



Healthcare Business Field

We are providing unique products and services through the generation of synergies between the pharmaceutical business and the home healthcare business as well as collaboration with other businesses, while at the same time, developing new solutions that meet social needs throughout the entire care cycle, including preventative care, health promotion, rehabilitation, and nursing care.



Akihisa Nabeshima

Executive Officer, Member of the Board
President, Healthcare Business
of Teijin Group

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|----------------------|---|
| Strengths | <ul style="list-style-type: none"> Product creativity and market cultivation capabilities focused on unmet needs Robust sales base established in the pharmaceutical and home healthcare businesses High-quality services centered on patients Unique products and services created through the use of technologies from the Material and IT businesses |
| Opportunities | <ul style="list-style-type: none"> Needs for comprehensive community-based healthcare and home healthcare that require multidisciplinary collaboration Personalized medical treatment Needs for extending healthy life span, preventative care, and health promotion |

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|-------------------|---|
| Weaknesses | <ul style="list-style-type: none"> Internal ability to expand in the global market |
| Threats | <ul style="list-style-type: none"> Revisions to drug prices and medical service fees based on government policies to curtail medical costs in Japan Increase in R&D expenses related to new drugs |

Fiscal 2019 Performance

Despite a strong domestic performance of the mainstay drug *FEBURIC* (febuxostat) and the home healthcare business, net sales in the Healthcare Business declined 2.3%, to ¥153.9 billion, and operating income was down 8.2%, to ¥32.6 billion, due to the impact from the entry of generic products for febuxostat medication in Europe and the United States.

Pharmaceuticals

In pharmaceuticals, sales of the hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*,* a treatment for acromegaly, pituitary gigantism, and neuroendocrine tumors, expanded steadily in the Japanese market. However, sales of febuxostat in Europe and the United States were impacted by the entry of generic products.

* *Somatuline*® is the registered trademark of Ipsen Pharma, France.

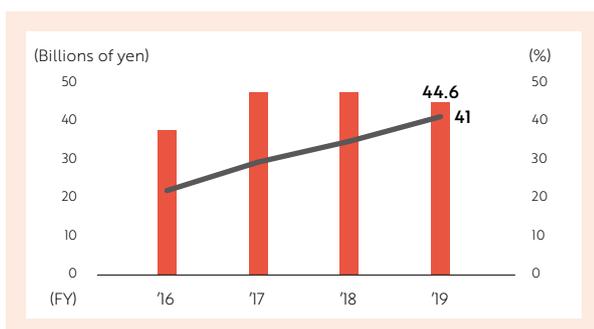
Home Healthcare

In home healthcare, rental volume for continuous positive airway pressure (CPAP) units for the treatment of sleep apnea syndrome (SAS) increased favorably, owing to an increase in the number of contracted facilities as we focused on building a clinical treatment network for SAS. In addition, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT), with proactive sales for portable oxygen concentrators and integrated oxygen concentrators *Hi-Sanso i*.

New Healthcare Businesses

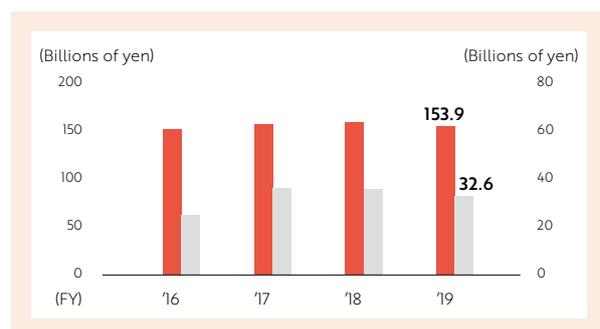
For new healthcare businesses, the orthopedic implantable devices business (artificial joints, absorbable osteosynthesis materials) posted a solid performance.

EBITDA/ROIC (based on operating income)



■ EBITDA (left scale) — ROIC based on operating income (right scale)

Net Sales/Operating Income



■ Net sales (left scale) ■ Operating income (right scale)

Efforts under the Previous Medium-Term Management Plan

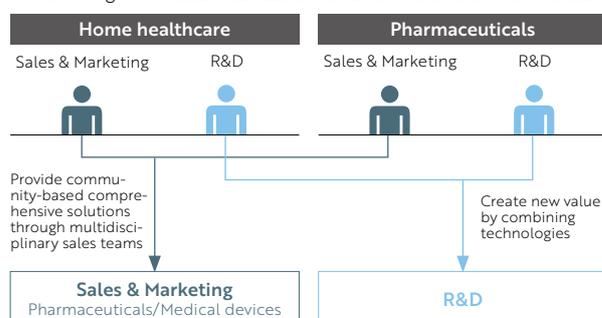
Under the previous medium-term management plan, we implemented numerous initiatives toward acquiring small to medium-sized companies and obtaining licenses with the aim of expanding the scope of our new business fields. However, one issue we had was clarifying where we need to focus resource allocation in order to further cultivate and expand our businesses. We did not implement large-scale M&As as, after holding careful examinations, we were unable to find a target that aligned with our goals. As a result, our performance fell significantly short of the net sales target for new businesses adopted under our initial plans.

In the pharmaceutical and home healthcare businesses, we aimed to provide comprehensive healthcare services in not only fields that are covered by medical insurance but also ones that are not. Guided by this aim, we integrated the organizations of these businesses in fiscal 2019 in order to strengthen our overall

business foundation. By integrating the sales and R&D functions possessed by both the pharmaceutical and home healthcare businesses, we commenced efforts to establish a unique sales model that leverages the respective strengths of these businesses and to optimize our R&D activities.

Overview of the Organizational Integration (from October 2019)

Transitioning from a dual business unit structure to a functional structure



FY2017	FY2018	FY2019
<ul style="list-style-type: none"> Withdrawal from the U.S. home healthcare business Licensing out of an investigational antibody drug candidate for the treatment of Alzheimer's disease Establishment of Teijin Medical Technologies Co., Ltd. (osteosynthesis materials, etc.) Acquisition of spinal implant business 	<ul style="list-style-type: none"> Conclusion of contract for exclusive Inulin, a functional food ingredient, distributorship in Japan 	<ul style="list-style-type: none"> Establishment of nutraceutical sales company Launch of depression treatment device <i>NeuroStar</i> Start of clinical trial of cardiovascular and vascular repair patch Reorganization of the pharmaceutical and home healthcare businesses

Medium- to Long-Term Strategy

In the Healthcare Business, we will execute strategic investment aimed at acquiring services, technologies, and pipelines that will contribute to future profits. In terms of Strategic Focus fields, we will develop new businesses related to functional foods, comprehensive community-based healthcare, and new

medical devices, among others. Furthermore, for Profitable Growth fields, in the pharmaceutical and home healthcare businesses, we will steadily move forward with efforts to obtain approval for new products and maximize value of existing products and services.

Overview of Profit Growth (EBITDA)

Strategic Focus Businesses	<ul style="list-style-type: none"> Functional foods New business related to comprehensive community-based healthcare systems New medical devices
Profitable Growth Businesses	<ul style="list-style-type: none"> Medical devices Pharmaceuticals

Acquire products, services, and technologies

- Functional foods
- Comprehensive community-based healthcare
- Orthopedic areas

Profit contribution during the next medium-term management plan

- Functional foods, nutraceuticals
- Services supporting health management and preventing the exacerbation of illnesses
- Artificial joints, absorbable osteosynthesis materials
- Depression treatment device *NeuroStar*
- Rehabilitation robot *ReoGo-J*

Organizational integration

Launch new drugs and maximize value of existing products

Effects from organizational integration

- Contribution of new drugs to earnings
- Treatment for osteoporosis: ITM-058
- Treatments for upper limb/lower limb spasticity: NT 201/NT 201L



Enrich business foundation for future profitability

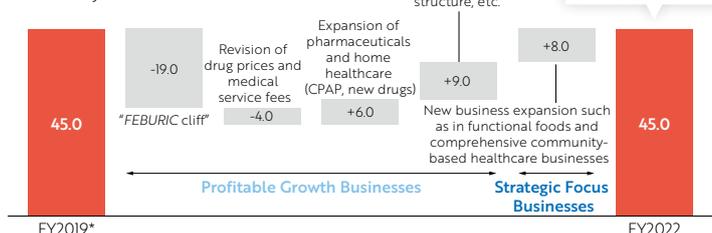
- Build a comprehensive community-based healthcare system platform (visiting nursing stations, contact centers, *VitalLink* [an information sharing system for team-based healthcare])
- Acquire pipelines and technologies (medical devices/pharmaceuticals)

Changes in EBITDA during Medium-Term Management Plan 2020–2022

In fiscal 2022, we anticipate a "FEBURIC cliff," which involves the risk from the emergence of generic drugs for our mainstay drug *FEBURIC*, in Japan as well. Accordingly, we will work to compensate for this "FEBURIC cliff" through such means as further expanding home healthcare devices, launching new drugs, reforming cost structures in existing businesses, and realizing growth in new businesses. By doing so, we aim to secure EBITDA in fiscal 2022 at around the same level as we achieved in fiscal 2019 (outlook as of February 5, 2020).

EBITDA

(Billions of yen)



* Outlook as of February 5, 2020

Achieve
¥45.0
billion

Business Strategy

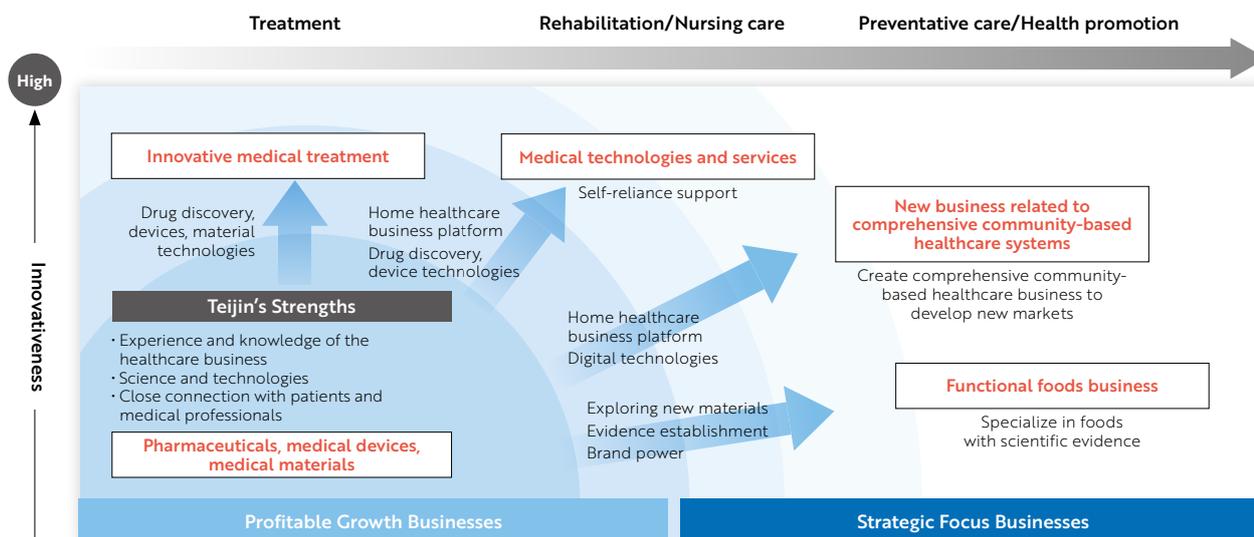
Healthcare Business Field

▶▶ Strategic Focus Business

New Healthcare Businesses

The Teijin Group is striving to leverage the strong connections it has formed with patients and medical professionals through the pharmaceutical and home healthcare businesses, as well as its deep knowledge on the healthcare industry and technological capabilities, in order to develop new businesses. Going

beyond fields covered by medical insurance, the Group aims to develop comprehensive healthcare service businesses, including rehabilitation, nursing care, preventative care, and health promotion, that are deeply rooted in local communities.



Innovative Medical Treatment

By rolling out *NeuroStar*, a transcranial magnetic stimulation device which was the first of its kind to be covered by Japan's national health insurance, the Teijin Group will provide a new option for the treatment of depression. In addition, the Group is focusing efforts on creating innovative medical treatment in such ways as conducting joint research with the Japan Agency for Medical Research and Development toward the development of preventative medicine and the treatment for frailty.*1

Medical Technologies and Services to Support Self-Reliance

To support the self-reliance of patients who need rehabilitation due to a stroke or other medical condition, the Teijin Group is offering *WalkAide*, a functional electrical stimulation device for rehabilitation, and *ReoGo-J*, a rehabilitation robot for upper limb paralysis. Offering these products together with NT 201/NT 201L, which are upper limb/lower limb spasticity treatments, the Group aims to provide comprehensive solutions that support patients from the onset of a stroke to treating its aftereffects.

Functional Foods Business

The Teijin Group is focusing its attention on functional food ingredients, which have high future potential from the perspective of preventative care and health promotion. To that end, the Group is working to develop applications centered on prebiotic material*2 and probiotic material*3 and enhance its product lineup for these materials. At the same time, the Group is striving to expand its sales routes including through global expansion.

New Business Related to Comprehensive Community-Based Healthcare Systems

To provide support to elderly people in provincial communities amid the rapidly aging society in Japan, sharing information between medical professionals involved in a broad range of professions, including medical treatment, nursing care, and lifestyle support, and establishing comprehensive community-based healthcare systems that enable seamless cooperation between such professionals, are indispensable support infrastructure. To that end, in 2015 the Teijin Group began offering *VitalLink*, an information sharing system for team-based healthcare used between medical professionals, as a tool for supporting comprehensive community-based healthcare. Furthermore, the Group has established extensive networks through home healthcare platforms comprising not only *VitalLink* but also a 24-hour call center, in-home nursing care stations, and a nationwide sales and service network. Drawing on these networks as its foundation, the Group will create new markets, including healthcare support services and services to prevent severe illnesses that utilize data platforms, as it aims to improve the quality of life for people and further contribute to local communities.

*1 Frailty: Physical deterioration as a result of aging, decreased resilience from stress

*2 Prebiotics are difficult-to-digest food components that offer useful benefits to the intestines and can help improve the intestinal environment by helping increase healthy bacteria in the large intestine and improving intestinal activity.

*3 Probiotics are live microorganisms that can offer useful benefits when consumed in appropriate amounts.



Business Introduction

In the pharmaceutical business, the mainstay drug *FEBURIC* (febuxostat), a treatment for hyperuricemia and gout, is a new drug that is the first of its kind in over 40 years globally and was generated internally by the Teijin Group. As of June 30, 2020, febuxostat was being sold in 78 countries and regions around the world and has the top market share in Japan as *FEBURIC*.

In the home healthcare business, the Group has been a pioneer in Japan in terms of home oxygen therapy (HOT), being the first company in the country to commercialize HOT. In addition, the Group boasts the strengths of a service structure that can provide support to patients on a 24-hour, 365-day basis, as well as a customer base that is the largest in the home healthcare industry. In Japan and overseas, the Group provides home healthcare services to approximately 450,000 patients. Moreover, the Group has secured a leading market share in Japan for therapeutic oxygen concentrators for HOT as well as for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS), which represents a market that has been rapidly growing in recent years.

Major Initiatives under the Medium-Term Management Plan

To minimize the impact from the entry of generic products for *FEBURIC*, we will promote a broad range of efforts, including strengthening our community-based multidisciplinary sales teams through organizational reforms in the pharmaceutical and home healthcare businesses, as well as enhancing productivity and launching new drugs on the market. In terms of new drugs, during the period of the current medium-term management plan, we expect to acquire approval for and launch ITM-058, a treatment for osteoporosis, and NT 201/NT 201L, treatments for upper limb/lower limb spasticity. In the home healthcare business, we will enhance the added value of therapeutic oxygen concentrators for HOT and CPAP ventilators for the treatment of SAS, through the use of ICT and other technologies. We will also aim to further increase the number of rental devices.

Pipeline

Area	Code no.	Target disease	Phase of clinical trials				
			Phase 1	Phase 2	Phase 3	Filed for approval	Approved/ Launched*
Bone and joint disease	NT 201	Upper limb spasticity					
	ITM-058	Osteoporosis with a high risk of bone fracture					
	NT 201L	Lower limb spasticity					
	TCK-276	Rheumatoid arthritis					
Respiratory disease	PTR-36	Bronchial asthma					
Cardiovascular and metabolic disease	ITM-014T	Thyroid stimulating hormone-secreting pituitary tumors					
	TMX-049	Hyperuricemia and gout					
	TMX-049DN	Diabetic nephropathy in type 2 diabetes					
	TMX-67HK	Pediatric hyperuricemia and gout					
Others	CGS-CIDP	Chronic inflammatory demyelinating polyneuropathy					
	CGS-ON	Acute phase of optic neuritis					
	CGS-MPA	Microscopic polyangiitis					
	JTR-161	Acute cerebral infarction					

Note: As of June 30, 2020

* The pharmaceuticals that have been approved/launched within the past year are listed.

TOPIC

D-MAP—Disaster Response and Support Map System for Home Healthcare

Since commercializing HOT, the Teijin Group has advocated for home healthcare service on a 24-hour, 365-day basis and accordingly has established a structure to support home healthcare in the event of a disaster or other emergency. As part of this structure, we have a disaster response and support map system called *D-MAP* (Disaster Mapping Assistance Partner). Oxygen concentrators used for HOT will cease operation in the event of a power outage.* We have introduced portable oxygen cylinders to prepare for such an event. However, as these cylinders cannot be used for long periods of time, there is a need to promptly ascertain the whereabouts of patients and confirm their safety when a disaster occurs.

When the Great East Japan Earthquake occurred in 2011, within 10 minutes from when it struck, we had compiled a list

of approximately 25,000 patients. Immediately, our Tokyo disaster support headquarters began calling every one of these patients to check on their safety. After doing so, we made Groupwide efforts to provide patients with support, including distributing emergency oxygen cylinders and oxygen concentrators to patients from each of our offices. Going forward, through our trust-based relationships with patients and their families as well as medical institutions, we will draw on the experience we have cultivated thus far to continue to contribute to a society deeply rooted in local communities as a member of team-based healthcare.

* The Teijin Group has also introduced battery-operated oxygen concentrators that can run for a certain amount of time even during power outages.

FOCUS

Aiming to Be a Comprehensive Healthcare Service Provider

Ichiro Watanabe

Teijin Group Executive Officer
Management Coordinator for the President,
Healthcare Business of Teijin Group
President, Teijin Pharma Limited



Q1. In October 2019, Teijin Pharma transitioned from a dual business unit structure to a functional structure. What initiatives have you been implementing since then?

Our medical representatives (MRs) in the pharmaceutical business and the sales personnel in the home healthcare (HHC) business engage in different work. MRs conduct sales promotions geared toward doctors, whereas the HHC sales personnel not only promote sales to doctors but also provide support to other healthcare professionals and patients. With the introduction of this new structure, we first held classroom-based training programs to ensure a mutual understanding between MRs and HHC sales personnel. Through this training, our MRs aim to learn sales methods for medical devices while all our HHC sales personnel aim to obtain certification as MRs

themselves. Before starting on-the-job training, we have commenced efforts to enhance operational efficiency at certain offices. We are now identifying job areas where both MR and HHC operations can be done simultaneously, and areas where they should be done separately, in addition to work that can be comprehensively managed by our head office. After doing so, we will expand successful approaches to other locations. We are also examining the reorganization of our sales office structure to establish offices centered on secondary medical areas* and deeply rooted in local communities.

* Areas established through the combination of multiple municipalities that provide general medical care

Q2. What are the main points to achieve the targets of the medium-term management plan?

One strength we possess over major pharmaceutical companies and rival HHC companies is our ability to contribute to community-based medical treatment through a multi-disciplinary team with MRs, HHC sales personnel, HHC technicians, visiting nurses, clinical laboratory technologists, and physical therapists. Going forward, the location where people receive medical treatment will gradually transition from hospitals to local communities. Progress will be made with comprehensive community-based healthcare where local healthcare professionals, such as family doctors, primarily provide support to patients. Utilizing our ICT business foundation in terms of monitoring and data analysis, our multi-disciplinary team, which Teijin has long cultivated, understands the issues and needs in each region and establishes a seamless cooperative path from prevention and medical treatment to supporting care for self-reliance.

As for R&D activities, we are working to enhance our expertise to create innovative medical treatment and generate synergies between healthcare-related technologies. We are striving toward venture-type drug discovery for unmet medical

needs, and to seek early stage alliance/collaborative partnership with other companies, in order to maximize the value of R&D projects globally. Also, regarding R&D on medical devices, we established a corporate venture capital in the United States in April 2020, and newly started initiatives to discover innovative medical treatment at an early stage.

Not only relying on projects from our own R&D division, we will also collaborate with external partners inside/outside Japan to obtain clinical evidence and to make use of in-house platforms for production technologies. Through such efforts, we will aim for extensive business development. We must integrate knowledge and technologies from different business fields to create unique treatment methods. We will create innovative medical treatments by combining the physiological chemistry technologies and know-how on establishing clinical evidence of the pharmaceutical business with the bio-engineering technologies (including physical stimulation technologies) of the HHC business. We will pursue collaboration with the Material Business and the IT Business as well.

Q3. Could you please tell us your vision for the Healthcare Business in 2025 and 2030?

Due to the impact from the spread of COVID-19, we are seeing the rapid acceleration of remote medical treatment, such as online examinations and online medication instruction. In this digital world, a key issue will be to leverage the strengths of our sales capabilities and products/services to capture business opportunities. For example, digital healthcare services, such as those that help encourage changes in patient behavior based on data on their daily lives, will become more widespread in the future. When that happens, there will be a need for our multi-disciplinary sales team, underpinned by ICT, to

provide backup support to patients as well as doctors and other healthcare professionals. Going forward, we will strive to reliably ascertain the changes occurring in the external business environment. We will also enhance the quality of life for patients based on the spirit of putting the patient first. At the same time, we will help prevent people from contracting an illness, and contribute to improving their overall health status. In these ways, we will become a comprehensive healthcare service provider with deep roots in local communities.