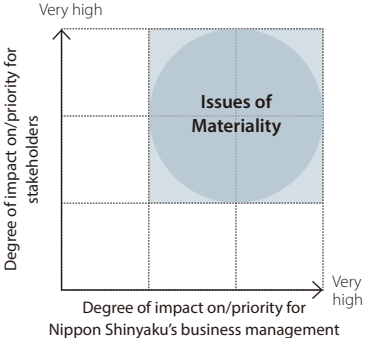


Risks and Opportunities, Issues of Materiality






To grow sustainably, the Nippon Shinyaku Group identifies risks and opportunities by analyzing social conditions, the market environment, and our internal condition. Each department will formulate quantitative and qualitative targets and promotion plans to achieve the targets in order to resolve material issues, enhancing effectiveness.

Process for identifying issues of materiality		Major risks	Major opportunities	Actions	Issues of materiality
<p>1. Listing issues</p> <p>We list issues taken from the risks and opportunities identified through an analysis of international guidelines and standards, social conditions, the market environment, and our internal condition.</p> <p>2. Assessing the importance of issues</p> <p>The importance of listed issues is evaluated by mapping them on a two-axis graph—one axis is the degree of impact on/priority for stakeholders and the other axis is the degree of impact on/priority for Nippon Shinyaku's business management.</p>  <p>3. Formulating promotion plans and execution</p> <p>For each of the issues, the relevant department formulates not only quantitative and qualitative targets, but also plans to achieve those targets. The Sustainability Committee regularly verifies progress in implementing the plans, and if necessary, improvements are made to activities.</p>	<p>Recognition of external environment surrounding management</p> <ul style="list-style-type: none"> ■ Advancement of research and development ■ Population dynamics and household trends ■ Values and lifestyles ■ Regional revitalization ■ Respect for human rights ■ Climate change and biodiversity conservation ■ Resource and energy issues ■ Trends in globalization ■ Political and economic conditions ■ Progress of digitalization 	<ul style="list-style-type: none"> • Lower value of existing therapies from emerging treatments/approaches based on new technology • Scaling down Japan-focused business due to Japan's declining population • More intense natural disasters, more diverse business risks • Impact of loss of end-user trust on business activities • Loss of personnel • Reduced motivation due to lack of psychological safety • Loss of business opportunities due to delays in addressing healthcare disparities • Loss of trust, and impact on business due to the occurrence of human rights issues • Climate change-related extreme weather and natural disasters • Reputational risk due to increased waste (improper disposal), increased disposal costs • Erosion of trust and brand value due to activities that lack consideration for animal welfare • Increased international legal compliance. Corruption due to reduced awareness of integrity and compliance • Erosion of trust and brand value from cyberattacks, data leaks or other information security issues • Decrease in credibility among stakeholders due to inappropriate responses 	<ul style="list-style-type: none"> • Creation of novel therapeutic agents using new technologies • Higher demand for health-related products as focus shifts from treatment to prevention • Discovery of unmet needs based on a patient-centric perspective • Maintenance of employee health, diversification of human resources and work styles, and promotion of productivity and innovation by developing human resources • A desirable place where people enjoy working • Creation of new business opportunities by improving medical facilities through support of patients, and research in the medical and pharmaceutical fields • Increased credibility both inside and outside the Company due to consideration of human rights and environmental improvements • Stakeholder trust generated by child-related support initiatives • Reduced CO₂ emissions and facility operating costs due to climate change actions • Greater trust in the Company due to cultivation of compliance mindset and business ethics • Trust generated by appropriate disclosures to stakeholders 	<ul style="list-style-type: none"> • Contributing to people's health through the creation of products and services with unique characteristics • Maintaining a safe and high-quality supply of products • Strengthening patient support and advocacy activities based on patient centricity • Promoting DX • Creating an environment where each person can grow and play an active role • Promoting diversity, equity and inclusion • Achieving well-being • Contributing to the healthcare field beyond the provision of medicines • Improving medical access • Respecting human rights • Contributing to regions and cultures • Contributing to the future of children • Climate change countermeasures • Promoting resource circulation • Conserving biodiversity • Contributing to food waste reduction • Promoting integrity • Strengthening risk management • Appropriate information disclosure 	<p>Realizing a healthy future by creating innovation</p> <p>Developing diverse human resources and realizing employee well-being</p> <p>Resolving social issues and coexisting with the community</p> <p>Strengthening efforts to protect the global environment</p> <p>Strengthening governance</p>

Issues of Materiality and KPIs

In April 2021, we as the Nippon Shinyaku Group determined the mission we should fulfill in service of society and our stakeholders and identified 19 issues of materiality we consider important to resolve social issues and create value. In March 2023, as sustainability was taking on added significance globally, and because the environment

surrounding our businesses had significantly changed, we implemented a review of these issues of materiality. Going forward, in order to respond flexibly to environmental changes, we aim to create sustainable value by continuously reviewing issues of materiality and proceeding with relevant initiatives.

Issues of materiality		Indicators/KPIs for the final year of the 7th Medium-Term Management Plan (FY2028)		FY2023 Activities and KPIs		Achievement level
 <div>Realizing a healthy future by creating innovation</div>	Contributing to people's health through the creation of products and services with unique characteristics	<ul style="list-style-type: none">• Drug launches: 2 or more items/year• Drug in-licensed: 1 or more items/year• New product launches of sports and aging care supplements: 10 items/5 years• Start of sales of Viltespo in countries and regions other than Japan and U.S.• Stable supply of nucleic acid medicines• Establishment of global PV system• Planning of clinical trials based on patient centricity• Development of DX promotion human resources: 25% or more of all employees		Promoting drug discovery utilizing nucleic acid drugs, new modalities, and new targets and methods	• Promoted drug discovery through cross-divisional research system	○
	Maintaining a safe and high-quality supply of products			Promoting drug discovery research and clinical trials based on patient centricity	• Conducted survey and evaluation of external technologies for new modalities	○
	Strengthening patient support and advocacy activities based on patient centricity			Providing unique healthcare products and health food ingredients to promote health through food	• Examined issues in drug discovery research and clinical trials based on patient centricity	◎
	Promoting DX			Establishing a global sales and supply system to provide pharmaceuticals and functional foods to the world	• Supplement launches: 7 items	○
 <div>Developing diverse human resources and realizing employee well-being</div>	Creating an environment where each person can grow and play an active role	<ul style="list-style-type: none">• Annual training hours: 100 hours or more per person• PRIDE Index: Acquisition of Gold certification• Female manager ratio: 17% or more• Positive response rate for 3 items related to engagement: 75% or more for each		Promoting treatment, diagnosis, medication guidance, and life improvement through the use of digital technologies	• Determined overseas transportation specifications	○
	Promoting diversity, equity and inclusion			Strengthening the stable supply system of products through risk management	• Completed serialization response for China-bound products at Odawara Central Factory and started supply of in-house products	○
	Achieving well-being			Establishing a mechanism for supplying safe and high-quality products, including new drugs such as nucleic acid drugs	• Increased content for healthcare professionals: 137 contents	◎
				Providing information to medical institutions and implementing disease awareness-raising activities for patients and their families	• Established internal system to deliberate on development direction of healthcare apps, etc.	○
 <div>Resolving social issues and coexisting with the community</div>	Contributing to the healthcare field beyond the provision of medicines	<ul style="list-style-type: none">• Writing and submitting papers after completion of Defitelio, Upravi post-marketing surveillance• Number of researchers receiving grant: 100 people/5 years• Human rights policy understanding rate among all employees: 100%• Number of books lent by Sparkling Future Mobile Library: 25,000 books/5 years		Strengthening the stable supply system of products through risk management	• Revised stable supply checklist, formulated new risk reduction measures based on re-evaluation	○
	Improving medical access			Establishing a mechanism for supplying safe and high-quality products, including new drugs such as nucleic acid drugs	• Implemented efforts to build consistent safety management system from development to post-marketing	○
	Respecting human rights			Providing information to medical institutions and implementing disease awareness-raising activities for patients and their families	• Completed construction of nucleic acid API purification plant at the Odawara Central Factory	○
	Contributing to regions and cultures			Promoting social understanding of diseases	• Completed trial operation of equipment introduced in Nucleic Acid Plant	○
 <div>Strengthening efforts to protect the global environment</div>	Climate change countermeasures	<ul style="list-style-type: none">• Scope 1+2: 7,788t-CO₂ or less (33.6% reduction compared to FY2020)• Scope 3 Category 1: 146,912t-CO₂ or less (20% reduction compared to FY2020)• Recycling rate of waste plastics: Maintain and improve 65% or more• Continuous reduction of water usage per 100 million yen in sales• New product launch of preservatives: 1 item/year		Providing information to medical institutions and implementing disease awareness-raising activities for patients and their families	• Improved drug recognition	○
	Promoting resource circulation			Promoting our digital strategy towards the realization of our Digital Vision	• Conducted meetings with multiple patient organizations	◎
	Conserving biodiversity			Fostering autonomous human resources and global leaders who are motivated to grow	• Held internal lectures by patient organization representatives: 2 times	○
	Contributing to food waste reduction			Building a flexible and resilient organization that can respond to change	• Held public lectures for general citizens: 3 times	○
 <div>Strengthening governance</div>	Promoting integrity	<ul style="list-style-type: none">• ROIC: 9% or more• Increase in number of IR meetings with directors• Maintain and improve external evaluation agency scores• Corporate Governance Code: 100% compliance		Maintaining and improving employee health	• Moved multiple DX-related projects to implementation stage	○
	Strengthening risk management			Disseminating scientific findings through academic papers and conferences for the development of the scientific field	• Human resource development through HONKI Juku program: 23 people	○
	Appropriate information disclosure			Enhancing the public research grant system to support medical and scientific research	• Global mindset training participants: 198 people	○
				Implementing an unapproved drug delivery program and expanding the number of approved countries to support patients with intractable and rare diseases	• Employment rate of persons with disabilities: 2.5%	○

Significantly exceeding the plan...◎ Progress 100%...○ Progress 70% or more...△ Progress 50% or less...×