

Corporate Governance and Compliance

The Company positions corporate governance as one of its most important management tasks as it seeks to maximize corporate value and shareholder interests.

Basic Approach to Corporate Governance

Sawai is developing a sound, highly transparent management structure based on recognition that corporate governance is the management foundation upon which all corporate social responsibility activities are based. To increase corporate value through profitable growth and maximize shareholder interests from a long-term perspective, the Company is developing a management system that allows for appropriate and timely decision-making and business execution in response to changes in the external environment.

Status of Implementation of Corporate Governance

The Company has comparatively few corporate officers: eleven directors and five corporate auditors (including three external corporate auditors). In view of factors including corporate scale and

management approach, for some time, the Company has employed the corporate auditor system.

The Company strives to manifest organizational flexibility through vitalization of the Board of Directors, the Management Conference and the Conference of Head Office General Managers. The Company fosters the sharing of ethical norms and information sharing at the executive management level as required of a pharmaceutical company, upon which people's lives depend. The Company also aims to inculcate this at business sites through group-wide audits performed by the Management Audit Office (whose name changed from the Internal Inspection Department in April 2008).

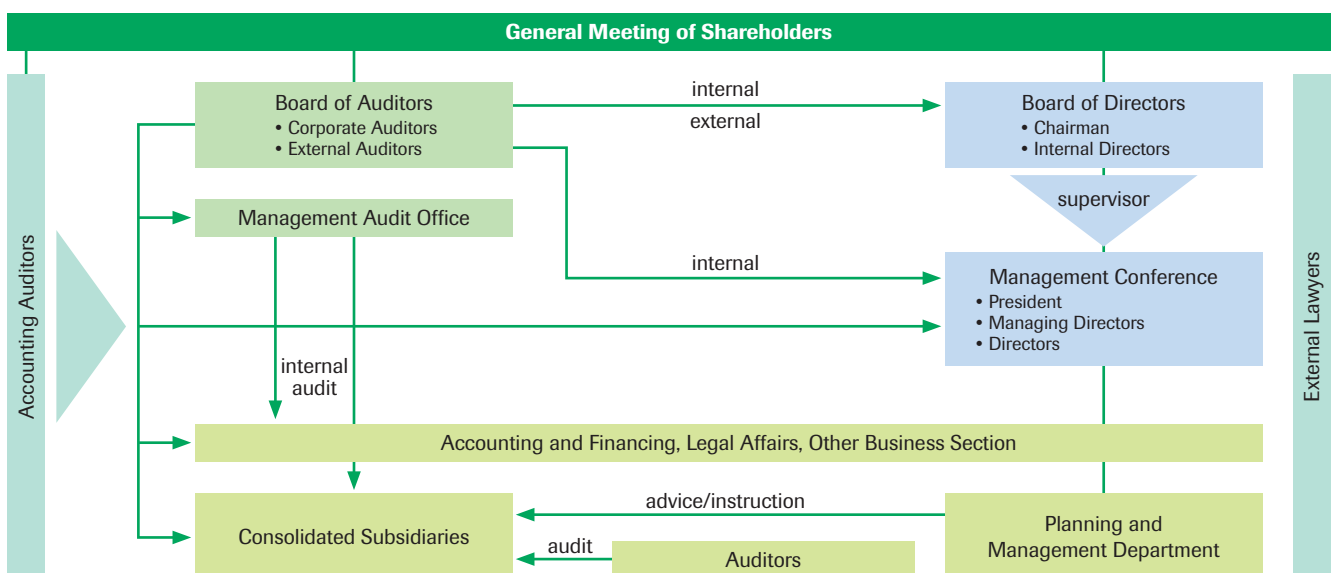
The three external corporate auditors have no trading relationships with the Sawai Group. The Group's consolidated subsidiaries are subject to advice and instructions on day-to-day business execution from the Planning and Administration Department

and undergo audits performed by the Company's Management Audit Office. Medisa Shinyaku Inc. undergoes accounting audits performed by the Company's Independent Auditors and Kaken Shoyaku Co., Ltd. undergoes accounting audits required for consolidated auditing.

In the area of risk management, to ensure a structure for rapid, accurate information gathering and processing, all information channels, including those for inside information, are concentrated under the director in charge of the Corporate Division (formed in April 2008 upon the integration of the Management Planning Division and the Administration Division), who is a member of the Board of Directors.

Four members of the Management Audit Office are in charge of internal audits. This department conducts audits of other organizations within the Company and of consolidated subsidiaries in close cooperation with the Board of Corporate Auditors.

Corporate Governance Structure



State of Development of Internal Control Systems

The Company has established a basic policy concerning the development of internal control systems (revised in April 2008) to prevent the occurrence of corporate scandals and to realize optimization, efficiency and transparency in management and business operations. Specific matters the Company has decided are as follows: 1) the establishment of a standard of conduct (penetration and inculcation of the corporate philosophy and code of conduct), 2) the establishment of a corporate governance structure (in particular, the enhancement of auditing and verification systems), 3) the development and establishment of a business execution system (the development of compliance and risk management systems), 4) information management, 5) the elimination of antisocial forces and 6) subsidiary management.

With regard to systems for business execution, the Company convenes periodic and ad hoc meetings of the Compliance Committee, whose members are the directors, standing statutory auditors and members of the Corporate Division departments and whose office is the Compliance Office (newly established within the Legal Affairs Department in April 2008). The Committee deliberates compliance-related matters, engages in compliance education and information dissemination activities and promotes group-wide compliance awareness and the acquisition of legal knowledge.

The Reliability Assurance Division (established in April 2008) is the organization responsible for all products' quality and safety. The Department is developing a system for rigorous supervision based on GQP and GVP standards. With regard to the supervision of the state of risk in overall business operations and accident and

disaster prevention measures, the Company is developing a response system in conformance with the Risk Management Rules.

Internal Branding

The Company has engaged in internal branding activities (employee brand formation activities) since fiscal 2006. The purpose of these activities is to ensure that each employee, being a member of a leading company in the generic pharmaceuticals business, recognizes the significance of the Sawai brand and acts accordingly. Specifically, the purpose is to explore the meaning of the Corporate Mission "Patients first" and formulate the Corporate Philosophy and the Sawai Code of Conduct. We aim to transform employee awareness and behavior and increase cohesion through diffusion of the Corporate Philosophy and the Sawai Code of Conduct throughout the organization. At the same time, we have launched a group-wide initiative for enduring internal reform, which involves the implementation of concrete measures and action plans to solve latent issues with respect to business processes, the organizational structure and the organizational culture.



Corporate Philosophy card and Code of Conduct, which all employees carry.

Communication with Shareholders and Investors

The Company will continue to hold biannual financial result briefings (for the interim and year-end closing of accounts), which

provide a means for timely, highly transparent information disclosure to analysts and institutional investors and an opportunity for direct dialog with executive management. The Company strives to ensure timely disclosure on the Company's website the Summary Statement of Financial Results and supplemental information, the Securities Report and press releases. The Company also proactively disseminates information to investors through upgrading of the IR website and the issuance of the Annual Report and other printed materials. At the same time, we endeavor to secure and retain long-term shareholders through the issuance of a biannual shareholder bulletin to individual investors in Japan.

Introduction of Takeover Defense Measures

A spate of mergers and acquisitions in Japan in recent years has attracted public attention. To prevent large-scale share purchases by inappropriate persons, interference with the conduct of business and impairment of corporate value, the Company has prepared the Policy Concerning Large-Scale Purchases of Shares (Takeover Defense Measures) (hereinafter the "Plan").

The Plan requires the provision of information by any person who attempts a large-scale purchase of the Company's shares, representing 20% or more of the total voting rights, and provides a framework for triggering countermeasures such as the issuance of stock acquisition rights in cases where a purchaser has been judged to be inappropriate. At a meeting of the Company's Board of Directors held on May 12, 2008, it was resolved to submit the Plan for approval by the General Meeting of Shareholders. The Plan was approved at the 60th Ordinary General Meeting of Shareholders held on June 24.