	/Sales (%)
R&D Expenses	12,509	7.6%	12,189	6.9%	-2.6%	11,000	5.4%
Advertisement Expenses	1,151	0.7%	901	0.5%	-21.7%	800	0.4%

Capital Expenditure & Depreciation and Amortization

	FY2022 Actual	FY2023 Actual	FY2024 Full Year Forecast
Capital Expenditure	21,100	18,573	28,400
Depreciation and Amortization	14,255	14,171	15,600
Manufacturing Division	9,157	9,500	11,000
R&D Division	2,895	2,966	3,200
Administration Div. & Business Div.	2,202	1,705	1,400

Personnel Information Number of Employees

	FY2022 Actual		FY2023 Actual	
	As of Mar 31	Comp.(%)	As of Mar 31	Comp.(%)
Manufacturing Division	2,015	68.4%	2,097	69.0%
R&D Division	295	10.0%	297	9.8%
Administration Div. & Business Div.	634	21.5%	643	21.2%
(MRs)	375	-	376	-
Total	2,944	100.0%	3,037	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.

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