

NEWS RELEASE



May 14, 2019

Name of the listed company: NIPPON SHINYAKU CO., LTD.
Representative: Shigenobu Maekawa,
President and Representative Director
Code No.: 4516, Listing stock exchange: Tokyo
Contact: Takanori Edamitsu,
Director, Member of the Board, Business
Management
Tel. +81-75-321-9107

6th Five-Year Medium-term Management Plan “Aiming for Sustainable Growth –Pursuit of Further Originality–”

Nippon Shinyaku Co., Ltd. (Headquarters: Kyoto, Japan; President: Shigenobu Maekawa) announced the outline of the 6th five-year Medium-term Management Plan “Aiming for Sustainable Growth – Pursuit of Further Originality–” (fiscal 2019 to fiscal 2023) which it started in April, 2019.

Amid increasing uncertainty in the significantly changing business environment, Nippon Shinyaku has been striving to be a “company with a meaningful existence in healthcare.” In the 5th five-year Medium-term Management Plan “Aiming for New Growth –Pursuit of Originality–” started in fiscal 2014, we aimed to establish management base for new growth, clearly differentiated us from other companies, and pursued originality.

In the pharmaceutical business, although we were affected by the measures to promote the greater use of generics and the drastic reform of the National Health Insurance drug price system, royalty revenue from overseas sales of our original product Uptravi grew more than we had expected and reinforcement of our sales organization in response to changes in the domestic pharmaceutical business environment contributed to the growth. Consequently, both sales and operating income exceeded the plan. In addition, by promoting stable revenue management, we made growth investments ahead of schedule to enhance our R&D pipeline. In the functional food business, although our sales were slightly lower than the plan due to fiercer competition among companies, we evolved into a highly profitable entity.

As a result, in fiscal 2018, the final year of the 5th Plan, we achieved all numerical goals (sales of 110 billion yen, operating income of 18 billion yen, and ROE of 10%) and set a record high for sales and incomes.

In the 6th five-year Medium-term Management Plan started in fiscal 2019, which marks our 100th anniversary, to enhance our presence in the world, we will further develop our management base which we have established in the 5th Plan into a stronger one to support sustainable growth. For this purpose, we position the 6th Plan as a scenario to pursue further originality. All employees push forward vigorously toward the realization of our vision by going beyond individual limits and boldly taking “six actions” without being stuck with old ways of working or thinking.

Please see the accompanying sheet for the outline of the 6th five-year Medium-term Management Plan “Aiming for Sustainable Growth –Pursuit of Further Originality–.”

Outline of the 6th Five-Year Medium-term Management Plan
“Aiming for Sustainable Growth –Pursuit of Further Originality–”

1. Nippon Shinyaku’s corporate vision

Due to the drastic reform of medical systems for the enhanced containment of medical expenses, progress of technological innovation and industry reorganization, uncertainty in management will increase because of the unprecedented change in the environment around us in the future. In the pharmaceutical business, we will provide more patients suffering from diseases in the world with high-quality and unique products mainly targeting the diseases with unmet medical needs in our four areas of focus (urology, hematology, intractable/orphan diseases and gynecology). In the functional food business, utilizing the high technical capabilities as a pharmaceutical company, we will provide highly value-added products to meet the market needs in our four areas of focus (health food ingredients, preservatives, protein preparations and supplements).

By implementing the above measures, we aim to grow sustainably and be globally acclaimed as a “company with a meaningful existence in healthcare.”

2. “Six actions” for sustainable growth and realization of the vision

In the 6th five-year Medium-term Management Plan, we will take following “six actions” to strengthen the basis for sustainable growth and realize the vision based on the management base which we have established before.

(1) Creation of new value through R&D

To continue to provide patients with high-quality and unique products, we will further enhance our R&D capability which we have cultivated before and actively work on new modalities in drug discovery such as nucleic acid medicine and gene therapy.

In the pharmaceutical business, centering on our four areas of focus (urology, hematology, intractable/orphan diseases and gynecology), we will utilize internal and external management resources. Through in-house research with an eye on new modalities, in-licensing and product life cycle management (PLCM), we will enhance our R&D pipeline and continuously provide new products.

In the functional food business, to provide high-quality and unique functional food ingredients which we can produce as a pharmaceutical company, we will utilize internal and external management resources and continuously provide highly value-added products to meet the market needs.

(2) Development of global business

To provide unique products all over the world, we will build an organizational structure suitable to the

development of global business in all phases from R&D, manufacture, distribution and sales, and further accelerate the expansion of our global business which we have established through to the end of the 5th Plan.

(3) Increase in corporate value by strengthening ESG management

We will increase our corporate value and coexist with society by strengthening ESG (Environment, Society and Governance) management through business activities such as creating treatments for diseases without cures and delivering them to patients, and delivering necessary supplements of high value to customers.

(4) Creation of organizational climate in which each employee can be active

From the perspective that “unique products come from unique human resources,” we respect our employees’ diversity regardless of their gender, nationality or cultural background, provide opportunities for them to proactively take on challenges and grow, and create an organizational climate in which all employees can enhance their presence and be active.

(5) Active use of AI and adoption of IT

To continuously create value, we will accelerate the launch of new products, streamline operations and increase productivity by actively using AI, RPA and other technologies, and promoting adoption of IT.

(6) Further strengthening of management base

To achieve sustainable growth under the circumstances where it is difficult to predict changes due to high uncertainty in business environment, we will increase profitability of our business, promote cost management, effectively utilize management resources, and rebuild the management system and mechanism.

We will realize our vision and aim to continuously increase corporate value by taking these actions for sure.

3. Numerical targets

(Million yen)

(Consolidated)	FY 2018 results	FY 2023 plan	CAGR*1
Net sales	114,700	150,000	5.5%
Pharmaceuticals	100,200	133,000	5.8%
Functional food	14,400	17,000	3.4%
Operating income	20,600	40,000	14.2%
Net income attributable to owners of the parent	16,300	30,000	13.0%
EPS*2	242 yen	445 yen	13.0%

ROE*3	10% or more throughout the term of the 6th Plan
-------	---

*1 CAGR: Compound Annual Growth Rate

*2 EPS: Earnings Per Share

*3 ROE: Return On Equity

4. Return to shareholders

We will increase the consolidated payout ratio to around 35% and aim to raise annual cash dividends per share by increasing EPS.

Forward-looking statements

Statements contained in this release concerning expectations and forecasts are based on various assumptions, and not a guarantee of future implementation of numerical targets and plans.