

Financial Results for Fiscal 2019

May 13 , 2020

KYORIN Holdings, Inc.

Representative Director, President and Chief Executive Officer

Yutaka Ogihara



➤ **Outline of Consolidated Financial Results**

- Trends of mainstay products

➤ **Consolidated Financial Results and Forecast**

➤ **Status of R&D Pipeline**

➤ **Initiatives toward realization of the long-term vision “HOPE 100”**

- **Medium-Term Business Plan “HOPE 100-Stage 2-”(Fiscal 2016～2019)**
- **New Medium-Term Business Plan “HOPE 100-Stage3-”(Fiscal 2020～2023)**

Outline of Consolidated Financial Results

Outline of Consolidated Financial Results for Fiscal 2019

(unit : ¥billion)

	FY2018	FY2019	Change	Change (%)	Change (revised forecast)
Net Sales	113.6	110.0	−3.6	−3.2	+0.6
Operating Income	9.0	7.5	−1.5	−16.4	+1.0
Ordinary Income	9.4	8.2	−1.2	−13.4	+1.1
Net Income	6.9	6.1	−0.8	−10.5	+0.7

Breakdown of Gain and Loss

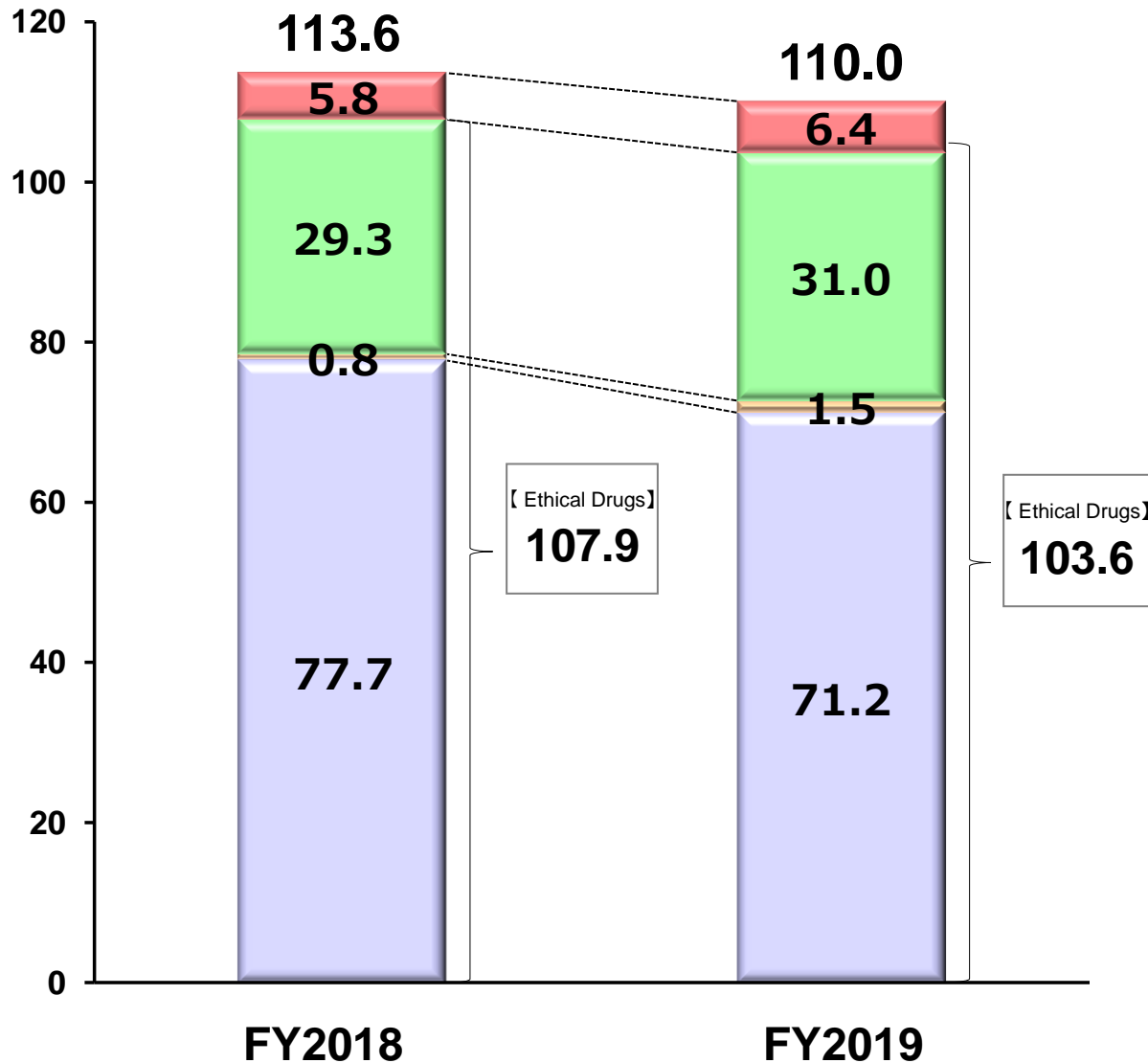
(unit : ¥billion)

			FY2018	FY2019	Change	Change (%)	Change (revised forecast)
Net Sales			113.6	110.0	- 3.6	- 3.2	+ 0.6
			107.9	103.6	- 4.3	- 3.9	+ 0.2
Ethical drugs business	Sales of new ethical drugs		78.5	72.6	- 5.9	- 7.5	+ 0.2
		Japan	77.7	71.2	- 6.5	- 8.4	+ 0.2
		Overseas	0.8	1.5	+ 0.7	+ 79.5	+ 0.1
	Generic drugs		29.3	31.0	+ 1.7	+ 5.5	0
Healthcare Business			5.8	6.4	+ 0.6	+ 10.8	+ 0.5
Cost of Sales			56.2	53.0	- 3.2	- 5.8	-
SG&A			48.4 (10.8)	49.5 (11.0)	+ 1.1	+ 2.3	-
Operating Income			9.0	7.5	- 1.5	- 16.4	+ 1.0
Ordinary Income			9.4	8.2	- 1.2	- 13.4	+ 1.1
Net Income			6.9	6.1	- 0.8	- 10.5	+ 0.7

Highlights of Business Performance ① (Sales) *Kyorin*

健康はキョーリンの願いです。

(Units: ¥ billion)



【 Net Sales ¥-3.6bn】

【 Ethical Drugs Sales -¥4.3bn】

Ethical drug sales in Japan -¥6.5bn

- Decreased in prescriptions of long-listed drugs (Nasonex, etc.)
- Delay of the resumption of supply of Desalex
- Growth in Flutiform and Beova sales
- The release of Lasvic Tablets

Ethical drug sales overseas +¥0.7bn

- Increase in revenue about Gatifloxacin
- Lump-sum revenue of a license agreement

Generic drugs +¥1.7bn

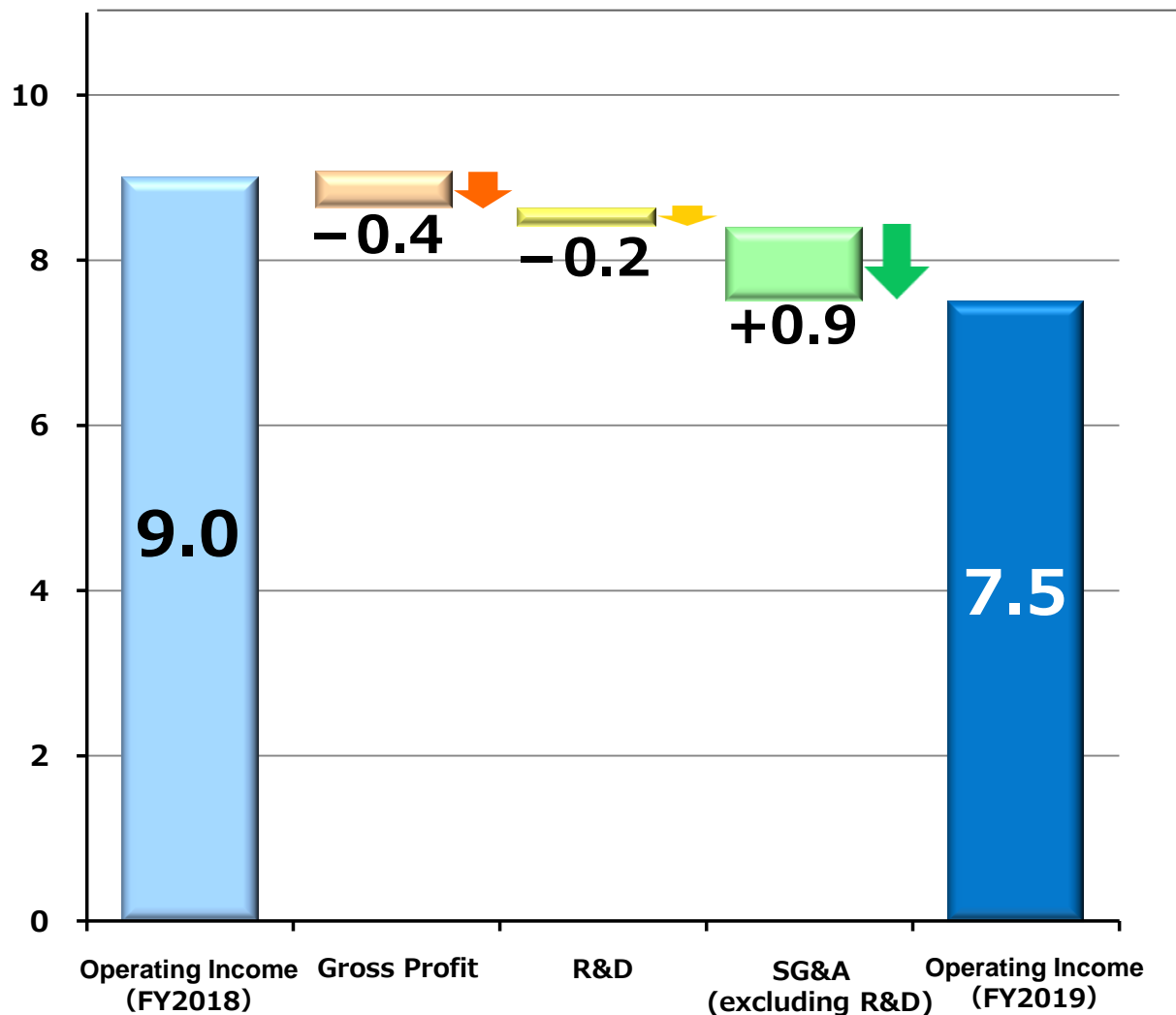
- The release of Mometasone AG

Healthcare Business +¥0.6bn

- Growth of Rubysta and Milton

Highlights of Business Performance ② (Income)

(Units: ¥ billion)



【Operating Income ¥ – 1.5bln】

Gross Profit decreased

Net Sales :

Decreased ¥3.6bln year on year

Cost of sales ratio :

Decreased 1.4% year on year

- Impact of NHI price revision due to consumption tax increase (approximately 3%)
- Improvement of product mix

R&D expenses increased

¥10.8bln (FY2018) ⇒ ¥11.0bln (FY2019)

- Increase in lump-sum contractual payments paid in conjunction with the introduction (ATYR1923 : about ¥0.9bln)

SG&A(excluding R&D) increased

¥37.6bln (FY2018) ⇒ ¥38.5bln (FY2019)

- Increase in patent royalties, etc.

Highlights of Business Performance ③

(Change : revised forecast)

(Units: ¥ billion)

	FY2018	FY2019	Change	Change (%)	Change (revised forecast)	
Net Sales	113.6	110.0	-3.6	-3.2	+0.6	
	107.9	103.6	-4.3	-3.9	+0.2	
Ethical drugs business	Sales of new ethical drugs	78.5	72.6	-5.9	-7.5	+0.2
	Japan	77.7	71.2	-6.5	-8.4	+0.2
	Overseas	0.8	1.5	+0.7	+79.5	+0.1
	Generic drugs	29.3	31.0	+1.7	+5.5	0
Healthcare Business	5.8	6.4	+0.6	+10.8	+0.5	
Cost of Sales	56.2	53.0	-3.2	-5.8	-	
SG&A	48.4 (10.8)	49.5 (11.0)	+1.1	+2.3	- (+0.4)	
Operating Income	9.0	7.5	-1.5	-16.4	+1.0	
Ordinary Income	9.4	8.2	-1.2	-13.4	+1.1	
Net Income	6.9	6.1	-0.8	-10.5	+0.7	

【Explanation of Variances (Change : revised forecast)】

Net sales: (New drugs in Japan) Sales of Flutiform and Beova were increase, meanwhile sales of Desalex was lower than the revised forecast.
 (Healthcare Business) Sales of the Milton and Rubysta exceeded revised forecast.

Operating Income: Gross profit was better than expected due to overachieved of sales of mainstay products and improved of cost of sales ratio.
 Meanwhile, in SG&A, R&D expenses were higher than expected.

Mainstay Product Sales

(Units: ¥ billion)

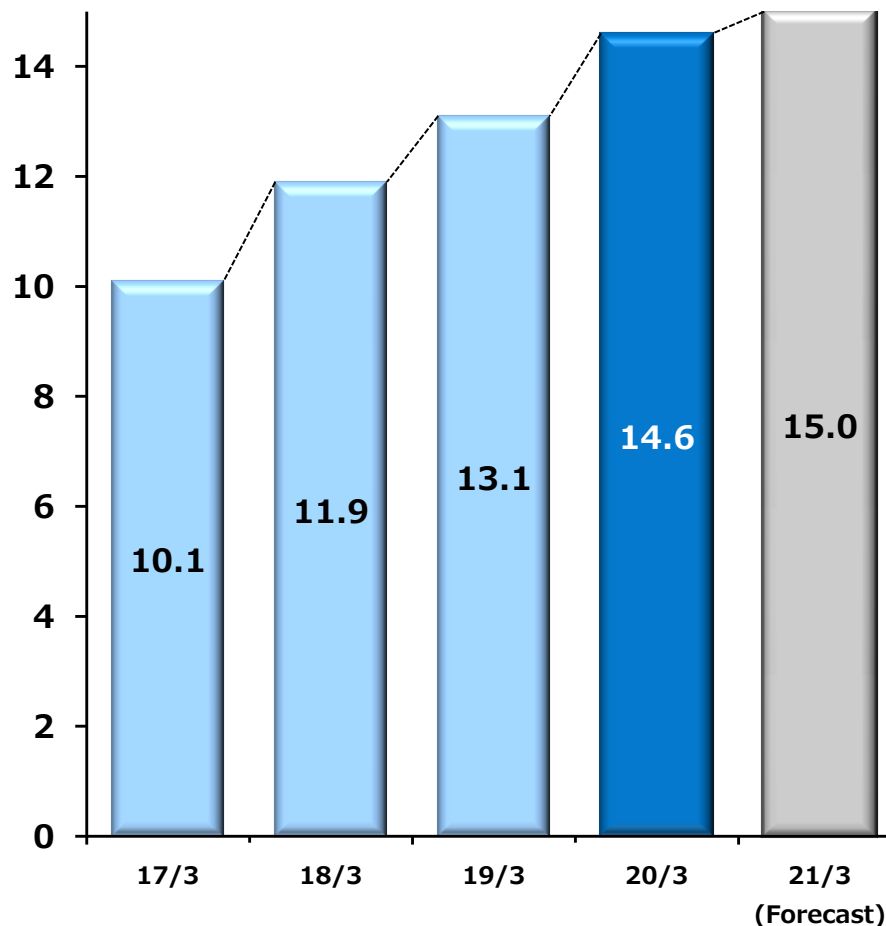
	FY2018	FY2019	Change	Change(%)	Change (revised Forecast)
Flutiform (Combination drug for asthma treatment)	13.1	14.6	+1.5	+12.2	+0.5
Desalex (Antiallergic Agent)	3.7	2.6	-1.1	-30.1	-2.4
Beova (Kyorin) (β3 adrenergic receptor agonist overactive bladder therapeutics)	0.7	4.3	+3.6	+481.0	+1.5
Lasvic tablets (Oral new quinolone synthetic antibacterial agent)		1.1	+1.1	-	+0.2
Uritos (Kyorin) (Therapeutic agent for overactive bladder)	6.6	5.8	-0.8	-11.7	-0.1
Pentasa (Ulcerative colitis and Crohn's disease treatment)	13.5	13.3	-0.2	-1.5	+0.6
Nasonex (Spray type allergic rhinitis remedy)	12.8	6.0	-6.8	-52.8	-0.2
Kipres for adult (Leukotriene Receptor Antagonist)	6.2	5.3	-0.9	-15.5	+0.6
Kipres for children (Leukotriene Receptor Antagonist)	7.6	6.5	-1.1	-14.6	+0.2
Mycodyne (Mucoregulant)	6.8	5.8	-1.0	-14.5	-0.3
Montelukast tablets "KM" (Leukotriene Receptor Antagonist)	11.9	11.5	-0.4	-3.3	0
Mometasone Nasal 50mg "KYORIN" (Spray type allergic rhinitis remedy)		2.8	+2.8	-	+1.0

Trends of mainstay products and Generic drugs

■ Mainstay product

Flutiform (Combination drug for asthma treatment)

(Units: ¥ billion)



■ status of FY2019

◆ ICS/LABA market : expand 2.4%

¥120.3bln (FY2018) ⇒ ¥123.2 (FY2019) ※1

● share of Flutiform sales

12.2% (FY2018) ⇒ 13.2% (FY2019) ※1

■ Effort for FY2020

◆ Aim to establish a first-line drug position in terms of asthma treatments.

- Attract attention to the high clinical impact from a patient with symptoms
- The agent nicely penetrates and reaches the peripheral airways.
- Feature the advantages of aerosol-based treatment.
 - People with a weak inspiratory capacity can inhale easily.

◆ Expansion of pediatric indications (KRP-108P)

- Number of target patients: Approximately 1 million patients (Step 3-4 treatment in Japanese pediatric guideline for the treatment and management of asthma 2018)
- In approximately 30% of children with asthma, the disorder persists into adulthood.

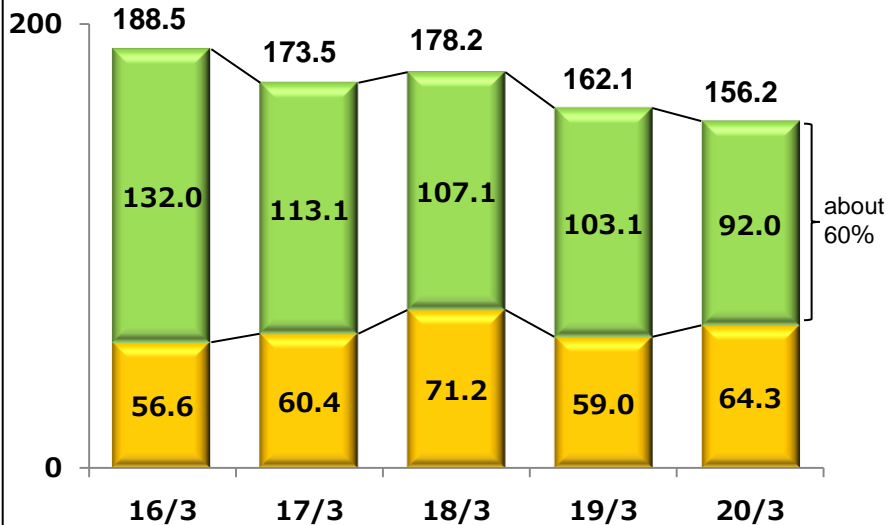
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■ Mainstay product

Desalex (Antiallergic Agent)

(Units: ¥ billion)

Antihistamine market



■ New drugs ■ long-listed drugs and generics Approx.

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◆ Antihistamine market : shrink 3.6%

¥162.1bln (FY2018) ⇒ ¥156.2 (FY2019) ※1

◆ Overview of Antihistamine market

- Percentage of long-listed drugs and generics Approx. : ≈60%
- Market of aged 12 or over : 125 billion yen

● Share of Desalex sales

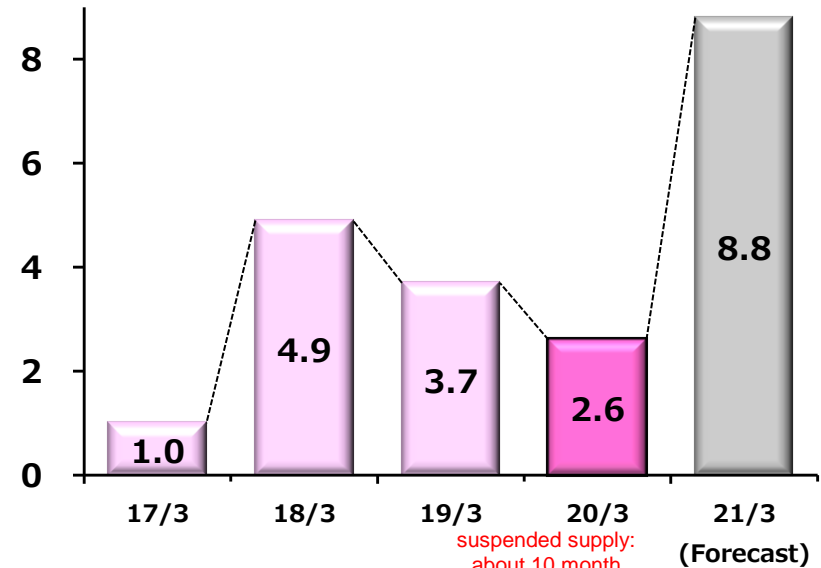
3.0% (FY2018) ⇒ 1.7% (FY2019) ※1

- Dec 2018 : 6.3%※2 (before suspended supply)
- Mar 2020 : 4.2%※2 (after resumed supply)

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(Units: ¥ billion)



■ Status of FY2019

● Actual sales : 2.6billion yen

Start of voluntary recall
January 7, 2019

Resumption of supply
November 18, 2019

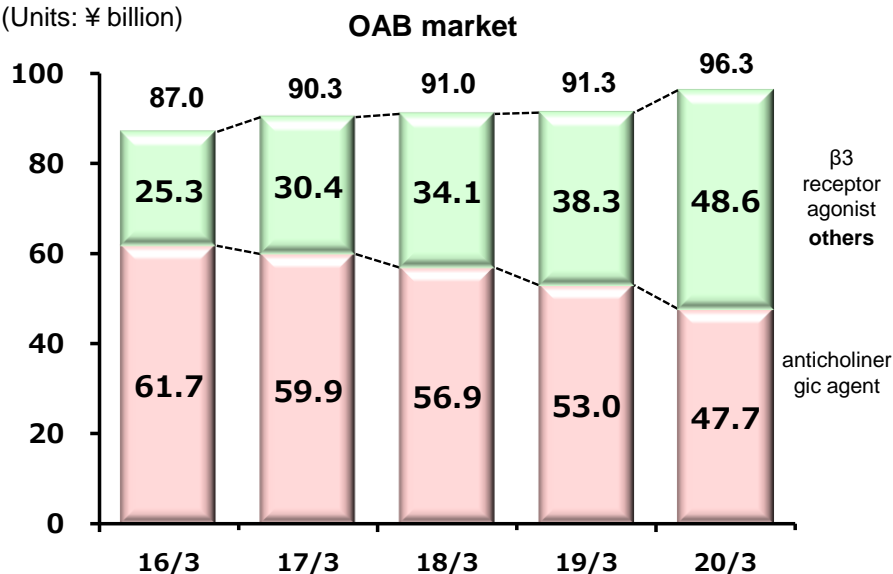
■ Effort for FY2020

- non-drowsy and effects and usability
- Realization of prescription acquisition rate No.1 in otolaryngology
- Focus on expanding the number of general internal medicine clinics prescribe Desalex and acquiring prescriptions

■ Mainstay product

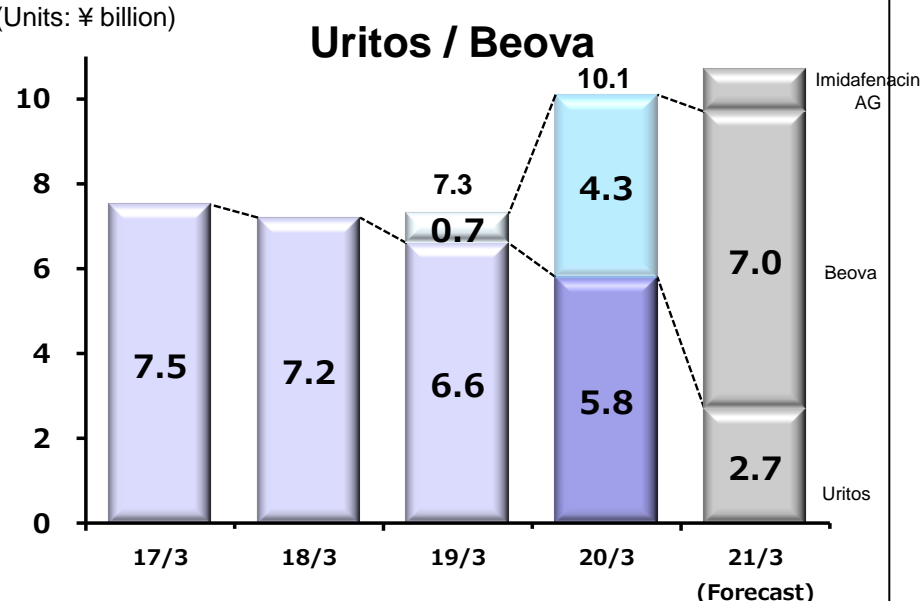
Beova / Uritos (Therapeutic agent for overactive bladder)

(Units: ¥ billion)



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(Units: ¥ billion)



■ Status of FY2019

- ◆ Signed License Agreement for Vibegron in Korea with JEIL
- ◆ Acquired of Market Share by Beova and Uritos

■ Effort of FY2020

- ◆ Popularize the drug to make sure it is chosen as a first-line medicine for OAB treatment.
 - ◆ The drug can be prescribed regardless of differences in OAB symptoms, gender, age and patient background.
 - ◆ Emphasize quick and superior effects as well as safety.

※After the lifting of limits on the prescription period, Beova is being prescribed to many patients at a much faster pace than initially anticipated and the Company is adjusting shipments to distributors.

- ◆ Plan to launch Imidafenacin AG (June 2020)

■ OAB market : expand

- ¥87.0bln (FY2015) ⇒ ¥96.3 (FY2019) ※1
- β3 receptor agonist market :expand

■ FY2019

● share of Beova sales

0.6% (FY2018) ⇒ 5.0% (FY2019) ※2

● Share of Uritos sales

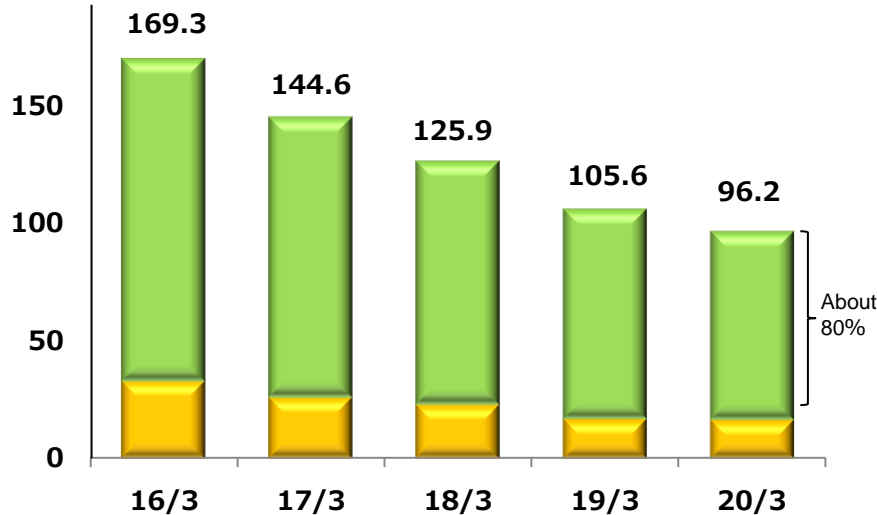
8.3% (FY2018) ⇒ 7.0% (FY2019) ※2

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■ Mainstay product

Lasvic (Oral new quinolone synthetic antibacterial agent)

(Units: ¥ billion)
Antibacterial agent (oral) Market



■ New drugs ■ long-listed drugs and generics Approx.

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■ Antibacterial agent (oral) Market

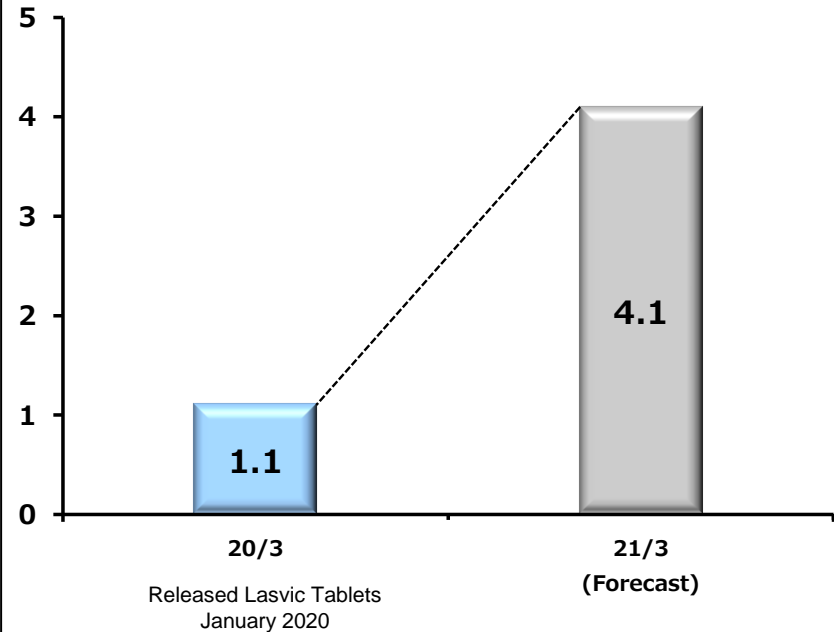
¥105.6bln(FY2018)⇒¥96.2bln(FY2019)^{※1}

◆ Overview of Market

- Promotion of appropriate use of antimicrobials in light of AMR
- Percentage of long-listed drugs and generics Approx. : ~80%

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(Units: ¥ billion)



■ Effort of FY2020

◆ Focus on promotion of appropriate use and maximization of product diffusion

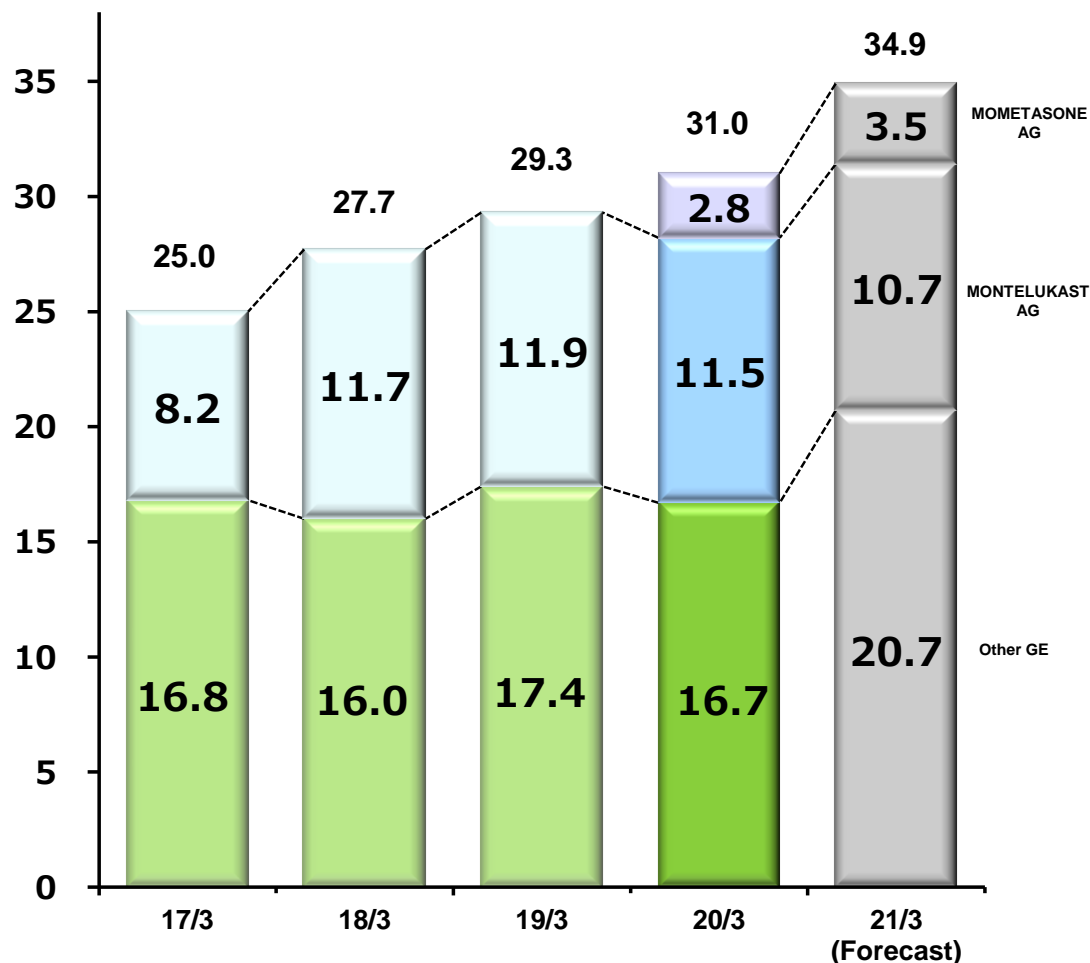
● Development based on brand new concepts

- ① Focus on strengthening antibacterial activity against target bacteria (especially gram-positive bacteria and anaerobic bacteria)
- ② Increase transitivity to target tissues (lungs and ear, nose and throat)
- ③ Has sufficient antibacterial activity in treatment targets even at a low dose (75 mg), making the emergence of resistant bacteria unlikely

◆ Aim for approval and launch of injection (KRP-AM1977Y) this fiscal year

■ Status of Generic Drugs

(Units: ¥ billion)



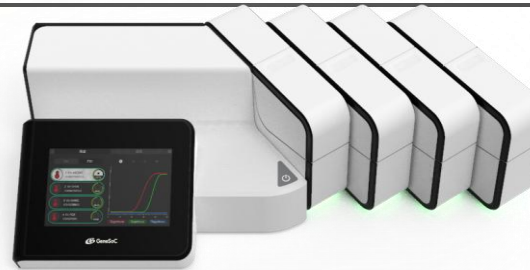
■ Status of FY2019

- Released of Mometasone AG
- Montelukast AG
 - ・ Maintain the market share of more than 50% in the GE market.
 - ・ Released in FY2019
Silodosin Tablets/OD, Mecobalamin

■ Effort for FY2019

- Actions for an authorized generic drug (AG)
 - ・ Aim to achieve a large market share of more than 50% for Montelukast AG and Mometasone AG in the GE market
 - ・ New AGs : plan to launch Imidafenacin AG (June 2020)
- Expand sales of strategic products and Supplementary Items
 - ・ Released in June 2020: 7 ingredients, 13 products
Levocetirizine HCL Tablets, DS
Memantine HCL OD , etc.

■ Diagnosis Business



Features:

- ◆ Compact PCR device which can identify genes rapidly, accurately and simply
- ◆ It performs quantitative detection of target genes (around 5~15 minutes) using the microfluidic thermal cycling technology.

Nov. 11, 2019	Released GeneSoC [®] as laboratory equipment
Mar. 17, 2020	Concluded a CRO agreement with AMED under the “Development of Medical Devices and Systems for Advanced Medical Services” program
Mar. 18, 2020	COVID-19 coronavirus detection reagent “SARS-CoV-2 GeneSoC ER Kyorin” covered by Japan's National Health Insurance
Mar. 31, 2020	Provided GeneSoC [®] to 16 medical institutions throughout Japan for demonstration of operability
Apr. 24, 2020	Released coronavirus detection reagent “SARS-CoV-2 GeneSoC ER Kyorin”

[Initiatives in FY2020]

- Release of laboratory equipment (respiratory infections and sexually transmitted infections)
- Aim to release an automatic pre-treatment system exclusively for GeneSoC
- Aim to launch POCT* model GeneSoc mini

[Initiatives in FY2021 onwards]

- Commercialization as in-vitro diagnostic

*POCT (Point of Care Testing): Testing carried out by healthcare professionals at the patient's bedside

Consolidated Financial Results and Forecast

Consolidated Financial Results Forecast for the Year Ending March 31, 2021

(Units: ¥ billion)

	FY2019	FY2020 (forecast)	Y/Y		
			Change	Change(%)	
Net sales	110.0	115.5	+5.5	+5.0	
Ethical drugs business	103.6	110.5	+6.9	+6.7	
	Sales of new ethical drugs	72.6	75.6	+3.0	+4.1
	Japan	71.2	74.6	+3.4	+4.8
	Overseas	1.5	1.0	-0.5	-32.9
	Generic drugs	31.0	34.9	+3.9	+12.7
Healthcare Business	6.4	5.0	-1.4	-21.7	
Operating Income	7.5	9.7	+2.2	+29.3	
Ordinary Income	8.2	10.2	+2.0	+24.8	
Net Income	6.1	7.6	+1.5	+23.6	

Regarding the impact of the spread of the novel coronavirus disease (COVID-19) on the FY2020 forecasts, we will pay attention to future trends. If any revisions to the financial forecasts are necessary, we will promptly announce them.

Net Sales: A significant increase in sales of new drugs group (Flutiform, Beova, Desalex, Lasvic) is expected, despite NHI drug price revision (Kyorin Pharmaceutical 2% range) was implemented.

SG&A(decrease): R&D expenses are expected to decrease 1.4bn yen from the previous year (11,000 million yen→ 9,600 million yen).
 (Reference) It is expected cost of sales ratio will up about 1% point, SG&A (excluding R&D) ratio will down about 1% point year on year.

Forecast of Mainstay Product Sales

(Units: ¥ billion)

	FY2019	FY2020 (Forecast)	Y / Y	
			Change	Change(%)
Flutiform (Combination drug for asthma treatment)	14.6	15.0	+0.4	+2.4
Desalex (Antiallergic Agent)	2.6	8.8	+6.2	+240.2
Beova (Kyorin) (β3 adrenergic receptor agonist overactive bladder therapeutics)	4.3	7.0	+2.7	+62.9
Lasvic tablets (Oral new quinolone synthetic antibacterial agent)	1.1	4.1	+3.0	+279.7
Uritos (Kyorin) (Therapeutic agent for overactive bladder)	5.8	2.7	-3.1	-52.2
Pentasa (Ulcerative colitis and Crohn's disease treatment)	13.3	11.7	-1.6	-12.3
Nasonex (Spray type allergic rhinitis remedy)	6.0	2.6	-3.4	-56.5
Kipres for adult (Leukotriene Receptor Antagonist)	5.3	4.2	-1.1	-19.1
Kipres for children (Leukotriene Receptor Antagonist)	6.5	5.3	-1.2	-17.3
Mycodyne (Mucoregulant)	5.8	4.9	-0.9	-14.5
Montelukast tablets "KM" (Leukotriene Receptor Antagonist)	11.5	10.7	-0.8	-6.1
Mometasone Nasal 50mg "KYORIN" (Spray type allergic rhinitis remedy)	2.8	3.5	+0.7	+28.1

Shareholder Returns

Basic Policy

- While maintaining the sound financial base, we aim to improve the capital efficiency through growth investment and returns to shareholders.
- We will maintain stable dividends taking DOE (Dividend on Equity ratio) into account.

Dividend per share for fiscal 2019 (estimate): ¥75 (including interim dividend of ¥30)

Dividends

	FY2017	FY2018	FY2019※	FY2020 (forecast)
Dividend per share (Yen)	¥58 (Year-end ¥38)	¥75 (Year-end ¥45)	¥75 (Year-end ¥45)	¥75 (Year-end ¥45)
Consolidated payout ratio(%)	65.9%	72.6%	70.9%	57.4%

※The year-end dividend of 45 yen in the fiscal year ending March 2020 will be decided at in the Board Meeting Scheduled for May 21.

Status of R&D pipeline

Drug R&D Pipeline: Progress in FY2019



progress in FY19

	development code	Ph I	Ph II	Ph III	application	Approval/	Launch
Respiratory	Ad-SGE-REIC	End of the Ph I / Ph II		Ph II Start 2018/6			
	KRP-108P			2017/6	2019/7		
Infections	KRP-AM1977X					2019/9	January 8, 2020
	KRP-AM1977Y					2019/10	
Urological	KRP-116D					202/3	

- MK-7264, a drug for chronic coughing: Merck Phase III (Oversea). Concluded a memorandum of understanding for sales collaboration (5 / 2019).
- It was decided to discontinue development of "KRP-N118", for it was estimated difficult for realization of pre-configured product profiles (2 / 2020).


【 Introduced Program 】

Compound / Code	Licenser	Stage	Features
KRP-R120 (ATYR1923)	aTyr Pharma, Inc	Ph I a / II b	It is a fusion protein drug having the action to suppress, by binding to neuropilin-2 (NRP2) receptor, the excessive activation of immune cells, and is a potential first-in-class therapy to treat inflammatory diseases such as pulmonary sarcoidosis.

【 Licensed Compound / Program 】

Compound / Code	Licensee	Stage	Features
FPR2 agonist program	BMS	Ph I	FPR-2 agonists that mainly inhibit the migration of neutrophils and exhibit anti-inflammatory action. Therapy area : Non-disclosure
KRP-203	Implementing licensing activities	Ph I	Sphingosine-1-Phosphate Receptor Agonist Therapy area : GVHD

Drug R&D Pipeline: Progress in FY2020

 progress in FY20

	development code	Ph I	Ph II	Ph III	application	Approval / Launch
Respiratory	Ad-SGE-REIC	End of the Ph I / Ph II				
	KRP-108P		Ph II Start 2018/6		2019/7	Expecting to acquire approval and release in FY20
	KRP-R120 Interstitial lung disease (ILD) treatment	Expecting to Start clinical trial in FY20				
Infections	KRP-AM1977Y				2019/10	Expecting to acquire approval and release in FY20
Urological	KRP-116D				2020/3	Expecting to acquire approval and release in FY20

・MK-7264, a drug for chronic coughing: Merck Phase III (Oversea). Concluded a memorandum of understanding for sales collaboration (5 / 2019).

【 Licensed Compound / Program 】

Compound / Code	Licensee	Stage	Features
FPR2 agonist program	BMS	Ph I	FPR-2 agonists that mainly inhibit the migration of neutrophils and exhibit anti-inflammatory action. Therapy area : Non-disclosure
KRP-203	Implementing licensing activities	Ph I	Sphingosine-1-Phosphate Receptor Agonist Therapy area : GvHD

**Progress of Medium-Term Business Plan
“HOPE 100-Stage 2-” (Fiscal 2016～2019)**

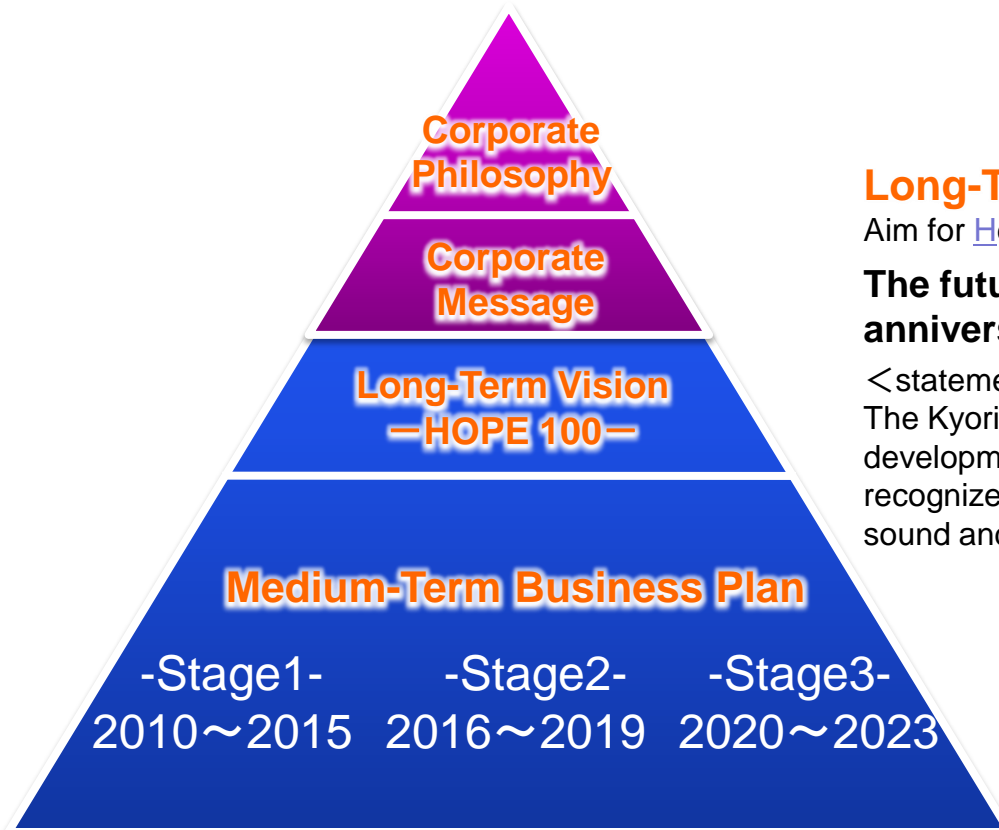
Structure of Management Planning

1) Corporate Philosophy

Kyorin continues to fulfill its mission of cherishing life, and benefiting society by contributing to better health.

2) Corporate Message

Your Health is Kyorin's Mission.



Long-Term Vision—HOPE100—

Aim for HHealth Of People and our Enterprises

The future of the Group looking forward to 2023, the 100th anniversary of the founding of Kyorin

<statement>

The Kyorin Group will promote diversified business expansion and the development of the consumer healthcare business, and by 2023, will be recognized within and outside the Group as a company that supports sound and healthy lifestyles.

Medium-Term Business Plan

A comprehensive plan of basic management policies and achievement targets for the medium-term period

Overall of Long-Term Vision—HOPE100—

Long-Term Vision「HOPE100」

【Statement】

The Kyorin Group will promote diversified business expansion and the development of the consumer healthcare business, and by 2023, will be recognized within and outside the Group as a company that supports sound and healthy lifestyles.



【Statement】

Improvement of the ability to realize reorganization and establish the system for promotion of individual businesses toward achievement of the long-term vision

Focus on enhancement of development pipeline and maximization of diffusion of core products.

【Statement】

Commit to change (reform and renovation) toward realization of the long-term vision and maintain sustainable growth

Focus on four priority strategies in order to overcome decline in sales associated with expiry of patent for Kipres.

The final Stage of HOPE100

Review of the Medium-Term Business Plan

“HOPE100 Stage 2”

Strategy

【Four Priority Strategy】

1. Enhancing drug discovery capabilities

◆ **selecting drug discovery programs and focusing on**

- Kinase / Fibrosis

◆ **Open Innovation**

- Established the Department of Drug Discovery Medicine with the Kyoto University
- Started of joint research with Institute of Microbial Chemistry
- Started of Collaborate with Hebrew University to Strategic partnership

2. Increase ratio of new drugs group (new drug group ratio : more than 50%)

◆ **Growth of Flutiform**

◆ **Launch four new drugs**

- Desalex (2016 / 11)
- Beova (2018 / 11)
- Lasvic Tablets (2020 / 1)
Application of KRP-AM1977Y (2019 / 10)

3. Promotion of Generic Drugs Business by Making the Most of Its Characteristics

◆ **Completed the Takaoka Pharmaceutical Technology Innovation Center (2017 / 7)**

◆ **Proactively address authorized generics (AG)**

- Released Montelukast AG (2016 / 9)
- Released Mometasone AG (2019 / 8)
- Obtained manufacturing and marketing approval of Imidafenacin AG (2019 / 8)

4. Strengthening of Low Cost

◆ **Consolidation of the Group’s production functions**

- Established KYORIN Pharmaceutical Group Facilities Co., Ltd. (Commences full-scale operation on April 1, 2018)
- Leveling of the rate of plant operation and efficient use of assets

【Development Strategy】

◆ **Strengthening of the environmental hygiene business**

- ◆ **Entry to diagnosis business** : Released of Microchannel-based Genetic Measurement Device GeneSoC® (2019 / 11)

Organization

Establishment and operation of the system for management of human resources for Aim for a cooperation where the employees can feel the best worthwhileness of work

Performance

Target Value

■ the average annual growth rate : 3% or more

⇒ **-2.0%**

■ the consolidated operating income margin : 15% or more

⇒ **6.8%**

● Increase ratio of new drugs group (More than 50%)

⇒ **34.9%**

● Launch new drugs

⇒ **Desalex, Beova, Lasvic Tablets**

【 Factor 】

■ **Dramatic reform of the NHI drug price scheme**

・ Review of the Price Maintenance Premium, etc.

■ **New drug business (in Japan)**

・ Temporary suspension of the supply of Desalex
 ・ Delay in the launch of Lasvic Tablets / AM-1977Y

■ **Business of drug discovery (overseas)**

・ Lower-than-expected income from royalties.
 (Discontinuation of the development of KRP-203 on the part of the licensee.)

In Stage3, Aim to realization of growth trend by the growth of new drugs

**New Medium-Term Business Plan
“HOPE 100-Stage 3-” (Fiscal 2020~2023)**

Basic Concept of New Medium-Term Business Plan

“Hope 100-Stage 3”

External Environment

- Further strengthening of health care cost containment measures
- Increased difficulty of new drug creation
- Application of Drug Sales Promotion Guideline

Internal Environment

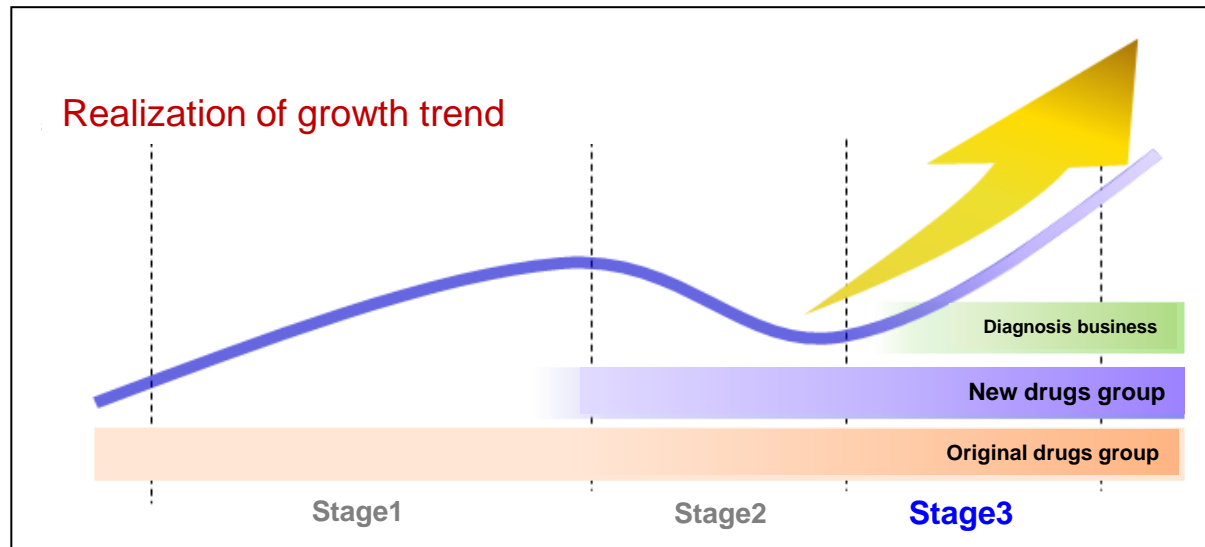
- Appearance of new drugs as growth drivers
- Expectation for new business (diagnosis business)

Realize growth trend by pursuing Kyorin's originality.

Use sustainable revenue growth as basis for accomplishing our goal of creating innovative new drugs

[Statement] “Realization of growth trend through pursuit of originality”

(Image)

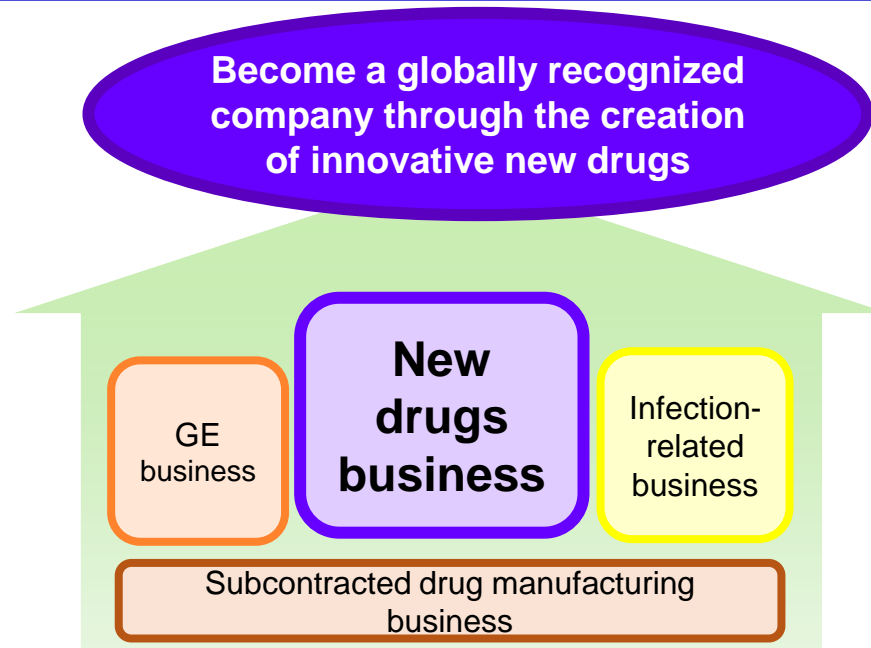


「HOPE100」 Statement

The Kyorin Group will promote diversified business expansion and the development of the consumer healthcare business, and by 2023, will be recognized within and outside the Group as **a company that supports sound and healthy lifestyles.**

Vision in Stage 3

Aim to become **a globally recognized company through the creation of innovative new drugs.**
To this end, expand the **new drugs business**、**GE business**、**infection-related business** (prevention, diagnosis and treatment of infections) in an integrated manner to widely support people’s health.



Overview of New Medium-Term Business Plan

“HOPE 100-Stage 3-”

Business Strategy (S) Strategy

- Shift to business based on the proposal of solutions and accelerate the growth of new drug groups.
- Enhance pipeline to support medium-term growth
- Strengthen drug discovery capability to realize the creation of innovative new drugs.
- Improve cost competitiveness
- Expand overseas revenue

Organization Strategy (O) Organization

- Aim to be the No. 1 company as Best worthwhileness place of work

Performance Targets (P) Performance

- Growth potential and profitability
- Capital policy and shareholder returns

Strategy

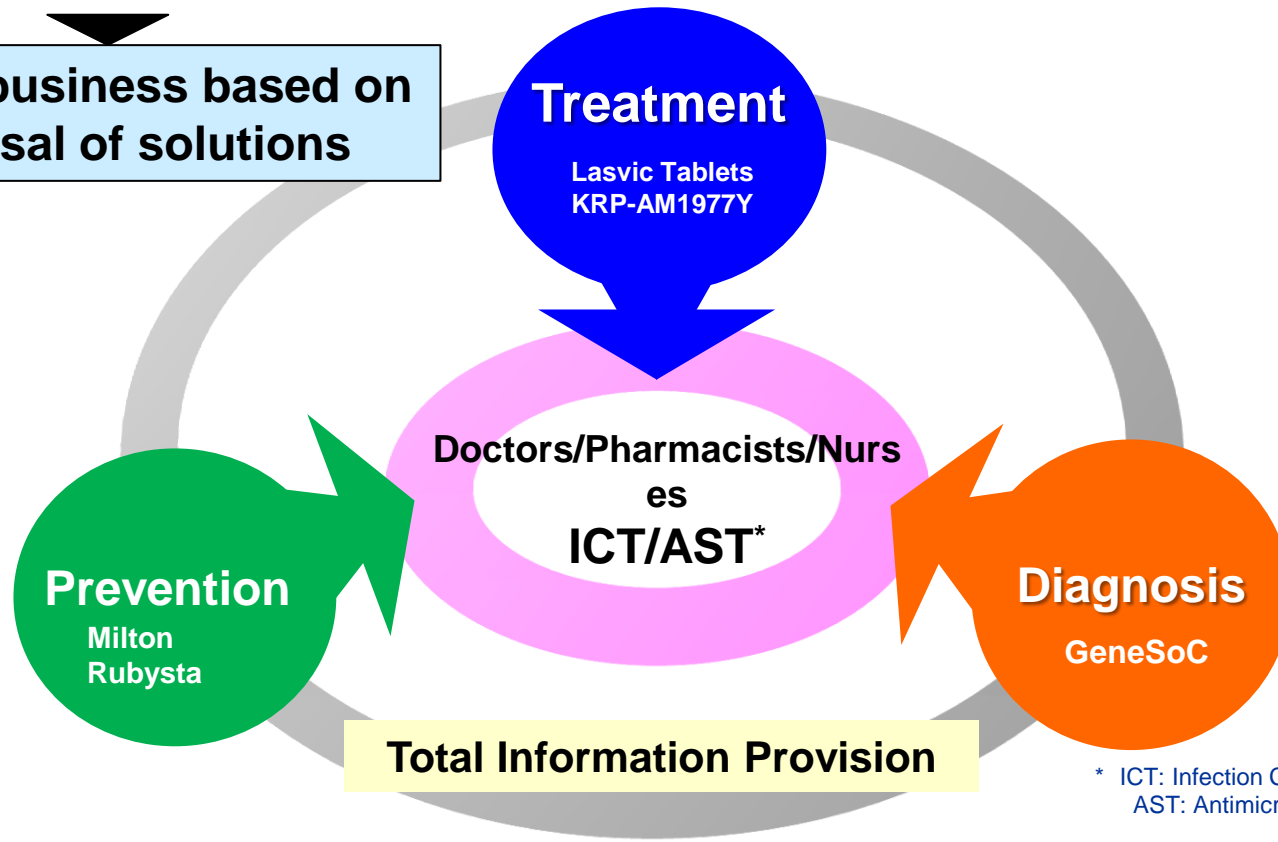
Shift to business based on the proposal of solutions and accelerate the growth of new drug groups.

- Shift to business based on the proposal of solutions to problems by combining ethical drugs business and infection-related business and make Kyorin’s unique contribution to health care workers.
- Accelerate the growth of new drug groups as much as possible
(Flutiform, Desalex, Beova, Lasvic, etc.).
- Streamline the healthcare business into business focused on infection-related fields.

Response to changing environment
(MR activities/Medical care provision system)

Rebuild sales structure and enhance details

**Shift to business based on
proposal of solutions**



**Establish a group-wide sales structure to make
Kyorin's unique contribution to health care workers.**

Strategy

Enhance pipeline to support medium-term growth

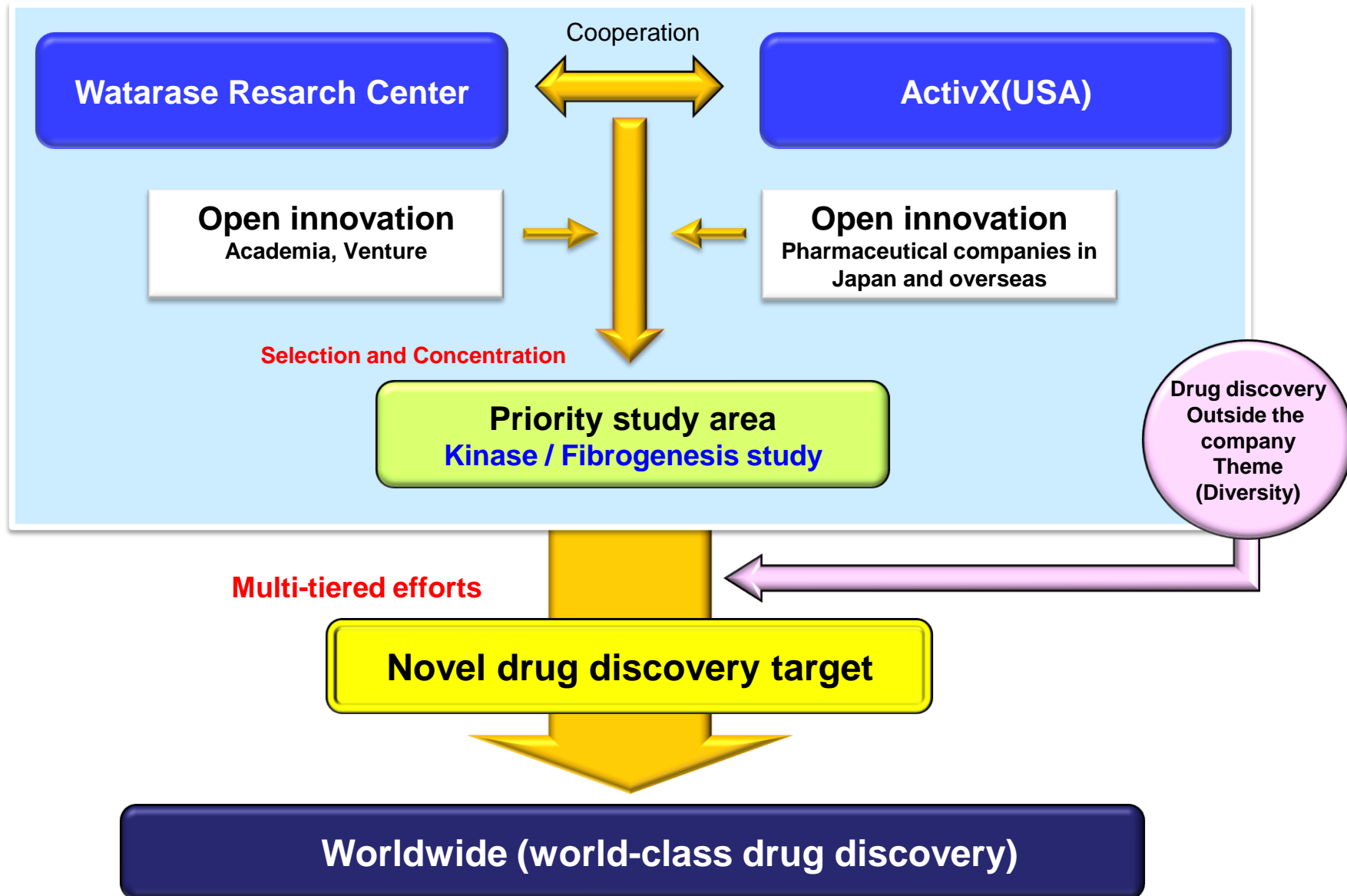
- Actively invest in enhancements to the pipeline that will contribute to business performance in the medium term, with diseases surrounding the three specialities* of franchise customers, infections, and rare and intractable disease as the domains for in-licensing.

*Respiratory Medicine, Otolaryngology, Urology

Strengthen drug discovery capability to realize the creation of innovative new drugs.

- Continue adding new layers to existing priority research domains and technologies and taking on new research domains and technologies.
- Pursue R&D based on clarification of healthcare value of new drug candidates.
- Achieve proof of concept ourselves, as a general rule, and aim for early global out-licensing.
- Increase diversity by actively acquiring drug discovery seeds.

Efforts on innovative drug discovery



Strategy

Improve cost competitiveness

- Increase cost competitiveness of the GE business by improving the efficiency of the GE sales structure.
- Strengthen the ability to create new generics for listing in JP.
- Establish a manufacturing structure to achieve stable supply and low cost while also enabling expansion of subcontracted manufacturing.

Improve cost competitiveness at KYORIN Pharmaceutical Group Facilities Co., Ltd

- ◆ Control outsourcing expenses by equalizing the manufacturing capabilities of each factory.
- ◆ Facilitate efficient operation through the flexible transfer of employees among factories.
- ◆ Use existing facilities more effectively.
- ◆ Examine new production base to expand production capacity (Takaoka, Toyama Prefecture).

Noshiro plant (Akita)



Inami plant (Toyama)



Shiga plant (Shiga)



Strategy

Expand overseas revenue

- Expand overseas revenue through the promotion of global out-licensing.
- Steadily take steps towards direct entry to the Asia market.

Organization

Aim to be the No. 1 company as Best worthwhileness place of work

- Train and attract human resources to support our development as a next-generation company, aiming to be the No. 1 place to work

Performance

- **Numerical targets**

Consolidated net sales: CAGR of at least 5%

Consolidated operating income before deduction of R&D expenses:

At least 20% of net sales

(Operating income + R&D expenses)

- **Capital policy and shareholder returns**

While maintaining the sound financial base, we aim to improve the capital efficiency through growth investment and returns to shareholders.

We will maintain stable dividends taking DOE (Dividend on Equity ratio) into account.