The 8th Medium-term Management Plan

Better than the Best.

Nichi-Iko Pharmaceutical Co., Ltd.
Review of the 7th medium-term management plan “Obelisk”
FY2017/3-FY2019/3

**Expansion**
Grow domestic market share to 15%

**Production**
Lift annual production capacity to 18.5 billion premium quality tablets

**Development**
Turn to the U.S. market to develop the new business field of biosimilar products

**Share in value** 11%
In FY2020/3
Make ELMED Co., Ltd. a NIK’s wholly-owned subsidiary
To be achieved

**January, 2018**
New building “Obelisk” started in operation
18.5 billion tablets
Achieved

**November, 2017**
Infliximab BS launched in Japan

**August, 2016**
Acquisition of Sagent
US entry
Achieved
We shall excel as the outstanding generic pharmaceutical company, making every effort to continue to serve and deliver our products needed by our patients and their families, pharmacists, doctors, distributors and other pharma companies around the world.
Concept of the 8th Medium-term Management Plan
Better than the Best.

Going Beyond
with Infinite Power to Connect
Environmental Factors impacting the Japanese Generics Market

**Political and economic**
- Generic share exceeding 80% of the domestic Rx market
- Annual repricing further eroding the profitability in the domestic market
- Drive for the regional community-based integrated care system

**Societal**
- Demands for stable supply and more sophisticated quality control and information
- Responsiveness required for the constantly evolving laws and regulations (e.g. promotion guideline, reform on co-development of GE products etc.)
- Rising expectations towards preventive and pre-emptive medicine.

**Market dynamics**
- Rising expectation for biosimilars
- New and different competitors in marketplace (Emergence of wholesaler/pharmacy-affiliated generic players, branded pharma companies proactively launching AGs, players from different sectors coming into the market)
- Only those who can supply the significant volume of highly competitive GE products can stay
Leveraging synergies in 3 areas achieved through collaboration, expansion and growth with our business partners, we shall continue to evolve as a global comprehensive generic pharmaceutical company, with patients & their families at the heart of our operation.

Deliver greater values to the patients & their families through extended scope of our operations.

Generate healthy profits through the operational excellence and economy of scale.

Encourage autonomous growth of talents by integrating people with diverse cultural backgrounds, experiences and values, assigned in the right positions.

Therapeutic area / Region

PC (Patient Centric)

People

Cost
/Vision/

- Broader coverage of therapeutic areas as well as geographical regions with extensive LOE product line-ups
- Secure unwavering business foundation by optimizing the entire value chain
- Deliver ‘Premium quality’ of Nichi-Iko products consistently to the patients and their families around the world.
- Earn the undisputed trust from the patients and all our stakeholders to fulfill our social mission with full commitment to integrity and transparency.

/Strategic Imperatives/

1. Continue our deeper pursuit of business arenas (where to play)
   - Business Expansion
2. Relentless efforts for operational excellence
   - Business Foundation
3. Drive for global standard of quality and competitive edge
   - Global Operation
4. Be the most trusted life science company driven by our ESG activities
   - Social Responsibility
6 Strategic Imperatives and our Priorities

Strategic Imperative

1. Continue our deeper pursuit of business arenas (where to play)

Priorities

Business Expansion

- Extend product line-ups of biosimilars and anti-cancer generic drugs, to contribute to healthcare budget containment as well as patient co-pay
- Contribute to the local community through promotion of our initiatives for community-based integrated care service network
- Lead strategic alliances further with our business partners for the benefit of patients & their families
Strategic Imperatives and our Priorities

2. Relentless efforts for operational excellence

Priorities

Business Foundation

- Product development/improvement efforts more responsive to the needs of patients & their families (Voice of customers)

- Make constant efforts to further drive down the COGS and internalize manufacturing by leveraging our strength as the largest GE player in Japan,

- Generate the most out of the synergy from ELMED integration
Strategic Imperatives and our Priorities

3. Drive for global standard of quality and competitive edge

Priorities

- Global Operation
  - Expand our scale in US market on top of the current Sagent’s strength in injectables by further extending our businesses in biosimilars, compounding business as well as orphan drugs
  - Build greater presence of Nichi-iko brand products in Asian markets
  - Globalize further our product development readiness and product line-ups, fully in conformance to the national regulatory standards
  - Challenge into new business arenas through proactive alliance strategy
Strategic Imperatives and our Priorities

4. Be the most trusted life science company driven by our ESG activities

Priorities

Social Responsibility

- Focus more on the enforcement of governance and compliance that underpins the sound foundation of our business
- Be proud to be a part of a healthcare company that delivers health to people and actively engage in CSR activities
- Strive for further reduction of environmental burden resulting from our business operations. It is our social responsibility.
- Create better place to work by offering more flexible work-styles and diverse opportunities for employees to unleash their talents and strength.
### KPI

<table>
<thead>
<tr>
<th>KPI</th>
<th>Reference (FY2019 ended Mar)</th>
<th>Metrics (FY 2022 ending Mar)</th>
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<tbody>
<tr>
<td>Ex-Japan sales</td>
<td>35.5 billion yen</td>
<td>60 billion yen</td>
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<tr>
<td>cost reduction by PMP8</td>
<td>—</td>
<td>over 15 billion yen (cumulative)</td>
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<tr>
<td>payout ratio</td>
<td>25%~30%</td>
<td>maintain same level</td>
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<tr>
<td>female managers</td>
<td>11.5%</td>
<td>15%+</td>
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<tr>
<td>multiple sourcing of API</td>
<td>45% of in-house products</td>
<td>70% of in-house products</td>
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Keep NET D/E ratio at approx. 1.0 time. (0.8 times in FY 2019 ended Mar.)

Cumulative total cost of 33 billion yen for R&D and 19 billion yen for capex forecasted by March end, 2022.