

# Financial Results

## Ended March 2023

**May 12 , 2023**

**KYORIN Pharmaceutical Co., Ltd.**

**Representative Director, President and CEO**

**Yutaka Ogihara**





## Outline of Consolidated Financial Results

Trends of mainstay products, generic product

## Consolidated Financial Forecast

## Status of R&D Pipeline

## Overview of the Long-term Vision “HOPE 100 –Stage 3–”

## New Long-term Vision “Vision 110”<sup>(FY2023-FY2032)</sup>

## and Medium-term Business Plan “Vision 110 –Stage 1–”

<sup>(FY2023-FY2025)</sup>

## Outline of Consolidated Financial Results

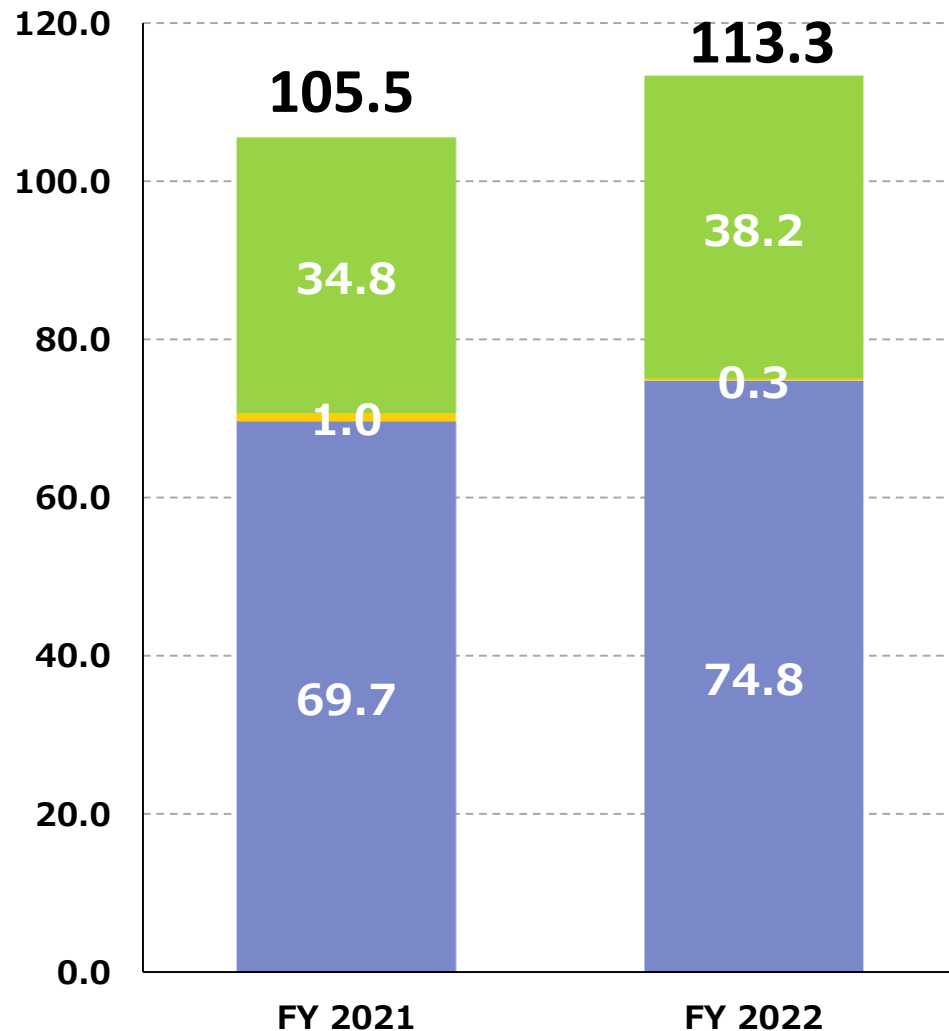
# Breakdown of Gain and Loss FY2022



(Units: JPY billions)

	FY2021	FY2022	Year-on-year		Vs forecast (announced on May 11, 2022)
			Change	Change (%)	Change
<b>Net Sales</b>	<b>105.5</b>	<b>113.3</b>	<b>+7.8</b>	<b>+7.3</b>	<b>+ 1.3</b>
New drugs, etc. (Japan)	69.7	74.8	+5.1	+7.2	+0.3
New drugs (Overseas)	1.0	0.3	-0.7	-70.1	-0.4
Generic drugs	34.8	38.2	+3.4	+9.8	+1.5
Cost of sales	<b>56.1</b>	<b>63.1</b>	<b>+7.0</b>	<b>+12.5</b>	-
SG&A (R&D)	<b>44.4</b> (8.9)	<b>45.0</b> (10.9)	<b>+0.6</b> (+2.0)	<b>+1.4</b> (+22.5)	- (0)
Operating profit	<b>5.0</b>	<b>5.1</b>	<b>+0.1</b>	<b>+2.3</b>	-0.4
Ordinary profit	<b>5.6</b>	<b>5.8</b>	<b>+0.2</b>	<b>+4.6</b>	-0.2
Profit attributable to owners of parent	<b>3.9</b>	<b>4.7</b>	<b>+0.8</b>	<b>+20.1</b>	+0.2

(Units: JPY billions)



## [Net Sales 113.3]

**New drugs, etc. (Japan): sales increased + 5.1**

[Factors of increase]

- New drugs (Beova, Dezalex, Lasvic) grew
- Increase in sales of out-licensing product (Beova)

[Factor of decrease]

- Decrease in sales of long-listed products

**New drugs (Overseas): sales decreased -0.7**

Decline in the income of lump-sum payment of out-licensing product

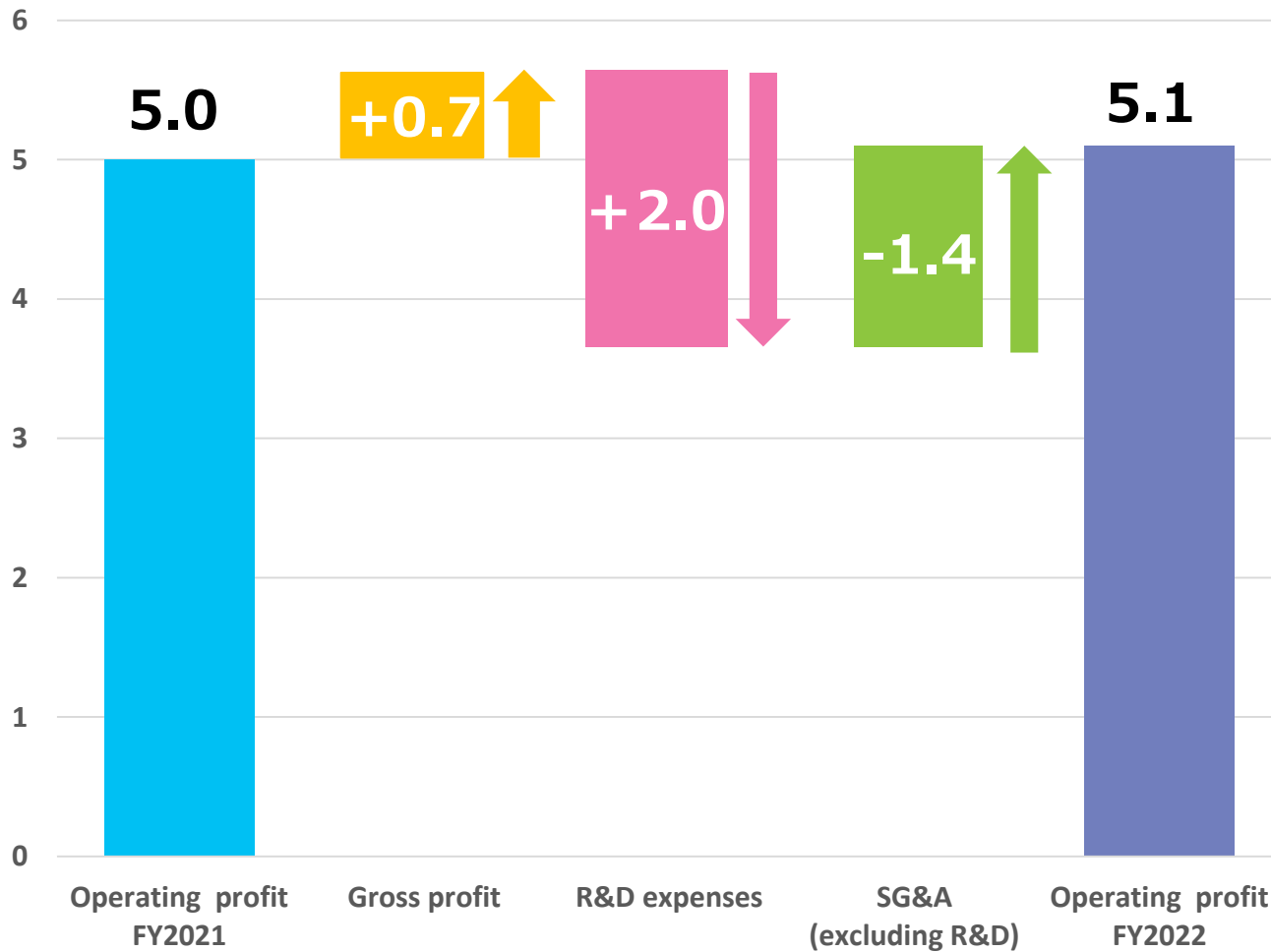
**Generic drugs: sales increased + 3.4**

- Increase in sales of Kipres AG and Nasonex AG etc.
- New generic drugs launched in FY2022 contributed to sales

# Highlights of Business Performance (2/3) YoY: Operating Profit



(Units: JPY billions)



**[Operation profit +0.1]**

**Gross profit increased** + 0.7

Net sales + 7.8

Cost of sales ratio + 2.5 %pt

Factor of Increase

New drugs (Beova, Dezalex etc) grew

Factor of Increase

NHI drug price revision (KYORIN Pharm: 8%)  
Sales increased in generic drugs,  
effect of exchange rate

**R&D expenses increased** + 2.0

8.9 (FY2021) ⇒ 10.9 (FY2022)

Progress of pipeline (Milestone payment etc.)

**SG&A (excluding R&D) decreased** - 1.4

35.5 (FY2021) ⇒ 34.1 (FY2022)

Decrease in selling, personal expenses and license fees etc.

• Decline of upfront payment posted in FY2021

# Highlights of Business Performance (3/3) vs Forecast



(Units: JPY billions)

	FY2021	FY2022	Year-on-year		vs forecast (announced on May 11, 2022)
			Change	Change (%)	Change
<b>Net Sales</b>	105.5	<b>113.3</b>	<b>+ 7.8</b>	<b>+ 7.3</b>	<b>+ 1.3</b>
New drugs, etc. (Japan)	69.7	74.8	+ 5.1	+ 7.2	+ 0.3
New drugs (Overseas)	1.0	0.3	- 0.7	- 70.1	- 0.4
Generic drugs	34.8	38.2	+ 3.4	+ 9.8	+1.5
Cost of sales	56.1	<b>63.1</b>	<b>+ 7.0</b>	<b>+ 12.5</b>	-
SG&A (R&D)	44.4 (8.9)	<b>45.0</b> <b>(10.9)</b>	<b>+ 0.6</b> <b>(+ 2.0)</b>	<b>+ 1.4</b> <b>(+ 22.5)</b>	- <b>(0)</b>
Operating profit	<b>5.0</b>	<b>5.1</b>	<b>+ 0.1</b>	<b>+ 2.3</b>	<b>- 0.4</b>
Ordinary profit	5.6	<b>5.8</b>	<b>+ 0.2</b>	<b>+ 4.6</b>	<b>- 0.2</b>
Profit attributable to owners of parent	3.9	<b>4.7</b>	<b>+ 0.8</b>	<b>+ 20.1</b>	<b>+ 2.0</b>

## 【Difference from the Forecast (Announced on May 11, 2022)】

Net sales: Sales of new drugs etc. (Japan) and generic drugs exceeded forecast due to increase in sales of Desalex, Nasonex, Kipres AG accompanying high volume of Airborne pollen.

Operating profit: Gross profit was lower than forecast due to increase of cost of sales ratio, since sales in new drugs came lower than estimated and sales in generic drugs were increased. SG&A expenses were lower than forecast. As a result, operating profit was slightly lower than forecast. R&D expenses were ¥10.9 bln.

Profit: Extraordinary profit of ¥1,979 mln (gain on insurance of ¥881 mln, income of compensation for damages of ¥401 mln, regarding a fire at Nishinohon delivery center, gain on sale of investment securities ¥685 mln)

Extraordinary loss of ¥900 mln (Impairment losses of ¥110 mln, provision for loss on liquidation of subsidiaries and associates of ¥605 mln regarding dissolution of ActivX) | 7

# FY2022 Main Product Sales Update



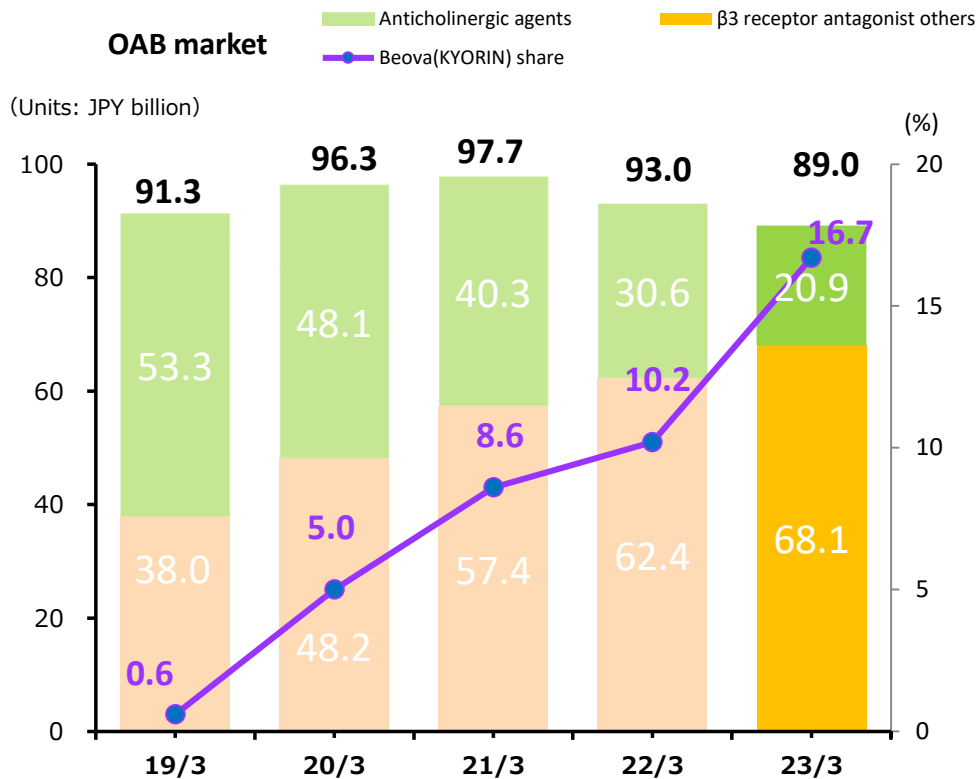
(Units: JPY billions)

		FY2021	FY2022	Year-on-year		vs Forecast (announced on May 11, 2022) Change
				Change	Change (%)	
New drugs, etc. (Japan)	<b>Beova (KYORIN)</b> (β3 adrenergic receptor agonist overactive bladder therapeutics )	8.6	<b>12.9</b>	+ 4.3	+ 49.8	- 1.2
	<b>Lasvic</b> (New quinolone synthetic antibacterial agent)	1.8	<b>2.5</b>	+ 0.7	+ 35.0	- 0.5
	<b>Lyfnua</b> (selective P2X3 receptor antagonist / chronic cough)	—	<b>0.2</b>	+ 0.2	—	- 0.3
	<b>Desalex</b> (Antiallergic Agent)	7.1	<b>8.5</b>	+ 1.4	+ 20.6	+ 0.5
	<b>Flutiform</b> (Combination drug for asthma treatment)	12.6	<b>12.0</b>	- 0.6	- 4.8	0
	<b>Pentasa</b> (Ulcerative colitis and Crohn’s disease treatment)	14.0	<b>12.8</b>	- 1.2	- 8.4	+ 0.3
	<b>Kipres</b> (Leukotriene Receptor Antagonist)	8.4	<b>6.6</b>	- 1.8	- 21.7	- 0.2
	<b>Mucodyne</b> (Mucoregulator)	3.5	<b>3.5</b>	0	+ 1.5	+ 0.6
	<b>Nasonex</b> (Spray type allergic rhinitis remedy)	2.4	<b>2.5</b>	+ 0.1	+ 4.1	+ 0.7
	<b>Uritos (KYORIN)</b> (Therapeutic agent for overactive bladder)	1.3	<b>0.7</b>	- 0.6	- 44.2	0
	<b>Milton</b> (Disinfectant)	2.1	<b>2.0</b>	- 0.1	- 2.4	0
	<b>Rubysta</b> (Disinfectant)	2.1	<b>2.1</b>	0	- 0.7	+ 0.1
Generic drugs	<b>Montelukast tablets “KM”</b> (Leukotriene Receptor Antagonist)	12.2	<b>13.3</b>	+ 1.1	+ 9.5	+ 2.6
	<b>Mometasone Nasal 50mg “KYORIN”</b> (Spray type allergic rhinitis remedy)	3.6	<b>4.7</b>	+ 1.1	+ 28.5	+ 1.1
	<b>Imidafenacin tablets &amp; OD “KYORIN”</b> (Therapeutic agent for overactive bladder)	0.8	<b>0.7</b>	- 0.1	- 9.9	+ 0.2



## Trends of Mainstay Products and Generic Drugs

# [Mainstay products] Beova (Therapeutic agent for OAB)



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## OAB market: Shrink 4.3%

93.0 (Mar 2022 MAT) ⇒ 89.0 (Mar 2023 MAT)\*

- NHI drug price revision and launch for generic drug
- Market expansion of beta3 adrenergic receptor (+9.1%)

## Share of Beova (KYORIN) sales: Expand 6.5%pt

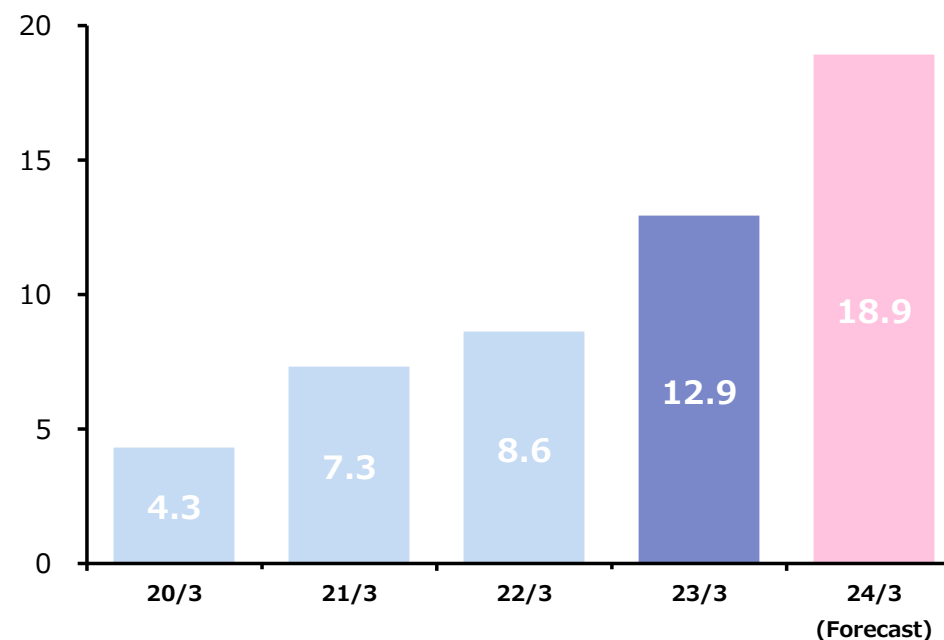
10.2% (Mar 2022 MAT) ⇒ 16.7% (Mar 2023 MAT)\*

## Medium to long-term market outlook

Shrinking market due to NHI drug price revision and launch generic drug  
Market expansion for beta3 adrenergic receptor

## Sales

(Units: JPY billion)



## Status in FY2022

NHI drug price revision in Apr 2022: - 4.6%

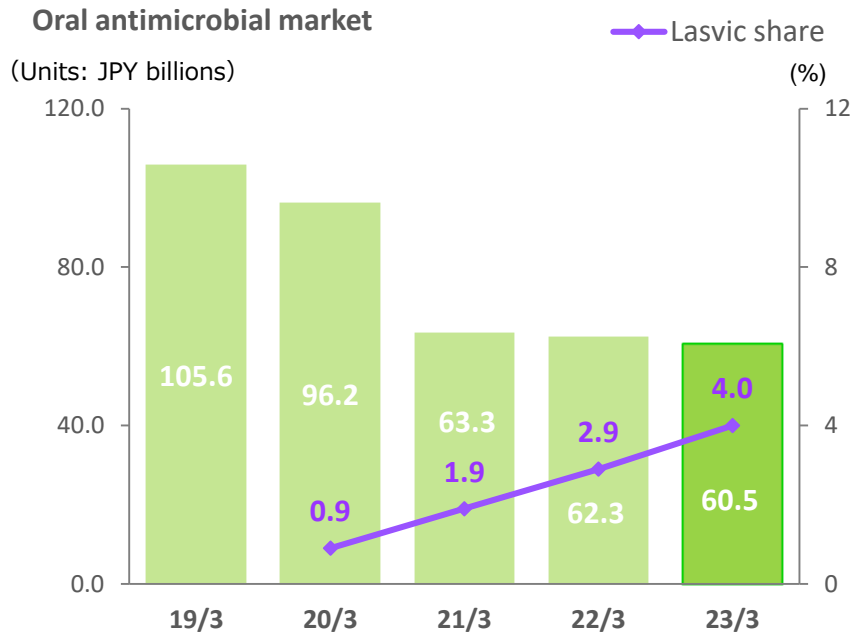
- End of restrictions on shipment in Aug 2022
- Focus on providing information
- Patients acquisition rate of OAB agents: No.1 (for Vibegron)

## Effort for FY2023

NHI drug price revision in Apr 2023: - 4.6%

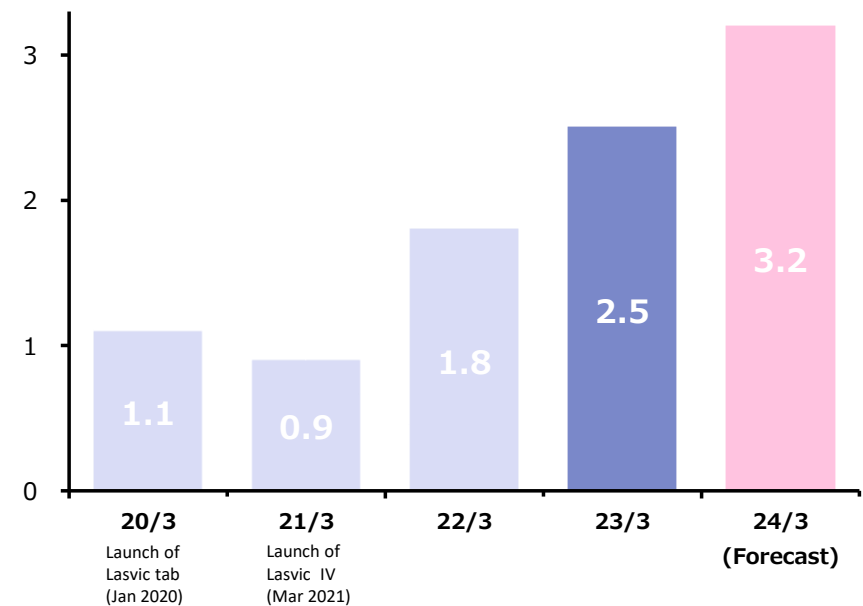
- Promotion to expand patients acquisition rate of OAB agents
- Aim to establish evaluation of Beova as first line treatment for OAB

# [Mainstay products] Lasvic (New quinolone synthetic antibacterial agent) *Kyorin*



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### Sales



#### Oral antimicrobial market: Shrink 2.9%

62.3 (Mar 2022 MAT) ⇒ 60.5 (Mar 2023 MAT)\*

- Reducing the number of patients due to infection prevention measure result to shrink market.

#### Share of Lasvic sales: Expand 1.1 %pt

2.9% (Mar 2022 MAT) ⇒ 4.0% (Mar 2023 MAT)\*

#### Medium to long-term market outlook

Expect to tend to remain flat in oral antimicrobial market for respiratory and otolaryngology

#### Status in FY2022

NHI drug price revision in Apr 2022: - 3.2% (oral), - 0.9% (iv)

- Expand prescriptions in elderly or patients with underlying disease in infection disease

#### Effort for FY2023

NHI drug price revision in Apr 2023: - 5.3% (oral), - 0% (iv)

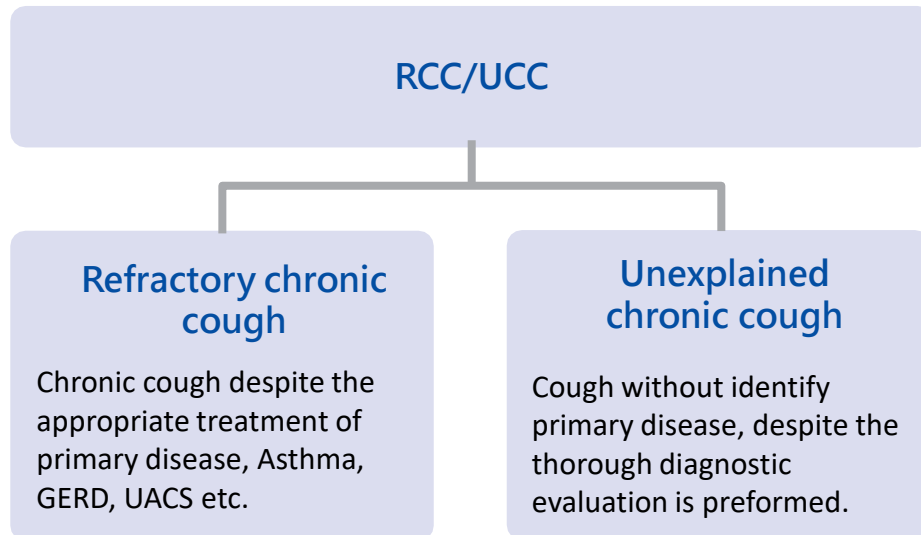
- Aim to be first line treatment for old people/patients with disease
- Strive for improving the recognition as the drug recommended by the guideline
- Aim to be No.1 share in new quinolone market

## The number of estimated patients

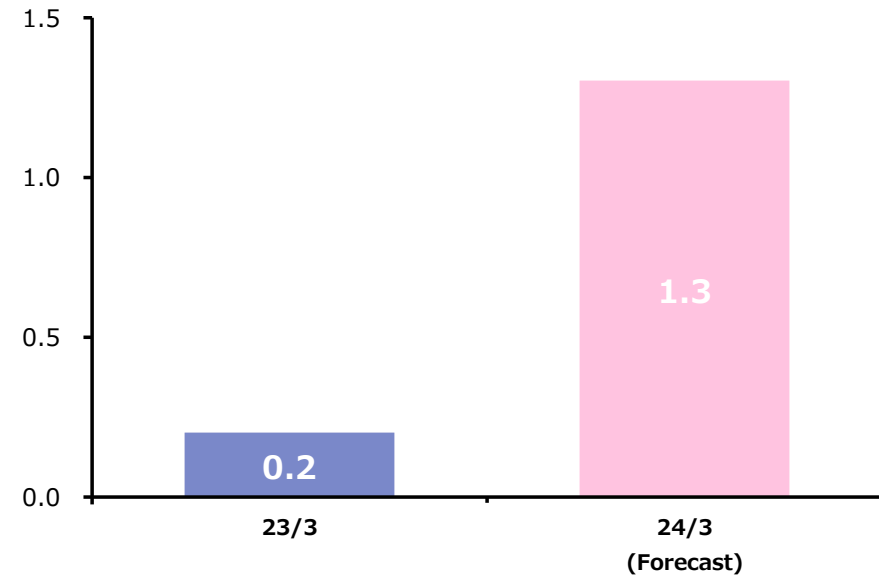
Chronic cough patients  
**2,500 K**

RCC/UCC patients  
**400 K ~ 500 K**

## Definition of Refractory/Unexplained Chronic Cough



## Sales



### Status in FY2022

- Enhancement of better understanding for product characteristic to respiratory specialists
  - Strive to promote in university hospitals or core hospitals
- Issue: Difficult to diagnosis and recognize the patients of RCC/UCC

### Effort for FY2023

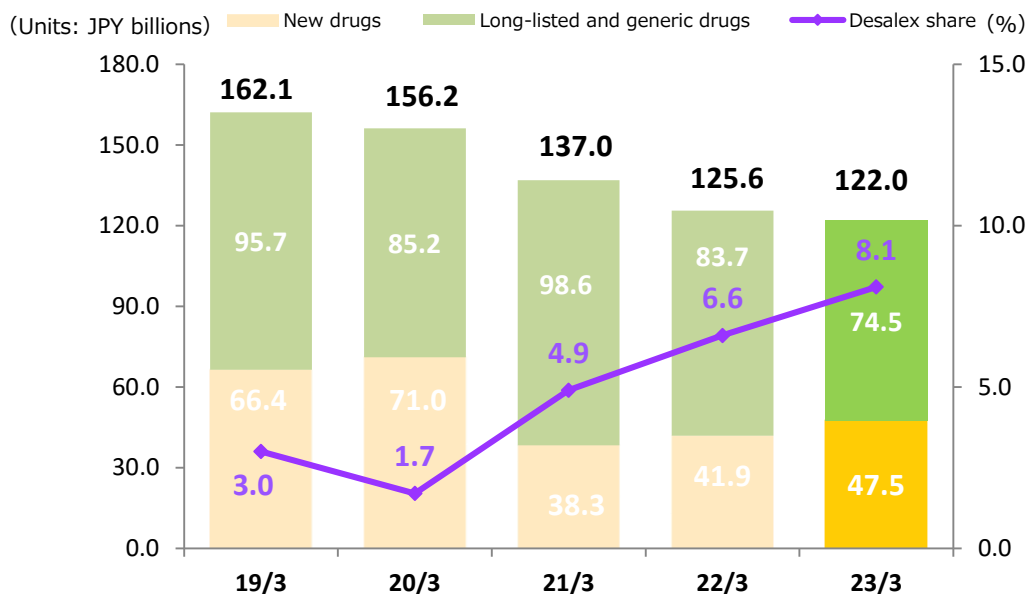
Dismantling of prescription limitation on May

- Appealing that Lyfnua is the only drug which has indication for refractory chronic cough
- Growth of prescriptions for the patients with chronic cough despite treatment
- Spread of understanding from Dr to Dr

# [Mainstay products] Desalex (Antiallergic Agent)

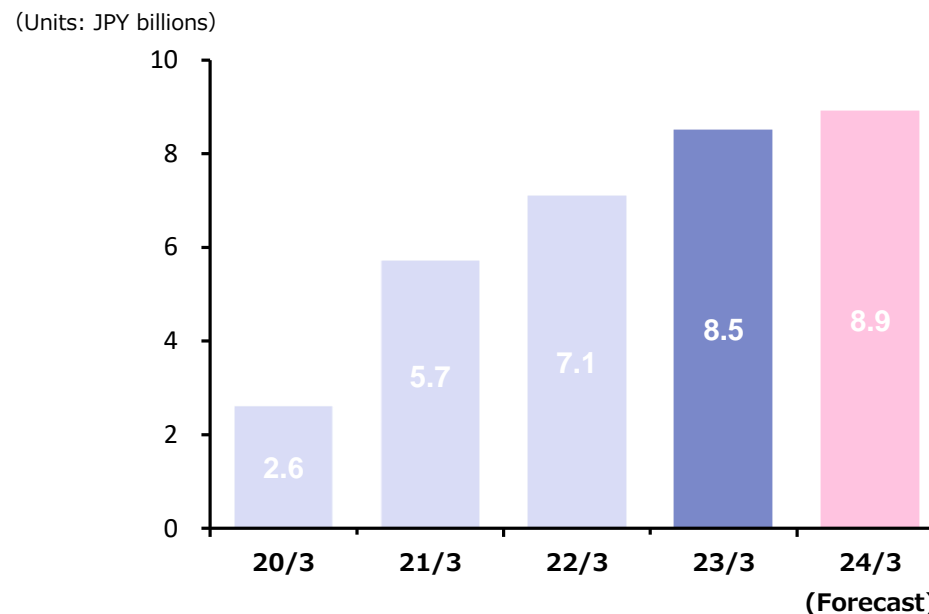


## Antihistamine market



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## Sales



### Antihistamine Market: Shrink 2.8%

125.6 (Mar 2022 MAT) ⇒ 122.0 (Mar 2023 MAT)\*1

● Shrinking market due to NHI drug price revision and launch generic drug

### Share of Desalex sales: Expand 1.5 %pt

6.6% (Mar 2022 MAT) ⇒ 8.1% (Mar 2023 MAT)\*1

● Dec 2018 single month : 6.3% (Before supply suspension)  
⇒ 10.0%\*2 (Mar 2023 single month)

### Medium to long-term market outlook

Shrinking market due to NHI drug price revision and launch generic drug

### Status in FY 2022

NHI drug price revision in Apr 2022: - 9.6%

● Appealing as effective and usability drug

Usability: less sleepiness, no-limitation for drive, administration with or without meals

### Effort for FY 2023

NHI drug price revision in Apr 2023: - 9.1%

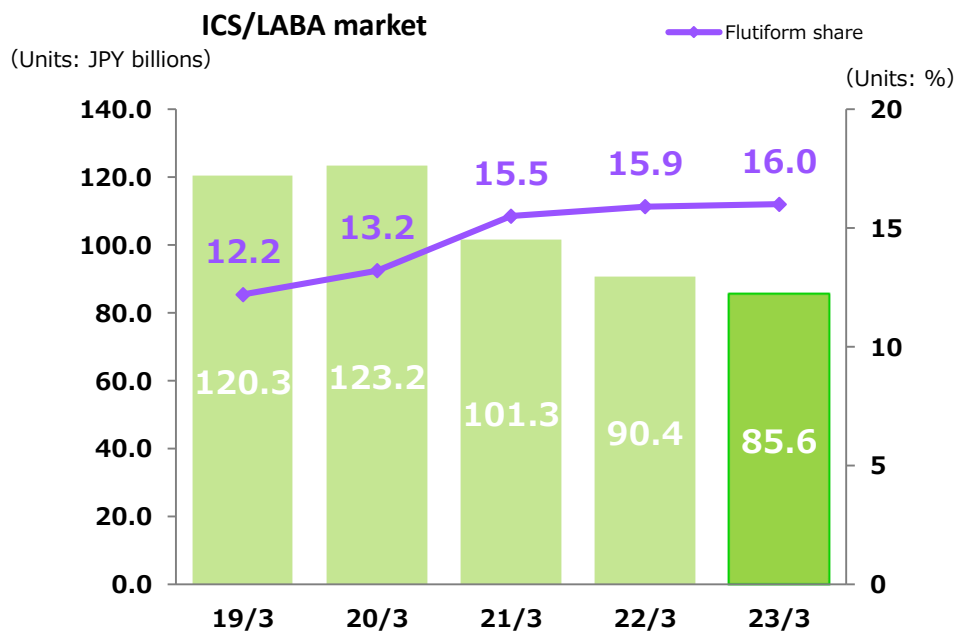
Aim to be first line treatment as effective and usability drug

● Aim to be No.1 prescription in otolaryngology

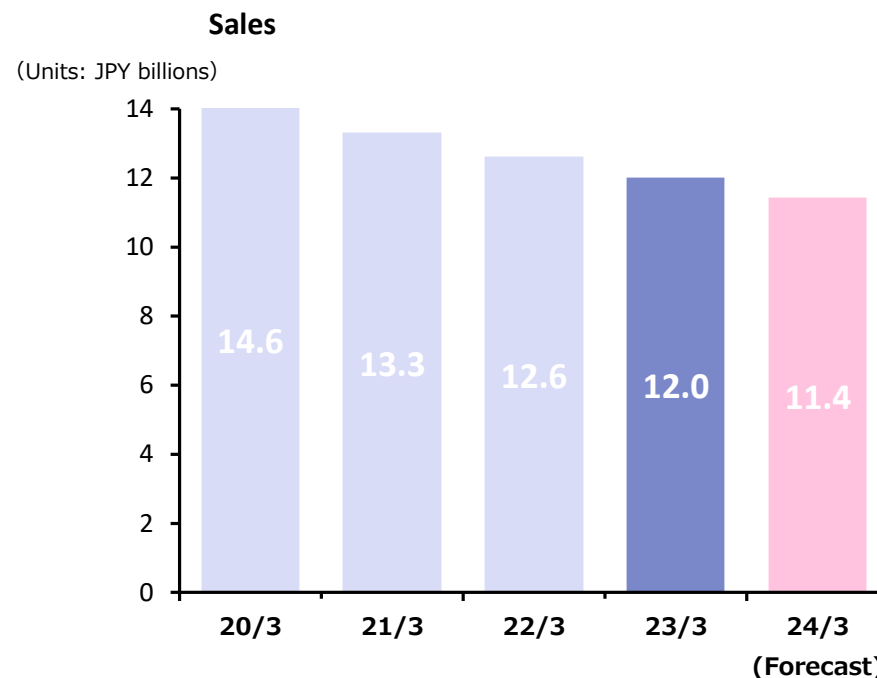
\*1: Copyright © 2023 IQVIA. JPM Calculated based on Mar 2022 MAT, Mar 2023 MAT Reprinted with permission

\*2: Copyright © 2023 IQVIA. JPM Calculated based on Dec 2018 single month, Mar 2023 single month Reprinted with permission

# [Mainstay products] Flutiform (Anti-asthmatic)



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## ICS/LABA market: Shrink 5.4%

90.4 (Mar 2022 MAT) ⇒ 85.6 (Mar 2023 MAT)<sup>\*1</sup>

- Impact of NHI drug price revision and expansion of triple therapy
- Launch of GE in competing product

## Share of Flutiform sales: Expand 0.1 %pt

15.9% (Mar 2022 MAT) ⇒ 16.0% (Mar 2023 MAT)<sup>\*1</sup>

## Medium to long-term market outlook

Shrinking market due to NHI drug price revision and launch generic drug

<sup>\*1</sup> Copyright © 2023 IQVIA. JPM Calculated based on Apr-Sep 2021, Apr-Sep 2022 Reprinted with permission

## Status in FY 2022

NHI drug price revision in Apr 2022: - 6.2%

- Appeal the utility of aerosol formulations to suitable for patient with weak inspiration
- Increase market share on a volume-basis 17.3% (Mar 2022 single month) ⇒ 17.8% (Mar 2023 single month)

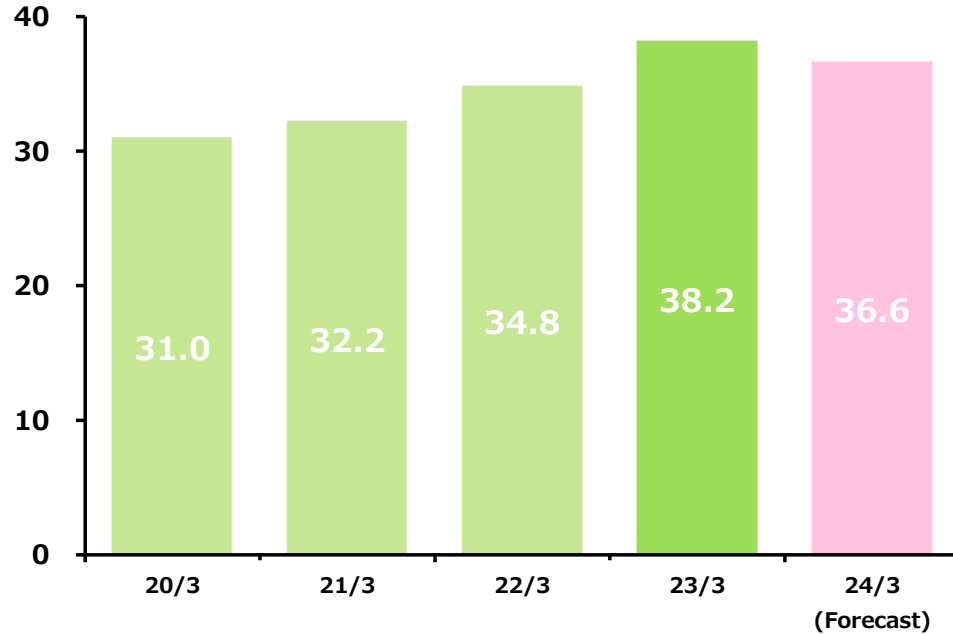
## Effort for FY 2023

NHI drug price revision in Apr 2023: - 6.1%

- Appeal the utility and easy-to-use of aerosol formulation
  - Elderly patients and those have inflammations of small airways in asthma
- Aim to sustainable growth

## Sales in GE

(Units: JPY billions)

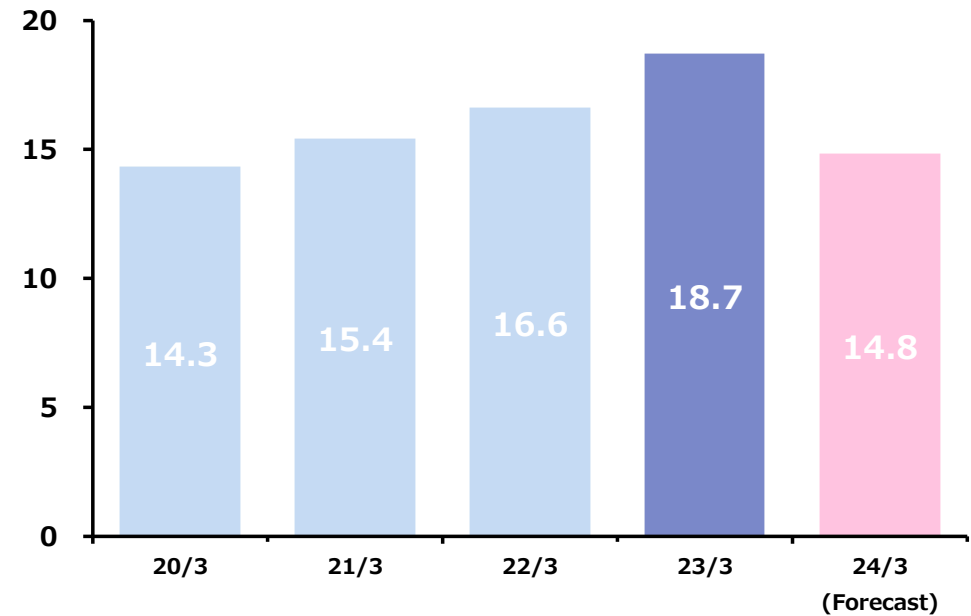


### Status in FY2022

- Increased market share for strategic products
- Launched new products
  - Jun 2022
    - Febuxostat tablets 10mg/20mg/40mg
    - Duloxetine Capsules 20mg/30mg
  - Dec 2022
    - Ramelteon Tablets 8mg
    - Esomeprazole Capsules 10mg/20mg

## Sales in AG (three products) among with the sales at left

(Units: JPY billions)



### Effort for FY2023

- Expand sales of strategic products
- Strive for stable supply
  - Optimization of manufacturing and order plan
- Launch new products
  - June 2023
    - Eplerenome tablets 25mg/50mg/100mg
    - Fluticasone FR Nasal Solution 27.5µg 50/120
    - Azilsartan OD tablets 20mg/40mg

**Consolidated Financial Forecast FY2023**



# Consolidated Financial Forecast FY2022



(Unit: JPY billion)

	FY2022	FY2023	Year-on-year	
			Change	Change (%)
<b>Net Sales</b>	<b>113.3</b>	<b>116.2</b>	<b>+ 2.9</b>	<b>+ 2.6</b>
New drugs, etc. (Japan)	74.8	79.1	+ 4.3	+ 5.8
New drugs (Overseas)	0.3	0.4	+ 0.1	+ 29.6
Generic drugs	38.2	36.6	- 1.6	- 4.2
Cost of sales	<b>63.1</b>	-	-	-
SG&A (R&D)	<b>45.0</b> <b>(10.9)</b>	- <b>(9.6)</b>	- <b>(- 1.3)</b>	- <b>(- 12.0)</b>
Operating profit	<b>5.1</b>	<b>6.0</b>	<b>+ 0.9</b>	<b>+ 17.1</b>
Ordinary profit	<b>5.8</b>	<b>6.5</b>	<b>+ 0.7</b>	<b>+ 11.5</b>
Profit attributable to owners of parent	<b>4.7</b>	<b>4.9</b>	<b>+ 0.2</b>	<b>+ 3.7</b>

## 【Key factors for Increase/decrease (Year-on-Year)】

Net sales : The sales of new drugs (Japan) are expected to increase due to expansion in sales of mainstay products, Beova, Lyfnua and Lasvic etc. The sales of generic are expected to decrease due to decline of sales in AG etc. Net sales are expected to increase.

Operating profit: Gross profit are expected to increased although impact on NHI drug price revisions. Operating profit are expected to increase despite increase SG&A expenses.

Cost of sales ratio: approx. - 1.5%pt. SG&A expenses (excluding R&D expenses): approx. +2%pt. R&D expenses: - 1.3 (from 10.9 to 9.6 billion yen)

# Forecast of Mainstay Products Sales



(Unit: JPY billions)

		FY2022	FY2023 (Forecast)	Year-on-year	
				Change	Change (%)
New drugs, etc. (Japan)	<b>Beova (KYORIN)</b> (β3 adrenergic receptor agonist overactive bladder therapeutics )	<b>12.9</b>	<b>18.9</b>	+ 6.0	+ 46.8
	<b>Lasvic</b> (New quinolone synthetic antibacterial agent)	<b>2.5</b>	<b>3.2</b>	+ 0.7	+ 32.6
	<b>Lyfnua</b> (Selective P2X3 receptor antagonist / chronic cough)	<b>0.2</b>	<b>1.3</b>	+ 1.1	+ 595.4
	<b>Desalex</b> (Antiallergic Agent)	<b>8.5</b>	<b>8.9</b>	+ 0.4	+ 4.6
	<b>Flutiform</b> (Combination drug for asthma treatment)	<b>12.0</b>	<b>11.4</b>	- 0.6	- 4.2
	<b>Pentasa</b> (Ulcerative colitis and Crohn's disease treatment)	<b>12.8</b>	<b>11.8</b>	- 1.0	- 7.0
	<b>Kipres</b> (Leukotriene Receptor Antagonist)	<b>6.6</b>	<b>5.3</b>	- 1.3	- 19.2
	<b>Mucodyne</b> (Mucoregulator)	<b>3.5</b>	<b>3.0</b>	- 0.5	- 12.5
	<b>Nasonex</b> (Spray type allergic rhinitis remedy)	<b>2.5</b>	<b>1.2</b>	- 1.3	- 49.6
	<b>Uritos (KYORIN)</b> (Therapeutic agent for overactive bladder)	<b>0.7</b>	<b>0.2</b>	- 0.5	- 58.9
	<b>Milton</b> (Disinfectant)	<b>2.0</b>	<b>1.9</b>	- 0.1	- 1.0
<b>Rubysta</b> (Disinfectant)	<b>2.1</b>	<b>2.1</b>	0	+ 3.0	
Generic drugs	<b>Montercast tablets "KM"</b> (Leukotriene Receptor Antagonist)	<b>13.3</b>	<b>11.0</b>	- 2.3	- 16.7
	<b>Mometasone Nasal 50mg "KYORIN"</b> (Spray type allergic rhinitis remedy)	<b>4.7</b>	<b>3.4</b>	- 1.3	- 26.6
	<b>Imidafenacin tablets &amp; OD"KYORIN"</b> (Therapeutic agent for overactive bladder)	<b>0.7</b>	<b>0.4</b>	- 0.3	- 30.7

## Capital Policy

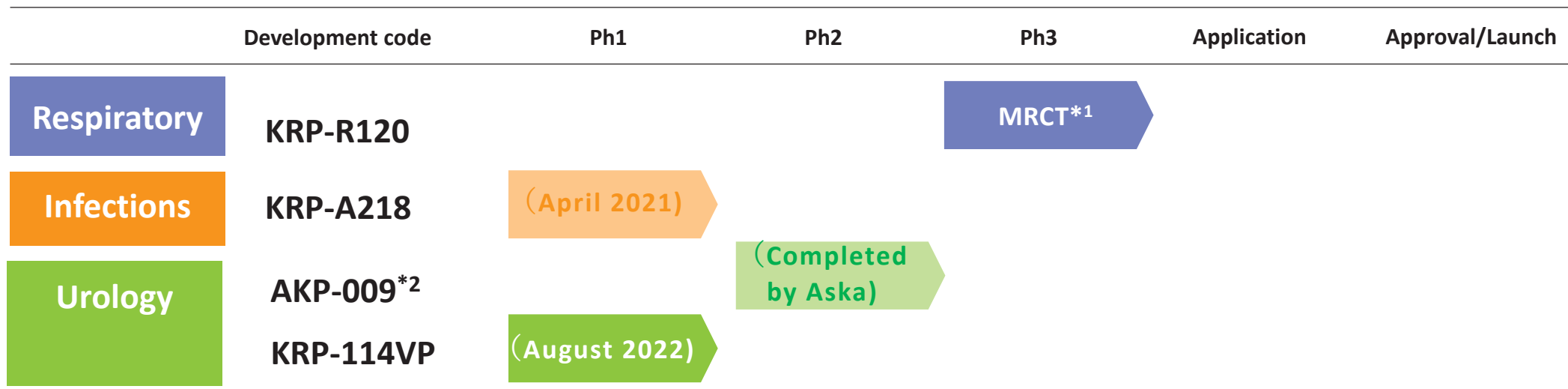
- While maintaining the sound financial base, we aim to improve the capital efficiency through growth investment and returns to shareholders
- We will maintain stable dividends taking DOE (Dividend on Equity ratio) into account

## Dividend

	FY2020	FY2021	FY2022	FY2023 (Forecast)
Dividend per share (Yen)	<b>¥75</b> (Year-end ¥45)	<b>¥52</b> (Year-end ¥32)	<b>¥52</b> (Year-end ¥32)	<b>¥52</b> (Year-end ¥32)
Consolidated payout ratio	70.9%	76.9%	<b>64.0%</b>	<b>61.7%</b>

○The year-end dividend of 32 yen have been decided at in the Board Meeting scheduled in May 22, 2023

## Status of R&D Pipeline



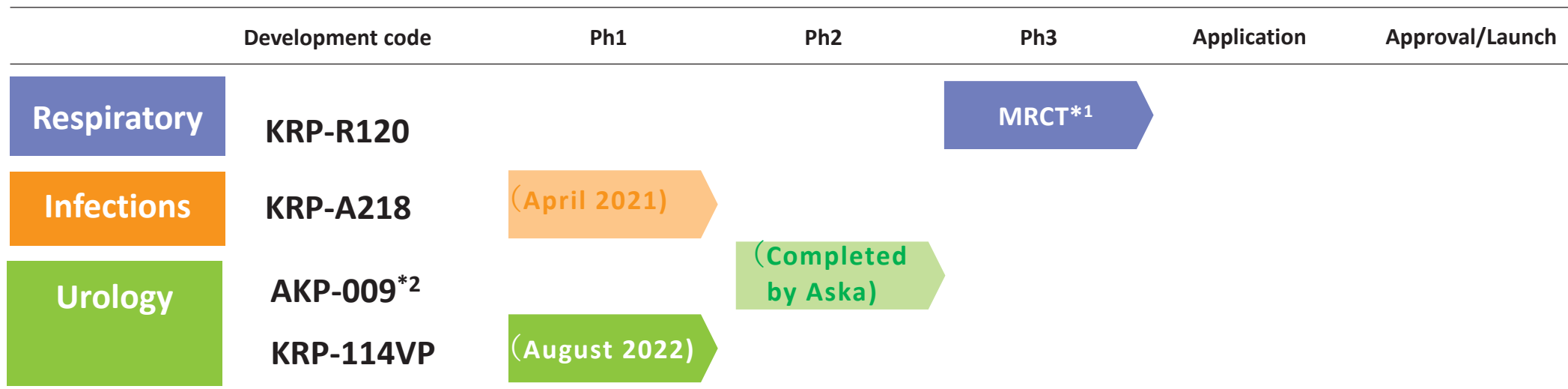
\*1 MRCT: Multi-Regional Clinical Trials

\*2 Additional Ph1 study to confirm the maximum effect at a higher dose has been completed (ASKA)

## [ Licensed Compound ]

Compound/Code	Licensee	Stage	Features
<b>KRP-203</b>	<b>Priothera</b>	<b>Ph3</b>	<ul style="list-style-type: none"> <li>● Sphingosine-1-Phosphate receptor Agonist</li> <li>● Target: AML patients undergoing HSCT</li> <li>● Assignment of IP and drug substances (Sep. 2020)</li> </ul>

# Plan of R&D Pipeline in FY2023



\*1 MRCT: Multi-Regional Clinical Trials

\*2 Ph1 study under preparation (ASKA)

## [ Licensed Compound ]

Compound/Code	Licensee	Stage	Features
KRP-203	Priothera	Ph3	<ul style="list-style-type: none"> <li>● Sphingosine-1-Phosphate receptor Agonist</li> <li>● Target: AML patients undergoing HSCT</li> <li>● Assignment of IP and drug substances (Sep. 2020)</li> </ul>

## [ DTx development ]

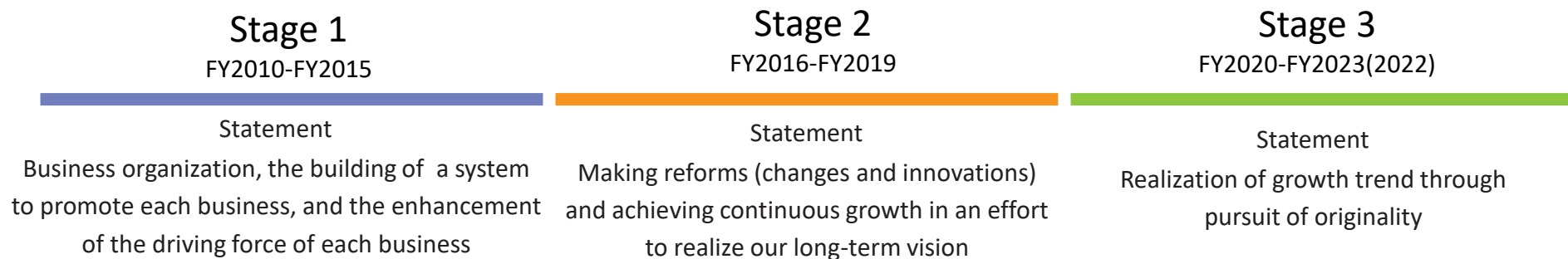
Compound/Code	Proposed Indication	Features
KRP-DT123	Tinnitus	<ul style="list-style-type: none"> <li>● Specified clinical trial is scheduled</li> </ul>

**Initiative toward Realization of the Long-term Vision “HOPE 100”**

## Long-Term Vision [HOPE100]

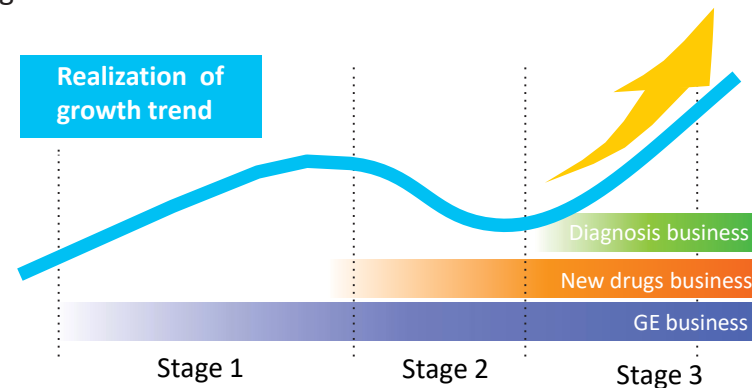
### Statement

The Kyorin Group will promote diversified healthcare business expansion and by 2023 be recognized both within and outside 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 in an integrated manner to widely support people’s health.



**Renovated our structure and formulate a new long-term vision in FY2023, the 100th anniversary of our founding**



Statement

# Realize growth trend by pursuing Kyorin’s originality

**Business 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**

- Aim to be the No. 1 company for career fulfillment

**Performance Targets**

- Growth potential and profitability
- Capital policy and shareholder returns

## Strategy

1	Shift to business based on the proposal of solutions and accelerate the growth of new drug groups	<ul style="list-style-type: none"> <li>• Solution-based marketing activities</li> <li><b>Ratio of new drugs Launched</b> Projected: at least 50% Actual: 42.0% (FY2022)</li> <li>FY2020: Lasvic IV</li> <li>FY2021: Zymso</li> <li>FY2022: Lyfnua</li> <li><b>LCM</b> FY2020: Flutiform (additional indication n pediatric patients)</li> </ul>
2	Enhance pipeline to support medium-term growth	<ul style="list-style-type: none"> <li><b>In-license</b> FY2020: AKP-009</li> <li>FY2021: Lyfnua (MSD), Lagevrio (co-promotion agreement with MSD)</li> <li>FY2022: Agent for Fabry disease (CellGen Tech)</li> <li>FY2022: DTx in otolaryngology (SUSMED)</li> <li><b>LCM</b> FY2022: KRP-114VP (Ph1 in pediatric patients)</li> </ul>
3	Strengthen drug discovery capability to realize the creation of innovative new drugs	<ul style="list-style-type: none"> <li><b>In-house</b> FY2021: KRP-A218</li> <li>FY2021: FPR2 program (discontinued)</li> <li>• ActivX (Dissolution in FY2022)</li> </ul>
4	Improve cost competitiveness	<ul style="list-style-type: none"> <li>• GE drugs: launched 6 ingredients (average for the past 3 years)</li> <li>• Construction of Takaoka new plant (The operation is scheduled in Apr 2024)</li> </ul>
5	Expand overseas revenue	<ul style="list-style-type: none"> <li><b>Out-license</b> FY2020: KRP-203 (Priothera), hearing-loss (Otonomy), Vibegron (Eisai)</li> <li>FY2021: Lascufloxacin (Nanjing Neiwa Faith)</li> <li>FY2022: Vibegron (Sumitomo Pharma)</li> </ul>

## Organization

	Aim to be the No. 1 company for career fulfillment	<ul style="list-style-type: none"> <li>• Flexible working style</li> <li>• Initiatives for health management</li> </ul>
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## ■ Performance to realize sustainable growth

Growth potential	Net Sales	CAGR at least 5%	▶	<b>+ 1.0%</b>
Profitability	Operating profit before deduction of R&D expenses	At least 20% of net sales		<b>14.2%</b>

### <Negative Factors>

Revision of the NHI drug price

Annual NHI drug price revisions, applied to items with an average deviation rate of “exceed 0.625 times”

COVID-19 pandemic caused:

- Suppression by patients of visiting medical institutions
- Shrink market of mainstay products

Markets of mainstay products (year on year)

FY2020	85.4%*
FY2021	95.0%*
FY2022	97.3%*

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## ■ Shareholders returns

Aiming for stable divisions

Taking into increase by demand for funds for investment for growth, including the expansion of the development pipeline and capital expenditure, we have lowered the DOE

## Our Issue

### New drugs business (core business)

- Continued the development of new drugs
- Expansion of development pipeline
- Growth of new drugs

### Healthcare-related business

- Growth in GE business
- Stable supply of products, stable procurement of API
- Enhancement of the diagnostics business

### Corporate foundation

- Cost competitiveness
- Environmental issues, compliance, and governance, etc.

**New long-term vision “Vision 110”(FY2023-FY2032)  
and medium-term business plan “Vision 110 –Stage 1 –”(FY2023-FY2025)**

Long-term Vision

# Vision 110

Vision for 110<sup>th</sup> anniversary

[Our goal]

A company that contributes broadly to people's health by comprehensively developing healthcare-related businesses, with a core focus on the new drug business, which continuously provides high-value new drugs that meet medical needs

[Term]

10 years: FY2023 - FY2032

Medium-term business plan

Stage 1 | FY2023 - FY2025

Stage 2 | FY2026 - FY2029

Stage 3 | FY2030 - FY2032

# Vision 110

Stage 1

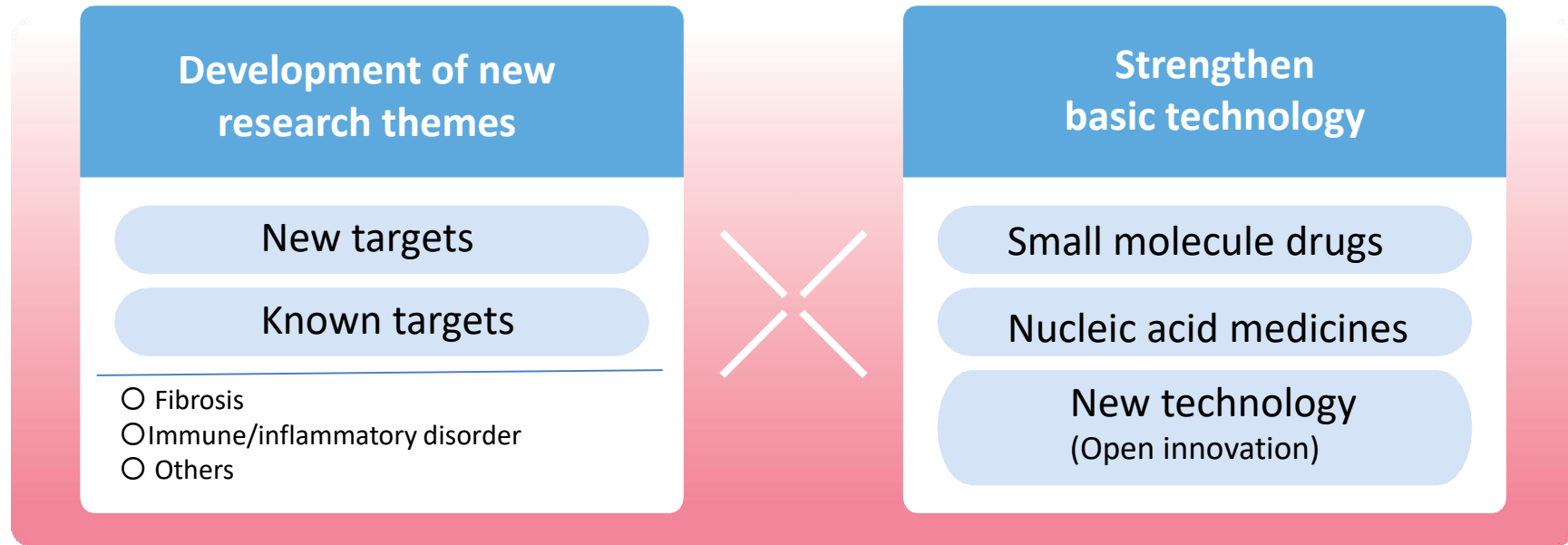
1. Strengthening drug discovery capability to create high-value new drugs that meet medical needs
2. Expansion of development pipeline through in-licensing
3. Maximization of the ratio of new drugs
4. Promoting healthcare-related businesses that have synergies with the new drugs business
5. Building a sustainable corporate foundation

● Strategic image

	Stage 1	Stage 2-3
New drugs business	<p><b>Drug Discovery</b></p> <p>Strengthen the drug discovery capability to create high-value new drugs that meet medical needs</p> <ul style="list-style-type: none"> <li>○Try for drug innovation through new drug discovery strategies</li> </ul> <p>Reorganization</p> <p>Creation of new drugs from long-term perspective</p>	»»
	<p><b>Development</b></p> <p>Expansion of development pipeline through in-licensing</p> <ul style="list-style-type: none"> <li>○Significantly strengthen in-licensing ability</li> <li>○Promote DTx development</li> </ul> <p>Investment of resource</p> <p>Enhancement of development pipeline</p>	»»
	<p><b>Marketing, SCM, Reliability Assurance</b></p> <p>Maximization of the ratio of new drugs</p> <ul style="list-style-type: none"> <li>○Maximize the extension of new drugs</li> <li>○Ensure the stable supply of high-quality drugs</li> </ul> <p>Driving force of revenue</p> <p>Maximization of profitability</p>	»»
Healthcare-related business	<p><b>GE business</b></p> <ul style="list-style-type: none"> <li>○Achieve sustainable growth in the generic drugs business</li> <li>○Strengthen production capacity for drugs and reduce manufacturing costs</li> </ul>	»»
	<p><b>Other business</b></p> <ul style="list-style-type: none"> <li>○Promote infectious disease-related business</li> </ul>	»»

# 1. Strengthening drug discovery capability to create high-value new drugs that meet medical needs

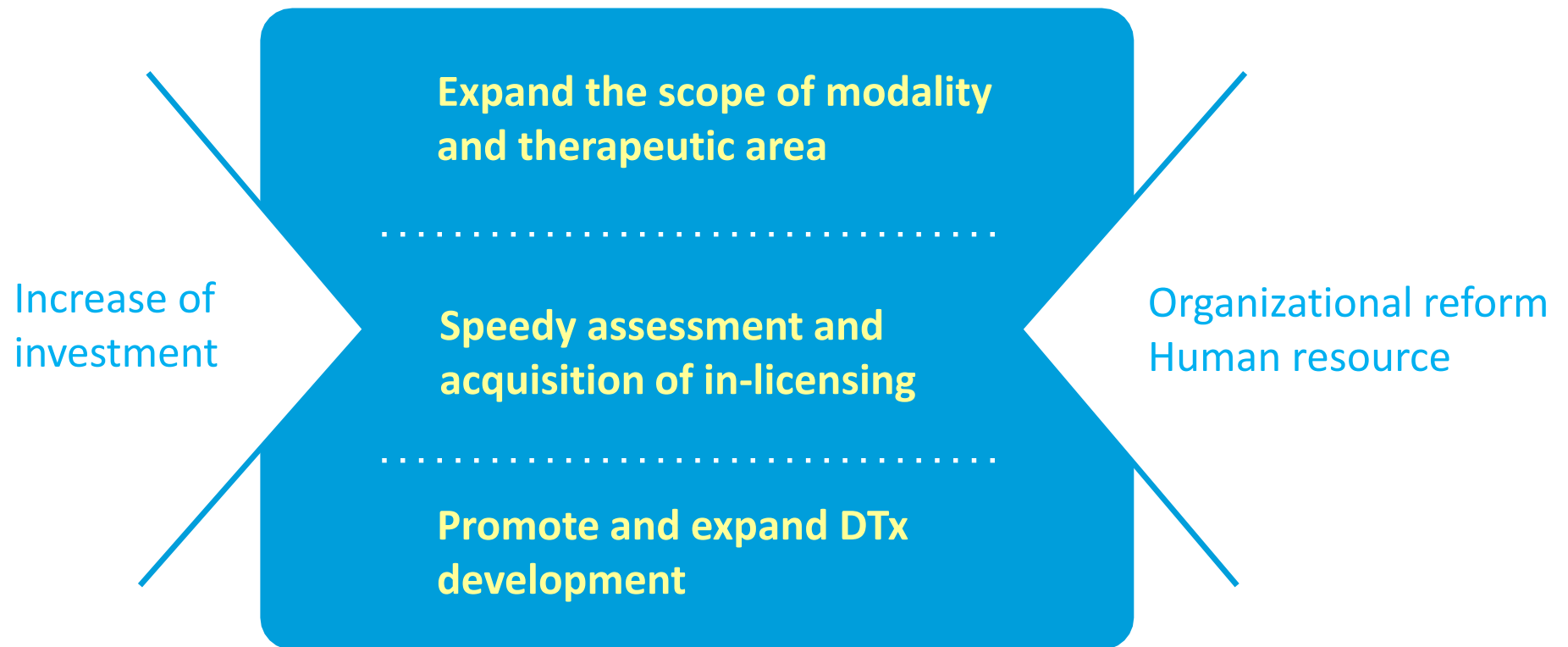
## Try for drug innovation through new drug discovery strategies



Drug discovery capability to create high-value new drugs that meet medical needs



Strengthen the foundation of new drug business by enhancement of in-licensing and alliance function and expansion of development pipeline



Target

At least 6 in-licensing items (each 1 item in early/late stage per year)

Products	Aimed status	Goal at FY2025	Sales (JPY billions)
<b>Beova®</b>	First-line treatment for OAB	<ul style="list-style-type: none"> <li>No.1 in OAB market as Beova in FY2023</li> <li>50% of patient's share</li> </ul>	<p><b>36.1</b> (FY2022)      <b>56.0</b> (FY2025)</p>
<b>Lasvic®</b>	First-choice antibacterial agent for elderly or patients with underlying disease in respiratory infection	<ul style="list-style-type: none"> <li>No.1 in oral new quinolone market in FY2023</li> <li>No.1 in new quinolone market in FY2025 for tablets/iv</li> </ul>	
<b>Lyfnua®</b>	Only one treatment for chronic cough	<ul style="list-style-type: none"> <li>FY2025 approx. 10,000 of GP approx. 2,000 of HP</li> </ul>	
<b>Dezalex®</b>	Effective and easy-to-use drug	<ul style="list-style-type: none"> <li>Sales of 10 billion yen in FY2025</li> </ul>	
<b>Fultiform®</b>	Aerosol for patients with weak inspiration	<ul style="list-style-type: none"> <li>Sustainable growth on volume-basis to FY2025 with CAGR of low single digit %</li> </ul>	

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Achieve sustainable growth in the generic drugs business

- Enhance an ability of drug development and accelerate growth business
- Strive to stable supply by enhancement of manufacturing and SCM structure
- Develop of low cost system along business environment

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Strengthen production capacity for drugs and reduce manufacturing costs

- Maximize manufacturing ability by operation at Takaoka plant and optimization each plants
- Improve reliability and stable manufacturing by raise the level of GMP
- Cost reduction by improvement activities

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Promote infectious disease-related business

- Develop of diagnostics business for future with enhancement in IVD area.
  - Spared of Rubysta and Milton brand
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Improve cost competitiveness

- Cost optimization along business environment

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Enhance human capital

- Human resource development for people leading Vision 110
- Revision of human resource system to improve career fulfillment
- Promote work-style reforms to meet divers of values
- Promote initiatives the Health Management

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Respond to environmental issues, compliance, governance, etc.

- Set target of cutting CO2 emissions in 2030 and commit proactively to approach it
  - Abide by all law, regulation, codes of conduct, and the spirit thereof and act with high ethical standard
  - Strengthen corporate governance
  - Appropriate actions to stakeholders
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■ Performance targets (consolidated basis)

Growth potential	“Net sales” CAGR	<b>At least 2%</b>
Profitability	Operating profit before deduction of R&D expenses (operating profit + R&D expenses)	<b>At least 16%</b>

**Improve the company value according to meet high profitability by executing the medium business plan**

- Maximize the ratio of new drugs and optimize cost competition
- Increase of R&D expenses (strengthen the drug discovery capability, expand of development pipeline)
- Expand capital investments
- Enhance human capital

## ■ Capital policy and shareholder returns

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Our capital policy is to improve capital efficiency through investment for growth and shareholder returns, while maintaining a sound financial base.

Regarding shareholder returns, we will continue stable dividends, taking into account the dividend on equity ratio (DOE).

# Reform of management group structure and new initiatives

Reform of R&D  
systems

Expand of  
development pipeline

Maximize the  
expansion of sales  
growth in new drugs

Improve cost  
competitiveness

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*Kyorin* 