

FY03/08 Results and FY03/09 Forecasts

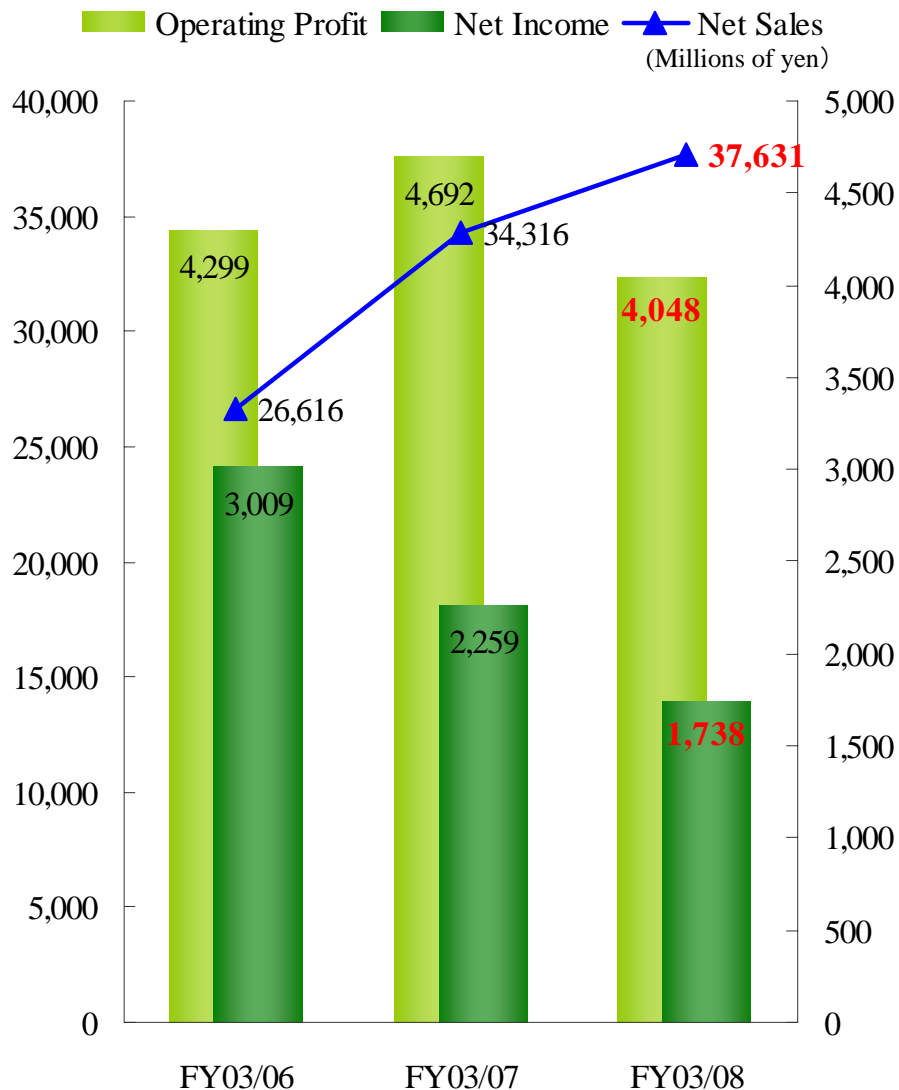
May 13, 2008

Sawai Pharmaceutical Co., Ltd.

First Section of the Tokyo Stock Exchange, TSE Code 4555

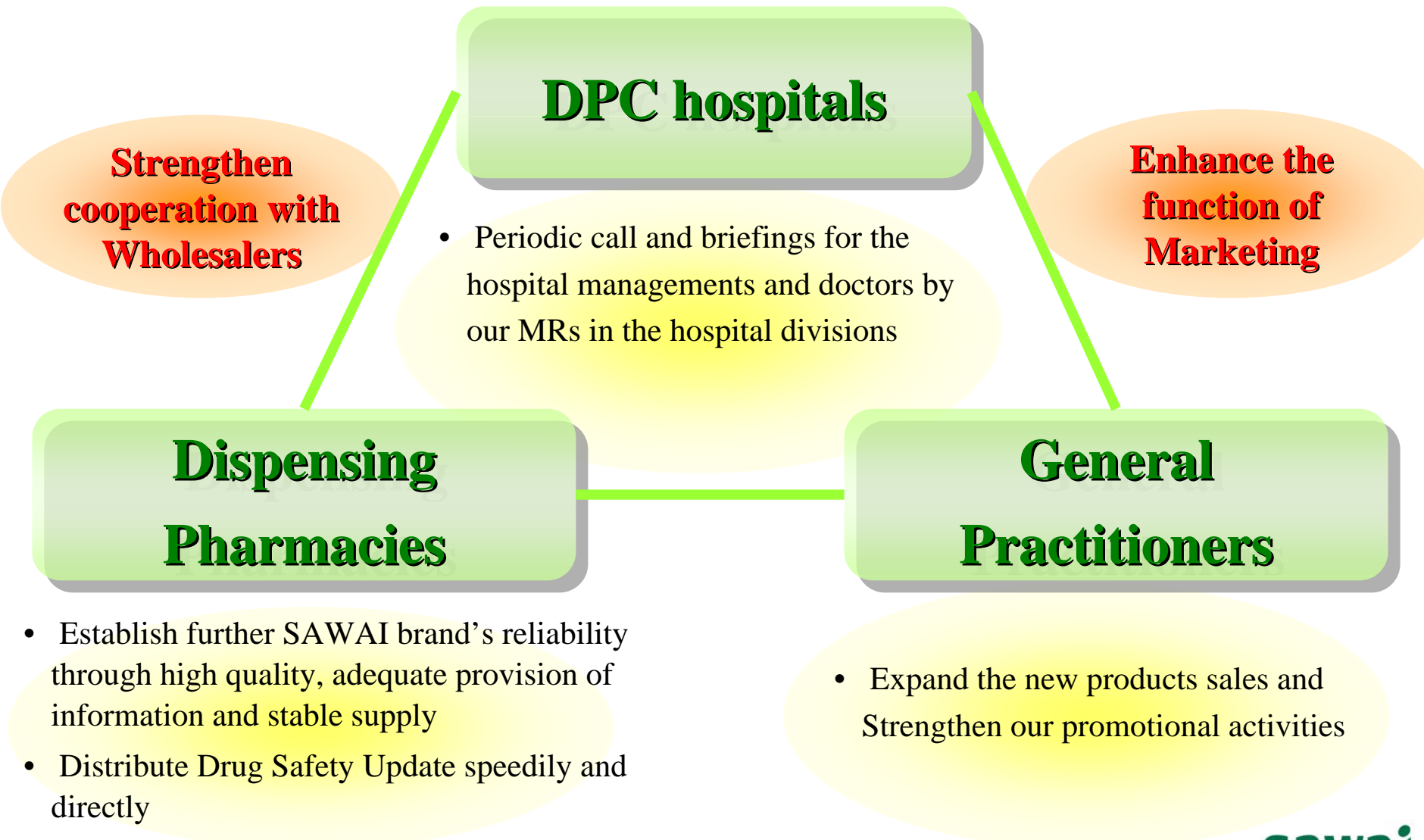
I . FY03/08 Earnings Results

1. FY03/08 Results (Consolidated)



	FY03/07		FY03/08		YOY Changes	
	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%
Net Sales	34,316	-	37,631	-	3,315	9.7
Cost of Sales	17,356	50.6	20,130	53.5	2,774	16.0
Gross Margin	16,960	49.4	17,501	46.5	541	3.2
SG&A Expenses	12,267	35.7	13,452	35.7	1,185	9.7
Operating Profit	4,692	13.7	4,048	10.8	△ 644	△ 13.7
Non-operating Income	69	0.2	98	0.3	29	
Non-operating Expenses	431	1.3	734	2.0	303	
Ordinary Profit	4,331	12.6	3,412	9.1	△ 919	△ 21.2
Extraordinary Income	194	0.6	0	0.0	△ 194	-
Extraordinary Loss	358	1.0	284	0.8	△ 74	-
Net Income	2,259	6.6	1,738	4.6	△ 521	△ 23.1

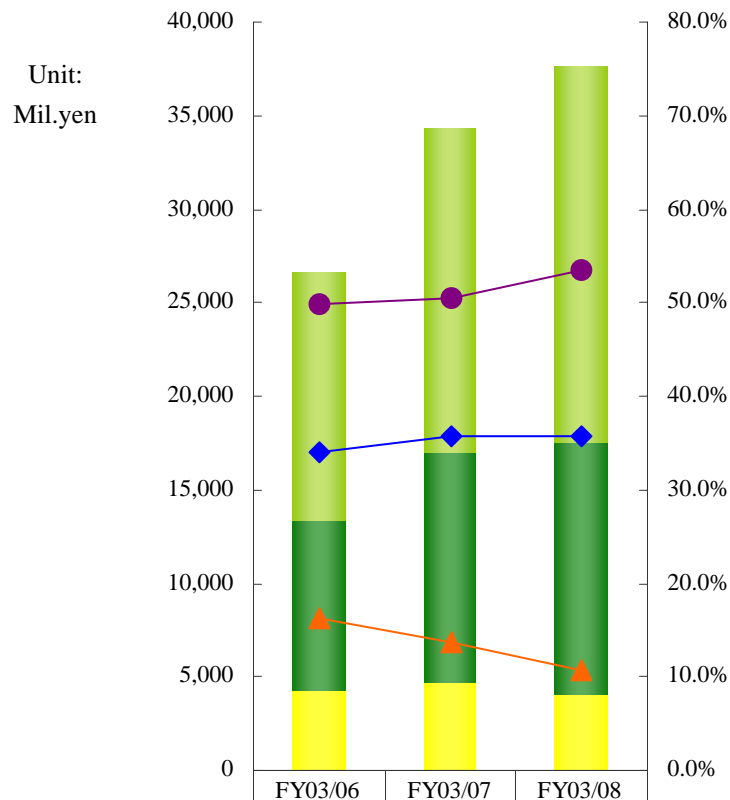
2. Business Strategies for the FY03/08



3. Sales per Medical Institution Types

Institution Type	Nationwide Total Number	FY03/06		FY03/07			FY03/08			YOY changes	
		Sales Share	Number of Customers	Sales Share	Number of Customers	Coverage rate	Sales Share	Number of Customers	Coverage rate	Growth Rate	Number of Customers
Hospitals	8,914	22.9%	5,670	21.2%	6,760	75.8%	20.6%	6,960	78.0%	7.6%	200
DPC Hospitals	360	2.3%	248	3.2%	304	84.4%	3.5%	309	85.8%	19.3%	5
Clinics	102,000	44.5%	28,100	37.9%	37,500	36.8%	35.6%	38,000	37.3%	3.7%	500
Dispensing Pharmacies	52,000	29.4%	31,000	37.8%	39,900	76.7%	40.4%	42,000	80.8%	17.7%	2,100
Others		3.2%		3.1%			3.3%			18.1%	
Total		100%	64,770	100%	84,160		100%	86,960		10.3%	2,800

4. FY03/08 Results Outline (Income and Loss)



■ Cost of Sales	13,265	17,356	20,130
■ SG&A	9,051	12,267	13,452
■ Operating Profit	4,299	4,692	4,048
● Cost of Sales Ratio	49.8%	50.6%	53.5%
◆ SG&A Ratio	34.0%	35.7%	35.7%
▲ Operating Margin	16.2%	13.7%	10.8%

Gross Profit

17,501 million yen
(Gross Margin: 46.5%, 2.9% less)

1st Half: Cost increased through adjustment of inventories
2nd Half: Cost ratio improved (-1.4%) by accelerated manufacturing for demand growth

Operating Profit

4,048 million yen
(644mil. yen less than FY03/07)

SG&A Expenses :13,453 mil. yen (+1,185 mil.yen)
Personnel Expenses: Increase of staffs (MRs, DI, QA dept. etc.)
R&D Expenses: Increase the number of Development products and rise cost of raw materials

Ordinary Profit

3,412 million yen
(920 mil. yen less than FY03/07)

Non-operating Expenses: 734mil. yen (+303 mil.yen)

Loss on disposal of inventories: 497 mil. yen
Mainly due to the regulatory change of product names for the purpose of preventing medical mistakes

Net Income

1,738 million yen
(521 mil. yen less than FY03/07)

Extraordinary Loss: 284 mil. yen

The provision for sales rebate for the previous years: 206 mil. yen
The change of the accounting policy concerning sales rebates

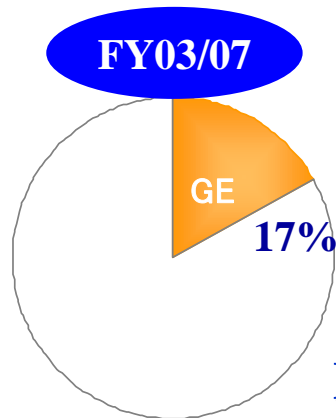
5. FY03/08 Results Outline (Balance Sheet)

Year ended March 31, 2007 and 2008	FY03/07 (A)	FY03/08 (B)	Differences (B)-(A)	Main Reason for the Differences
Assets	67,827	66,295	-1,532	
Current Assets	38,744	35,341	-3,403	<ul style="list-style-type: none"> ▪ Decrease cash and cash equivalents (-1,971 mil.yen) ▪ Decrease notes and accounts receivables: Practiced liquidation of accounts receivables (-1,141mil.yen)
Fixed Assets	29,083	30,954	1,871	<ul style="list-style-type: none"> ▪ Rise in property, plant and equipment (+1,993 mil. yen): Kyushu Factory of Medisa Shinyaku and Sanda Factory expanded
(Millions of yen)	FY03/07	FY03/08	Differences	Main Reason for the Differences
Liabilities	28,506	26,090	-2,416	
Current Liabilities	18,525	17,151	-1,374	<ul style="list-style-type: none"> ▪ Decrease short-term borrowings (-2,973 mil.yen) ▪ Increase trade notes and accounts payables (+2,444 mil.yen) ▪ Decrease other accounts payables (-1,135 mil.yen)
Long-Term Liabilities	9,981	8,939	-1,042	<ul style="list-style-type: none"> ▪ Decrease long-term debt (-1,044 mil.yen)
Net Assets	39,321	40,205	884	

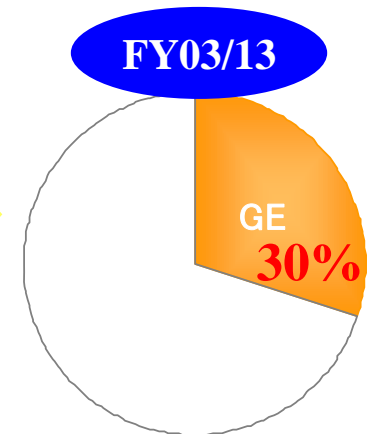
II . Medical System Reforms since April 2008 “Dawn of GE in Japan”

Dramatic Changes of the GE industry

Medical Fee System Reform (1) Promoting GE Usage



**Target of GE share:
more than 30% by 2012 (From 17% now)**



Main Measures of Promoting GE drug usage (April, 2008)

New “Prescription Form”

処方せん (この処方せんは、その記載箇条で有効です。)

後発医薬品（ジェネリック医薬品）への変更が
受て可能な場合、以下に書き記した旨を、医師
に指示する。

後発医薬品名

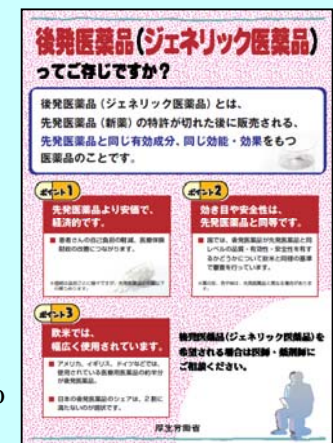
Revision of the medical care regulations

- ✓ NHI physicians: Make effort to consider the use of GE
- ✓ NHI pharmacies: Make effort to stock GE, etc.
- ✓ NHI pharmacists: Explain on GE to the patients appropriately when GE substitution is permitted by doctors and make effort to dispense GE

Strengthen incentives for GE dispensary

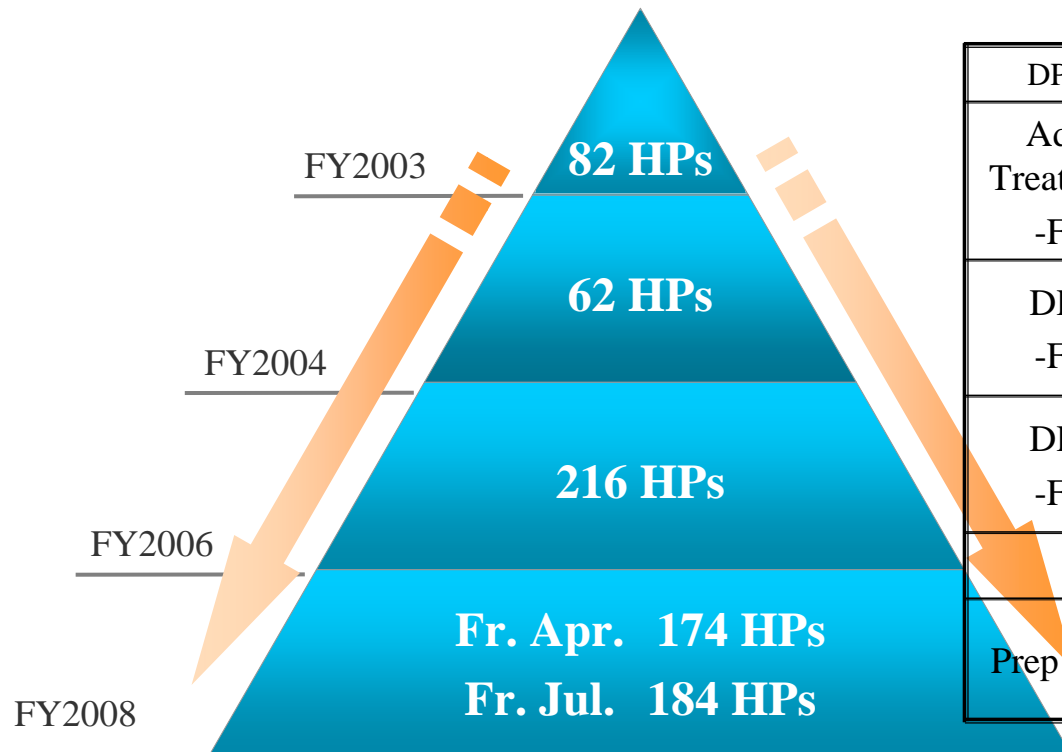
- ✓ Pharmacies which GE prescriptions share is more than 30% are awarded with an additional fee

GE promoting poster sponsored by MHLW



Medical Fee System Reform (2) Increase DPC

Increase the number of DPC hospitals



Generic Drugs Usage of DPC Hospitals

GE usage rate by value

DPC Types	HPs	FY2004	FY2005	FY2006
Advanced Treatment HPs -FY2003	82	2.6%	3.4%	4.1%
DPC HPs -FY2004	62	5.1%	7.4%	8.8%
DPC HPs -FY2006	216	-	4.1%	7.1%
Prep DPC HPs	371	-	-	4.7%

Source: MHLW 2007.6.22

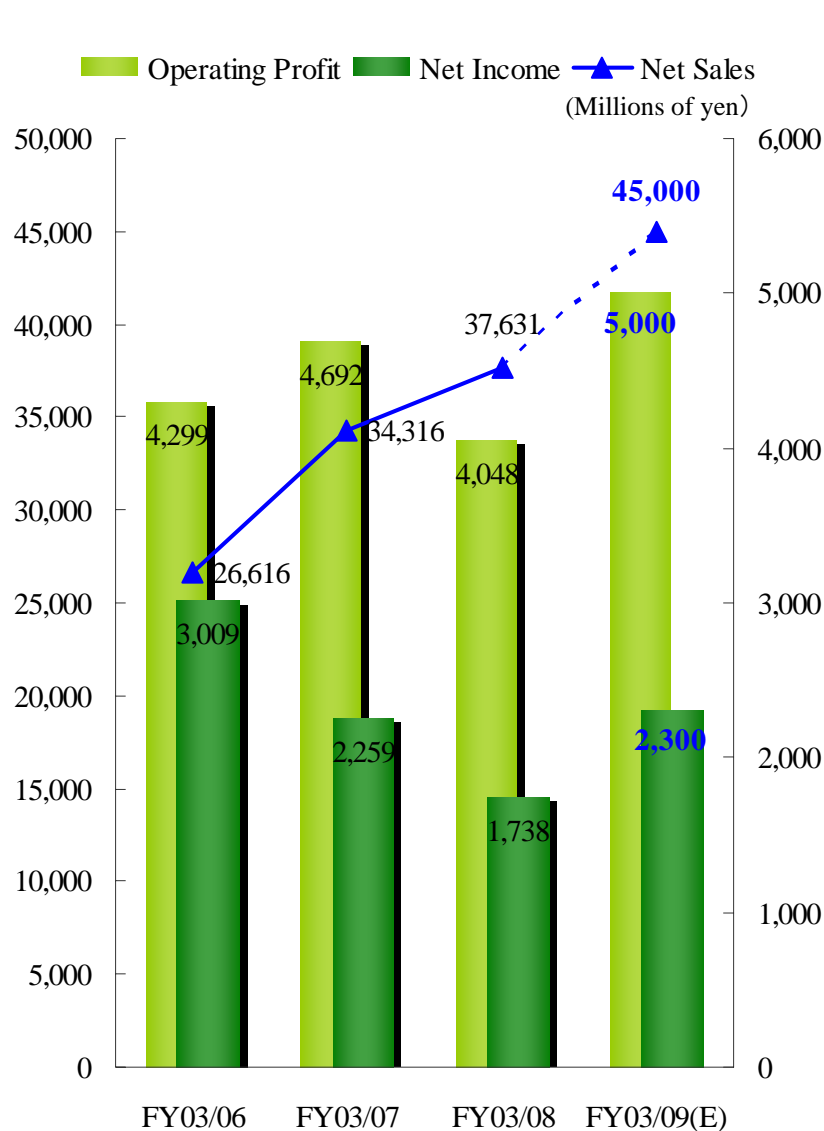
**DPC Adjustment factor will be eliminated by 2010.
Then, GE usage is going to get into stride**

Action Program for Promoting Comfort Use of Generic Drugs

	Government	GE manufacturers
a. Stable supply	<ul style="list-style-type: none"> ▪ Thorough guidance to manufacturers 	<ul style="list-style-type: none"> ▪ Quick delivery system ▪ Sufficient inventory
b. Quality assurance	<ul style="list-style-type: none"> ▪ Quality test, extensive inspection and announcement of its results 	<ul style="list-style-type: none"> ▪ Enforce quality examination and announce its results
c. Information provision	<ul style="list-style-type: none"> ▪ Thorough guidance to manufacturers 	<ul style="list-style-type: none"> ▪ Enhance information provision through solid documents and MR activities
d. Environmental improvements for promoting GE usage	<ul style="list-style-type: none"> ▪ Local GE conferences of prefectural basis ▪ Publicities through posters and brochures 	<ul style="list-style-type: none"> ▪ "Generic Q&A" pamphlets ▪ Newspaper PR
e. Revision of medical insurance system	<ul style="list-style-type: none"> ▪ Discussed and decided by CSIMC* 	-

III. FY03/09 Earnings Forecasts and Outlook

1. FY03/09 Earnings Forecasts (Consolidated)



(Unit: Millions of yen, %)

	FY03/08		FY03/09		YOY Changes	
	Results		Forecasts		Mil.yen	%
Net Sales	37,631	—	45,000	—	7,369	19.6
Cost of Sales	20,130	53.5	23,500	52.2	3,370	16.7
Gross Profit	17,501	46.5	21,500	47.8	3,999	22.8
SG&A Expenses	13,452	35.7	16,500	36.7	3,048	22.7
Operating Profit	4,048	10.8	5,000	11.1	952	23.5
Ordinary Profit	3,412	9.1	4,200	9.3	788	23.1
Net Income	1,738	4.6	2,300	5.1	562	32.3

2. Business Strategy (1) Sales and Promotion

Dispensing Pharmacies

DPC hospitals

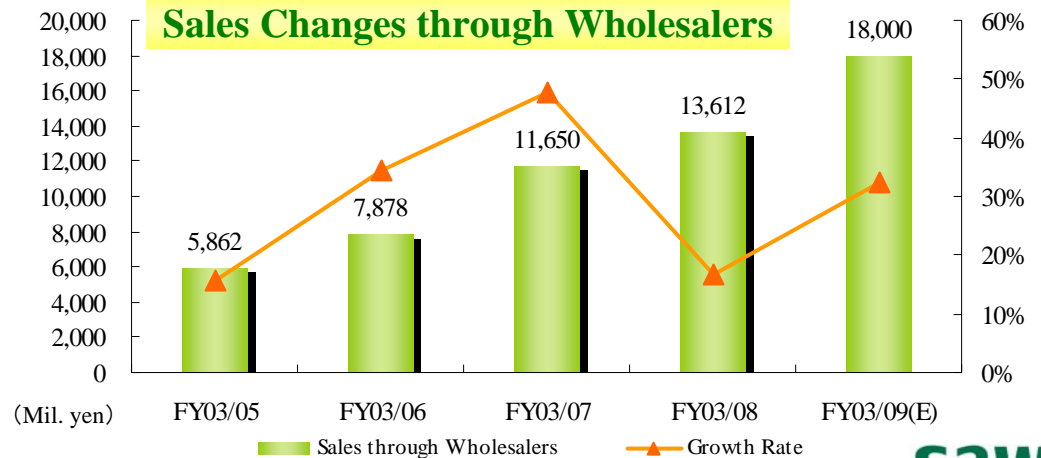
FY03/09 Plan

2,200 pharmacies	New Customers	120 hospitals
40% increase	Transaction Amount	60% increase

Strengthen cooperation with Wholesalers

Endorsed SAWAI products

Wholesaler T	400 products
Wholesaler M	260 products
Wholesaler S	170 products
Wholesaler A	95 products

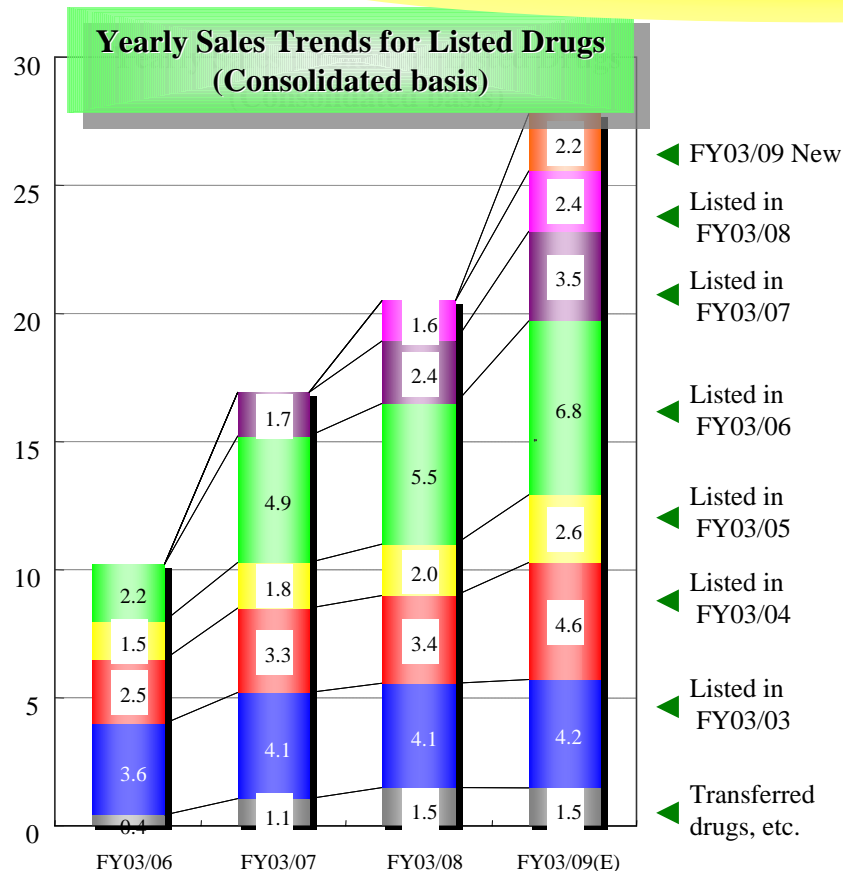


2. Business Strategy (2) New Products

Total Amount of Patent Expiring Drugs' Sales: over 400billion (Record high)

The number of newly listed GE products is the greatest ever ⇒ Market is more competitive

Enhance the function of Marketing



Listed FY	FY03/06	FY03/07	FY03/08	FY03/09(E)
FY03/09	—	—	—	2.2
FY03/08	—	—	1.6	2.4
FY03/07	—	1.7	2.4	3.5
FY03/06	2.2	4.9	5.5	6.8
FY03/05	1.5	1.8	2.0	2.6
FY03/04	2.5	3.3	3.4	4.6
FY03/03	3.6	4.1	4.1	4.2
Transferred drugs, etc.	0.4	1.1	1.5	1.5
Existing drugs	16.4	17.4	17.1	17.2
Total	26.6	34.3	37.6	45.0

3. Enhance the production capacity

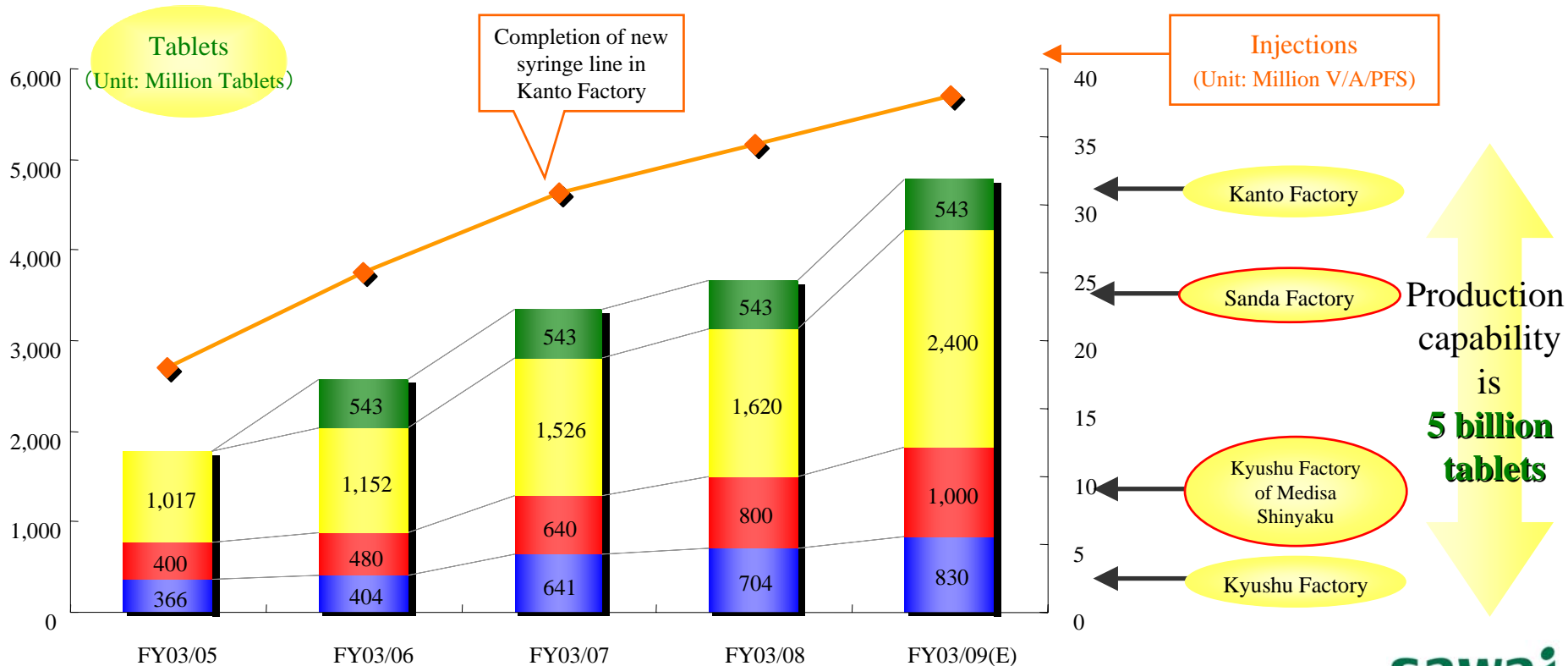
Establishment of the stable supply corresponding to demand increase

Investment in advance focusing on future market expansion

New line completion: Kyushu factory of Medisa Shinyaku (May, 08), Sanda factory (spring of 09)

Capability: 2.5 times

from **1.8 billion tablets** in **FY03/05** to **4.8 billion tablets** in **FY03/09**



4. Focus on Main Management Issues

**Mid-term
Business Plan for
FY03/07-FY03/09**

“Patients First”

- Reinforce “Top Brand” in GE Market
- Target DPC hospitals
- Strengthen manufacturing system
- Beef up R&D to develop high-quality GE drugs

**Management
Issues**

- 1. Improved Reliability**
 - Response to “Action Program for Promoting Comfort Use of Generic Drugs”
 - Compliance with Higher level of quality by our own standards
- 2. Enhance Cost Competitiveness**
 - “Selection & Focusing”, in R&D
 - Streamlining of manufacturing costs
 - Cost reduction by rationalization measures enforcement
- 3. Enhance the Function of Marketing**
- 4. Strengthening MIS (Management Information System)**
- 5. Speed in Decision Makings and Actions**