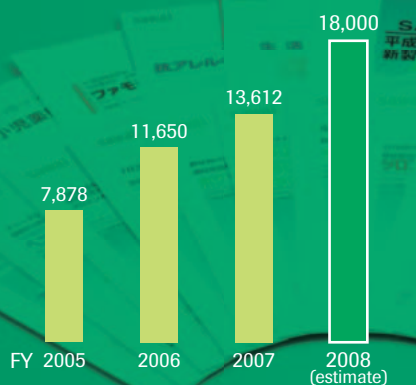


Business Strategy and Future Activities

Market Strategy

Sawai will win business from “DPC” hospitals and NHI pharmacies by increasing our Medical Representatives and collaborating more closely with wholesalers.

Sales Changes through Wholesalers
(¥ million)



Sawai is currently targeting NHI pharmacies and DPC (Diagnosis Procedure Combination) hospitals, market sectors in which future expansion of generic drug use can be expected. Sales to NHI pharmacies and DPC hospitals in fiscal 2007 increased sharply by 17.7% and 19.3%, respectively. In fiscal 2008, we seek further dramatic sales increases of 40% from the NHI (National Health Insurance) pharmacy market sector and 60% from the DPC hospital sector.

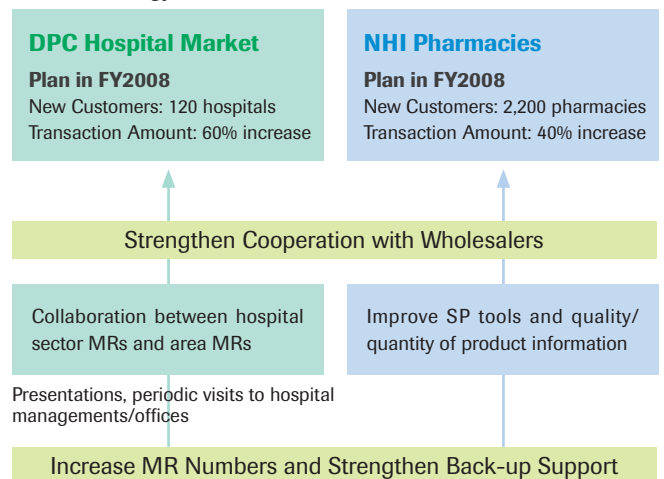
In April 2008, an incentive was introduced involving bonus payments for NHI pharmacies whose generic dispensing rates are 30% or higher, and the use of generics at NHI pharmacies is expected to increase along with an increase in patient requests for the use of generics. In the NHI pharmacy market sector, it is important to win from the NHI pharmacies that begin to use generics for the first time trust in the Sawai brand as the top brand with respect to quality, information provision, and stable supply. To obtain this trust, we will qualitatively and quantitatively enhance the provision of information that reflects understanding of the needs of healthcare professionals, such as patient explanation DVDs for pharmacists, and maintain a stable supply structure by means of a nationwide delivery network that utilizes not only regional sales agencies, but also nationwide wholesalers.

As centers of regional medical cooperation, DPC hospitals hold the key to regional generic drug dissemination, and their number is steadily increasing. In fiscal 2008, 358 hospitals are expected to newly participate in the DPC system. To mount vigorous sales activities and win customers in this expanding market sector, we will provide high-level academic information and make proposals for medication cost reductions to hospital managers and medical offices

by means of presentation meetings and periodic visits involving collaboration between Medical Representatives (MRs) in the hospital sections and area MRs.

The key to opening up new markets in both the NHI pharmacy and DPC hospital sectors is collaboration with wholesalers who have a track record of delivery to these institutions. Sawai enjoys an excellent reputation among wholesalers for quality, information provision, stable supply and brand, and we are steadily increasing sales through wholesalers. In the coming years, we intend to increase market share by promoting further collaboration with wholesalers, placing importance on past accomplishments and trust.

Market Strategy



New Product Strategy

Sawai will focus on new product development and sales expansion by being an industry leader in R&D investment.

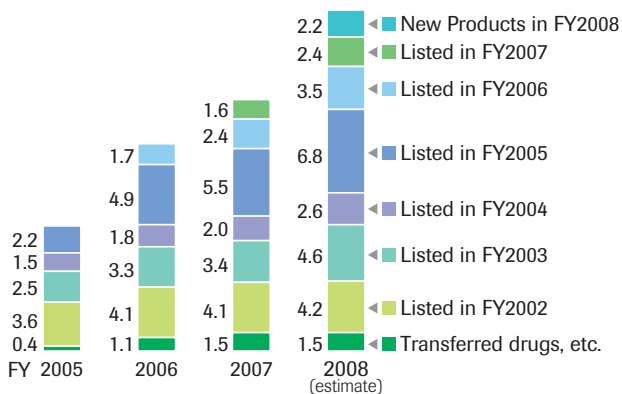
It is imperative that generic drug manufacturers launch generics as soon as possible after the patents on originator drugs expire. Also, continuous introduction of new products is essential for the reinforcement of competitive strength. To accomplish this, investment in experimental research is essential. About five years is required from the start of research until launch, and we are focusing on technological improvements to create high-value-added, high-quality, generic drugs unique to Sawai, while avoiding various patents on originator drugs. Sawai is continuously making aggressive investments and has the highest experimental research expenses among generics manufacturers in Japan. Actual R&D expenditures in fiscal 2007 were ¥3,222 million (an increase of 8.5% year on year), and planned expenditures for fiscal 2008 are ¥4,020 million (an increase of 8.9%). We will further reinforce R&D investment in the coming years.

The total market for originator drugs in fiscal 2008 is expected to reach a record-high figure exceeding ¥400 billion, and competition between originator drug manufacturers and generic drug manufacturers is likely to further intensify.

Following NHI price listing of 37 new products in fiscal 2007, Sawai plans to launch about 40 new items in fiscal 2008, including amlodipine preparations, and we will mount a vigorous sales expansion effort. To secure a position of market share leadership among generic drug manufacturers, for fiscal 2008, we have established a target of ¥2,200 million in sales of new products and are implementing a policy of emphasizing enhancement of the marketing function.

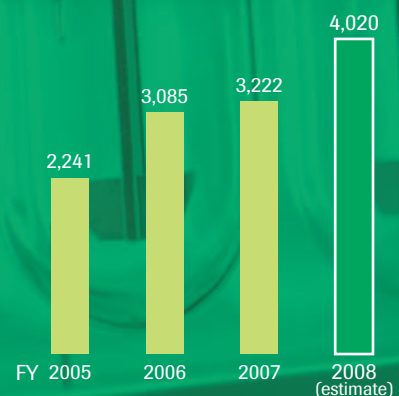
Yearly Sales Trends for Listed Drugs

(¥ billion, consolidated basis)



R&D Expenditures

(¥ million, consolidated basis)



Production System Augmentation

Sawai will augment its production system with “Stable supply for patients” as our watchword.

Generic drug manufacturers must ensure the stable supply of products, so that physicians and pharmacists can use them with confidence. Sawai has made “Stable supply for patients” our watchword, and we have made aggressive up-front investments to augment production capacity in order to cope with demand increases and solidify the foundation for business expansion.

Expansion of the Kyushu Factory of subsidiary Medisa Shinyaku, completed in May 2008, and expansion of the Sanda Factory, planned for completion in the spring of 2009, will bring annual production capacity to 4.8 billion tablets, about 2.5 times the capacity in fiscal 2005.

With regard to injectable solutions, in April 2007 we newly established at the Kanto Factory a prefilled syringe solution manufacturing line with production capacity of 10 million units to enhance the line of products for DPC hospitals and augment production capacity. In fiscal 2008, we plan to expand the injectable solutions manufacturing line at the Sawai Kyushu Factory.

Although production capacity at the end of fiscal 2007 was sufficient to meet annual sales volume of about ¥50 billion, in anticipation of future sales volume expansion we plan to have in place at the end

of fiscal 2008 sufficient capacity to meet annual sales of about ¥70 billion. We will continue to actively reinforce production systems at the above four factories and the Osaka Factory, and endeavor to further enhance our stable supply structure.



Kyushu Factory



Kanto Factory



Sanda Factory



Kyushu Factory of Medisa Shinyaku

Enhancement of Production Capacity

Site name	Site area (m ²)	Production capability (As of March 2008)	Major investment (Investment amounts)
Kyushu Factory	70,351	Tablets and capsules: 704 million tablets	—
		Injections: 3.24 million vials and ampules	
		Others: 223.68 tons	
Sanda Factory	14,686	Tablets and capsules: 1,620 million tablets	3rd stage construction in Sanda Factory, complete in Spring, 2009 (¥3.6 billion)
Osaka Factory	1,293		
Kanto Factory	32,527	Tablets and capsules: 543 million tablets	New syringe production line completed in April 2007 (¥3.0 billion)
		Injections: 2 million ampules and pfs	
		Others: 20 tons	
Kyushu Factory of Medisa Shinyaku	34,105	Tablets and capsules: 800 million tablets	6th stage construction complete in May 2008 (¥3.2 billion)
		Others: 36 tons	

