# The Mochida Pharmaceutical Group's "20-22 Medium-Term Management Plan"

This material is an English translation of the press release issued on April 1, 2020 in Japanese, and the Japanese release is given priority regarding content and interpretation.

April 1, 2020

Dear All,

Every year, Mochida Pharmaceutical Group (Mochida Pharmaceutical Co., Ltd., TSE: 4534, 1st Section) establishes its rolling three-year plan. We are pleased to present an overview of the Medium-term Management Plan for the fiscal years 2020 through 2022

## Medium-Term Management Plan Policy for the fiscal years 2020 through 2022

We will respond to medical and healthcare needs with concentration of the total power of the Group covering research and development, manufacturing and marketing, pursue sustainable growth by promoting selection and focusing processes, and restructure the earnings structure to respond to further environmental changes.

The business environment over the three years from FY2020 to FY2022 is forecast to be even more challenging, given the continuing government policy of pharmaceutical cost reductions in the context of the need to secure stable financial resources for the social security system, further promotion of the use of generic drugs, and the impact of the National Health Insurance (NHI) price revision this April on the heels of the revision in October last year.

The Mochida Pharmaceutical Group will intensively focus on the following three key points so the Group can deal with all types of changes in the environment:

1. Focusing on new drugs, etc.
2. Making continuous investments to create next-generation leading products
3. Redistributing resources strategically through the selection and focusing processes

As the top priority issue, we will concentrate our resources on the targeted areas of cardiovascular medicine, obstetrics and gynecology, dermatology, psychiatry, and gastroenterology, and focus on new drugs to maximize profit in our core pharmaceutical business. In addition, we will further promote strategic alliances that stress the importance of partnerships.

We are pursuing investments in business activities that will lead to future competitiveness in order to create leading next-generation products. In pharmaceutical research, we are enhancing our development pipelines by in-licensing candidate drugs for development at an early stage through the promotion of open innovation. In addition, we will work on the overseas expansion of our own products.

We will boost productivity by proceeding with selection and concentration in company-wide organizational management, further promoting structural reform, and strengthening interdepartmental cooperation. We will also strategically maximize the use of the Group's finite human, material, and financial resources, while actively seeking collaboration with external resources at the same time.

Aiming at specialty pharmaceuticals that will be valued globally, Mochida Pharmaceutical Group will strive to continually increase its corporate value as a group of companies in the life and healthcare business by taking full advantage of the agility and responsiveness of a mid-sized firm.

As mentioned above, the environment surrounding the pharmaceutical industry is expected to grow increasingly severe. In the first fiscal year (FY2020) of the 20-22 Medium-Term Management Plan, our profitability will be on a recovery track due to our continued focus on investments for the future in areas such as R&D (including in-licensing), despite the impact of three straight years of NHI price revisions. We will aim to regain profitability during the period of the Medium-Term Management Plan through our long-standing efforts in portfolio restructuring (shift to new drugs) and the progress of our implemented measures.

※Management Target Values for 2022　(Consolidated):

| | | |
|---|---|---|
| Sales | 104.0 | billion yen |
| Operating income | 10.0 | billion yen |
| Research and development expenditures | 13.0 | billion yen |

[Reference]

**1. Business Strategies**

1) Pharmaceuticals

The Group will seek:

- To focus its resources on the targeted areas (cardiovascular medicine, obstetrics and gynecology, dermatology, psychiatry, and gastroenterology, etc.) in order to become a specialty pharmaceutical company;
- To expand our products and development pipelines by maximizing the benefits of alliances;
- To build up our life cycle management to maximize values of development pipelines and current products;
- To promote customer-centered marketing and business strategies.

a) Development

The Group will seek:

To optimize organizational structuring and to allocate resources for accelerating drug development and improving accuracy, in close cooperation with our partners;

To obtain approval during the period of this Medium-Term Management Plan for MND-2119, a new highly purified EPA drug, and MD-711, an inhaled form of a treatment drug for pulmonary arterial hypertension (PAH);

To promote the development of the pediatric indication of Lialda, an ulcerative colitis treatment drug, and Lexapro, an antidepressant;

To promote the development of MD-120, an antidepressant, LBAL, a biosimilar of adalimumab which is a rheumatoid arthritis drug, and ACT-541468, a treatment for insomnia newly added to the pipeline;

To promote the development of MND-21, a treatment for hypertriglyceridemia, in China;

To promote the addition of drug indications and dosage forms to the drugs under development and products on the market;

To enhance the strategies for the in-licensing of the products in development so as to expand the pipeline in the fields in which we specialize, including internal medicine;

To in-license and develop high value-added products which meet the needs of medical professionals as well as customers;

To promote the in-licensing and development of biosimilars;

b) Marketing

The Group will seek:

To develop medical representatives (MRs) who can capably cover all targeted areas, and to optimize information provision activities through, among others, the active use of e-promotion;

To maximize sales of Lialda, an ulcerative colitis treatment drug, aiming to be the No. 1 5-aminosalicylic acid (5-ASA) drug.

To work to improve the position of Goofice and Movicol, chronic constipation treatment drugs, in the constipation market by aiming for early maximization of sales;

To aim for Lexapro to reach the No. 1 position in the Japanese antidepressants market;

To focus on early maximization of sales of Urece, a treatment for hyperuricemia in gout following its launch in FY2020;

To maintain the position of Tramcet, an analgesic for chronic pain/tooth extraction pain, in orthopedics;

To continue to hold the top position in obstetrics and gynecology with Dinagest, a treatment drug for endometriosis and adenomyosis, its authorized generic drug, a new indication for dysmenorrhea for Dinagest, Frewell, a treatment drug for dysmenorrhea, and Doxil, an anticancer drug;

To aim at securely maintaining the prominence of Epadel, a drug for the treatment of hyperlipidemia, in the cardiovascular area through the maximum utilization of the abundant EBM-information obtained from JELIS (the world's first large-scale clinical trial of a highly purified EPA drug), etc. as well as any new EBM-information;

To promote the appropriate use of Treprost for the treatment of pulmonary arterial hypertension (PAH), an intractable disease, by providing medical professionals with accurate information in a timely manner based on the characteristics of the drug;

To work on the generic drug business to focus on lines with strong business potential such as the authorized generic drug of Dinagest and biosimilars (Filgrastim biosimilar, Etanercept biosimilar and Teriparatide biosimilar) in cooperation with Mochida Pharmaceutical Sales Co., Ltd. and other business partners;

To work toward increasing the prominence of the Epadel-OTC drug as a leader in the manufacture and sales of a highly purified EPA drug;.

c) Pharmaceutical Research

The Group will seek:

To enhance our development pipelines by in-licensing candidate drugs for development at an early stage through the promotion of open innovation.

d) Overseas expansion

The Group will seek:

To promote the overseas expansion of a highly purified EPA drug in China, Thailand, the US, etc.

**2) Bio material business**

The Group will work on the bio material business, including the development of dMD-001, an articular cartilage lesion restoration material.

**3) Mochida Pharmaceutical Plant Co., Ltd.**

Mochida Pharmaceutical Plant will promote contract manufacturing business of medical products with high reliability and efficiency in response to diverse needs of our customers, using both state-of-the-art manufacturing facilities and leading-edge technologies that meet global standards. We will strengthen our commitment to maintain a stable supply of our products.

**4) Mochida Healthcare Co., Ltd.**

Since 1970, Mochida Healthcare has conducted business activities as a pioneer in skin care for sensitive skin, with products such as Skina Babe, a baby bath oil that enjoys the top market share, and the Collage series, a line of gentle basic skincare products. Building upon its high rate of support and popularity among dermatologists, obstetricians and gynecologists, Mochida Healthcare will seek to expand sales of the Collage Furfur series (antimycotic series that contain an antimycotic agent), etc. and consolidate their brand image through strengthened marketing, while continuing to develop our market.

**2. Promotion of restructuring and better awareness**

Mochida Pharmaceutical Group promotes structural improvement of the entire group and better awareness by all employees of the group companies so as to eliminate every type of waste and inefficiency, and further enhance lean management style in order to respond to more difficult changes in the business environment and to ensure continued profitable growth.

a) Innovations toward independent and collaborative business units

Business units such as Research and development, pharmaceuticals, pharmaceutical manufacturing and skincare products are managed under the self-support accounting system with an awareness of the business environment of each unit and operational efficiency. In addition, the Group enhances the liaison among the units. Headquarters will also seek to further strengthen its functions as one of the Group’s business units so as to improve the efficiency in organizational operation and enhance its corporate value.

b) Innovations toward boosting productivity

The Group will continue to review its personnel allocation, strategy, and utilization, from the viewpoint of development and vitalization of human resources, in accordance with the restructuring of the Group’s management system.

The Group will promote better awareness among employees and continue to assist them in their efforts to develop competencies so as to enhance their performance. We will enhance interdepartmental cooperation in order to meet our target of increasing productivity by 10% through operational restructuring.

Disclaimer

- The target values contained in the Medium-term Management Plan and presented in this document are not forecasts; rather they are only intended to show the directions of the goals we aim to achieve.
- The information provided in this document contains some “forward-looking statements”. These forward-looking statements are based on the judgments of the Company derived from the information available to us at this time, and include known and unknown risks and uncertain elements. Accordingly, the actual results may differ materially from these statements due to a variety of factors.
- These risks and uncertainties include general economic conditions in Japan and worldwide, such as general conditions in the industry and markets, interest rates and currency exchange rate fluctuations. The risks and uncertainties exist in forward-looking statements relating to products in particular. These product-related risks and uncertainties include, but are not limited to, technological advancements, granting of patents to our competitors, completion of clinical trials, claims or concerns relating to safety or efficacy of products, acquisition of approval from regulatory authorities, reform of health insurance systems inside and outside Japan, trends toward the containment of health care cost, government law and regulations that affect the Company’s business inside and outside Japan, and issues pertaining to development of new products.
- Approved products contain risks relating to manufacturing and marketing which include, but not are limited to, situations in which the Company may face deficiencies in manufacturing capacity needed to meet demand, difficulties in securing the supplies of raw materials, and demand not created in markets.
- We do not intend to, and assume no obligation to, update or modify any forward-looking statements even if such updating or modification is desirable due to the emergence of new information, future events or other reasons.
- The information contained in this document regarding pharmaceutical products (including those which are being developed) is not intended to act as a promotion or advertisement, or to provide medical advice.