

Value Creation Process

Nippon Shinyaku's DNA

Nippon Shinyaku's
Strategy for the Future

Business Philosophy

Helping People Lead Healthier, Happier Lives

Impact

Patient Centricity

—Bringing the joy of living to patients and their families

The External Environment Surrounding the Pharmaceutical Industry

• R&D advancement

• Prolonging healthy lives through breakthroughs in medical care

• Improving access to medical care

• Diversification of work styles

Inputs



Human capital

- Hours of basic training per employee: 10.2 hours
- Hours of self-development per employee: 38.3 hours
- Educational & training expenses per employee: ¥85,000



Intellectual capital

- Pharmaceutical technologies (nucleic acid and small molecule)
- R&D investment: ¥31,676 million
- Patents held: 1,022 patents
- Products in the development pipeline: 19 domestic, 6 overseas



Social and relationship capital

- Number of joint research and subcontracted research projects: 33
- Number of partner companies: In-licensing, 17; out-licensing, 10
- Contribution to the future of children: Picture books provided through the Nippon Shinyaku Children's Literary Awards: about 20,000
- Picture books lent to the Nippon Shinyaku Sparkling Future Mobile Library: 5,513



Manufacturing capital

- Nucleic acid API purification plant at the Odawara Central Factory
- Clinical trial API manufacturing facility
- Amount of capital investment: ¥16,430 million



Financial capital

- Total consolidated equity: ¥220,534 million (Equity attributable to owners of parent: 83.6%)
- Total consolidated assets: ¥263,404 million



Environmental capital

- Energy consumption (electricity): 17,884 thousand kWh
- Water consumption (tap water + well water): 127 thousand m³

Nippon Shinyaku (Pharmaceuticals Business) Business Model

* See P.43 for business model of the Functional Food Business

Pursuing originality on a global scale

Providing the world with quality pharmaceutical products and services to address diseases with unmet treatment needs

Kyoto

In-house drug discovery

In-licensing

PLCM

Fundamental technologies/Open innovation

Small molecule drugs, nucleic acid drugs, new drug discovery modalities, and AI-driven drug discovery

Intellectual capital

→P.41

Research

→P.36

Development

→P.36

Sales

→P.46

Medical affairs

→P.48

Supply chain & reliability assurance

→P.49

7th Five-Year Medium-Term Management Plan



Realizing a healthy future by creating innovation



Developing diverse human resources and realizing employee well-being



Resolving social issues and coexisting with the community



Strengthening efforts to protect the global environment



Strengthening governance

Materialities

Outputs (Pharmaceuticals Business)

Revenue **¥148.255billion** (the Company)

Products

• Hematology



Defitelio, for sinusoidal obstruction syndrome



Vidaza, for myelodysplastic syndromes or acute myeloid leukemia

• Intractable and rare diseases



Fintepla, for seizures associated with Dravet syndrome and Lennox-Gastaut Syndrome



Viltepso, for Duchenne muscular dystrophy



Uptravi, for pulmonary arterial hypertension and chronic thromboembolic pulmonary hypertension

• Gynecology



MonoVer, for iron deficiency anemia



Zalutia, for urinary disorder caused by benign prostatic hypertrophy

Solutions

Sherpa support program for patients with pulmonary hypertension

Program to provide Viltepso in countries where it has not been approved



Outcomes



Patients, consumers, medical professionals →P.36, 46, 49

- Patients' participation in society
- Expanding the development pipeline: 2
- Hosting online seminars about disease awareness: 3
- Contributing to the future of medicine Public research grants: 20
- Uptravi sold in about 70 countries
- Reducing the burden of care
- Improving quality of life (QOL)

➔ **Reducing symptoms and the burden of care / Providing a mentally and physically healthy lifestyle**



Shareholders

→P.30

- TSR (for the past 5 years, cumulative): -37.9%
- TSR (for the past 10 years, cumulative): 167.0%
- ROE (FY2023): 12.4%

➔ **Improvement of corporate value**



Employees

→P.52

- Becoming a "company that is chosen" and having "employees that are chosen"
- Human resources that engender competitiveness (change, global, professional)
- Engagement survey rate of positive responses: 70%
- Awareness of the NS Mind: 73% Practicing the NS Mind: 66%

➔ **Worthwhile work and a worthwhile life take priority over making work easy**



Society (local communities, business partners, etc.) →P.49, 62

- Increase of trust from local communities
- Strengthening of relationships with business partners

➔ **Continue to be a necessary entity for society and our business partners by delivering the appropriate drugs to the people who need them**



Environment









→P.64

- Greenhouse gas emissions (Scopes 1, 2): 24.8% reduction from FY2021
- Reduction of water consumption: 23.0% reduction from FY2021

➔ **Realize an environmentally focused society**

Source of Value Creation

The Nippon Shinyaku Group aims to create sustainable value using the capital we hold in the form of human resources and intellectual property and the capital provided by all outside stakeholders, including medical professionals and suppliers.

	 Financial capital	 Human capital		 Intellectual and manufacturing capital	 Social and relationship capital
Basic approach	<p>Awareness of and initiatives to optimize capital structure and cost of capital</p> <p>To provide a stable supply of high-quality pharmaceuticals, we are working to expand our development pipeline by reinforcing the R&D system. We are securing the working capital for this and actively making the necessary investments. In addition to making strategic R&D investments to establish an organization structure adapted to global business expansion and able to survive even fiercer competition and to expand the development pipeline (make it multi-pronged), we pay stakeholders a return while being conscious of our capital structure and cost of capital. Furthermore, we are winning the trust of the market and optimizing the cost of capital by promoting sustainable management from not only a financial but also a non-financial perspective.</p>	<p>Respecting the diversity of our employees and providing opportunities for individuals to proactively take on challenges and grow</p> <p>To deliver unique products to people globally as quickly as possible, it is necessary not only that we employees achieve even greater growth and work together using our individuality and strengths, but also that the entire Company come together as one team to achieve the greatest performance. As we respect the diversity of our employees, we provide opportunities for individuals to proactively take on challenges and grow. Based on the idea that human resources are the driving force of sustainable growth, we also work to promote human capital management.</p>		<p>Protecting the intellectual property fruits obtained from new modalities and R&D and building a global supply system</p> <p>To promote R&D, drug discovery, and globalization in fields that other companies have yet to enter, we are reinforcing the advantages that our businesses offer and working to continue to improve corporate value through the protection and use of intellectual property. Therefore, while being aware of the cost of capital, we make both R&D investments and capital investments to achieve various objectives, including expanding and streamlining production facilities and strengthening our R&D capabilities. At the Odawara Central Factory, we launched initiatives to create a connected factory that makes use of IoT for improved quality and preventive maintenance.</p>	<p>Promoting patient-centered business activities</p> <p>By staying close to patients suffering from disease and their family and listening to their opinions, we provide not only drugs but also support that they truly need. In addition to collaborating with partner companies and various stakeholders, we will respect the human rights of all, strengthen our fair and equitable relationships, and continue to grow and provide value in order to win the trust of society.</p>
Recognized issues	<ul style="list-style-type: none"> Reinforcing of cash flow management Implementing ROIC management Further melding financial value and non-financial value 	<ul style="list-style-type: none"> Shortage of transformation, global, and DX human resources Building an environment and systems for human resources development Career autonomy 		<ul style="list-style-type: none"> Capturing new modalities Building a global supply system Leveraging IoT for improved quality and preventive maintenance Using AI to make highly precise demand forecasts and detect changes in the environment and threats that could impact the stable supply Technology in various sectors to create new services 	<ul style="list-style-type: none"> Ascertaining the needs of patients and customers Quickly expanding the global system Establishing sales channels in different sectors to create new services Expanding the provision of support in peripheral fields
Growth strategy	<ul style="list-style-type: none"> Aggressively investing in growth fields, including through M&As Setting medium-term targets for efficiency indicators, such as ROIC Transforming the business portfolio through the effective use of assets and business restructuring Incorporating other non-financial factors into ROIC 	<ul style="list-style-type: none"> Achieving the NS Mind Building a diverse human resources portfolio Promoting the active participation of diverse human resources, such as non-Japanese and female employees Improving employee engagement Expanding career measures 		<ul style="list-style-type: none"> Maintaining high-level R&D investments Promoting R&D on small molecules, nucleic acid drugs, and new modalities that leverage open innovation Promoting globalization to supply products and services to countries other than Japan, U.S., and China Offering a stable supply to the world through the nucleic acid API purification plant Promoting R&D based on patient centricity 	<ul style="list-style-type: none"> Activities to determine what patients and customers think and how they behave Collaborating with companies that possess necessary technology, such as academia and startups Collaborating with other sectors to provide support in peripheral fields Expanding disclosure and PR activities (increasing awareness of Nippon Shinyaku)
Related information	Financial/Capital Strategy 	Developing Diverse Human Resources and Realizing Employee Well-being 		Contributing to People's Health through the Creation of Products and Services with Unique Characteristics  Special Feature: Nippon Shinyaku's Global Development and "Vision for 2035" 	Resolving Social Issues and Coexisting with the Community 