



Supporting Japan's Healthcare System: —Aiming to Be a Company where All Management and Employees Share a Sense of Pride and Responsibility for Contributions—

External Director
Hidefumi Sugao

* Corporate Governance Code

On June 24, 2014, Japan's Cabinet Office finalized its "Basic Policy for Economic and Fiscal Management and Reform 2014," with the purpose of increasing the capabilities of Japanese corporations to generate earnings by reforming the mind-sets of management and giving support to frameworks for management decision making that will enable companies to win in global competition. Along with this, Japan's Financial Services Agency, on March 5, 2015, released its Corporate Governance Code (draft), which contains guidelines for the corporate governance of listed corporations, and it became effective on June 1, 2015 by the Tokyo Stock Exchange. The principal goal of this code is to achieve sustainable corporate growth and increase corporate value in the medium-to-long term.

Japan's Corporate Governance Code* contains the principles to be followed for transparent, fair, timely, and decisive decision making with a view to Company stakeholders, including shareholders, customers, employees, and the community. For the management team to follow these principles and conduct constructive dialogue with shareholders and a diverse range of other stakeholders, it will be necessary to formulate a management strategy that will result in sustainable growth and increase corporate value in the medium-to-long term. As an external director, from my completely objective perspective, I am working to draw on my specialized legal knowledge to confirm that management strategy follows corporate governance guidelines and is consistent and to provide an oversight and advisory function for management.

Sawai Pharmaceutical is a leading company in the generic drug industry and is managing its business activities responsibly with this awareness in mind. Sawai's net sales have grown at double-digit rates in recent years, and we are expecting further leaps forward in the coming years.

Government officials have proposed a new goal of raising the percentage of generic drugs to more than 80% (volume basis) in the near

future with the aim of reducing medical costs. The expanding percentage of generics will give our growth greater impetus, but it will be indispensable for us to respond to this burgeoning demand through planned increases in production capacity and the recruitment of human resources. As the leader in the generics field, Sawai has a responsibility to society to promote broader usage and provide stable supplies of generics.

In addition, beginning in fiscal 2015, Sawai has adopted a policy of stepping up its CSR activities from the previous level, and active discussions have taken place in Board meetings on this issue. We are establishing communication channels and collaborative relationships between directors and employees, and, in response to the requests of society, I am sure that we can realize effective corporate governance.

Looking ahead, based on our Corporate Philosophy of "Patients First," as an external director, I want to focus on having all members of management and employees to share in the task of supporting Japan's healthcare system with confidence and responsibility as we enter the era of a super-aging society. I believe that it will be precisely this awareness and behavior that will respond to the expectations of our stakeholders.