

Japan's Sawai Pharmaceutical to Acquire the Generics Business of U.S. Upsher-Smith Laboratories

Building a Global Trusted Generics Company

[April 20, 2017, Tokyo and Minnesota] Sawai Pharmaceutical Co. Ltd. ("Sawai"), a leading Japanese generic pharmaceuticals manufacturer, and Upsher-Smith Laboratories, Inc., ("Upsher-Smith"), an established generics manufacturer based in Minnesota, U.S., today announced the signing of an agreement for Sawai to acquire the generic pharmaceuticals business of Upsher-Smith, from its parent, ACOVA Inc., ("ACOVA").

Upsher-Smith is a privately-held U.S. pharmaceutical company, owned by the Evenstad family through their company, ACOVA. Mark Evenstad is the CEO of Upsher-Smith, and his father, Ken Evenstad is the Chairman. Upsher-Smith has a diversified product portfolio of over 30 pharmaceutical products, mainly oral solid preparations, and a strong pipeline of over 30 products.

Under the agreement signed today, Sawai will acquire all the equity interest in the generic pharmaceuticals business of Upsher-Smith from ACOVA, for consideration of \$1.05 billion. The transaction will be financed by bank loans and available cash. It is expected to close by the end of June 2017, subject to customary regulatory approvals. Rusty Field, the current President of Upsher-Smith, will continue leading the company. Following the closing, Upsher-Smith's non-generic pharmaceuticals businesses will remain with ACOVA.

The acquisition will mark a major expansion of Sawai's presence in the U.S. market. Moving forward, Sawai plans to build a US business that leverages its intellectual property and combines R&D capabilities with Upsher-Smith's manufacturing base, strong distribution network, established commercial relationships and highly respected brand. For Upsher-Smith, the acquisition brings access to Sawai's state-of-the art manufacturing technology and opportunities to bring its medicines to exciting new markets, like Japan.

Since its founding in 1919, Upsher-Smith has been committed to delivering high-value, high-quality pharmaceuticals that measurably improve individuals' lives. Upsher-Smith offers a broad array of generic and branded medications, and through its pharmacist heritage, has built excellent, long-standing relationships with pharmacies, wholesalers, retailers and healthcare organizations to distribute its products.

"Upsher-Smith has developed and delivered crucial therapies to patients, from infants to the elderly, with a broad array of on-market generic pharmaceuticals. We have also built a pipeline that will enable even more patients to get life-changing therapies over the next several years. After owning and operating Upsher-Smith for the past 47 years, my family and I made the decision to sell the largest part of our company, the generic pharmaceuticals business, to Sawai," said Mark Evenstad, CEO. "It was extremely important for us to find a buyer that shared Upsher-Smith's values, was completely committed to its long-term success and was looking for a strong and fully operational U.S. platform for growth. Sawai is a compelling strategic fit and we are delighted that the generics business is poised to benefit from the extensive resources and management focus that Sawai will bring."

With the aging Japanese population, and the increasing focus on bringing down the cost of medicines, in 2015 the Japanese government set a target of raising the share of generic prescriptions to 80% by fiscal 2020¹. In August 2016, Sawai announced in its Medium-term Business Plan, "M1 Trust 2018", focused on providing a stable supply of generics to meet this government goal and maintaining its undisputed number

¹ Japan's "Honebuto Policy 2015", confirmed by the Abe Cabinet in June 2015.

one position among manufacturers of generic medicines. As part of this medium-term business plan, Sawai spelled out its intent to target the U.S., the world's largest pharmaceutical market, for expansion.

"We are delighted to sign this agreement today with ACOVA to acquire Upsher-Smith, which is our first overseas investment. Upsher-Smith, like Sawai, has a long history as a private family-owned generic pharmaceuticals company that is also focused on patient needs, centered on our philosophy of "Patients First". We look forward to working closely with Rusty and the talented management team to forge a new global chapter in Upsher-Smith's future together. Most importantly, we are committed to the entire team at Upsher-Smith, and to expanding the opportunities for the U.S. workforce at Upsher-Smith," said Sawai President Mitsuo Sawai.

Rusty Field, President, Upsher-Smith added, "We all want to thank the Evenstad family for their excellent stewardship of the company. I speak for the entire management team when I share how excited we are to be entering a new phase of our growth as a global company. In the dialogue we have had with the Sawai management team over recent months, it is clear that our two companies are an excellent fit in terms of philosophy and vision, with an equal focus on the importance of quality. Together we look forward to achieving recognition as a global contributor to the growth of generics, with a firm grounding in 'Patients First'."

No changes to Upsher-Smith's operations are currently anticipated, and under the leadership of Rusty Field, the current management team will continue to lead Upsher-Smith from its current headquarters in Minneapolis.

There will be no effect from this transaction on Sawai's consolidated business forecast for the fiscal year ending March 31, 2017. Sawai will announce any impact on business results for the fiscal year ending March 31, 2018 when these details are confirmed.

Sawai's financial advisors are Torreya Partners LLC and SMBC Nikko Securities Inc., and legal counsel is Debevoise & Plimpton LLP. J.P. Morgan Securities LLC and BMO Capital Markets served as financial advisors to Upsher-Smith and Lindquist & Vennum LLP served as legal counsel to Upsher-Smith.

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About Sawai Pharmaceuticals Co., Ltd.

Sawai Pharmaceutical Co., Ltd. was founded in 1929 by Hanpei and Noyo Sawai as Sawai Pharmacy in Osaka, Japan. The pharmacy was rare in this era and contributed to the health of the local residents by selling drugs. After experiencing a shortage of medicines during the periods before, during and after the Second World War, in order to respond to social needs, Sawai Pharmaceutical Co., Ltd., began the mass manufacture of pharmaceuticals. In 1965, the company moved into the manufacture of ethical pharmaceuticals, and subsequently grew into a leading company in the generic pharmaceutical industry. Based on its corporate philosophy "It's always 'Patients First'", since 1997 Sawai has been working on improving the recognition of generic drugs through an aggressive marketing campaign.

Sawai focuses on the manufacturing and sales, export and import of generic pharmaceutical products. Sawai has a line-up of around 690 ethical pharmaceuticals, such as cardiovascular drugs, antihyperlipidemic agents, diabetes drugs, anticancer drugs, and OTC drugs. With factories throughout Japan, Sawai is the number one provider of generics to the Japanese market. It listed on the First Section of the Tokyo Stock Exchange in 2003 and trades under the 4555 code. For further information please visit: <http://www.sawai.co.jp/en/>

About Upsher-Smith

Upsher-Smith Laboratories, Inc., founded in 1919 by pharmacist, Frederick Alfred Upsher Smith, is a growing, fully integrated pharmaceutical company dedicated to its mission of delivering high-value, high-quality therapies and solutions which measurably improve individuals' lives. As a family-owned pharmaceutical company, Upsher-Smith is able to adapt and thrive in a dynamic healthcare environment. The pharmaceutical world is constantly evolving, and we are continually adapting to the ever-changing needs of patients, physicians, pharmacists, and healthcare organizations. Where there is a need, Upsher-Smith will work to deliver solutions that simplify access to treatment, deliver better health outcomes, and enhance life. For more information, please visit: www.upsher-smith.com.