

Medium-term Business Plan 09 - 11
(FY3/2010 - FY3/2012)

M1 TRUST

May 12, 2009

Mitsuo Sawai, President

Sawai Pharmaceutical Co., Ltd.

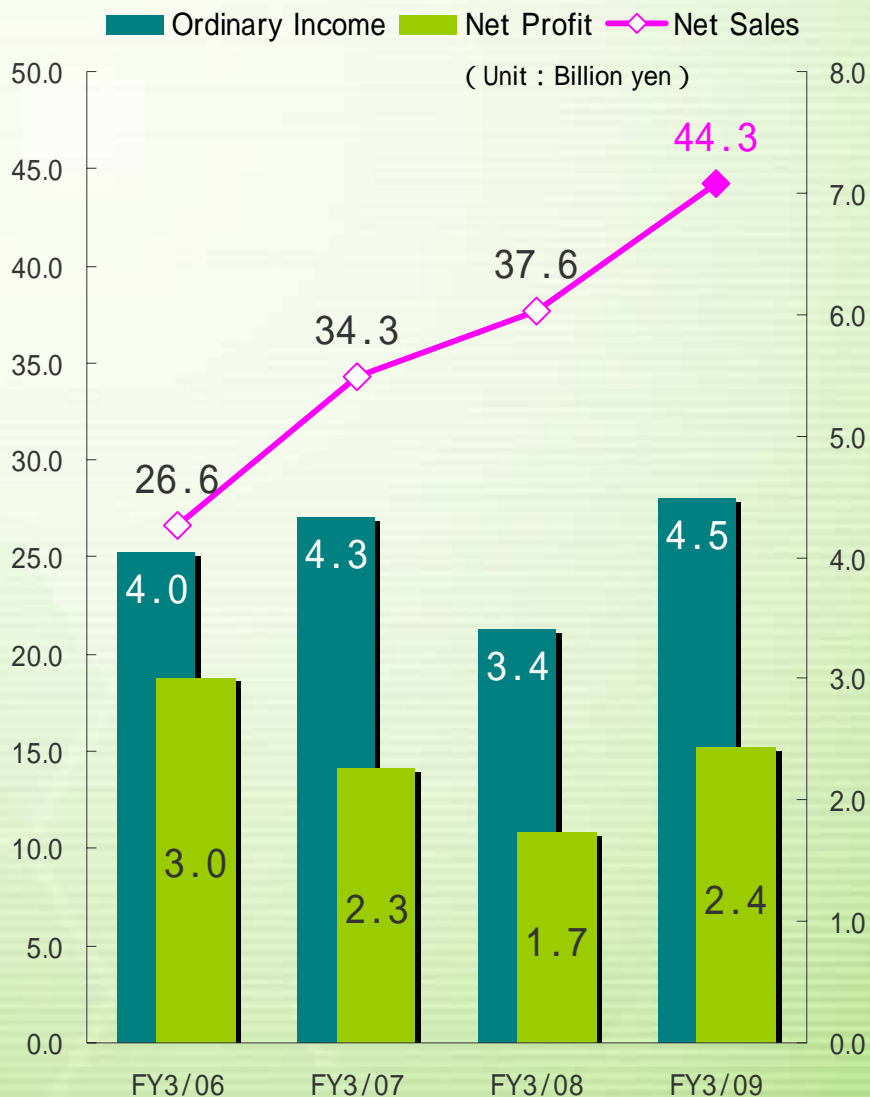
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. Review of the Previous Medium - term Business Plan

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- 1. Financial Results of FY3 / 2009



	FY3/2008		FY3/2009		Year on Year	
	Mil. yen	/Sales	Mil. yen	/Sales	Mil. yen	RC
Net Sales	37,631	-	44,284	-	6,653	17.7%
Cost of Sales	20,130	53.5%	25,156	56.8%	5,026	25.0%
Gross Profit	17,501	46.5%	19,128	43.2%	1,627	9.3%
SG&A Expenses	13,452	35.7%	14,460	32.7%	1,008	7.5%
Operating Profit	4,048	10.8%	4,667	10.5%	619	15.3%
Non - Operating Income / Expenses	635	-	188	-	447	-
Ordinary Income	3,412	9.1%	4,479	10.1%	1,067	31.2%
Extra Ordinary Income / Expenses	284	-	158	-	126	-
Net Profit	1,738	4.6%	2,438	5.5%	700	40.3%

- 2. Review of the Previous Medium - term Business Plan (Qualitative)

Basic Policy

- 1 . Reinforce 'Top brand GE^{*1} manufacturer' to realize "Patients First"
- 2 . Target DPC^{*2} hospitals
- 3 . Enhancement of manufacturing capacity
- 4 . Strengthening R&D to develop high - quality GE drugs

Results

- 1) Sales increase in DPC Hospitals
 - Increase in share of DPC hospitals by the strengthening MRs^{*3} in hospital teams
 - No.1 information provision (high quality, quantity and speed)
 - 2) No.1 new products release in GE
 - The largest number of new products
 - Shortened development lead time through the integration of R&D functions and subsequent increased efficiency
 - 3) Stable supply
 - Establishing production capacity: 4.8 billion tablet
 - Strengthening cooperation with big wholesalers
- Activities of MRs
- Construction of confidential relationships through constant visits of MRs to medical institutions

* 1: GE: Generic (drugs), * 2: DPC: Fixed payment system for inpatient, * 3: MRs: Medical Representatives

- 3. Review of the Previous Medium - term Business Plan (Quantitative)

Changes in Preconditions

- ↑ Governmental measures for GE drug usage improved
- ↓ GE market growth rate paced down
- ↓ Regulations and action programs turned out more strict
(Strengthen the Reliability Assurance Division, etc.)
- ↓ Accounting standards changed (inventory evaluation)

	FY3 / 2009					
	BP 07 - 09 Targets		Results		Differences	
	Mil. yen	/ Sales	Mil. yen	/ Sales	Mil. yen	BP vs. Results
Net Sales	45,000	-	44,284	-	716	-
Cost of Sales	22,600	50.2%	25,156	56.8%	2,556	6.6%
Gross Profit	22,400	49.8%	19,128	43.2%	3,272	-6.6%
SG&A Expenses	15,200	33.8%	14,460	32.7%	740	-1.1%
Operating Profit	7,200	16.0%	4,667	10.5%	2,533	-5.5%
Ordinary Income	7,020	15.6%	4,479	10.1%	2,541	-5.5%

- 4. Remaining Tasks

‘SAWAI’ brand was established together with raised public recognition / reliability due to aggressive investment



Establish Brand to be chosen

Continuous Sales Growth

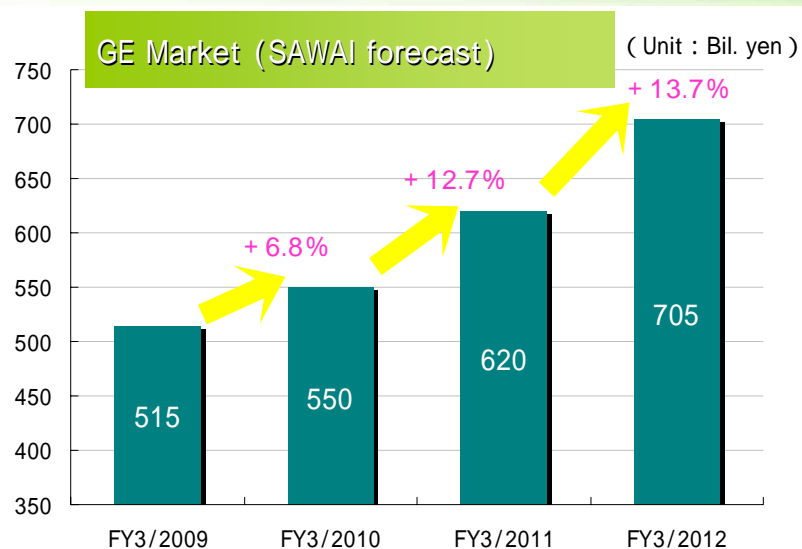
Improvement in Profitability

. Business Environment towards 2012

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- 1. Forecast of GE Market

GE market grows by 36.9% (190 Bil.yen) in the next 3 years, reaching 30% share (volume basis) by March, 2013



Background of GE Market Growth

1. Introduction of more promotional measures by the government to encourage GE usage
2. Raised awareness and reliability of GE
3. Increased intensions of patients / insurers to save on costs

(Unit: Billion yen, %)

[NHI price basis estimate]	FY3/2009	FY3/2010	FY3/2011	FY3/2012	Increase in 3 years
a) Prescription Drug's Market Size	7,700	8,100	8,300	8,600	+ 900
YOY Changes	-	5.2%	2.5%	3.6%	CAGR 3.8%
Compare to FY3/2009	-	5.2%	7.8%	11.7%	
b) Generic (GE) Drug's Market Size	515	550	620	705	+ 190
YOY Changes	-	6.8%	12.7%	13.7%	CAGR 11.0%
Compare to FY3/2009	-	6.8%	20.4%	36.9%	
c) Market Share of GE (b ÷ a)	6.7%	6.8%	7.5%	8.2%	+ 1.5%

- 2. Medium to Long - term Forecast of the GE Industry Environment

Competition will intensify further

Market Condition	Pharmacy market grows	DPC market grows
	NHI price cut	API price rises
Competitive Condition	Defense of originator strengthens	Brand / Foreign GE manufacturers enter intensely
	Advanced defense of GE formulation patent	Accelerated industry reorganization and M&A

More disparities among GE manufacturers

Stronger management make - up is required, in order to be winner

. Medium to Long-term Vision

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. SAWAI's Medium to Long-term Vision

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Reach Net Sales of 100 billion yen in 5 years

To become the most trusted GE company with a strong presence throughout pharmaceutical business and through internal branding (M1) activities

SAWAI's Philosophy "Patients First"

- 1 . It is **sawai**'s mission to enable people to live healthy lives through pharmaceutical products imbued with our whole heart.
- 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.

IV. Overview of the New Medium - term Business Plan: “M1 TRUST”

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- 1. Concept of New Medium - term BP sawai



(Note; Be No.1 GE all together)

Top Brand	Robust SAWAI brand
Reliability	Improved reliability
Unity	United power together with our counterparties
Stable Supply	Stable supply
Top Share	Overwhelming share

- 2. Basic Policy of 'M1 TRUST'

M1 TRUST

Minna de 1ban Building 'TRUST'

FY3/2012 Financial Targets

■ Net Sales	:	74.0 Bil.yen
■ Operating Profit	:	11.5 Bil.yen
■ Net Profit	:	6.0 Bil.yen

Basic Policy

- I. Sales growth far exceeding market growth rate
- II. Strengthen management make-up
- III. Establish robust SAWAI brand

FY3/2009 Financial Results

■ Net Sales	:	44.3 Bil.yen
■ Operating Profit	:	4.7 Bil.yen
■ Net Profit	:	2.4 Bil.yen

- 3. Basic Policy :

Sales Growth Far Exceeding Market Growth Rate



Target : Net Sales 74 Bil.yen in FY3/2012

[CAGR] SAWAI: 18.7% > GE industry: 11.0%

Potential target of GE

Current sales of
long-listed drugs
(As of Mar. 2009)

24.0 Bil.tablet

Anticipated patent
expiring drugs
(FY3/10 - FY3/12)

10.0 Bil.tablet

Key Strategies

- 1) Abundant lineup of new products
- 2) Increasing business with DPC hospitals
- 3) Focus on sales of profitable and growing products

- 4. Basic Policy : Sales Growth

1) Abundant Lineup of New Products



Anticipated number of new products in 3 years :
53 ingredients / 101 dosage forms

	FY3/2010	FY3/2011	FY3/2012
Patent or other condition expiring for major brand products	Mucosta Casodex Flomox Cravit Anplag etc.	Luvox (Depromel) Amaryl etc.	Actos Benet Claritin etc.
Total market size [estimated] (Unit: Billion yen)	490	209	405
	Total in 3 years : 1,104		

Planned for SAWAI new products release	Number of ingredients	26	11	16
	Number of dosage forms	48	17	36

Low - cost management

Thorough cost control
Effective strategic investment

Key Strategies

- 1) Improvement of productivity
 - Establish production capacity of 6.0 bil. tablet
- 2) Collaboration of manufacture with distribution
 - Appropriate inventory control and decrease of disposal loss
- 3) Selection and concentration of R&D themes
- 4) Sweeping cost cut

- 6. Basic Policy : Establish Robust SAWAI Brand

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Make a giant leap from high awareness to 'chosen' brand

Key Strategies

- 1) Evolution to 'chosen' brand
 - Develop value-added products with high quality
 - Increase sales towards DPC hospitals
 - Reinforce tie-up with health insurance societies, etc.
- 2) Strengthen partnerships with wholesalers
 - High production capacity reassures stable supply
- 3) Continuance and development of Internal Branding (M1) activities
 - Improve corporate integrity and strengthen employees' concentration

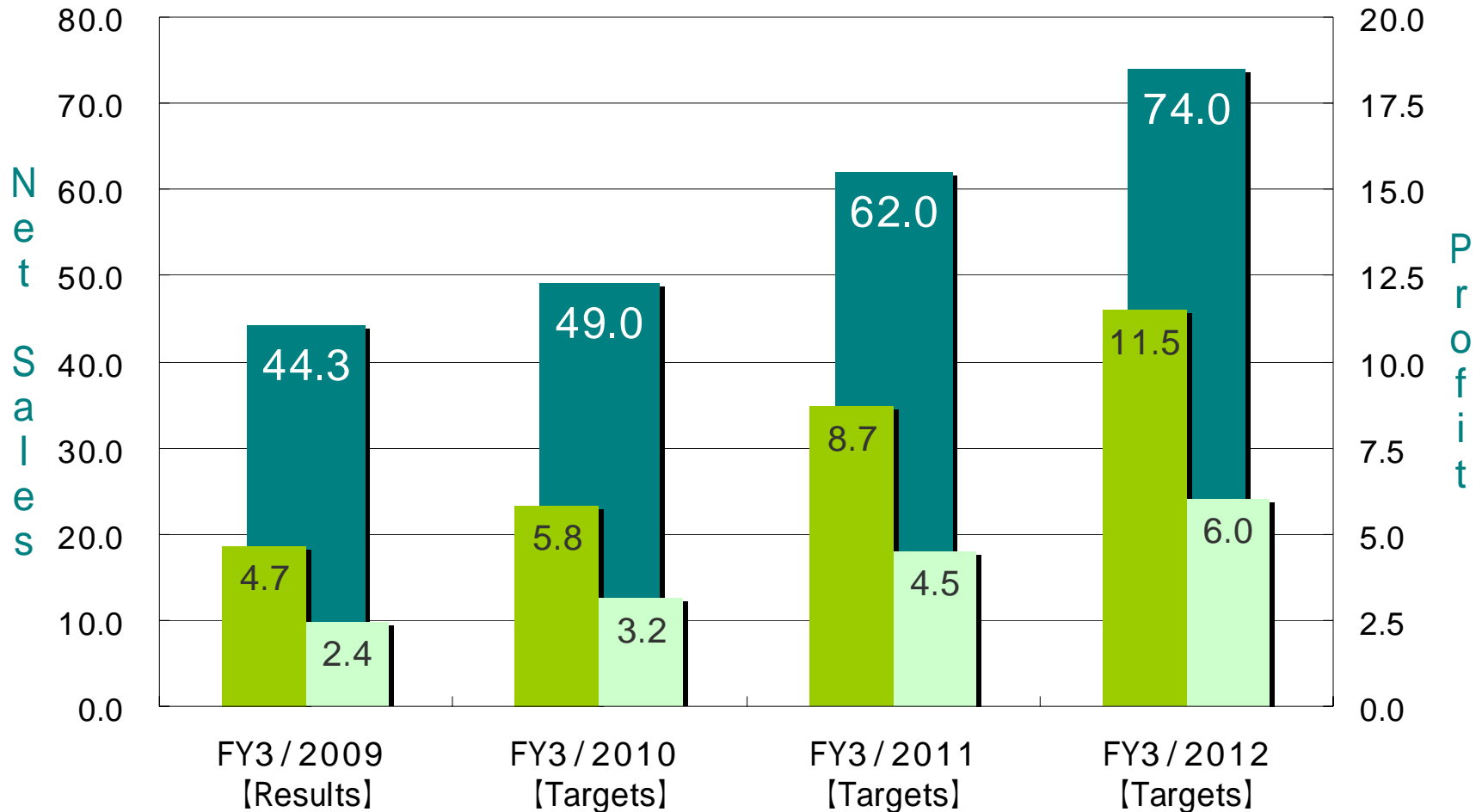
V. Financial Target of “M1 TRUST”

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- 1. Sales and Profit Target (Consolidated)

■ Net Sales ■ Operating Profit ■ Net Profit

(Unit : Bil.yen)



- 2. Investment Plan (Consolidated)

Improve investment efficiency through
sophisticated control of Business & Investment

R&D Cost

1 2.4 Bil.yen
in total of 3 years

CAPEX

1 0.9 Bil.yen
in total of 3 years

Conclusion

M1 TRUST

Minna de 1ban Building 'TRUST'

Reach Net Sales of 100 Bil.yen
(in 5 years)

FY3/2009 Financial Results

- Net Sales : 44.3 Bil.yen
- Operating Profit : 4.7 Bil.yen
- Net Profit : 2.4 Bil.yen

FY3/2012 Financial Targets

- Net Sales : 74.0 Bil.yen
- Operating Profit : 11.5 Bil.yen
- Net Profit : 6.0 Bil.yen

VI. Supplementary Information

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- 1. M 1 T R U S T : Consolidated Income Statement

	FY3/2009 【Results】		FY3/2010 【Targets】			FY3/2011 【Targets】			FY3/2012 【Targets】		
	Mil. yen	/Sales	Mil. yen	/Sales	YOY	Mil. yen	/Sales	YOY	Mil. yen	/Sales	YOY
Net Sales	44,284	-	49,000	-	10.6%	62,000	-	26.5%	74,000	-	19.4%
Cost of Sales	25,156	56.8%	26,800	54.7%	6.5%	34,500	55.6%	28.7%	40,700	55.0%	18.0%
Gross Profit	19,128	43.2%	22,200	45.3%	16.1%	27,500	44.4%	23.9%	33,300	45.0%	21.1%
SG&A Expenses	14,460	32.7%	16,400	33.5%	13.4%	18,800	30.3%	14.6%	21,800	29.5%	16.0%
Operating Profit	4,667	10.5%	5,800	11.8%	24.3%	8,700	14.0%	50.0%	11,500	15.5%	32.2%
Ordinary Income	4,479	10.1%	5,600	11.4%	25.0%	8,300	13.4%	48.2%	11,100	15.0%	33.7%
Net Profit	2,438	5.5%	3,150	6.4%	29.2%	4,500	7.3%	42.9%	6,000	8.1%	33.3%

- 2. M 1 TRUST : SG&A, HR and Investment Plan

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(Unit : Million yen)

SG&A Expenses	FY3/09 [Results]	FY3/10 [Targets]	FY3/11 [Targets]	FY3/12 [Targets]
Personnel Cost	4,873	5,550	6,000	6,300
R&D Expenses	3,408	4,100	4,100	4,200
Advertising Cost	857	950	1,000	1,100

Human Resources	FY3/09 [Results]	FY3/10 [Targets]	FY3/11 [Targets]	FY3/12 [Targets]
Total Number of Employees	834	950	1,010	1,120
(Number of MRs)	341	375	405	425

(Unit : Million yen)

Investment Plan	FY3/09 [Results]	FY3/10 [Targets]	FY3/11 [Targets]	FY3/12 [Targets]
Capital Expenditure	5,468	4,900	3,000	3,000
Depreciation and Amortization	2,708	3,200	3,400	3,500

- 3. FY3 / 09 Results: Analysis of Income Statements **sawai**

	FY3/2008 [Results]		FY3/2009 [Results]		Year on Year	
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Major reasons of YOY changes (Unit: Billion yen)

Sales increase : + 3.1
Loss on disposal and reevaluation of inventories : - 1.5

Personnel cost : + 0.4
Advertising cost : + 0.2
Business consignment expenses : + 0.2

(FY3/08)
Loss on disposal of inventories : + 0.5

- 4. FY3 / 2009 Results: Analysis of Cash Flows

(Unit: Million yen)	FY3 / 2008	FY3 / 2009
Income before Income Taxes and Minority Interests	3,128	4,320
Depreciation and Amortization	2,575	2,708
Working Capitals	3,958	2,514
Other, net	112	1,346
Cash Flows from Operating Activities	9,549	3,168
Capital Expenditure	6,286	2,721
Other, net	276	315
Cash Flows from Investing Activities	6,562	3,036
Net Increase / Decrease of Short - and Long - term Bank Loans	4,017	1,917
Dividends, etc.	940	890
Cash Flows from Financing Activities	4,957	1,027
Net Increase in Cash and Cash Equivalents	1,971	1,159

Major reasons (Unit: Billion yen)

Increase in notes and accounts receivables: -2.0
 Increase in accounts payable: -0.5

Income taxes paid: -1.5

Payment for expansion project of Sanda Factory: -0.9

Payments for Dividends: -0.9

- 5. FY3 / 2009 Results: Sales per Medical Institution Types



The track record of SAWAI's products delivered to medical institutions by distribution companies (non-consolidated)

Institution Type	Nationwide Total Number	FY3 / 2007		FY3 / 2008		FY3 / 2009			Year on Year
		Sales share	Number of customers	Sales share	Number of customers	Sales share	Number of customers	Coverage Rate	Growth Rate
Hospital	8,898	21.2%	6,760	21.2%	6,960	18.4%	7,100	79.8%	7.1%
DPC hospital	*1 360	3.2%	304	3.6%	309	3.1%	340	94.4%	5.4%
	*2 358	-	-	1.6%	297	2.1%	321	89.7%	60.7%
Clinic	104,500	37.9%	30,400	36.6%	31,200	31.4%	33,400	32.0%	5.6%
Dispensing Pharmacy	61,700	37.8%	39,000	41.4%	42,000	49.4%	45,200	73.3%	47.0%
Others	-	3.1%	-	0.8%	-	0.8%	-	-	21.1%
Total		100%	76,160	100%	80,160	100%	85,700		23.2%

DPC, Diagnosis Procedure Combination, means fixed payment system for inpatient.

* 1 : These hospitals introduced DPC before FY3 / 2008 * 2 : These hospitals introduced DPC in FY3 / 2009

Contact Information

Finance & IR Group

mail to: **ir@sawai.co.jp**

Phone: +81-6-6105-5823

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