Presentation

Kato: Ladies and gentlemen, thank you for your patience. We are now holding a med-term business plan announcement of Fuji Pharma Co., Ltd. Thank you very much for taking time out of your busy schedule to join us today. I am Kato from the Corporate Communications Department, and I will be your moderator today. Thank you.

Now, I would like to introduce today's attendees from the Company. Mr. Shuhei Morita, President and CEO.

Morita: I am Morita. It is a pleasure to meet you.

Kato: Mr. Atsuya Mitsuhashi, Managing Executive Officer, General Manager of Corporate Planning Department.

Mitsuhashi: I am Mitsuhashi. Thank you for attending today.

Kato: Mr. Hiroshi Uji, Corporate Officer, General Manager Corporate Business Management Department.

Uji: I am Uji. Thank you.

Kato: That's all for today's attendees. Thank you.

I will continue to explain today's materials. Please let us know if you are at the venue and do not have the materials on hand. Those watching the live webcast can download the presentation materials from the web screen you are viewing. Please feel free to use them.

I will continue with a description of today's proceedings. Today, we would like to explain Fuji Pharma's five-year med-term business plan for the period from the fiscal year ending September 30, 2025, to the fiscal year ending September 30, 2029. President Morita will give an explanation according to the agenda in the material, followed by a question-and-answer period. Now, Mr. Morita, please come forward and give an explanation.

Morita: Hello, everyone. My name is Morita, and I am the president of Fuji Pharma Co., Ltd. Thank you very much for taking time out of your busy schedule today to attend the presentation of our new med-term business plan.

Let me begin our presentation, "Toward enhancing corporate value and achieving a PBR of over 1x at an early stage".

Here is today's agenda. We will have time for Q&A in the last session.

First, I would like to talk about my commitment. This document is a reprint of the Long-Term Vision for 2035 presentation held on October 2nd.

As you can see in the upper left-hand corner, we want to create a company where all employees can enjoy a sense of well-being and satisfaction. We will also continue to value the earnest and sincere organizational culture we have created through our commitment to the corporate philosophy and talent development focused on core virtues.

At the same time, with an eye to the next 10 to 20 years, we will contribute to society by fully addressing health issues faced by women.

Lastly, we will increase corporate value together with all stakeholders and achieve PBR of over 1x as soon as possible.

This is our long-term vision for 2035.

Always focusing on creating new value to women's healthcare, and by new value we mean new drugs, or even existing products, that we will improve and enhance to provide new value. We want to contribute to a society in which everyone can experience wellbeing, not only women, but also their families, partners, friends, and men.

I would like to explain the background of our thinking.

The Ministry of Economy, Trade and Industry (METI) has estimated and published the economic loss caused by women's health issues. We are aware that the economic losses associated with Economic loss due to menstrual symptom and menopausal symptoms are approximately JPY600 billion and JPY1.9 trillion, respectively, and that this is now a social issue for Japan.

From a global perspective, the World Economic Forum reported last January that women spend 25% more time in "poor health" than men. The background to our vision is that we want to contribute to solve women's health issues, which is a major challenge not only for Japan but also for the global community.

As for why we chose women's healthcare, as shown on the left side of this graph, in 1976, we started selling the first hormone preparation for women. Over the 50 years since then, we now boast the largest number of products in Japan, with 42 products in the women's healthcare field.

In addition, in 2008, we launched new drugs for the first time, and in 2024, sales in the women's healthcare field will account for 45% of total sales, and we would like to increase this to over 60% by 2035.

In addition to these, we began expanding overseas in 2011 and entered the biosimilars business in 2013. What will not change is that we will continue to take on new challenges. What will change is that we will further accelerate the pace of growth, particularly in women's healthcare, and dramatically improve our management efficiency.

Next, I would like to talk about key takeaways.

We will reap what we sowed in the previous med-term business plan to achieve high growth and improve capital efficiency.

We will accelerate growth centered on women's healthcare and biosimilars to achieve JPY80 billion in net sales, JPY10 billion in operating profit, 17% annualized EPS growth, and double-digit ROE of more than 10% in five years.

We will increase investments in intangible assets, particularly in marketing rights and R&D for biosimilars, in-licensing of new drugs, and human resources, to support sustainable growth.

We will strive to become the leading company in women's healthcare, fulfilling our mission to address unresolved and unmet health challenges for women.

And we aim to achieve a PBR of over 1x at an early stage. While we are working to strengthen capital through the issuance of stock acquisition rights, we are confident that per-share shareholder value will increase, driven by earnings growth. At the same time, we will explore optimal capital structures and policies.

From here, I will explain the second part of the agenda, the review and challenges of the previous med-term business plan.

Please see the table in the upper left. Net sales were planned at JPY50 billion, up from JPY36.2 billion before the start of the previous mid-year period and landed at JPY46.1 billion.

Operating profit was JPY3.8 billion versus a plan of JPY5 billion, and the operating profit margin was only 8.4%.

ROE declined to 5.9%.

On the other hand, EBITDAR, which is the sum of depreciation and R&D expenses for the future, increased from JPY8.1 billion to JPY10.6 billion.

A review of the previous med-term business plan is provided at the bottom of the page.

Reasons for missing the target include a significant shortfall in overseas business and a decline in profitability due to soaring raw material prices and higher disposal costs in the manufacturing process.

Meanwhile, major achievements include solid growth in women's healthcare, with sales doubling from JPY10.7 billion to JPY20.3 billion.

Furthermore, we have been able to lay the groundwork for the biosimilars business in this new med-term business plan, which we consider to be an achievement of the previous med-term business plan.

As for the key challenges we are aware of, the nine strategies of the previous med-term business plan are listed in the upper right corner; however, in terms of the key strategies and goal setting, we set excessive targets that exceeded our capabilities. In addition, upfront investments have led to an increase in interest-bearing liabilities, and profitability and capital efficiency have declined. In addition, there was an increase in working capital as we entered the sales growth phase, and we recognize these as challenges.

Next is continued challenges from the precious med-term business plan. First, on the left side, in terms of sales, sales increased from JPY36.2 billion before the start of the previous med-term business plan to JPY46.1 billion in the final year of the previous med-term business plan, an increase of approximately JPY10 billion.

The main reasons for the change were driven by sales in women's healthcare and overseas.

On the other hand, we fell JPY3.9 billion short of the planned JPY50 billion, at JPY46.1 billion. This was mainly due to delays in the development of overseas business.

In summary, as described above, we believe that the reasons for not achieving the targets of our med-term business plan are the delay in expanding into North America and ASEAN, the overestimating growth in the initial projections, and the delay in launching a new hormone preparation facility, which resulted in lost sales opportunities.

On the other hand, it was also a period of laying the groundwork for the new med-term business plan. In the previous medium-term before the last, marketing rights and licensing fees, R&D expenses, and capex totaled JPY21.9 billion.

On the other hand, in the previous medium-term, we spent JPY15 billion for marketing rights and licensing fees for succession from other companies and acquisition of marketing rights, JPY14.5 billion for R&D, mainly for new drug development in the area of women's healthcare, and JPY20 billion to increase production capacity at the Toyama Plant and for preparations to begin manufacturing biosimilar. The investments we have made here are expected to pay off in our new med-term business plan.

I would now like to explain the third item on our agenda, the pathway to value creation in the new med-term business plan.

Here are the management targets. We will aim to realize efficient management.

We are aiming for JPY80 billion in net sales compared to JPY46.1 billion in the final year of the previous med-term business plan.

We aim to achieve operating profit of JPY3.8 billion to JPY100 billion and an operating margin of 12.5% by raising the sales composition ratio of the highly profitable women's healthcare and biosimilars.

We aim to increase EBITDAR from JPY10.6 billion to JPY23 billion, EPS from JPY111 to JPY240, and ROE from 5.9% to a double-digit 10%.

EPS and ROE are calculated based on the assumption that all stock acquisition rights currently outstanding are exercised.

Next, we will discuss how to achieve JPY80 billion in net sales.

We plan to increase sales by JPY34 billion, from JPY46.1 billion to JPY80 billion, which will be achieved by women's healthcare, biosimilars, and global CMO.

In women's healthcare, we plan to increase sales by JPY10 billion with the introduction of Alyssa combination tablets, a new drug for the treatment of dysmenorrhea that received manufacturing and marketing approval in Japan in September. We also plan to expand sales in Thailand of Nextstellis, an oral contraceptive that contains the same ingredients and has already begun sales in Thailand, and to expand our sales network to the Philippines and Vietnam during this new medium-term management period as part of our regional expansion, with an expected increase of JPY2 billion.

In biosimilars, we have a strong partnership with Alvotech, and one of our biosimilars was launched in May of this year. Ustekinumab biosimilar. We are planning to launch four additional products during this new medium-term management period, with expected sales of JPY13 billion.

As for global CMO, we plan to increase by JPY2 billion by expanding contracts with the combined total of our Thai subsidiary OLIC and Fuji Pharma's Toyama Plant.

As you can see in the line graph on the left, we are planning to raise the sales composition ratio of our highly profitable women's healthcare and biosimilars from the current 48% to 66%.

Next, let's look at profit. We will achieve an operating profit margin of 12.5% from JPY3.8 billion to JPY10 billion.

Factors driving gross profit growth include expanding the weighting of high-margin women's healthcare and biosimilars businesses, and, in response to the current issue of stable supply in Japan, we will move away from small-lot, high-mix manufacturing, mainly at our Toyama plant, by narrowing down the items in question and promoting efficient production through collaboration with other companies. In addition, we will improve profit margins by realizing efficient production through capital investments made in the previous med-term business plan.

On the other hand, SG&A expenses will increase. We plan to increase R&D expenses for the increase in R&D expenses to further shift focus to new drugs, in personnel expenses due to the reinforcement of the organizational structure, and in digitalization expenses.

This is from a balance sheet perspective.

During the period of the previous med-term business plan, interest-bearing debt became very large as a result of prior investments. These investments were made to acquire treasury stock, enter new capital alliances and sales rights, and up-front investment in production capacity expansion. In addition, there is a rise in working capital, due to increased inventory of APIs to ensure stable supply post COVID-19.

As a result, the net interest-bearing debt to EBITDA ratio has ballooned to 3.4x as of today.

As for a balance sheet policy and measure, we intend to Improve asset efficiency, to issue stock acquisition rights to build a financial structure that can support flexible growth investments, and to aim to achieve net interest-bearing debt to EBITDA ratio of 1.5–3.0x.

This concludes our review of the previous med-term business plan.

I would now like to explain the outline of our new med-term business plan, which is aimed at realizing our long-term vision for 2035.

As stated, we have four growth strategies. There are three for the medium-term perspective and one for the long-term perspective.

To implement these four strategies, we will take three measures to strengthen our management base.

First, I would like to explain our first growth strategy, which is greater contributions to women's healthcare.

The graph on the left shows the global women's healthcare market. Annual growth of 4.8% is expected.

The global market for gynecological disorders, which is shown in yellow at the bottom, is currently about JPY2 trillion, and is expected to increase 1.5-fold to JPY3 trillion over the next 10 years.

On the other hand, in Japan, awareness of the disease is still lagging, and the rate of consultations by obstetricians and gynecologists is low, and therefore the rate of hormone therapy adoption is also low. We believe that by firmly raising awareness of the disease in the future, the market for obstetric and gynecological care in Japan will expand even more than the growth of the overseas market.

In Thailand and Southeast Asia, where we have our sales bases, there are 300 million women, six times the population of Japan. The age group is younger than in Japan. In that sense, I believe that there are still markets where we can make a contribution when we look at ASEAN.

In this context, I would like to mention our sales of women's healthcare products. During the previous fiscal year, we doubled the amount from JPY10.8 billion to JPY20.3 billion, and we aim to further double the amount to JPY38 billion over the next five years.

In terms of opportunities for growth, the market for women's healthcare is expanding globally, including in Japan. In Japan, the government is promoting the participation of women in the workforce, which has led to increased awareness of diseases and improved consultation rates. In addition, there are no mega players in the women's health field in Japan or Southeast Asia, where we operate. We will seize this opportunity to take on new challenges.

As a growth driver, we are looking to grow our new product, Alyssa, a drug for dysmenorrhea, to the JPY10 billion level. I would like to talk about the dysmenorrhea drug market that Alyssa is entering.

In the treatment of dysmenorrhea, many patients use low-dose estrogen/progestin combination drugs. Eighty percent of the total uses this LEP. The market for LEP has doubled in the past five years, and in 2023, over 10 million sheets of LEP were used. We expect this market to continue to grow, reaching 14 to 15 million sheets in five years.

In this context, we will introduce Alyssa tablets, which have advantages not found in existing LEP. To quickly deliver the features of Alyssa tablets to medical professionals, we decided to strengthen our sales structure and launched Japan's largest sales structure in October with 90 MRs specializing women's healthcare.

In addition, since this is a new drug, it is essential to communicate with physicians from a medical perspective, so we established a Medical Affairs Department last year and started a Medical Science Liaison organization in October, which is an all-female organization.

Furthermore, we will be taking full advantage of the platform owned by M3, our joint development partner for this drug, which has over 90% of Japanese doctors registered, to carry out digital promotions. We will aim for a prompt market penetration of Alyssa.

I would like to discuss the features of Alyssa combination tablets in one slide.

A summary of this drug is shown in the upper right corner. Alyssa combination tablet is the first dysmenorrhea treatment in Japan to contain the natural estrogens estetrol E4. It is still a new drug on a global scale, but it has been approved in 41 countries, including the United States and Europe.

Then, on the bottom, we have the features of estetrol E4. E4 was developed with the expectation to have benefits not found in existing LEP containing synthetic estrogen derivatives, such as reducing the risk of venous thromboembolism, which is a serious side effect of LEP.

It is the only drug indicated overseas as an oral contraceptive and in Japan as a treatment for dysmenorrhea. In the future, we hope to work with Japanese specialists to build evidence of the effectiveness and safety of Alyssa compared to other dysmenorrhea treatment drugs, thereby contributing to dysmenorrhea treatment both in Japan and overseas.

I would like to share with you a message from Mr. Gabor Orban, CEO of Gedeon Richter Plc. of Hungary, the licensor of the Alyssa combination tablets.

Video: (Speaking in English)

Morita: Thank you very much. In this way, we will be teaming up strongly with Gedeon Richter regarding Alyssa combination tablets, and the potential is not limited to Alyssa combination tablets in terms of contributing to global women's health issues in the future. We will continue to work together as strong partners.

I will now talk about the second growth strategy, the growth of the biosimilars business.

Before we discuss the biosimilars market, let us first look at the proportion of biopharmaceuticals in the global pharmaceutical market, which currently accounts for 40%. In the pharmaceuticals market in Japan as well, the share of high-priced biosimilars is growing, and it is becoming increasingly necessary to include the spread of biosimilars in measures to curb medical costs. Therefore, from the perspective of optimizing medical expenses, the Japanese government has announced measures to promote the use of biosimilars. Specifically, a quantitative target has been set for 2029.

In this situation, five products will contribute quantitatively to the new med-term business plan, including the ustekinumab biosimilar that we launched in May, as I mentioned earlier, and the four products that we plan to launch during the new med-term business plan. We believe that this national policy move is a very significant tailwind for our company.

We are aiming for sales of JPY15 billion, up from the current JPY2 billion.

The total number of items partnered with Alvotech is seven. We will sell five products during the new med-term business plan, and the market for original products is JPY300 billion.

In this situation, even taking into account the number of competing companies that we currently see and their lineup, we do not currently have any plans to revise or change the target of JPY15 billion for the fiscal year ending September 2029 that we disclosed in 2020med-term business plan.

Regarding our strengths, I would like to focus on the fourth point, our collaboration with Alvotech.

Alvotech specializes in the development and manufacture of biosimilars. The sales scheme is to supply products to sales partners around the world, including Europe, the U.S., and Asia. For this reason, development is carried out through global clinical trials, and manufacturing is carried out through mass production for global demand, thereby keeping development and manufacturing costs to an absolute minimum. By partnering with Alvotech, we have a highly profitable biosimilars business.

As for the fifth point, to ensure a stable supply, we are currently importing products from overseas but have begun preparing to build a system capable of manufacturing both in Japan and overseas to ensure stable supply.

We have received another message here. This is a message from Mr. Robert Wessman, CEO of Alvotech. Please take a look.

VIDEO: (speaking in English)

Morita: Thank you very much. This is how Alvotech's strengths are. During the new med-term business plan period, we will ensure the sales of these five products, and in the future, we will carefully assess the business environment for biosimilars in Japan and whether Alvotech's products are really feasible in Japan.

Let me continue by discussing the growth of our global CMO business.

The global market for CDMOs, which includes CMOs plus formulation development, is expected to continue to grow at a CAGR of 7.2%. OLIC in Thailand and Fuji's Toyama factory have already begun accepting contracts for formulation development.

In terms of Thailand and Japan, there is relatively little geopolitical risk, and we have received inquiries from large Japanese, U.S., and European companies for new contracts.

Under these circumstances, we plan to increase global CMO sales by JPY2.3 billion, from JPY6.7 billion to JPY9.0 billion for OLIC and Fuji.

OLIC, our subsidiary in Thailand, passed the FDA's pre-audit last year for contract manufacturing in the U.S. and for new manufacturing contracts, and will finally start shipments to the U.S. this fiscal year.

In Japan, sales are expected to increase as commercial production for a new large-scale contract project begins this fiscal year, which is about to begin. In addition, a project for contract development of

pharmaceutical products for the United States is also progressing, and we will be shipping products to the United States from Toyama during this new medium-term management period.

Next, I would like to explain our strategic investments for the next stage of growth from a long-term perspective.

In terms of new drug development, Fuji Pharma has so far obtained approval and marketed three products. Two of these products are drugs that have already been approved in Europe and the US and have been used for decades but have not yet been approved in Japan. We have brought these drugs to Japan, developed them, obtained approval for them, and are selling them.

As for Alyssa combination tablets, which I mentioned earlier, it was a new drug even globally, but it was almost certain that it would become a pharmaceutical product, so we licensed it in, developed it domestically, and obtained approval.

Looking ahead to future growth, we need to focus on strengthening our efforts to search for and identify seeds, including those in the early stage of development, and to conduct R&D and get approval for them.

Therefore, regarding our future policies (bottom right), we will consider establishing a corporate venture capital to enter the drug discovery ecosystem, with a focus on women's healthcare, and establishing research hubs in North America and Europe, where research on compounds for women's healthcare is underway.

In the process of doing so, we would also like to keep our antennae open for contributions to the women's healthcare field outside of new drugs, such as digital tools, in addition to pharmaceuticals.

Through these efforts, we will increase our investment in intangibles, including seed exploration and R&D.

In the previous medium-term period, new drug licensing and marketing rights and R&D expenses totaled JPY29.5 billion. We are aiming for JPY39 billion in the new med-term business plan period.

As for why we are investing in this field, we have stated this in the strengths section, but as I explained at the beginning, we have been active in this field for 50 years. Also, as Mr. Gabor Orban mentioned earlier, we have strong relationships with overseas licensors such as Gedeon Richter, which focus on women's healthcare.

In the domestic market, we already have the top market share in several products and therapeutic areas, and we also have a best-in-class new drug in the dysmenorrhea area.

We intend to use these strengths to promote investment in intangible assets.

This shows the balance of the portfolio of seed candidates for new drugs, the vertical axis represents the scale of sales and impact of treatment, and the horizontal axis represents the development phase from early to late stage. We believe it is important to conduct a balanced search for seeds.

I would like to continue by discussing how we can strengthen our management base to realize the four growth strategies I have just mentioned.

The first is to strengthen HR development.

As a company that will focus on women's healthcare, we would like to make our company a place where women can work comfortably and play an active role. As I mentioned earlier, the Medical Science Liaison organization to maximize Alyssa has assembled a team of women only.

We also believe that virtue-based evaluation is our strength. Furthermore, we will also focus on human resource development with a view to the human resources that will be needed in five to ten years' time.

The second point is to advance organizational functions.

We will strengthen our seed exploration and R&D activities that I mentioned earlier. We will also strengthen our stable supply base, including the reinforcement of our supply chain.

We will also strengthen the foundation for promoting life cycle management to maximize the value of new drugs and existing drugs as well.

Third, in terms of promoting digitalization, we will strengthen the organizational divisions responsible for digital promotion. We would also like to work across the entire company to develop digital talent, reform our corporate culture, and further utilize data by leveraging the digital capabilities we have built to improve management efficiency.

Through these med-term business plans, we have set our materiality as follows. There are three main areas.

In terms of enhancing the sustainability of society in the upper left, we will strive to strengthen the human resources needed to contribute to women's healthcare.

From this, we believe that we can provide new value in women's healthcare, which we consider to be access to innovation.

Furthermore, we have set three key priorities for our company: stable supply, beginning with strengthening supply chain management; quality assurance; and access to medicines through the use of biosimilars to reduce the burden on patients. We will continue to work on these issues going forward.

Now, let us move on to item four on the agenda. Toward achieving a PBR of over 1x at an early stage.

On the left side, we have indicated an enhancement in PBR, but as of November 25th, our PBR was just under 0.8x. We are committed to achieving a ratio of over 1x as soon as possible.

Since PBR is a multiplication of ROE and PER, we are considering raising both. As for ROE, we will accelerate profit growth by expanding the sales composition of highly profitable women's healthcare and biosimilars. We will also pursue an appropriate capital policy, aiming for double-digit growth of more than 10% in the fiscal year ending September 30, 2029.

Regarding PER, we will change from the conventional model and shift to women's healthcare and biosimilars, and we will work to firmly communicate our growth and our company's competitiveness, as well as to create opportunities for dialogue with investors, aiming for a PBR of 15 times the average of the Tokyo Stock Exchange Prime and 18 times the average of the pharmaceutical sector.

Next is ROE.

It remained at a low level during the previous medium-term period. In the current med-term business plan, we aim to achieve 10% in the fiscal year ending September 30, 2029, up from 6.9% in the first year of the plan.

We intend to achieve further improvement over the long term by improving profitability, optimizing the balance sheet, and further examining capital policies.

We will continue to pay strong attention to the improvement of the shareholder value per share.

Please take a look at the box on the lower right. The increase in shares if all stock acquisition rights are exercised would be approximately 20%.

If you look to the right, even if all stock acquisition rights are exercised and diluted, we aim for an annual EPS growth rate of 17%, and a cumulative growth rate of 116% over this medium-term management period.

Next is our shareholder returns. Our basic policy is to maintain a progressive dividend policy with no reduction in dividends.

In addition, we will maintain a dividend payout ratio of 30% on an after-tax operating profit basis, while considering the balance with growth investments and financial soundness. We will also consider increasing dividends in line with future EPS growth.

Here is a summary of the outline of the new med-term business plan up to this point.

The four points in the middle are to achieve steady growth in our business based on the growth of women's healthcare and biosimilars businesses. This will improve profitability. We will also strengthen our balance sheet management. We will also strengthen the management base to support them.

We intend to achieve an increase in corporate value by renewing our structure, strengthening our execution system, enhancing the supervisory function of our directors, and promoting management with appropriate checks and balances.

This is the last slide.

We will build on the progress made during the previous med-term business plan, focusing on growth in women’s healthcare and biosimilars to achieve high growth and capital efficiency.

We will strengthen investments in intangible assets to drive sustainable growth and increase corporate value.

We will strive to become the leading company in women’s healthcare, fulfilling our mission to address unresolved and unmet health challenges for women.

We will explore capital policies aimed at enhancing shareholder value through dialogue with external experts.

In addition, we intend to strengthen our dialogue with investors, analysts, and individual investors by holding Investor Days and other events in the future.

That is all from me, and the entire company will make every effort to realize this new med-term business plan. Thank you for your continued support. Thank you for your attention.

Kato [M]: Thank you very much, Mr. Morita.

Question & Answer

Kato [M]: I would now like to start the question-and-answer session. If you are participating via live streaming, please write your question in the comment box on the viewing screen and send it to us.

We will first take questions from the audience. Please raise your hand if you have any questions.

Ishida [Q]: Thank you for your explanation. I am Ishida of Mizuho Securities Co. I have two questions. First, on the fourth point regarding the strategic investment for the next stage of growth, I like the fact that you have increased the amount of strategic investment. My question is on page 34. Of the 25 candidate seeds, I believe they are categorized into four, based on impact and phase. I would like to know how you plan to determine the priorities of these developments.

For example, I would like to know what kind of policy you will follow, whether you will implement a large number of low-cost development projects or a small number of high-impact projects.

Morita [A]: Thank you for your question. As a policy, the first thing we want to do is to prepare our portfolio according to the timing of the company's growth, assuming first of all that it is sustainable.

As you say, the amount of investment is limited, so we will carefully consider at each stage what phase we should invest in and how much we should invest and set priorities. I don't know if this is an answer to your question, but that is all for now.

Ishida [Q]: Thank you. By the way, just to add a little bit, what are your thoughts on areas? Will it be women's healthcare, or will it be biosimilars or something new, or will it be some other area?

Morita [A]: Thank you. The focus will be on women's healthcare. However, this does not mean that we will only focus on women's healthcare. As I explained earlier, we will continue to carefully consider biosimilars on a case-by-case basis, and if we believe that we can provide value in the areas surrounding women's healthcare or in other areas, we will not rule out incorporating those areas into our portfolio as well.

Ishida [Q]: Thank you. One more thing, regarding your long-term vision for 2035 beyond the current med-term business plan for fiscal years ending September 2029, looking at page six, I can see from the bar that your sales target for FY2034 is roughly JPY100 billion. Does the difference between FY2029 and FY2034 represent the delayed overseas sales coming in, or does it represent sales growth from existing products and biosimilars? I would like to know how you plan your sales, even if it is just a rough idea.

Morita [A]: Thank you. First, we have already disclosed to the public our targets for sales of JPY100 billion and an operating margin of 20%, as we did when we announced the previous med-term business plan, and we would like to move forward with these targets.

As for the period beyond 2029, this may be a bit of a subjective opinion, but rather than focusing on our initial overseas goals, we would like to focus on the domestic market and bring us even closer to our original plan by providing new value in women's healthcare.

Ishida [M]: Thank you.

Kato [M]: Thank you very much. Any other questions?

Akahane [Q]: Thank you for the detailed explanation. I'm Akahane, from Tokai Tokyo, and I have a few questions, so I'd like to ask them one by one. First, on page 26, you mentioned biosimilars, which I think will probably be the growth driver, and I have seen this chart many times in the past. I have no intention of asking you what the 5th, 6th, and 7th items are, but it would be very helpful if you could give us more concrete figures on the composition of Filgrastim, Ustekinumab, and the three applications, and if possible, in what areas you intend to expand, and the contents of this JPY15 billion. This is the first question.

Morita [A]: Thank you for your question. First, due to our sales strategy we are not able to disclose the names of the ingredients, which makes it a little difficult for me to answer, but in terms of the field, if you imagine it as being in the field of advanced biopharmaceuticals, I think you will be able to get a rough idea of what it is.

As for each product, we are also evaluating the business potential of each product based on various factors, such as the number of expected competitors and whether the product will directly affect the patient burden, so it is difficult to give specific figures for each product. We apologize, but we hope you will understand.

Akahane [Q]: There are two, filgrastim and ustekinumab, and the remaining three. Is it difficult to give us the breakdown of the JPY15 billion among these?

Morita [A]: We expect sales of Filgrastim to remain roughly flat at the current level, with a slight decrease due to the NHI price revision.

As you know, ustekinumab is currently only indicated for dermatology, compared with the predecessor drug's indications in the fields of dermatology and gastrointestinal disease. We are planning to expand the range of indications in the next few years, but I would like to refrain from discussing the specific timing or the amount of the expansion at this time.

Akahane [Q]: In this JPY15 billion, then, are you saying that the indication expansion is not included?

Morita [A]: It is in the plan.

Akahane [Q]: Is it included? So, I can't ask about the other three, but should I guess they are similar, in terms of scale?

Morita [Q]: In terms of the scale?

Akahane [A]: Yes.

Morita [Q]: Is it the scale of sales?

Akahane [A]: Yes, for the products two, three, and four.

Morita [A]: They are all very large in terms of the scale of sales of prior products.

Akahane [Q]: I kind of understand. Thank you. My second question is, on the previous page, I think, there was a discussion about Alyssa's digital promotion and M3 was mentioned. In some cases, M3 does it as a single drug, but in other cases, they do it by segment, for example, for Chinese herbal medicines and infectious diseases. There are companies that do this as a single product, but in your case, will this be only done with Alyssa?

Morita [A]: We have a relationship with M3 for drugs other than Alyssa, but for this Alyssa combination tablet, since it is a joint development, we will develop it by utilizing the full package of services that M3 has.

Akahane [Q]: Is it that this tablet will be a little more digitized than before, or that the way medical nets are used is on a different level?

Morita [A]: Yes, we will be able to utilize it at a level that our company has not been able to do before. One thing I would like to add is that, due to the fact that this ingredient, Alyssa, is attracting a lot of attention, we have partnered with M3 and are currently holding several online lectures. Compared to the number of participants in our past online lectures, we have already had seven or eight times as many participants as in the past. This reflects both the great power of the M3 platform and the high level of interest that Alyssa combination tablets are receiving from medical professionals.

Akahane [Q]: I understand very well. Lastly, on page 33, you show investment for growth and R&D. Looking at this chart alone, I see that the increase will be in in-house R&D, or perhaps clinical trial expenses, but the capital investment will be the same amount. Do you think that the same amount of JPY20 billion will be recorded in the future, or do you think that the investment will go up steadily?

Morita [A]: Thank you. Regarding capital investment, large-scale capital investment was completed during the previous med-term business plan period. This is the basis for the production structure under the new med-term business plan, but we would like to continue with capital investment of the same scale for the next med-term business plan, which will lead to future growth.

Akahane [Q]: So, while there will be investments, depreciation as an expense will not increase that much, and will this period be a time to steer the company and make profits?

Morita [A]: Your understanding is correct. Thank you.

Akahane [Q]: I see. On the other hand, the R&D cost will be very large. Is it correct to think that this is going to increase steadily, or rather, to increase as clinical trials progress, including the biosimilars mentioned earlier?

Morita [A]: Yes, we will make solid investments in research and development and licensing fees, and we would like to sow the seeds for the next med-term business plan, and for 10 or 20 years from now.

Akahane [Q]: I understand very well. That's all from me.

Kato [M]: Thank you very much. Are there any other questions? Now, we have received some questions from the participants in the live broadcast, so I would like to introduce them. The first question.

Questioner [Q]: You have set a target of 1.5 to 3x for the future net interest-bearing debt/EBITDA ratio, but what does this range represent? Please answer the question.

Morita [A]: Thank you for your question. Mr. Uji, the General Manager of the Corporate Business Management Department, will answer your question.

Uji [A]: Sure. Thank you for your question. First, interest-bearing debt has increased considerably in the previous med-term business plan. Interest-bearing debt has increased due to a number of prior investments, including the acquisition of treasury stock, intangible assets, and capital investment in the Toyama Plant.

In the new med-term business plan, we do not plan to make any major capital investments at this time, so our financial situation will improve accordingly. In addition, working capital has increased a little due to the impact of COVID-19, as we had been safely securing active pharmaceutical ingredients, but we will strive to improve working capital by keeping inventory at an appropriate level.

As a result, if things go smoothly, the net debt ratio for interest-bearing liabilities will be around 1.5x, but if we take advantage of investment opportunities, including other future opportunities, it is said that the average EBITDA ratio for pharmaceuticals is roughly 2x to 3x, so we have indicated a range, with an investment margin of around 3x. That is all.

Kato [M]: Thank you for your questions. Now for the next question:

Questioner [Q]: In recent years, the stable supply of pharmaceuticals has become an issue. Please tell us if you have any initiative to ensure a stable supply going forward.

Morita [M]: Thank you. Mr. Mitsuhashi, Director of the Corporate Planning Department, will answer your question.

Mitsuhashi [A]: Yes, this is Mitsuhashi. Thank you for your question. It is the responsibility of pharmaceutical manufacturers to ensure a stable supply of their products, and our future growth is of course predicated on ensuring a stable supply.

We made large capital investments during the previous med-term business plan as well, and in the new and current med-term business plan, we will continue to make capital investments that exceed or are equal to these investments. We have also already introduced systems that visualize the supply chain, automatically detect risk information, and identify potential risks for raw material suppliers. We will continue to strengthen our efforts to ensure a stable supply from this combination of factors. That is all.

Morita [A]: I would like to add a little more, but I truly believe that a stable supply is the responsibility of a pharmaceutical company, and the entire company will be working to meet this responsibility. Although the number of shortages and supply restrictions are not large at this point, they still exist, and the entire company is working together to reduce them to zero. This is the answer to the question.

Kato [M]: Thank you very much. Let’s move on to the next question.

Questioner [Q]: Why should we understand that financial management is improving in the medium-term management?

Uji [A]: I will answer the question. This is also related to the net interest-bearing debt/EBITDA ratio mentioned earlier, but for the med-term business plan, as mentioned earlier, we expect sales of JPY80 billion and operating profit of JPY10 billion, which is a significantly higher profit level than before.

In addition to the fact that we will have more profits to spend, we plan to improve our working capital, so we believe that the balance will improve. That's all from me.

Kato [M]: Thank you for your questions. Let’s move on to the next question.

Questioner [Q]: Please tell us where the funds raised through the stock acquisition rights will be distributed. Also, if the exercise price is not reached, how do you plan to raise funds?

Morita [A]: Thank you for your question. First, as we have stated in our disclosure materials, we plan to use the funds we have raised for investment in new drug growth and some capital expenditure. In the event that we are unable to exercise the rights, we still have borrowing capacity and plan to borrow money if necessary. That's all from me.

Kato [M]: Then, if there is no one from the audience, I think this will be the last question. Here is the last question.

Questioner [Q]: I believe that profitability is increasing, balance sheet investments are limited, and free cash flow is positive. I would like to ask if you are thinking of raising shareholder returns in the future.

Morita [A]: Yes, as I mentioned in my explanation, we will watch the overall balance, but at the same time, if EPS rises steadily, we will positively consider increasing dividends and shareholder returns. That's all from me.

Kato [M]: We received one more question, so this will be the last one.

Questioner [Q]: What happened to the long-term vision of JPY100 billion in sales and a 20% operating profit margin?

Morita [A]: This may overlap with the previous question, but we have disclosed externally our targets of JPY100 billion and an operating profit margin of 20%, and we would like to set these as our future targets.

On the other hand, in the current med-term business plan, we did not reach those figures. As for the JPY80 billion in sales and JPY10 billion in operating profit, we have made a more realistic plan based on the changes in the external environment over the past five years and the progress of our business.

I would like to reiterate that the JPY100 billion and JPY20 billion mark is not something that has gone away but is something that we would like to achieve in the future. That's all from me.

Kato [M]: Thank you for all your questions. There being no further questions, we will now conclude the question-and-answer session.

I have a request for everyone attending today. A questionnaire will be emailed to you separately after the briefing. We would appreciate your cooperation in filling out the questionnaire, which will be used as reference information for future IR activities. Now, we would like to conclude with a few words from Mr. Morita.

Morita [M]: Thank you very much for taking time out of your busy schedule today to stay with us until the end. We received many questions today, and we would like to continue our dialogue with investors and analysts in the future. We ask for your continued support. Thank you very much for your time today.

Kato [M]: This concludes Fuji Pharma Co., Ltd.'s med-term business plan announcement. Thank you very much for your participation today.

Morita [M]: Thank you very much.

[END]

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