



sawai



Patients First

Sawai Pharmaceutical Co., Ltd.

Integrated Report 2017

For the Year Ended March 31, 2017

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.

All of Sawai's activities are based on its Corporate Philosophy of "Patients First."

By providing stable supplies of conscientiously prepared, high-quality, high-value-added generic pharmaceuticals to as many patients as possible, we are fulfilling our social responsibilities. We believe that doing this will contribute to the advancement of people, society, and medical care.



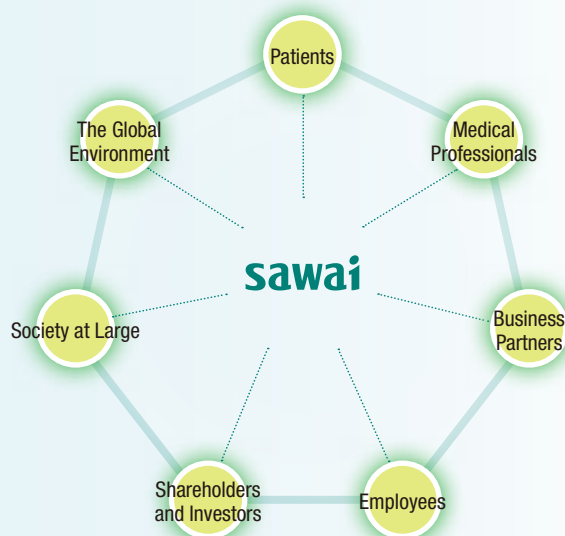
Chairman

H. Sawai (left)

President

M. Sawai (right)

Key Stakeholder Groups



Editorial Policy

In addition to the presentation of its financial and business information, Sawai 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 and its consolidated subsidiaries for fiscal 2016 (April 1, 2016 to March 31, 2017).

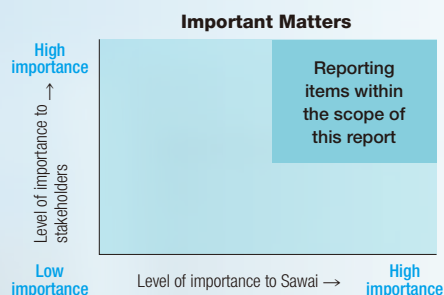
* Some information is presented that does not fall within this period.

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 in the short, medium, and long terms.

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.



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.

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Sawai's Potential

In order to achieve sustained growth, improve corporate value, and emerge as a survivor in a rapidly changing market, Sawai must assess conditions inside and outside of the Company, remembering the adage that “if you know your enemy and know yourself, you need not fear the result of a hundred battles.” In line with this idea, we believe it is vital to identify growth opportunities and risks, and develop our business by playing to our strengths while covering for our weaknesses.



Research and development, pharmaceutical formulation technologies

In addition to excellent patent search and analysis capabilities, we have developed products that are easy for patients to swallow and have advanced formulation technologies that allow the development of drugs at a level no other company can match. These advantages have allowed us to be first to market in launching new products, which, in turn, has helped us to not only capture a market share, but also to differentiate ourselves from other companies and develop businesses that are resistant to price competition.

The ability to ensure stable supply

One of the most-important issues in a pharmaceutical industry deeply linked to human lives is the stable supply of high-quality pharmaceutical products, and we are proud that our Company is capable of producing industry-leading volume of about 15 billion tablets a year. We are building a system capable of producing 20 billion tablets a year by the end of fiscal 2020, and continue to refine our ability to ensure a stable supply of pharmaceutical products.

Our strengths as a company include an ample lineup of products, strong relationships with wholesalers and sales agencies, and sales capabilities that harness the power of the industry's leading brand. Moreover, we possess the industry's foremost financial base that supports our strategies for future growth. Over and above these individual attributes, our greatest strength lies in the ability to link the comprehensive strengths of each of these features.

Securing and fostering human resources

Alongside the rapid growth of our Company, we have also seen an expansion in our area of business activity on both a quantitative and qualitative basis. We are working to secure human resources in a variety of areas to support global development and are committed to the fostering of middle-management personnel that can support an expansion in the manufacture of high-quality products.





Domestic market

As Japan experiences the aging of its society, the advancement of medical remedies, and harsh financial conditions, medical costs in the country continue to rise. As a means to cap rising costs, the government is promoting the use of generic drugs and aims to achieve a volume share target for generics of 80% as soon as possible. It appears likely that the government will continue to promote the use of generics even after the 80% target is achieved, and, given expectations for a sustained rise in the population in Japan over the age of 65, we expect demand for generic products to continue to expand over the long term.

Overseas markets

In the U.S. market, Sawai is the first Japanese manufacturer of generics to receive Paragraph IV Abbreviated New Drug Application (ANDA) approval from the U.S. FDA (for PITAVASTATIN Tablets). The Company has also submitted applications for two additional products, including MIRABEGRON Tablets.

In May 2017, we completed the acquisition of Upsher-Smith Laboratories, LLC, allowing the establishment of a firm foothold for the full-scale advancement into the U.S. market. While supporting growth of the Company in the U.S. market, which is the world's largest pharmaceutical market and continues to expand, we expect the swift achievement of synergies, including in the sale of our products.

Revisions to the NHI drug pricing scheme

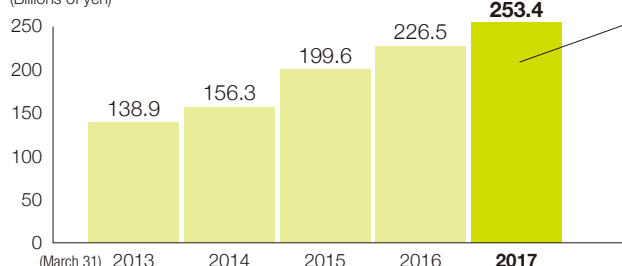
There are ongoing efforts to promote the use of generic drugs in the Japanese market, but in the interest of capping rising medical costs, there are also calls for a fundamental revision in the NHI drug pricing scheme, including for generics. We believe revisions to the NHI drug pricing scheme have the potential to sharply impact the entire pharmaceutical sector, including Sawai.



Sawai in Figures

Reduction in Medical Expenses

(Billions of yen)

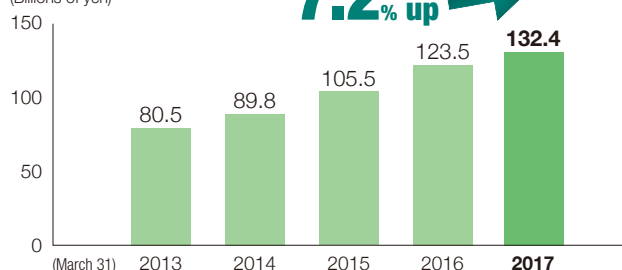


Approx. **¥253** Billion

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 high-value-added generic drugs at lower prices than those of branded products. In fiscal 2016, ended March 31, 2017, our business activities contributed to reducing medical care expenses by approximately ¥253 billion on an NHI drug price basis.

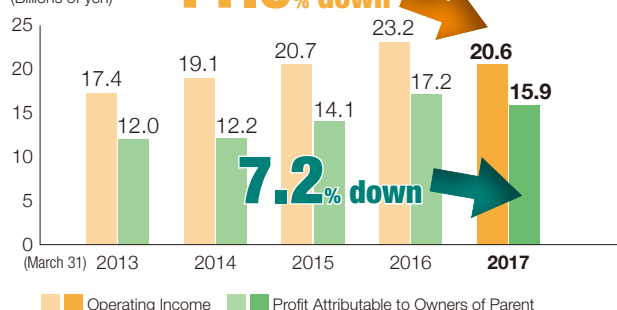
Net Sales

(Billions of yen)



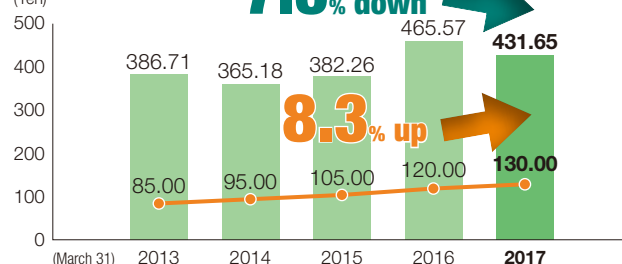
Operating Income/Profit Attributable to Owners of Parent

(Billions of yen)



Net Income per Share/Cash Dividends per Share

(Yen)

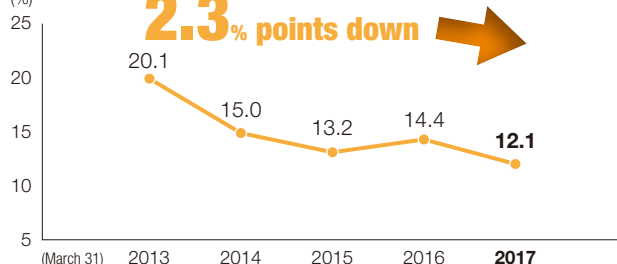


■ Net Income per Share ● Cash Dividends per Share

* 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.

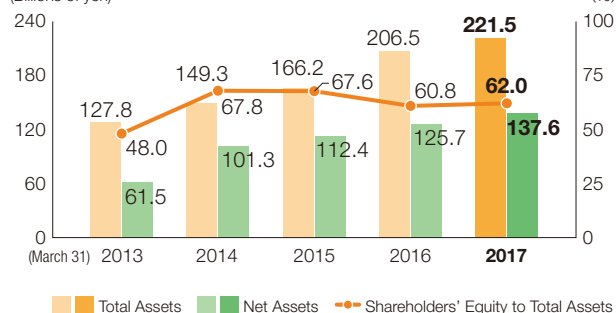
ROE

(%)



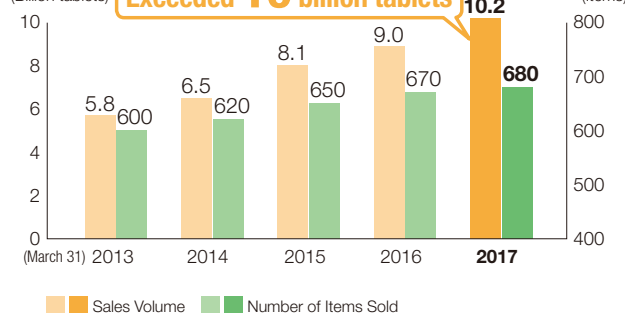
Total Assets/Net Assets/Shareholders' Equity to Total Assets

(Billions of yen)



Sales Volume/Number of Items Sold

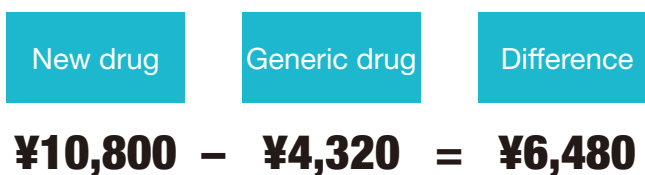
(Billion tablets)



Mechanism for Reducing Medical Expenses

To launch generic pharmaceuticals after the patent on the original drug has expired restrains the development cost. Since the NHI prices of generic drugs are set lower than those of patented medicines, the difference between the generic and the patented drug contributes to saving on national drug expenditures. In fiscal 2016, ended March 31, 2017, if we compare the cost of using Sawai's generic pharmaceuticals with using patented original drugs, the savings due to Sawai's products were about ¥253 billion.

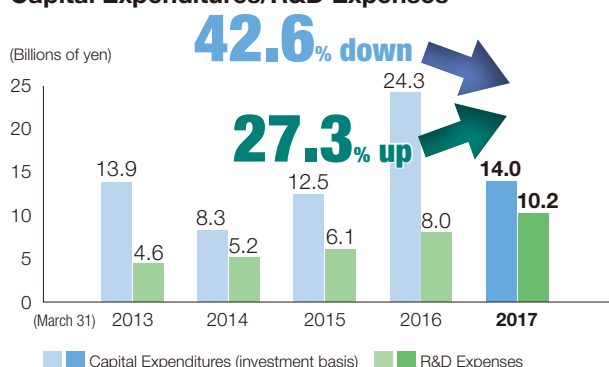
Cost to hypertension patient*



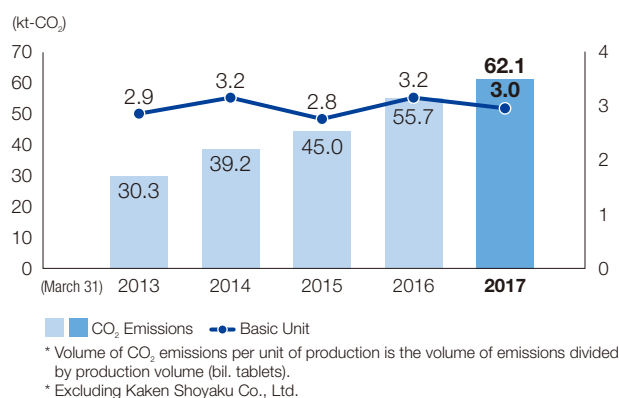
* Assuming a typical hypertension drug is taken once a day for a full year

* 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)

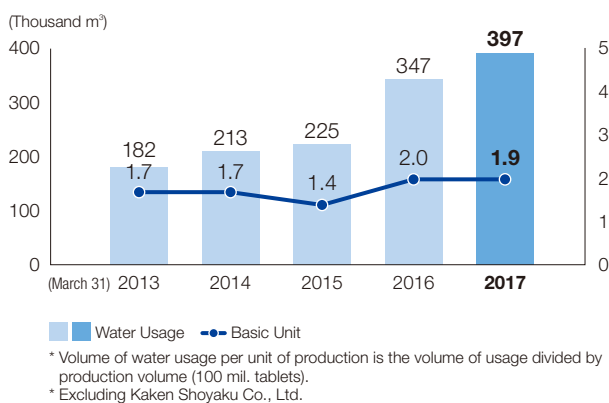
Capital Expenditures/R&D Expenses



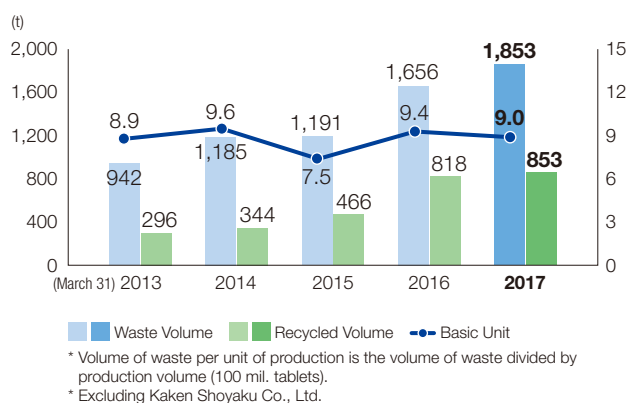
CO₂ Emissions



Water Usage



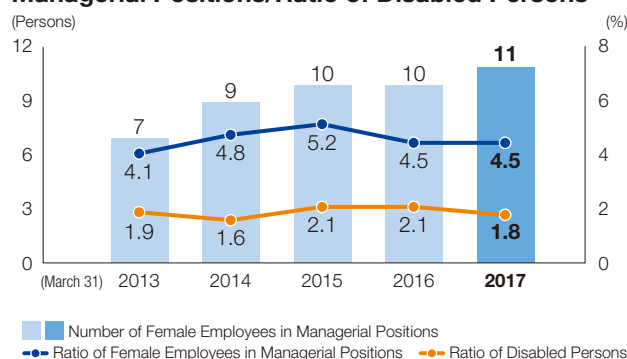
Waste Volume/Recycled Volume



Employees (Including contingent employees)



Number and Ratio of Female Employees in Managerial Positions/Ratio of Disabled Persons



Business Model

Rising national medical expenses

Access to healthcare

Social Issues

Improvements in quality of life (QoL)

Stable supply of generic pharmaceuticals

Capital

Inputs

Marketing and Sales

Value Creation Process

**Medium-Term Business Plan
M1 TRUST
2018**

Corporate Philosophy

Corporate Governance

CSR

Manufactured Capital

- Production facilities (factories): 7

Financial Capital

- R&I credit rating: A-
- Net assets: ¥137.6 billion

Human Capital

- Number of employees: 3,084 (including contingent employees)*
- Pass rate of employees who took MR qualification exams: 100% (for eighth consecutive year)

*Number of whom have pharmacist qualifications: 250

Intellectual Capital

- Research bases: 2
- Number of patents held: 23
- Manufacturing know-how making possible multi-item product mix, low-volume production

Social and Relationship Capital

- Japan's superior pharmaceutical affairs/ universal health insurance systems
- Raw material manufacturers support stable supply, pharmaceutical distribution companies that are linked to medical institutions

Natural Capital (Annual)

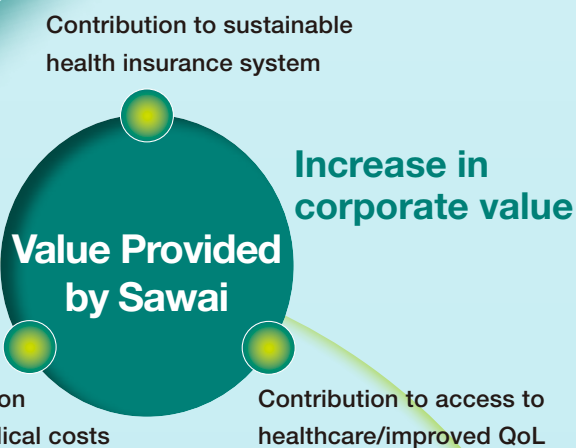
- Energy input (electricity): 92,970 MWh
- Water usage: 397 thousand m³

**Production, Stable Supplies,
and Reliability Assurance**

Research and Development

The first to concurrently develop, launch, and stably supply high-quality, high-value-added generic drugs, Sawai provides conscientiously created products to patients via medical institutions. Our business model centers on efforts to sustain a virtuous growth cycle—in realizing our Corporate Philosophy, we will increase our corporate value—by helping patients realize healthy lives and by contributing to a sustainable society by reducing medical expenses.

Outcomes



Reducing burden on patients from medical costs

Putting Sawai's Corporate Philosophy into Practice

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.

Growth Path

Since former times, when generic drugs were virtually unknown, Sawai has been persistently raising awareness. Having also anticipated the burgeoning demand for generic pharmaceuticals, which has arisen from promotional policies on the part of government, to successfully make prior investments in production facilities and personnel, the Company has achieved rapid growth in generics in recent years. Moving forward, we will continue to help reduce the burdens placed on patients as well as improving convenience while contributing to healthcare financing by staying the course in the years to come.

2008

Hiroyuki Sawai appointed Chairman and Mitsuo Sawai appointed President

2007

Corporate Philosophy and Code of Conduct established

2006

New premises completed, Head Office and Research Laboratories combined Relocated to current premises (Yodogawa-ku, Osaka)

2003

Listed on the First Section of the TSE

1995

Listed on the OTC stock market (Popularity gradually begins to increase)

1981

Modern Kyushu Factory, which at that time surpassed those of forerunner manufacturers, completed

1965

Seizing opportunities presented by the universal health insurance system, shifts operations to become an ethical pharmaceutical maker from around this time

1948

Sawai Pharmaceutical Co., Ltd. incorporated in Asahi-ku, Osaka (commences manufacture and sale of eye drops)

1929

Sawai Pharmacy established in Asahi-ku, Osaka, by Hanpei Sawai and Noyo Sawai (pharmacist)



Receiving an achievement commendation from the Japan Anti-Tuberculosis Association



Head Office and factory at the time of the Company's incorporation. (A natural active vitamin for which the Company acquired the formulation patent, "Yoron P" was at that time the mainstay product.)



Ceremony for listing on the First Section of the TSE

Generic Drugs' Share (volume basis)*

Net Sales
(Billions of yen)

0.1

1.0

10.0

21.1

37.6

34.9%

44.3

1964

1971

1983

2003

2008

2009

Sawai traces its roots back to Sawai Pharmacy in 1929. Pharmacies were rare in Japan in that era, and Sawai Pharmacy initially contributed to its local community by selling pharmaceuticals. In light of the 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 [NHI] System), Sawai shifted the focus of its operations from OTC pharmaceutical manufacturing to ethical pharmaceutical manufacturing.

Today, on the basis of M1 TRUST 2018, our Medium-Term Business Plan that runs until the end of the current fiscal year in March 2018, we are aiming to transform into a "company that can continue to grow in the midst of rapidly changing market conditions." As a leading company in the generic pharmaceutical industry, we will contribute to reducing both the burden on patients and medical expenses through the supply of conscientiously prepared, high-quality generic pharmaceuticals.

2002

Introduction of incentives for doctors/pharmacists

2007

Government identified the generic drugs' (volume basis) share*1 target of 30% or more by March 2013

2008

Introduction of premiums for generic dispensing systems (addition to basic dispensing fee)

Mainstay Products That Demonstrate Sawai's Formulation Technologies/Ingenuity and Drive Sales



MECOBALAMIN Tablets (launched FY1984)

Its forerunner having initially come in capsule form, the Company developed and launched an easy-to-swallow tablet. Even today, the Company's product has a large share of the market.

200.0
billion yen
or more

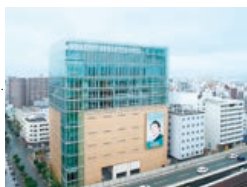
(Plan)

2017

Acquired Upsher-Smith Laboratories, LLC and entered the U.S. market in earnest

2013

Completed new pharmaceutical plant at the Kanto Factory



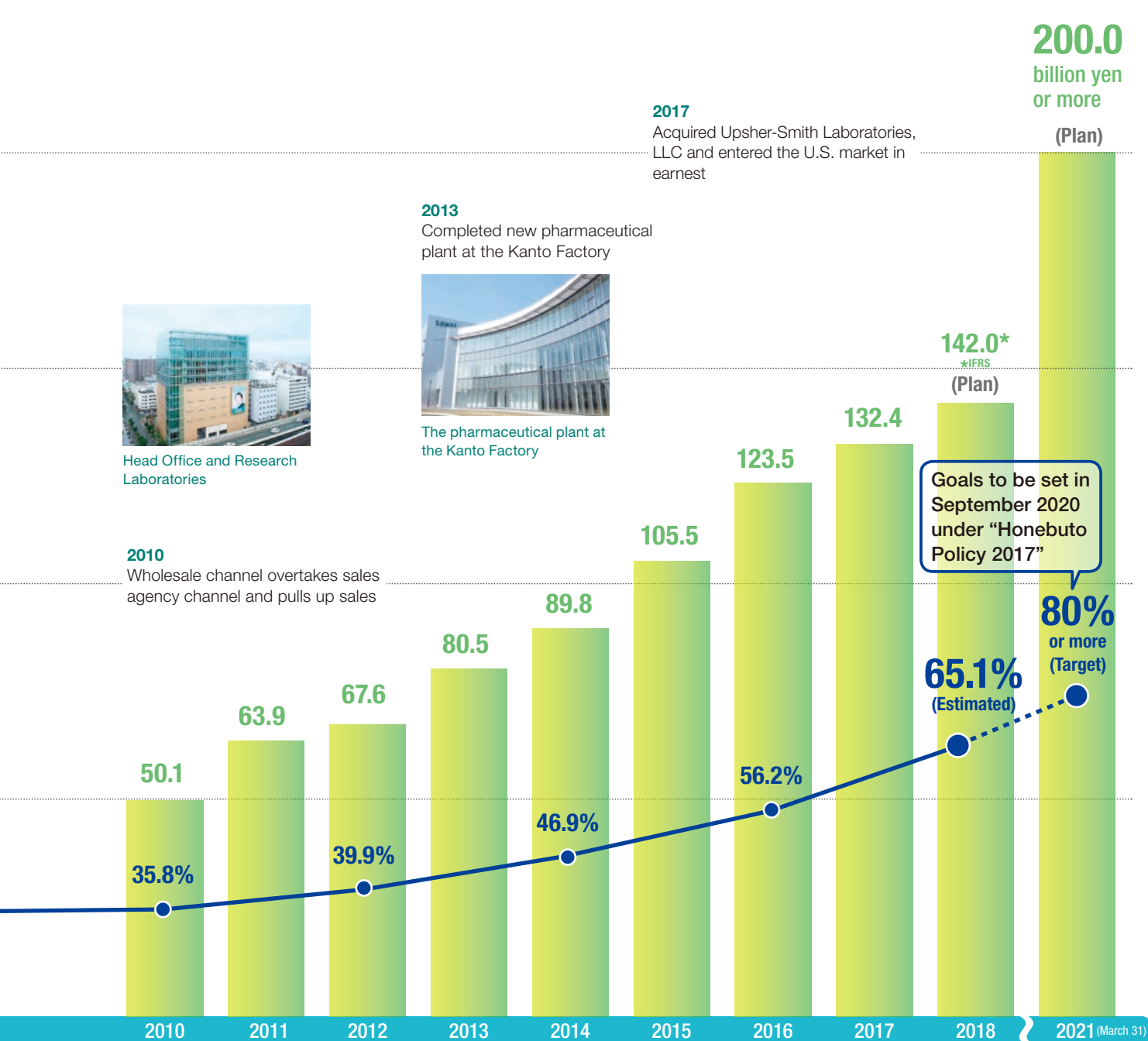
Head Office and Research Laboratories



The pharmaceutical plant at the Kanto Factory

2010

Wholesale channel overtakes sales agency channel and pulls up sales



Sawai's Medium-Term Business Plans

M1 TRUST

M1 TRUST 2015

M1 TRUST 2018

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

Main policies made to promote use of generic drugs

2013

Government identified the generic drugs' (volume basis) share*² target of 60% or more by the end of March 2018

2015

Government identified the generic drugs' (volume basis) share*² target of 70% or more by mid-2017 and set the target of 80% or more as quickly as possible during the period up to the end of fiscal 2020

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

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



TAMSULOSIN OD Tablets (launched FY2009)

Fully utilizing its highly advanced technologies to secure a sustained release formulation while also avoiding impinging on any existing patents, the Company was the first to market.



LANSOPRAZOLE OD Tablets (launched FY2009)

We devised for patients even down to its taste. Even after product launch, efforts have been made to address user needs. This includes making it easier to remove tablets from press-through packaging (PTP) and adding a bulk packaging option.

Sawai's Progress over the Past Year

Under “M1 TRUST 2018,” its current Medium-Term Business Plan, the Company positioned a stage of “foundation building for a greater jump forward” in “achieving net sales of ¥200.0 billion or more by the year ending March 31, 2021,” its Medium- to Long-Term Vision. In the fiscal year ended March 2017, the second year of that plan, we aimed to further enhance our corporate value and, including CSR activities, worked on the following measures.

Promoting an understanding of generic drugs!



Released “Generic Pharmaceutical Glossary”



“A memorable gift of my time at elementary school” in support of sponsoring a Hanshin Tigers baseball game



Sawai-sponsored night game



OLANZAPINE



Newly launched nine items with five ingredients, including “OLANZAPINE”



Formulated an action plan geared toward the more-active involvement of women in the workplace



For more details, please see page 29.

August



In anticipation of the era in which generics account for 80% of drugs by volume, announced a partial revision to “M1 TRUST 2018,” our current Medium-Term Business Plan

July

June

May

We aim to raise employees' sense of accomplishment and job satisfaction by providing work environments that enable them to enhance production capacity and actively participate over the long term!

Approximately 700 factory workers made regular employees

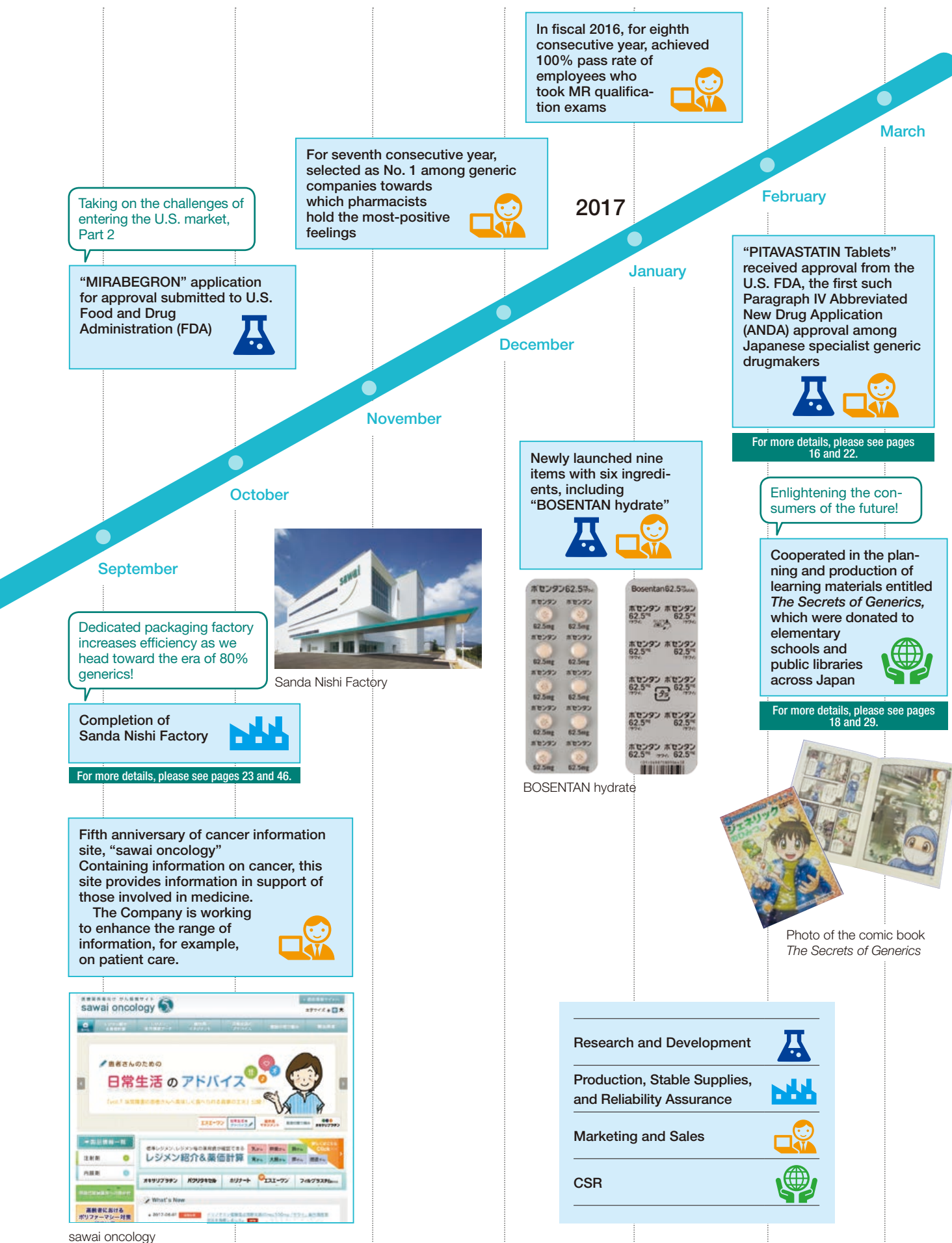


April

2016

Donated funds following 2016 Kumamoto Earthquake





Message from the President



Develop into a Globally Recognized Generic Drug Company

President

Mitsuo Sawai

Summary of Fiscal 2016 Developments and Performance

With regard to Sawai's performance in fiscal 2016, the fiscal year ended March 31, 2017, although net sales continued to rise, there were decreases in income. These decreases were brought about by a rise in the cost of sales ratio associated with National Health Insurance (NHI) drug price revisions and an increase in R&D expenses primarily concerning overseas projects.

Following the Japanese Cabinet's decision at the end of June 2015 to raise the target volume share of generic drugs "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 Company conducted a review of its M1 TRUST 2018 Medium-Term Business Plan, which we had announced in May 2015. Thus, it was in August 2016 that we announced the M1 TRUST 2018 Medium-Term Business Plan (revised version), and, in the fiscal year under review, each department undertook initiatives in line with the priority targets contained in what I shall from now on refer to as the revised M1 TRUST 2018.

However, the combination of the government's policies to promote the use of generics, implemented in April 2016, having had less of an impact than was initially assumed, and other factors, such as the impact of reduced drug dosage guidance on multi-

drug prescriptions at medical institutions, meant that the tendency has been for the growth of the generic drugs market to be slower than in the past. In addition, although sales increased, the Company's performance in fiscal 2016 showed decreases in terms of income due to a number of factors: declines in unit prices associated with the NHI drug price revisions; an increase in the cost of sales ratio attributable to enhancing production capacity ahead of schedule; and an increase in R&D expenses brought about by bringing forward the development of products destined for the U.S. market.

For more details on the main FY2016 initiatives, please turn to page 10.

* Subsequently, the "Basic Policies on Economic and Fiscal Management and Reform 2017 (Honebuto Policy 2017)," on which the Cabinet decided on June 9, 2017, changed the target for achieving the 80% generic drug volume share, which had been taken to be as soon as possible, to by September 2020. (For more details, please turn to page 19)

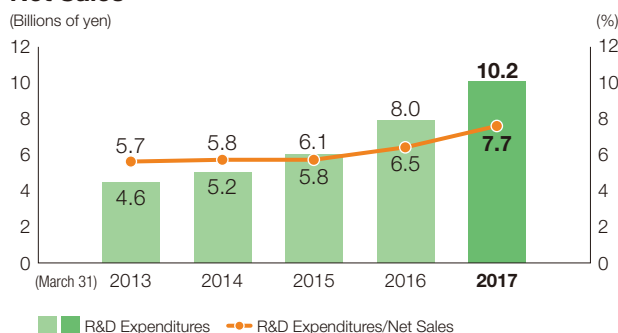
Performance in FY2016

(Millions of yen)

	Fiscal 2015	Fiscal 2016	Change
Net Sales	123,492	132,428	+7.2%
Operating Income	23,185	20,633	-11.0%
Ordinary Income	23,026	20,557	-10.7%
Profit Attributable to Owners of the Parent	17,156	15,914	-7.2%

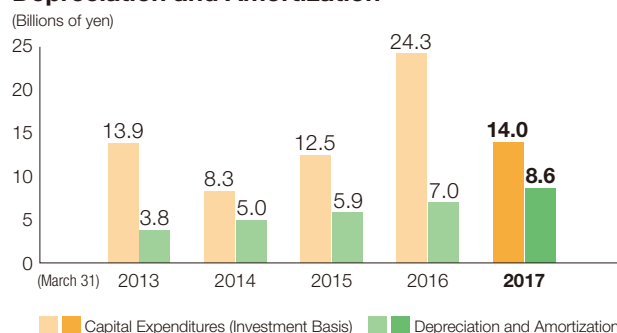
R&D Expenditures and R&D Expenditures/Net Sales

(Billions of yen)



Capital Expenditures and Depreciation and Amortization

(Billions of yen)



Sawai's Strengths

Comprehensive strengths that are linked to individual strengths are our greatest strength and the sources of growth.

We possess several strengths that can be said to give us a competitive advantage over rival companies, and I believe that comprehensive strengths that link these individual strengths are our greatest strength and the sources of growth.

The first example I can offer of our strengths is our superior inspection and analytical capability as well as the ability to make breakthroughs in connection with such items as originator drug patents. While adding ingenuity, including improvements to make the drugs easier for patients to swallow and in the prevention of medical errors by those involved in medicine, another strength is our formulation technologies with which we undertake development that avoids patent infringement. The latter have also led to the Company gaining Paragraph IV Abbreviated New Drug Application (ANDA) approval^{*1} from the U.S. Food and Drug Administration (FDA), a first for a Japanese manufacturer specializing in generics.

Stable supplies of high-quality pharmaceutical products are one of the most-important issues for the life science-related pharmaceutical industry, and annual production capacity^{*2} of 15 billion tablets, the largest in the industry, is something on which the Company prides itself. Having large-capacity production enables not only large-volume production, but also leads to increased cost-competitiveness as economies of scale come into play. In addition, as we handle far more items than those handled by original drug manufacturers, quality control and production adjustments in response to changes in demand become complicated, but our Company possesses know-how as a manufacturer specializing in generics.

From the aspect of sales, in addition to distribution and sales networks that cover the whole of Japan through strong cooperation based on relationships built with wholesalers and agencies, our product lineup of approximately 700 items and high brand power^{*3} can also be said to be our strengths. Products that have been listed for more than 10 years account for nearly half of the Company's sales (please see chart 1), and we have a business base that we have built up since our foundation in 1929, including an abundant product lineup when compared with foreign-owned



makers that have not long since entered the Japanese generic drug market and original makers.

The Company's industry-best, sound financial base, which lies behind our management capabilities, including cost controls, can also be classified as a strength. Generally, having a large amount of inventory can be interpreted negatively from the viewpoint of capital efficiency. However, as a decline in trust due to missing items or product recalls is among the things to be avoided the most in the life science-related pharmaceutical industry, the maintaining of safety stock is essential for stable supplies. Other than for maintaining inventory, this approach is permissible. It is precisely because of our strong financial base that we can undertake a variety of business reviews when we "build an operating foundation for future growth through new business fields," as contained in the revised M1 TRUST 2018.

These strengths are interlinked. If only one of these strengths was outstanding, or should even one be insufficient, we will not function. For example, even if there is excellent R&D capability, we will not be able to achieve stable supplies, or if there is not a wide range of sales channels, it will lead neither to sales nor to an improvement in business performance or corporate value.

Since generic drugs are not protected by patents, there are many manufacturers that could supply products on the Company's behalf. If that really is the case, to continue growing we need to repeat the virtuous cycle process (value creation process^{*4}), through which we possess the competitiveness to be selected by our business partners. To this end, we work to differentiate ourselves from other companies as much as possible through the strengths mentioned above. Moreover, we use funds secured based on our strong financial foundation for the next investments, and continue our growth. In addition to individual strengths, we will make full use of the combined strengths linked by these to maximize our advantage in growth.

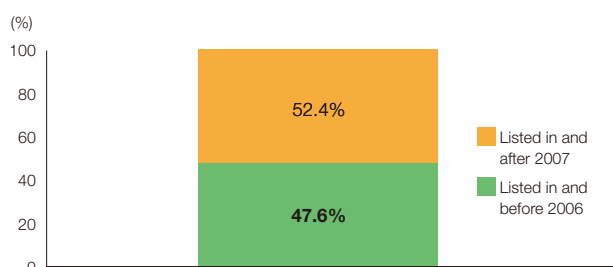
^{*1} Obtaining of ANDA approval (please refer to page 22)

^{*2} Production capacity (please refer to page 23)

^{*3} Ranked No. 1 among generic manufacturers towards which pharmacists hold positive feelings (please refer to page 11)

^{*4} Value creation process (please refer to page 6)

Percentage of Sales by Listed Year of Drugs (Chart 1)



Growth Strategies That Leverage Our Strengths

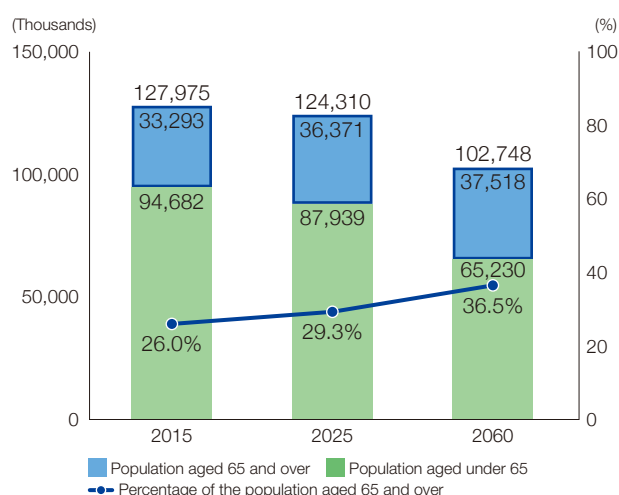
In anticipation of ever-increasing, burgeoning demand for generic drugs, we are working to fine-tune the stable supply capabilities that are one of our strengths and planning further growth by also utilizing external resources.

The Company held up “strengthen stable supply and cost control capabilities in response to an era when generics have an 80% share of the market” as one of the pillars of the revised M1 TRUST 2018. As previously mentioned, our stable supply capabilities are one of our strengths, and I have been placing an emphasis on ensuring quality and immediate responses to changes in demand and, as far as is possible, have been particular about making capital investment at our own expense and about in-house production. However, considering the medium- to long-term direction with regard to the reform of the NHI drug price scheme and the expansion of demand for generic drugs, the situation is developing in which it cannot be said that covering all the enhancement of manufacturing facilities and production personnel in-house represents the most-suitable option.

In order to bring about both the securing of our stable supply capabilities and an improvement in productivity, we are looking into switching the manufacturing facilities that are currently working on two shifts to a three-shift system and also into expanding the utilization of external manufacturing resources. However, the raw materials of generic drugs account for the highest percentage of their cost, and the proportion of labor costs is not necessarily high. Therefore, even if we outsource production to an overseas manufacturer that has lower labor costs than Japan, there are also concerns about quality assurance problems. This is due to linguistic and cultural differences. Accordingly, it is not necessarily an optimal means of production when considering problems such as the costs and loss of confidence in the Sawai brand in the event of a product recall. In that respect, the comparative risk would be mitigated were we to use surplus production capacity at Japanese contract specialist manufacturers where demand from orders entrusted to them from originator drug manufacturers is dwindling in keeping with the increased demand for generic drugs. The manufacturers who undertake the outsourced production of the originator drugs are geared toward the production of large volumes of small products, but since we, in particular, possess production items from the highest class in the generic drug industry and are able to outsource production of large-volume items, manufacturing costs often do not rise in comparison with the case of in-house production, even when outsourcing. It can thus be said to be an outsourcing strategy that could be adopted precisely because our Company is involved.

In June 2017, the Japanese government launched the amended policy of “achieving an 80% generic drug volume share by September 2020” as a measure for reducing medical care expenses under the Honebuto Policy 2017, but achieving this will also require the further expansion of supply to more than 23.0 billion tablets on an industry-wide basis.

Projections in Demographics in Japan (Chart 2)



*Source of population estimates: United Nations World Population Prospects: The 2017 Revision

As for the total population of Japan in 2060, the current decline is expected to continue (please see chart 2). As of 2025, however, the elderly population aged 65 or older, who need pharmaceuticals the most, will have increased by approximately three million from 2015 and even in 2060 is expected to exceed the current number. To reduce even by a small amount the increase in medical care expenses brought about by the rise in the elderly population, generally speaking, people expect that the government will raise the target even after reaching a generics share of 80% in the future, and also anticipate that demand for generic drugs will continue to expand.

Other than the government-promoted measures to control medical care expenses and moves to reform the NHI drug price system, while paying close attention to demographics and the associated trends in demand for medicines, I believe the key to winning out and growth in the years ahead will be to combine optimal investment and outsourcing from the viewpoints of stable supply and profitability.

The stable supply of generic drugs that provide added value, such as ease of patient medication and the prevention of medical errors, will in itself cost money. Our efforts to avoid excessive price competition, to make fair price sales according to value, and to maintain profitability are not only to improve the Company's corporate value. I believe that they are required roles as a leading company of generic drugs companies to ensure sustainable, stable supplies.

Building a U.S. Business Foundation

In the years ahead, Sawai's U.S. business will grow in tandem with Upsher-Smith Laboratories, LLC (USL). As we explore the synergies of both companies and work to bring about more balanced growth in the U.S. and Japanese businesses, we will transform – like two halves of a whole – into a globally recognized generic drug company.

Sawai aims to become a “globally recognized generic drug company” as part of its medium- to long-term vision. The Company declared its intention to “build a foundation for overseas business” as one of the pillars of the revised M1 TRUST 2018, and conducted a series of studies with regard to overseas business, with a particular focus on the U.S. market. As part of the effort to build a foundation for overseas business, we filed for and obtained Paragraph IV ANDA approval for a hyperlipidemia treatment, PITAVASTATIN Tablets in February 2017. This achievement is a first for a Japanese manufacturer specializing in generics. In addition to the two items** which have already been accepted for filing, we are also making preparations to file several more. However, while submitting our initial application for FDA approval, we received many questions from the FDA and the process was beset by major difficulties. The drug approval process in the U.S. differs significantly from the process in Japan, which we understand very well and have managed successfully for many years. Knowing that we would face an increase in the number of items requiring ANDA approval filing in the years ahead, we came to recognize that we needed a partner familiar with the U.S. market to undertake manufacturing and sales after obtaining the approvals.

We had been searching for the right partner for a number of years when we found the ideal candidate in USL. After careful scrutiny, we acquired the company on May 31, 2017. USL's history dates back about 100 years, and it has established a solid position and business foundation in the U.S. generic market. USL also offered Sawai all the major functions we require, such as R&D, production, and marketing, as well as a management structure.



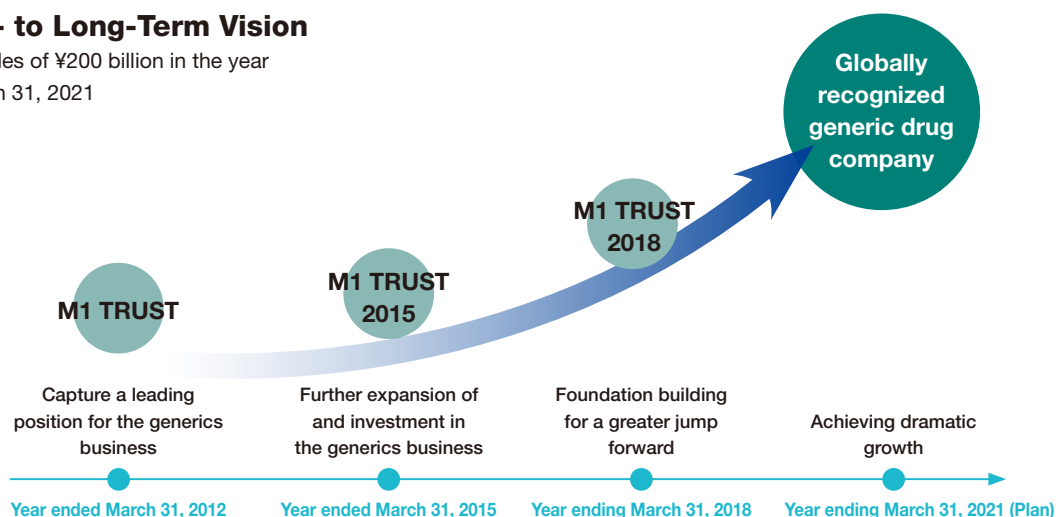
President Mitsuo Sawai (left) and USL President & CEO Rusty Field

“We will demonstrate synergies with USL, which possesses many similarities in terms of its corporate culture with the Company, and aim for further growth in ‘both halves of the whole,’ the U.S. and Japanese sides of the business.”

Finally, USL has much in common with Sawai, even in terms of its management philosophy. USL cares about its employees and its customers, as well as its corporate culture. It is especially particular about maintaining stable supplies and high quality. We are confident USL will be indispensable for demonstrating post-integration synergies.

Medium- to Long-Term Vision

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

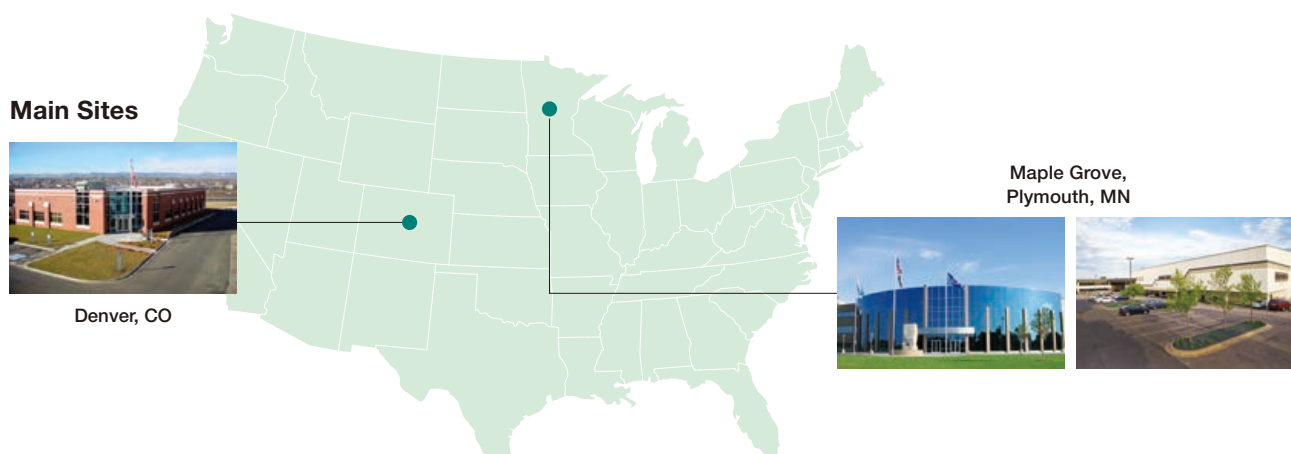


About USL

Headquarters	Maple Grove, Minnesota, U.S.A.
Established	1919
CEO	Rusty Field (President & CEO)
Number of Employees	Approx. 600, as of April 2017
Production Facilities	Plymouth, MN Denver, CO (Capacity: 4 billion doses per annum)

USL Performance (acquired business only)

(USD Million)	Dec. 2015	Dec. 2016
Net Assets	90.1	83.8
Total Assets	257.6	236.6
Net Revenue	446.0	397.2
Operating Profit	203.6	150.9
Net Profit	201.4	142.4



In addition, USL is very good at understanding the patient's point of view in terms of generics, and it excels at selecting items, adding value to them, and selling them. In the U.S. market, where the giant generic drug companies, including Teva, Mylan, and Sandoz, jostle for position, and where price competition is intense, factors contributing to USL's operating income ratio of 38.0%*² (for the fiscal year ended December 2016) include its deep familiarity with the U.S. market and its winning lineup of products.

For Sawai, USL's human resources, plants, and know-how are all attractive. By making USL a member of the Sawai Group, we will see mutual benefits that will enable us to accelerate our growth strategy. We will back USL's plans to launch new products into the U.S. market, and I believe that we will realize high growth

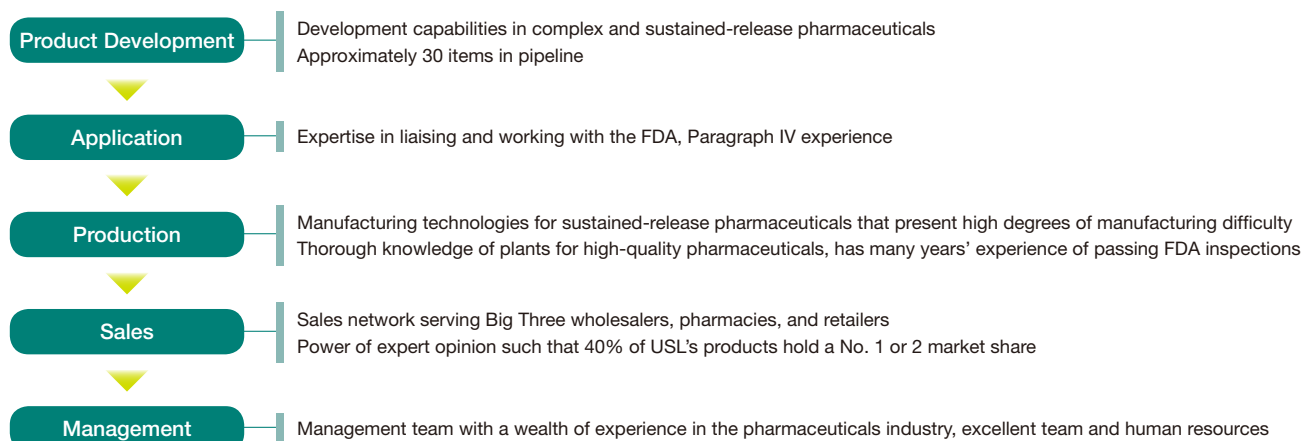
in the years ahead by demonstrating the synergies between our two companies, such as our plan to add on Sawai technologies and Paragraph IV products.

By developing the U.S. business, the Group will supply high-quality, high-value-added generic drugs to patients not only in Japan but also in the U.S. By regarding our Japan-U.S. business as two halves of the whole, we will develop business on a larger scale in the coming years and aim to grow into a globally recognized generic drug company.

*1 At present, two items for which filings have been accepted cover MIRABEGRON Extended-Release Tablets (September 2016) and Dimethyl Fumarate Delayed-Release Capsules (June 2017).

*2 Value for the acquired business only

Strengths and Special Characteristics of USL



Sawai's Sustainability

Our greatest contribution to society at large is to contribute to improving access to medical care for patients and sounder financing for healthcare through our core business of supplying generic drugs.



Corporate Governance

After having discussed matters of importance to the management of the Company in sufficient detail at management meetings, we deliberate them in Board of Directors' Meetings and make decisions after having heard a range of opinions from each field of expertise and objective perspectives, even from external directors and external auditors. In this acquisition of USL in particular, we took a considerable amount of time and made a decision after a sufficient series of discussions that covered analyses of the validity of the price and of any risks as well as the validity of the acquisition.

As part of corporate governance at Sawai, we are developing and deploying business position and quality improvement activities*¹ by the ingrain of our Corporate Philosophy and Code of Conduct, and the plan for the current fiscal year is to have all employees show us the results that have arisen from these efforts up to now as “証 (proof)”². In the years ahead, both members of management and employees will strive to further enhance corporate governance in this manner.

*1 Activities designed to ingrain Corporate Philosophy (please refer to pages 32 and 33)

*2 証 (proof): The Sawai theme for the current fiscal year (fiscal 2017). Every year, President Sawai sets a theme with a single *kanji* character.

CSR

I believe that our greatest contribution to society at large, and the Company's *raison d'être*, is contributing to the improvement of access to medical care for patients and the return to health of medical care funding* through providing generic drugs (the realization of our Corporate Philosophy).

Amid the ever-increasing demand for generic drug products that is expected in the years ahead, I am constantly giving thought to how we can secure stable supplies so that our stakeholders can feel at ease. Every aspect to be addressed—including the securing of high-quality materials, the hiring and training, such as of production personnel, the installation of energy-saving and low-carbon emission manufacturing equipment, as well as the maintaining of healthy working environments—is closely related to CSR and cannot be considered separately from business.

In particular, I treat the securing and training of personnel as a major issue for the Company, which is achieving rapid growth. For example, while aiming for a new stage in the Company's history following the acquisition of USL, our human resources that would be able to thrive in an international business environment cannot be said to be sufficient.

A woman was appointed as a Board member in 2014 and another to the post of corporate officer in 2015. In the years ahead, however, in addition to further efforts to promote diversity, including women and non-Japanese nationals, we will steadily implement plan-based policies, including work-style reforms, and strive to secure and train diverse human resources.

Moreover, we are also conducting a range of activities that contribute to CSR from the viewpoints of respect for human rights and the life science industry. Other than providing cooperation and support for international friendly matches in women's wheelchair basketball, cooperating in health events as well as providing support and cooperation in the making of films on infectious diseases, we produce a comic book, the title of which means *The Secrets of Generics*, copies of which we donate to elementary schools and libraries throughout Japan. The purpose of this comic book is to devise ways to promote more of an understanding of generics primarily among elementary school pupils, who are the consumers of the future. While considering what we can do and should be doing for the sustainable growth of society and to help resolve social issues, we will continue to encourage all employees to engage in business tasks with a sense of CSR.

CSR (For more details, please refer to page 26 and subsequent pages)

* The amount contributed in reduced healthcare costs in fiscal 2016 was approximately ¥253.0 billion. (Please refer to page 4)

(For Reference) Market Environment

National healthcare costs are expected to continue to climb along with the demographic aging of society and the decline in the birthrate, as well as the increasing sophistication of medical treatments. To prevent a decline in healthcare quality and reduce these costs, since 2002 the government is actively promoting expanded usage of generic drugs (GE), and, at the same time, is holding serious discussions to thoroughly reform rules with regard to how drug prices are determined.

Changes in the Operating Environment for the Generic Industry

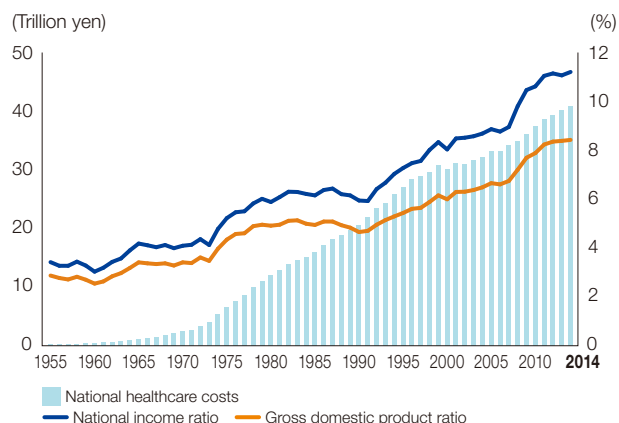
In part because of the effectiveness of the government's policy to encourage the use of generic drugs, the share of generics in volume terms in Japan has risen to 65.1% as of June 2017 (estimated figures). As a means to maintain the NHI system, the promotion of generic drug use has gained a secure position as a consistent policy tool, although the share remains low compared to the United States and Europe. Furthermore, in its "Economic and Fiscal Management and Reform 2017 (Honebuto Policy 2017)," announced in June 2017, the government has also set the generic drug utilization rate goal at 80% by September 2020, and is considering further promotional measures so as to achieve this as soon as possible. In the future, it is expected that there will be additional measures adopted to promote the usage of generic drugs.

On another front, in December 2016 the government hammered out its Basic Policy for Fundamental Reform of the Drug Pricing System, and, along these lines, in the Honebuto Policy 2017 it called for the annual actual price surveys and revisions to drug prices, and other measures. Also, in addition to thorough zero-based reform, it also gives attention to the stable supplies of generic drugs and other functions that are the responsibility of drugmakers, and to the healthy development and nurturing of the generic drug industry. Under this policy, the government will consider consolidation of generic drug price bands and draw

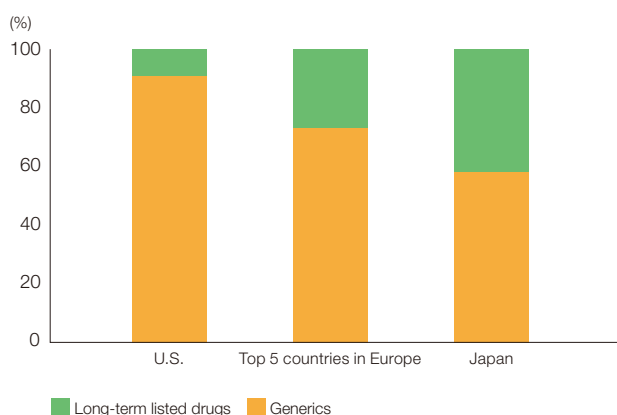
conclusions. In addition, the government is also pursuing a structural shift to a pharmaceutical industry that is highly competitive.

Consequently, to achieve an 80% volume share, and while further looking to the future, the generic drug industry, and each generic drug company, seeks to secure a framework in which generic drugs can be sustainably provided to the country's citizens, and to address structural shifts in the industry.

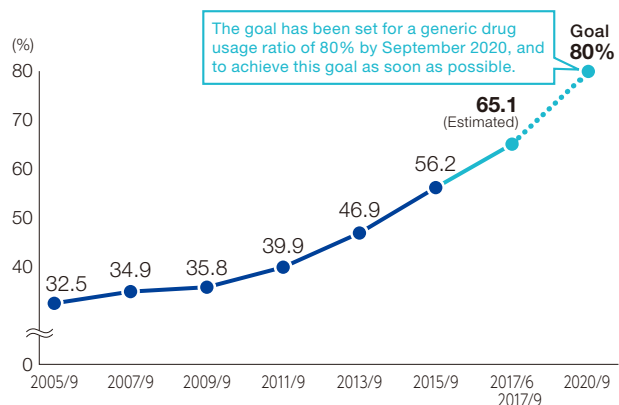
Annual Trends in National Healthcare Costs, Gross Domestic Product and National Income Ratios



Long-Term Listed Drugs Share in the Patent-Expired Market (2016)



GE Volume Share Goal (Honebuto Policy 2017)



Note: The volume ratio is the proportion of generics that take as denominators the "original drugs for which there are generic alternatives" and "generic drugs."

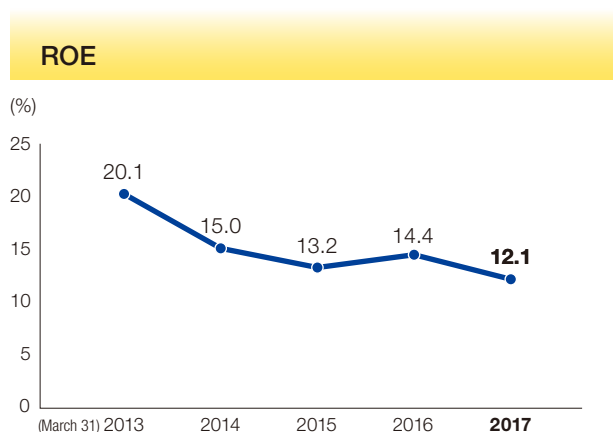
Source: Ministry of Health, Labour and Welfare (MHLW)

Message from the Director of Finance



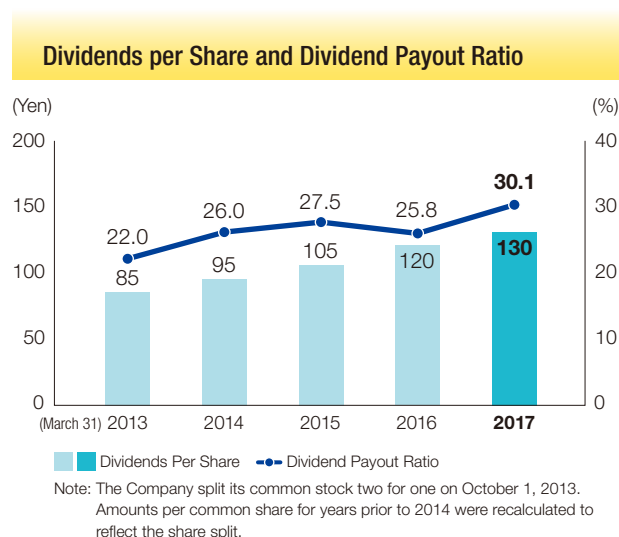
Maintaining and Increasing Capital Efficiency

Sawai's revised M1 TRUST 2018 Medium-Term Business Plan (Medium-Term Plan) sets the goal of a return on equity (ROE) of 12% or more. While ROE came in at 12.1% in the second year of the Medium-Term Plan ended March 31, 2017, clearing the Company's target, this was lower than the level recorded in the previous fiscal year. In addition to the impact of revisions to drug prices, this downturn largely reflected the substantial year-on-year increase in R&D investment focusing mainly on the U.S. market. In the final year of the Medium-Term Plan ending March 31, 2018, we will maintain and increase capital efficiency by continuing to improve profitability and using cash efficiently.



Investments for Future Growth and Shareholder Returns

Specializing in packaging, construction of the Sanda Nishi Factory was completed in the fiscal year ended March 31, 2017. With this initiative, Sawai bolstered its ability to ensure stable supply, an inherent strength of the Company. In a bid to realize our vision of becoming a globally recognized generic drug company, we also reached an agreement to acquire the generics business of U.S.-based Upsher-Smith Laboratories, LLC (USL) in April 2017 and completed the purchase as of the end of May. Looking at the government's goal of lifting the use of generic pharmaceuticals to 80% or higher and beyond, we will put forward and implement optimal financial policies that not only

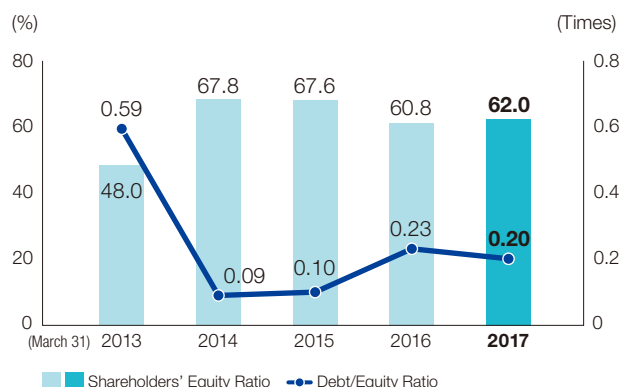


“We are putting forward and implementing optimal financial policies that are designed to provide the underlying strength for growth strategies in and outside Japan amid an era in which the percentage of generic pharmaceuticals has risen to 80% and beyond.”

provide the underlying strength of growth strategies in and outside Japan, but also help maximize returns over the medium-to-long term.

In addition, Sawai positions the return of profits to its shareholders as an important management issue. While balancing shareholders' returns with the need to make growth-oriented investments, 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 payout ratio of 30% and the payment of stable and continuing dividends. For the fiscal year ended March 31, 2017, Sawai paid a dividend of ¥130 per share, which was ¥10 per share higher than for the previous fiscal year.

Shareholders' Equity Ratio and Debt/Equity Ratio



Securing and Maintaining a Sound Financial Base and Cash Flow Management

Securing and maintaining a sound financial base is vital to ensuring sustainable growth. We are doing everything within our power to further enhance our ability to internally generate the necessary cash flow to fund investments for future growth. As a measure of our success, we generated over ¥20 billion in operating cash flow in the fiscal year ended March 31, 2017.

Procuring a large portion of the funds required to purchase USL through loans from financial institutions, Sawai experienced a temporary increase in its interest-bearing debt. We are anticipating an improvement in our financial position over the medium-to-long term as we promptly recoup the benefits of this acquisition. Moving forward, we will work to ensure an optimal balance of inventory and cash conversion cycle. By engaging more than ever in cash flow management while promoting the flexible procurement of funds, we will endeavor to strengthen our financial base.

(Millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016
Operating cash flows	12,256	13,422	12,112	19,975	20,628
Investing cash flows	(1,373)	(8,283)	(14,123)	(22,937)	(16,206)
Financing cash flows	(10,970)	(178)	(922)	13,473	(6,740)
Cash and cash equivalents at fiscal year-end	20,584	25,537	22,604	33,096	30,771

Application of IFRS and Appropriate Disclosure

Sawai has decided to voluntarily adopt International Financial Reporting Standards effective from the disclosure of full fiscal year financial results ending March 31, 2018. This decision will allow shareholders, investors, analysts, and interested third parties to better compare the Company's financial information with other companies operating in international capital markets, and is in line with efforts to become a globally recognized generic drug company.

In the future, Sawai will continue to undertake the proper disclosure of information, including non-financial data. Every effort will be made to help stakeholders, including shareholders and investors, gain a deeper understanding of the Company's activities.

Sawai's Businesses

Research and Development



“*Making Sawai first to market with high-value-added products and strengthening the system to continually offer new treatments to the U.S. market*”

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

Putting Our Whole Heart into Being First to Market with High-Value-Added Products

While the Research & Development Division's mission is to ensure Sawai is first to market with generic pharmaceuticals, we believe it is not enough to succeed in development alone. With a clear focus on avoiding infringement on patent rights for the original drug, our challenge is to develop high-value-added products and services that benefit a wide range of interested parties, including formulation and manufacturing methods optimal for managing costs and ensuring stable supply, labeling that helps avoid potential errors in medical treatment, and tablets that are easier to swallow.

Improving Our System for Submitting Applications for FDA Approval

In the wake of the FDA* approval of PITAVASTATIN Tablets, we are focused on strengthening our R&D system so that Sawai can submit at least one new treatment to the FDA each year for approval. Knowledge and experience gained in the U.S. approval process are accumulated and shared within the Company and actively utilized in on-the-job training. It also serves to advance the development of human resources that can be active in the Company's global operations.

*FDA: U.S. Food and Drug Administration

“Patients First”

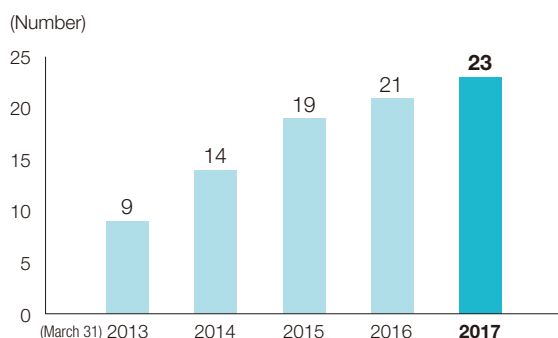
A corporate officer's message

Corporate Officer,
Director,
Intellectual Property Department
Nobuko Sugimoto

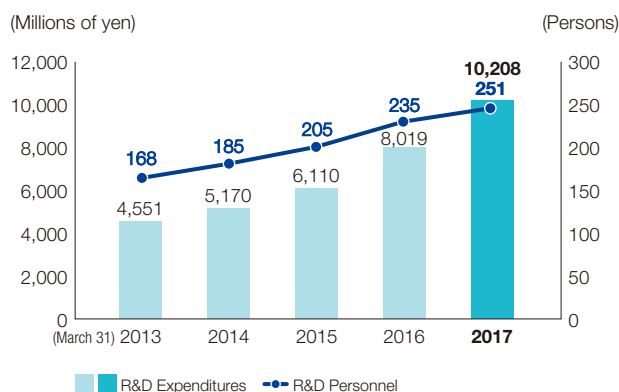


In addition to having one drug being approved by the FDA and having an application for two drugs being accepted for review, Sawai is currently preparing applications for several treatments, and I believe I can accordingly say our R&D capabilities are at a world-class level. We are committed to further improvements in our R&D capabilities, including in regard to patent challenges, so we will be able to launch treatments benefitting patients both in Japan and overseas at the earliest possible date.

Number of Patents Held by Sawai



R&D Expenditures and Number of R&D Personnel



* Including average number of contingent employees

Production and Stable Supplies



“Focused on cost management in preparation for NHI drug price scheme reforms and the 80% generic pharmaceutical era while further strengthening stable supply capabilities”

Corporate Officer,
Vice President of Manufacturing Division
and General Manager of Stable Supply Management
Motohiko Kimura

Strengthening Stable Supply Capabilities

While we take pride in having the largest supply capacity in the industry, we also believe it vital to strengthen stable supply capabilities in order to meet the government's target for generics accounting for 80% of patent expired pharmaceutical volume. Sawai is focused on improving efficiency and reducing workloads, through such methods as the establishment of fixed work shifts and the bolstering of yields. We are also considering subcontracting production of some products to outside sources. Sawai aims to bolster its stable supply capabilities by encouraging cooperation and achieving the best division of production among its seven production locations, including the Sanda

Nishi Factory, which is now in operation following the completion of construction last year.

Strong Emphasis on Cost Controls

Sawai believes the impact of NHI drug price reductions and heightened competition is likely to result in lower unit selling prices, even if sales volume increases. While committed to maintaining stable supply and high levels of quality, we are also focusing on controlling costs. This includes efforts to improve efficiency in production through manufacturing and sales tie-ups, diversifying business partners in areas such as raw materials, and conducting regular reviews in the terms of trade.

“Patients First”

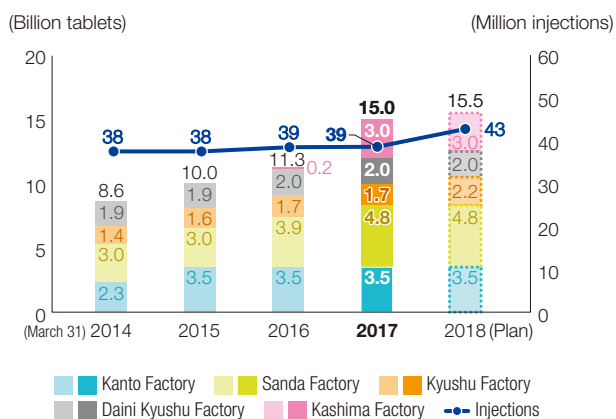
A corporate officer's message

Corporate Officer
Factory Manager, Kanto
and Supervisor, Kashima
Toshiya Hasuo

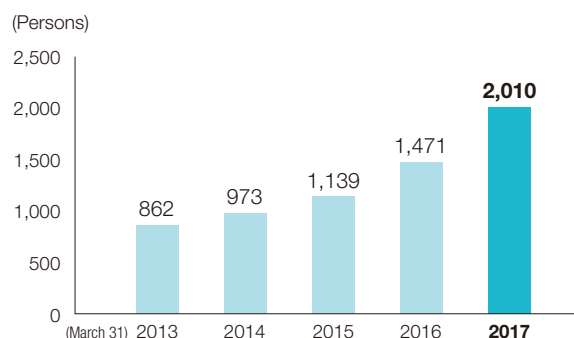


In an environment characterized by increases in production volume and the number of products offered, Sawai remains committed to securing the peace of mind of patients and is accordingly always conscious of QCDMS (Quality, Cost, Delivery, Morals, and Safety) metrics. We are continually focused on improving our production system through a mix of innovation and continuity in operations.

Expansion of Sawai's Production Capacity



Trends in Number of Production Personnel



* Including average number of contingent employees

Marketing and Sales



“Aiming to improve Sawai market share through more efficient and well-targeted marketing and sales operations”

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

Sawai believes medical institutions in Japan are likely to enter a period of fundamental change as a result of the establishment of policies and mechanisms to not only reform the NHI drug pricing system, but also to reduce multiple and overlapping treatments and eliminate leftover drugs, and to promote an integrated regional medical network system. The operating environment for Sawai has become extremely harsh, as competition between industry survivors has intensified ahead of the period in which the government targets generics accounting for 80% of patent-expired pharmaceutical volume, leading some companies

to lower sales prices excessively in order to expand their respective market shares. Amid such conditions, we remain committed to promoting the proper pricing of sales and strengthening cooperation with our wholesale and distributor partners while putting forward the high-value-added appeal of our Company, including in its tablets and its stable supply capabilities to medical practitioners. With an eye toward the product needs and regional characteristics of partner medical institutions, we aim to expand market share and penetration for the Sawai brand through more efficient and well-targeted marketing and sales operations.

Reliability Assurance



“Ensuring trust in the Sawai brand through a strong emphasis on strengthening quality control systems”

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

The Reliability Assurance Division manages all aspects related to the manufacture and sales of pharmaceuticals, including issues tied to quality, safety, the Pharmaceutical Affairs Law, CSV^{*1}, as well as managing labeling and package inserts. In regard to quality, Sawai is focusing its efforts on upgrading PIC/S^{*2}, including CSV, and GMP^{*3} procedures. We continue to strive for quality, leading the domestic pharmaceutical industry by conducting factory inspections more than 200 times each year. Given an increase in products on the market, including packaging materials and drug ingredients, as well as the fact that there are multiple sources for drug ingredients, the number of items being inspected has increased over the past several years. Amid such an environment, Sawai is focused on

improving efficiency and the overall level of inspections by creating and using a guidebook for these inspections. We are also promoting the establishment and ongoing improvement of a system for quality assurance, safety management, and regulatory affairs as we develop our business in the U.S. market. Our goal is to gain and bolster trust in Sawai through an enhanced total quality control system covering all areas of business, insisting on greater quality.

^{*1} CSV: Computerized System Validation. A mechanism that verifies and guarantees that a computerized system controlling facilities and devices used for manufacturing pharmaceuticals operates as intended.

^{*2} 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.

^{*3} 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, the Corporate Strategy Department formulates and drives the implementation of strategies for sustained growth.”

Director, Senior Managing Executive Officer, General Manager,
Corporate Strategy Department and Supervisor, Sales Division
Kenzo Sawai

With the goal of achieving sustained growth, the Corporate Strategy Department works to formulate and carry out Medium-Term Business Plan strategies, as well as evaluates the feasibility of new businesses and new products for development. As the command center for the Group, we also play a central role in driving full-fledged growth in the U.S. business leveraging recently acquired Upsher-Smith Laboratories, LLC as an entry into the U.S. market. Sawai is focused on the swift achievement of synergies across the board, including in both product development and sales.

We recognize the importance of accountability so that shareholders and investors can have an in-depth understanding of the Company's strategies. Using a variety of media outlets, including not only TV, radio, newspapers, and magazines, but also our website, we are focused on increasing awareness of the Sawai brand among younger consumers that may become customers in the future. We also intend to support sales and marketing activities by promoting tie-ups with key personnel in a variety of medical fields.

Corporate Administration



“Supporting medium- to long-term growth through the promotion of CSR and the strengthening of the management base”

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

The Corporate Administration Division is working to strengthen Sawai's management base, including by upgrading the IT systems that support each area of business, bolstering the functions that formulate the most optimal financial and capital strategies, as well as the functions formulating strategies to control costs in order to support earnings growth. We are also preparing for the introduction of IFRS as part of management's drive to become a more-globalized company. Sawai is introducing a system aimed at developing the abilities of its employees and fostering human resources to support medium- to long-term growth. At the same time, we are working to improve work styles and promote diversity, including by encouraging the successful careers of women, and we are focused on the

optimal placement of human resources and the review of work content. Our aim is to achieve improved productivity and a work environment that is comfortable to both body and mind.

We are committed to fulfilling our responsibilities to society at large while achieving sustainable growth. To this end, we continue to promote CSR management through enhanced corporate governance, including risk management and improved compliance, while taking every effort to preserve the environment, maintaining and updating the business continuity plan (BCP) and crisis management system, and continuously working to improve the overall corporate culture in line with Sawai's Corporate Philosophy and Code of Conduct.

Sawai's Sustainability

The Company's approach to CSR is based on its understanding that "the business activities of Sawai are themselves its greatest contribution to society." The Company thus aims for its own and society's sustainable growth and development in contributing to society by realizing its Corporate Philosophy through its business activities and by acting in accordance with its Code of Conduct in its business processes.

For more details on Sawai's Basic CSR Policy, please visit:
<https://www.sawai.co.jp/en/csr/policy/>

Environment

For more details, please refer to page 28.

In realizing one of the tenets of its Corporate Philosophy—"to enable people to live healthy lives through pharmaceutical products"—and as a provider of generic pharmaceuticals, Sawai is working to preserve the global environment in cooperation with local communities and society as a whole.

Positioning of ESG at Sawai

Positioning the realization of its Corporate Philosophy through its business activities as its most important corporate social responsibility, the Company aims to contribute to improvements in access to healthcare, and to the return to health of medical care funding, through the provision of Sawai pharmaceutical products.

Society

For more details, please refer to page 29.

Corporate Governance

For more details, please refer to page 30.

To attain sustainable growth and increase corporate value in the medium-to-long term, as well as to work toward the realization of consistently fair, highly transparent business, Sawai positions the enhancement of corporate governance as a major management issue.

CSR Promotion Systems

CSR Committee

Having the President as its chairperson and composed primarily of Directors, the Standing Statutory Auditor, and Corporate Officers, this committee discusses and approves annual activities based on the Company's Basic CSR Policy, reviews the results of those activities, and then makes recommendations and reports to the Board of Directors.

CSR Promotion Committee

Chaired by the Director in charge of CSR, this committee is composed of managerial-level representatives from each division. The committee prepares plans for annual activities based on the Company's Basic CSR Policy, monitors the progress of those activities, and reports on the results.

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. Its members are selected from various divisions.

CSR Promotion Teams

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

Each Team Name	Details of Main Activities
Consumer Issues	Working to enhance the provision of information so that generic drugs can be used with peace of mind by, for example, patients and medical professionals.
The Environment	Working to protect the Earth's environment by restraining greenhouse gas emission volumes, using resources effectively, appropriately monitoring chemical substances as well as water and air quality, and implementing cleanup activities.
Community Involvement and Development	As a good corporate citizen, working with the aim of society's healthy development through the Company's support for sports and health events as well as donation/blood drive activities.
Human Rights and Labour Practices	Based on the idea that "our employees' individual personalities and abilities are our greatest assets," promoting the creation of working environments that are safe and pleasant as well as being where employees are able to perform to their fullest.
Fair Operating Practices	While aiming to build relationships of trust with business partners, working to realize fair and transparent business practices so that we fulfill our social responsibilities together.
Organizational Governance	Working to enhance organizational governance, which forms the foundation for improving our corporate value and fulfilling our social responsibilities.



Sawai's Policy

Sawai positions preservation of the Earth's environment as an important issue for continuation of business activities. Together with each and every employee gaining a greater environmental consciousness, and in recognition of the impact our business activities have on the global environment, we are working to protect the environment.

Protecting the Earth's Environment

The Code of Conduct, which is a set of guidelines for realizing Sawai's Corporate Philosophy, establishes the objective "Alongside the Global Environment" as an environmental tenet. We recognize, and make practical efforts, to execute our mission of protecting the Earth's environment.

Sawai Code of Conduct "Alongside the Global Environment"

1. Environmental preservation
2. Preventing global warming
3. Contributing to a recycling-oriented society
4. Reducing environmental impact through appropriate management of chemicals
5. Biodiversity efforts
6. Environmental communication

Reduction and Monitoring of Greenhouse Gasses, Chemical Substances, and Other Emissions

In fiscal 2016, ended March 31, 2017, CO₂ emissions rose 11.5% over the previous year, to 62,103 tons of CO₂, on account of increased energy usage in line with expanded production. The management indicator of the emissions basic unit decreased 5.3% due to promotion of greater efficiency in energy usage. Moreover, and as a part of efforts to restrain greenhouse gas emission volumes, steps have been taken to promote the use of hybrid vehicles. Roughly 95% of the Company's fleet comprised hybrid vehicles as of March 31, 2017.

In addition, Sawai continues to conduct 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 further strengthening its monitoring activities.

Promoting Zero Emissions

Sawai promotes zero emissions at its key production facilities as initiatives toward the development of a recycling-oriented society. At the Kashima Factory, Sawai achieved zero emissions and newly achieved zero emissions at the Sanda Factory and Sanda Nishi Factory as well. Moving forward, Sawai will continue to aim for zero emissions through information sharing to develop these initiatives laterally in other factories.

Improving Environmental Awareness

Once a month, Sawai distributes to all employees "Environment Magazine," an in-house newsletter that introduces a variety of environment-related information and initiatives driven from both in and outside the Company. Sawai also actively promotes the "COOL CHOICE" programs that Japan's Ministry of the Environment is recommending as a movement at the people's level, which aim to realize the low-carbon society. Sawai also participated in the fiscal 2016 "Light Down Campaign" and contributed to energy saving by extinguishing night-time lighting in its 24 locations nationwide.

In the second half of fiscal 2016, Sawai commenced Companywide cleanup activities. At nine locations, 265 people participated a total of 14 times, collecting a cumulative 46.5 bags of garbage, with each bag having a capacity of 45 liters (roughly 2,092 liters in total).



Companywide cleanup activities



Why is it important to perform **social contribution activities**?

Sawai's Policy

As a company that engages in the manufacture and sales of generic drugs, which are tied to increased access to medical treatment and reduced medical costs, Sawai aims to realize a healthy society through its nurturing of the human resources that uphold its business, the creation of positive working environments, as well as with support for sports, cultural, and other activities.

Contributing to the Reduction of Medical Costs

The movement toward a super-aged society is proceeding rapidly, and national healthcare costs are on a constantly rising trend. Given this, Sawai is contributing to lowering healthcare costs through its business of providing generic drugs, which while are low cost, have the same efficacy from a therapeutic standpoint as the original drugs.

Sawai has contributed to the reduction of medical costs by roughly ¥200.0 billion in fiscal 2014, ¥226.0 billion in fiscal 2015, and ¥253.0 billion in fiscal 2016, with its contribution growing commensurate with its own growth.

For more details, please see pages 4 and 5.

Initiatives to Increase Access to Medical Care

Sawai believes it is essential to promote an understanding of generic drugs in order to increase access to medical treatment, and therefore arranges for visits to its factories for groups, including students, local residents, and staff of medical institutions. In addition to this, in fiscal 2016, Sawai's main initiatives were as follows.



Educational comic book *The Secrets of Generics*

Cooperation with planning and production, and donation to approximately 21,500 elementary schools nationwide, and 3,200 public libraries



Factory tours

Conducted factory tours approximately 170 times at factories across Japan



Medical treatment movie *"To Realize Global Health"*

Cooperation on production in order to raise awareness of communicable diseases. For this, the Company received a letter of appreciation from Princess Kiko.



Creating Pleasant Workplace Environments

Based on the idea that "our employees' individual personalities and abilities are our greatest assets," Sawai promotes the creation of safe and clean work environments that promote employees' physical and mental health. In fiscal 2016, of the Company's executive and management-level personnel, 90% (234 of 260 people) cooperated by declaring that they would become totally non-smoking. Sawai also emphasizes employees' work-life balance and seeks to develop and secure systems that go beyond statutory requirements, such as for childcare leave, nursing care leave, and other initiatives. In addition, Sawai regularly checks work sites and also cooperates with labor unions in its efforts to improve the workplace environment.

Promoting Active Roles for Diverse Human Resources and Nurturing Human Talent

Based on the Action Plans for the Activities of Women Employees formulated in April 2016 so that diverse human resources can play an active role, the Company works to create workplace environments where women can participate actively, and also employs and leverages the talent of non-Japanese employees.

In addition, Sawai has developed various training programs for different age ranges and positions, supporting enhancement of employee skills and their ability to take on challenges. The Company also offers support for a range of testing and certification acquisition, including for MR certification testing, and is developing study abroad programs.

Corporate Governance

Why are corporate governance initiatives so essential?

Sawai's Policy

To continue to contribute to society through business, it is essential for Sawai—a company engaged in the life science industry—to work to enhance its corporate governance while aiming for sustainable growth and an increase in its corporate value in the medium-to-long term.

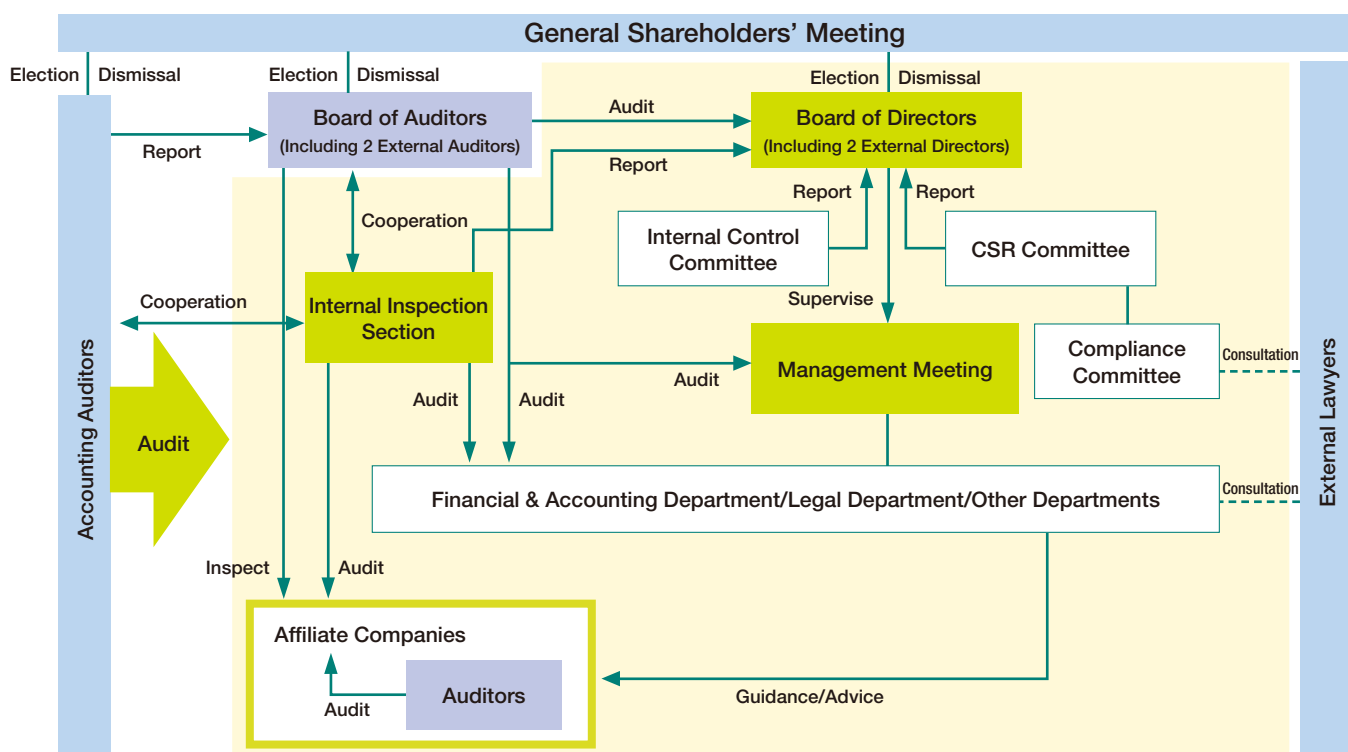
Corporate Governance

Management Structure

Possessing in-depth knowledge and expertise on the pharmaceutical industry as well as the internal workings of the Company, the directors at Sawai engage in business operations while closely monitoring developments in the Company with a strong sense of ethics. Recognizing that the very best policy for pursuing compliance with legal requirements and greater efficiency is through a system where external directors and a Board of Auditors assume

a checks and balances function from each of the external industry and Company perspectives, Sawai adopted a Board of Auditors model. This initiative is also consistent with the Company's view that a Board of Auditors model is optimal for a company of Sawai's size and way of conducting management. Also, having separated the management decision-making functions from the conduct of business, Sawai adopted a corporate officer system to clarify business conduct responsibilities.

Corporate Governance Structure



Company Views on Board Balance, Diversity, and Size

In view of Sawai's size as a company, and with a view to realizing substantive discussions and exchanges of opinion, the upper limit for the number of Board members is set at 12; 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 as well as to the balance and diversity of its constituent members, and comprehensive consideration is given to factors that include depth of experience and expertise appropriate for professional duties, performance, insight, and personality.

Audit/Supervisory System

In addition to the oversight/management mutually conducted by each director, each Auditor plays a major audit/supervisory role. The Auditors attend the meetings of the Board of Directors, express their opinions from an objective perspective and contribute to improving the Board of Directors' effectiveness. In addition, the Auditors exchange information with the Internal Inspection Section 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 Auditor/Standing Statutory Auditor Dialogue (For details, please refer to pages 34 and 35.)

External Directors and External Auditors

Persons who satisfy the conditions established under Japan's Companies Act and the Tokyo Stock Exchange are selected from among those who can provide advice and judgments that will contribute to increasing corporate value. These persons pose pertinent questions and state their opinions from an external perspective at Board of Directors' meetings.

In addition to the Company assigning staff in support of their professional duties, external directors and external auditors strengthen the auditing and supervisory functions, for example by approving the payment, within reasonable limits, of the invoices they submit for research and other purposes.

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	In addition to specialized knowledge gained from his work as a lawyer, Mr. Sugao has external director experience from another listed company and has served as an external auditor of the Company since June 2007. The Company anticipates that 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 all 15 meetings of the Board of Directors
	Nawomi Todo	Ms. Todo has extensive specialized knowledge and experience as a medical doctor. The Company anticipates that she will be able to provide beneficial 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 all 15 meetings of the Board of Directors
External Auditors	Takanobu Tomohiro	Mr. Tomohiro is a partner in his law office. Drawing on his extensive knowledge and experience, the Company believes that he will be able to provide beneficial advice and perform auditing functions from an independent perspective and judges that he will be able to perform his roles as an external auditor appropriately.	Attended 11 of 12 meetings of the Board of Directors Attended all 10 meetings of the Board of Auditors Elected at the General Shareholders' Meeting on June 24, 2016
	Junichi Hirano	Mr. Hirano established a tax accounting office and gained a considerable amount of knowledge with regard to tax, finance, and accounting through his licensed tax accounting practice and his previous posts in a taxation bureau. The Company considers that he will be able to provide beneficial advice and perform auditing functions, from his independent perspective, and will be able to perform his roles as an external auditor appropriately.	Elected at the General Shareholders' Meeting on June 27, 2017

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

Response to Corporate Governance Code

The Company respects the Corporate Governance Code and works to strengthen governance. Rather than merely satisfy the provisions of the Code as a matter of formality, Sawai undertakes a review of its governance function each year in order to realize the true purpose and purport of the Code.

Anti-Takeover Defenses

Currently, the Company has not adopted anti-takeover defense measures, but, if a party were to seek to purchase a large block of the Company's shares, the Company would actively request that the party provide information and work to enable shareholders to make accurate judgments. As necessary, the Company will take appropriate measures

within prescribed legal limits to prevent any impairment to its corporate value and the mutual interests of its shareholders.

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. Compensation consists of three components: a basic amount, stock options (excluding external directors) linked to corporate value, and a performance-linked bonus. 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 Allocation for Management, Total Allocation of Compensation by Type, and Number of Eligible Recipients

Executive Position	Total Compensation Allocation (Millions of yen)	Total Allocation of Compensation by Type (Millions of yen)			Number of Eligible Recipients
		Basic	Stock Options	Bonus	
Directors (Excluding external directors)	375	285	17	72	8
Auditors (Excluding external auditors)	22	22	—	—	2
External directors and auditors	20	20	—	—	5

Internal Control and Compliance/Risk Management

Internal Control and Compliance

On the basis of "Systems for Ensuring Proper Business Operations," the Company is working to improve internal control and compliance by ascertaining the status of its operations and taking the necessary measures. In addition to receiving advice from specialists in various fields, consultations are held with the Compliance Committee and Internal Control Committee, which are chaired by the President.

In addition, having established a dedicated compliance-related report/help desk (whistle blowing system), the Company is preventing, providing early warnings, and correcting any violations and improper behavior.

Risk Management

The Group conducts risk management with the aim of minimizing the damage to management resources arising from the risks inherent in its corporate activities.

Aside from Sawai appointing those responsible for responding to various types of risk throughout the Company and promoting risk management, each division autonomously advances risk management and takes measures. 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.

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



In addition to ensuring that all employees share the same direction by the ingraining and putting into practice of its Corporate Philosophy and Code of Conduct, Sawai is promoting its "M1 Project" as an ongoing initiative to improve its business position and quality.

As part of the "M1 Project," in the fiscal year ended March 2017, 231 teams conducted "M1 Club Activities." Following the results from a strict examination by 15 M1 Committee members, including Sawai President Mitsuo Sawai, a team from the Physical Properties Research Department that had engaged in a project on the "establishment of a drug crystallization examination method for more stable quality" took first prize.



Business Risks

What the Company considers to be its main risks are listed below. In the event that any such risks emerge, it is possible that such circumstances may have an effect on the Group's management performance and financial condition.

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. In the event of violations of such regulations, there remains the possibility that the Group's operations will be suspended by the regulatory authorities, and permits, etc., to manufacture and sell pharmaceuticals cancelled.
Changes in Japan's NHI drug price scheme and healthcare system	Previously, the prices of pharmaceuticals for medical use were reduced once every two years based on actual market prices. There remains the possibility, however, that there will be further changes to the pharmaceutical pricing system and National Health System for the purpose of moderating medical costs.
Lawsuits pertaining to intellectual property	Even after the expiration of the material and application patents on a generic's original drug, there are many cases where more than one patent remains. There is the possibility that a lawsuit will be brought against the Group based on these remaining patents, etc.
Effects of competition and other factors	In addition to the many companies entering the generic market, the manufacturers of the original pharmaceuticals are endeavoring to address the deterioration in market share even after the expiration of their patents by implementing various measures, such as authorized generic (AG)* pharmaceuticals. Depending on the course of events, the possibility exists that the Company may not be able to secure its planned level of sales and profit.
Product recalls and suspension of sales	Basically, in the case of generic pharmaceuticals, the risk of unknown serious side effects arising is extremely small. However, if new, unexpected side effects emerge, or incidents occur in which ingredients become contaminated with impurities, the possibility remains of a product recall or sales suspension as well as, depending on the details of any incident, of the Group having to bear responsibility for product liability.
Temporary suspension and delays in production due to natural disasters	The Group maintains production facilities in several prefectures. In the event of natural disasters or issues that arise because of technical or regulatory matters, production at these facilities may be suspended, and the possibility exists that the supply of products will be halted. In addition, since some major raw materials are provided by specified suppliers, there is the possibility that, if supplies of those materials were to be stopped because of natural disasters and/or other circumstances, substitutes for those materials would be difficult to source.
Global business development, etc.	In traditionally aiming for sustainable growth, the Group examines new business development, for example, by means of overseas development, capital alliances and company acquisitions—while working to compile adequate market surveys that, in addition to business profitability, include the relevant laws and the politico-economic conditions. There is the possibility that, due to unexpected circumstances exceeding original assumptions, the desired effect will not justify the investment.
Company acquisitions, etc.	On April 20, 2017, the Company agreed to acquire Upsher-Smith Laboratories, LLC for US\$1.05 billion, and the acquisition was concluded on May 31. In the case of such a company acquisition, however, the possibility exists that—due to factors such as management environment or business changes, delays in the progress of the merger or information that did not come to light during due diligence—the desired effect expected from the acquisition will not be obtained.
Information management	The Group holds personal data and trade secrets from inside and outside the Company as well as large amounts of other information. We are striving for thorough information management, for example by having put IT security measures in place, but there is the possibility of leaks, alterations and data loss due to system failures or accidents.
Other	In addition to the risks given here, the Company faces a range of other risks that may possibly arise. These include those involving financial market conditions, foreign exchange fluctuations, corporate governance, including compliance risks, and various environmental issues.

* 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.

Corporate Philosophy Discussion and Code of Conduct Revision



Taking the opportunity provided by having passed the 10-year milestone since the formulation of the Company's Corporate Philosophy, the Company invited Matao Miyamoto, Professor Emeritus at Osaka University, who has deep knowledge of corporate philosophies, to give us his opinions and guidance with regard to the activities designed to ingrain the Sawai philosophy.

To reflect the changes in the times and in the environment in the Code of Conduct, which serves as the guidelines for realizing the Corporate Philosophy, 54 members elected from all divisions addressed the revisions in the course of a series of discussions that were based on the opinions expressed in an all-employee questionnaire. Following their approval at a management meeting, the revisions came into force in April 2017.

The revised Code of Conduct can be accessed here:
<https://www.sawai.co.jp/en/about/philosophy/>

External Auditor/Standing Statutory Auditor Dialogue



Standing Statutory Auditor

Hidetsugu Matsunaga

Joined the Company in October 2005. After serving as general manager of the human resources and information systems departments, appointed auditor in June 2012. Mr. Matsunaga is engaging in audit and supervisory activities drawing on a wide variety of available internal information based on his fair judgment and resolute attitude.

External Auditor Tomohiro, a year after he assumed his position, and Standing Statutory Auditor Matsunaga, who is knowledgeable about Company development, spoke frankly and from a shareholders' viewpoint about the Sawai Board of Directors' supervisory functions and what feelings they derive from their duties.

Auditor Matsunaga (hereinafter Matsunaga):

How do you see the situation with regard to the supervision of the Company's Board of Directors?

Auditor Tomohiro (hereinafter Tomohiro):

Although considered to be an owner-run company, there is no indication at all of actions being taken without prior consultation that generally are the cause of concern with that kind of company. Active discussions and prudent deliberations are being conducted by diverse human resources associated with business expansion, and form the basis of proper supervision. Meanwhile, the founder's ethos lives on, and I believe is of great benefit as a unifying force and in the speed of decision making.

Matsunaga: In addition to posing questions and voicing opinions from the position of experts or from perspectives that those inside the Company find it difficult to recognize, the total of four external directors and auditors participate in discussions with a big picture perspective from a medium- to long-term standpoint. For instance, during the acquisition of

Upsher-Smith Laboratories^{*1}, I was impressed by your precise questions and points with regard to such areas as key personnel and the investment outlook.

Tomohiro: There are those that point to the fact that, unlike external directors, external auditors do not have Board of Director voting rights. As they do have the right to speak, however, it is my belief that those remarks exert sufficient influence on the exercising of voting rights of directors with a good manager's duty of care^{*2}.

Matsunaga: In that sense, I think we both agree that both internal and external auditors play a role in the



“Both internal and external auditors also play a part in supervisory functions.”

Hidetsugu Matsunaga

External Auditor

Takanobu Tomohiro

Registered as an attorney in April 1991. Appointed auditor in June 2016. While taking into account industry and Company common practice, Mr. Tomohiro compares rational and effective methods of management with generally accepted conventions and always tries to state his opinion from an independent perspective.



supervisory function. However, we should not put the brakes on too much from a “defensive” viewpoint and interfere with “growth-oriented governance.”

Tomohiro: As I am unfamiliar with the internal circumstances when fulfilling my responsibilities, the information and explanations that you provide are indispensable and very helpful.

Matsunaga: To provide external auditors with appropriate supervision, as standing statutory auditor I recognize and keep in mind that I have an important role to play in enhancing internal and external collaboration.

“The supervisory system should be in accordance with each company's circumstances.”

Takanobu Tomohiro



Matsunaga: What are your thoughts about the calls for an increase in the number of external directors and the establishment of nomination and remuneration committees?

Tomohiro: The usefulness of directors who are employees familiar with the industry that have been promoted and groomed from a long-term perspective cannot be denied. External viewpoints are essential but shouldn't supervisory systems be selected in accordance with each company's circumstances, such as corporate culture, industry characteristics, and growth potential?

Matsunaga: Certainly, my thinking is that, if only arranged in terms of the form it takes, it does not necessarily follow that a supervisory function will be guaranteed. I think you will agree that we would like to continue giving thought to a desirable supervisory system on the basis of the Company's situation.

*1 Please see pages 16 and 17 for further details.

*2 Good manager's duty of care: The attention to duty normally expected from the point of view of the abilities and social status as a professional or expert to whom business affairs have been delegated.

Directors, Auditors, and Officers

(As of June 30, 2017)

Directors (Board Members)



From left, second row

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

Toru Terashima*

Apr. 1984 Joined Sumitomo Chemical
Company, Limited
Oct. 1984 Joined Sumitomo
Pharmaceuticals Co., Ltd.
(currently Sumitomo Dainippon
Pharma Co., Ltd.)
Jan. 2016 Joined the Company
Jun. 2016 Corporate Officer, Vice President
of Reliability Assurance Division
(current)
Jun. 2017 Director (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 Office
Jun. 1998 President, Representative Director of
Medisa Shinyaku Inc.
Jun. 2002 Managing Director, General Manager,
Corporate Planning Department
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, front 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 Department
Jun. 2002 Managing Director, Vice President
of Sales Division, and General Manager,
Sales Planning Department
Jun. 2005 Senior Managing Director, Vice President of
Sales Division
Jun. 2008 President, Representative Director (current)

Director, Senior Managing Executive Officer, General Manager,
Corporate Strategy Department and Supervisor, Sales Division

Kenzo Sawai*

Apr. 1995 Joined 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)
Jun. 2017 Director, Senior Managing Executive Officer, General Manager,
Corporate Strategy Department and Supervisor, Sales Division
(current)
President, Member of the Board of Sawai America Inc. (current)
Chairman of the Board of Upsher-Smith Laboratories, LLC
(hereinafter referred to as "USL") (current)

Chairman, Representative Director

Hiroyuki Sawai

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



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

Minoru Kodama*

Apr. 1976 Joined 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 Department
 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)

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 officers

Auditors



Standing Statutory Auditor
Hidetsugu Matsunaga

Statutory Auditor
Takekiyo Sawai

External Auditor
Takanobu Tomohiro

External Auditor
Junichi Hirano

From left, Hidetsugu Matsunaga, Takanobu Tomohiro, Takekiyo Sawai, Junichi Hirano

Officers (excluding those who are concurrently appointed as Board Members)



From left (second row) Nobuko Sugimoto, Motohiko Kimura, Akira Hamada, Shoji Yokota, Toshiya Hasuo
(front row) Kazuhiko Sueyoshi, Yoshiteru Takahashi, Shinichi Tokuyama, Kyoze Inari, Yuji Tokunaga, Masahiro Sasaki

Senior Executive Officer

Vice President of Research & Development Division and President, Representative Director of Medisa Shinyaku Inc.

Shinichi Tokuyama

Executive Officers

General Manager, External Affairs Department

Kyoze 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

Yuji Tokunaga, Ph.D.

General Manager, Controller Department and Member of the Board of Sawai America Inc. and Member of the Board, Executive Administration of USL

Kazuhiko Sueyoshi

In charge of Overseas Operations, Corporate Strategy Department and Member of the Board of Sawai America Inc. and Vice Chairman of the Board of USL

Masahiro Sasaki

General Manager, Human Resources Department

Akira Hamada

Corporate Officers

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

Motohiko Kimura

Deputy Vice President of Research & Development Division and Director, Analytical Chemistry Department and Member of the Board, Executive R&D of USL

Shoji Yokota, Ph.D.

Director, Intellectual Property Department

Nobuko Sugimoto

Factory Manager, Kanto and Supervisor, Kashima

Toshiya Hasuo

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Financial Information

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

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

Eleven-Year Summary

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

	Millions of yen		
	2017	2016	2015
Net sales	¥132,428	¥123,492	¥105,454
Cost of sales	80,309	71,858	60,048
Gross profit	52,119	51,634	45,406
Selling, general and administrative expenses	31,486	28,449	24,718
Operating income	20,633	23,185	20,688
Profit before income taxes	19,871	23,092	20,298
Profit attributable to owners of parent	15,914	17,156	14,053
Total assets	221,539	206,492	166,180
Inventories	61,777	55,668	44,663
Total current liabilities	54,876	50,078	42,209
Total long-term liabilities	29,063	30,692	11,572
Net assets	137,600	125,722	112,399
Net cash provided by (used in) operating activities	20,628	19,975	12,112
Net cash used in investing activities	(16,206)	(22,937)	(14,123)
Net cash provided by (used in) financing activities	(6,740)	13,473	(922)
Cash and cash equivalents at end of year	30,771	33,096	22,604
Research and development (R&D) expenses	10,208	8,019	6,110
Capital expenditures	16,194	17,775	13,251
Depreciation and amortization	8,645	7,044	5,863
		%	
Ratio of R&D expenses to sales	7.7	6.5	5.8
Return on equity	12.1	14.4	13.2
Shareholders' equity to total assets	62.0	60.8	67.6
		Yen	
Amounts per common share:			
Net income—basic	¥ 431.65	¥ 465.57	¥ 382.26
Net income—diluted	431.39	465.25	381.85
Cash dividends applicable to period	130.00	120.00	105.00
Net assets	3,722.90	3,405.20	3,053.29

Notes: 1. Diluted net income per common share is not disclosed from 2007 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							
2014	2013	2012	2011	2010	2009	2008	2007
¥ 89,824	¥ 80,503	¥ 67,603	¥ 63,853	¥ 50,070	¥ 44,284	¥ 37,631	¥ 34,317
48,353	42,511	34,411	33,736	26,275	25,156	20,130	17,357
41,471	37,992	33,192	30,117	23,795	19,128	17,501	16,960
22,380	20,607	18,188	16,531	15,276	14,461	13,453	12,267
19,091	17,385	15,004	13,586	8,519	4,668	4,048	4,693
18,990	18,098	14,928	12,289	8,372	4,320	3,129	4,166
12,193	12,022	9,026	7,183	4,982	2,439	1,739	2,260
149,348	127,843	123,400	117,056	81,236	72,320	66,295	67,827
39,182	29,529	25,780	21,218	18,081	13,588	13,500	13,768
39,097	30,105	26,932	25,811	25,441	20,911	17,152	18,525
8,949	36,258	37,893	40,382	9,537	9,703	8,938	9,981
101,302	61,480	58,575	50,863	46,258	41,706	40,205	39,321
13,422	12,256	7,814	5,937	7,907	3,169	9,549	(4,370)
(8,283)	(1,373)	(2,371)	(20,362)	(5,329)	(3,037)	(6,562)	(10,551)
(178)	(10,970)	(4,578)	24,756	348	1,027	(4,958)	15,449
25,537	20,584	20,671	19,805	9,474	6,548	5,389	7,360
5,170	4,551	4,317	3,902	3,593	3,409	3,222	3,085
7,353	4,599	4,599	2,805	5,370	2,841	6,567	9,877
4,989	3,793	3,389	3,066	3,025	2,709	2,575	1,964
%							
5.8	5.7	6.4	6.1	7.2	7.7	8.6	9.0
15.0	20.1	16.5	15.1	11.8	6.2	4.6	6.9
67.8	48.0	47.4	43.4	54.5	55.4	58.3	55.8
Yen							
¥ 365.18	¥ 386.71	¥ 285.25	¥ 228.04	¥ 158.66	¥ 77.66	¥ 55.37	¥ 78.84
330.41	318.17	235.07	203.67	158.43	—	—	—
95.00	85.00	70.00	55.00	35.00	27.50	27.50	27.50
2,755.29	2,027.15	1,846.84	1,605.16	1,408.83	1,275.53	1,230.09	1,204.21

Consolidated Balance Sheets

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
ASSETS			
Current Assets:			
Cash and deposits	¥ 30,771	¥ 33,096	\$ 276,271
Trade notes and accounts receivable	36,807	31,776	330,460
Electronically recorded monetary claims	4,540	4,516	40,765
Allowance for doubtful receivables	(16)	(14)	(144)
	72,102	69,374	647,352
Inventories	61,777	55,668	554,651
Deferred tax assets	3,050	2,592	27,381
Other current assets	417	845	3,750
Total current assets	137,346	128,479	1,233,134
Property, Plant and Equipment:			
Land	9,256	9,283	83,103
Buildings and structures	51,406	44,401	461,541
Machinery and equipment	54,429	44,277	488,677
Lease assets	1,522	1,553	13,668
Construction in progress	2,989	9,197	26,840
Other	10,679	9,160	95,869
	130,281	117,871	1,169,698
Accumulated depreciation	(53,196)	(46,027)	(477,609)
Net property, plant and equipment	77,085	71,844	692,089
Intangible Assets	1,445	1,496	12,971
Investments and Other Assets:			
Investment securities	5,070	4,200	45,520
Long-term prepaid expenses	261	147	2,341
Other investments and long-term receivables	354	348	3,178
	5,685	4,695	51,039
Allowance for doubtful receivables	(22)	(22)	(196)
Net investments and other assets	5,663	4,673	50,843
Total assets	¥221,539	¥206,492	\$1,989,037

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
LIABILITIES and NET ASSETS			
Current Liabilities:			
Current portion of long-term debt	¥ 1,601	¥ 1,665	\$ 14,373
Current portion of lease obligations	277	272	2,487
Trade notes and accounts payable	17,290	17,702	155,238
Electronically recorded obligations	5,192	4,475	46,613
Other accounts payable	17,070	17,707	153,256
Accrued bonuses to employees	2,034	1,749	18,261
Accrued bonuses to directors and corporate auditors	36	67	325
Income taxes payable	1,561	3,721	14,014
Reserve for sales returns	49	57	437
Reserve for sales rebates	2,220	1,668	19,932
Other current liabilities	7,546	995	67,754
Total current liabilities	54,876	50,078	492,690
Long-Term Liabilities:			
Bonds payable	20,000	20,000	179,565
Long-term debt	5,264	6,865	47,260
Long-term lease obligations	808	1,036	7,253
Debt for retirement benefits	31	36	274
Deferred tax liabilities	327	88	2,938
Long-term deposits received	2,178	2,133	19,553
Other long-term liabilities	455	534	4,094
Total long-term liabilities	29,063	30,692	260,937
Net Assets:			
Shareholders' Equity:			
Common stock			
Authorized 77,600,000 shares			
Issued and outstanding 38,167,988 shares in 2017			
38,166,588 shares in 2016	27,170	27,167	243,947
Capital surplus	27,803	27,800	249,625
Retained earnings	87,095	75,974	781,962
Treasury stock 1,299,572 shares in 2017			
1,299,539 shares in 2016	(6,006)	(6,006)	(53,928)
Total shareholders' equity	136,062	124,935	1,221,606
Accumulated Other Comprehensive Income			
Net unrealized holding gains on securities	1,195	606	10,726
Total accumulated other comprehensive income	1,195	606	10,726
Subscription Rights to Shares	343	181	3,078
Net assets	137,600	125,722	1,235,410
Total liabilities and equity	¥221,539	¥206,492	\$1,989,037

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥111.38 to U.S.\$1.00, the rate prevailing on March 31, 2017.

Consolidated Statements of Income

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net Sales	¥132,428	¥123,492	\$1,188,979
Cost of Sales	80,309	71,858	721,034
Gross Profit	52,119	51,634	467,945
Selling, General and Administrative Expenses	31,486	28,449	282,688
Operating Income	20,633	23,185	185,257
Other Income (Expenses):			
Dividend income	103	98	928
Compensation income	161	132	1,448
Subsidy income	32	97	285
Interest expense	(242)	(255)	(2,171)
Bond issuance cost	—	(109)	—
Expenses for loan commitment agreements	(25)	(23)	(225)
Compensation expenses	(27)	(13)	(244)
Loss on sales of accounts receivable	(54)	(63)	(488)
Depreciation	(96)	(48)	(862)
Gain on sales of investment securities	—	25	—
Gain on bargain purchase	—	842	—
Impairment loss	(89)	(684)	(802)
Loss on disposal of fixed assets	(597)	(116)	(5,361)
Other, net	72	24	642
	(762)	(93)	(6,850)
Profit before Income Taxes	19,871	23,092	178,407
Provision for Income Taxes:			
Current	4,435	6,497	39,820
Deferred	(478)	(561)	(4,295)
Profit	15,914	17,156	142,882
Profit attributable to owners of parent	¥ 15,914	¥ 17,156	\$ 142,882
Per Share of Common Stock:		Yen	U.S. dollars
Net income - basic	¥ 431.65	¥ 465.57	\$ 3.88
Net income - diluted	431.39	465.25	3.87
Dividends	130.00	120.00	1.17

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥111.38 to U.S.\$1.00, the rate prevailing on March 31, 2017.

Consolidated Statements of Comprehensive Income

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Profit	¥15,914	¥17,156	\$142,882
Other Comprehensive Income (Loss)			
Net unrealized holding gains (losses) on securities	589	(346)	5,291
Total other comprehensive income (loss)	589	(346)	5,291
Comprehensive Income	¥16,503	¥16,810	\$148,173
Comprehensive income attributable to:			
Owners of the parent	16,503	16,810	148,173

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥111.38 to U.S.\$1.00, the rate prevailing on March 31, 2017.

Consolidated Statements of Changes in Net Assets

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

	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, 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

Balance at April 1, 2016	¥27,167	¥27,800	¥75,974	¥(6,006)	¥124,935	¥ 606	¥ 606	¥181	¥125,722
Changes in items during the period									
Stock issue (exercise of stock subscription rights)	3	3			6			(6)	—
Cash dividends			(4,793)		(4,793)				(4,793)
Profit attributable to owners of parent			15,914		15,914				15,914
Acquisition of treasury stock				(0)	(0)				(0)
Disposition of treasury stock					—				—
Net changes in items other than shareholders' equity					—	589	589	168	757
Total changes in items during the period	3	3	11,121	(0)	11,127	589	589	162	11,878
Balance at March 31, 2017	¥27,170	¥27,803	¥87,095	¥(6,006)	¥136,062	¥1,195	¥1,195	¥343	¥137,600

	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, 2016	\$243,916	\$249,594	\$682,111	\$(53,926)	\$1,121,695	\$ 5,435	\$ 5,435	\$1,624	\$1,128,754
Changes in items during the period									
Stock issue (exercise of stock subscription rights)	31	31			62			(62)	—
Cash dividends			(43,031)		(43,031)				(43,031)
Profit attributable to owners of parent			142,882		142,882				142,882
Acquisition of treasury stock				(2)	(2)				(2)
Disposition of treasury stock					—				—
Net changes in items other than shareholders' equity					—	5,291	5,291	1,516	6,807
Total changes in items during the period	31	31	99,851	(2)	99,911	5,291	5,291	1,454	106,656
Balance at March 31, 2017	\$243,947	\$249,625	\$781,962	\$(53,928)	\$1,221,606	\$10,726	\$10,726	\$3,078	\$1,235,410

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥111.38 to U.S.\$1.00, the rate prevailing on March 31, 2017.

Consolidated Statements of Cash Flows

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash Flows from Operating Activities:			
Profit before income taxes	¥19,871	¥23,092	\$178,407
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	8,645	7,044	77,620
Impairment loss	89	684	802
Increase (decrease) in allowance for doubtful receivables	2	(3)	19
Interest and dividend income	(104)	(98)	(932)
Interest expense	242	255	2,171
Gain on sales of investment securities	—	(25)	—
Gain on bargain purchase	—	(842)	—
Loss on disposal of fixed assets	597	116	5,361
Increase (decrease) in reserve for sales rebates	552	(236)	4,955
Increase in accrued bonuses to employees	285	292	2,559
Increase (decrease) in accrued bonuses to directors and corporate auditors	(31)	8	(275)
Decrease in reserve for sales returns	(8)	(11)	(77)
Decrease in debt for retirement benefits	(5)	(10)	(45)
Increase in trade notes and accounts receivable and electronically recorded monetary claims	(5,055)	(2,173)	(45,383)
Increase in inventories	(6,109)	(8,235)	(54,845)
Increase in trade notes and accounts payable and electronically recorded obligations	329	5,099	2,954
Increase in long-term prepaid expenses	(114)	(62)	(1,021)
Increase in other accounts payable	1,061	1,079	9,526
Increase in other current liabilities	6,541	232	58,727
Other	801	13	7,188
Subtotal	27,589	26,219	247,711
Interest and dividends received	104	98	933
Interest paid	(229)	(214)	(2,058)
Income taxes paid	(6,836)	(6,128)	(61,378)
Net cash provided by operating activities	20,628	19,975	185,208
Cash Flows from Investing Activities:			
Payments for purchase of property, plant and equipment	(15,461)	(17,453)	(138,815)
Payments for purchase of intangible assets	(733)	(322)	(6,583)
Proceeds from sales of investment securities	—	52	—
Payments for transfer of business	—	(5,181)	—
Other	(12)	(33)	(109)
Net cash used in investing activities	(16,206)	(22,937)	(145,507)
Cash Flows from Financing Activities:			
Repayment of long-term debt	(1,665)	(2,647)	(14,953)
Proceeds from issuance of bonds	—	20,000	—
Proceeds from issuance of stock resulting from exercise of stock subscription rights	—	67	—
Proceeds from disposition of treasury stock	—	396	—
Cash dividends paid	(4,793)	(4,051)	(43,031)
Other	(282)	(292)	(2,533)
Net cash (used in) provided by financing activities	(6,740)	13,473	(60,517)
Effect of exchange rate change on cash and cash equivalents	(7)	(19)	(61)
Net (decrease) increase in cash and cash equivalents	(2,325)	10,492	(20,877)
Cash and cash equivalents at beginning of year	33,096	22,604	297,148
Cash and cash equivalents at end of year	¥30,771	¥33,096	\$276,271

Note: The U.S. dollar amounts represent translations of Japanese yen amounts for convenience only and are translated at the rate of ¥111.38 to U.S.\$1.00, the rate prevailing on March 31, 2017.

Main Networks

Sawai's principal network is comprised of the Head Office and Research Laboratories, the Pharmaceutical Development Center, seven factories, nine branches, and 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.

Sanda Factory



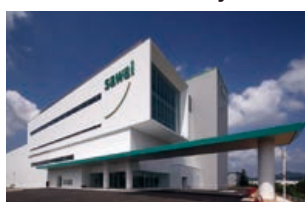
Land area: 14,686m²
Plant area: 21,830m²
Number of employees: 281
Number of items approved for manufacture: 177

Capable of manufacturing special formulations known as highly potent active pharmaceutical ingredients (such as anticancer agents and hormone preparations) at location dedicated to tablet/orally disintegrating (OD) tablet production. Packaging transferred and manufacturing capacity increased following completion of Sanda Nishi Factory

Tablets OD tablets

Tablets OD tablets

Sanda Nishi Factory



Land area: 23,136m²
Plant area: 17,517m²
Number of employees: 74

Dedicated packaging factory completed in September 2016. Began shipments in January 2017

Tablets OD tablets

Head Office and Research Laboratories



Pharmaceutical Development Center



Kyushu Factory



Land area: 70,351m²
Plant area: 21,579m²
Number of employees: 367
Number of items approved for manufacture: 196

Factory capable of manufacturing drugs with a wide range of dosage forms including those for internal use, injections, and external use. Factory awarded Japan Greenery Research and Development Center Chairman's Prize and the Director's Award from the Kyushu Bureau of Economy, Trade and Industry for Factories Making an Outstanding Contribution to the Environment

Tablets OD tablets Granules Fine granules

Capsules Powdered medicines Ampules

Dry syrup Creams

Tablets OD tablets Granules Fine granules

Capsules Powdered medicines Ampules

Vials Dry syrup Creams

Daini Kyushu Factory



Land area: 34,102m²
Plant area: 17,741m²
Number of employees: 339
Number of items approved for manufacture: 171

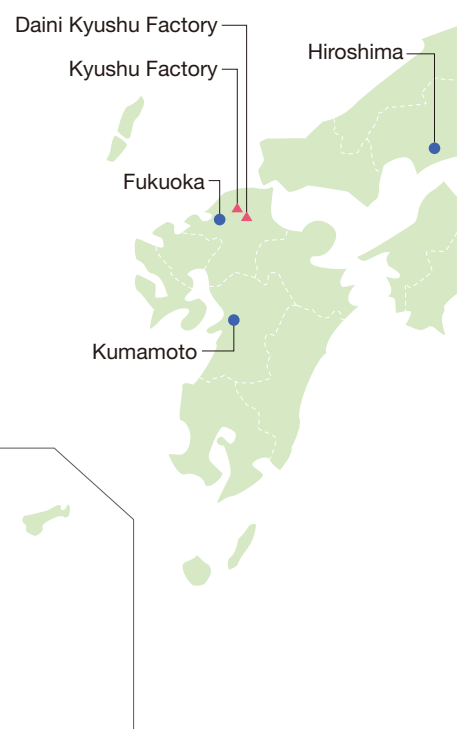
Acquired as Sawai's Daini Kyushu Factory by absorbing production business of Company consolidated subsidiary Medisa Shinyaku Inc. following spin-off process

Tablets OD tablets Granules Fine granules

Powdered medicines Dry syrup

Tablets OD tablets Granules Fine granules

Powdered medicines Dry syrup





Corporate History

- 1929** • Hanpei Sawai and Noyo Sawai (pharmacist) established Sawai Pharmacy, Sawai Pharmaceutical's predecessor, 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 Company name to its current form and style
- 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** • 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
- 1997** • Began newspaper advertising
- 2000** • Listed on 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** • New premises completed. Head Office and Research Laboratories combined, Relocated to current premises (Yodogawa-ku, Osaka)
• 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 (name later changed to [at that time] Pharmaceutical Technology Center) opened
- 2012** • Medisa Shinyaku Inc. Kyushu Factory acquired as Sawai Pharmaceutical Daini Kyushu Factory by absorbing production business of Medisa Shinyaku Inc. through spin-off process
- 2013** • First stage of construction of Kanto Factory completed (Scrap & Build)
• Introduced Corporate Officer system
- 2014** • Sawai antiplatelet "CILOSTAZOL OD Tablets 'Sawai'" received Asahi Chemical Formulation Development Award from Pharmaceutical Society of Japan (Incorporated Foundation)
- 2015** • Kashima Factory absorbed through spin-off process from Mitsubishi Tanabe Pharma Factory Ltd.
• Pharmaceutical Development Center completed and functions of Pharmaceutical Technology Center (at that time) concentrated in Pharmaceutical Development Center
- 2016** • Sanda Nishi Factory completed
- 2017** • "PITAVASTATIN Tablets" receive approval from U.S. Food and Drug Administration (FDA) (first Paragraph IV Abbreviated New Drug Application [ANDA] among Japanese specialist generic drugmakers)
• Acquired Upsher-Smith Laboratories, LLC and entered the U.S. market in earnest

Corporate Data/Stock Information

(As of March 31, 2017)

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: ¥27,170 million

Number of Employees: 2,502 (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, Sanda Nishi
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: 38,167,988

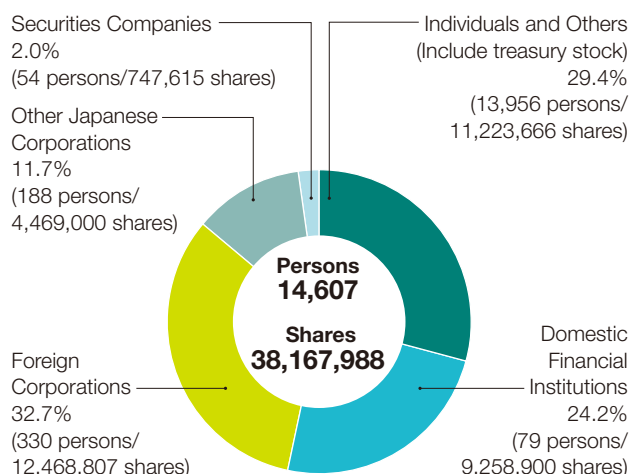
Number of Shareholders: 14,607

Major Shareholders:

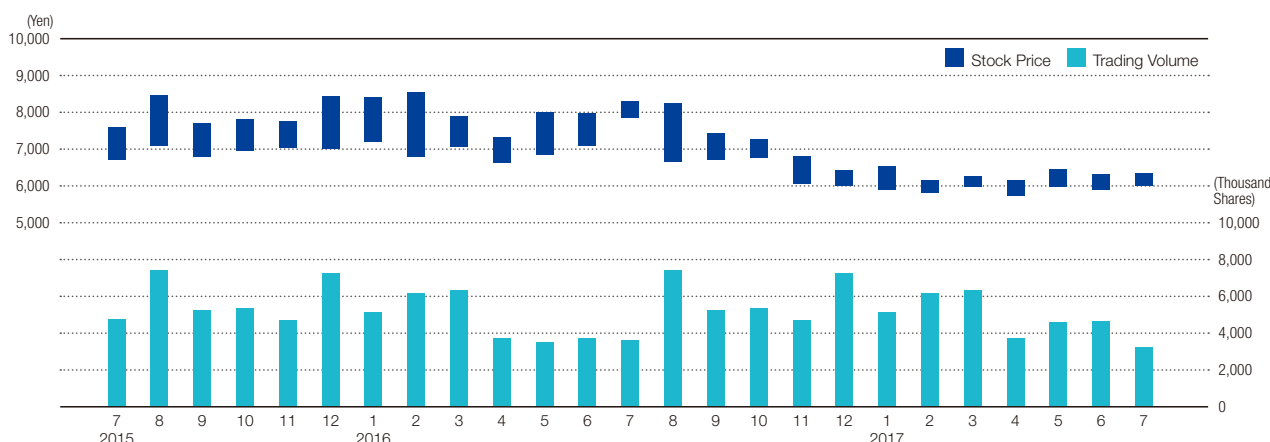
	Name of Shareholders	Number of Shares
1	Japan Trustee Services Bank, Ltd. (Trust account)	2,007,900
2	The Master Trust Bank of Japan, Ltd. (Trust account)	1,389,900
3	State Street Bank and Trust Company	1,296,944
4	Sawaken Co., Ltd.	994,000
5	Mitsuo Sawai	948,200
6	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG / JASDEC SECURITIES / UCITS ASSETS	939,400
7	Kenzo Sawai	854,000
8	The Bank of New York 133522	757,747
9	Japan Trustee Services Bank, Ltd. (Trust account 5)	653,200
10	Sumitomo Mitsui Banking Corporation	650,000

* The Company owns 1,299,572 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:



Contact for information.

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