

Financial/Capital Strategy

Nippon Shinyaku is prioritizing investment for future growth and establishing a revenue base not dependent on royalty revenues.

TAKANORI EDAMITSU

Director, Business Management & Sustainability

To overcome the patent cliff of Uptravi and achieve growth, the 7th Five-Year Medium-Term Management Plan is positioned as a phase for prioritizing investment. We will actively promote investment in R&D, in-licensed products, and other areas to achieve sustainable, long-term growth.

Progress of the 7th Medium-Term Management Plan

FY2024 results

In our financial results announced in May 2024, Nippon Shinyaku anticipated revenue of ¥150.0 billion and operating profit of ¥31.0 billion as our expected results in FY2024. Compared to this, our actual results were revenue of ¥160.2 billion (106.8% achievement ratio) and operating profit of ¥35.4 billion (114.2% achievement ratio). In both cases, our results exceeded initial expectations.

Under the 7th Medium-Term Management Plan that started in FY2024, we are engaging in the three key themes of “Fostering growth drivers to replace Uptravi,” “Expanding global development,” and “Continuous pipeline expansion” in order to overcome Uptravi’s patent cliff and achieve sustainable growth. We made steady progress toward addressing these themes in FY2024, making a good start in the first year of the plan.

First, in terms of “Fostering growth drivers to replace Uptravi,” we launched Vyxeos and Jaypirca and added indications for Fintepla, and took measures to further foster these products. We did not just launch these products into the market, but also ensured we delivered accurate and timely information in line with the needs of healthcare workplaces. In addition to holding meetings with MRs, we strengthened the provision of information in an omni-channel approach that leverages digital technology. This accelerated the penetration of

information to medical professionals and contributed to increasing revenue beyond our expectations.

Next, for the theme of “Expanding global development,” we continued to expand our organizational structure to ensure close communication with medical professionals, patient organizations, and insurers, as we mark five years since the launch of in-house sales of Viltepso in the U.S. The result was 20% year on year growth.

Finally, for “Continuous pipeline expansion,” we continued our active investment in R&D, in-licensing, and other areas, resulting in R&D expenses of ¥34.3 billion, more than the ¥31.5 billion in the initial plan. Since this includes an increase of costs for products in late stage development that were in-licensed during the plan period and an increase in manufacturing costs for investigational new drugs that result from progress of the pipeline, we believe that these are strategic investments that will lead to future growth.

FY2025 forecast

In FY2025, we anticipate revenue of ¥173.0 billion and operating profit of ¥30.0 billion. In Japan, we expect sales growth from our new products group, including Vyxeos and Fintepla, and we forecast a year on year increase in revenue. However, due to an increase in expenses such as the sales costs of NS Pharma resulting from preparations for new product launches and contract research expenses that arise from the continuing development of nucleic acid products, we expect a decrease in

year on year operating profit.

In the medium term, through the contribution of products such as CAP-1002, and RGX-121/111 and ATSN-101 that were in-licensed in FY2024, we aim to achieve revenue of ¥230.0 billion and operating profit of ¥30.0 billion, which are our quantitative targets for FY2028. The period of the 7th Medium-Term Management Plan is positioned as a phase for prioritizing investment to overcome the patent cliff of Uptravi. Although we expect a year on year profit decrease in FY2025, the extent of the operating profit drop is less than we anticipated when announcing the 7th Medium-Term Management Plan. We expect FY2025 to be the bottom and to recover quickly after that. Furthermore, we expect to enter a growth phase from FY2029, with the aim of achieving revenue of ¥300.0 billion and operating profit of ¥50.0 billion by FY2030.

Capital Allocation Anticipating Medium- to Long-term Growth

Our basic policy on capital allocation is to promote the three key themes in the 7th Medium-Term Management Plan and actively make strategic investments that will lead to sustainable growth while ensuring financial soundness. In FY2024, we invested ¥34.3 billion in R&D to launch new products and develop our pipeline. We made ¥3.5 billion in capital investments, including in the Sales and Marketing Division and digital areas of R&D.

In the Sales and Marketing Division, we made information provision activities more efficient by using data analysis and an omni-channel approach. By delivering the required information quickly to medical professionals, we are promoting the early

market penetration of new products. In the R&D Division, we invested in building an AI drug discovery platform, and candidate products in the research stage have already emerged using this system. We also invested ¥33.0 billion as part of our flexible allocation, mainly to acquire new in-licensed products that we expect to launch globally during the period of the 7th Medium-Term Management Plan. When we formulated the 7th Medium-Term Management Plan, we anticipated cash resources of ¥370.0 billion that combined operating cash flow before deduction of R&D expenses, cash on hand, and other items over five years. However, thanks to these active investments, we now expect to increase the operating cash flow by accelerating the launch of new products.

In the future, we plan to use the increased cash to make investments that anticipate medium- to long-term growth and return profits to shareholders appropriately.

Concept of Non-financial Capital

Achieving both social value and economic value

For a company to continue to exist and grow sustainably, it is essential to implement sustainability management that takes into account not only the growth of the company itself, but also the impact on the global environment and society. To promote this, Nippon Shinyaku has identified five important material issues for the Company and society: “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,” and “Strengthening governance.”

Based on a strong governance system, we will develop human resources and promote business activities that are considerate of society and the global environment as we aim to realize a healthy future by creating innovation. In the Pharmaceuticals Business, we are developing and launching new drugs and providing them globally for diseases with unmet treatment needs, such as rare diseases, enabling us to deliver social value in the form of a new quality of life for patients and their families. Nippon Shinyaku will also gain economic value as a result, helping us to promote sustainability management that achieves both social value and economic value.

Investment policy for acquiring and developing transformative talent

As we promote global expansion based on the 7th Medium-Term Management Plan, simply following conventional

Capital Allocation

	Cash resources	Allocation	FY2024 results	
	Additional operating CF amount	Additional amount		
Maximize operating CF by promoting “Three key themes” toward the “Vision for 2035”	5-year operating CF ¥275.0 billion (Before deduction of R&D expenses)	R&D expenses ¥190.0 billion	R&D expenses ¥34.3 billion	Distributed additional operating CF amount to growth investments and shareholder returns
		Capital investment ¥38.0 billion	Capital investment ¥3.5 billion	Active investment to promote global development
		Flexible allocation ¥100.0 billion	Flexible allocation ¥33.0 billion	New R&D and manufacturing facilities, renovations, and digital investments in response to growth
		Dividends ¥42.0 billion	Dividends ¥8.4 billion	Licensing activities and arranging overseas bases to implement growth strategies. Considering shareholder returns through acquisitions of treasury stock
	Cash on hand, etc. ¥95.0 billion			Maintain stable dividends while taking into consideration the dividend on equity ratio (DOE)

work procedures risks increasing workloads and costs, making it difficult to generate sustainable profits. To prevent this, it is important to proactively transform work styles by leveraging digital technologies. We define human resources in charge of such DX as "DX transformative talent," and we are developing such talent step-by-step. Specifically, we are helping employees obtain practical skills by learning basic knowledge of digital technologies, and through initiatives such as selective training programs and support for acquiring public qualifications. Since improving business literacy is also essential for promoting DX, we provide in-house training for business administration and a support system for obtaining an MBA, and we have included these educational expenses in the 7th Medium-Term Management Plan. To make sure that the knowledge acquired through education is applied in actual work, the priority DX themes were set in consultation with management to promote digital investments.

Increasing Shareholder Value

Management that considers capital costs

Management is required that considers capital costs and the stock price. To this end, the Company recognizes that stable supplies of pharmaceutical products and functional food are critical for all of our stakeholders, including medical

professionals, patients, and society. Furthermore, our policy is to maximize shareholder value through both shareholder returns and investing for future growth while ensuring that we have working capital and financial soundness. This concept is represented graphically by the logic tree. To quantitatively evaluate the increase in shareholder value, the 7th Medium-Term Management Plan sets a target for ROE (return on equity [shareholders' equity]) of 8% or more by FY2028 and we aim to increase the return on equity by increasing profits through the efficient leverage of shareholders' equity. Furthermore, to make the profitability of the Pharmaceuticals Business and Functional Food Business more transparent, we set a target for ROIC (return on invested capital) of 9% or more by FY2028 for both businesses.

The 7th Medium-Term Management Plan specifies the capital allocation and we will maintain profitability at the target value or higher by thoroughly reducing costs and allocating management resources based on the priorities set forth in our business strategies. Particularly in the case of large investments such as the development of pharmaceuticals and in-licensing, we will make investment decisions with the weighted average cost of capital (WACC) as the hurdle rate. Both the ROE and ROIC target values were set to a level exceeding the WACC and we are also introducing ROIC management to ensure that we can achieve the targets.

The FY2024 results showed an ROE of 13.9%, and an ROIC of 17.9% in the Pharmaceuticals Business and 9.4% in the Functional Food Business, with all results above the targets. Since the policy during the period of the 7th Medium-Term

Management Plan is to actively promote investments, conservative targets were set for ROE and ROIC in FY2028, and at present we are making good progress toward achieving them.

The growth of dividends and increases in the stock price both contribute to increased shareholder value. These are generally considered to be verifiable using long-term total shareholder return (TSR). The stock price is sometimes evaluated through methods such as using a multiple of EPS or the present value of free cash flow, and future profit growth is considered to be linked directly with growth in the stock price. In the future, we will continue to grow profits through strategic investments as we aim to further increase shareholder value.

Dividend policy

The 7th Medium-Term Management Plan assumes total dividends of ¥42 billion over the five-year period, as our policy is to maintain a stable dividend while taking the DOE into consideration. Based on this policy, even though we expect a decrease in profits in FY2025, we will pay out the same dividend as FY2024 of ¥62 per share for both the interim and year-end dividend, for a total annual dividend of ¥124 per share. We will use the ¥100.0 billion that has been set as the flexible allocation segment of capital allocation to make active investments in anticipation of future growth, such as acquiring licenses and arranging overseas bases to implement sustainable growth. We are also considering stock buybacks as one option

for shareholder returns, which would be funded from this flexible allocation.

To our shareholders and investors

Although our stock price has declined, we believe that it will recover in the future as we carry out the future growth initiatives outlined in the 7th Medium-Term Management Plan and if investors understand our strategy. We will facilitate this understanding by actively publicizing information through IR activities, because we know the importance of improving even further our communications with shareholders and all of our other stakeholders.

As such, we established a new IR Section dedicated to IR activities in FY2024, which is implementing various new initiatives. These include improving information disclosure through briefings and other methods, distributing briefing videos, and participating in events for individual shareholders.

During the period of the 7th Medium-Term Management Plan, we will overcome the Upravi patent cliff and build a foundation for sustainable growth, and we will also further strengthen the base from which we deliver products and services to the world. We hope that you will look forward to the future growth of Nippon Shinyaku in our quest to become a global healthcare company.

Logic tree

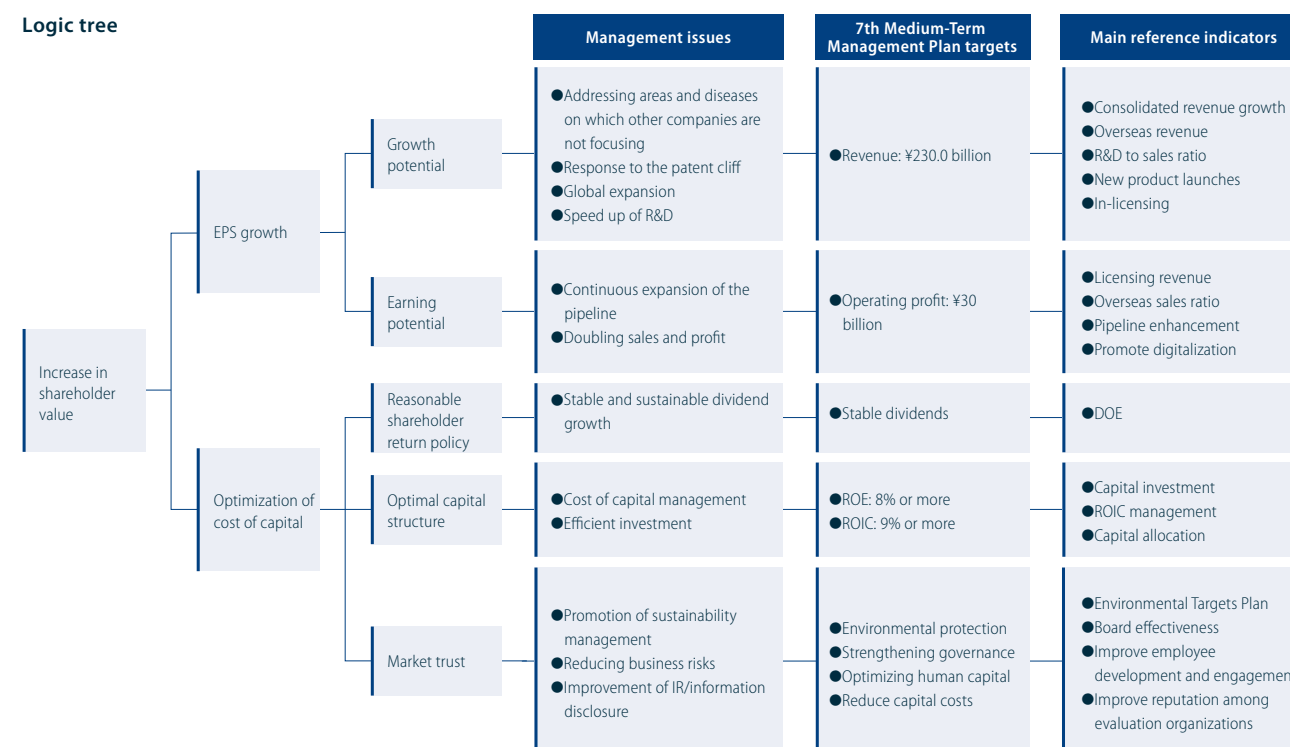
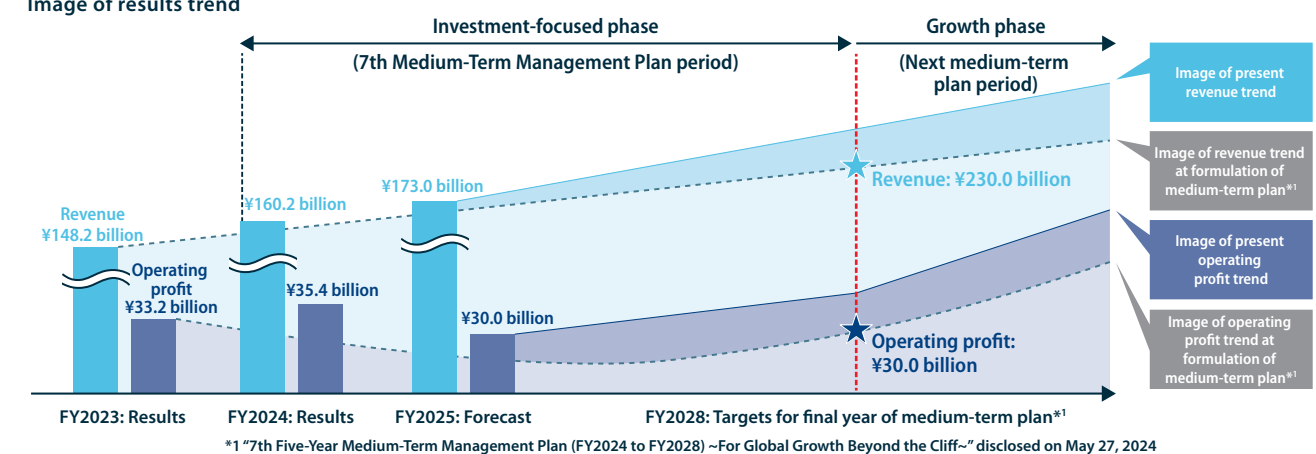


Image of results trend



Stock price performance

	One year	Three years		Five years		Ten years	
		Cumulative	Annualized rate	Cumulative	Annualized rate	Cumulative	Annualized rate
Nippon Shinyaku	-12.2%	-50.0%	-20.6%	-48.4%	-12.4%	6.4%	0.6%
TOPIX	-1.5%	47.2%	13.8%	113.4%	16.4%	117.4%	8.1%

* Total shareholders' return (TSR) is the total return on investment that takes into consideration capital gains and dividends.

* Nippon Shinyaku calculates TSR using cumulative dividends and change in stock price, and for the TOPIX, the dividend-included stock price index is used (calculated by Nippon Shinyaku using Japan Exchange Group data).

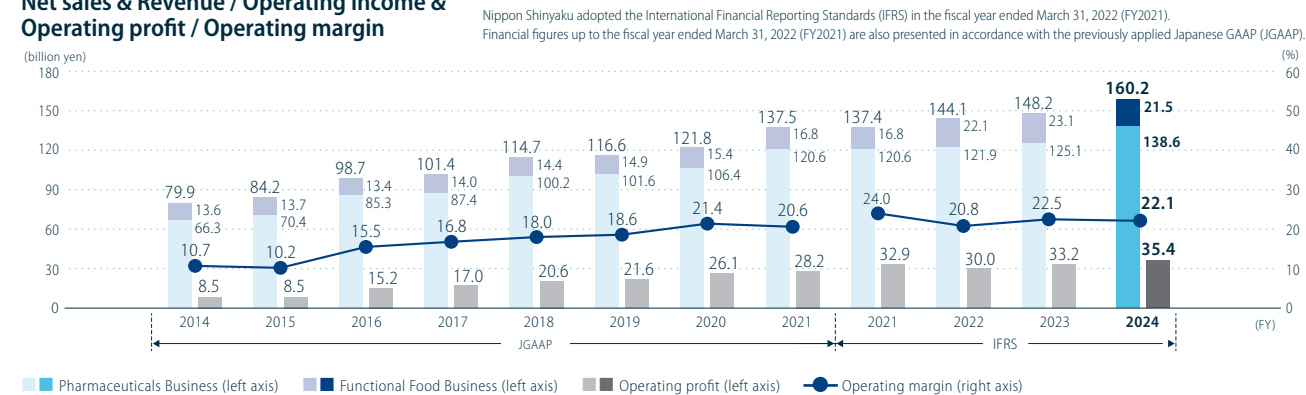
* Figures in the graph assume the closing price on March 31, 2015, is 100, and the TSR-based market value is indexed to that (held through March 31, 2025).

* The return is the percent change of the initial investment generally used when calculating return on investment.

Financial and Non-Financial Highlights

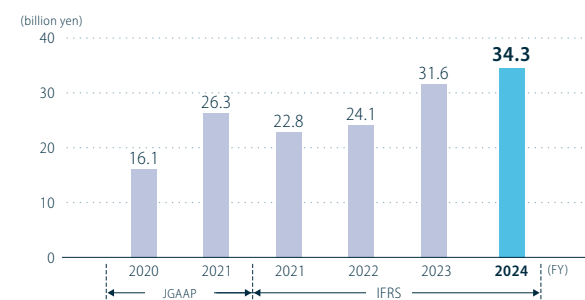
Financial highlights

Net sales & Revenue / Operating income & Operating profit / Operating margin



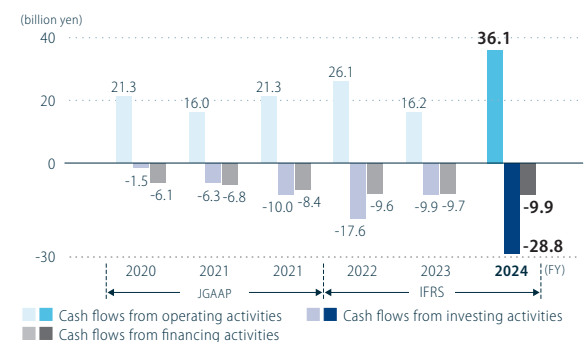
In FY2024, revenue stood at ¥160,232 million (up 8.1% year on year). Operating profit was ¥35,450 million (up 6.5% year on year) due to higher revenue and a lower cost of sales in the composition of sales. The operating profit margin was 22.1%. In the Pharmaceuticals Business, sales of leading products, such as Uptravi, Viltepso, and Vyxeos, and royalty revenues from overseas sales of Uptravi grew, with revenue increasing by 10.8% year on year to ¥138,654 million. In the Functional Food Business, although sales of some products such as supplements increased, sales of others such as protein preparations decreased, resulting in revenue decreasing by 6.8% year on year to ¥21,577 million.

R&D expenses



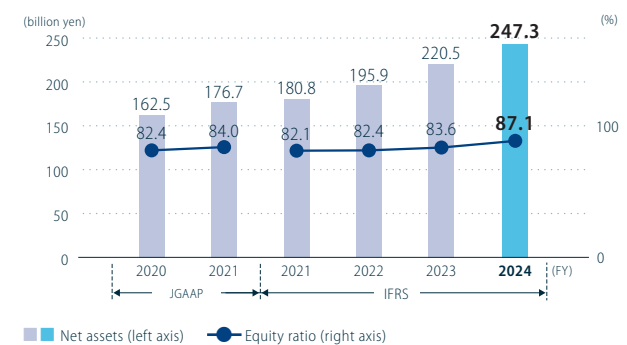
In FY2024, investment expenses rose due to an increase in contract research expenses and manufacturing costs for investigational new drugs. In line with its global development, Nippon Shinyaku intends to expand the development pipeline in its focus disease areas based on the R&D approaches of in-house drug discovery, in-licensing, and product life cycle management (PLCM), and it aims to launch an average of at least two new products per year.

Cash flows from operating activities / Cash flows from investing activities / Cash flows from financing activities



Net cash provided by operating activities stood at ¥36,126 million. The main components included profit before tax of ¥36,135 million in cash inflows and income taxes paid of ¥8,137 million in cash outflows. Net cash used by investing activities stood at ¥28,877 million, mainly due to purchases of property, plant, and equipment and intangible assets. Net cash used in financing activities stood at ¥9,902 million, mainly due to dividends paid. As a result, cash and cash equivalents at the end of the period totaled ¥55,241 million.

Net assets & Total equity / Equity ratio & Ratio of equity attributable to owners of parent to total assets



Total equity amounted to ¥247,340 million, an increase of ¥26,806 million year on year. Total assets stood at ¥283,637 million, and equity attributable to owners of parent amounted to 87.1%.

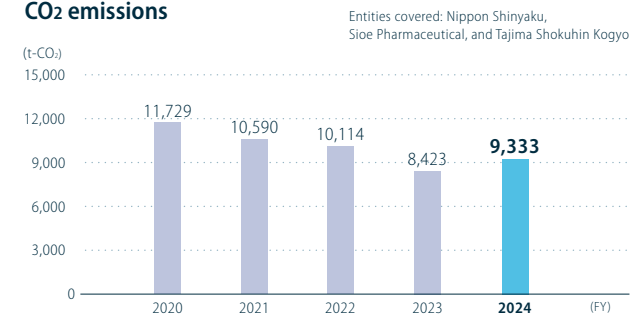
EPS / ROE



Profit attributable to owners of parent amounted to ¥32,558 million, up 25.9% year on year, with EPS at ¥483.40. ROE stood at 13.9%. ROE of 8% or more was set as a quantitative target for FY2028 in the 7th Five-Year Medium-Term Management Plan, and the FY2024 results exceeded this target.

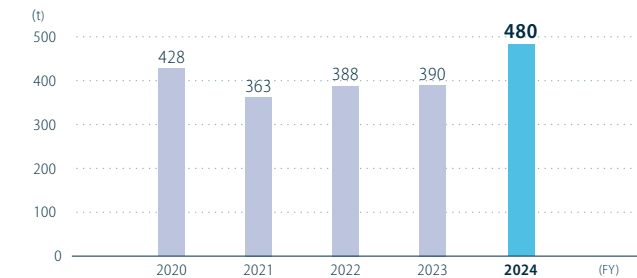
Non-financial highlights

CO₂ emissions



The Nippon Shinyaku Group has been expanding its change-over to electricity derived from renewable energy sources. In FY2024, we achieved a rate of change-over to electricity derived from renewable energy sources of 48%. In 2025, we will further promote change-over to electricity derived from renewable energy sources at manufacturing sites.

Waste substances generated



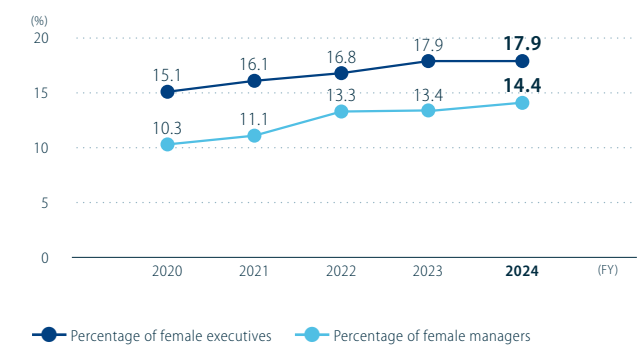
Waste substances generated in FY2024 increased by 90 tons year on year, mainly due to the start of full-scale operation of the building for highly active solid formulations within the Odawara Central Factory. Nippon Shinyaku will continue to promote waste reduction efforts by reviewing its waste generation processes while promoting proper disposal of waste.

Number of employees (consolidated) / Employee turnover



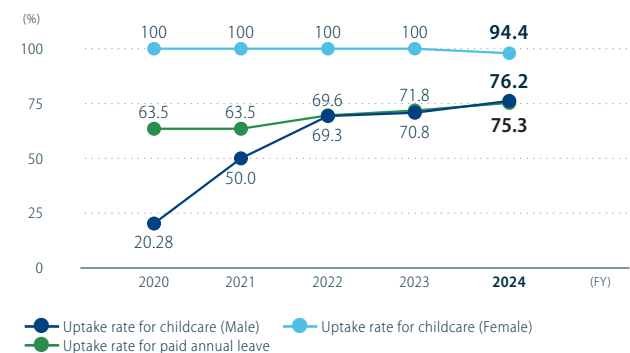
Nippon Shinyaku has kept employee turnover due to personal reasons and early retirement low in the 1 to 2% range by ensuring that employees have a deep understanding of its Business Philosophy and of the "Attitude that all employees should aim for" established in FY2023, as well as by promoting the establishment of systems and environments that motivate employees to work over the long term. Also, in order to expand its business and speed up its operations, the Company aims to maximize the potential of each individual and become a small but unique team while proactively recruiting both new graduates and mid-career professionals.

Percentage of female executives / female managers



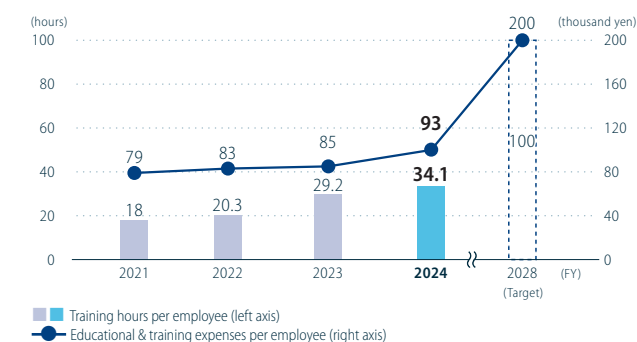
Nippon Shinyaku believes that developing a workplace environment in which people can utilize their diverse individuality is essential so that the Company can achieve sustainable growth and to exhibit our presence to society. In FY2024, the Company will further strengthen its efforts to grow by promoting the participation of a diverse workforce, including women, and drawing on diverse perspectives through such initiatives as formulating a DE&I statement and revising its Code of Conduct in line with the Act on the Promotion of Women's Active Engagement in Professional Life and the Act on Advancement of Measures to Support Raising Next-Generation Children.

Uptake rate for childcare leave / Paid annual leave



The male uptake rate for childcare leave reached 76.2% in FY2024, as a result of initiatives such as providing paid leave for a portion of childcare leave (up to 14 days total paid leave when taking childcare leave for five consecutive business days or more). We aim to continue to raise the uptake rate and the number of days taken. The childcare uptake rate for females is almost 100%, and the leave period can be selected based on individual needs, such as taking off the childbirth period only, or until the end of the fiscal year in which the child turns two years old. The Company is also encouraging employees to use their days of annual paid leave, including urging managers to take off 10 days per year.

Hours of training per employee / Educational & training expenses per employee



Nippon Shinyaku believes that unique products are the product of unique people and we want employees to take the initiative in their own personal development. Based on this idea, we respect diversity and provide opportunities for individuals to take on challenges and grow in a positive manner. The Company has a target of 100 hours of training per employee and 200,000 yen of educational and training expenses per employee by FY2028 and is taking steps to promote human capital management in which each and every employee can grow and diverse human resources can play an active role.



Realizing a Healthy Future by Creating Innovation

R&D



We will drive forward R&D by giving our all in thinking about patients, while continuing to expand our pipeline, primarily through the three pillars of in-house drug discovery, in-licensing, and PLCM.

Keiichi Kuwano

Director, Research & Development

At Nippon Shinyaku, we value our uniqueness and conduct research and development based on our determination to deliver new drugs through our own efforts to patients in need, even if they are few in number. In recent years, we have launched products focused on the field of intractable and rare diseases, including Upravi, a treatment for pulmonary hypertension (PH) and Viltepso, a treatment for Duchenne muscular dystrophy (DMD). In FY2024, as a part of our measures to maximize the value of Upravi, we started sales of a pediatric formulation. The pill used for the Upravi pediatric formulation has a small diameter of 3 mm that makes it easy to swallow, but this also makes it difficult to handle. To address this, we developed a dedicated pill case that makes it easier for patients and medical professionals to manage and count the pills. This is another example of our uniqueness and how we are dedicated to addressing the needs of patients. In the future, we will continue to focus on the three areas of hematology, intractable and rare diseases, and urology and gynecology as we continuously expand our pipeline through in-house drug discovery, in-licensing, and PLCM.

With regard to in-house drug discovery, we will develop drugs with effects and characteristics superior

to existing treatments, emphasizing the concept of contributing to the “ways of life” of patients. In terms of nucleic acid drugs, we will add the central nervous system area to our target diseases as we seek further possibilities. We will also introduce new drug discovery technologies and modalities through open innovation, and develop nucleic acid drug delivery systems and gene expression enhancing nucleic acids. For PLCM, in addition to improving formulations, we develop drugs for secondary indications in parallel to checking the efficacy in humans for the first indication in order to maximize the value of the drug at an early stage.

Speeding up global development is essential to delivering pharmaceuticals to patients around the world. To do this, we established a new management department dedicated to global development and a new department to promote the prioritization of projects and optimization of resource allocation. We are improving our capabilities for negotiating with authorities in various countries as we seek to increase the possibility of fast approval, and we are also making efforts to ensure robust clinical study planning. By pursuing these initiatives, we will speed up development and increase the probability of success as we aim to realize our vision for 2035: “Creating various types of new ways of life for each person around the world.”

Material issues and related SDGs

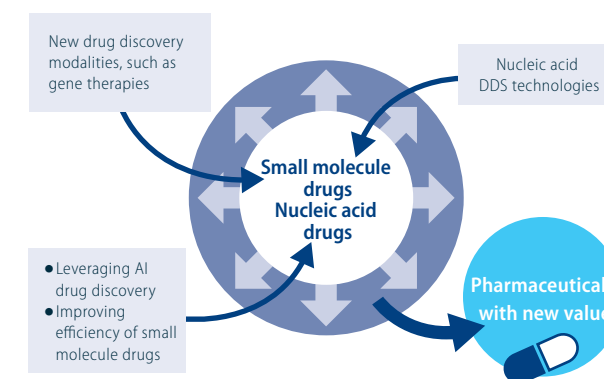
Realizing a healthy future by creating innovation

Strengthening efforts to protect the global environment

Resolving social issues and coexisting with the community

Pursuing Uniqueness in R&D

We have developed new drugs by leveraging the two different fundamental technologies and drug discovery modalities of small molecule drugs, which include the Upravi PH treatment, and nucleic acid drugs, which include the Viltepso DMD treatment. We will utilize these strengths to continue research for both modalities in the future, and we will also take on the challenge of finding new drug discovery modalities, such as gene therapies. By leveraging cutting-edge technologies such as AI, we will enhance our unique drug discovery capabilities. Furthermore, we will use open innovation that actively incorporates advanced technologies and ideas from both Japan and overseas to make our R&D even more unique and enable us to quickly develop innovative pharmaceuticals that meet the needs of patients.



Nippon Shinyaku's drug discovery base

Nippon Shinyaku's drug discovery base consists of two main technologies; nucleic acid drugs and small molecule drugs. We conduct research to generate new drugs by leveraging the unique characteristics of each.

Nucleic acid drugs can treat the root causes of diseases by directly acting on genetic information. We have researched nucleic acid drugs continuously for a long time and overcome many difficulties, the result of which was our launch of Viltepso, a treatment for DMD that was Japan's first nucleic acid drug. By applying the fundamental technologies of the nucleic acid sequence design that we built during this process, we will optimize sequence design as appropriate for new drug discovery targets. We are currently focusing R&D on the field of DMD, but we will also expand to other areas, such as the central nervous system.

Small molecule drugs are a widely used method where

a synthesized compound binds to the target molecule to regulate its function. Nippon Shinyaku is building a unique compound library and strengthening our hit compound search system to drive forward efficient development of new small molecule drugs. We have established intractable and rare diseases and hematology as focus areas, and we promote PLCM by developing multiple other indications in parallel to the primary indication from the initial stages of development.

In the future, we also aim to develop Nucleic acid–Small molecule Conjugates that leverage the unique characteristics of our nucleic acid drugs and small molecule drugs. Using these fundamental technologies, we generate new drugs that meet the needs of patients while building and maintaining a high-level drug discovery research system.

Continuously tackling the challenges of new drug discovery modalities

Behind the success of our Upravi PH treatment and Viltepso DMD treatment was our determination to continuously tackle the challenges of creating new treatment concepts and using new drug discovery modalities.

Although new drug discovery modalities have great potential, they also include cases where they will be used to treat human diseases for the first time. As a result, special care is required to confirm safety and efficacy, which means it takes time to turn them into actual drugs. By selecting new drug modalities that are unique and highly compatible with our proprietary technologies, and also making use of outside technologies, we will generate new, high-quality pharmaceuticals in a speedy manner to deliver effective treatments to patients as quickly as possible. In this way, we aim to realize our vision.



Realizing a Healthy Future by Creating Innovation

R&D

Open innovation

We established Innovation Research Partnering (IRP) in Cambridge, Massachusetts in the U.S. This area is home to an agglomeration of start-ups and biotech companies that lead the world in drug discovery R&D, as well as academic institutions such as Harvard University and the Massachusetts Institute of Technology. Through networking activities that leverage these geographical advantages, we will be able to access leading-edge technology information and seeds directly and at an early stage. By implementing these technologies or seeds that we find during IRP information collection and networking activities and combining them with our strong proprietary technologies, we aim to develop pharmaceuticals speedily based on new drug discovery technologies.

We will also collaborate with academic institutions that conduct leading-edge research both in Japan and overseas from the creation stage of new treatment concepts to discover, foster, and develop consistent platform technologies and generate First-in-Class pharmaceuticals that are globally renowned.

Through such open innovation strategies, we aim to expand our pipeline continuously by creating new drugs and new technologies that have the potential to become future pillars of Nippon Shinyaku.



Building where Innovation Research Partnering is located

Initiatives to Speed up R&D

In the 7th Medium-Term Management Plan, we set out "speeding up R&D" as one of the ways to strengthen our management foundation.

In drug discovery research, we are shortening the time from the drafting of a research theme to the start of clinical study, and building a system that enables us to launch at least one in-house product a year. To help us do this, we established a new Drug Discovery Strategy Department to manage drug discovery research comprehensively and promote transformation. This is speeding up research by optimizing drug discovery processes and standard schedules and conducting thorough progress management.

We also operate a drug discovery integrated database that leverages an AI engine that we developed ourselves to generate research themes and respond to issues faster and more efficiently. Furthermore, when searching for lead compounds and evaluating safety for each research theme, we are leveraging AI engines that have been optimized for each issue, which is helping to accelerate the progress of the research themes.

As for delays in clinical development, one of the issues that came to light during the 6th Medium-Term Management Plan, we are working to strengthen project management, pursue the possibility of early approval, and perform robust schedule planning. Specifically, we established systems to prioritize projects and optimize resource allocation. We also implemented project management tools that can be used across the organization, from research laboratories to the clinical development departments of our U.S. subsidiary, which enable us to manage the progress of clinical trials and implement them according to plan. We are also using such tools to share know-how about global development to facilitate early detection of issues that might cause delays and promote proactive actions. In addition, we are shortening the transition periods between development phases by taking measures such as bringing forward preparation for POC exams and organizing the processes of development step meetings. In this way, we will speed up clinical development and increase the probability of success.

Increasing the efficiency and speed of drug discovery research

Building a system capable of launching at least one in-house product a year

▶ Resource allocation and project prioritization to decide how much of our limited resources should be invested in which areas

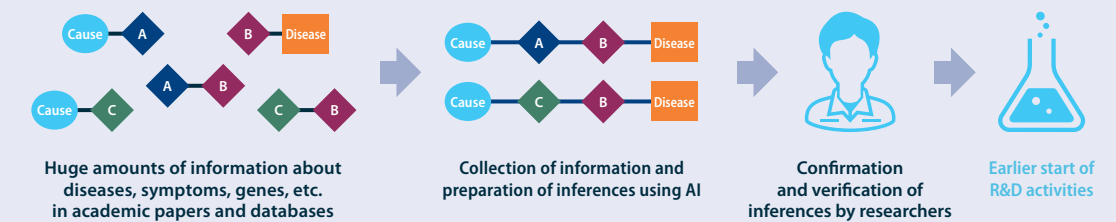
Create a well-balance R&D pipeline portfolio through investments that have been prioritized (success probability, profitability, focus areas, business value, etc.)

▶ Systems and initiatives for launching at least one in-house product a year

- Establish new decision-making meetings of the collegial system to ensure rapid information sharing, issue response, and thorough progress management
- All researchers draft a proposal
- Shorten times by organizing and optimizing drug discovery processes

▶ Promotion of efficient R&D by leveraging AI

(Image)



Speeding up clinical development



Strengthening project management

- Strict progress check across management
- Improve negotiation skills with overseas authorities by hiring qualified medical doctors
- Building a clinical development system that can respond flexibly and globally
- Use of project management tools
- Review of development step meetings, bringing forward preparation for POC exams



Pursuing the possibility of early approval

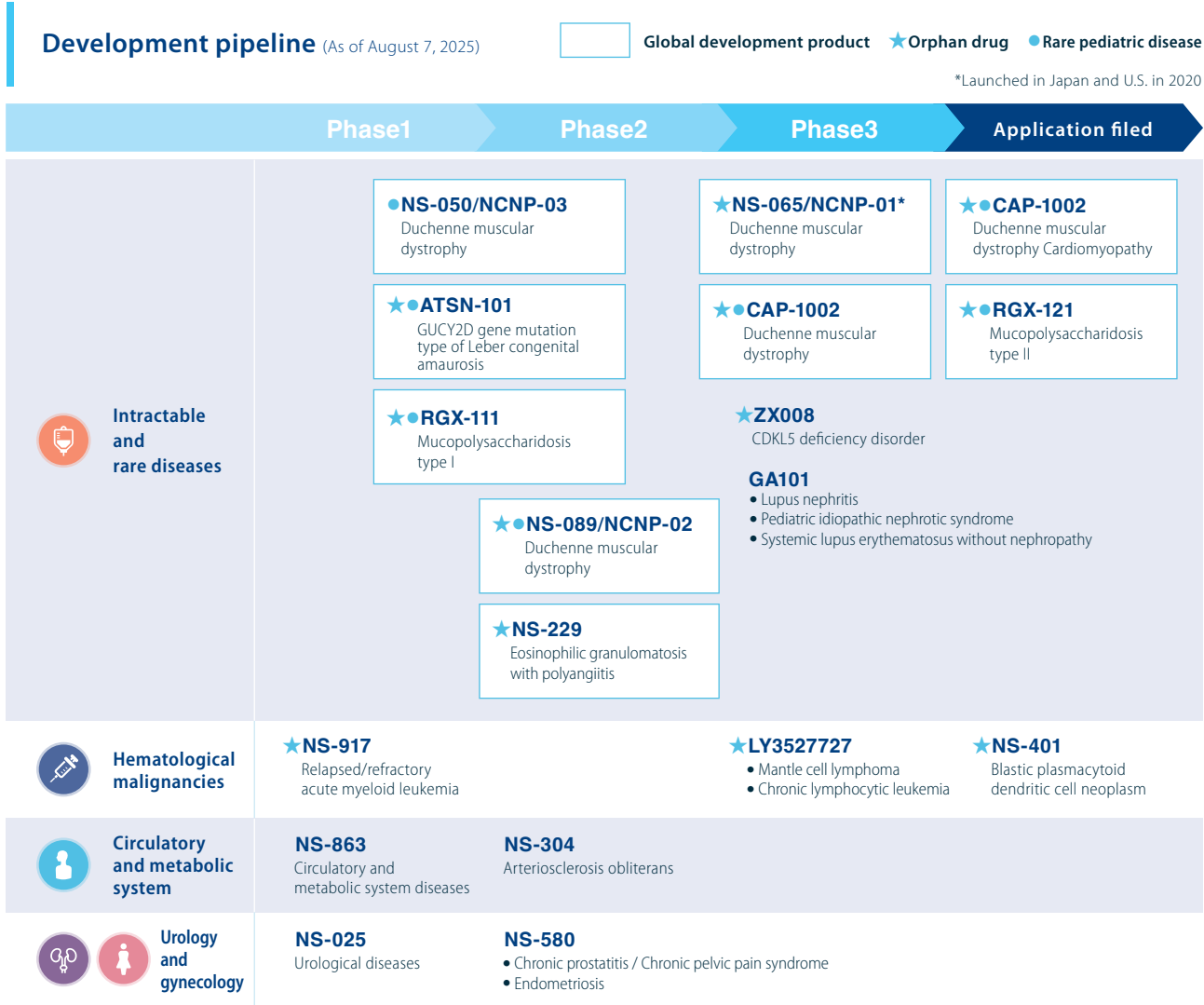
- Promote biomarker search from early stage
- Efforts to reach consensus with authorities



Improving probability of success

- Robust clinical study planning
- Strengthening of POC exams planning
- Prioritization of clinical trial projects
- Consider partnering after obtaining POC
- Thoroughness of timing of study planning
- Establishment of a system to promote health technology assessment (HTA) and clinical development in parallel

R&D



All researchers draft a proposal

At Nippon Shinyaku, we encourage everyone to make draft proposals, based on our policy under which the Discovery and Drug Efficacy Department fosters a culture where it becomes a matter of course for everyone to draft new research themes. Drafting a new research theme is the starting point of drug discovery, and if this process is neglected then it will not be possible to expand the R&D pipeline. "All researchers draft a proposal makes draft proposals" is an initiative that encourages all researchers at the Discovery and Drug Efficacy Department to take on the challenge of generating an idea once a year, instead of leaving everything only to the specialist researchers in charge of drafting work. Although of course there are differences between researchers in terms of age group, skill, and experience, everyone has the same determination to help patients in need and deliver drugs through their own efforts, which is the foundation of drug discovery.

To help researchers even with limited experience to put this determination into practice, we have established a department to manage the process from drafting to theme promotion in order to support idea generation. We have also established a framework that leads naturally to completion of the draft proposal by providing a list of the items that require consideration when drafting a proposal, which the researcher then fills in. It is thanks to our diverse human resources that we can generate diverse ideas as we pursue uniqueness, and through this friendly competition with each other, we aim to produce new drugs that are globally renowned.

Intellectual Property

The Nippon Shinyaku Group is committed to tackling the challenge of new modalities in drug discovery and globalization in order to realize our Business Philosophy. We recognize that intellectual property (IP) plays an important role in promoting these purposes, and through the protection and utilization of IP, we will strengthen the superiority of our business and continuously improve corporate value. We also practice thorough IP-related risk management by conducting third-party ownership investigations.

R&D activities and intellectual property

The Intellectual Property Department collaborates with the R&D Division from the early stages of research. By doing this, we can protect pharmaceuticals and functional foods produced in-house in a long-term, multifaceted and strategic way using multiple patents. In addition, we are considering building and utilizing a patent portfolio to strengthen our global R&D strategy and business strategies in an internal committee.

Understanding and analyzing intellectual properties

We conduct patent trend analysis and IP analysis of competitors in technical fields believed to be important for us over the medium to long term. In addition to early stage IP risk management, we can use this information in our R&D strategy and business strategies. Furthermore, the Group analyzes IP protecting its products and their surroundings to create opportunities for in-house R&D and business expansion, including strategic licensing.

Building our reputation and brand based on trademarks

We determine the appropriate product names according to the medicines and functional foods produced in-house. By protecting them with trademark rights, we build the reputation and brand of our products.

Medical Affairs

The mission of Medical Affairs is to identify unmet medical needs, generate medical and scientific evidence related to these needs, and communicate the information to medical professionals and patients. To deliver the most appropriate healthcare to all patients, we aim to optimize the medical value of our in-house pharmaceuticals to help improve patient benefits. To do this, we conduct exchanges with medical experts and patient organizations, and also hold various surveys, which help us to identify issues related to target diseases, such as the status of existing treatments and diagnoses, and collect information about our products that cannot be obtained from clinical trials alone. We formulate medical plans based on the collected information, and conduct evidence generation and disease awareness activities according to these plans.

*Unmet medical needs: These are medical needs that are not being met satisfactorily from the viewpoint of medical professionals or patients. For example, diseases that lack effective treatments, or the need for new therapeutic agents or treatments.

For patients

We are conducting various types of research, including non-clinical research, clinical research, database research, and registry research for our in-house pharmaceuticals as activities to generate evidence for treatment optimization. We have published numerous results from such research in conference presentations and academic papers. We have also collaborated with patient organizations to hold public seminars on hematological malignancies and muscular dystrophy, and plan other initiatives, such as gathering the opinions of patients and communicating them to society. In the future, we will continue to stay focused on patients and conduct pharmaceutical development that incorporates their opinions.

Sales



Aiming to provide information that meets diversifying medical needs, we will further strengthen collaboration between digital channels and MR (Medical Representative) activities.

Kazuyuki Iwata
Director, Sales and Marketing

Nippon Shinyaku has built a relationship of trust with healthcare professionals, with a particular focus on the areas of pulmonary hypertension, pediatric neurology, and hematology.

In 2024, Nippon Shinyaku launched Vyxeos for the treatment of high-risk acute myeloid leukemia, Jaypirca for mantle cell lymphoma, and an additional indication was approved for Fintepla, an anti-epileptic treatment. In all cases, these new treatments were used to help a greater number of patients than initially expected soon after their launch or the approval of their new indication. Seeing how many patients and healthcare professionals who had been eagerly awaiting new treatment options reaffirmed our sense of purpose to deliver both innovative medicines and accurate information. Under the 7th Medium-Term Management Plan, we have committed to addressing medical needs in Japan by launching or obtaining additional indications for an average of two or more new products per year, with a focus on treatments for Duchenne muscular dystrophy and hematologic malignancies. As a result, our responsibility to deliver valuable treatments to patients at an early stage continues to grow. We are committed to delivering highly valuable information to physicians and patients, striving to be a trusted company among healthcare professionals.

The key challenges for achieving the 7th Medium-Term Management Plan are further data utilization and human resources development. In order to meet diversifying

medical needs, we have been enhancing our organizational structure and leveraging data to deliver information in a way that integrates digital channels with MR (Medical Representative) activities. As a result, our website for medical professionals, which consolidates disease and product information, gained a certain level of approval from physicians in our focus areas according to external surveys. Although we have made progress in consolidating customer-related information through CRM*, the process of capitalizing on the aggregated data is still in its early stages. To provide personalized information tailored to each customer, we are working to enhance data integration and visualization across all information provision activities. By analyzing a variety of internal and external information and identifying customer needs in a timely manner, we will provide the necessary information at the optimal time.

Although digitalization continues to advance, the provision of face-to-face information by MRs remains a vital engagement channel, playing an essential role in building trust-based relationships with healthcare professionals. We encourage MRs to continually devote themselves to study in order to coordinate channels and information according to the needs of physicians, and to carry out the kind of personalized, detail-oriented engagement that only human interaction can provide. We are also striving to build a strong sales organization by providing systematic training programs to sales managers who formulate strategies for the areas under their jurisdiction and provide guidance and training to MRs.

* Customer Relationship Management: This is a system for managing and analyzing customer information in order to build and maintain strong customer relationships

With “faster, more efficient, and broader market penetration of our products” as the main theme of our 7th Medium-Term Management Plan, we are committed to delivering our unique products to as many patients as possible, as quickly as we can.

Although the medical field and market environment continue to shift, we remain committed to achieving patient centricity by providing information that supports the appropriate use of our products in line with the needs of the medical field, and by actively accumulating safety information.

An Organizational Structure That Enables Quick Access to Customer Needs

Aiming to be an indispensable partner for medical professionals, approximately 430 MRs are engaged in activities to communicate and collect information on appropriate product usage and safety.

We have introduced a team-based system centered on secondary medical regions, where multiple generalist MRs cover the same area, without being assigned specific territories. Additionally, in line with new product launches and other portfolio reshuffling, we have concentrated our activity resources in focused areas and increased the number of MRs in charge of the same facilities. By having multiple MRs carefully cover physicians, pharmacists, technicians, and nurses at key client facilities, and by facilitating close communication, we

have established a system that can respond swiftly and flexibly to urgent information needs concerning specialty diseases.

In addition, approximately 60 product marketers nationwide work collectively to meet the healthcare needs of each region. To contribute to raising and spreading a greater awareness of diseases and products by utilizing their respective expertise, we cooperate with branch and sales managers to provide and collect information on diseases and products to promote awareness and appropriate use of products. In addition to supporting MRs, we serve as a bridge to facilitate collaboration among physicians across different areas as needed, striving to expand the adoption of treatments and maximize product value.

MR Training to Create High-Value Communication

Following the COVID-19 pandemic, the ways in which healthcare professionals gather information have diversified to include both online and offline channels. Although reforms in the work style of physicians may reduce opportunities for meetings with MRs, face-to-face interactions and communication with MRs continue to play a vital role in the selection of pharmaceuticals related to life and health. For this reason, MRs are expected to make the best use of their limited interview time and provide high value interactions.

In order to gain the trust of physicians, we offer a variety of training programs. In addition to digital education such as CRM-based insight analysis, practical role-playing utilizing generative AI, output training to cultivate the ability to understand needs and make proposals precisely because we are human, and in-house certification exams to test highly

specialized knowledge and communication skills, we are focusing on human resources development that can meet diverse and individualized medical needs.



Resource Procurement, Production, and Assurance



We are focused on supplying safe, high-quality products and building a system to realize a healthy future by creating innovation.

Hitomi Kimura

Director, Resource Procurement, Production & Assurance

In our Resource Procurement, Production & Assurance Division, we are advancing the supply of safe, high-quality products and the development of robust systems under the 7th Medium-Term Management Plan, in line with our materiality theme of “Realizing a Healthy Future by Creating Innovation.”

With a mission to ensure the efficacy and safety of pharmaceuticals while providing high-quality pharmaceuticals to patients worldwide in a stable manner, we are promoting the global expansion of nucleic acid drugs, including our mainstay product, Viltepso.

Furthermore, we are focusing on building a reliability assurance system and a highly resilient supply chain to enable us to respond to emerging modalities such as cell and gene therapy.

To strengthen our production & assurance system, we are reviewing and enhancing our systems and management procedures to comply with the regulatory requirements in each country and region. We aim to establish a system to centrally manage safety information in the countries where our products are marketed, to report to the regulatory authorities, to provide safety information to medical institutions in a timely manner, and to promptly implement safety measures. We are also working to streamline the application for approval and post-approval maintenance

management in order to accommodate the growing diversity of product modalities, thereby contributing to quality assurance and a stable supply. Furthermore, by promptly publishing the findings of post-marketing surveillance studies, we aim to enhance product value and promote appropriate usage.

In our supply chain operations, we are working to establish a cold chain distribution channel and a system capable of controlling quality and inventory in preparation for the 2026 launch of NS-401, our first frozen liquid formulation for the treatment of blastic plasmacytoid dendritic cell neoplasm (currently under regulatory review).

Given that the marketing of cell and gene therapy products, etc., requires a global ultra-cold chain infrastructure, we are also actively considering future expansion into Europe. In addition, to bolster our in-house production capabilities for nucleic acid drugs, we are utilizing the nucleic acid API purification plant at our Odawara Central Factory and preparing to apply for additional manufacturing sites in both the U.S. and Japan. We believe this will also contribute to enhancing the overall value of the group.

By undertaking these initiatives, we aim to build a competitive global supply chain that earns the trust of healthcare professionals, patients, and society worldwide, while supplying safe and highly reliable pharmaceuticals.

The Production & Assurance Division strives to ensure product efficacy and safety by complying with relevant laws and regulations, managing regulatory submissions and approval maintenance, overseeing quality assurance and safety information, conducting post-marketing surveillance, ensuring the reliability of application documents, and handling pharmaceutical consultation services. The Supply Chain Division is promoting sustainable procurement and cost reduction, improving productivity and global responsiveness at the Odawara Central Factory, and developing a global supply chain system that supports emerging modalities, with the goal of reliably delivering our unique products to patients around the world.

Developing a Framework to Meet Regulatory Requirements Across Countries

As part of our global expansion, we are planning to enter the European market. Accordingly, the Production & Assurance Division faces pressing challenges to establish a product assurance system that complies with European regulatory requirements, following Japan, the U.S., and China. In addition to establishing a new procedure manual and audit system in compliance with European regulations, we will introduce a database for the centralized management of global safety information to promote the automation of gathering, evaluating, and reporting information.

We hope this initiative will lead to the prompt provision of safety information and the implementation of appropriate countermeasures. Meanwhile, in the area of quality assurance,

although standards have been internationally reconciled under PIC/S GMP, we are considering strengthening our quality assurance framework to meet Europe-specific requirements, such as those for Qualified Persons (QPs). In addition, we intend to promote the introduction of a centralized database to manage global pharmaceutical information and construct a system that can promptly handle post-approval amendments and other changes in order to provide accurate information and streamline regulatory compliance. By advancing these initiatives, the Production & Assurance Division is committed to ensuring the efficacy, safety, and quality of our products on a global scale, thereby contributing to the well-being of patients around the world.

Production Optimization & Global Strategy

We are promoting the global development of Viltepso and focusing on building a highly resilient supply chain that anticipates changes in the market environment, as well as a growth strategy for nucleic acid drugs with a view to launching successor products such as NS-089/NCNP-02 and NS-050/NCNP-03. We are continuing to examine the three pillars of: promoting DX (e.g., building a data-driven production planning system), establishing a stable production system, and building a future-ready global supply chain.

With regard to promoting DX, we are implementing the automation of demand forecasting and production planning, and are further advancing the refinement of these processes, including the application of AI. In addition, we are aiming to apply for additional manufacturing facilities in the U.S. and Japan during FY2026 to ensure the stable production of nucleic acid active pharmaceutical ingredients (APIs). In 2024, we began pilot production of the APIs for Viltepso at the nucleic acid API purification plant of the Odawara Central

Factory, which was completed the same year. In the future, we plan to manufacture other nucleic acid APIs. With a view to establishing a global supply chain, we are looking into the future development of nucleic acid drugs in Europe, and are considering which countries in Europe should be prioritized for marketing, organizations for direct sales, distribution methods, and so on. By implementing these measures, we aim to establish sustainable growth and a stable supply system, ultimately contributing to the well-being of patients.



Chromatography system for the nucleic acid API purification plant

Functional Food



We will develop and provide high value-added products by identifying customer needs and social shifts.

Hitoshi Ishizawa
Director, Functional Food

The functional food business was launched in 1961, utilizing proprietary extraction technologies cultivated in our pharmaceutical business. Since its inception, we have developed a wide range of businesses with the aim of “Helping People Lead Healthier, Happier Lives” through food. Earning high praise and trust from the food industry represents a major strength of our company.

The Functional Food Company operates under the vision of “contributing to the development of a sustainable society by addressing social issues pertaining to health promotion and food safety and security, as well as through dietary education initiatives, as a functional food business led by a pharmaceutical company.” We are thus engaged in fundamental research and committed to prioritizing safety and quality, which are values cultivated through our pharmaceutical R&D, while obtaining scientific evidence for traditionally recognized ingredients beneficial to health.

As the population ages, the extension of healthy life expectancy has become a social issue, and governments are working to curb medical costs by promoting self-care. We develop and provide a wide range of products that are not only nutritious but also take affordability into account, such as protein-fortified foods aimed at improving health and extending healthy life expectancy, as well as comprehensive nutritional products, including liquid foods

used in medical institutions and care facilities for the elderly, thereby contributing to improving people's quality of life (QOL) and solving social issues.

We are also promoting initiatives related to food safety and security, such as reducing food loss by extending the shelf life, as part of our efforts to help realize a sustainable society. In addition to ensuring safe distribution by mitigating food spoilage, we capitalize on the advanced technologies cultivated in the pharmaceutical field to develop and provide ingeniously designed preservatives that maintain both safety and taste. Since commencing our preservative business back in 1965, we have been firmly rooted in the industry for more than 60 years, and many processed food manufacturers have adopted our products. In recent years, we have been utilizing our proprietary digital tools to achieve even higher levels of great taste and long shelf life.

Furthermore, we are striving to improve access to nutrition through product development and the promotion of dietary education in collaboration with local governments and educational institutions, with the aim of solving nutrition-related issues for all generations, such as the problem of young people skipping breakfast as well as frailty and sarcopenia among the elderly due to poor nutrition.

Material issues and related SDGs

Realizing a Healthy Future by Creating Innovation



Strengthening efforts to protect the global environment



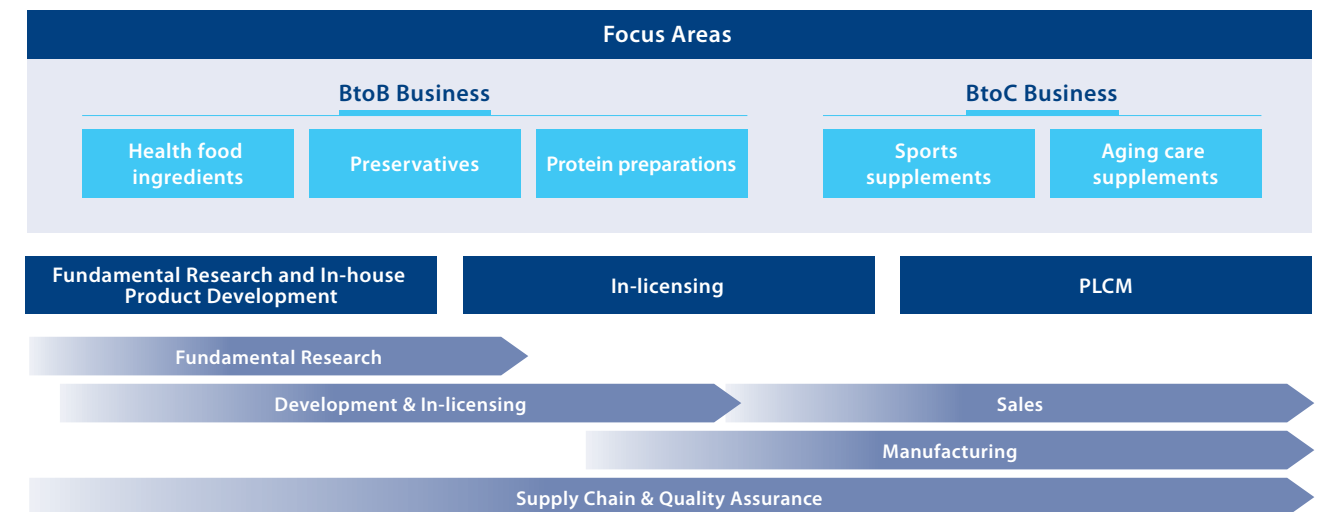
Characteristics of Nippon Shinyaku's Functional Food Business

Business Model

The Functional Food Company has an R&D Division and a Quality Assurance Division, and develops and provides high-quality, original products by leveraging its advanced technological capabilities cultivated as a manufacturer of

prescription pharmaceuticals. To expand our business, our approach is based on the three pillars of promoting basic research and developing our own products, introducing products that meet user needs, and PLCM.

Functional Food Company Business Model



Business Development

Our business operates on two main fronts: the BtoB business, which provides functional food ingredients mainly to processed food manufacturers, and the BtoC business,

which provides supplements that contribute to improving the health and quality of life of consumers. Currently, we operate mainly in Japan, but in recent years we have been actively expanding into overseas markets.

In the BtoB business, we are developing the following three main product areas.

- (1) Health food ingredients: Products that contribute to improved health and quality of life in the healthcare field
- (2) Preservatives: Products that contribute to food safety and security and food loss reduction in the field of processed foods
- (3) Protein preparations: In addition to strengthening and stabilizing quality in the field of processed foods, these products are used as ingredients in sports nutrition and nutritional medical foods

In the BtoC business, we are developing supplements in the following two product areas.

- (1) Sports supplements: Highly unique supplements that improve performance during exercise, from top athletes to sports enthusiasts
- (2) Aging care supplements: Highly unique supplements that support health and beauty while contributing to improving people's quality of life

Functional Food

R&D

As an R&D-led new drug manufacturer, we deliver products with a high degree of originality and functionality to the global market. Our R&D center is located in Kyoto and focuses on three product areas: health food ingredients, preservatives, and protein preparations. In the healthcare field, we aim to contribute to improving health and quality of life, and in the field of processed foods, our focus is on food safety and security as well as reducing food loss. In addition to developing products and ingredients and fundamental research, we are also focusing on enhancing customer experience through the use of digital transformation (DX).

Initiatives to Enhance Quality

In our Functional Foods business, as a manufacturer of prescription pharmaceuticals, we place the highest priority on the safety and security of our products, and we are continuously improving our management system to enhance quality. We are bolstering cooperation with suppliers and contract manufacturers of raw materials and holding regular internal committee meetings to share quality-related information, address quality issues and complaints, and formulate measures to prevent recurrence. In addition, we hold monthly training on compliance, risk management, and other issues for all employees of the Functional Food Company to improve their knowledge of relevant laws and regulations related to food advertising and labeling.

Providing New Solutions That Contribute to Food Loss Reduction

The development of preservatives that achieve both great taste and long shelf life is directly related to the reduction of food loss and plays an important role in the realization of a sustainable society. The Functional Foods business has earned the trust of many customers in this field and has grown to become one of the leading companies in the industry. In addition to providing products, we also offer solutions that leverage digital technology to dramatically improve the value of the customer experience. The membership website provides information and materials required by product development personnel at our business partners in a timely manner. Recently, we have implemented a digital tool that instantly identifies pathogenic bacteria that cause food spoilage, enabling us to provide effective shelf life measures. This has revolutionized our development operations, enabling us to provide rapid proposals that meet user needs and

strongly support our customers in their product development efforts. In addition to preventing food spoilage, we are also developing formulations that address a wide variety of quality deterioration, such as enzyme formulations that contribute to the prevention of cooked rice turning stale.



Strategies to Achieve the 7th Medium-Term Management Plan

Under the 7th Medium-Term Management Plan, we are reviewing our business portfolio with the aim of shifting to a highly profitable structure. In our BtoC business, we will focus on the growing market for sports supplements, especially accelerating the development of our mainstay product, WINZONE Protein. Leveraging the expertise cultivated in our BtoB business, we will promote sales strategies such as

expanded product lineups, advertising initiatives to increase brand awareness, and also broaden our distribution channels. In our BtoB business, we will focus on the field of preservatives, for which demand is expected to increase amid growing interest in reducing food loss, and aim to develop business based on high value-added product development by promoting efficient R&D that utilizes digital technology.

Expansion of Supplements and Health Care Products

In our BtoC business, we are expanding our product lineup for protein supplements, the mainstay of our sports supplements, to suit individual body types and needs. For the fast-growing market, we are also developing highly unique sports supplements for use before, during, and after exercise, conditioning, and other situations as needed. In addition, we are developing distinctive aging care supplements adaptable to changes in the market such as the ongoing rise of an aging society. We will contribute to the promotion of health by expanding brand awareness and sales channels so that more people are able to obtain the products.

In our BtoB business, we are developing new health food ingredients via fundamental research and introducing products, while promoting PLCM with the aim of maximizing the value of existing health food ingredients. This will expand the lineup of functional ingredients that contribute to health

promotion targeting diet, anti-glycation, and lifestyle-related diseases. In our production of protein preparations, we are also engaged in the development of products targeted at sports and health promotion.



Nippon Shinyaku People

Understand User Insights and Create Unique Value for WINZONE



Koji Yagi

Functional Food Company
Planning and Promotion Section,
Protein Business Strategy Department

I am currently in charge of the planning and marketing of the sports supplement WINZONE. My primary duties include planning and executing promotion strategies, such as online advertising, managing social media accounts, product planning, and market analysis. I am always conscious of clearly communicating the “unique value of WINZONE” while maintaining consistency in the brand strategy so that our customers feel glad they opted for WINZONE. To this end, it is of utmost importance to delve into the user insights behind the various numbers, so we also strive for a correct understanding of customer needs and a keen comprehension of trends in the market and competitors.

In the past, as a result of conducting online initiatives, the number of brand name searches for WINZONE increased significantly, and sales at e-commerce malls also exceeded their targets by a wide margin. This was the defining moment when the results of our consistent promotion, hypothesis testing, and refinements showed up in the numbers, and it was particularly memorable for us.

We will continue our efforts of enriching the lives of many athletes and health-conscious people as much as possible with our WINZONE brand.

Developing Diverse Human Resources and Realizing Employee Well-Being

Human Resource Strategies in Nippon Shinyaku

Based on our belief that “unique products are the product of unique people,” we value the diversity of our employees and position human resources as the driving force behind our sustainable growth. To communicate this philosophy and our specific initiatives both internally and externally, we published our first-ever “Human Capital Report 2024” in the same year, which outlines our human capital strategies, achievements, and future outlook, and has been posted on our website.

Promoting human capital management is one of the key themes of “Strengthening the Five Management Foundations” set forth in our 7th Five-Year Medium-Term Management Plan, and we are actively committed to developing the next generation of human resources and enhancing employee engagement. We also believe that in order to create an organization in which diverse human resources can play an active role, it is essential to have a relationship of mutual trust,

whereby we are the “company of choice” that also fosters “employees companies choose.” Based on this philosophy, the “Human Capital Report 2024” identifies four themes on which we will focus our efforts, and for which we are developing specific measures (Fig. 1).

We will continue our ongoing initiatives to develop human resources for the future and enhance employee engagement, while also disclosing our approach to human capital strategy along with targets and progress on key indicators. By pursuing these initiatives, we aim to further enhance our corporate value and realize our vision for 2035: “A global healthcare company from Kyoto creating various types of new ways of life for each person around the world.”

Human Capital Report 2024 (Japanese)

WEB ▶ https://www.nippon-shinyaku.co.jp/sustainability/esg/human-capital/human_capital_report.php



Takashi Takaya

Director
Personnel, General Affairs, Risk Management,
Compliance & Digital Transformation

Strengthening Empathy and Giving Our All for One.

AI surpasses humans in terms of accuracy in providing correct solutions. In such times, I believe that the ability to be close to and empathize with others is what is required of employees. What are the issues that need to be resolved now? The ability to empathize is the ability to see matters as one's own and to discern the issues.

I hope Nippon Shinyaku aspires to be a company where highly empathetic individuals thrive by embracing their diversity, recognizing one another, and working with vitality while being themselves.

The challenge of tackling intractable and rare diseases cannot be achieved with kindness alone. As guidelines for action, we strive to move forward every day one step at a time and have built a self-learning platform to support this goal. In particular, we have established a system to advance employees step by step by defining five levels of human resources, from 0 to 5, for global and digital readiness, which will become indispensable in the future.

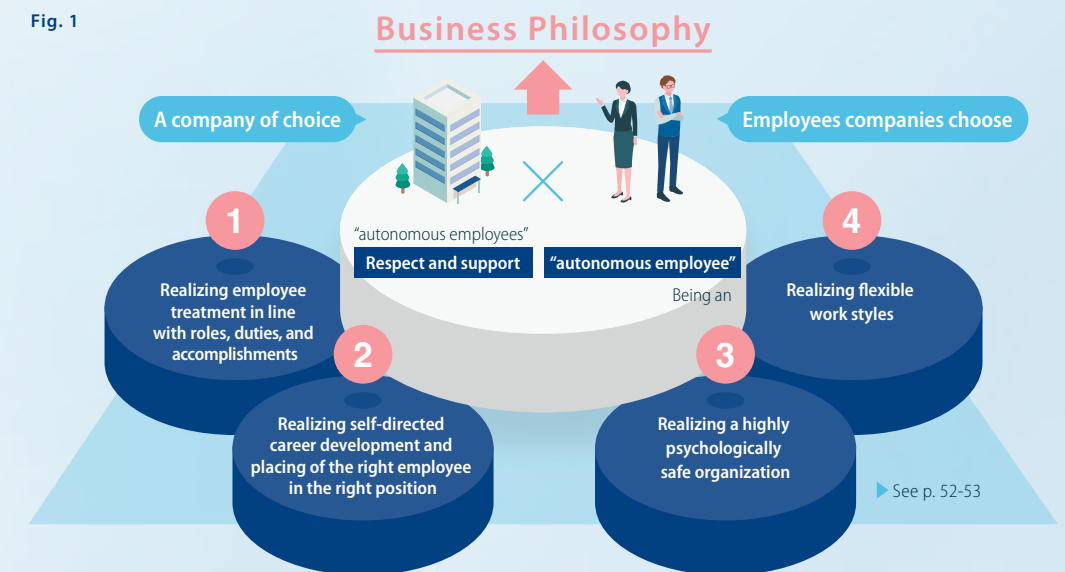
Ready to give our all for one? By continually asking ourselves this question, demonstrating leadership in our respective roles, and earnestly addressing social challenges, we strive to remain a “company of choice” fostering “employees companies choose,” while realizing well-being for society as a whole.

Material issues
and related SDGs

Developing diverse human resources and realizing employee well-being



Fig. 1



Measures to Become a “Company of Choice”

To continue achieving sustainable growth, it is essential to be a “company of choice” where each employee can experience personal fulfillment and growth, and feel motivated to continue working here.

To realize this, since FY2023 we have been working to foster an organizational climate where each individual takes on challenges with genuine commitment. We are promoting initiatives such as establishing treatment based on roles, duties, and accomplishments, supporting self-directed career development and placing of the right employee in the right position, creating a highly psychologically safe organization, and enabling flexible work styles. In FY2024, we revised our compensation system to better reflect individual roles, introduced a work location preference system and an internal open recruitment system, revised the senior employment policy by extending the retirement age, and held LGBTQ awareness events

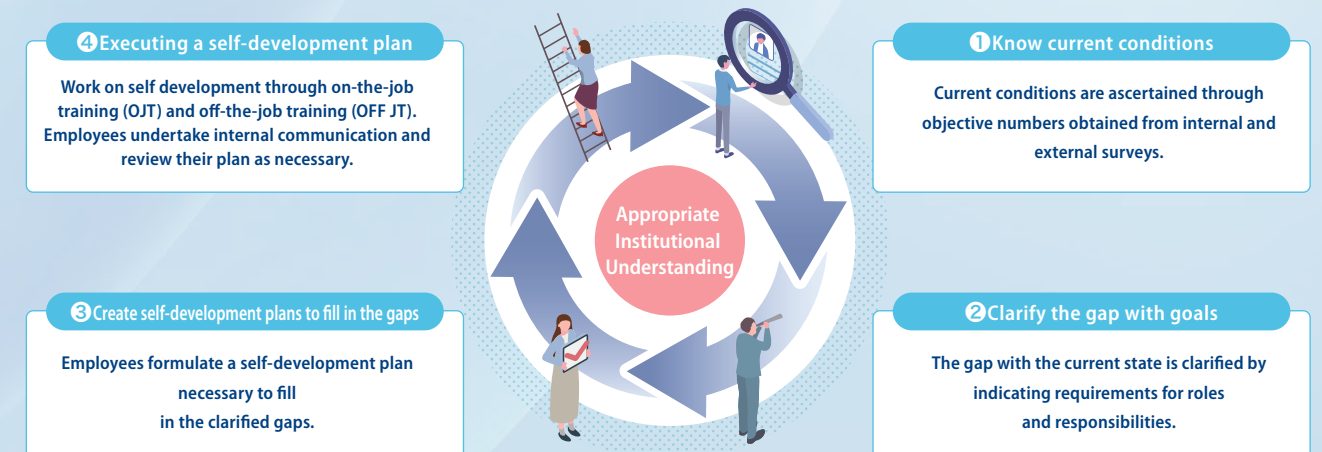
to create an environment where everyone can play an active role regardless of gender, nationality, age, and other factors.

We will continue to refine our systems and strengthen our efforts to support the challenges and growth of each and every employee.

Measures to Develop “Employees Companies Choose”

What we want is for our employees to take the initiative in their own personal development.

By continuously cycling through the process of understanding their current situation, identifying the gap with their goals, creating a self-development plan to bridge that gap, and executing the plan, employees enhance their own value and become the kind of “employees companies choose.” We believe that realizing this “company of choice” and “employees companies choose” is the driving force behind our growth.



1 Realizing employee treatment in line with roles, duties, and accomplishments

Nippon Shinyaku is working to revise its compensation and personnel systems to ensure that employees are treated in accordance with their roles, responsibilities, and achievements. We are also working to acquire and develop human resources capable of creating new value, regardless of traits such as age, gender, or nationality.

To foster the development of “Global Human Resources” and “DX Transformation Human Resources” essential to our company’s growth, we have defined target talent profiles in five

levels based on employment positions and environments, and provided all our employees with a comprehensive skill map. We have established a human resources development program tailored to individual levels and needs, enabling step-by-step progression and creating an environment where everyone can engage with ease. We will continue to further expand our human resources development programs to encourage employee growth.

Image of Global Human Resources



2 Realizing self-directed career development and the placing of the right employee in the right position

The term “career” has a wide range of meanings and is perceived in different ways by different individuals. Career support needs also vary depending on one’s life stage. Since there has been a lack of experience and opportunities to consider self-directed career planning, we are offering career consulting opportunities to all employees from FY2022 onward. We encourage our employees, especially those who reach the milestone ages of 30, 40, 50, and 55, to take these courses so that they can reflect on their careers and apply the knowledge acquired to their future.

In addition, we have redefined reassignments as an integral part of career development and, starting in FY2024, partially revised our career declaration system as a means for employees and the company to align their direction. In

addition to these initiatives, we are expanding our programs by offering the “NS Academy,” a human resource development course starting in FY2023 as an opportunity to support employees’ self-directed learning and growth. In addition, the introduction of “openbadges” provides visualization of skills and experience and serves as a guide to learning.

This initiative was recognized, and in October 2024, we received the “Excellence Award” in the Corporate Category of the Openbadge Awards.

Acquisition of Openbadges Throughout the Company

FY2023	FY2024
3,378 badges	5,097 badges

3 Realizing a highly psychologically safe organization

We are committed to cultivating a work environment that supports well-being and to ensure psychological safety by stimulating multi-directional dialogue. As part of this effort, we conduct engagement surveys* to reinforce organizational capabilities. We define engagement as “a relationship in which both the company and employees grow together and contribute to each other” and by continuously listening to the views of our employees, we aim to resolve organizational issues and realize the well-being of each individual. In FY2024, the engagement score calculated from the positive response rate for the three items concerning “engagement” was 68% (95% response rate), which is 7% higher than the average for

Japanese companies surveyed by the company in 2023 and 4% lower than the average for companies worldwide.

Analysis of the free response section of the survey revealed that “organizational climate/values” (warmth, compassion, etc.) and “people/team” (cooperative attitude, open communication, etc.) were highly rated at Nippon Shinyaku. In addition, from FY2024, we implemented an engagement mini-survey to measure the effectiveness of our action plans and encourage continuous improvement activities at each workplace.

* Use of Qualtrics survey

4 Realizing flexible work styles - the best work style is different for each individual -

We are committed to improving productivity, promoting flexible work styles, and also achieving life-work balance. In order for us to create an environment where our employees can work in a state of mental and physical well-being, we believe it is vital to provide a flexible combination of diverse experiences and ways of spending time, including working hours, family life, self-improvement, side jobs, and community activities, according to each individual’s sense of values.

In FY2024, to foster a workplace environment that makes it easier to take annual leave, we designated the third Friday of each month as an Annual Leave Promotion Day and reflected this in each employee’s Outlook calendar. In addition, to encourage managers to take the initiative in changing the way they work, we recommended that they take 10 days of annual leave.

Nippon Shinyaku People

Enhancing Well-Being Drives Corporate Growth



Yoko Nakanishi

Personnel Department

We are committed to improving the well-being of our employees, while aiming to be a company where they can experience happiness through their work. Among these, the improvement of the working environment and the mental and physical health of employees are fundamental components for realizing wellbeing. Based on this philosophy, we promote health management with the aim of achieving our corporate philosophy and management policies by ensuring that each employee is physically and mentally healthy, feels secure at work, and can perform at their best.

The promotion system includes discussions with management, policy decisions by the Company-wide Occupational Health and Safety Committee, and opportunities to improve health literacy offered through the Health and Productivity Management Working Group in cooperation with health insurance and labor unions. Furthermore, we are working to promote health management by assigning well-being supporters to each of our business locations to reflect the views of our on-site employees.

Under this system, we are deploying measures to address a range of employee health issues, including periodic health checkups and stress checks, mental health measures, exercise and dietary support, support to abstain from smoking, and infectious disease countermeasures.

Going forward, we will continue to visualize health-related metrics and rigorously apply the PDCA cycle to continuously evaluate and improve our initiatives, aiming to promote employee health and sustainable corporate growth.

Promoting DX

In the 7th Medium-Term Management Plan, one of the five key management foundations to bolster is “Business process reengineering and productivity improvement by promoting digitalization.” The key themes of this initiative are the planning and execution of business transformation concepts, promotion of AI and data utilization and infrastructure development, as well as the development of transformational human resources to take charge of DX.

Basic Policy

In order to respond to the diverse changes in the business environment in recent years and achieve sustainable growth, Nippon Shinyaku is accelerating its corporate transformation by leveraging AI and digital technologies.

In 2022, we formulated our “Digital Vision and Digital Strategy” and established the DX Management Department as a specialized organization to promote company-wide DX. To realize this vision, we have worked to promote the use of digital technology, develop a data utilization infrastructure, foster human resources for DX transformation, and reform our organizational climate. To expedite DX promotion, in April 2025, we released a “DX Action Book” to the entire company so that each and every employee can gain an understanding of the significance of digital technology and is able to take independent action. The “DX Action Book”

Six Principles

- 1

The “people involved in the operations” will take the initiative in integrating business and digital.
- 2

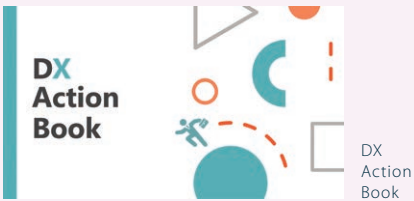
Continuously question and reevaluate existing practices and processes.
- 3

Convert data assets into value.
- 4

Quickly test ideas, accumulate small failures, and turn them into success.
- 5

Collaborate across the entire organization, transcending departmental boundaries.
- 6

Understand the purpose of IT and data governance, and comply with the rules



presents “Six Principles” with specific examples of how to think and guidelines for action in order to transform operations and create new value by leveraging AI and digital technologies.

One of these principles emphasizes “integrating business and digital, with the people involved in the operations taking the initiative.” This stresses the importance of employees who understand the actual work-site taking the lead in resolving essential issues. We will continue to support the DX promotion activities of each division and, by raising awareness throughout the company, create an environment in which each and every employee can independently participate in DX promotion, with the aim of establishing an organizational climate that achieves sustainable transformation.

Promotion of AI and Data Utilization Along With Infrastructure Development

We position data as one of our most important assets. In order to respond to dramatic changes in the external environment, we are working on drug discovery using AI and data, as well as promoting the use of data in each department to support streamlined decision-making, in order to realize the key theme of “continuous pipeline expansion” in the 7th Medium-Term Business Plan. As part of this effort, the “Nippon Shinyaku Data Utilization Basic Policy” was formulated and put into practice to ensure data quality and maximize its value. Currently, we are constructing a data utilization infrastructure and data management system so that all employees can obtain the requisite data at the necessary time.

Cultivating Human Resources for DX Promotion

In order to sustain and accelerate our company-wide promotion of DX, we are focusing on developing human resources to drive DX. In FY2024, we defined DX human resources as “DX Transformation Human Resources*1” and “DX Promotion Human Resources*2” and introduced an in-house certification system. In the 7th Medium-Term Management Plan, by the final year of FY2028, we aim to develop 10% of all employees as DX Transformation Human Resources and 25% as DX Promotion Human Resources, while ensuring that all employees acquire fundamental knowledge of DX.

To realize this goal, we offer a variety of training programs centered on the two pillars of: IT/DX literacy improvement measures for all employees and open recruitment and

Material issues and related SDGs



selective DX specialist training. Based on requests from participants, we are expanding and improving our programs, as well as adopting programs in collaboration with other companies and educational institutions. As of 2025, approximately 40% of all employees have acquired basic DX knowledge, and 16 employees have been certified as DX Transformation Human Resources★4 and 12 as DX Promotion Human Resources★3 within the company. We will continue to promote the development of human resources to support ongoing corporate transformation while flexibly responding to changes in the external environment.

FY2028 KPIs

DX Human Resources Development	Performance Indicators (KPI)
Developing DX Transformation Human Resources	10% of all employees
Developing DX Promotion Human Resources	25% of all employees
Establishment of basic DX knowledge	100% of all employees

*1 DX Transformation Human Resources: Human resources to connect digital and business and drive change

*2 DX Promotion Human Resources: Human resources who have a DX mindset and apply digital solutions effectively in their daily tasks

Nippon Shinyaku’s Image of DX Human Resources



Column

Initiatives to Promote DX Through Co-Creation With External Partners

With the belief that DX is not about competition but about co-creation, we are bolstering our partnerships with Kyoto-based local companies, other companies in the industry, along with educational institutions. During “Digital Month” in October 2024, we held a “Digital Festival” co-hosted with other companies at our Kyoto Head Office to forge closer ties with local companies by introducing DX activities, providing design-oriented training, and offering hands-on app creation workshops. Additionally, a joint talk event with five pharmaceutical companies, a data analysis competition, and training for business problem-solving proposals were held to share information on DX trends in the industry. Furthermore, we are strengthening our partnerships with educational institutions in order to incorporate students’ innovative perspectives and encourage employees to become aware of them. We aim to build a strong foundation and culture for innovation by fostering collaboration inside and outside the company from here on.

Resolving Social Issues and Coexisting With the Community

Respecting Human Rights

Basic Approach to Human Rights

As a signatory to the United Nations Global Compact, Nippon Shinyaku supports the ten principles in four areas of responsibility. We also regard the fundamental rights set forth in the Universal Declaration of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work as the minimum standards for human rights. In our business activities, we respect the human rights and personalities of individuals in accordance with the Guiding Principles on Business and Human Rights.

Organizational Structure

The Sustainability Committee, chaired by the President, meets twice a year to discuss and report on initiatives concerning respect for human rights. Important matters are reported to the Board of Directors. The director in charge of business management & sustainability is responsible for respect for human rights, and the Corporate Sustainability Department promotes initiatives to resolve issues.

Human Rights Due Diligence

As a company, the Group adheres to a human rights policy to fulfill its responsibility to respect human rights and we are advancing human rights due diligence in accordance with the UN Guiding Principles on Business and Human Rights. By identifying and assessing adverse impacts on human rights that may occur in the course of our business activities, we take measures to prevent or mitigate them and continuously verify the effectiveness of such measures. We will continue to advance our efforts through the PDCA cycle and disclose these externally.

Human Rights Due Diligence Process



Establishment of a Human Rights Subcommittee

In order to embark on full-scale human rights due diligence, in 2023, we established a Human Rights Subcommittee under the Sustainability Committee, with relevant department heads as members. The Subcommittee has its office in the Corporate Sustainability Department, and discusses such matters as how to ascertain any human rights issues inside and outside the company, identify issues, and the advancement of other initiatives.

Identifying Human Rights Issues

The Human Rights Subcommittee has identified the following human rights issues that should be prioritized by the company. These are identified through discussions at subcommittee meetings based on the results of a human rights awareness survey of Group employees and input from experts. We will continue to reassess these issues through similar surveys and holding dialogues with stakeholders.

Issues Identified	
● Patients' safety	● Forced labor
● Improvement of the workplace environment	● Supply stability
● Prohibiting discrimination and promoting diversity	● Impact on the community
● Child labor	● Bribery and corruption

Training and Awareness

The Group provides training on human rights to all employees. In addition to annual training on harassment, training on human rights due diligence has been conducted as part of departmental compliance training since 2022. We also inform our business partners about our human rights policy, seeking their understanding and promoting their efforts.

	FY2022	FY2023	FY2024
Human rights-related training	Once	Once	Once

Contributing to Regions and Cultures

Preservation and Maintenance of Kyoto Culture

For more than half a century, we have created an annual calendar using works of art created with dyes using a traditional Kyoto technique called stencil dyeing, and through this, introduced various aspects of Kyoto, including its scenery and landscapes in its various seasons and historical events. The Company also publishes a quarterly PR magazine titled "Kyo," also using works of art created with dyes for the cover, that showcases the huge appeal of Kyoto from a variety of perspectives, ranging from the city's many shrines, temples, and other cultural assets to its cuisine, traditional techniques, and local products. The calendars and some of "Kyo" magazine can be viewed in the Kyo Gallery section of our website.

Preservation Activities for Plants Associated With Kyoto's Culture

We cultivate and contribute 200 plants of Futaba Aoi for the Aoi Matsuri, one of the three major festivals in Kyoto, via the Aoi Project which is a general incorporated foundation.

In addition, we are working to cultivate and propagate Kikutanigiku (*Chrysanthemum Seticuspe*), a plant designated as an endangered species in Kyoto Prefecture. We actively promote the conservation and propagation of plants associated with Kyoto's traditional culture, through initiatives such as exhibitions at the Kyoto Imperial Palace and the provision of seedlings for the Kikutani Forest of Flowering Chrysanthemums. In recognition of these efforts, we have been certified by the City of Kyoto under the Kyoto Biological & Cultural Regeneration Project.

Support for Ronald McDonald House Kyoto

In February 2025, we donated funds for the opening of the Ronald McDonald House Kyoto, a residential facility for children with illnesses and their families, as well as picture books produced through the Nippon Shinyaku Children's Literature Award. In addition, the Picture Book Delivery Team, comprised of employee volunteers, donated picture books to 12 houses across Japan.

Contributing to the Future of Children

Support for Children's Emotional Growth Through Picture Books

The Nippon Shinyaku Children's Literary Awards, with the support of the Japan Juvenile Writers Association, is an initiative that invites a wide range of entries in the two categories of stories and artworks, and produces picture books with the best entries in both categories. The picture books produced are donated nationwide to children's hospitals and other medical institutions, as well as public facilities and can also be viewed on the award's website.

Moreover, the Company started the Nippon Shinyaku Sparkling Future Mobile Library in 2019 as part of its

centenary celebrations and delivers exciting reading experiences to children.

The library van carries around 1,000 physical books, including the Nippon Shinyaku Children's Literary Award-winning titles and, accompanied by employee volunteers, the library visits elementary schools, children's centers and community events. In FY2024, 5,724 picture books were lent out, allowing children to experience a special and exciting moment of enjoying these books under the blue sky.

We will continue to provide children with opportunities to experience a variety of books and printed materials.



[WEB ▶ https://www.nippon-shinyaku.co.jp/english/sustainability/esg/social/community.php](https://www.nippon-shinyaku.co.jp/english/sustainability/esg/social/community.php)

Strengthening Efforts to Protect the Global Environment

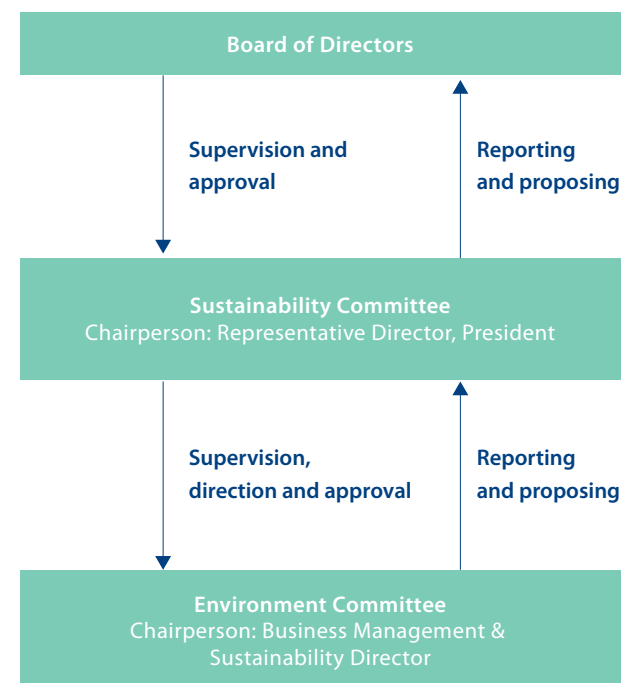
Disclosure Based on the TCFD Recommendations

In December 2021, the Nippon Shinyaku Group expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and conducted a scenario analysis of risks and opportunities related to climate change. In FY2024, we updated our financial impact assessment to disclose quantitative impacts. We will continually review our response to identified risks and opportunities and enhance our disclosure of relevant information.

Governance

The Group has established a Sustainability Committee, chaired by the President, to promote sustainability. This Committee meets twice a year to discuss and decide on critical issues, as well as to assess and manage climate change measures as a key issue. The Committee reviews the status of activities to combat climate change on a biannual basis.

In addition, we have appointed a Director in charge of corporate planning and sustainability who is also responsible for climate-related issues, and the Environment Committee, which meets quarterly and is chaired by the Director. We promote initiatives for environmental conservation aimed at putting our Basic Environment Policy into practice, and we also determine the progress of our environmental conservation activities, including CO₂ emission reduction targets. Both committees report and propose their findings to the Board of Directors several times a year, and are subject to oversight by the Board of Directors.



Risk Management

In accordance with the Basic Risk Management Rules, a dedicated department headed by the Director operates to take charge of personnel, general affairs, risk management, compliance and DX oversees risk management, including climate change, for the Group.

Risks are divided into six major categories: Governance, Strategy and Planning, Management Infrastructure, Business Operations, Supply Chain, and Disclosure and Reporting, and further subdivided into individual risk items such as CSR Planning and Environmental Protection Initiatives. A matrix of impact facing the company combined with likelihood of occurrence is then used to classify the level of importance into three levels: high, medium, and low.

Each responsible department prepares a risk management sheet that outlines both preventive measures to avoid the materialization of risks and response measures in the event that risks do occur, in order to ensure that appropriate action can be taken. Each year, important activity themes are selected for the entire group and each department, and preventive measures are strengthened based on the action plans we formulate. The results of these activities are reported to the Risk Compliance Committee and then to the Board of Directors at the end of each fiscal year, and are used to fine-tune our efforts in subsequent years.

Indicators and Targets

Based on the SBT, which is consistent with the Paris Agreement, the Group has set ambitious greenhouse gas emission reduction targets of a 42% reduction in Scope 1 and 2 emissions and a 25% reduction in Scope 3 Category 1 emissions by FY2030 in comparison to FY2020. We aim to steadily achieve these goals by expanding the switch to renewable energy and enhancing supply chain coordination.

Strategy and Scenario Analysis

Recognizing that the risks and opportunities associated with climate change will exert a significant impact on its own business strategy, the Group identified and assessed risks and opportunities using 1.5°C and 4°C scenarios in the following process.

1. Comprehensively identify risks and opportunities associated with climate change
2. Organize the relationship between the two businesses of pharmaceuticals and functional foods
3. Assess importance based on two key criteria: impact on the company and likelihood of occurrence

Material issues
and related SDGs

Strengthening efforts to protect the global environment



Category	Impact on Nippon Shinyaku	Details of measures of potential risks and opportunities	Indicator	Financial impact	Period		
					Short-term ~2025	Mid-term 2026~2030	Long-term 2031~

Transition Risk

Policies and Laws	Risk of higher energy costs and procured commodity prices due to carbon taxes and stricter energy conservation laws	•Introduction of an internal carbon pricing system in order to promote investment in reducing greenhouse gas emissions •Proactive deployment of energy conservation and renewable energy measures •Inter-Group education and momentum-fostering initiatives •Implementation of monitoring environmental regulation trends by the Environment Committee •222 million yen by FY2030, 450 million yen by 2050 - Estimated from the Company's 2022 Scopes 1+2 targets assuming \$140/t-CO₂ of carbon taxes in 2030. - Estimated from the Company's 2022 Scopes 1+2 targets assuming \$250/t-CO₂ of carbon taxes in 2050.	Increase in expenses	Small		○	
	•Increase in market prices of procured goods due to increased demand for raw materials (pharmaceuticals) •Risk of demand decreasing due to price hikes of products resulting from higher market prices of procured products (functional foods)	•Proactive support for suppliers' carbon neutral activities to deal with the risk of increased procurement costs	Decrease in sales	Small		○	

Physical Risks

Acute Risks	Increased risk of disruptions to supply chain, including raw material procurement and product shipping logistics, due to increases in regional torrential rains and large-scale typhoons	•Process automation •Maintenance of diverse suppliers •Strengthening cooperation with suppliers •Enhancing plant production and quality control systems and in turn reducing product risks through means such as inspections of manufacturing contractors' plants, organization of all information concerning materials and products, as well as revising product standards and testing procedures.	Decrease in sales	Medium		○	
	•Increased frequency of damage to facilities and increased repair costs due to abnormal weather and weather-related disasters •Suspension of business activities due to damage to associated facilities, including those of the Company as well as collaboration research companies	•Formulation of concrete guidelines for action in the event of a disaster	Decrease in sales	Small	○		

Opportunities

Markets	Expectations for further growth in demand for our preservatives as the importance of food preservation and quality maintenance increases due to the progression of climate change	•Development of preservatives that enhance the preservability of foods while maintaining their flavor will contribute to the improvement of food quality maintenance and lead to a reduction in food waste.	Increase in sales	Small			○
Resource Efficient Energy	Reduced manufacturing costs through a variety of improvements to resource efficiency, including energy conservation, reduced water utilization, and waste disposal	•Energy-saving production and process development through IoT utilization and the promotion of energy optimization in plants	Decrease in expenses	Small	○		

Degree of Impact	Impact on operating profit of related segments	Large 30% or greater	Medium 15% or greater to less than 30%	Small less than 15%
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WEB Disclosure Based on the TCFD Recommendations <https://www.nippon-shinyaku.co.jp/english/sustainability/esg/environment/tcfd.php>

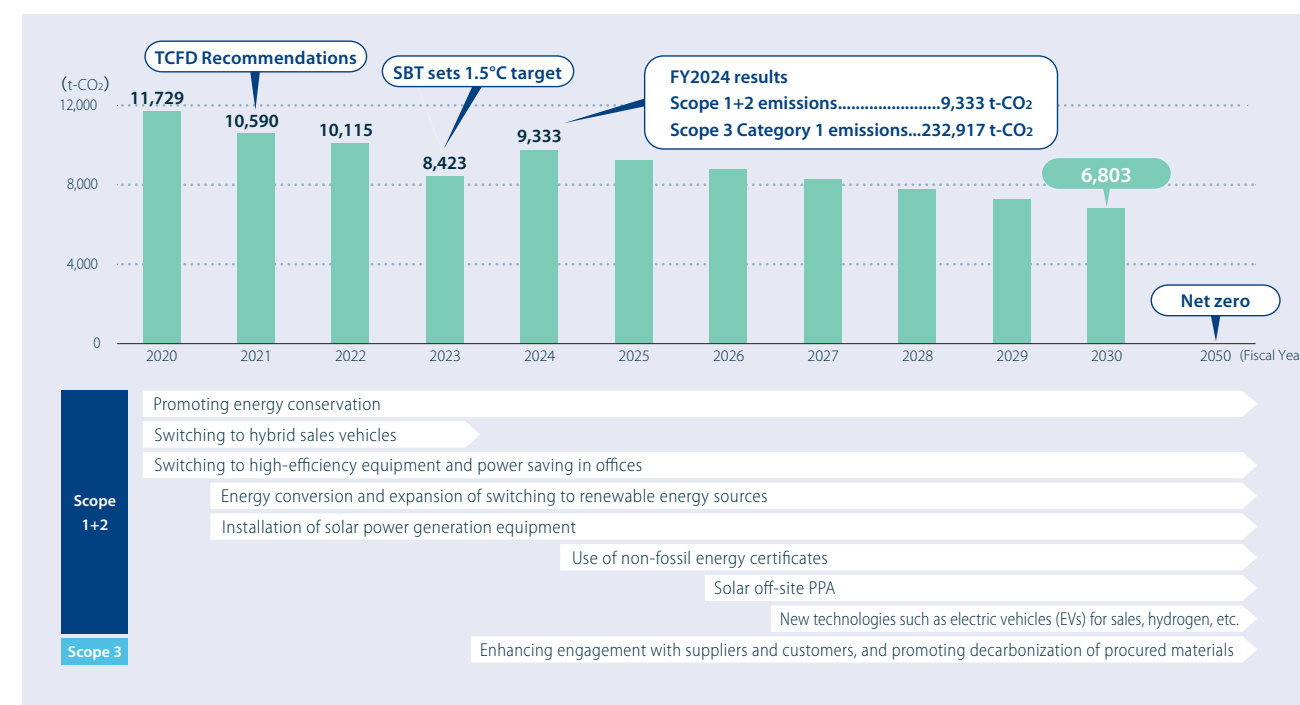
Strengthening Efforts to Protect the Global Environment

Initiatives to Reduce CO₂ Emissions

The Nippon Shinyaku Group has designated the strengthening of global environmental protection efforts as a key priority and is proactively addressing climate change. With the goal of achieving net-zero CO₂ emissions by FY2050, we aim to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 42% by FY2030, compared to the FY2020 benchmark. The target for emissions by FY2030 is 6,803 t-CO₂, a reduction of more than 50% from the level in FY2013, which is even more ambitious than the government's target.

In January 2024, our targets were certified by the Science Based Targets initiative (SBTi) as science-based, gaining international recognition for their credibility and validity. Our group is committed to contributing to the realization of a sustainable society by implementing these initiatives.

Roadmap to Carbon Neutrality



Climate Change Initiatives

Recognizing CO₂ emissions reduction as a critical management issue, our Group is advancing the switch to renewable electricity. Specifically, we are actively promoting energy conservation activities by expanding the installation of solar power generation equipment, upgrading to high-efficiency air conditioning equipment, switching to LED lighting, while introducing hybrid vehicles for our sales fleet. In addition, we are implementing bold initiatives such as shifting peak electricity use by installing ice thermal storage facilities in the Tokyo office building and energy conversion by discontinuing the gas co-generation system in the Head Office area. In the future, we will focus on studying the introduction

of internal carbon pricing and strengthening coordination with the supply chain, aiming to reduce CO₂ emissions by taking a comprehensive approach.



WEB ▶ Responding to climate change <https://www.nippon-shinyaku.co.jp/english/sustainability/esg/environment/climatechange.php>

Switching to Renewable Energy

The Group is actively promoting the switch to renewable energy in order to reduce CO₂ emissions. We began switching to renewable energy electricity in the Head Office area in April 2021 and in the Odawara Central Factory in November 2022, and have been gradually expanding this switch. As a result, at least 48% of the Group's total electricity consumption is covered by electricity derived from renewable energy sources by FY2024.

Solar power generation facilities have been installed at our Discovery Research Laboratories in Tsukuba, Odawara Central Factory, the Head Office area, and Tajima Shokuhin Kogyo Co., Ltd. contributing to CO₂ emissions reduction through in-house power generation.

We will continue to expand the use of substantial renewable energy sources by expanding solar power generation facilities and procuring FIT non-fossil energy certificates with tracking. In addition, we aim to further

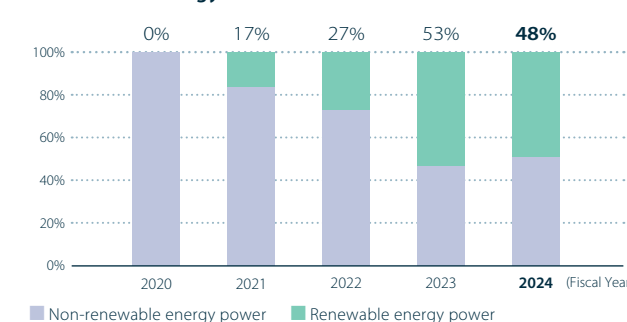
harness renewable energy sources by switching gas-fired facilities over to electric power. These initiatives aim to reduce energy-derived CO₂ emissions and contribute to the realization of a decarbonized society.

Emissions in the Supply Chain

The Group is promoting supplier engagement in an effort to decarbonize its entire supply chain. In FY2024, we prepared and sent environmental reports to our major suppliers of pharmaceuticals and food products, and conducted a survey to ascertain their status toward decarbonization. This enables us to clearly communicate our environmental goals and our commitment to decarbonization, while enhancing mutual understanding and cooperation with our suppliers.

Recognizing the importance of decarbonizing the entire pharmaceutical supply chain, we are also actively participating in the supplier engagement initiatives led by Japan Pharmaceutical Manufacturers Association.

Rate of Change-Over to Electricity Derived From Renewable Energy Sources



Rated A- in CDP Climate Change and Water Resources

CDP, an international evaluation organization, awarded the Group an A- grade for its climate change and water resource initiatives. This is the result of our efforts to enhance sustainability across the entire supply chain by appropriately disclosing business risks and opportunities while strengthening supplier engagement. We will continue to reinforce our efforts to address climate change and water resources to boost our corporate value and solve social issues.

Appropriate Management of Chemical Substances

Basic Attitudes and Targets

For a pharmaceutical company that handles a variety of chemical substances, their appropriate management is a vital social responsibility. In accordance with the Basic Regulations for the Management of Chemical Substances, we have established a Chemical Substances Management Committee to clarify company-wide policies for the proper management of chemical substances. We have also implemented an IT system that enables comprehensive and exhaustive checks of chemical-related regulations, thereby establishing a framework to ensure that all chemical substances handled within the company are properly managed in accordance with the latest applicable legal requirements. Furthermore, we regularly assess risks in the workplace environment, including those related to chemical substances, from the perspective of occupational health and safety to realize the highest level of workplace safety.

Also, we are reporting that we are practicing proper management in filings based on the Pollutant Release and Transfer Register (PRTR) system in the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement.

Management of Highly Active Substances at Odawara Central Factory

The manufacturing plant for highly active solid formulations at the Odawara Central Factory is equipped with the latest triple containment structure. In this structure, highly active chemicals are contained first by equipment, second by atmospheric current and chamber pressure, and third by building, thereby preventing leakage into the external environment, and to ensure maximum safety, quality and environmental friendliness.

Promoting Resource Circulation

Basic Attitude

Recognizing that resources from natural capital are finite, we at Nippon Shinyaku are constantly striving to reduce the amounts of resources we use, including reuse and common use. We are also focusing on the active use of recycled raw materials, and working to recycle resources by converting what we discharge from our own activities into recycled resources. We are working to reduce the quantities of waste generation and waste disposal in landfills, which are general indicators for the abovementioned efforts.

As high-quality water is indispensable for manufacturing pharmaceuticals and food products, and water shortages pose a potential threat to business continuity, we view reducing water usage as a critical challenge. At our production sites, we comply with the relevant laws and regulations regarding the use of water, including cooling water, and manage the quality of discharged wastewater accordingly.

Current Status and Performance of Waste Management

Under our 7th Environmental Targets established in FY2023, we have set three waste management targets: (1) reduce final landfill disposal volume by 75% by FY2025 compared to the FY2005 level (14.5 tons in 2005), (2) achieve a plastic recycling rate of 65% or higher, and (3) achieve an overall recycling rate of 60% or higher, all of which remain in effect from FY2023 onward. In order to make effective use of limited resources, we are actively committed to the 3Rs (Reduce, Reuse, Recycle) of waste.

	FY2023	FY2024
Final Amount of Landfilled Waste	2.0 tons (86% reduction)	1.7 tons (88% reduction)
Waste Plastic Recycling Rate	88.5%	89.7%
Recycling Rate	84.9%	85.8%

Appropriate Treatment and Utilization of Waste Materials

We view resource recycling as an important management issue and are committed to reducing waste and promoting recycling. In particular, we strive to make effective use of valuable resources by selling off scrap metal generated in our business activities as valuable resources whenever possible. Regarding waste plastics, we are expanding recycling options such as material and thermal recycling, while enforcing strict sorting rules at the source to improve the quality of recyclable materials. By carrying out these consistent initiatives, we strive to contribute to the development of a recycling-oriented society.

At our key production site, the Odawara Central Factory, we have obtained ISO 14001 certification and are working to properly manage and reduce waste using an environmental management system compliant with this standard. In the Head Office area and at the Discovery Research Laboratories in Tsukuba, we have adopted an integrated waste management WEB service (ASP service) capable of appropriate and continuous support for waste management. This enables us to confirm responsible waste treatment and disposal by our service providers.

Furthermore, we are also working to reduce environmental impact in the packaging of our pharmaceutical products. In FY2024, we adopted bottle breakage prevention packaging made from plant-based biomass plastic and participated in a resource circulation project aimed at horizontal recycling of label mounts. We will continue to strive to realize a sustainable, recycling-oriented society both in terms of environmentally friendly packaging design and resource recycling.

3Rs Initiatives



The Mottainai Project, an Internal Reuse System

The Mottainai Project, which is an internal reuse system, was launched in September 2023. This project entails building a company-wide platform to manage unnecessary and surplus equipment and provide it to departments that need it. In this way, we are proactively addressing the 3Rs (Reduce, Reuse, Recycle) of waste generated from our offices.

Water Consumption and Risk Assessment

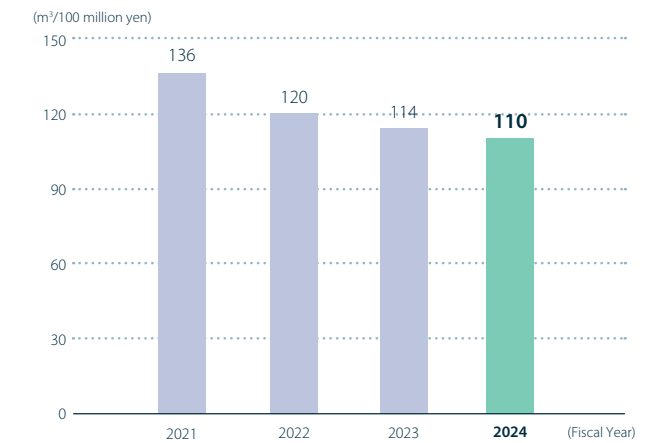
Water consumption in FY2024 was 177 thousand m³. As our 7th Environmental Targets, we are promoting the effective use of water resources by setting a target of reducing unit water consumption by 10% in FY2025 compared to the FY2021 level.

Using WRI AQUEDUCT (4.0)*1 for water stress assessment, none of our sites were found to be located in areas with high water risk, but regardless of the presence or absence of water risk, we actively promote the efficient use of water resources. At our production sites, we are working to improve efficiency by reviewing water-intensive processes and expanding the reuse of cooling water.

*1 WRI AQUEDUCT (4.0): A set of water risk assessment tools developed and presented by the World Resources Institute (WRI)

Water Consumption Intensity

Scope of calculation: The Japan Group, excluding our sales offices



Conserving Biodiversity

The Yamashina Botanical Research Institute is home to approximately 3,000 plant species collected from around the world. The area contains 480 species of rare plants, including 160 species of medicinal plants listed in the Japanese Pharmacopoeia, such as 0.7% of *Welwitschia*, *Aloe* and other plants protected by the Washington Convention, 12% of plants on the Ministry of the Environment's Red List, and 5% of the plants listed in Kyoto Prefecture's Red Data Book. We have designated this ex-situ conservation as a material issue.

Based on this plant collection, the Institute hosts a wide range of educational programs for audiences ranging from experts to elementary school students, which include seasonal

observation and training sessions, seminars for pharmaceutical and agricultural professionals, hands-on plant dyeing activities, and workshops using plants. These activities have raised awareness about the conservation of the diversity of useful and rare plants and the Institute welcomed over 2,200 visitors in FY2024.

In addition to preservation activities for plants associated with Kyoto's culture (p. 57), we are also conducting botanical surveys of the Daigoji Temple forests, a UNESCO World Heritage Site, thereby contributing to an actual understanding of plant biodiversity.



Showcase Greenhouse



Scenes from the Observation and Training Sessions