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Whom It May Concern

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## **Formulation of the New Medium-Term Business Plan "HOPE 100: Stage 2"**

KYORIN Holdings, Inc. (Headquarters: Chiyoda-ku, Tokyo) has formulated a new four year medium-term business plan "HOPE 100: Stage2" (2016 to 2019) beginning in fiscal 2016.

### **I. Positioning of the Long-Term Vision "HOPE 100" and the New Medium-Term Business Plan "HOPE100: Stage 2"**

In an effort to realize its corporate philosophy, "to cherish life and benefit society by contributing to better health," the Kyorin Group formulated its long-term vision, "HOPE 100 (Aim for Health Of People and our Enterprises)" in 2010, looking forward to 2023, the 100<sup>th</sup> anniversary of KYORIN Pharmaceutical Co., Ltd., its core subsidiary. Dividing up the period until the final year into three stages (Stage 1: fiscal 2010 to fiscal 2015, Stage 2: fiscal 2016 to fiscal 2019, and Stage 3: fiscal 2020 to fiscal 2023), we aim to evolve into a healthy, continuously growing "corporation that supports healthy lifestyles", dispersing business risks and complexly combining the ethical pharmaceutical and healthcare businesses<sup>\*1</sup> from the perspective of enhancing corporate value in the medium to long-term.

In "Stage 1", under the statement of "business organization, the building of a system to promote each business, and the enhancement of the driving force of each business", we enhanced the development pipeline in the ethical pharmaceutical business, worked to maximize the spread of key products through the expansion of franchise customer (FC) strategies, and undertook the building and promotion of a new pharmaceutical business model (PC model: Pharma Complex Model) to complexly deploy ethical pharmaceuticals, achieving a degree of results. In the healthcare business<sup>\*1</sup>, we launched the environmental health business as a new business. In terms of our targets, although the consolidated sales were below the target, we achieved profits close to the target in terms of operating profits, achieving record performance for both.

This time, in order to further strengthen this foundation and achieve continuous growth, we have formulated "HOPE 100: Stage 2", our new medium-term business plan positioned as the second step in the achievement of our long-term vision. While cultivating the seeds that we have planted and that are budding, we intend to promptly identify future changes in the environment, changing mindsets, and reforming business activities.

### **II. Overview of the New Medium-Term Business Plan "HOPE 100: Stage 2" (Fiscal 2016 to Fiscal 2019)**

In recent years, the external environment surrounding the ethical pharmaceutical business has become increasingly more challenging with the arrival of the 80% generics (GE) era and the reform of the drug pricing system. Further, in this environment, the Kyorin Group is facing major changes in its business environment unlike any it has experienced in the past, including the expiration of patents for key products.

In a dramatically fluctuating environment such as this, it is difficult to respond to the challenges we are faced with based on our existing mindsets alone. In an effort to dynamically remake past systems for conducting business, creating and executing new initiatives that are not simply an extension of the past, in our new medium-term business plan "HOPE 100: Stage 2", with the statement, "making reforms (changes and innovations) and achieving continuous growth in an effort to realize our long-term vision", we will undertake the following business strategies (four key strategies, two development strategies) and organizational strategies, working towards the achievement of our targets.

## 1. Business Strategies (Strategy)

### (1) Key Strategies

#### [1] Enhancing drug discovery capabilities: First-in-class drug discovery initiatives

Our mission is to meet the numerous unmet medical needs that still exist, continuously creating and delivering innovative new drugs that contribute to the health of people around the world. Further, based on our belief that the creation of original new drugs is the true driving force for growth, we will focus on and continue to work towards first-in-class drug discovery, enhancing our drug discovery capabilities.

- Create first-in-class new drugs through the utilization of existing drug discovery platforms (kinase, receptors) and new technologies (peptides, gene therapy, etc.) based on low molecular weight, identifying novel drug discovery targets in the FC (respiratory, otolaryngology, urology) areas.
- Actively promote open innovation with pharmaceutical companies in Japan and overseas, academia, and ventures, etc.
- Aim for early collaboration with global partners for the global expansion of original new drugs and to accelerate development.

#### [2] Raising the percentage of new drugs: Significantly increase the percentage of new drugs by maximizing the spread of new drugs

With the arrival of the 80% GE era, the structure of the domestic ethical pharmaceutical market is expected to change significantly. In the midst of this, the Kyorin Group will face the expiration of its patent for KIPRES, a key product. In order to achieve continuous growth in this environment, the Kyorin Group recognizes the importance of its new drugs more than ever before, and will undertake the enhancement of its development pipeline, early drug development, and work to maximize the spread of new drugs, placing maximum emphasis on strengthening its domestic new drug business.

-Launch four new products during the Stage 2 period (Desloratadine, KRP-AM1977X/Y, KRP-114V), maximizing

products reach along with "Flutiform", a combination therapy for asthma that has already been launched

- Rebuild the sales system around area management based on FC strategies
- Significantly increase the percentage of the new drug group from 20% after the expiration of the KIPRES patent to 50% or higher by fiscal 2019 by strengthening efforts for the new drug group (products already launched that have patents or exclusivity and development candidates)

#### [3] Promoting the Generic (GE) business by utilizing our distinctive features

While the use of generics accelerates and the market grows as we move towards the realization of efficient medical care being promoted as a government policy, the competition among corporations is expected to become increasingly severe. In this environment, the Kyorin Group will promote a GE business that utilizes its distinctive features.

- Making use of the merits of in-house development, production, and sales and of handling new drugs within the Kyorin Group, we will conduct flexible business development
- We will actively undertake authorized generics (AG)<sup>\*\*2</sup>

#### [4] Enhanced low cost: Reform the cost structure through optimization within the Group

In a difficult environment for the domestic pharmaceutical industry, the Kyorin Group will strongly push cost reduction efforts, such as undertaking the rebuilding of the group production system to ensure stable, low-cost supply of high-quality products.

- By working together on production within the group, undertake the leveling of plant utilization rates and the efficient use of assets, creating a competitive system

### (2) Development Strategies

#### [1] Overseas Expansion

As the rebuilding of policies from a global perspective is being promoted, overseas expansion is one of the key issues for the Kyorin Group. We will undertake initiatives that look towards future direct expansion with a focus on Asia, partnering to deliver original new drugs to people around the world.

- Promote the global expansion (early introduction to the U.S. and Europe) of innovative new drugs created by the company through partnering, capturing overseas sales
- By working in collaboration with other companies, lay the foundations for future direct expansion (ethical pharmaceuticals and the healthcare business<sup>\*\*1</sup>) with a focus on Asia

#### [2] Healthcare Business<sup>\*\*1</sup>

While building the businesses that will be at the core of the complexly combined healthcare business, we will pave the way for candidates that will be the next core.

- Grow the environmental health business, strengthening ties with existing businesses and creating a key business.

## 2. Organizational Strategies (Organization)

In the long-term vision of the Kyorin Group, we have positioned valuing employees and invigorating people and the organization as the key challenge for implementing business strategies and realizing results. In "Stage 2", we will undertake the enhancement of personnel development and rebuilding of personnel management systems (employment, allocation, training and development, evaluation, transfers, compensation, welfare and benefits, etc.) for each of the respective group companies under the basic policies of personnel management in the hopes of becoming "the No.1 company for a fulfilling career" for employees.

## 3. Targets (Performance)

### (1) Quantitative targets (consolidated basis)

Aim for an average annual growth rate of 3% or more for consolidated sales and consolidated operating profits of 15% or more.

### (2) Capital policies and shareholder returns

In maintaining a healthy financial basis, our capital policy will be to balance growth investments with shareholder returns. In terms of shareholder returns, based on current dividend standards, we will aim for "stable dividends".

## 4. Creating Social Value, Corporate Governance

By engaging in transparent, fair, prompt, and decisive decision-making while taking into consideration the position of all stakeholders including shareholders, and aiming for continuous growth, we will strive to ensure the enhanced support and assessment from all stakeholders.

\*1: Healthcare businesses such as skincare, environmental health, and OTC drugs

\*2: Generic pharmaceuticals licensed patents, etc. from the company holding manufacturing and marketing approval

The businesses and respective figures for the future indicated in the new medium-term business plan "HOPE 100: Stage 2" we have formulated are based on an analysis of the information and environment, etc. at this current point in time, and are subject to change in accordance with future economic conditions and the industry environment.
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