

Patients First



Sawai Pharmaceutical Co., Ltd. **Integrated Report 2016**

For the Year Ended March 31, 2016



Profile

Sawai Pharmaceutical traces its roots back to Sawai Pharmacy in 1929. Pharmacies were rare in Japan in that era, and Sawai Pharmacy initially contributed to its region's community by selling pharmaceuticals. Thereafter, in the light of pharmaceutical shortages before and after World War II, Sawai Pharmacy decided that it should begin emphasizing pharmaceutical manufacturing and entered OTC pharmaceutical manufacturing. When Japan introduced its universal medical insurance system (the National Health Insurance System [NHI]), Sawai shifted the focus of its operations from OTC pharmaceutical manufacturing to ethical pharmaceutical manufacturing. Today, Sawai is a leading company in Japan's generic pharmaceutical industry and contributes to society by providing high-quality generics.

Corporate Philosophy

Patients First

1. It is **sawai**'s mission to enable people to live healthy lives through pharmaceutical products imbued with our whole-hearted dedication.
2. It is **sawai**'s challenge to grow in tandem with society through innovation and cooperation, while pursuing creativity.
3. It is **sawai**'s hope that we will become an indispensable part of society through our desire to be of service.

Approach to Integrated Reporting

This report was prepared with the support of the Company's CSR Committee, which includes the Director in charge of CSR, and its Secretariat. It presents relevant information that may materially affect the ability of the Company to create value over the short, medium, and long terms.

A Caution Concerning Forward-Looking Statements

This report contains forward-looking statements regarding the Company's plans, outlook, strategies, and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication.

Accordingly, please be aware that the impact of certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report.

Editorial Policy

Sawai Pharmaceutical, in addition to the presentation of its financial and business information, has added environment-related and other non-financial information to produce an integrated report, based on the international integrated reporting framework of the International Integrated Reporting Council (IIRC).

This report presents information related to Sawai Pharmaceutical and its consolidated subsidiaries for fiscal 2015 (April 1, 2015 to March 31, 2016).

* Some information is presented which does not fall within this period.

Financial Information

For more detailed financial information, please refer to the Financial Section

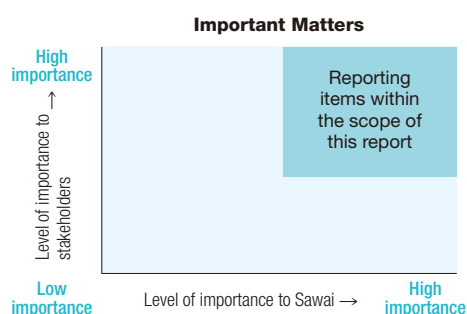
URL: http://www.sawai.co.jp/en/ir/library/integrated_report

Key Stakeholder Groups



Definition of Materiality

This report contains information regarding the Company's strategy and performance, its future outlook as well as its creation of corporate value in the short, medium, and long terms. In addition, this report includes information on matters related to finance, economic, social, environmental, governance, and other matters. Such information contained in this report has been included based on judgments regarding materiality from the points of view of assessments of quantity, quality, risk and opportunities as well as inputs from dialogue with stakeholders. Information deemed to be of particularly high importance has been included.



Contents

Introduction: Sawai's Special Characteristics and Business Model

- 2 Adding Capacity for the 80% Generic Era
- 4 Growth Path
- 6 Sawai's Progress over the Past Year
- 8 Sawai in Figures
- 10 Business Model

Commitment: Determination to Attain Growth and Sawai's Medium-Term Business Plan (Revised)

- 12 To Our Stakeholders
- 13 Message from the President
- 18 Message from the Director of Finance
- 20 (for Reference) Market Environment

Our Business: Sawai's Businesses

- 22 Research and Development
- 23 Production and Stable Supplies
- 24 Marketing and Sales
- 25 Quality Control/Strategic Planning, Corporate Communications, and Investor Relations/Corporate Administration

Sustainability: Toward Sustained Corporate Growth

- 26 Corporate Governance
 - 29 Internal Control, Compliance, and Risk Management
 - 31 Message from an External Director
- 32 Directors, Auditors, and Officers
- 35 Corporate Social Responsibility (CSR)
 - 37 Human Rights and Labor Initiatives
 - 38 Environmental Initiatives
 - 39 Social Contribution Activities

Financial Section: Financial Information

- 40 Eleven-Year Summary
- 42 Consolidated Balance Sheets
- 44 Consolidated Statements of Income
- 44 Consolidated Statements of Comprehensive Income
- 45 Consolidated Statements of Changes in Net Assets
- 46 Consolidated Statements of Cash Flows

Information

- 47 Corporate Data/Stock Information
- 48 Corporate History
- 49 Main Networks

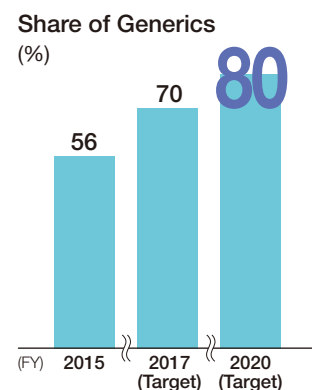
Adding Capacity for the 80% Generic Era

Against a background in Japan of a super-aged society and serious fiscal issues as well as rising medical care costs, the importance of relatively low-cost generic pharmaceuticals is increasing. Under the government's "Honebuto Policy 2015,*" a numerical target for the further use of generic pharmaceuticals has been set. Through increasing its capital investment, Sawai is working to increase its capabilities for providing stable supplies of high-quality generic medicines.

* This policy, which was set by the administration of Prime Minister Shinzo Abe, sets forth the government's economic and fiscal policies going forward. After deliberation of this policy in the Council on Economic and Fiscal Policy on June 30, 2015, it was approved by the Abe Cabinet.

Rapid Increase in Volume Share of Generics

Japan's "Honebuto Policy 2015" calls for raising the volume share of generics in total patent-expired pharmaceuticals to 70% or more in mid-2017, and, thereafter, to 80% or more as quickly as possible during the period from fiscal 2018 to fiscal 2020. Based on this policy, the government has formulated policies to promote the use of generics, and, accordingly, the market is forecast to expand going forward.

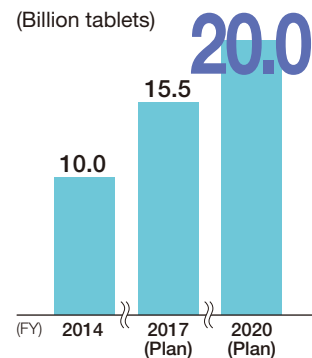




Increasing Production Capacity in Response to Market Expansion

Sawai is planning to raise its annual production capacity from 10 billion tablets to 15.5 billion tablets at the end of fiscal 2017. To meet the target of the “Honebuto Policy 2015,” Sawai will further increase its capacity to 20 billion tablets by 2020 fiscal year-end. To accomplish this, Sawai will accelerate its activities to expand capacity to provide stable supplies efficiently across a wide range of pharmaceuticals, while also moving forward with consideration of restructuring its systems for stable supply by subcontracting a portion of its production.

Trends in Production
(Billion tablets)



Realizing rapid corporate growth while promoting wider use of generics

Demographic aging is proceeding more rapidly in Japan than anywhere else in the world, and, since the start of the 21st century, the Japanese government has promoted greater use of generic drugs to restrain growth in medical care expenses. To make the most of this opportunity, Sawai Pharmaceutical has promoted generic drug awareness, advertising, and other activities while also making investments for growth in manufacturing facilities, personnel, and other corporate resources. Consequently, Sawai is strongly positioned to respond to demand growth and has reported rapidly improving corporate performance along with expansion in the scale of its operations.



Ceremony for listing on the TSE First Section

1981
Kyushu Factory completed in Fukuoka Prefecture

1990
Established Research & Development Center

2003
Listed on the First Section of the TSE

2006
Head Office and Research Laboratories combined, and new premises completed. Relocated to current premises

1948
Sawai Pharmaceutical Co., Ltd. incorporated in Asahi-ku, Osaka

1995
Listed on the OTC stock market

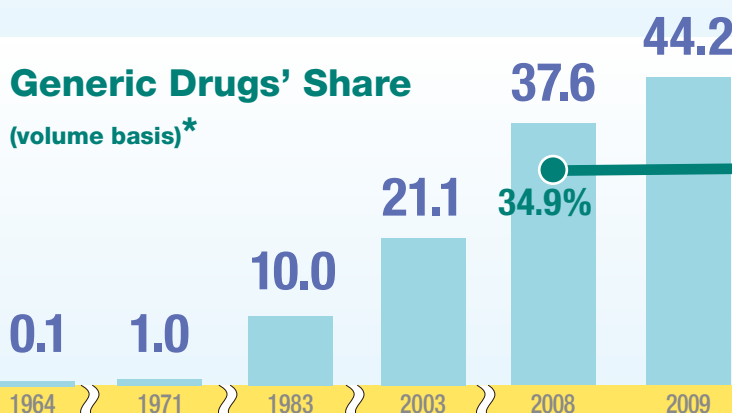
Head Office and Factory at the time of Sawai's incorporation



1929
Sawai Pharmacy established in Asahi-ku, Osaka, by Hanpei Sawai and Noyo Sawai

Generic Drugs' Share (volume basis)*

Net Sales (billion yen)





200.0 billion yen
or more

2007

Corporate Philosophy and Code of Conduct established

2008

Hiroyuki Sawai appointed to Chairman and Mitsuo Sawai appointed to President.

2013

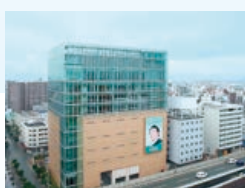
Completed a new pharmaceutical plant at the Kanto Factory



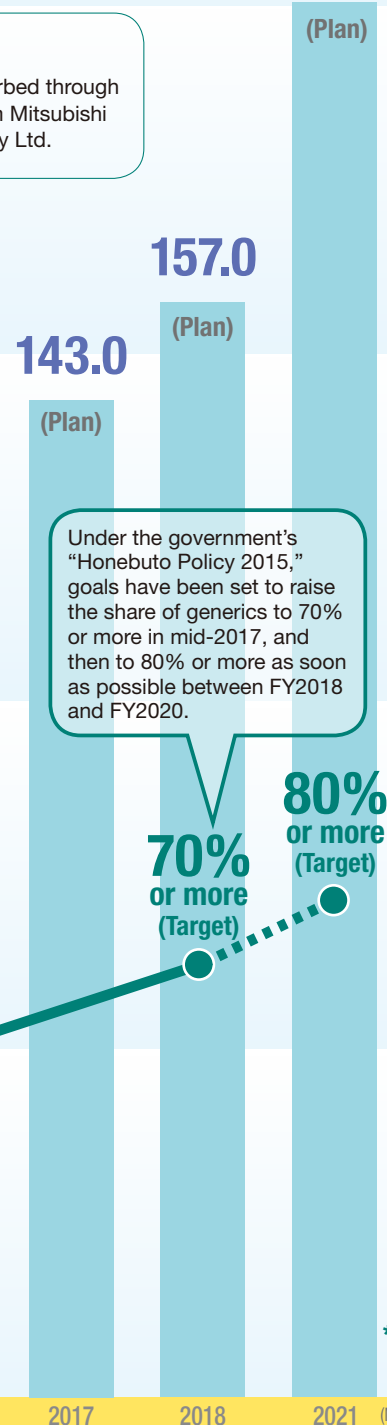
Pharmaceutical plant at the Kanto Factory

2015

Kashima Factory absorbed through a spin-off process from Mitsubishi Tanabe Pharma Factory Ltd.



Head Office and Research Laboratories



* Source: Ministry of Health, Labour and Welfare (MHLW)

2010

2011

2012

2013

2014

2015

2016

2017

2018

2021

(March 31)

Medium-Term Business Plan
"M1 TRUST"

Medium-Term Business Plan
"M1 TRUST 2015"

Medium-Term Business Plan
"M1 TRUST 2018"

Sawai's Progress over the Past Year

To realize its medium- to long-term vision, “Target net sales of ¥200 billion by the year ending March 31, 2021,” Sawai has positioned its Medium-Term Business Plan “M1 Trust 2018” as the stage for structuring the foundations. The following outlines the various measures Sawai was taking during fiscal 2015, the first year of the plan, to attain its target.



Kashima Factory



Architect's drawing of the completed Sanda-Nishi Factory

Issued first integrated report “Sawai Pharmaceutical Co., Ltd. Integrated Report 2015”



Held ground-breaking ceremony for Sawai's new packaging plant, Sanda-Nishi Factory



→ For details, refer to page 23

Ms. Nawomi Todo appointed as Sawai's second external director



→ Refer to her message on page 31



Announcement of Medium-Term Business Plan “M1 TRUST 2018”

→ For details, refer to pages 13 to 17

Acquisition of the Kashima Factory of Mitsubishi Tanabe Pharma Factory Ltd.



August

Issued stock options to substantially increase motivation and moral with the aim of increasing corporate value in the medium-to-long term

July

Launched CLOPIDOGREL in a lineup of 10 items with 5 ingredients



May

Donated “Sawai Hall” to the School of Pharmaceutical Sciences of Osaka University for the training of next-generation medical personnel

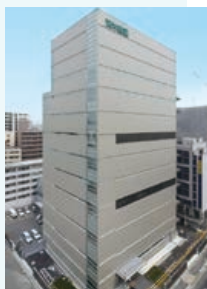


April

2015



CLOPIDOGREL tablets



Development Center

Sawai's No. 2 Research and Development base, Development Center, started operations to consider commercialization of newly developed products and to improve existing products.



In fiscal 2015, 100% of Sawai personnel taking the Medical Representative test qualified for the seventh consecutive year.



March

February

CSR section of Sawai's website revised



2016

January

December

November

October

September

Launched RALOXIFENE HYDROCHLORIDE tablets in a lineup of 15 items with 9 ingredients



Sawai became the first company to develop and market a generic version of RALOXIFENE HYDROCHLORIDE 60mg (Sawai)



RALOXIFENE HYDROCHLORIDE tablets

Selected No. 1 by pharmacists as the most favored generic manufacturer for the sixth consecutive year



Special sponsor of the "Heart Health Walk" held on World Heart Day 2015



→ For details, refer to page 39



World Heart Day 2015

Research and Development



Production, Stable Supplies, and Quality Control



Marketing and Sales



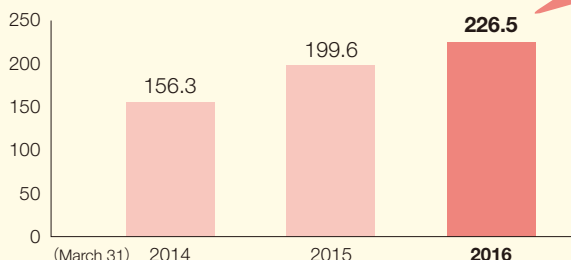
CSR



Sawai in Figures

Reduction in Medical Expenses

(Billions of yen)

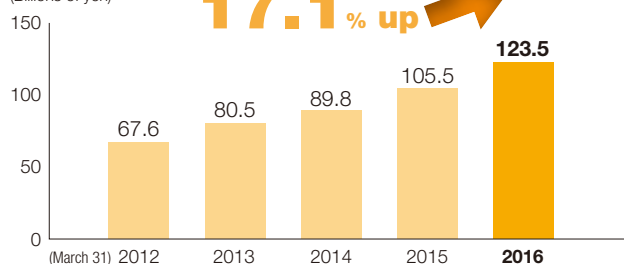


Approx. **¥226 Billion**

The trends toward demographic aging and increasingly sophisticated medical therapy methods have been accompanied by rapid growth in medical care expenses, and this has presented Japanese society with a major challenge. Sawai is helping restrain expansion in medical care expenses by marketing generic drugs at lower prices than those of branded products. In fiscal 2015, ended March 31, 2016, our business activities contributed to reducing medical care expenses by approximately ¥226 billion on an NHI drug price basis.

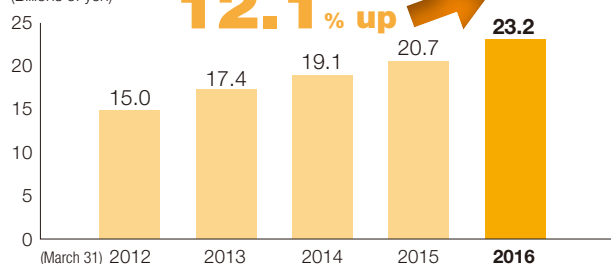
Net Sales

(Billions of yen)



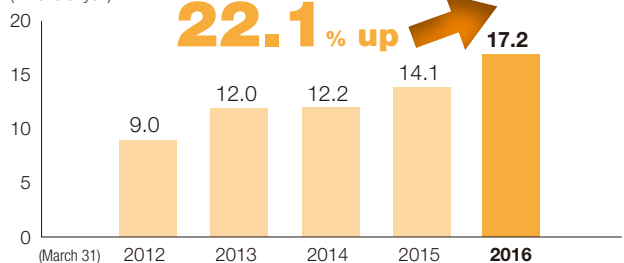
Operating Income

(Billions of yen)



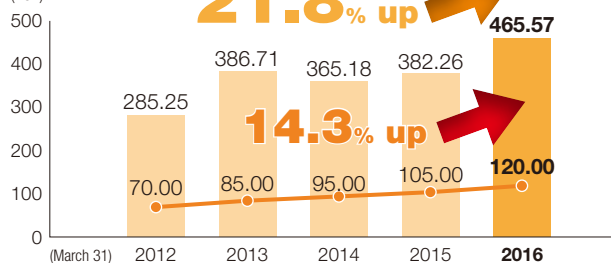
Profit Attributable to Owners of Parent

(Billions of yen)



Net Income per Share/Cash Dividends per Share

(Yen)

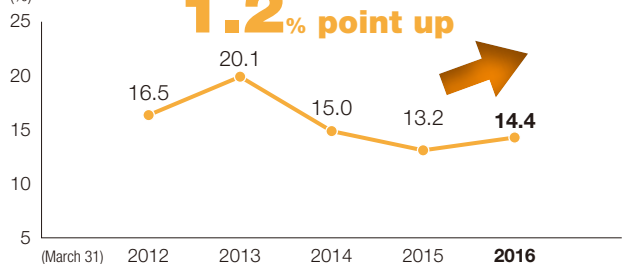


Net Income per Share Cash Dividends per Share

* The Company split its common stock two for one on October 1, 2013. Net income per share and cash dividends per share for years prior to 2014 were recalculated to reflect the share split.

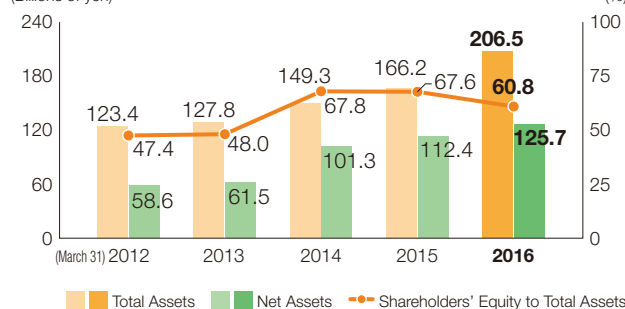
ROE

(%)



Total Assets/Net Assets/Shareholders' Equity to Total Assets

(Billions of yen)



Total Assets Net Assets Shareholders' Equity to Total Assets

Mechanism for Reducing Medical Expenses

To launch generic pharmaceuticals after the patent on the original drug has expired restrains the development cost. Since NHI prices of generic drugs are set lower than those of patented medicines, the difference between the new generic and the patented drug contributes to saving on national drug expenditures. In fiscal 2015, ended March 31, 2016, if we compare the cost of using Sawai's generic pharmaceuticals with using patented original drugs, the savings due to Sawai's products was about ¥226 billion.

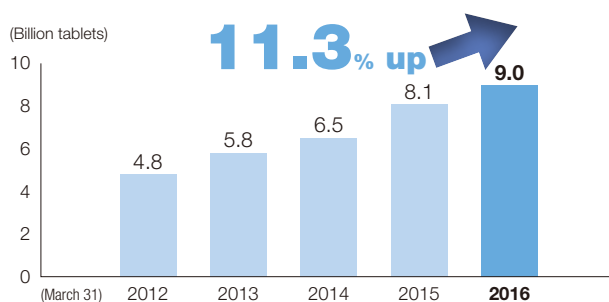
Cost to hypertension patient*



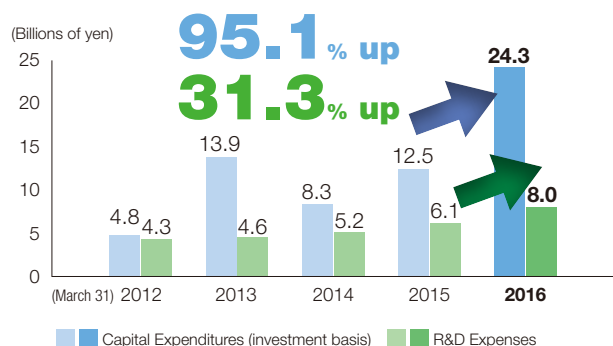
* Assuming a typical hypertension drug is taken once a day for a full year

* When the calculation is made only for the price of drugs (NHI drug prices are as of April 2016, with 30% paid by the patient)

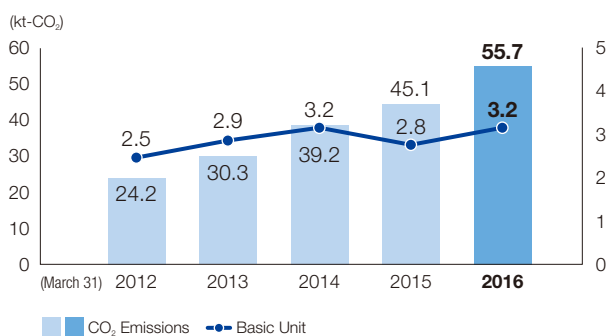
Sales Volume



Capital Expenditures/R&D Expenses



CO₂ Emissions

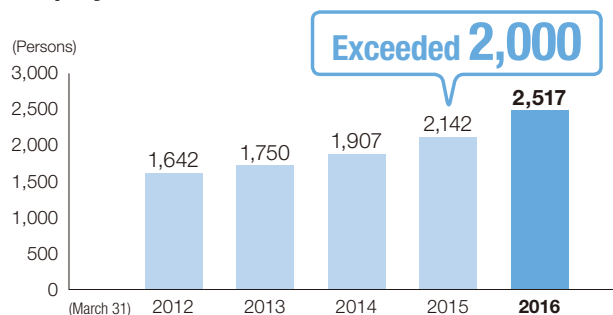


* Volume of CO₂ emissions per unit of production is the volume of emissions divided by production volume (bil. tablets).

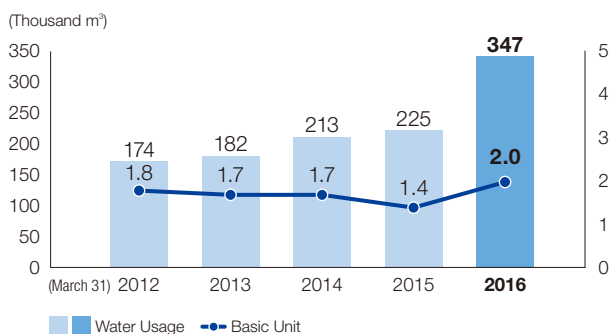
* Excluding Kaken Shoyaku Co., Ltd.

* The increase in the volume and the basic unit for the year ended March 2016 was mainly due to the acquisition of the Kashima Factory in April 2015.

Employees (Including contingent employees)



Water Usage

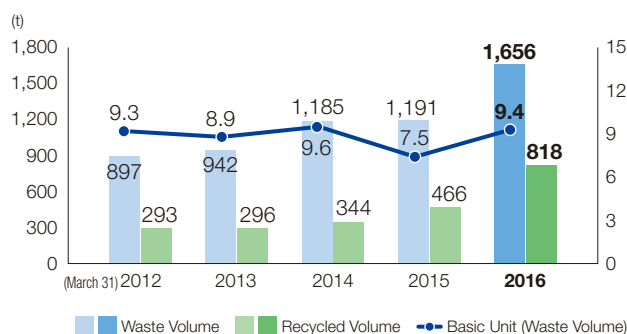


* Volume of water usage per unit of production is the volume of usage divided by production volume (100 mil. tablets).

* Excluding Kaken Shoyaku Co., Ltd.

* The increase in the volume and the basic unit for the year ended March 2016 was mainly due to the acquisition of the Kashima Factory in April 2015.

Waste Volume/Recycled Volume



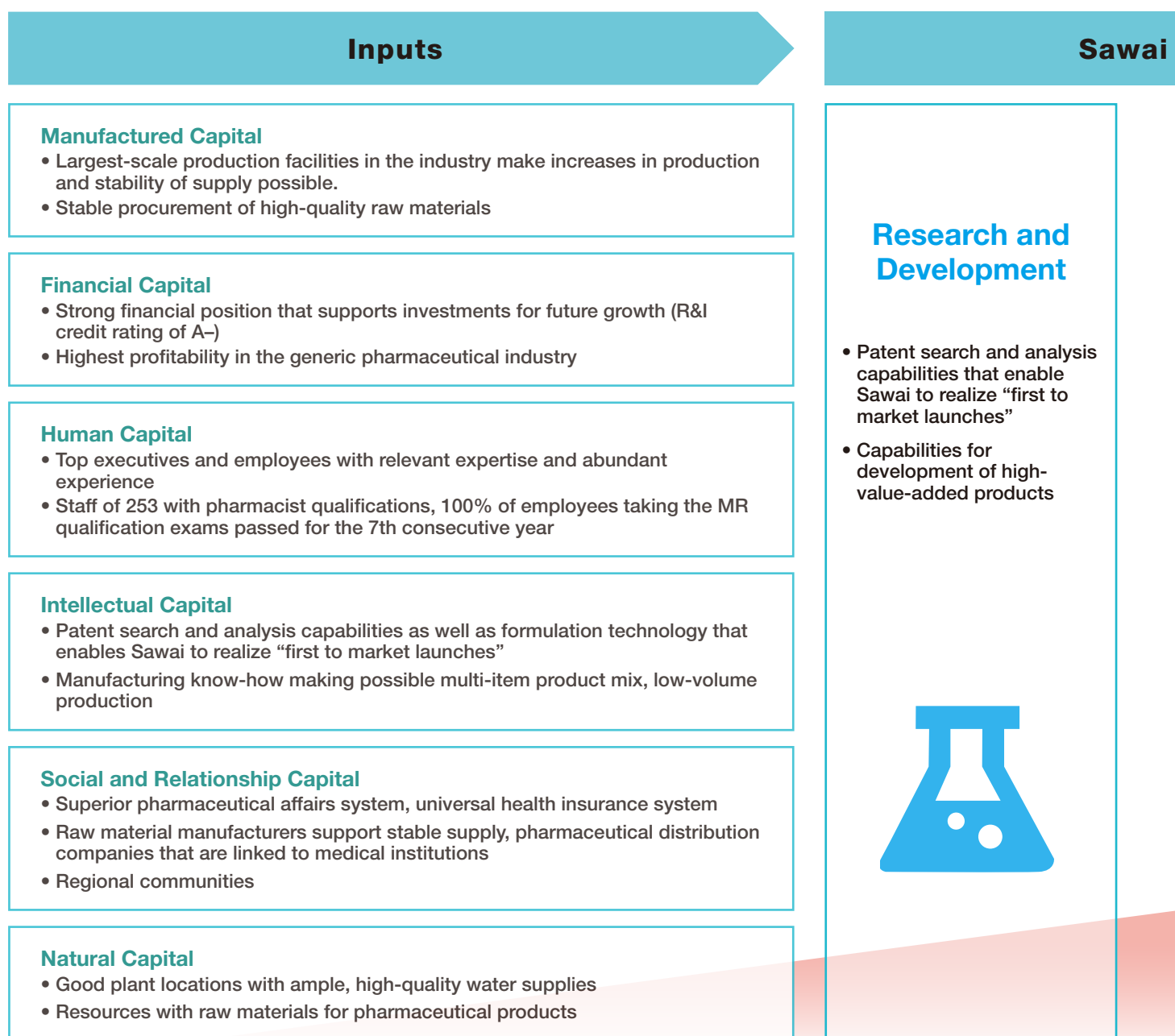
* Volume of waste per unit of production is the volume of waste divided by production volume (100 mil. tablets).

* Excluding Kaken Shoyaku Co., Ltd.

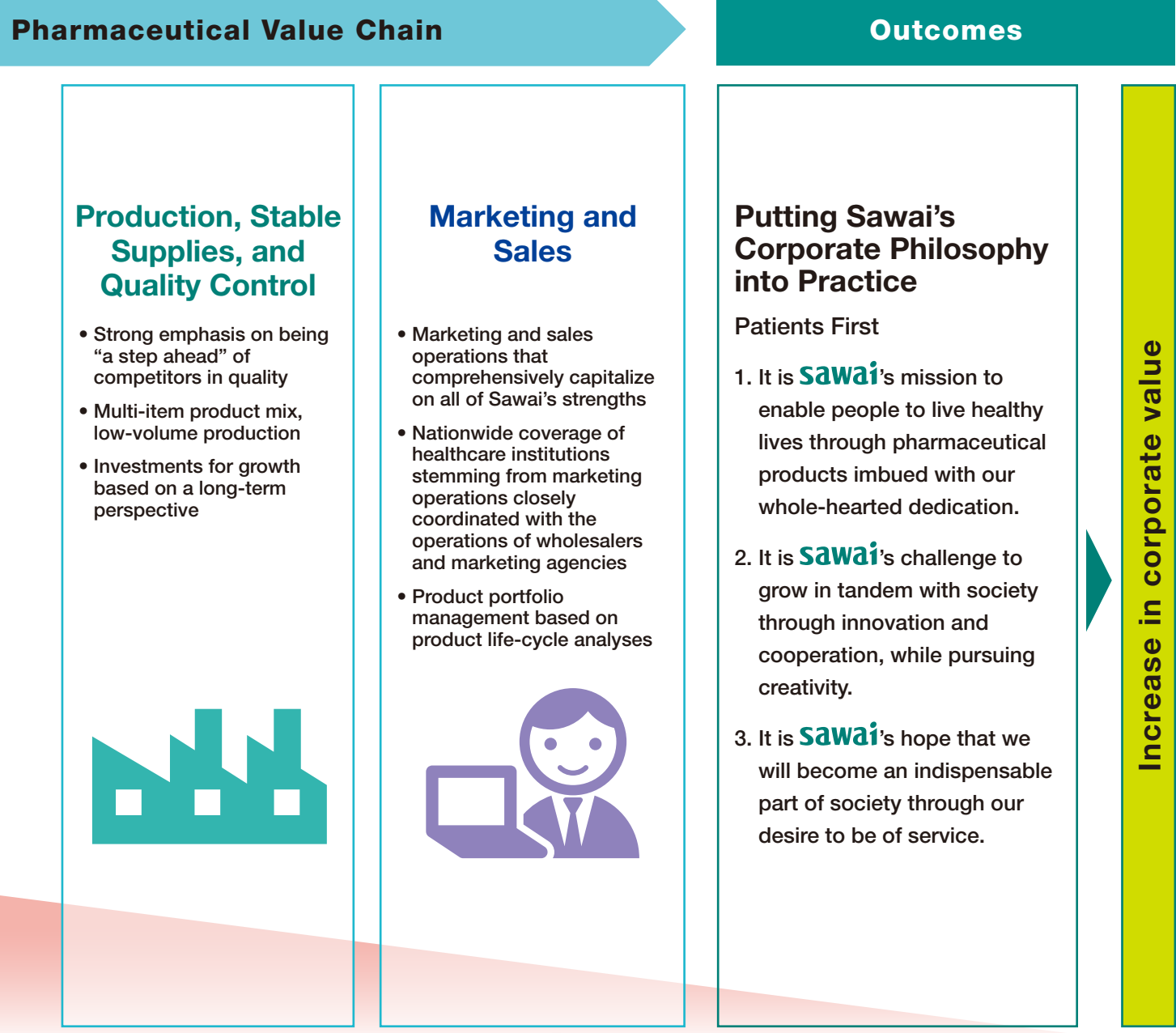
* The increase in the volume and the basic unit for the year ended March 2016 was mainly due to the acquisition of the Kashima Factory in April 2015.

Business Model

Sawai Pharmaceutical creatively engineers its own unique manufacturing technologies and leverages those technologies to develop inexpensively priced, high-value-added generic versions of existing drugs when their patent protection expires. We develop and launch our products in advance of competing companies while concurrently maintaining high-quality standards and ensuring stable product supplies. By providing those conscientiously created products via medical institutions to patients, we are helping patients realize healthy lives, contributing to a sustainable society by means of medical care expense reductions, and achieving robust corporate growth. Our business model centers on efforts to sustain this virtuous cycle of societal contributions and corporate growth (By realizing our Corporate Philosophy, we will increase our corporate value.).



CSR activities through



To Our Stakeholders

Patients First

All of Sawai Pharmaceutical's activities are based on its Corporate Philosophy

We want to provide as many patients as possible with generic pharmaceuticals they can trust. Sawai Pharmaceutical wants to contribute to society by offering conscientiously prepared, high-quality generic preparations. At the base of our activities is our Corporate Philosophy, "Patients First."

The persons who sense the efficacy of pharmaceuticals are, ultimately, the patients. This is precisely why we are not only delivering pharmaceuticals that are low-priced but also want to deliver generic pharmaceuticals to as many patients as possible and have them use these with peace of mind. We believe that doing this year in and year out will contribute to the advancement of people, society, and medical care. By providing stable supplies of high-quality, high-value-added generic pharmaceuticals, we are fulfilling our social responsibilities.

To all our stakeholders, including, first, our shareholders and investors, we look forward to your continuing understanding and support of the nature of our business and our corporate strategy.



Chairman

H. Sawai

President

M. Sawai



As the volume share of generic pharmaceuticals approaches 80% in Japan, Sawai is strengthening its corporate competitiveness to hold the unshakeable No. 1 position among generic manufacturers.

In view of the new numerical targets in the Japanese government's Honebuto Policy 2015, Sawai has partially revised its "M1 TRUST 2018" medium-term business plan, which was originally announced in May 2015. The main points of the revisions are reviewed in the following summary of fiscal 2015.

Mitsuo Sawai, President

Summary of Developments in Fiscal 2015

Medium-Term Plan Targets Largely Attained

During the first year of Sawai's "M1 TRUST 2018" medium-term business plan (hereinafter, M1 TRUST 2018), each department took initiatives to implement its priority policies.

In product development, major accomplishments included the launching of RALOXIFENE HYDROCHLORIDE as a generic drug, for which only Sawai has obtained approvals and the introduction of MESALAZINE 400mg, and FINASTERIDE tablets, which only a few companies have launched because of the difficulty of developing these drugs. Another major accomplishment was the construction and commencement of activities at Sawai's Pharmaceutical Development Center, which will enhance Sawai's product development capabilities. In production, Sawai implemented measures to enhance its unshakeable strengths in stable supply systems by beginning to make investments to expand the annual production capacity of the Kashima Factory, which was acquired from Mitsubishi Tanabe Pharma Corporation, to three billion tablets and began construction work to expand packaging capacity at the Sanda-Nishi Factory. In sales, Sawai implemented measures to step up the marketing of its high-value-added, mainstay products.

As a result, net sales amounted to ¥123,492 million (an increase of 17.1% from the previous fiscal year), and operating income was ¥23,185 million (an increase of 12.1% year on year). Net sales were slightly below plan targets but operating income attained the planned level.

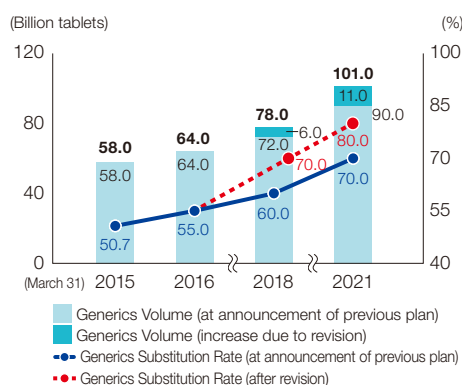
Performance in FY2015

(Millions of yen)

	FY2014	FY2015	Change	Target under M1 TRUST 2018 (For reference)
Net Sales	105,454	123,492	17.1%	124,000
Operating Income	20,688	23,185	12.1%	22,000
Ordinary Income	20,620	23,026	11.7%	21,700
Profit Attributable to Owners of the Parent	14,053	17,156	22.1%	15,500

Changes in the Environment Surrounding the Generics Industry

Generics Market Size (Volume Basis)



Acceleration of Measures to Promote Use of Generics and the Industry's Response

Under the "Road Map"^{*1} issued by Japan's Ministry of Health, Labour and Welfare (MHLW), the government's goal was to increase the volume share of generics to 60% or more by the end of March 2018, but in June 2015 in Honebuto Policy 2015, the government announced new objectives. These were to raise the volume share of generics to 70% or more in mid-2017, and then to 80% or more as soon as possible during the period from fiscal 2018 to the end of fiscal 2020. The latest volume share goal of 80% or more will place Japan at a level with other advanced countries^{*2}. Following this, the MHLW announced its "Comprehensive Drug Industry Reinforcement Strategy," which also proposes, with an eye to the future, that it will be necessary to have realignments in Japan's drug industry, expand into overseas markets, and take other measures. On the other hand, the Revision of Remuneration for Medical Services 2016^{*3} is also more challenging because it not only contains measures for promoting the use of generics but also calls for reductions in prices of generic drugs that are newly listed on the NHI pharmaceutical list. For the generics industry, as a whole, new responses will be required for the post-80% era of generic usage.

^{*1} Policies for promoting further usage of generics were announced in April 2013 by the Ministry of Health, Labour and Welfare (MHLW) in "Road Map for Promoting Further Usage of Generic Drugs."

^{*2} Comparison of the volume share of generic drugs (averages for October 2013 to September 2014): USA, 92%; UK, 73%; Germany, 83%; France, 64%; and Japan, 49%. (Source: MHLW)

^{*3} Please refer to "Revision of Remuneration for Medical Services 2016" on page 20.

Review of M1 TRUST 2018

Outline of the Review

To attain the targets for the volume share of generics set under the government's Honebuto Policy, it will be necessary to accelerate the pace of spreading the use of generics substantially, and the government's targets greatly exceed the pace assumed when Sawai's medium-term business plan was prepared. In order not to lose the opportunity this represents, Sawai has reviewed M1 TRUST 2018. The main points of this review are summarized in the following table:

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 FY2017 year-end	Net sales: ¥157.0 billion (+¥10.0 billion) Operating income: ¥26.0 billion (+¥1.0 billion) (vs. previous plan)
What M1 TRUST 2018 will achieve	<p>(1) Firmly maintain the No. 1 market share in the generics industry</p> <ul style="list-style-type: none"> Volume share in generics: FY2017 target 16.0% (+0.7% point vs. previous plan) Revenue growth rate: Annual average of 14.1% (+2.4% points vs. previous plan) <p>(2) Strengthen stable supply and cost control capabilities in response to an era of 80% generics share in the market</p> <ul style="list-style-type: none"> Production capacity: 10.0 billion tablets ⇒ 15.5 billion tablets, Build a system based on 20.0 billion tablets by FY2020 Capital investment: Capital investment of ¥55.0 billion (+¥11.0 billion vs. previous plan) Supply system: Enhance immediate response to demand by consigning manufacture for some products Reduce raw material procurement costs <p>(3) Build an operating foundation for future growth through new business fields</p> <ul style="list-style-type: none"> Accelerate efforts aimed at building a foundation for overseas business Review potential business models aimed at building the biosimilar business

Note: Figures or words in bold type were changed from those in the May 2015 announcement.

Targets in FY2017

(Millions of yen)

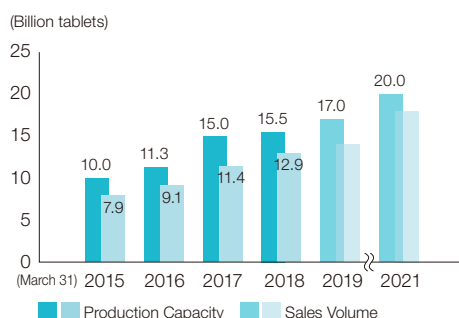
	FY2015 (Actual)	FY2017 (Revised)	Change	FY2017 (Before revisions, for reference)
Net Sales	123,492	157,000	+27.1%	147,000
Operating Income	23,185	26,000	+12.1%	25,000
Ordinary Income	23,026	25,500	+10.7%	24,500
Profit Attributable to Owners of Parent	17,156	18,500	+7.8%	17,000

Maintain the No. 1 Market Share in the Generics Market

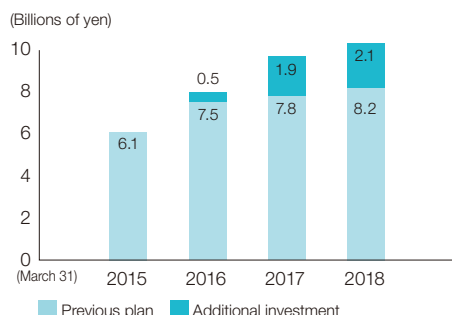
Sawai is proud of its position as the No. 1 manufacturer in Japan's generics market in comprehensive capabilities, including R&D, production, and quality control. Along with the trend toward use of generics, the market for these drugs is expected to expand substantially.

Our view is that for Sawai to firmly maintain the No. 1 share in Japan's generics industry, Sawai must continue to grow faster than the market drawing on its comprehensive strengths. Leveraging advantages that Sawai has built up through making planned investments in previous years for future growth, it is growing at a higher pace than the market, and it is aiming for a market share of 16.0%, which is 0.7 percentage point higher than before revisions in the plan.

Production Capacity/Sales Volume Plan



R&D Investment Plan by Year



Strengthening Stable Supply and Cost Control Capabilities

In fiscal 2015, the number of generic drug tablets produced in Japan was 64.0 billion, which was about 55% of the market. When the share of generics reaches 80%, the market is forecast to rise to more than 100 billion tablets. For Sawai to maintain its No. 1 share, Sawai will have to have production capacity for 20 billion tablets. To maintain stable supplies, Sawai must always have additional production capacity for two billion tablets. Since it will take time to raise actual production capabilities, Sawai has added ¥11.0 billion in investment under M1 TRUST 2018 in production capacity and is aiming for 17.0 billion tablets in fiscal 2018 and 20.0 billion in fiscal 2020.

Sawai's policy has been to produce in-house, but, to respond to increases in demand and as part of cost control measures for the 80% era of generic pharmaceutical usage, Sawai is initiating strengthening its systems for subcontracting a portion of product manufacturing to other companies.

Building an Operating Foundation for Future Growth through New Business Fields

M1 TRUST 2018 sets a target for new sales in fiscal 2020 of ¥200.0 billion. Although the generics market will continue to grow, the rate of increase is forecast to decline after the usage rate of generics reaches 80%. Thereafter, Sawai has been considering further growth opportunities in new business fields.

Sawai will give top priority to the U.S. market and developed and made applications for PITAVASTATIN in 2013. Sawai is engaged in developing several new products and will implement additional investments of ¥4.5 billion under M1 TRUST 2018 (Revised) and accelerate structuring of its overseas business base. The U.S. market is the world's largest and is about four times the size of Japan's. The market is attractive because the patent system has been designed and is operated rigorously. Since there is some overlap with the products developed in Japan, there will be advantages in terms of investment efficiency.

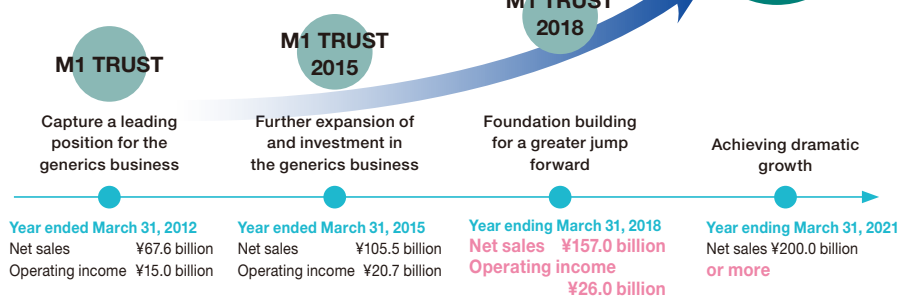
In the biosimilar^{*1} field, Sawai is test marketing one product, but we believe it will take time to determine making a full-scale entry or not. Compared with low molecular generic pharmaceuticals, if we enter biosimilar drugs that require high development costs^{*2}, if original drug manufacturers sell bio-AGs, recovering investment costs may be difficult.

^{*1} Biosimilars: Pharmaceuticals that have the same quality, safety, and effectiveness as bio-drugs

^{*2} High development costs: It is estimated that compared with low molecular generics, which cost about several hundreds of millions of yen to develop, biosimilars cost more than several billion yen.

Medium- to Long-Term Vision

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



Note: Figures or words in **bold type** were changed in the May 2015 announcement.

Initiatives to Attain Sustainable Growth

Strengthening CSR Initiatives

Sawai's business activities are linked to human lives, and Sawai believes that improving corporate governance is important. At Board of Directors meetings, the quality of the discussions is enriched by the many opinions and much advice from external directors and external auditors who have a diversity of knowledge. The Board analyzes these views and makes use of them in its considerations. The Board must continue to make management decisions such as entry into new businesses. The Board will work to enhance the effectiveness of and improve corporate governance.

As Sawai's business activities continue to grow, an increase in the volume of CO₂ and other emissions will be unavoidable. However, Sawai considers the burden its activities place on the environment and proactively makes investments in energy-conserving equipment, even if this means 20% to 30% higher costs. After electing Sawai's first female Board member last year, in June this year, Sawai appointed its first female Corporate Officer. Going forward, Sawai will take active initiative in promoting diversity.

Engage and Nurture Human Resources

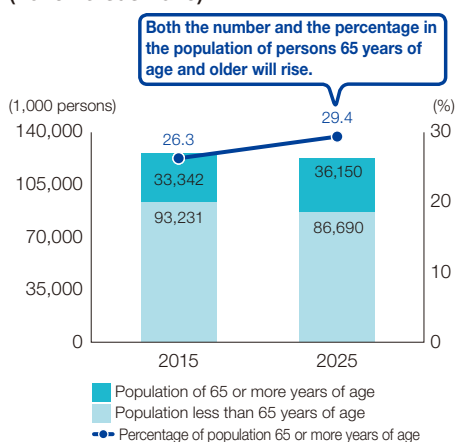
In response to the rising demand for generics, Sawai is working to improve the quality and quantity of human resources. In fiscal 2016, Sawai is focusing on "Strengthening"*¹ of all employees, not only through providing education and training but also by requesting its employees to improve their own skills and capabilities.

Sawai plans to employ more than 600 additional staff*² by fiscal 2017. In July 2016, Sawai began to offer a stabler working environment, regular employee status, for its contract workers. Sawai is securing the level of sophistication and technical capabilities of its human resources to ensure high quality of its products and stability of supply.

*1. 鍛 鍛 (Strengthening): Each year, the president of Sawai selects a theme for the Company. In fiscal 2016, the theme is "Strengthening" of employees. The Japanese "Kanji" ideograph for this theme is shown on this page. As the era of 80% usage of generics approaches, a key to winning in competition will be frontline capabilities and power of Sawai's organization and its individual employees.

*2. Additional staff in comparison with fiscal 2015

Comparison of Population Estimates
(2015 versus 2025)



Sawai's Activities by Their Very Nature Contribute to Society

Use of generic pharmaceuticals contributes directly to lowering medical costs. The use of Sawai generics in fiscal 2015 contributed to a reduction of ¥226.0 billion in medical costs*¹. Forecasts indicate that Japan's population will continue to decline and the population 65 years of age and older will increase*². Sawai believes this will mean that its social responsibility to help reduce the burden of medical costs for patients and contribute to the sustainability and development of Japan's medical system will continue to grow in importance. Sawai will develop its business activities as it appeals to the direct contribution to society.

*1. Please refer to page 9 for an explanation of the mechanism for contributing to reduction in medical costs.

*2. According to UN projections, the population of Japan in 2025 will be about 3.7 million fewer than in 2015. On the other hand, the population 65 years of age and older is forecast to rise by about 2.8 million. (Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision, DVD Edition)

Message from the Director of Finance



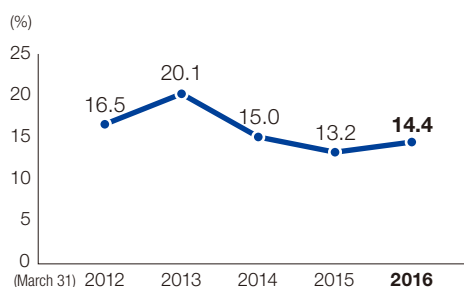
As the percentage of generic pharmaceuticals rises to 80%, to maintain our No. 1 position in the industry, we are implementing financial and capital policies that are strategies optimal for Sawai's growth stage.

Fundamentally, we are implementing our policy of "sustaining and increasing capital efficiency." As Sawai's funding needs grow, we are securing stable sources of funds and maintaining a sound financial position. We are returning a portion of profit to shareholders while also sustaining a balance with investments for growth, in line with all our stakeholders' expectations.

Minoru Kodama

Director, Senior Executive Officer,
Vice President of Corporate Administration Division
and Deputy Vice President of Sales Division

ROE



Maintaining and Increasing Capital Efficiency

Sawai's M1 TRUST 2018 medium-term business plan (medium-term plan) sets a goal of a return on equity (ROE) of 12% or more. However, in the first year of the medium-term plan ended March 31, 2016, we had already attained an ROE of 14.4%, well above the target figure. In recent years, we have maintained earnings power higher than other companies in our industry. In addition, Sawai shares are included in the JPX-Nikkei Index 400* (as of August 31, 2016) and our shares have been included in this index since it was introduced in 2013. Instead of increasing our financial leverage for raising our ROE, in the midst of an intensely competitive environment, we are working to increase our profitability and efficiently use our capital to maintain and increase our capital efficiency.

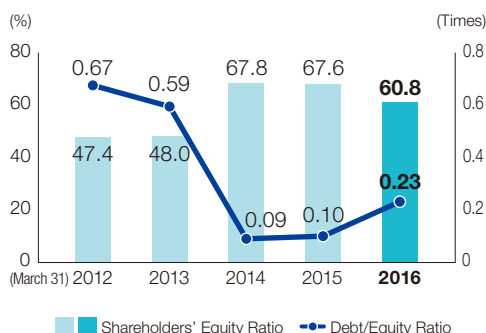
* JPX-Nikkei Index 400: An index of stocks chosen for their ROE, operating income, market capitalization, and other criteria, which make them "companies with high appeal for investors."

Securing a Sound Financial Base and Cash Flow Management

To attain sustainable growth, it will be indispensable for Sawai to secure a sound financial position.

To maintain and strengthen our capabilities for providing stable supplies of pharmaceuticals and strengthen R&D capabilities, which are Sawai's strong points, we need to make substantial expenditures for plant and equipment as well as maintain working capital in addition to making R&D expenditures. To balance these outlays with the need to maintain and strengthen Sawai's financial position, we are working to provide funds for financing growth internally as much as possible and by increasing our ability to generate cash by improving profitability and using cash efficiently. During the fiscal year ended March 31, 2016, we generated about ¥20.0 billion in operating cash flow, which was more than in

Shareholders' Equity Ratio and Debt/Equity Ratio



the previous fiscal year, and we allocated this cash flow to cover the large increase in funds needed for capital investments.

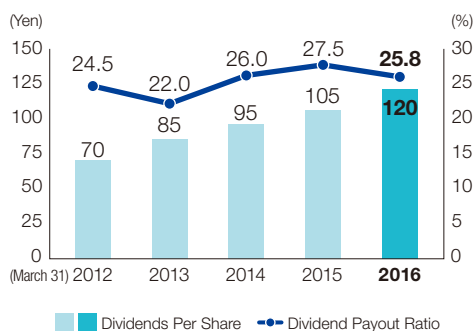
Sawai draws on its strong financial position, which is the soundest in the industry, as part of its diversified and flexible funding methods, and it was the first in its industry to obtain a credit rating*. In the previous fiscal year, we arranged for a bond issuance facility of ¥30.0 billion, and, to provide for capital investment and other funding needs in the years ending in March 2016 and March 2017, we became the first company in the generic pharmaceutical industry to make public bond issues (two issues amounting to ¥20.0 billion).

* Sawai receives credit ratings from R&I (Rating and Investment Information, Inc.) and is rated A- as of the current date.

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
Operating cash flows	7,814	12,256	13,422	12,112	19,975
Investing cash flows	(2,371)	(1,373)	(8,283)	(14,123)	(22,937)
Financing cash flows	(4,578)	(10,970)	(178)	(922)	13,473
Cash and cash equivalents at fiscal year-end	20,671	20,584	25,537	22,604	33,096

Dividends Per Share and Dividend Payout Ratio



Note: The Company split its common stock two for one on October 1, 2013. Amounts per common share for years prior to 2014 were recalculated to reflect the share split.

Dividend Policy

Sawai Pharmaceutical positions returning a portion of profit to shareholders as one of its important management issues. Sawai's basic approach to dividend policy is to give consideration to the balance between (a) investments that result in new growth, such as capital investments and R&D investments, and will contribute to increasing corporate value in the future and (b) returning a portion of profit to shareholders. Sawai also gives comprehensive consideration to its consolidated financial results in each period, its dividend payout ratio, and its other activities that provide a return to shareholders. After due consideration of these factors, Sawai aims for a dividend propensity of 30% and the payment of stable and continuing dividends. For the fiscal year ended March 31, 2016, in response to the expectations of shareholders, Sawai paid a dividend of ¥120 per share, which was ¥15 per share higher than for the previous fiscal year.

Appropriate Disclosure of Financial and Non-Financial Information

In this Integrated Report and in other media and on other occasions, the Company makes timely disclosures of its financial and non-financial information in a proper and discretionary way. Through such disclosure, the Company is working to increase the understanding of Sawai Pharmaceutical among its shareholders, investors, and all other stakeholders.

(for Reference) Market Environment

Beginning in the 1990s, Japan's national healthcare costs have been rising at about ¥1 trillion annually. Also, along with the demographic aging of society and the decline in the birthrate as well as the increasing sophistication of medical treatments, national healthcare costs are expected to continue to rise, and, to prevent a decline in healthcare quality and reduce these costs, the government has implemented active measures to expand the usage of generic drugs.

Major History of Policies to Encourage Use of Generic Drugs

April 2002	<ul style="list-style-type: none"> • Incentives introduced for doctors and pharmacists • Introduction of additional fees for prescriptions with generic drugs • Introduction of generics information fees and generic drug dispensing fees
April 2003	<ul style="list-style-type: none"> • Introduction of comprehensive payment system*¹ for DPCs
April 2006	<ul style="list-style-type: none"> • Review of prescription forms
October 2007	<ul style="list-style-type: none"> • Government set target in numerical terms for the share of generics (former indicator*²) of 30% or more by March 2013.
April 2008	<ul style="list-style-type: none"> • Introduction of "Premiums for Generic Dispensing Systems" (addition to basic dispensing fee) • Review of prescription forms • Specification of requirements for best efforts in the use/dispensing of generics for medical health insurance institutions and medical insurance care personnel and on medical insurance pharmacies and medical health insurance pharmacists
April 2010	<ul style="list-style-type: none"> • Review of "Premiums for Generic Dispensing Systems" • Introduction of "Premiums for Constructing Systems for Generic Use" (addition to hospital entry fees) • Specification of requirements for best efforts in the use of generics for medical health insurance institutions and medical insurance care personnel
April 2012	<ul style="list-style-type: none"> • Review of "Premiums for Generic Dispensing Systems" and related matters • Review of prescription forms • Introduction of "Premiums for Prescribing by Generic Name"
April 2013	<ul style="list-style-type: none"> • In its "Road Map for Promoting Further Usage of Generic Drugs," the government set a target in numerical terms for the share of generics (new indicator*³) of 60% or more.
April 2014	<ul style="list-style-type: none"> • Review of "Premiums for Generic Dispensing Systems" • Introduction of generic drug indexes for DPC function assessment
June 2015	<ul style="list-style-type: none"> • In its "Economic and Fiscal Management and Reform 2015 (Honebuto Policy 2015), the government set a numerical target in numerical terms for the share of generics (new indicator*³) of 70% or more in mid-2017 and set a target of 80% or more as soon as possible between fiscal 2018 and the end of fiscal 2020.
April 2016	<ul style="list-style-type: none"> • Revision of remuneration for medical services and revision of drug prices (Explained below)

*1 System providing for fixed daily remuneration for hospital stays. An incentive for reducing drug costs using generics.

*2 Former numerical indicator share = Generics/all pharmaceutical products

*3 New numerical indicator share = Generics/(Originator drugs for which generic drugs exist + Generics)

Main Points of the Revision of Remuneration for Medical Services in April 2016

Revisions in the payment system for medical services are made once every two years and are decided by the Minister of Health, Labour and Welfare based on a report of the Central Social Insurance Medical Council. The revision this time was made from the perspective of increasing the possibility of sustaining the National Health Insurance System through increasing the efficiency and appropriate-

ness of medical costs, and the following measures for reviewing and expanding the use of generics are planned.

Specifically, under its Honebuto Policy 2015, the government has raised the targets for the use of generics. Accompanying this change, the conditions for applicability of the incentives previously introduced, such as the "Premiums for Generic Dispensing Systems" at pharmacies,

the “generic drug indexes” in DPC hospitals, and the “Premiums for Constructing Systems for Generic Use” and the “Premiums for Prescribing by Generic Name”, at medical institutions authorized to treat patients with health insurance coverage, have been reviewed or expanded. In

addition, for those medical institutions that fill prescriptions internally, as a means of recognizing this generic usage system, “Premiums for outpatient generic usage” has newly been introduced. As a result, the volume of generic usage is forecast to increase.

Main Points of the Revision of the NHI Price Revision in April 2016

Regarding the prices of current generic drugs that are already included on the National Health Insurance (NHI) drug price list, a “three-price band rule” was maintained this time, in which each drug was divided into three categories, and its price was decided by comparing its actual market price with that of the highest price among drugs with the same composition, form dosage, and specifications.

However, further concentration by price band will be considered. For generics newly added to the NHI drug price list, under the previous rules, the price was set to 60% of the originator drug (50% for oral medicines containing 10 or more drugs), but, under the revisions, this percentage has been lowered to 50% (to 40% for oral medicines containing 10 or more ingredients).

Changes in the Operating Environment for the Generic Industry

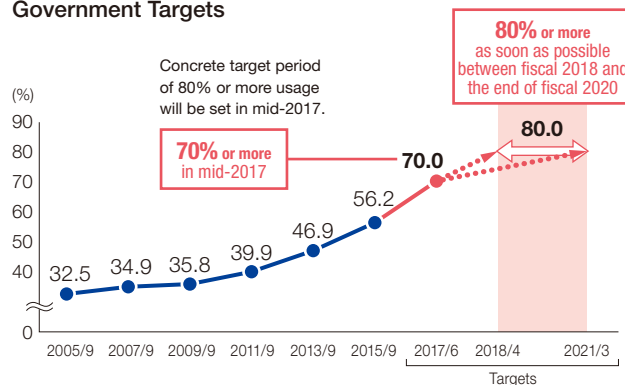
In part because of the effectiveness of the government’s policy to encourage the use of generics, the share of generics in volume terms has risen to 56.2% (at the time of an actual price survey in September 2015). Therefore, today, the percentage of generics in use exceeds that of originator drugs. As a means to maintain the NHI system, the promotion of generic usage has gained a secure position as a consistent policy tool. To reach the government’s goal of 80% or higher usage, further measures to promote the use of generics are included in the April 2016 revision of remuneration for medical services.

On the other hand, as a means of charging more-appropriate prices for generics, prices of newly listed generics will likely be reduced, and downward pressure on prices is growing. In addition, in the case of blockbuster drugs on which patents have expired, a series of authorized generics (AGs*) have emerged, and the competitive environment for new products has become especially severe.

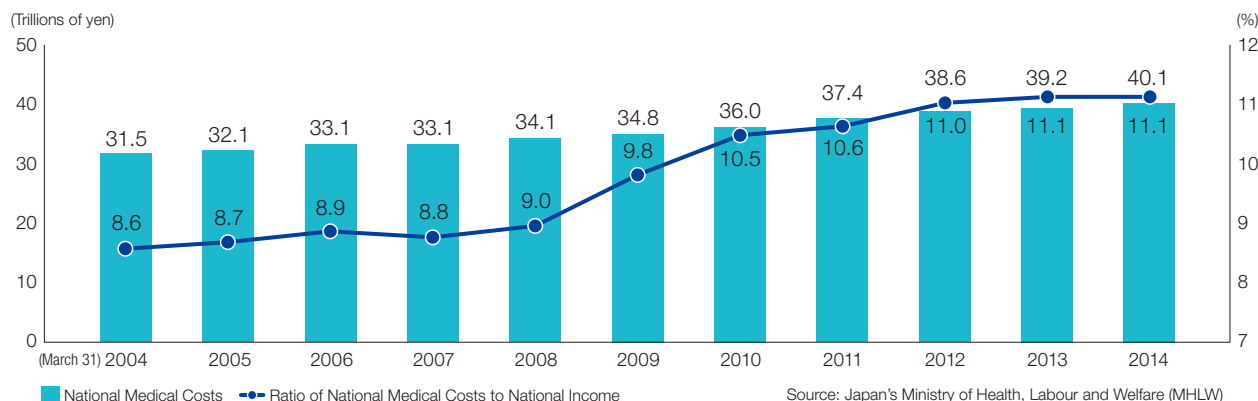
Moreover, to cope with the rise in demand for generics, one important point will be to create and strengthen stable supply systems. In addition, however, looking to the post 80% era, new growth strategies, such as overseas deployment, will be required.

* AGs: The owners of patents to original drugs give permission for the use of their patents to another company, and the recipient company launches and sells the generic pharmaceutical.

Share by Volume of Generic Medicines and the Government Targets



Trends of National Medical Costs and Ratio of that to National Income (Mar. 2004~Mar. 2014)



Source: Japan’s Ministry of Health, Labour and Welfare (MHLW)

Research and Development



Establishing product development systems that respond to the fast-changing market environment and make Sawai first to market with high-value-added products

Director, Senior Executive Officer,
Vice President of Research & Development Division
Shinichi Tokuyama

Always First to Market with High-Value-Added Products

Sawai's most-important mission in drug development is to be first to market with generic pharmaceuticals. To accomplish this mission, Sawai's R&D headquarters conducts research and analysis on development methods that do not infringe materials, uses, production, and other patents.

Also, under its Corporate Philosophy of "Patients First," Sawai endeavors to differentiate its pharmaceuticals with original value added developed through whole-hearted creativity and effort. Examples of this that have been highly evaluated and have increased Sawai's competitiveness are the development of orally disintegrating tablets (ODs) that can be taken without water, making products more compact, labelling products to easily determine the ingredients and content to prevent incorrect dosages, and ease of identification.

Product Development that Responds to Changes in the Market Environment

Sawai is developing products that respond to rapid changes in the market environment, which is characterized by restraints on medical costs, revisions of the NHI drug price scheme, and an increase in authorized generics^{*1}. Sawai is conscious of manufacturing costs from the formulation stage and works to standardize formulation and manufacturing to support stability of supply. In addition to developing its own original technologies and making applications for patents, with preparation for entering the U.S. market, Sawai is aiming to strengthen its development systems to make applications to the FDA^{*2} to follow PITAVASTATIN, which is going through the approvals process.

^{*1} Authorized generics: The owners of patents to original drugs give permission for the use of their patents to another company, and the recipient company launches and sells the generic pharmaceutical.

^{*2} FDA: U.S. Federal Drug Administration

Examples of Product Labelling for Tablets

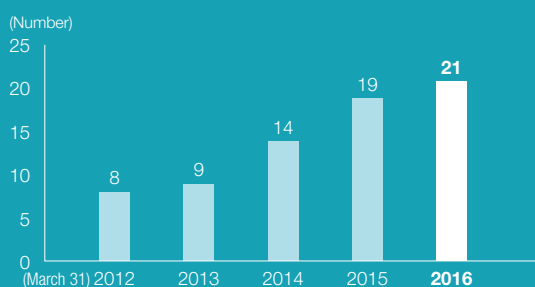


CLOPIDOGREL tablets
25mg/50mg/75mg "Sawai"

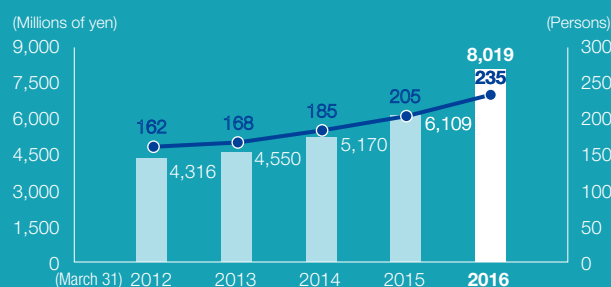
Methods used to make drugs easily identifiable include stamping the product name on both sides of the tablets and using universal fonts on the packaging sheets.



Number of Patents Held by Sawai



R&D Expenditures and Number of R&D Personnel



* Including average number of temporary staff

Production and Stable Supplies



Sawai is strengthening its capabilities for stable supply while maintaining high quality and low costs.

Senior Executive Officer, Vice President of Manufacturing Division and General Manager of Stable Supply Management
Keiichi Kimura

Strengthening Stable Supply Capabilities

Sawai's most-important mission is to deliver without fail the necessary volume of pharmaceuticals when they are needed by patients. At present, Sawai believes it has the largest supply capacity in the industry, and the Japanese government has set a goal of raising the volume share of generics to 80% or more by the end of fiscal 2020. Amid this environment, the highest-priority mission for Sawai is to further expand and upgrade its supply systems.

Sawai will continue to work to expand its production facilities giving consideration to one of its strengths, which is to have available capacity, as it also increases the rate of utilization of its plants. Sawai will work to strengthen its systems for the systematic management of production from the stable procurement of raw materials through the diversification of sources to production planning, manufacturing, and shipments.

Competitiveness Based on Cost Control and High Quality

As the Japanese government works to promote the usage of generics, competition is expected to become more intense as medical costs are optimized and NHI drug prices are reduced. Sawai is moving forward with initiatives to establish systems that will achieve both competitive cost control and maintain high quality. Specifically, Sawai is endeavoring to increase productivity through more-precise preparation of production plans and taking initiatives that include reducing labor inputs and production personnel. In addition, Sawai is taking a thoroughgoing approach to selection of optimal plants and achieving the best division of production among its seven production locations, including the Sanda-Nishi Factory, which is now under construction.

Initiatives to Maintain Stable Supplies

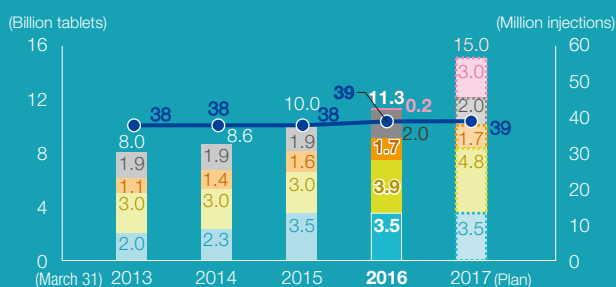
Further Consolidating Supply Capacity by Increasing Packaging Capacity

To prepare for the expansion in demand that is forecast in the years ahead, Sawai is increasing its packaging capacity to provide stable supplies of high-quality generics.

By constructing the new Sanda-Nishi Factory, Sawai will be able to install manufacturing machinery in the space now used for packaging in the Sanda Factory. The capacity of the Sanda Factory will increase from 3.9 billion tablets to 4.8 billion tablets a year.

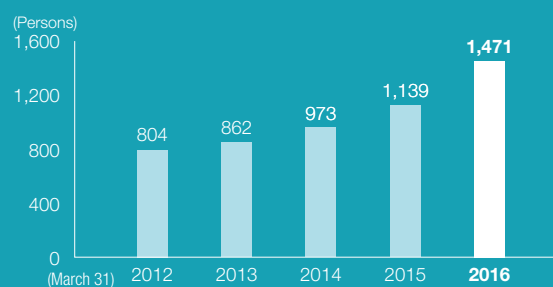


Expansion of Sawai's Production Capacity



* The Kashima Factory was transferred to Sawai in April 2015.

Trends in Number of Production Personnel



* Including average number of temporary staff

Marketing and Sales



Strengthening the operating base in preparation for the 80% generic pharmaceutical era

Director, Senior Executive Officer,
Vice President of Sales Division
Takashi Iwasa, Ph.D.

As the companies in the generics industry engage in intense competition, Sawai is working to strengthen its operating base in preparation for the era when generics will account for 80% of patent expired pharmaceutical volume. This will involve strengthening collaboration with drug wholesalers and dealers, and, in response to the market size and characteristics of each generic drug, Sawai's Head Office will make the utmost efforts to increase efficiency and flexibility. By providing high-value-added drug preparations and precise information, Sawai will work to expand its share and raise its presence in the large and expanding areas of the central nervous system and oncology^{*1} pharmaceuticals.

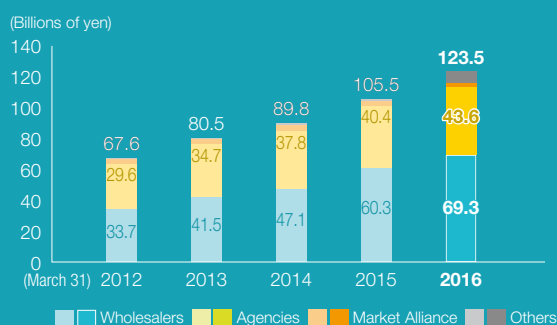
In addition, together with the structuring of the "Integrated Community Care System^{*2}" concept that the government is pushing with a target date of 2025, this system will shift today's primary operating style from pharmacies and medical treatment facilities to a style that emphasizes regions.

^{*1} Oncology: This word means "the study of tumors." It refers to the field of research and academic studies that is concerned with causes and methods of treatment of cancers and other tumors. In the drug industry, oncology means the market for the treatment of cancer.

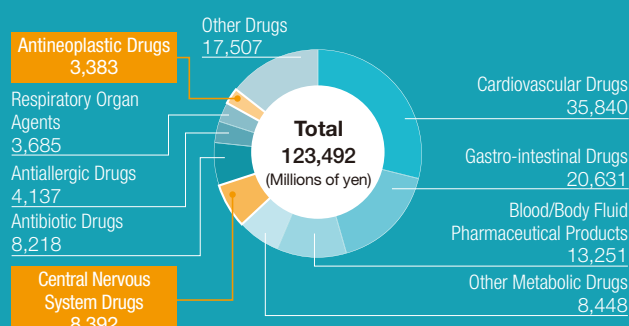
^{*2} This system is intended to enable people to live out their lives in the community where they reside. The system provides fully integrated places to live, medical treatment, nursing care, disease prevention, and living support.

Principal Products	Trade Name	Therapeutic Category	Dosage Form	Strength
	ATORVASTATIN	Cardiovascular agents	Tablets	5mg/10mg
	CANDESARTAN OD	Cardiovascular agents	Orally disintegrating tablets	2mg/4mg/8mg/12mg
	CLOPIDOGREL	Blood/body fluid agents	Tablets	32.63mg/65.24mg/97.88mg
	LANSOPRAZOLE OD	Digestive organ agents	Orally disintegrating tablets	15mg/30mg
	RALOXIFENE HYDROCHLORIDE	Other metabolic drugs	Tablets	60mg

Sales by Distribution Channels



Sales According to Classification of Drugs by Therapeutic Category (As of March 2016)



Quality Control



Realizing stable materials procurement, high-quality product supply through strong emphasis on strengthening quality control systems

Corporate Officer, Vice President of Reliability Assurance Division
and General Marketing Compliance Officer

Toru Terashima

Sawai's capabilities for providing stable supplies are highly evaluated, and this is one of Sawai's differentiating characteristics. To further increase reliability, Sawai has completed upgrading all its PIC/S^{*1}-related procedures and is moving forward with measures to address the issues that have emerged. The objective is to strengthen quality control systems to enable generics volume to rise to 80% or more and expand Sawai's business operations overseas.

In addition, aiming for the stable procurement of materials, Sawai is taking initiatives to tighten its surveillance of material suppliers and improve their efficiency. Sawai is also working to forestall stoppages of materials supply because of GMP^{*2} violations and ensure stable supplies of high-quality products.

^{*1} PIC/S: An unofficial set of standards for cooperation among the inspection authorities of various nations intended to promote world harmony regarding quality control standards, including the supervision of drug products and inspections.

^{*2} GMP: Management of production and quality control standards for drugs and quasi-drugs.

Strategic Planning, Corporate Communications, and Investor Relations



As the command center for Sawai, Strategic Planning formulates and drives the implementation of strategies for sustained growth.

Director, Senior Executive Officer, General Manager, Corporate Strategy Department
and Deputy Vice President of Sales Division

Kenzo Sawai

At present, the generics market in Japan is moving swiftly toward the era of 80% or more usage of generics by drug volume, but it is conceivable that growth may eventually slow. To sustain Sawai's growth, the Corporate Strategy Department is considering expansion of business in overseas markets, including the United States, and other growth opportunities, such as the biosimilars domain. In addition, we are substantively involved in assessing the feasibility of

products before and under development and capital investment plans. In addition, we formulate, review, and manage progress of medium-term business plans, and, acting as the command center, maintain contact with principal divisions, set directions, and drive implementation. Among other activities, Strategic Planning works to raise awareness through the media of generic medicines and the Sawai brand as well as supply investors and shareholders with proper information.

Corporate Administration



Upgrades the management base to support medium- to long-term growth through structuring the organization and training human resources

Director, Senior Executive Officer, Vice President of Corporate Administration Division
and Deputy Vice President of Sales Division

Minoru Kodama

For Sawai to attain sustainable growth, each and every employee must grow and develop. To facilitate this growth, the Corporate Administration Division works to strengthen development promotion capabilities through improvement in training for employees according to their abilities and aptitudes and training for management-level personnel through training programs. This unit of the Sawai organization also works to instill Sawai's corporate culture and takes initiatives in structuring the organization to support medium- to long-term growth and nurture human resources. In addition, to

help Sawai fulfill its social responsibilities, this division works to promote diversity to support a wide range of workstyles, strengthen corporate governance, including risk management, and promote CSR-oriented management.

Other activities of this division are to upgrade the management base, including structuring IT systems with the objective of improving the use of information, which contributes to improve stable supplies and reliability as well as efficient operation of business activities and business management.

Corporate Governance

Basic Policies on Corporate Governance

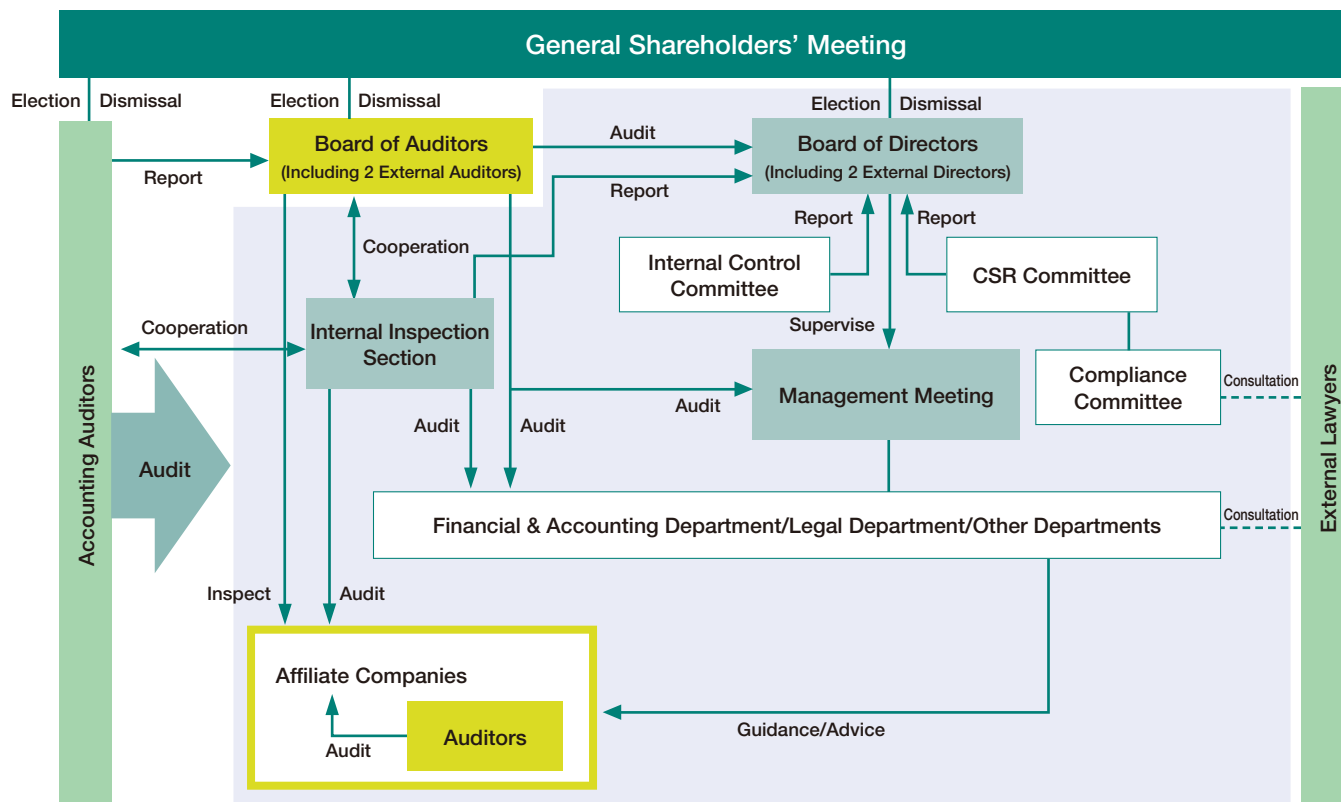
To attain sustainable growth and increase corporate value in the medium-to-long term, Sawai positions creating an effective corporate governance system that enables fast decision making to cope with change in the business environment and facilitates the conduct of business along with maintaining fairness and transparency as a major management issue.

As a company that provides pharmaceuticals that sustain life, the Sawai Group's Corporate Philosophy is "Patients First." To put this philosophy into action, Sawai has prepared a code of behavior for interacting with various stakeholders and internal regulations that are based on maintaining and improving a strong sense of ethics.

The internal directors of Sawai have in-depth knowledge and expertise on the pharmaceutical industry and a strong sense of ethics. They closely monitor developments in the Company, while, on the other hand, Sawai's external directors provide a checking function with their external perspective. This balance between internal and external perspectives enables Sawai to pursue greater efficiency and compliance with legal requirements.

Under Japan's corporate governance framework, Sawai adopts the Company with a Board of Auditors model. Also by separating management decision-making functions from the conduct of business through adoption of the corporate officer system, and clarifying business conduct responsibilities, Sawai is able to manage its operations strongly and efficiently, based on its management strategy.

Corporate Governance Structure



Management Structure

Board of Directors and the Management Meeting

At Sawai Pharmaceutical, the Board of Directors of the Company is responsible for management decision making and supervising the conduct of management. In addition, to make more appropriate and efficient management decisions, the Company has formed the Management Meeting, which is chaired by the President and Representative Director and is composed of Corporate Officers. To conduct management efficiently, the Management Meeting establishes basic policies and measures for management appropriately and promptly, while also discussing and making decisions on business execution policies.

Board of Auditors

The Company's Board of Auditors has four members, two of whom are external auditors. The Auditors attend the meetings of the Board of Directors and express their opinions from an objective perspective. In addition, the Auditors exchange information with the Internal Inspection Section, which is independent of business operating departments, and the independent Accounting Auditors to receive their reports. They also conduct inspections of their own, prepare audit reports, and properly carry out their supervision of the conduct of management by the members of the Board of Directors.

External Directors and External Auditors

The external directors and external auditors pose questions from time to time regarding matters reported in

the meetings of the Board of Directors and decisions made, and state their opinions from an external perspective. The external directors satisfy the conditions established under Japan's Companies Act and the Tokyo Stock Exchange and are selected from among persons who can provide advice and judgments that will contribute to increasing corporate value. In addition, to ensure effective audits, the external auditors work together with the Standing Statutory Auditor, the Internal Inspection Section, and the Accounting Auditors to implement audits and exchange opinions with the directors periodically.

To support the activities of the external directors and external auditors and, thereby strengthen the auditing and supervisory functions, the Company assigns staff and approves the payment of the invoices they submit for research and other purposes within reasonable limits.

Company Views on Board Balance, Diversity, and Size

The Company has placed an upper limit of 12 on the number of Board members, in view of Sawai's size as a company and the importance of having substantive discussions and exchanges of opinion in Board meetings. At present, the Board has eight members, two of whom are independent external directors. When candidates for the post of director are nominated, consideration is given to the size of the Board, balance, and diversity of the members, and comprehensive consideration is given to factors that include depth of experience and expertise, performance, insight, and personality.

Reasons for Election of External Directors and Auditors and Their Activities

Position	Name	Reasons for Election	Attendance at Meetings of the Board of Directors and Board of Auditors
External Directors	Hidefumi Sugao	Mr. Sugao has a broad range of specialized legal knowledge gained from his work as a lawyer. He also has experience in acting as an external director of one other listed company and has served as an external auditor of the Company since June 2007. The Company anticipates that, as an external director with voting rights, he will be able to provide useful advice and judgment from his independent perspective that will lead to strengthening the supervision of the Board of Directors and increase the transparency of management.	Attended 16 of 16 meetings of the Board of Directors
	Nawomi Todo	Ms. Todo has extensive specialized knowledge and experience as a medical doctor. The Company anticipates that, as an external director with voting rights, she will be able to provide useful advice and judgment from her independent perspective that will lead to strengthening the supervision of the Board of Directors and increase the transparency of management.	Attended 13 of 13 meetings of the Board of Directors Elected at the General Shareholders' Meeting on June 25, 2015
External Auditors	Takashi Takahashi	Since Mr. Takahashi has established a tax accounting office and gained extensive specialized knowledge and experience through his licensed tax accounting practice, and his frontline work experience in the taxation bureau, the Company's judgment is that he will be able to provide useful advice and perform auditing functions, from his independent perspective, and will be able to perform his role as an external auditor appropriately.	Attended 16 of 16 meetings of the Board of Directors Attended 12 of 12 meetings of the Board of Auditors
	Takanobu Tomohiro	Mr. Tomohiro is a partner in his law office. Drawing on his extensive knowledge and experience, the Company's judgment is that he will be able to provide useful advice and perform auditing functions from an independent perspective and will be able to appropriately perform his roles as external auditor appropriately.	Elected at the General Shareholders' Meeting on June 24, 2016

Note: Notifications of the external directors and external auditors as independent executives have been filed with the Tokyo Stock Exchange.

Anti-Takeover Defenses

The party that controls the Company's finances and policy decision making must understand the sources of the Company's corporate value, continue to create and increase value, and ultimately work in the common interests of the shareholders. The Company has not adopted anti-takeover defense measures, but, if a party seeks to purchase a large block of the Company's shares, to prevent the impairment of the Company's corporate value and the mutual interests of the shareholders, the

Company will request this party to proactively and promptly disclose relevant information and express their opinions as well as reasons for the purchase to the Company's Board of Directors in order for the Company's shareholders to make accurate judgments, and, as necessary, take appropriate measures within the limits prescribed by Japan's Companies Act and other relevant laws.

Executive Compensation

The compensation of individual directors is set based on a maximum overall allocation that is approved by the General Shareholders' Meeting, and then, following internal Company regulations, is set by a decision of the Board of Directors (including external directors). Compensation (excluding that of external directors) consists of three components: a basic amount, a bonus linked to performance, and stock options linked to corporate value. The maximum allocation is ¥670 million annually and was set at the 63rd General Shareholders' Meeting held on

June 23, 2011 (This amount excludes any compensation that directors may receive in the form of stock options and for their non-executive services.). The compensation of individual auditors is set based on the overall allocation of ¥50 million that was set at the 67th General Shareholders' Meeting held on June 25, 2015. There were no directors who received ¥100 million or more in compensation and the Company deems the amounts paid to individual directors to be appropriate.

Total Compensation Allocations for Management, Total Allocation of Compensation by Type, and the Number of Eligible Recipients

Executive Position	Total Compensation Allocation (Millions of yen)	Allocation by Type of Compensation (Millions of yen)			Number of Eligible Basic Stock Options Bonus Recipients
		Basic	Stock Options	Bonus	
Directors (Excluding external directors)	462	327	24	110	8
Auditors (Excluding external auditors)	21	21	—	—	2
External directors and auditors	18	18	—	—	4

Internal Control, Compliance, and Risk Management

Internal Control and Compliance

The Board of Directors of Sawai Pharmaceutical has decided to adopt “Systems for Ensuring Proper Business Operations” as stipulated in Japan’s Companies Act and Ordinances Implementing the Companies Act.

As a company providing pharmaceuticals that sustain life, in addition to the Board of Directors, Board of Auditors, and Management Meeting, also by demonstrating flexibility through enlivening the meetings of general managers, the Company endeavors to see that its code of ethics and other information are shared to further motivate departmental general managers and others.

To deal with issues that arise in management on a daily basis, the Company receives advice from a number of lawyers and other specialists in various fields. Depending on the content of issues, consultations are held with the Compliance Committee and Internal Control Committee, which are chaired by the President.

In addition, to ensure the appropriateness of operations in the Sawai Group, Sawai provides thorough explanations of its Corporate Philosophy and management policies to

Group companies and provides guidance and advice for the conduct of operations. In addition, the accounting auditors conduct accounting audits, and the Board of Auditors and the Internal Inspection Section conduct inspections and audits.

Internal audits are conducted by the Internal Inspection Section, which is independent of business departments and reports directly to the President, and, based on the audit plans, it performs audits and makes assessments of the design and operation of internal control systems.

Regarding compliance, the Compliance Committee is involved in and makes decisions related to policies for training, enlightenment, and raising awareness of compliance and its activities through the departments in charge. In addition, based on the “Regulations for Operation of the Corporate Ethics Help Line,” the Company has established a corporate ethics help desk to prevent, provide early warnings, and correct violations and improper behavior.

The M1 Project (Marshalling All Employees’ Efforts to Become No. 1)



This page is only available in Japanese.



Ninth M1 Club Activities: Final selection of the winning team

Sawai, to ensure that all employees share the same direction and create a uniform sense of values and corporate culture, is promoting its “M1 Project.” This project is aimed at having each and every member of management and staff understand Sawai’s Corporate Philosophy and Code of Conduct and work together in the same direction to “become No. 1 working all together.” The project is implemented through “M1 Club Activities” and other activities and aims to have the Company continue to take initiatives to improve its business position and quality. To deepen the awareness of patients and stakeholders regarding generic pharmaceuticals, a glossary of related terms was prepared and posted on Sawai’s corporate website. This is also an example of the accomplishment of the “M1 Club Activities” during the year.

For further details, please access:

<http://www.sawai.co.jp/generic/glossary/>

At total of 227 teams participated, and the winning team was selected after severe screening by the M1 Committee, which had 13 members and was chaired by President Sawai.

Risk Management

At Sawai Pharmaceutical, to respond appropriately to risks inherent in its corporate activities by retaining/containing, reducing, averting, and/or transferring such risks and conduct reasonable management of the impact in the event such risks emerge, the Group conducts risk management that aims to minimize the risks of losses of impairment of management resources.

When conducting risk management, persons responsible for various types of risk are appointed and take responsibility for informing management and staff regarding risk management and conduct management of risk. The persons in charge of risk management in each

organizational unit promote risk management on their own initiative. This includes conducting analyses and assessments of individual risk, while keeping in mind the objectives and targets of the unit. Their activities also include preparing and implementing annual risk management plans as well as offering information related to risks within the organization and conducting educational and enlightenment activities. When risks emerge, persons in charge follow the Company's "Crisis Management Regulations" and "Business Continuity Plan at the Time of Disaster" to minimize damages from risks and achieve an early return to normal business operations.

Business Risks

Types of Major Risk	Explanation of Risks
Regulatory risk arising from the Pharmaceutical and Medical Devices Law and other regulations	The Group's activities are subject to regulation under Japan's Pharmaceutical and Medical Devices Law, which requires the Group's places of business to obtain permits, registration, and licenses, as well as submit notifications to regional governments. The Group operates in full compliance with these legal regulations, but, in the event of violations of such regulations, the Group's operations may be suspended by the regulatory authorities, and permits, etc., to manufacture and sell pharmaceuticals may be cancelled. It is possible that such circumstances may have an effect on the Group's management performance.
Changes in Japan's NHI drug price scheme and healthcare system	For the Group to sell its main products as pharmaceuticals for medical use, it is necessary for them to be listed in the NHI drug price list established by the government. Prices of many of these pharmaceuticals are reduced once every two years, following surveys of actual market prices. In addition, with the aim of restraining the expansion in medical costs, reviews of the National Health System are also conducted. If there are major changes in the pharmaceutical pricing system and measures to restrain expenditures are implemented, it is possible that such circumstances may have an effect on the Group's management performance.
Lawsuits pertaining to intellectual property	Even after the expiration of patents on materials and uses held by the original pharmaceutical companies, many patents, etc., related to generic pharmaceuticals sold by the Group remain with the original developer and seller, including those related to production, crystallization, usage, volume of usage, and formulation. There may be instances where lawsuits are brought against the Group based on these remaining patents, etc. It is possible that such circumstances may have an effect on the Group's management performance.
Effects of competition and other factors	With many companies entering the generic market, competition may become intense, and this situation may bring declines in prices. Moreover, original pharmaceutical manufacturers, even after the expiration of their patents, are implementing various measures, such as authorized generic (AG)* pharmaceuticals, to secure market share. Depending on the course of events, the Group may not be able to secure its planned level of sales. It is possible that such circumstances may have an effect on the Group's management performance.
Product recalls and suspension of sales	The efficacy and safety of the active ingredients in generic pharmaceuticals have been confirmed over a specified period in the products of the original pharmaceuticals and, basically, the risk of unknown serious side effects arising is extremely small. However, if new, unexpected side effects emerge or incidents occur where impurities are mixed with the ingredients, this may result in product recalls and the suspension of sales, and, depending on the details of these incidents, the Group may be held responsible. It is possible that such circumstances may have an effect on the Group's management performance.
Temporary suspension and delays in production due to natural disasters	The Group maintains production facilities in Fukuoka Prefecture, Hyogo Prefecture, Osaka Prefecture, Chiba Prefecture, and Ibaraki Prefecture. In the event of natural disasters or issues that arise because of technical or regulatory matters, production at these facilities may be suspended, and, depending on the products affected, supply may be stopped. It is possible that such circumstances may have an effect on the Group's management performance. In addition, for major basic materials, since some of these are provided by specified suppliers, if supplies are stopped because of natural disasters and/or other circumstances, and, if substitutes are difficult to access, there is a possibility that this could have an effect on the Group's management performance.

* Authorized generic: The owners of patents to original drugs give permission for the use of their patents to another company, and the recipient company launches and sells the generic pharmaceutical.

Message from an External Director



**I will make statements
from an external perspective
that contribute to increasing the
Company's corporate value
in the long term.**

Nawomi Todo
External Director

As a result of the increase in medical expenditures in Japan's super-aged society, there are concerns about the sustainability of Japan's medical system. The role that generics can play has become substantially greater.

As the leading company in Japan's generic pharmaceutical industry, Sawai Pharmaceutical, with its Corporate Philosophy of "Patients First," has contributed to securing access to medicines for patients and reducing medical expenses. It has done this by providing drugs that are lower in price than originator drugs, and maintained high quality, while also making tablets easier to swallow and implementing other value-added features. For Sawai to continue its growth, it must not rest on its laurels and be satisfied with its accomplishments to date. It must seek further increases in efficiency and raise its margins. It must also be keen in detecting developments that may occur and, even if something is not needed now, recognize that it may be needed in the future and take proper initiatives.

I believe that, from my perspective as an external director, I must constantly try to perceive whether there are areas where the Company is lax in its efforts. To do this, I must mobilize all my resources, including my understanding of the latest medical and pharmaceutical information, my specialist knowledge as a medical doctor, and the experience I have gained from my daily diagnoses of patients.

As a company that is linked to sustaining life, the management of Sawai must bear the burden of being conscientious and responsible to the utmost, guaranteeing the quality of their products, never engaging in improper activities, eliminating any biases or prejudices, and embracing human resources and ideas. Looking ahead, I will be watching to see whether their determination to bear these burdens wavers. In addition, as the only female director on the Sawai Board, I will focus on creating workplaces where not only women but also all employees can be active and contribute.

To all those who need pharmaceuticals, I want to say that I will exert my maximum efforts as an external director to make sure that Sawai responds to the expectations of patients and all Sawai's stakeholders through Companywide, collaborative efforts every day so that Sawai can deliver high-value-added products. I am confident that it will be precisely because I continue to make these efforts one after another that we can raise corporate value over the long term.

Directors, Auditors, and Officers

(As of June 30, 2016)

Directors



From left, second row

Director, Senior Executive Officer, Vice President of Research & Development Division
Shinichi Tokuyama*

Oct. 1977 Joined the Company
Jun. 2005 Director, Acting Vice President of Research & Development Division and General Manager, Development
Jun. 2005 Director of Medisa Shinyaku Inc.
Jun. 2012 President, Representative Director of Medisa Shinyaku Inc. (current)
Jun. 2013 Executive Officer, Deputy Vice President of Research & Development Division and General Manager, Intellectual Property Department
Jun. 2014 Director, Senior Executive Officer, Vice President of Research & Development Division (current)

Director, Senior Executive Officer, Vice President of Corporate Administration Division and Deputy Vice President of Sales Division
Minoru Kodama*

Apr. 1976 Joined the The Sanwa Bank, Limited. (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
May 2006 Joined the Company
Jun. 2007 Director of Kaken Shoyaku Co., Ltd. (current)
Jun. 2007 Director, General Manager, Corporate Planning
Jun. 2008 Director of Medisa Shinyaku Inc. (current)
Jun. 2012 Managing Director, Vice President of Corporate Administration Division and Deputy Vice President of Sales Division
Jun. 2013 Director, Senior Executive Officer, Vice President of Corporate Administration Division and Deputy Vice President of Sales Division (current)

Director, Senior Executive Officer, Vice President of Sales Division
Takashi Iwasa*, Ph.D.

Apr. 1979 Joined the Company
Jun. 1994 Director, General Manager, Corporate Planning
Jun. 1998 President, Representative Director of Medisa Shinyaku Inc.
Jun. 2002 Managing Director, General Manager, Corporate Planning
Jan. 2008 Managing Director, Vice President of Sales Division
Jun. 2012 President, Representative Director of Kaken Shoyaku Co., Ltd.
Jun. 2013 Director, Senior Executive Officer, Vice President of Sales Division (current)

From left, first row

President, Representative Director
Mitsuo Sawai

Jan. 1989 Joined the Company
Jun. 2000 Director, Deputy Vice President of Sales Division and General Manager, Sales Planning
Jun. 2002 Managing Director, Vice President of Sales Division and General Manager, Sales Planning
Jun. 2005 Senior Managing Director, Vice President of Sales Division
Jun. 2008 President, Representative Director (current)

Chairman, Representative Director
Hiroyuki Sawai

Apr. 1963 Joined the Company
Aug. 1968 Managing Director
Apr. 1978 Representative Senior Managing Director
Sep. 1988 President, Representative Director
Jun. 2008 Chairman, Representative Director (current)



Director, Senior Executive Officer, General Manager, Corporate Strategy Department and Deputy Vice President of Sales Division

Kenzo Sawai*

- Apr. 1995 Joined the Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)
- Apr. 2001 Joined the Company
- Jun. 2010 Director, General Manager, Corporate Strategy Department
- Jun. 2013 Director, Senior Executive Officer, General Manager, Corporate Strategy Department and Deputy Vice President of Sales Division (current)

External Director

Hidefumi Sugao

- Apr. 1979 Registered as an Attorney
- Jun. 1982 Opened Sugao Law Office (current)
- May 1994 External Director of Nishimatsuya Chain Co., Ltd. (current)
- Jun. 2007 Auditor of the Company
- Jun. 2012 Director of the Company (current)

External Director

Nawomi Todo

- Jun. 1984 Obtained Medical License
- Jul. 1984 Staff Doctor at Osaka University Hospital
- Jul. 1987 Staff Doctor at Osaka Police Hospital, Association of Osaka Police Foundation
- Jul. 1990 Staff Doctor at Nissay Hospital
- Jan. 2002 Staff Doctor at Osaka-tetsusho Health Insurance Society (current)
- Jan. 2007 Obtained Certified Occupational Physician Qualification of Japan Medical Association
- Jun. 2015 Director of the Company (current)

* concurrently as executive officers

Auditors

Standing Statutory Auditor
Hidetsugu Matsunaga

Statutory Auditor
Takekiyo Sawai

External Auditor
Takashi Takahashi

External Auditor
Takanobu Tomohiro



From left, Hidetsugu Matsunaga, Takashi Takahashi, Takanobu Tomohiro, Takekiyo Sawai

Officers (excluding those who are concurrently appointed as Directors)



From left (front row) Nobuko Sugimoto, Yoshiteru Takahashi, Keiichi Kimura, Kyozeo Inari, Yuji Tokunaga, Kazuhiko Sueyoshi (second row) Toru Terashima, Masahiro Sasaki, Makio Sakaki, Akira Hamada, Toshiya Hasuo

Senior Executive Officer

Vice President of Manufacturing Division and General Manager of Stable Supply Management
Keiichi Kimura

Executive Officers

General Manager, External Affairs Department
Kyozo Inari

Deputy Vice President of Manufacturing Division and Deputy Vice President of Research & Development Division
Yoshiteru Takahashi, Ph.D.

Deputy Vice President of Research & Development Division and General Manager, Pharmaceutical Development Department
Yuji Tokunaga, Ph.D.

General Manager, Controller Department
Kazuhiko Sueyoshi

Corporate Officers

General Manager, Quality Assurance Department
Makio Sakaki

In charge of Overseas Operations, Corporate Strategy Department
Masahiro Sasaki

General Manager, Human Resources Department
Akira Hamada

Vice President of Reliability Assurance Division and General Marketing Compliance Officer
Toru Terashima

General Manager, Intellectual Property Department
Nobuko Sugimoto

Factory Manager, Kanto Factory Concurrently in overall charge of the Kashima Factory
Toshiya Hasuo

Corporate Social Responsibility (CSR)

Sawai Pharmaceutical's approach to CSR is based on its understanding that "the business activities of Sawai Pharmaceutical are its greatest contribution to society." Therefore, the mission of Sawai Pharmaceutical is to contribute to society through the realization of its Corporate Philosophy and act according to its Code of Conduct in its business operations.

Basic CSR Policy

1) Realizing Sawai's Corporate Philosophy

Sawai positions the realization of its Corporate Philosophy of "Patients First," through its business activities as its most-important corporate social responsibility, and the entire Company is devoted to realizing this objective.

Moreover, along with Sawai's growth, we are increasingly placing emphasis on the CSR activities we should perform based on input from our stakeholders. By conducting active CSR initiatives through our business processes, we are contributing to the realization of a sustainable society.

→ Please refer to the inside of the front cover for Sawai's Corporate Philosophy.

2) CSR through Our Business Activities

Sawai positions realizing its Corporate Philosophy through its business activities as its most-important corporate social responsibility—CSR through Sawai's business activities.

(a) Reducing the burden on patients and enhancing convenience for them

By providing low-cost, high-quality generics to patients who are in need of medical treatment, we reduce the financial burden on patients and, by giving them peace of mind, enable them to devote their attention to successful treatment. In addition, by developing orally disintegrating (OD) tablets that can be taken without water and other value-added tablets that make it easier for patients to receive dosages of medicines, we aim to fulfill our Corporate Philosophy of putting "Patients First."

(b) Contributing to sustaining and further developing a superior healthcare system that is compatible with sound government finances

Since Japan introduced its "universal health insurance coverage" system after World War II, Japan has maintained an outstanding system under which everyone has been able to receive necessary medical treatment. However, as government financial issues have become more pressing and Japanese society has aged demographically, reviewing the medical system to make it compatible with soundness in government finances has become an urgent issue.

Amid these circumstances, as one of the most-effective ways of reducing the medical care cost burden on the people as a whole without undermining the quality of medical services, Sawai early on decided to take the initiative in promoting the understanding of the use of generics and their reliability.

Looking ahead, as the leading company in Japan's generic drug industry, Sawai Pharmaceutical will work to contribute toward the continuation and development of Japan's superior medical care system, in harmony with government fiscal soundness, through promoting the use of generics.

3) CSR within Business Processes and Code of Conduct

To realize its Corporate Philosophy, Sawai established its "Sawai Code of Conduct", which provides a response to the question, "What actions should we take to be of service to our stakeholders?"

In its business activities, Sawai has mutually interactive relationships with various stakeholder groups that include not only customers, employees, business partners, and shareholders but also regional societies as well as the global environment. For Sawai to continue its business activities sustainably, we are aware that, in its business processes, each and every one of its employees has specific responsibilities they must fulfill (CSR within its business processes). For this reason, Sawai has established its "Sawai Code of Conduct" to provide clear criteria for all of its employees to follow.

Basic CSR Policy in Outline



4) Sawai's Infrastructure for Promoting CSR Activities

CSR Committee

With the President as chairperson, this committee is composed of vice chairpersons (the Director in charge of CSR and the Director with secondary responsibility for CSR), other Directors, Standing Statutory Auditors, and Corporate Officers. This committee meets twice a year, discusses annual activities based on the Company's Basic CSR Policy, approves these and reviews results of activities, and then makes recommendations and reports to the Board of Directors.

CSR Promotion Committee

This committee was formed as a sub-committee under the CSR Committee to promote the efficient conduct of CSR activities. The Director in charge of CSR chairs the committee, and the remaining members include the Director with secondary responsibility for CSR and members selected from managerial-level personnel in each division. In principle, this committee meets four times a year, prepares plans for annual activities based on the Company's Basic CSR Policy, monitors progress, and reports on the results.



Members of the CSR Secretariat

CSR Secretariat

The CSR Secretariat was formed with the objective of performing such functions as calling the meetings of the CSR Committee and the CSR Promotion Committee, preparing their meeting minutes, and disseminating information related to CSR internally and outside the Company. Members are selected from various divisions.

CSR Promotion Team

The CSR Promotion Team is organized into six sub-teams* that correspond to the core subjects in ISO 26000, which sets forth the international guidance standards related to social responsibility. Each of these sub-teams is engaged in promoting CSR activities in line with its central theme.

* The themes of the six sub-teams are consumer issues, the environment, community involvement and development, human rights and labor practices, fair operating practices, and organizational governance.

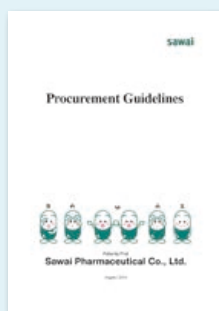
Important CSR Matters and the Process for Identifying Them

Sawai's business activities have an impact not only on customers, employees, business partners, and shareholders but also regional societies as well as the global environment. To continue to increase its corporate value, Sawai's business activities must take account of the sustainability of society as a whole, including these stakeholders.

For this reason, based on its Basic CSR Policy, two considerations, namely, "importance for society as a whole" and "relevancy for Sawai's businesses," have been established as important issues to be considered in CSR activities and in setting priorities among these activities.

Procurement Guidelines

Sawai has prepared procurement guidelines from a CSR point of view to provide direction on those aspects that should be given attention when conducting transactions. These are also those of Sawai's CSR commitment, and thus requesting the understanding and cooperation of business partners, Sawai seeks to fulfill its social responsibilities together with its business partners.



Procurement Guidelines



Gene-chan (Pronounced džéne-tʃan):
Gene-chan is Sawai's cartoon character for spreading awareness of generic pharmaceuticals. Gene-chan is very curious to learn more about generics and says "I want to know more about generics and tell everyone else about them."

Human Rights and Labor Initiatives

Sawai respects basic human rights and based on the idea that “our employees’ individual personalities and abilities are our greatest assets,” Sawai works to engage and nurture a diversity of human resources. Sawai also endeavors to create safe and pleasant working environments that give regard to employees’ physical and mental health.

Respect for Human Rights

Sawai respects human rights and is opposed to discrimination on the basis of ethnicity, beliefs, gender, nationality, or disabilities and does not practice discrimination on philosophical or political grounds.

Clinical Trials (Bioequivalence Tests)

Sawai Pharmaceutical’s Institutional Review Board deliberates the ethics and scientific appropriateness of testing plans, and monitors whether good clinical practices (GCP*) are observed and endeavors to protect human rights of persons.

* Ministerial Ordinance concerning good clinical practices for drug trials

Human Resource Training

At Sawai, job assignments are made on the basis of ability and work aptitude, and training plans are provided by job level. Sawai also provides the environment where each employee can advance in his or her career.

Preparation of Action Plans for the Activities of Women Employees

Accompanying establishment of the “The Act on Promotion of Women’s Participation and Advancement in the Workplace,” Sawai is enhancing work environments where women can play an active role. An action plan has been prepared to promote advancement of women’s participation, and it has been announced publicly. With the aim of having women play even more active roles, the president of Sawai and Nawomi Todo, a female external director of the Company, participated in a discussion of work practices that will promote activities of women.



Panel discussion held for further promoting women’s activities.

Creating Pleasant Workplace Environments

Sawai emphasizes employees’ work-life balance and wants to create pleasant workplace environments suited to employees’ life stage. For instance, they can take childcare leave until their children reach the age of two and can use the “kids flextime system” until they finish third grade. Also, Sawai allows employees to take one year leave to care for senior family members. Sawai conducts an employee survey every year and, based on the results of that, tries to improve the workplace environment.

Initiatives to Prevent and Stamp Out Harassment

To prevent sexual and power harassment, Sawai created an employee advisory function to help improve awareness of these issues and give advice related to harassment.

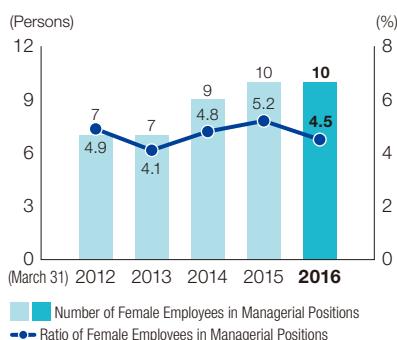
Re-Entry System for Retirees

At Sawai, a system has been introduced (the Retiree Re-Entry System) where persons who have retired from the Company of their own volition may apply for re-entry, provided they satisfy certain conditions and the Company is seeking to recruit staff for those positions.

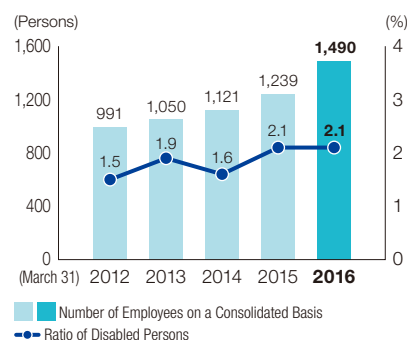
Enhancing the Health Management System

Sawai has assigned industrial doctors and public health nurses to each of its offices and they are working to improve employees’ health, manage health conditions, prevent overwork, and improve the working environment. For employees with mental health issues, the Company has a program to provide return-to-work support. Working with the industrial doctors and public health nurses, this program enables employees to smoothly return to work.

Number and Ratio of Female Employees in Managerial Positions



Number of Employees on a Consolidated Basis, Ratio of Disabled Persons



Environmental Initiatives

In taking initiatives to realize one of the tenets of its Corporate Philosophy, which is “It is Sawai’s mission to enable people to live healthy lives through pharmaceutical products” and as a provider of generic pharmaceuticals, Sawai Pharmaceutical works with the community and society to implement corporate activities that aim to preserve the global environment.

Protecting the Earth’s Environment

The “**sawai** Code of Conduct”, which is a set of guidelines for realizing Sawai’s Corporate Philosophy, establishes the objective “Alongside the Global Environment” and positions preservation of the Earth’s environment as an important issue for continuation of business activities. Sawai aims to be a company that is friendly to the environment by being aware of effects of its business activities on the environment, taking initiatives to work with the community and society in protecting the environment, and reducing the burden on the environment through promotion of the “3Rs.”

Important Issues in the Environmental Action Plan

1. Restraining greenhouse gas emission volumes
2. Effective use of resources
3. Monitoring chemical substances, water quality, and air quality
4. Improving environmental awareness

Restraining Greenhouse Gas Emission Volumes (CO₂ Emissions)

When Sawai’s production volume increases, its usage of energy rises. In fiscal 2015, ended March 31, 2016, CO₂ emissions rose 23.8%, over the previous year to 55,722 tons of CO₂.

The management indicator of the emissions basic unit rose 14.3%, to 3.2, because of the acquisition of the Kashima Factory.

Introduction of Hybrid Automobiles

Since fiscal 2011, Sawai began to promote the introduction of hybrid cars, and with the exception of cold regions (a portion of Hokkaido), hybrid cars have now been adopted for all business purposes. (A total of 265 cars)

Promoting the “3Rs” for Waste Materials and Zero Emissions

To reduce the volume of waste materials, Sawai has actively adopted the “3Rs” approach and is aiming to be a company that is environmentally friendly. At the Kashima Factory, Sawai is promoting zero emissions and has attained a 100% recycling ratio.

Monitoring Chemical Substances, Water Quality, and Air Quality

Sawai conducts proper monitoring to confirm designated chemical substances under the Pollutant Release and Transfer Register (PRTR) system and analyzes water quality (including BOD and COD levels) as well as air quality (including emissions of NO_x and SO_x, etc.). Sawai is strengthening its monitoring activities and is in compliance with regulations.

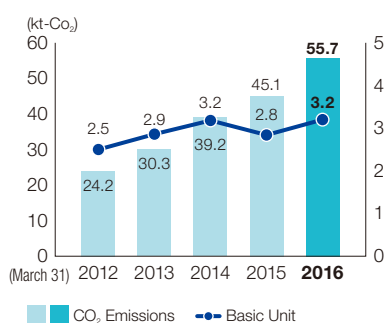
Improving Environmental Awareness

Sawai prepares and distributes an in-house newsletter, “Environment Magazine.” Sawai is promoting “COOL CHOICE” and “Fun to Share” programs that Japan’s Ministry of the Environment is recommending, which aim to realize the low-carbon society. Sawai is participating in the “Light Down Campaign” and is contributing to energy saving by extinguishing lights in its 22 locations nationwide.



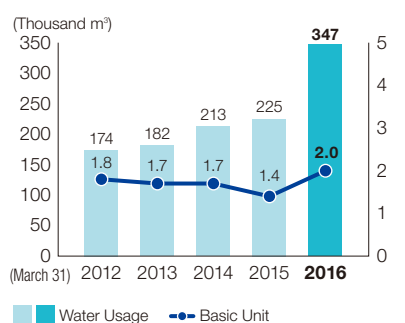
Environment Magazine

CO₂ Emissions



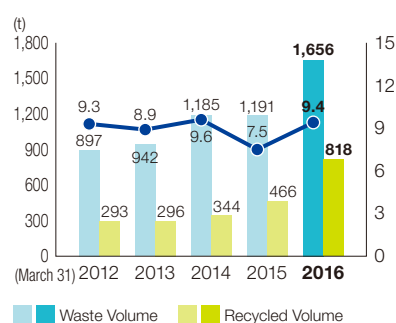
* Volume of CO₂ emissions per unit of production is the volume of emissions divided by production volume (bil. tablets).
* Excluding Kaken Shoyaku Co., Ltd.

Water Usage



* Volume of water usage per unit of production is the volume of usage divided by production volume (100 mil. tablets).
* Excluding Kaken Shoyaku Co., Ltd.

Waste Volume/Recycled Volume



* Volume of waste per unit of production is the volume of waste divided by production volume (100 mil. tablets).
* Excluding Kaken Shoyaku Co., Ltd.

Social Contribution Activities

Sawai Pharmaceutical provides generic pharmaceuticals that lower the healthcare costs patients pay and reduce the burden of national healthcare costs. As a good corporate citizen, Sawai is also committed to engagement in a range of initiatives that promote healthy and sustainable development of society.

Lowering Medical Costs via High-Quality Generic Pharmaceuticals

The movement toward a super-aged society is proceeding rapidly and national healthcare costs are on a constantly rising trend. Sawai provides generic medicines that are low in cost but have the same efficacy from a therapeutic standpoint as the original drugs. Through these activities, Sawai is contributing to lowering overall healthcare costs.

The actual amounts saved, as Sawai has grown year by year, have been roughly ¥156.0 billion in fiscal 2013, ¥200.0 billion in fiscal 2014, and ¥226.0 billion in fiscal 2015.

Social Contributions

Disseminating Latest Medical Care Information

Sawai supports symposiums and seminars covering lifestyle diseases and sponsors television programs providing medical care information.

In fiscal 2015, we jointly sponsored many seminars, including symposiums on circulatory system disorders, and, with the aim of contributing to community medicine, we sponsor TV programs, including *I No Kokoro* (Heart of Medicine) and *I TV* (Medical TV), where medical professionals broadcast the latest medical information based on medical-related evidence (scientific evidence).

Co-Sponsorship of World Heart Day and “Heart Health Walk”

Sawai was a special co-sponsor of the Heart Health Walk, which is the main event of the worldwide heart vascular disease campaign “World Heart Day Osaka 2015,” with the participation of approximately 1,800 people. Sawai agrees with the spirit of World Heart Day, which is “to prevent cardiovascular and lifestyle diseases through a healthy diet and exercise.” Sawai co-sponsored this event from 2011 for the fifth consecutive time.



Heart Health Walk activities in progress

Principal Sponsor of the International Women’s Wheelchair Basketball Friendship Games OSAKA Cup

Sawai acted as principal sponsor of the International Women’s Wheelchair Basketball Friendship Games, which was held in Osaka, where Sawai’s Head Office is located, in February 2016. This competition is intended to promote interchange between local citizens and athletes from countries around the world, and, through activities to actually experience wheelchair basketball, promote international friendship and better understanding of people with disabilities.



Scene from the women’s wheelchair basketball games

Bring New Life to the Kansai! Sawai Pharmaceutical Nighter

As a way of contributing to the community through sports, Sawai acts as game sponsor for the Hanshin Tigers professional baseball team and invites children from the community to see the game.



Sawai Pharmaceutical Nighter in progress

How Generic Pharmaceuticals Are Made

Sawai arranges for visits to its facilities in order that groups, including students, local residents, and parent-teacher associations may see how efficacious generic pharmaceuticals are made. In fiscal 2015, Sawai arranged about 180 factory visits to broaden understanding of the value of generic pharmaceuticals and to be of service to the community.

Eleven-Year Summary

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen		
	2016	2015	2014
Net sales	¥123,492	¥105,454	¥ 89,824
Cost of sales	71,858	60,048	48,353
Gross profit	51,634	45,406	41,471
Selling, general and administrative expenses	28,449	24,718	22,380
Operating income	23,185	20,688	19,091
Profit before income taxes	23,092	20,298	18,990
Profit attributable to owners of parent	17,156	14,053	12,193
Total assets	206,492	166,180	149,348
Inventories	55,668	44,663	39,182
Total current liabilities	50,078	42,209	39,097
Total long-term liabilities	30,692	11,572	8,949
Net assets	125,722	112,399	101,302
Net cash provided by (used in) operating activities	19,975	12,112	13,422
Net cash used in investing activities	(22,937)	(14,123)	(8,283)
Net cash provided by (used in) financing activities	13,473	(922)	(178)
Cash and cash equivalents at end of year	33,096	22,604	25,537
Research and development (R&D) expenses	8,019	6,110	5,170
Capital expenditures	17,775	13,251	7,353
Depreciation and amortization	7,044	5,863	4,989
		%	
Ratio of R&D expenses to sales	6.5	5.8	5.8
Return on equity	14.4	13.2	15.0
Shareholders' equity to total assets	60.8	67.6	67.8
		Yen	
Amounts per common share:			
Net income—basic	¥ 465.57	¥ 382.26	¥ 365.18
Net income—diluted	465.25	381.85	330.41
Cash dividends applicable to period	120.00	105.00	95.00
Net assets	3,405.20	3,053.29	2,755.29

Notes: 1. Diluted net income per common share is not disclosed from 2006 to 2009 because there were no outstanding convertible securities.
2. Net assets from 2008 included non-controlling interests due to the application of the Japanese Corporate Law.
3. Capital expenditures are presented on a cash flow basis.
4. The Company split its common stock two for one on October 1, 2013.
Amounts per common share for years prior to 2014 were recalculated to reflect the share split.
5. From the fiscal year ended March 31, 2016, the Company has adopted a revised accounting standard for business combinations.
The Company has changed "Net income" to "Profit attributable to owners of parent" by the change.

Millions of yen							
2013	2012	2011	2010	2009	2008	2007	2006
¥ 80,503	¥ 67,603	¥ 63,853	¥ 50,070	¥ 44,284	¥ 37,631	¥ 34,317	¥ 26,616
42,511	34,411	33,736	26,275	25,156	20,130	17,357	13,265
37,992	33,192	30,117	23,795	19,128	17,501	16,960	13,351
20,607	18,188	16,531	15,276	14,461	13,453	12,267	9,052
17,385	15,004	13,586	8,519	4,668	4,048	4,693	4,299
18,098	14,928	12,289	8,372	4,320	3,129	4,166	5,043
12,022	9,026	7,183	4,982	2,439	1,739	2,260	3,010
127,843	123,400	117,056	81,236	72,320	66,295	67,827	51,997
29,529	25,780	21,218	18,081	13,588	13,500	13,768	9,609
30,105	26,932	25,811	25,441	20,911	17,152	18,525	18,352
36,258	37,893	40,382	9,537	9,703	8,938	9,981	4,811
61,480	58,575	50,863	46,258	41,706	40,205	39,321	27,543
12,256	7,814	5,937	7,907	3,169	9,549	(4,370)	1,884
(1,373)	(2,371)	(20,362)	(5,329)	(3,037)	(6,562)	(10,551)	(2,313)
(10,970)	(4,578)	24,756	348	1,027	(4,958)	15,449	2,022
20,584	20,671	19,805	9,474	6,548	5,389	7,360	6,832
4,551	4,317	3,902	3,593	3,409	3,222	3,085	2,241
4,599	4,599	2,805	5,370	2,841	6,567	9,877	3,268
3,793	3,389	3,066	3,025	2,709	2,575	1,964	1,640
%							
5.7	6.4	6.1	7.2	7.7	8.6	9.0	8.4
20.1	16.5	15.1	11.8	6.2	4.6	6.9	11.5
48.0	47.4	43.4	54.5	55.4	58.3	55.8	53.0
Yen							
¥ 386.71	¥ 285.25	¥ 228.04	¥ 158.66	¥ 77.66	¥ 55.37	¥ 78.84	¥ 108.54
318.17	235.07	203.67	158.43	—	—	—	—
85.00	70.00	55.00	35.00	27.50	27.50	27.50	25.00
2,027.15	1,846.84	1,605.16	1,408.83	1,275.53	1,230.09	1,204.21	1,007.06

Consolidated Balance Sheets

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
ASSETS	2016	2015	2016
Current Assets:			
Cash and deposits	¥ 33,096	¥ 22,604	\$ 294,034
Trade notes and accounts receivable	31,776	32,577	282,300
Electronically recorded monetary claims	4,516	1,543	40,125
Allowance for doubtful receivables	(14)	(13)	(124)
	69,374	56,711	616,335
Inventories	55,668	44,663	494,567
Deferred tax assets	2,592	2,408	23,024
Other current assets	845	492	7,502
Total current assets	128,479	104,274	1,141,428
Property, Plant and Equipment:			
Land	9,283	7,631	82,471
Buildings and structures	44,401	38,950	394,461
Machinery and equipment	44,277	36,951	393,368
Lease assets	1,553	81	13,795
Construction in progress	9,197	4,000	81,705
Other	9,160	7,260	81,376
	117,871	94,873	1,047,176
Accumulated depreciation	(46,027)	(40,172)	(408,909)
Net property, plant and equipment	71,844	54,701	638,267
Intangible Assets	1,496	2,117	13,295
Investments and Other Assets:			
Investment securities	4,200	4,687	37,314
Long-term prepaid expenses	147	85	1,306
Other investments and long-term receivables	348	342	3,095
	4,695	5,114	41,715
Allowance for doubtful receivables	(22)	(26)	(194)
Net investments and other assets	4,673	5,088	41,521
Total assets	¥206,492	¥166,180	\$1,834,511

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥112.56 to U.S.\$1.00, the rate prevailing on March 31, 2016.

LIABILITIES and NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current Liabilities:			
Current portion of long-term debt	¥ 1,665	¥ 2,547	\$ 14,796
Current portion of lease obligations	272	18	2,419
Trade notes and accounts payable	17,702	17,055	157,264
Electronically recorded obligations	4,475	—	39,758
Other accounts payable	17,707	15,157	157,312
Accrued bonuses to employees	1,749	1,456	15,538
Accrued bonuses to directors and corporate auditors	67	59	593
Income taxes payable	3,721	3,222	33,055
Reserve for sales returns	57	68	508
Reserve for sales rebates	1,668	1,904	14,820
Other current liabilities	995	723	8,848
Total current liabilities	50,078	42,209	444,911
Long-Term Liabilities:			
Bonds payable	20,000	—	177,683
Long-term debt	6,865	8,630	60,987
Long-term lease obligations	1,036	27	9,207
Debt for retirement benefits	36	46	316
Deferred tax liabilities	88	363	780
Long-term deposits received	2,133	1,970	18,948
Other long-term liabilities	534	536	4,759
Total long-term liabilities	30,692	11,572	272,680
Net Assets:			
Shareholders' Equity:			
Common stock			
Authorized 77,600,000 shares			
Issued and outstanding 38,166,588 shares in 2016 38,137,588 shares in 2015	27,167	27,124	241,358
Capital surplus	27,800	27,597	246,978
Retained earnings	75,974	62,869	674,960
Treasury stock 1,299,539 shares in 2016 1,353,839 shares in 2015	(6,006)	(6,230)	(53,361)
Total shareholders' equity	124,935	111,360	1,109,935
Accumulated Other Comprehensive Income			
Net unrealized holding gains on securities	606	952	5,378
Total accumulated other comprehensive income	606	952	5,378
Subscription Rights to Shares	181	87	1,607
Net assets	125,722	112,399	1,116,920
Total liabilities and equity	¥206,492	¥166,180	\$1,834,511

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥112.56 to U.S.\$1.00, the rate prevailing on March 31, 2016.

Consolidated Statements of Income

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net Sales	¥123,492	¥105,454	\$1,097,125
Cost of Sales	71,858	60,048	638,400
Gross Profit	51,634	45,406	458,725
Selling, General and Administrative Expenses	28,449	24,718	252,742
Operating Income	23,185	20,688	205,983
Other Income (Expenses):			
Dividend income	98	94	869
Subsidy income	97	149	859
Interest expense	(255)	(143)	(2,265)
Bond issuance cost	(109)	—	(969)
Expenses for loan commitment agreements	(23)	(113)	(208)
Gain on sales of investment securities	25	—	219
Gain on bargain purchase	842	—	7,478
Impairment loss	(684)	—	(6,080)
Loss on disposal of fixed assets	(116)	(322)	(1,030)
Other, net	32	(55)	294
	(93)	(390)	(833)
Profit before Income Taxes	23,092	20,298	205,150
Provision for Income Taxes:			
Current	6,497	6,491	57,718
Deferred	(561)	(246)	(4,980)
Profit	17,156	14,053	152,412
Profit attributable to owners of parent	¥ 17,156	¥ 14,053	\$ 152,412
Per Share of Common Stock:		Yen	U.S. dollars
Net income - basic	¥ 465.57	¥ 382.26	\$ 4.14
Net income - diluted	465.25	381.85	4.13
Dividends	120.00	105.00	1.07

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥112.56 to U.S.\$1.00, the rate prevailing on March 31, 2016.

Consolidated Statements of Comprehensive Income

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Profit	¥17,156	¥14,053	\$152,412
Other Comprehensive Income			
Net unrealized holding gains (losses) on securities	(346)	465	(3,075)
Total other comprehensive income (loss)	(346)	465	(3,075)
Comprehensive Income	¥16,810	¥14,518	\$149,337
Comprehensive income attributable to:			
Owners of the parent	16,810	14,518	149,337

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥112.56 to U.S.\$1.00, the rate prevailing on March 31, 2016.

Consolidated Statements of Changes in Net Assets

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen								
	Shareholders' equity					Accumulated other comprehensive income			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Total accumulated other comprehensive income	Subscription rights to shares	Total net assets
Balance at April 1, 2014	¥27,107	¥27,505	¥52,490	¥(6,356)	¥100,746	¥487	¥487	¥ 69	¥101,302
Changes in items during the period									
Stock issue (exercise of stock subscription rights)	17	17			34			(10)	24
Cash dividends			(3,674)		(3,674)				(3,674)
Profit attributable to owners of parent			14,053		14,053				14,053
Acquisition of treasury stock				(0)	(0)				(0)
Disposition of treasury stock		75		126	201				201
Net changes in items other than shareholders' equity					—	465	465	28	493
Total changes in items during the period	17	92	10,379	126	10,614	465	465	18	11,097
Balance at March 31, 2015	¥27,124	¥27,597	¥62,869	¥(6,230)	¥111,360	¥952	¥952	¥ 87	¥112,399

Balance at April 1, 2015	¥27,124	¥27,597	¥62,869	¥(6,230)	¥111,360	¥952	¥952	¥ 87	¥112,399
Changes in items during the period									
Stock issue (exercise of stock subscription rights)	43	43			86			(18)	68
Cash dividends			(4,051)		(4,051)				(4,051)
Profit attributable to owners of parent			17,156		17,156				17,156
Acquisition of treasury stock					—				—
Disposition of treasury stock		160		224	384				384
Net changes in items other than shareholders' equity					—	(346)	(346)	112	(234)
Total changes in items during the period	43	203	13,105	224	13,575	(346)	(346)	94	13,323
Balance at March 31, 2016	¥27,167	¥27,800	¥75,974	¥(6,006)	¥124,935	¥606	¥606	¥181	¥125,722

	Thousands of U.S. dollars								
	Shareholders' equity					Accumulated other comprehensive income			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Total accumulated other comprehensive income	Subscription rights to shares	Total net assets
Balance at April 1, 2015	\$240,978	\$245,173	\$558,535	\$(55,348)	\$ 989,338	\$8,453	\$8,453	\$ 776	\$ 998,567
Changes in items during the period									
Stock issue (exercise of stock subscription rights)	380	380			760			(162)	598
Cash dividends			(35,987)		(35,987)				(35,987)
Profit attributable to owners of parent			152,412		152,412				152,412
Acquisition of treasury stock					—				—
Disposition of treasury stock		1,425		1,987	3,412				3,412
Net changes in items other than shareholders' equity					—	(3,075)	(3,075)	993	(2,082)
Total changes in items during the period	380	1,805	116,425	1,987	120,597	(3,075)	(3,075)	831	118,353
Balance at March 31, 2016	\$241,358	\$246,978	\$674,960	\$(53,361)	\$1,109,935	\$5,378	\$5,378	\$1,607	\$1,116,920

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥112.56 to U.S.\$1.00, the rate prevailing on March 31, 2016.

Consolidated Statements of Cash Flows

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash Flows from Operating Activities:			
Profit before income taxes	¥23,092	¥20,298	\$205,150
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	7,044	5,863	62,581
Impairment loss	684	—	6,080
Decrease in allowance for doubtful receivables	(3)	(0)	(27)
Interest and dividend income	(98)	(95)	(873)
Interest expense	255	143	2,265
Gain on sales of investment securities	(25)	—	(219)
Gain on bargain purchase	(842)	—	(7,478)
Loss on disposal of fixed assets	116	322	1,030
Increase (decrease) in reserve for sales rebates	(236)	631	(2,099)
Increase in accrued bonuses to employees	292	110	2,597
Increase in accrued bonuses to directors and corporate auditors	8	1	73
Decrease in reserve for sales returns	(11)	(4)	(99)
Decrease in debt for retirement benefits	(10)	(10)	(91)
Increase in trade notes and accounts receivable and electronically recorded monetary claims	(2,173)	(5,348)	(19,305)
Increase in inventories	(8,235)	(5,481)	(73,158)
Increase in trade notes and accounts payable and electronically recorded obligations	5,099	902	45,296
Increase in long-term prepaid expenses	(62)	(20)	(551)
Increase in other accounts payable	1,079	2,587	9,590
Other	245	207	2,168
Subtotal	26,219	20,106	232,930
Interest and dividends received	98	95	873
Interest paid	(214)	(137)	(1,898)
Income taxes paid	(6,128)	(7,952)	(54,438)
Net cash provided by operating activities	19,975	12,112	177,467
Cash Flows from Investing Activities:			
Payments for purchase of property, plant and equipment	(17,453)	(12,296)	(155,058)
Payments for purchase of intangible assets	(322)	(955)	(2,864)
Payments for purchase of investment securities	—	(799)	—
Proceeds from sales of investment securities	52	—	466
Payments for transfer of business	(5,181)	—	(46,032)
Other	(33)	(73)	(295)
Net cash used in investing activities	(22,937)	(14,123)	(203,783)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	—	5,000	—
Repayment of long-term debt	(2,647)	(2,453)	(23,513)
Proceeds from issuance of bonds	20,000	—	177,683
Proceeds from issuance of stock resulting from exercise of stock subscription rights	67	26	599
Proceeds from disposition of treasury stock	396	198	3,514
Payments for purchase of treasury stock	—	(0)	—
Cash dividends paid	(4,051)	(3,674)	(35,987)
Other	(292)	(19)	(2,593)
Net cash provided by (used in) financing activities	13,473	(922)	119,703
Effect of exchange rate change on cash and cash equivalents	(19)	—	(168)
Net increase (decrease) in cash and cash equivalents	10,492	(2,933)	93,219
Cash and cash equivalents at beginning of year	22,604	25,537	200,815
Cash and cash equivalents at end of year	¥33,096	¥22,604	\$294,034

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥112.56 to U.S.\$1.00, the rate prevailing on March 31, 2016.

Corporate Data/Stock Information

(As of March 31, 2016)

Company Name: Sawai Pharmaceutical Co., Ltd.
5-2-30, Miyahara, Yodogawa-ku,
Osaka 532-0003, JAPAN
TEL: +81-(0)6-6105-5711
URL: <http://www.sawai.co.jp/en>

Founded: April 1, 1929

Incorporated: July 1, 1948

Paid-in Capital: ¥27,167 million

Number of Employees: 1,490 (consolidated)

Branches: Sapporo, Sendai, Kitakanto, Tokyo Daiichi, Tokyo Daini,
Nagoya, Osaka, Hiroshima, Fukuoka

Area Offices: Nagano, Tokyo nishi, Yokohama, Atsugi, Chiba,
Shizuoka, Kyoto, Kobe, Hokuriku, Takamatsu,
Okayama, Kumamoto

Factories/Laboratories: Kashima Factory, Kanto Factory, Osaka
Factory, Sanda Factory, Kyushu
Factory, Daini Kyushu Factory, Yasato
Factory of Kaken Shoyaku, Head Office
and Research Laboratories,
Pharmaceutical Development Center

Consolidated Subsidiaries: Medisa Shinyaku Inc.
Kaken Shoyaku Co., Ltd.

Transfer Agent: Sumitomo Mitsui Trust Bank, Limited

Stock Listing: 1st Section of Tokyo Stock Exchange

Number of Shares Outstanding: 38,166,588

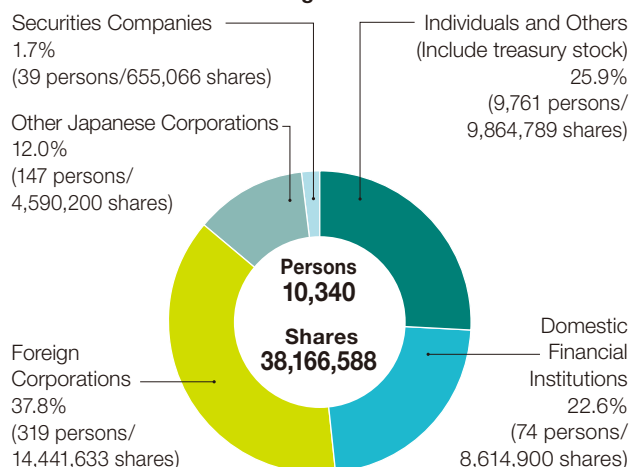
Number of Shareholders: 10,340

Major Shareholders:

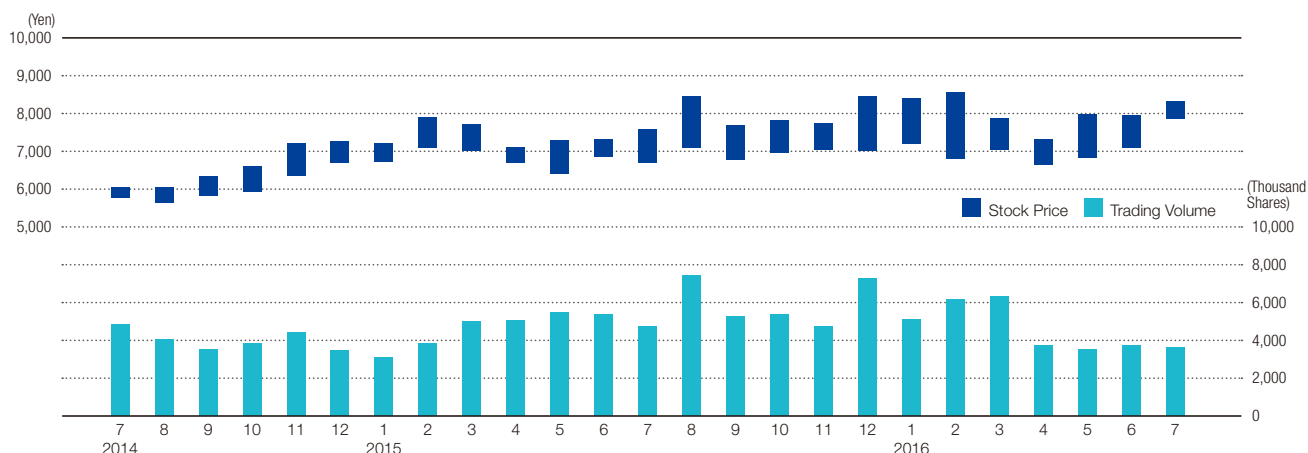
	Name of Shareholders	Number of Shares
1	State Street Bank and Trust Company	2,216,445
2	The Master Trust Bank of Japan, Ltd. (Trust account)	1,818,800
3	Japan Trustee Services Bank, Ltd. (Trust account)	1,463,800
4	The Bank of New York 133522	1,135,269
5	The Bank of New York Non-treaty Jasdec Account	1,105,166
6	Sawaken Co., Ltd.	994,000
7	Mitsuo Sawai	948,200
8	Kenzo Sawai	854,000
9	Goldman, Sachs & Co. Reg	656,516
10	Sumitomo Mitsui Banking Corporation	650,000

* The Company owns 1,299,539 shares of treasury stock which is excluded from the major shareholders listed above.

Distribution of Shareholdings:



Trends in Stock Price (High/Low) and Trading Volume:



Corporate History

- 1929** • Hanpei Sawai and Noyo Sawai established Sawai Pharmacy, the predecessor company of Sawai Pharmaceutical in Asahi-ku, Osaka.
- 1948** • Sawai Pharmaceutical Co., Ltd. incorporated in Asahi-ku, Osaka.
- 1962** • Obtained manufacturing patent on garlic extracts, launched vitamin B₁ preparation.
- 1965** • Shifted operations from OTC drug manufacturer to ethical pharmaceutical maker.
- 1968** • Second Osaka Factory (now Osaka Factory) completed.
- 1974** • Former company head office building completed and Head Office relocated.
- 1979** • Sawai Pharmaceutical Co., Ltd. changed the Japanese ideograph for its company name to a style suited to signage, etc.
- 1981** • Kyushu Factory completed in Fukuoka Prefecture.
- 1983** • Second stage of construction of Kyushu Factory completed.
- 1984** • Osaka Laboratory (at that time) opened to expand and improve research facilities.
- 1985** • Medisa Shinyaku Inc. incorporated (now a consolidated subsidiary).
• Third stage of construction of Kyushu Factory completed.
- 1987** • Medisa Shinyaku Inc. Kyushu Factory (now Daini Kyushu Factory) completed in Fukuoka Prefecture.
- 1989** • Fourth stage of construction of Kyushu Factory completed.
- 1990** • Research & Development Center (at that time) established to enhance research and development functions.
- 1991** • Medisa Shinyaku Inc. set up as a wholly owned subsidiary.
- 1992** • Second stage of construction of Medisa Shinyaku Inc. Kyushu Factory (now Daini Kyushu Factory) completed.
• Sanda Factory completed in Hyogo Prefecture.
- 1994** • Pharmaceutical Research Center (at that time) opened to improve pharmaceutical research.
- 1995** • Sawai shares listed on the OTC stock market.
- 1996** • Third stage of construction of Medisa Shinyaku Inc. Kyushu Factory (now Daini Kyushu Factory) completed.
- 1997** • Began newspaper advertising.
• Fourth and fifth stages of construction of Medisa Shinyaku Inc. Kyushu Factory (now Daini Kyushu Factory) completed.

- 2000** • Production facilities for injections expanded in Kyushu Factory.
• Listed on the Second Section of the Tokyo Stock Exchange.
- 2002** • Fifth stage of construction of Kyushu Factory completed.
- 2003** • Listed on the First Section of the Tokyo Stock Exchange.
- 2004** • Started nationwide TV advertising.
- 2005** • Second stage of construction of Sanda Factory completed.
• Mobara Factory (now Kanto Factory) acquired from Nihon Schering K.K. (now Bayer Yakuhin, Ltd.).
- 2006** • Head Office and Research Laboratories combined, and new premises completed. Relocated to current premises.
• Became majority shareholder in Kaken Shoyaku Co., Ltd. and made the company a subsidiary.
- 2007** • New building for syringe production established in Kanto Factory.
• Corporate Philosophy and Code of Conduct established.
- 2008** • Sixth stage of construction of Medisa Shinyaku Inc. Kyushu Factory (now Daini Kyushu Factory) completed.
• Hiroyuki Sawai appointed Chairman and Mitsuo Sawai appointed President.
- 2009** • Third stage of construction of Sanda Factory completed.
• Pharmaceutical Research Center (later changed the name to Pharmaceutical Technology Center) opened.
- 2012** • Medisa Shinyaku Inc. Kyushu Factory was newly joined as Sawai Pharmaceutical Daini Kyushu Factory by absorbing the production business of Medisa Shinyaku Inc. through a spin-off process.
- 2013** • First stage of construction of Kanto Factory completed (Scrap & Build).
• Introduction of the Corporate Officer system.
- 2014** • Sawai antiplatelet "CILOSTAZOL OD Tablets 'Sawai'" received the Asahi Chemical Formulation Development Award from the Pharmaceutical Society of Japan (Incorporated Foundation).
- 2015** • Kashima Factory absorbed through a spin-off process from Mitsubishi Tanabe Pharma Factory Ltd.
• Pharmaceutical Development Center completed and the functions of the Pharmaceutical Technology Center (at that time) were concentrated in the Pharmaceutical Development Center.

Main Networks

Sawai Pharmaceutical's principal networks are between the Head Office and Research Laboratories, the Pharmaceutical Development Center, 6 factories (to become 7 factories after the Sanda-Nishi Factory goes into operation in November 2016), and 9 branches/12 sales offices. Especially as regards marketing, Sawai has structured a nationwide distribution and sales network, centered around branches and sales offices, including tie-ups with wholesalers and marketing agencies. Therefore, when necessary, with this network system, Sawai can deliver its products smoothly anywhere they are needed.

Pharmaceutical Development Center

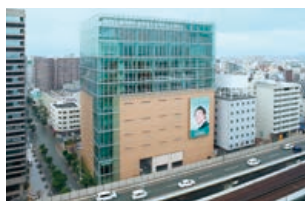


Sanda Factory



Land area: 37,822m²
Plant area: 21,830m²

Head Office and Research Laboratories



Kashima Factory



Land area: 146,200m²
Plant area: 43,923m²

Kanto Factory



Land area: 87,478m²
Plant area: 28,664m²



Osaka Factory



Land area: 1,997m²
Plant area: 5,012m²

Kyushu Factory



Land area: 70,351m²
Plant area: 21,077m²

Daini Kyushu Factory



Land area: 34,102m²
Plant area: 17,741m²

- Head Office and Research Laboratories
- Branches and Sales Offices
- ▲ Pharmaceutical Development Center, Factories

Total factory area

Land area: 377,950m²
Plant area: 138,247m²

(As of March 31, 2016)

Contact for information.

CSR Secretariat
TEL: +81-(0)6-6105-5719 FAX: +81-(0)6-6394-7311
E-mail: csr@sawai.co.jp

Sawai Pharmaceutical Co., Ltd.

5-2-30, Miyahara, Yodogawa-ku, Osaka 532-0003, JAPAN

TEL: +81-(0)6-6105-5711 FAX: +81-(0)6-6394-7311

URL: <http://www.sawai.co.jp>



We have used Green Power (1,000kWh) generated by Biomass in the printing and bookbinding process of this booklet.

Printed in Japan