

## **Seikagaku Announces a New Mid-term Management Plan (Fiscal 2022 to Fiscal 2025)**

Seikagaku Corporation (Tokyo, Japan, “Seikagaku”) today announced that it has formulated a new mid-term management plan for the four-year period starting in the fiscal year ending March 31, 2023 (fiscal 2022). A summary of the plan follows.

### **1. Summary of the previous mid-term management plan (fiscal 2019 to fiscal 2021)**

Seikagaku positioned the three-year period beginning with the fiscal year ended March 31, 2020 (fiscal 2019) as a time for solidifying the profit foundation to return Seikagaku to a growth trajectory and implemented three important measures: 1) accelerating new drug discovery to become the pillar of new profits, 2) solidifying the profit foundation through market expansion of new products, and 3) productivity improvement reforms. Although blindsided by the COVID-19 pandemic and negatively affected by the resulting market stagnation in Japan and overseas, delays in R&D activities, and other consequences of the pandemic, Seikagaku was able to achieve certain positive results with respect to the three measures, notably progress with development pipelines; the launch of new products in Japan, the U.S., and other markets; and profit model diversification through the acquisition and consolidation as a subsidiary of Dalton Chemical Laboratories, Inc. of Canada. Seikagaku also achieved all of the numerical targets in the plan and believes that during the three-year plan period the Group successfully laid a foundation for the next mid-term management plan.

### **2. Overview of the new mid-term management plan (fiscal 2022 to fiscal 2025)**

#### **(1) Background of the new mid-term management plan**

The Company believes that the business environment will remain uncertain due to rapid changes in the pharmaceutical industry, such as National Health Insurance (NHI) drug price reductions in Japan, system changes in overseas markets, the increasing sophistication of new drug development, rising development costs, and innovations in medical technologies. Also, fulfilment of social responsibilities, starting with sustainability promotion, is increasingly important for the sustainable development of society and enhancement of corporate value, and responding to this societal trend is an urgent matter.

In this business environment, Seikagaku has positioned the four-year period beginning with the fiscal year ended March 31, 2023 (fiscal 2022) as “A period for achieving growth” and formulated a new mid-term management plan. By implementing key measures set out in the plan on the basis of a profit foundation solidified during the period of the previous management plan, Seikagaku will aim to maintain a constant growth trajectory and achieve record-high business results in the final year of the plan.

#### **(2) Key measures**

Seikagaku will implement the following five key measures to nurture the capability to maintain a constant growth trajectory.

① **Accelerate R&D utilizing unique drug-discovery technologies**

Apply Seikagaku's own GAG\*-related basic technologies to create new drugs that patients truly need, with an emphasis on unmet medical needs, by focusing on creation of new development themes in existing fields and creation of innovative research themes, including in new disease areas. Also, to increase the probability of success of these efforts, pursue various alliances aimed at making early progress. At the same time, advance existing pipelines with the aim of obtaining approval and introducing in the U.S. SI-6603 (a treatment for lumbar disc herniation), completing a Phase III clinical study in the U.S. of SI-614 (a treatment for dry eye), and obtaining approval in Japan and initiating a clinical study in the U.S. of SI-449 (an adhesion barrier).

\*GAG: Glycosaminoglycans, such as hyaluronic acid and chondroitin sulfate, which are structural components known as glycoconjugates.

② **Maximize the product value of SI-6603 (treatment for lumbar disc herniation)**

Take maximum advantage of SEIKAGAKU NORTH AMERICA CORPORATION, established in Canada for the purpose of obtaining approval in the U.S. and launching SI-6603, a treatment for lumbar disc herniation, to ensure a prompt and accurate NDA and response to regulatory review. Also proceed with sales preparations and pursue maximization of product value through early penetration at medical institutions in close cooperation with the sales partner.

③ **Maintain and enhance the business value of joint function improving agents**

Strive to maintain and enhance the business potential of the core products that support business management by increasing the presence of Seikagaku products in the mainstay domestic market for joint function improving agents. Since the domestic pharmaceuticals business is greatly affected by NHI drug price reductions, cost structure improvement is essential. Seikagaku will further proceed with product material specification changes, which help ensure continuity of product supply, manufacturing process efficiency improvement, and other measures. Seikagaku will also continue gathering and providing safety information on the joint function improving agent JOYCLU with the aim of contributing to appropriate prescription on the basis of clinical research findings.

④ **Construct a global production system**

Further reinforce a stable supply of products on the basis of an appropriate and efficient production system by making Dalton Chemical Laboratories, Inc. (Toronto, Canada) and the Seikagaku Takahagi Plant (Ibaraki Prefecture, Japan) dual production bases, including transfer of production of some products.

⑤ **Expand the LAL business through recombinant technologies**

Aim to create new value in cooperation with overseas subsidiary Associates of Cape Cod, Inc. by accumulating reliable scientific data utilizing PyroSmart NextGen® recombinant LAL reagent and promoting development of new diagnostic reagents utilizing recombinant technologies and by developing and improving measurement equipment and software in collaboration with an affiliated company.

In addition, enhancement of employee engagement along with organizational strengthening and human resource development will be critical factors for carrying out the above five key measures. Seikagaku will work to solidify and improve the foundation for achieving sustained growth by stepping up the development of human resources, the heart and soul of the Group's businesses, and actively investing to create an environment that promotes employee growth.

### (3) Sustainability

Seikagaku has identified six material issues as important issues that should be addressed on a priority basis in the interest of achieving sustainable development of society and enhancement of corporate value. Seikagaku will continue to focus on these material issues, which will become the foundation for the key measures in the mid-term management plan, strengthen development of medical-related businesses as well as ESG (Environment, Social, Government) initiatives, and aim to contribute to solving social issues through close communication with supply chain partners and stakeholders.

Details on initiatives relating to materiality and sustainability are available on the Seikagaku corporate website (<https://www.seikagaku.co.jp/en/sustainability.html>).

### (4) Numerical targets

	Fiscal 2021 actual	Fiscal 2025 target
Net sales	¥34.8 billion	¥40.0 billion
Operating income	¥4.4 billion	¥7.0 billion

#### Assumptions

- 1) U.S. market introduction of SI-6603 (treatment for lumbar disc herniation)
- 2) Profit expansion from joint function improving agents in Japan
- 3) Expansion of the overseas pharmaceutical and LAL businesses
- 4) Ratio of R&D expenses to sales (excluding royalty income): target of 25%
- 5) Exchange rate: ¥135/US\$1

### (5) Basic policy on profit distribution

In conjunction with formulation of the new business plan, Seikagaku has established a new basic policy on profit distribution, as set out below.

#### Basic policy on profit distribution

Seikagaku believes that sustained profit growth and enhancement of corporate value contribute to the common interests of the shareholders. Seikagaku regards the return of profits to shareholders as an important management priority and, while taking an annual dividend of ¥26 per share as the basis, will consider dividend increases, taking into account the trend in business performance, the financial position, and other factors. Also, while taking into consideration future business expansion and the total return ratio, Seikagaku will consider, as appropriate, the purchase of treasury stock.

In addition, in order to solidify the business foundation and improve capital efficiency, the Company will make efficient and active business investments in R&D for creating new value, production system development, and sustainable activities and will flexibly make strategic investments offering prospects for future growth and synergy effects.

Details on the mid-term management plan are available on the Seikagaku corporate website (<https://www.seikagaku.co.jp/en/ir/management/midtermplan.html>).

#### < Cautionary Notes >

This press release contains forward-looking statements regarding future management strategies or performance forecasts. These descriptions are based on judgments derived from information that is currently available to Seikagaku and are subject to risk and uncertainty. Actual results and developments may differ significantly from these descriptions due to various factors. Information about pharmaceutical products or medical devices (including products currently in development) contained in this press release is not intended to constitute an advertisement or medical advice.

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