



# Meeting Society's Needs Ahead of Plan

Mitsuo Sawai, President

Hiroyuki Sawai, Chairman

## TO OUR SHAREHOLDERS

Economic conditions in Japan remained adverse in fiscal 2010, the year ended March 31, 2011. Although there were signs of an upturn in business conditions due to favorable economic conditions in Asia and the impact of the government's economic stimulus measures, negative factors included further yen appreciation and rising crude oil prices. Furthermore, the Great East Japan Earthquake of March 11, 2011 had a tremendous impact on Japan's economy, especially the manufacturing industry.

In the ethical drugs industry, the government implemented measures to promote the use of generic drugs, including a review of additional medical service fees for the dispensing of generic drugs in April 2010, and the generic drug market continued to expand. However, the increase in the generic drug prescription rate is leveling off. In addition, competition in the generics market continues to intensify. For instance, 28 companies, including Sawai, have entered the market for Glimepiride tablets, an oral blood-glucose-lowering drug, since the patent expired in November 2010.

Under these circumstances, the Sawai Group implemented key policies set forth in the M1 TRUST medium-term business plan: 1) Improve "Quality of sales promotion" by strengthening the marketing function, 2) Build up Sawai's "Trust of its stable supply" and reduce costs of production, 3) Enhance development of value-added generic drugs meeting market needs and 4) Establish infrastructure to enable net sales of ¥100 billion. As a result of these efforts, we achieved record high consolidated net sales and profits in the year under review and were able to achieve the profit target in the M1 TRUST medium-term business plan a year ahead of schedule.

Although there will be no new revisions to the medical system in fiscal 2011, ongoing revisions will continue with revision of medical care compensation in 2012 and reform of the medical care system for the elderly in 2013, and the government is likely to promote further use of generics in preparation to achieve its target of a 30% volume share for generic drugs. In response to this situation, we consider it our mission to put in place a stable, reliable supply system and promote the dissemination of inexpensive, high-quality generic drugs in Japan.

Finally, I would like to express my heartfelt sympathies to those affected by the Great East Japan Earthquake. Sawai is committed to supporting the disaster recovery effort by continuing the monetary donations and provision of drugs that we began immediately after the disaster.

I ask the continued support of our shareholders in the years to come as we continue our pursuit of dramatic business growth and contributions to society in keeping with our corporate philosophy, "Patients first."



Hiroyuki Sawai, Chairman



Mitsuo Sawai, President