Strategies and Initiatives for Value Creation

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Evolution of the Medium-Term Management Plan (MTMP)

Nippon Shinyaku constantly took on new challenges based on the 4th Five-Year Medium-Term Management Plan that was started in FY2009—guided by our philosophy: Helping People Lead Healthier, Happier Lives. Throughout the subsequent planning periods as well, we continuously launched new, innovative products into the market, achieving record highs in sales and all profit metrics in FY2023.

	4th Five-Year Medium-Term Management Plan (FY2009–2013) Innovation and Growth	5th Five-Year Medium-Term Management Plan (FY2014–2018) Aiming for New Growth –Pursuit of Uniqueness–	6th Five-Year Medium-Term Management Plan (FY2019–2023) Aiming for Sustainable Growth –Further Pursuit of Uniqueness–
Business metrics	**FY2013 results** Net sales **¥765 billion** Net income attributable to owners of the parent **¥57 billion** Operating income **¥80 billion**	**FY2018 results** Net sales **¥114.7 billion** Net income attributable to owners of the parent **¥16.3 billion** Operating income **¥20.6 billion** EPS **¥242** ROE **12.5%**	**FY2023 results** Revenue **¥148.2 billion** Operating profit **¥33.2 billion** –Pharmaceuticals **¥125.1 billion** Profit attributable to owners of the parent **¥25.8 billion** –Functional Food **¥23.1 billion** EPS **¥383** ROE **12.4%**
Key achievements	• Strengthening our proprietary pipeline • Targeted resource allocation in response to generic substitution policies, supporting steady growth of new products • Expansion of Functional Food Business • Met a five-year cumulative cost-reduction target of approximately ¥2.0 billion • Established CASA (CAreer Support Academy), a comprehensive learning and development framework • Promoted new social contribution initiatives	• Launch of seven products, including Uptravi for pulmonary arterial hypertension (PAH) • Pipeline enhancement through conclusion of in-licensing agreements for six products • Greater awareness of Nippon Shinyaku in PAH field • Major contribution to growth from the launch of Uptravi in multiple overseas markets • Significantly increased sales and higher operating income achieved in Functional Food Business • Flextime system introduced for MRs (industry first in Japan) • Outside specialist personnel recruited	• Launch of one new product or more on average per year, including Defitelio and Viltepso • Launch of our products (Viltepso (U.S.) and Gaslon N (China)) through overseas subsidiaries as regional bases • Improvement of reputation among evaluation organizations (selected as FTSE constituent stock, obtained SBTi approval) • Certified as a Health & Productivity Management Outstanding Organization (White 500) • Each department collaborated with the DX department to drive digital transformation (acquired DX certification) • Created an environment for data-driven drug discovery through promotion of IT and introduction of AI in the Research Department • Adopted International Financial Reporting Standards (IFRS)
Launched products (including in-licensed products)	**9 products**	**7 products**	**6 products**
Tasks for the next MTMP	• Build a differentiated business foundation to support sustainable growth amid external challenges, including healthcare cost-containment measures and demographic shifts • Achieve plan objectives through the alignment of qualitative and financial targets, supported by new product launches and improved profitability	• Anticipating advances in technological innovation, create new value by adding new modalities and technologies to the existing drug discovery base that has produced small molecule and nucleic acid drugs. • Re-invest profits generated by Uptravi in NS-065/NCNP-01 and successor nucleic acid drugs, NS-018, and other drugs, to support further accelerated global expansion.	• Improve the speed and success rate of clinical development and accelerate the entry of new modalities into early-phase clinical trials by accelerating and advancing the R&D process and strengthening the R&D infrastructure. • Strengthen cross-functional collaboration to support overseas sales expansion and the timely launch of new products.

7th Five-Year Medium-Term Management Plan

In the 7th Five-Year Medium-Term Management Plan "For Global Growth Beyond the Cliff," which started in FY2024, we are working on the "Three Key Themes" and the initiative "Strengthening Five Management Foundations" to overcome Uptravi's patent cliff and achieve sustainable growth. In FY2025, we launched Elzonris as a new product and gained regulatory approval for the additional indications of three products. As part of our open innovation initiatives, we strengthened our foundation for next-generation drug discovery through measures such as strategic partnerships with external partners. We are actively promoting global expansion through initiatives such as strengthening our U.S. commercial capabilities and exploring business opportunities in Europe. Through these initiatives, we aim to achieve revenue of ¥230.0 billion and operating profit of ¥30.0 billion by the final year of the 7th Medium-Term Management Plan in FY2028, and revenue of ¥300.0 billion and operating profit of ¥50.0 billion by FY2030.

Quantitative Targets in FY2028

Revenue	Operating profit	ROIC	EPS	ROE
¥230.0 billion	¥30.0 billion	9% or more	¥341	8% or more

Quantitative Targets for Pharmaceuticals Business Segment	
Revenue	¥203.0 billion
Operating profit	¥28.2 billion
ROIC	9% or more

Quantitative Targets for Functional Food Business Segment	
Revenue	¥27.0 billion
Operating profit	¥1.8 billion
ROIC	9% or more

Three Key Themes

	Progress	Issues
Fostering growth drivers to replace Uptravi	• Launched Vyxeos, Jaypirca, and Elzonris—drugs for the treatment of hematological malignancies—and Yuvanci, a drug for the treatment of pulmonary arterial hypertension • As PLCM, started sales of pediatric formulations of Uptravi and Opsumit. For Jaypirca, gained regulatory approval for the additional indication of chronic lymphocytic leukemia (CLL)	• Building an organization capable of operating quickly and efficiently • Accelerating market penetration leveraging the MR channel and digital channel • Establishing our position as the No. 1 manufacturer in the field
Expanding global development	• Promoted preparations by our U.S. subsidiary NS Pharma for the U.S. launch of CAP-1002 based on the positive Phase III trial results • Promoted formulation of strategies for expansion into Europe, considering diverse approaches such as in-house marketing, alliances, and M&A	• Expanding sales areas in Europe and other regions • Expanding a globally competitive product pipeline
Continuous pipeline expansion	• Entered into a strategic partnership with Boston Children's Hospital • Launched a co-creation project with FRONTEO, Inc. leveraging its AI-driven drug discovery support services • Entered into a collaborative research agreement with xFOREST Therapeutics Co., Ltd. on drug discovery research targeting RNA structures	• Acquiring in-licensed products • Strengthening in-house drug discovery through open innovation and leveraging AI-driven drug discovery

7th Five-Year Medium-Term Management Plan

Strengthening Five Management Foundations

	Progress	Issues
Promoting sustainability management for realizing a sustainable society P.45	● Strengthened company-wide risk management systems through a review of the risk management sheet and cooperation with subsidiaries ● Promoted initiatives such as greenhouse gas emission reduction and increasing the share of renewable energy, and achieved top-tier industry rankings in ESG evaluation indicators ● Promoted social contribution activities, such as operating the Nippon Shinyaku Sparkling Future Mobile Library and providing research grants through an open application program ● Launched a new preservative product that helps reduce food waste	● Strengthening our response to overseas risks and enhancing our organizational structure in line with our global expansion ● Strengthening cooperation with suppliers to reduce Scope 3 emissions ● Improving the quality of our disclosures and further enhancing our investor relations activities
Speeding up R&D P.31	● Advanced new research themes in the field of nucleic acid drugs and gene therapy ● Promoted open innovation through external cooperation with startups, academic institutions, and others ● Promoted the advancement of clinical trials by leveraging biomarkers and RWD (real-world data) ● Established a quality assurance system for Elzonris, a new modality, and acquired manufacturing and marketing approval	● Strengthening progress management and stabilizing development speed in global clinical trials ● Improving the pace of patient recruitment in clinical trials (Preventing dropouts and addressing enrollment delays) ● Accelerating and improving the accuracy of trial planning and decision-making through the advancement of AI and data utilization
Promoting human capital management that allows each employee to grow and diverse human resources to play an active role P.40	● Strengthened the foundation for global human resources development by expanding global training and talent exchange programs ● Completely revamped the "NS Academy" talent development program and established an environment that supports self-directed learning ● Promoted systematic talent development initiatives in the R&D and Sales/Marketing divisions ● Developed a talent management system to clarify roles and responsibilities	● Securing global and digital transformation talent ● Lack of opportunities for experiencing different cultures and a corporate culture that encourages taking on challenges ● Securing and nurturing highly specialized human resources to lead global development ● Advancing MR education, including a shift from class-room-training-centered approaches to practice-oriented skills
Business process reengineering and productivity improvement by promoting digitalization P.39	● Completed the construction of a drug discovery integrated database and an AI utilization platform, and transitioned to the operational phase ● Established an analytical platform that centralizes sales performance, market environment, and patient composition data ● Significantly improved physician interview coverage rate by strengthening digital activities and established an omni-channel platform ● Advanced the creation and implementation of DX initiatives and actively adopted digital technology in business operations ● Advanced the development of the data infrastructure through the introduction of a document manage-ment system and the renovation of logistics and inventory management systems	● Establishing governance rules for the utilization of compa-ny-wide data ● Further improving the quality of sales by strengthening cooperation between MR activities and digital utilization ● Making continuous operational improvements aimed at reducing reliance on Excel and eliminating reliance on individual expertise ● Cross-departmental data integration and optimization of business processes
Financial strategy for sustainable growth P.27	● Established a company-wide management framework to improve capital efficiency by creating a ROIC tree and optimizing business workflows ● Developed a strategic resource allocation process through portfolio analysis ● Promoted initiatives aimed at cost optimization, such as cost reduction and increasing in-house production ● Contributed to improving asset efficiency by facilitating the sale and utilization of idle real estate	● Continued promotion of measures to improve capital efficiency, such as optimization of inventory management and distribution costs ● Standardization and advancement of operations related to the allocation of resources, such as R&D expenses and human resources ● Promotion of appropriate product pricing and stable supply ● Stabilization of transactions in overseas operations

Financial and Capital Strategy

Nippon Shinyaku aims to transform its earnings structure through upfront investments aimed at growth.



Senior Board Director,
Business Management

Takanori Edamitsu

To overcome the patent cliff of Uptravi and achieve sustainable growth, we position the 7th Five-Year Medium-Term Management Plan as a phase of upfront investment. We will actively promote investment in R&D, the acquisition of in-licensed products, and other areas, with the aim of establishing a foundation for medium- to long-term growth.

Progress and results of the 7th Medium-Term Management Plan

Compared to the FY2025 anticipated performance figures announced in May 2025 of revenue of ¥173.0 billion and operating profit of ¥30.0 billion, actual results were revenue of ¥170.7 billion (98.7% achievement ratio) and operating profit of ¥35.4 billion (118.3% achievement ratio). Revenue was generally in line with projections, and operating profit exceeded expectations, demonstrating that our efforts to strengthen profitability are yielding results.

Under the 7th Five-Year Medium-Term Management Plan that started in FY2024, we have set 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. In FY2025, the second year of the plan, we made steady progress on the various initiatives aimed at realizing these themes.

In terms of "Fostering growth drivers to replace Uptravi," we launched Elzonris and started sales of Uptravi and Opsumit pediatric formulations. Furthermore, for Jaypirca, we obtained an expanded indication for chronic lymphocytic leukemia (CLL), and we are making steady progress in building the foundation for securing future revenue streams.

Under "Expanding global development," CAP-1002, for which we have entered into a commercialization agreement with Capricor Therapeutics, Inc., achieved favorable Phase III trial results. Based on these results, our U.S. subsidiary, NS Pharma, is preparing for the product launch. Viltepso, which we market on our own in the U.S., is now in its sixth year on the market. We are working to ensure sustained market penetration and revenue by further strengthening our cooperation with healthcare professionals, patient organizations, and insurers.

In terms of "Continuous pipeline expansion," we actively continued our investment in research and development, and R&D expenses for FY2025 amounted to ¥36.7 billion, representing an increase of 6.9% year on year. This is mainly due to an increase in contract research expenses and manufacturing costs for investigational new drugs associated with the progress of our pipeline, as we steadily execute upfront investments aimed at future value creation. Through partnerships with MiNA Therapeutics Limited, Boston Children's Hospital, FRONTEO, Inc. and xFOREST Therapeutics Co., Ltd., we are promoting open innovation and working to strengthen our foundation for next-generation drug discovery. We believe these initiatives are important investments that will not only provide new value to future patients but also lead to the development of pharmaceuticals that will drive the Company's growth.

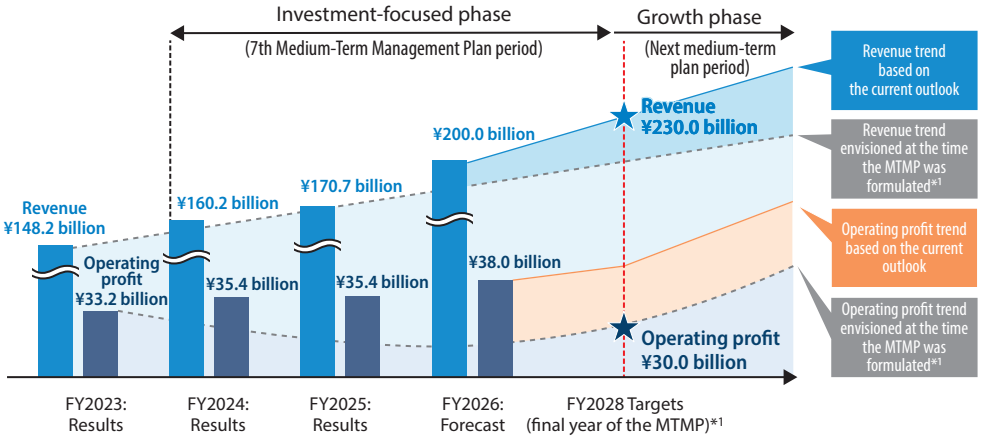
Financial and Capital Strategy

FY2026 forecast and growth scenarios

In FY2026, we anticipate revenue of ¥200.0 billion and operating profit of ¥38.0 billion. In the U.S., we are preparing to launch CAP-1002, and in Japan, we expect higher revenue driven by increased sales of our new product lineup, including Erleada, Fintepla, and Uptravi. However, although operating expenses are expected to rise due to sales costs of NS Pharma and an increase in contract research expenses associated with pipeline development, operating profit is expected to increase as a result of higher revenue.
When we formulated the Medium-Term Management Plan, we anticipated that FY2026 would mark the low point for operating profit due to increased upfront investments. However, we now expect to maintain profit growth, and we are seeing a shift in our earnings structure and a strengthening of our revenue base that is progressing at a faster pace than expected.
In the medium term, the likelihood of achieving our quantitative targets for FY2028, which are revenue of ¥230.0 billion and operating profit of ¥30.0 billion, is increasing. We have positioned FY2029 and beyond as a growth phase, with the aim of growing revenue to ¥300.0 billion and operating profit to about ¥50.0 billion by FY2030.
Our basic policy on capital allocation is to prioritize investments that lead to sustainable growth, centered on the three key themes of the 7th Medium-Term Management Plan, while ensuring financial soundness.

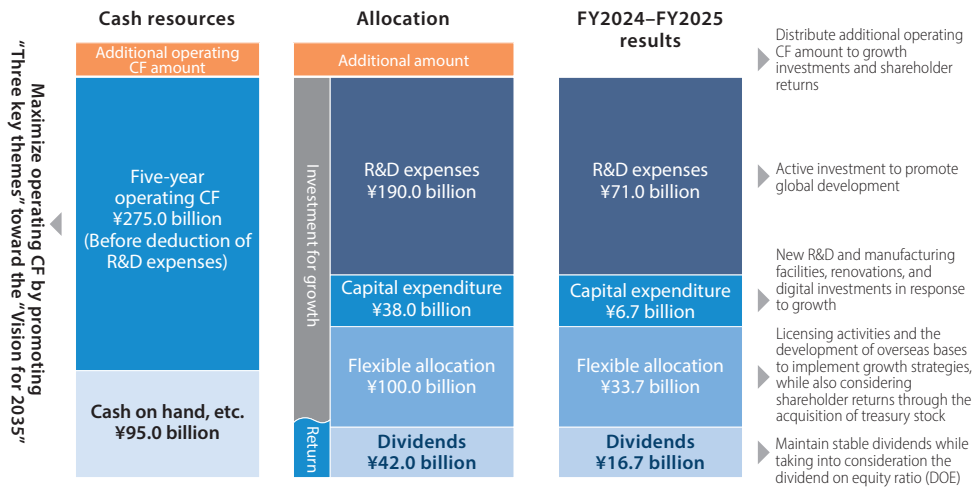
Over the two-year period from FY2024 to FY2025, we invested a cumulative total of ¥71.0 billion in R&D, which led to the introduction of new products and our pipeline development. We invested ¥6.7 billion in capital expenditure, which included digital investments in our Sales and Marketing Division and R&D Division, as well as into the development of R&D and manufacturing facilities. Through these investments, we will not only improve our drug discovery capabilities and development efficiency but also enhance quality assurance, stable supply, and production capacity, thereby improving our competitiveness and expanding our profits over the medium to long term.
In the R&D Division, we invested in building an AI-driven drug discovery platform, and candidate products in the research stage are emerging using this platform. Under our flexible allocation strategy, we invested ¥33.7 billion, primarily in new in-licensed, globally competitive products, to support sustainable future growth.
When we formulated the 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, due to these active investments, the launch of new products is progressing faster than anticipated, and as a result, operating cash flow is expected to increase. We plan to allocate the increased cash in a balanced manner between growth investments aimed at medium- to long-term growth and shareholder returns.

Illustrative earnings trend



*1 "7th Five-Year Medium-Term Management Plan (FY2024 to FY2028)—For Global Growth Beyond the Cliff" disclosed on May 27, 2024

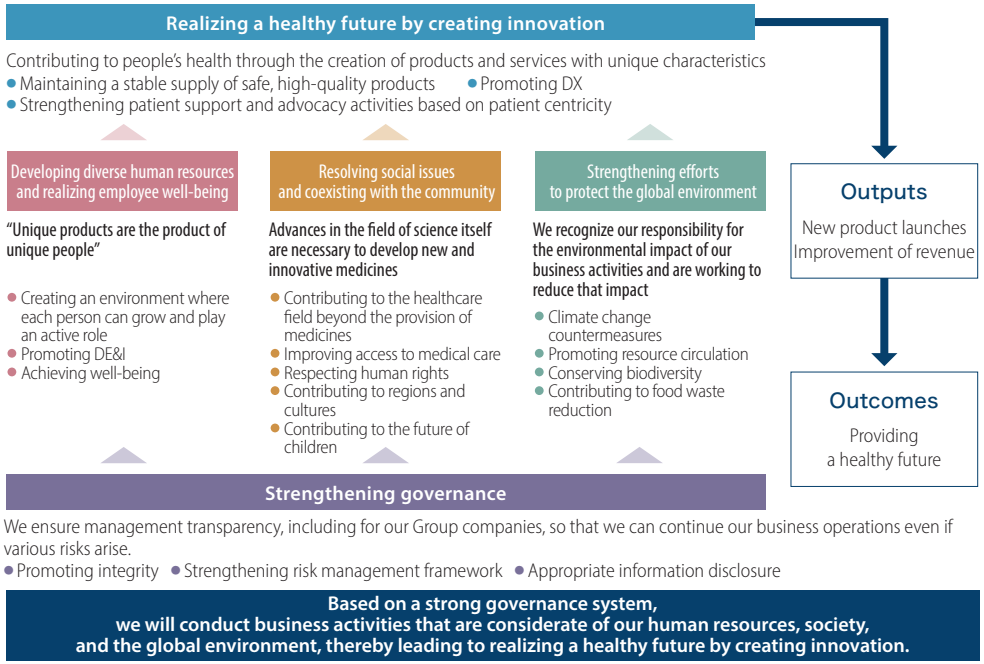
Capital allocation



Financial and Capital Strategy

Creating greater social value and economic value

For the Company to achieve sustainable growth, it is essential that we simultaneously create social and economic value through our business activities. To achieve this, Nippon Shinyaku has identified five material issues that are important to both society and the Company. Specifically, these are: "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." Under a strong governance system, we will advance human resource development and, through business activities that are considerate of society and the global environment, work toward realizing a healthy future by creating innovation.
In the Pharmaceuticals Business in particular, we will discover, develop, and launch new therapeutic agents that address unmet medical needs, with a focus on the intractable and rare diseases field, and make them available globally. Through this approach, we will achieve both the creation of social value, such as improving the quality of life of patients and their families, and the improvement of economic value through the provision of medicines that serve as drivers of growth.



Investment policy for transformation talent

As we undertake global expansion based on the Medium-Term Management Plan, we recognize that continuing with our conventional business processes will lead to increased workloads and costs, making it difficult to generate sustainable profits. To address this challenge, we believe that promoting DX, which fundamentally transforms the very nature of our operations through the utilization of digital technology, is a critical management issue.
We define talent in charge of this transformation as "transformation talent" and are systematically developing such talent through training in both digital skills and business literacy. As part of our investment in education, we are expanding opportunities to acquire management knowledge through programs such as basic education, selective training, support for obtaining public certifications, and a support system for obtaining an MBA, thereby building a talent base capable of driving transformation.
At the same time, management has taken the lead in setting DX themes and is steadily implementing digital investments. In FY2026, we established a new Business Process Transformation Department centered on transformation talent and began a fundamental review of our business processes from a company-wide optimization perspective. Through these efforts, we aim to improve labor productivity and optimize our cost structure, thereby strengthening our medium- to long-term profitability.

Improving shareholder value

As the importance of management that recognizes the cost of capital and the stock price continues to grow, we regard the stable supply of pharmaceutical products and functional food as the core of our business. Furthermore, our policy is to increase shareholder value by striking a balance between shareholder returns and investments in growth, while ensuring working capital and financial soundness. We have organized these concepts into a logic tree.
As a quantitative indicator for measuring improvement in shareholder value, the 7th Medium-Term Management Plan sets an ROE (return on equity) target of 8% or higher for FY2028. We aim to increase profits through the efficient use of shareholders' equity while also expanding equity.
Furthermore, to clarify the profitability of the Pharmaceuticals Business and Functional Food Business, we have set an ROIC (return on invested capital) target of 9% or higher for FY2028 for both businesses.
The 7th Medium-Term Management Plan specifies the capital allocation, and we are working to maintain and improve profitability by thoroughly allocating management resources and managing costs based on the priorities set forth in our business strategies. In particular, when making large investments such as the development of pharmaceuticals and in-licensing, we have set the weighted average cost of capital (WACC) as our hurdle rate to guide our investment decisions. Both ROE and ROIC are targeted to exceed the WACC, and management is conducted using tools such as the ROIC tree. The FY2025 results showed an ROE of 11.0%, with ROIC at 14.0% for the Pharmaceuticals Business and 5.4% for the Functional Food Business.

Financial and Capital Strategy

We recognize that shareholder value is composed of both growth of dividends and increases in the stock price, and it is evaluated in the long-term by total shareholder return (TSR). Given that future profit growth and the generation of free cash flow form the foundation of stock price determination, we will achieve profit growth through strategic investments, thereby leading to increased shareholder returns. We will continue to rigorously manage our business while considering the cost of capital, with the aim of sustainably enhancing shareholder value.

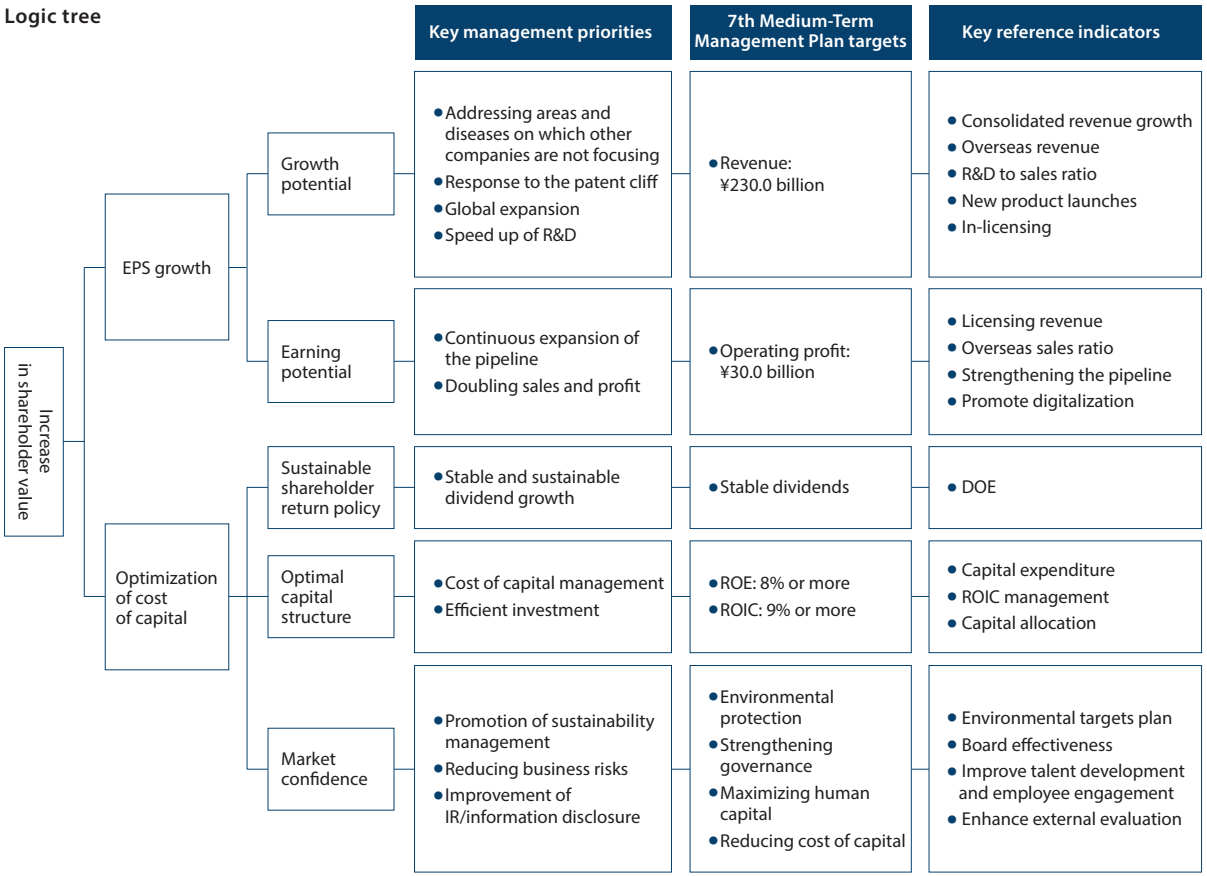
Shareholder return policy

We assume that total dividends for the period covered by the 7th Medium-Term Management Plan will amount to ¥42.0 billion over the five-year period, and our policy is to maintain stable dividends while taking DOE (Dividend on Equity) into consideration. Under this policy, we plan to pay out the same dividend as FY2025 of ¥62 per share for both the interim and year-end dividend for FY2026, for a total annual dividend of ¥124 per share.
Within the ¥100.0 billion allocated for the flexible allocation, we will actively pursue investments aimed at sustainable growth, such as acquiring licenses and arranging overseas bases. At the same time, we will also consider stock buybacks as an option for shareholder returns.

To our shareholders and investors

While we recognize the challenges posed by current stock price levels, we are making steady progress on various initiatives aimed at future growth under our 7th Medium-Term Management Plan. We are working to strengthen our revenue base through new product launches, pipeline development, and further global expansion.
To further enhance our dialogue with all stakeholders, including shareholders and investors, we will continue to work on strengthening our information disclosure efforts through measures such as briefings and video broadcasts.
Throughout the period of this Medium-Term Management Plan, we aim to overcome Uptravi's patent cliff and build a foundation for sustainable growth, while further strengthening the base for the global expansion of our high-quality, unique products and services. We hope that you will continue to look forward to the future growth of Nippon Shinyaku in our quest to become a global healthcare company.

Logic tree



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 (Tokyo Stock Price Index)	-1.5%	47.2%	13.8%	113.4%	16.4%	117.4%	8.1%

- Total shareholder return (TSR) represents the combined return from share price appreciation and dividends.
- TSR for Nippon Shinyaku is calculated based on cumulative dividends and share price performance, while TSR for TOPIX is based on the TOPIX Total Return Index. Calculated by Nippon Shinyaku using data from Japan Exchange Group.
- The graph shows TSR performance indexed to 100 at the closing share price on March 31, 2016, through March 31, 2026.
- Returns are presented as the percent change in the initial investment.

Realizing a Healthy Future by Creating Innovation

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

Pharmaceuticals Business



We will drive forward R&D by giving our all in thinking about patients.

Board Director, Research & Development

Keiichi Kuwano

Building on the R&D foundation we have built to date, Nippon Shinyaku has identified "intractable and rare diseases," "hematology," and "urology and gynecology" as our focus areas.
Among these, we position "intractable and rare diseases" as our core area, selecting the most appropriate modality from among small molecules, nucleic acids, and gene therapy, and engaging in highly differentiated R&D based on the combination of disease, mechanism of action, and modality.
We place great importance on listening sincerely to the concerns and aspirations of our patients and their families, and on consistently incorporating their voices throughout the entire process, from the early stages of drug discovery to lifecycle management.
For diseases where treatment options are limited, we aim to realize medical care that leads to a better future for each individual by working together with patients, their families, and patient organizations to identify the value that is truly needed.
Furthermore, to deliver new treatment options to patients as quickly as possible, we are working to speed up development by further refining our project management and shortening development timelines.
Moving forward, we will continue to actively pursue external cooperation and in-licensing of new research leads to further strengthen our R&D foundation, with the aim of achieving continuous pipeline expansion and enhanced competitiveness.
Through these efforts, we will create innovative pharmaceuticals that address unmet medical needs and contribute to realizing our Vision for 2035: "A global healthcare company from Kyoto creating various types of new ways of life for each person around the world."

Nippon Shinyaku's areas of focus

- **Intractable and rare diseases**
- **Hematology**
- **Urology and gynecology**

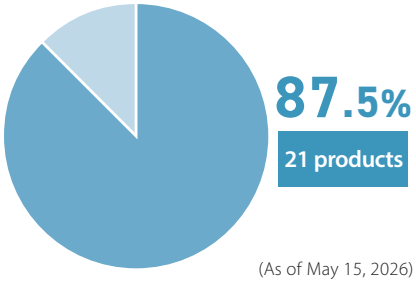
Focusing on Intractable and Rare Diseases

Many intractable and rare diseases still lack fully established effective treatments, and the challenges faced daily by patients and their families are extremely pressing. We consider it our mission to provide new treatment options to such patients, and we are committed to further strengthening our focus in this area.
We have leveraged our accumulated R&D experience and foundation to pioneer new treatment possibilities in this field. As a result, therapeutic agents for intractable and rare diseases now account for approximately 87.5% of our development pipeline. This indicates a significantly higher level of focus compared to other pharmaceutical companies both in Japan and overseas.
From the perspective of drug discovery strategy, it is also important to focus on this area. Rare diseases are reported to have a relatively higher probability of successful development compared to other disease areas, and, depending on the requirements, expedited approval may be available, and institutional support can be obtained for delivering new treatments earlier.

In the R&D of intractable and rare diseases, it is important to appropriately understand the unique pathologies and patient backgrounds of each disease and to implement R&D strategies accordingly. By leveraging both internal and external expertise, Nippon Shinyaku formulates tailored strategies for each disease and is committed to achieving success in R&D.

Percentage of intractable and rare diseases in the pipeline

Domestic/Global



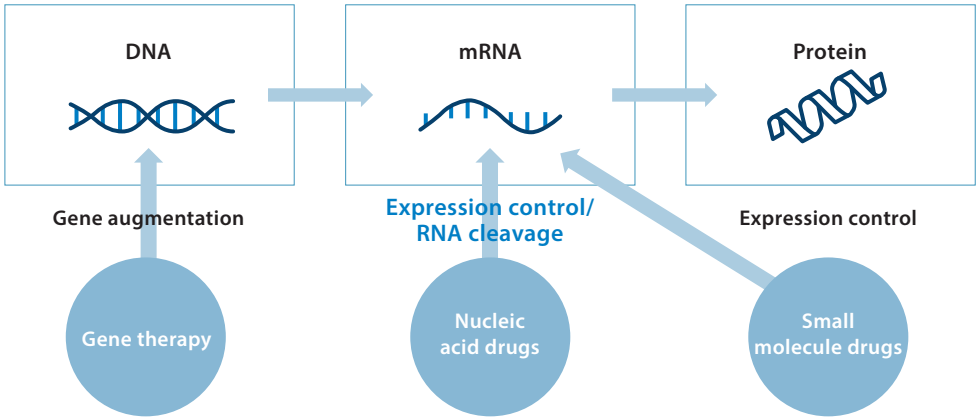
(As of May 15, 2026)

Realizing a Healthy Future by Creating Innovation

Modality technologies

In the area of intractable and rare diseases, given that a high proportion of these conditions are hereditary, we view the three modalities of "small molecules," "nucleic acids," and "gene therapy," which can act on disease-causing genes or the pathways regulating their expression, as our key areas of focus.
By selecting the optimal modality based on disease characteristics and mechanisms of action, we are advancing differentiated drug discovery and striving to establish a competitive advantage.

Mechanism of modality



Small molecules

Even as modalities continue to diversify, small molecule drugs still account for the largest share of products under development.
Even for targets that were traditionally considered difficult for drug discovery, advances in AI technology and protein structure analysis have made it possible to address them with small molecule drugs.
Our small molecule drug discovery leverages our expertise in compound optimization technology. In addition to developing "Uptravi," a therapeutic agent for pulmonary arterial hypertension, we have advanced several proprietary drug candidates to the stage of clinical trials.
We will continue to build on these strengths while also leveraging new technologies, such as RNA-targeted small molecules and cyclic peptides, to broaden the scope of drug discovery and aim to continuously develop new drugs.

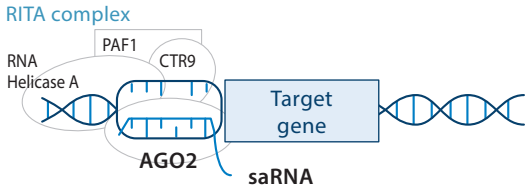
Nucleic acids

Nucleic acid drugs are superior in that they can act directly on target genes. However, given the intensifying competition for patents, intellectual property strategy is of critical importance for this modality. Furthermore, because they face challenges in tissue penetration compared to small molecule drugs, leveraging drug delivery system (DDS) technologies tailored to disease characteristics and target tissues is essential.
Nippon Shinyaku focuses on developing proprietary technologies backed by strong patent positions, such as nucleic acid drugs that enhance gene expression, and is engaged in the ongoing development of pharmaceuticals for diseases caused by the loss of gene function. In the central nervous system area in particular, in addition to locally administered formulations, the Company is also focusing on the development of minimally invasive intravenous formulations leveraging DDS technologies, with the aim of reducing the treatment burden on patients.

saRNA (small activating RNA)

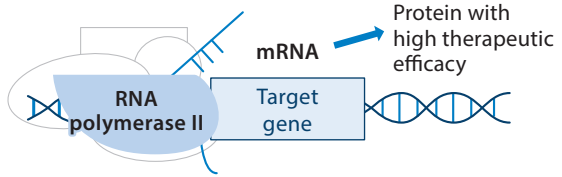
| Step 01 |

Formation of
a gene-activating
complex by RNA



| Step 02 |

Transcription enhancement
and protein production
by RNA polymerase II



Gene therapy

Gene therapy is a modality that promises higher therapeutic efficacy because it performs gene augmentation to replenish the gene responsible for a disease when that gene is deficient. Since many intractable and rare diseases are hereditary, treatment using this modality is particularly well-suited. However, current gene therapy faces various challenges, such as limitations on the number of administrations and constraints on the genes that can be delivered. Nippon Shinyaku is undertaking initiatives to develop new technologies that overcome these challenges and realize the next generation of gene therapy.

Realizing a Healthy Future by Creating Innovation

Nippon Shinyaku is expanding its pipeline, focusing primarily on intractable and rare diseases, by leveraging three modalities.

Development Pipeline

(As of May 15, 2026)

Global development pipeline ★Orphan drug designation (Japan or U.S.) ●Rare pediatric disease designation (U.S.)

* Launched in Japan and U.S. in 2020

	Phase1	Phase2	Phase3	Application filed
Intractable and rare diseases	●NS-050/NCNP-03 Duchenne muscular dystrophy		★NS-065/NCNP-01* Duchenne muscular dystrophy	★●CAP-1002 Cardiomyopathy associated with Duchenne muscular dystrophy
	★●ATSN-101 Leber congenital amaurosis associated with GUCY2D mutations		★●CAP-1002 Duchenne muscular dystrophy	★●RGX-121 Mucopolysaccharidosis type II
	★●RGX-111 Mucopolysaccharidosis type I		★ZX008 CDKL5 deficiency disorder ★GA101 • Lupus nephritis • Systemic lupus erythematosus without nephropathy	GA101 Idiopathic nephrotic syndrome
	★●NS-089/NCNP-02 Duchenne muscular dystrophy			
	★NS-229 Eosinophilic granulomatosis with polyangiitis			
	★NS-035 Preparing for Phase 2 Fukuyama congenital muscular dystrophy			
Hematological malignancies	NS-917 Relapsed/refractory acute myeloid leukemia		★LY3527727 • Mantle cell lymphoma • Chronic lymphocytic leukemia	
Urology and gynecology	NS-025 Urological diseases	NS-580 • Chronic prostatitis / Chronic pelvic pain syndrome • Endometriosis		
Circulatory and metabolic system diseases / Other	NS-245 Inflammatory diseases	NS-863 Preparing for Phase 2 Pulmonary arterial hypertension Pulmonary hypertension associated with interstitial lung disease	NS-304 Arteriosclerosis obliterans	

Initiatives to expand the pipeline



Nippon Shinyaku is continuously expanding its pipeline in its focus areas, particularly in the field of intractable and rare diseases. In the area of small molecule drugs, we are leveraging our proprietary compound optimization technology, a core strength of the Company, to develop molecularly targeted drugs based on disease mechanisms. "NS-229," a treatment for eosinophilic granulomatosis with polyangiitis (EGPA), is currently undergoing global Phase II clinical trials. In addition, preparations are underway for Phase II clinical trials of "NS-863," a treatment for pulmonary arterial hypertension and pulmonary hypertension associated with interstitial lung disease.
In the field of nucleic acid drugs, we are expanding our R&D efforts to target rare diseases, such as Duchenne muscular dystrophy (DMD), for which effective treatments are limited, by leveraging the ability of these therapies to directly target abnormalities at the genetic level. Preparation for a Phase II clinical trial is also underway for "NS-035," which is expected to become the first treatment for Fukuyama congenital muscular dystrophy, a hereditary disease that is particularly common among Japanese people. In the field of gene therapy, we have in-licensed "ATSN-101" for Leber congenital amaurosis, a hereditary retinal disease, with the aim of establishing a new treatment option. By strategically leveraging these three modalities while combining external cooperation with the enhancement of our fundamental technologies, we are building a diversified pipeline.

Realizing a Healthy Future by Creating Innovation

An R&D system that enables faster development

Under the 7th Medium-Term Management Plan, we are strengthening a system that oversees and advances the entire process from drug discovery through application filing and approval to speed up R&D. We have established a new organization within the Strategic Planning and Research Department, which is responsible for optimizing the drug discovery process and managing progress, to oversee AI utilization and digital transformation initiatives. In clinical development, the R&D Global Project Planning and Administration Department is advancing the formulation of development plans and rigorous progress management through integrated efforts between our Japanese and U.S. offices. Furthermore, the integration of our Japanese and U.S. clinical development divisions will enable the unification of development strategies and the efficient execution of operations. To deliver our medicines to patients as quickly as possible, we will continue to accelerate our efforts moving forward.

Strategic Planning and Research Department

In drug discovery research, we are working to shorten the time from the drafting of research themes to the start of clinical trials while building a research system capable of launching at least one internally discovered product each year. The Strategic Planning and Research Department, established in 2023, comprehensively manages drug discovery research and promotes transformation. In 2026, we established a new organization within its structure to oversee the AI utilization and digital transformation initiatives in drug discovery research. We aim to speed up drug discovery research and increase the success rate by optimizing the drug discovery process, conducting thorough progress management based on standard schedules, and leveraging AI and DX.

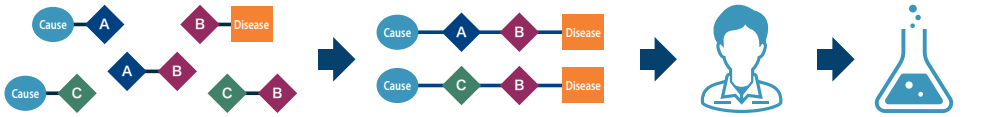
R&D Global Project Planning and Administration Department

While the importance of global development centered on the U.S. has been increasing, there have been challenges such as delays in the start of clinical trials compared with the original plan due to the time required for coordination with regulatory authorities in various countries and preparations for facility setup. To address these challenges and deliver pharmaceuticals quickly to patients around the world, we established the R&D Global Project Planning and Administration Department in 2025 as a management division specializing in global development. With this new department, we are able to formulate development plans and rigorously manage progress in a unified manner across our Japanese and U.S. offices, which allows us to steadily accelerate our overall global development.

Efficient R&D by leveraging AI

We are building an AI agent to support the proposal of research themes, with the aim of streamlining drug discovery theme proposals and improving their quality. We are also advancing the utilization of AI tailored to each challenge, including the identification of hit and lead compounds and safety evaluations. For example, while we previously relied solely on experiments involving the synthesis and screening of compounds to obtain target compounds, the utilization of AI has enabled us to narrow down the number of compounds to be synthesized and reduce evaluation time. Furthermore, to further promote the utilization of AI in drug discovery research, we are working to raise awareness of proper data management while creating an environment that enables researchers to use AI more easily.

(Conceptual diagram)



Huge amounts of information about diseases, symptoms, genes, etc. in academic papers and databases

Collection of information and preparation of inferences using AI

Confirmation and validation of inferences by researchers

Earlier start of R&D activities

VOICE



Pharmacology Research Department
Pharmacology Research Section 1

Itaru Yamamoto

Every researcher takes on the challenge of generating new ideas

Drug discovery research is not so simple that it can succeed based solely on the strong determination of the researchers. In recent years, the selection of disease areas and modalities has become more diverse, making it necessary to draft concrete strategies with a view toward global development right from the planning stage. Our "All researchers draft a proposal" initiative has been institutionalized and firmly established, balancing researchers' enthusiasm with the quality required for drug discovery while systematically leading to the creation of research themes. Ideas proposed by researchers undergo thorough identification of issues through feedback from higher-level management, and promising ideas that complete this process are quickly advanced to the drafting of a research theme.
I find great fulfillment in seeing the researchers' aspirations take shape as highly strategic research themes through the "All researchers draft a proposal" initiative and in conducting research aimed at creating pharmaceuticals that can benefit patients.

Realizing a Healthy Future by Creating Innovation

Open Innovation

Nippon Shinyaku views open innovation as a strategic means of enhancing our competitiveness in drug discovery. By keeping a keen eye on external technologies in line with our drug discovery strategy and integrating them with our in-house knowledge and drug discovery expertise in each disease area, we aim to generate highly distinctive research themes and expand our development pipeline.

Open innovation in progress

Axis	Content	Collaborator/partner
Drug discovery	Development of innovative therapeutic agents for neurological disorders	Boston Children's Hospital
Target	Creation of novel drugs targeting RNA structures	xFOREST Therapeutics Co., Ltd.
Modality	Development of nucleic acid drugs (central nervous system diseases)	MiNA Therapeutics Limited
Fundamental technologies	AI-driven R&D	FRONTEO, Inc.

PICK UP

Strategic partnership with Boston Children's Hospital

In 2025, Nippon Shinyaku entered into a strategic partnership with Boston Children's Hospital (BCH) to engage in global value creation in the field of intractable and rare diseases. Under this partnership, we solicited research proposals from BCH researchers based on the research challenges we had defined, and selected joint research themes through an internal screening process. We then worked with the principal researchers to refine the research plans, and began the joint research in June 2026. Our researchers are also participating in the research on-site, and we are promoting research activities centered on patient needs while deepening mutual understanding through personnel exchanges.
By advancing these initiatives, we aim to expand our portfolio of medicines for intractable and rare diseases and to continuously enhance corporate value.

Intellectual Property

To realize our philosophy, the Nippon Shinyaku Group views pursuing new drug discovery modalities and the global expansion of its business as critical management priorities.
In this context, we recognize that intellectual property plays a vital role in ensuring that the value generated through R&D is effectively translated into business competitiveness.
Through the effective protection and strategic utilization of our intellectual property, Nippon Shinyaku strengthens the competitive advantage of its business, maximizes the value of its research outcomes, and works to continuously enhance corporate value.
In addition, we practice thorough IP-related risk management, including third-party rights searches and clearance checks, to mitigate legal risks both in Japan and overseas and ensure stable business operations.

R&D activities and intellectual property

The Intellectual Property Department works closely with the R&D Division from the early stages of research. Together, they incorporate intellectual property considerations throughout the upstream process, including the selection of research themes.
We strive to secure broad and layered intellectual property protection for pharmaceuticals and functional foods discovered in-house through multiple patents and other forms of intellectual property protection. Through this approach, we aim to secure and maintain a competitive advantage throughout the entire product lifecycle.
In addition, we continuously review the process of building, maintaining and leveraging a patent portfolio that aligns with our global R&D and business strategies in an internal committee.

Understanding and analyzing intellectual property

We systematically conduct patent trend analysis and IP analysis of key players, focusing on technology fields that are expected to become important over the medium to long term.
This enables us to identify and mitigate potential intellectual property risks early in the R&D stage, and we utilize these insights to formulate R&D strategies and business strategies, including differentiating research themes and determining development priorities.

Building our reputation and brand through trademarks

We ensure that the product names of the pharmaceuticals and functional foods produced in-house are appropriately protected by trademark rights both in Japan and overseas.
Through such measures, we enhance the distinctiveness of our products while working to foster long-term trust among medical professionals and consumers and to enhance our brand value.
Through trademark management, we aim to prevent imitation and confusion, contributing to the establishment of a stable business foundation.

Realizing a Healthy Future by Creating Innovation

Medical Affairs

The mission of Medical Affairs is to deliver optimal medical care to all patients, and we work to identify unmet medical needs through dialogue with external medical and scientific experts. Based on these needs, we provide information that promotes appropriate use and generate evidence, thereby contributing to the maximization of product value.
In areas such as hematological malignancies, pulmonary hypertension, Duchenne muscular dystrophy (DMD), and intractable epilepsy, we are engaged in initiatives that include preclinical and clinical research, as well as database research and registry research, striving to deepen our understanding of treatment practices and diseases. We disseminate the insights gained through conference presentations and academic papers, and provide them to medical professionals in a timely and appropriate manner.
Furthermore, as an activity to listen to the voices of patients, we are also participating in the in-house project "NSmiles" to deepen our understanding of what patients are experiencing and what they are seeking. Through these initiatives, we are fostering a corporate culture that values the patient's perspective in our daily operations. We then incorporate the lessons learned from these efforts into our Medical Affairs activities, contributing to the improvement of healthcare quality and patient benefits from a patient-centric perspective.

Sales

In 2025, we launched a pediatric formulation of Uptravi, a treatment for pulmonary arterial hypertension, and a new indication was added to Jaypirca, an antineoplastic agent. Furthermore, in 2026, we launched Elzonris I.V. injection for the treatment of blastic plasmacytoid dendritic cell neoplasm, thereby steadily achieving the launch of new products and new indications in our focus areas.
When providing information on each product, we are working to strengthen our systems to deliver information that meets medical needs at the appropriate time, taking into account disease characteristics and the treatment environment. Particularly in the field of intractable and rare diseases, we are working to provide high-quality information tailored to medical needs through ongoing dialogue with healthcare professionals, enabling us to support cases where treatment experience is limited.
We are also focusing on enhancing information provision by integrating digital and face-to-face approaches. On the digital front, by improving the accessibility of our website, we are creating an environment that makes it easier for medical professionals to access information that supports their treatment decisions. In addition, by promoting the development of an internal information search and utilization platform leveraging AI, as well as talent development programs designed to promote AI adoption, we are achieving greater information transparency and the improvement of the quality of decision-making. However, the final decision-making and the building of trust with medical professionals need to be handled by humans. MRs and product marketers are working together to strengthen our system for providing high-value-added information tailored to the needs of healthcare professionals.

Supply Chain

The pharmaceutical supply chain is subject to a wide range of risks, including changes in demand, raw material procurement, regulatory requirements, geopolitical risks, quality issues, and logistics challenges. A comprehensive approach to management is therefore essential. Based on risk assessments that take into account product characteristics and market conditions, Nippon Shinyaku is promoting the establishment of safety stock standards, improvement of demand forecast precision, and advancement of data-driven production planning to strengthen our stable supply system.
In recent years, in line with the diversification of product modalities, the requirements placed on the supply chain have become increasingly complex. To accommodate new modalities such as cell therapy products and gene therapy drugs, we are working to establish more advanced quality control and supply systems.
Elzonris, launched in 2026, is our first frozen solution. To ensure its stable supply, we have established a cold-chain distribution network and built a robust quality and inventory management system. We will continue to further optimize our distribution and management systems with an eye toward global expansion.
On the manufacturing front, we are leveraging the nucleic acid API purification plant of the Odawara Central Factory to establish a commercial production system for nucleic acid drugs. With an eye toward the expansion of Viltepso and subsequent products, we have begun preparations for submitting applications for additional manufacturing sites in Japan and the U.S., as well as pilot production, and are taking steps to accommodate future production expansion.
We will continue to enhance our ability to adapt to new modalities and, through the use of digital technology, aim to build a supply chain with further advanced resilience and competitiveness.

Reliability Assurance

In line with our global expansion, we have enhanced our organizational structure to establish a reliability assurance system that complies with regulations in the U.S. and China. With an eye toward further overseas expansion, we will continue to expand our global reliability assurance system and strengthen our ability to accommodate the diversification of product modalities.
As we expand this system, in addition to strengthening our organizational structure with an eye toward expansion into Europe, we will introduce a database for the centralized management of adverse reaction information to ensure the prompt and appropriate provision of safety information in each country where our products are marketed.
To address the diversification of product modalities, we are developing talent capable of supporting new modalities and building a system for the centralized management of regulatory information for products marketed globally. Through these initiatives, we will ensure a stable supply of safe and highly reliable pharmaceuticals to patients around the world.

Realizing a Healthy Future by Creating Innovation

Functional Food Business

Material issues and related SDGs

Realizing a Healthy Future by Creating Innovation

Strengthening efforts to protect the global environment

Business Overview

The Functional Food Company leverages the research infrastructure it has developed through prescription pharmaceuticals to develop and design functional foods based on scientific evidence. We promote our business through two main fronts: the B2B business, which provides functional food ingredients mainly to processed food manufacturers, and the B2C business, which provides supplements that contribute to improving the health and quality of life of consumers. Through these initiatives, we aim to promote health and extend healthy life expectancy.
In recent years, against the backdrop of growing health awareness and increasing demand for self-care, achieving both functionality and safety, together with reliable information disclosure, has become increasingly important. Nippon Shinyaku is working to create new value through close collaboration among its divisions, the advancement of existing businesses, and the commercialization of research results. At the same time, we are strengthening the business foundation that supports sustainable growth by providing products that prioritize safety and trust.

B2B business

Health food ingredients	Products that contribute to improved health and quality of life in the healthcare field
Preservatives (shelf-life enhancement solutions)	Products that contribute to food safety and security and food waste reduction in the field of processed foods
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

B2C business

Sports supplements	Highly unique supplements that help improve performance during exercise, for everyone from top athletes to sports enthusiasts
Healthy aging supplements	Highly unique supplements that support health and beauty while contributing to improving people's quality of life

Main initiatives

E-commerce marketing strategies to boost sales of our mainstay products

At WINZONE, we are developing advertising strategies centered around social media to broaden brand awareness and enhance brand value.
In particular, through campaigns and video content created in collaboration with our sponsored athletes, we showcase not only the functionality and applications of our products but also the brand's identity and trustworthiness.
From top athletes to people interested in improving their everyday health, we are expanding our touchpoints with a wide range of target audiences, enhancing brand recognition while strengthening our marketing foundation.



WINZONE-sponsored athlete: Boxer Junto Nakatani

Enhancing customer experience through digital transformation

Processed food manufacturers face various challenges at every stage of development and evaluation as they strive to balance great taste and long shelf life. To help address these challenges, Nippon Shinyaku has developed three digital tools that support the analysis of root causes, the rapid verification of countermeasures, and the optimization of sensory evaluation. By leveraging these tools, we help customers improve development efficiency and enhance problem-solving capabilities, thereby improving the overall value of the customer experience.



Realizing a Healthy Future by Creating Innovation

Functional Food Business

Providing Health Value through Supplements Leveraging Our Research Infrastructure

The supplements business operates as a B2C business, offering sports supplements and aging care supplements. In sports supplements, we are expanding our product lineup centered on our flagship protein supplements to meet a wide range of needs, including different body types, lifestyles, and stages of growth. Specifically, we offer a range of products, including grass-fed whey protein, easy-to-digest protein products designed for people with lactose intolerance, and protein products for children. We are also developing highly unique sports supplements for use before, during, and after exercise, conditioning, and other situations as needed.
Meanwhile, in our aging care supplements, we are developing supplements that support daily life in response to an aging population and growing interest in extending healthy life expectancy. We are advancing the development of products that consumers can choose with confidence, leveraging our strengths in R&D grounded in scientific evidence, product design that pursues ease of continued use, and a rigorous quality control system. We will continue to strive to balance contributing to health promotion with business growth by providing products and value that meet diversifying health needs.

Contributing to Food Waste Reduction through Technologies for a Long Shelf Life

Through our preservative business, Nippon Shinyaku strives to achieve a balance between great taste and a long shelf life, and is working to address the social issue of reducing food waste. In addition to supporting the safe and reliable distribution of food, reducing food waste by extending the shelf life is one of the key ways we contribute to building a sustainable society. Traditionally, methods such as increasing salt content or acidity have been used to extend the shelf life of food products. However, these methods can also compromise their natural great taste. Nippon Shinyaku has leveraged the advanced technologies cultivated through its pharmaceutical business to develop formulations that extend shelf life without compromising the food's great taste.
Since commencing our preservative business back in 1965, we have led the industry for more than 60 years. In recent years, we have been working to improve both our social value and our business competitiveness by advancing data-driven development by leveraging our proprietary digital tools.

VOICE



Life Science Business Department
Planning and Promotion Section

Rioko Ochi

Activities that support children's futures through food

I work in the Planning and Promotion Section of the Life Science Business Department, where I am responsible for planning and implementing initiatives for the Functional Food Business based on market conditions and customer needs.
Currently, as a member of the dietary education project team, I am also working to resolve food-related issues faced by children in the community. The food environment surrounding children is becoming increasingly diverse, and various challenges, such as nutritional balance, eating habits, and reducing food waste, are becoming apparent. Against this backdrop, we are conducting on-site classes in cooperation with Kyoto City to help children develop an interest in food and make proactive choices for a healthy lifestyle. At elementary schools throughout Kyoto City, we conduct classes incorporating experiments and group discussions on topics such as reducing food waste and the importance of protein. The children's reactions and feedback at these events have been a significant learning experience for me personally. It has also been an opportunity to deepen my understanding of social issues and to reaffirm the value we should provide through our business. We intend to continue contributing to people's health through food and supporting the healthy growth of the next generation, both through our business activities and our social contribution initiatives.



On-site class at an elementary school

Realizing a Healthy Future by Creating Innovation

Digital Transformation (DX)

Material issues and related SDGs

Realizing a Healthy Future by Creating Innovation



Basic Policy

The Nippon Shinyaku Group views advances in digital technology and changes in the business environment as opportunities for growth and views the utilization of digital technology and data as a key foundation of our management. Guided by our Digital Vision and Digital Strategy, we are working company-wide to fundamentally transform our operations and create new value.
We believe that digital transformation (DX) is not an initiative limited to specific dedicated divisions, but rather one in which every employee takes the lead in driving change. Based on this philosophy, in 2025 we rolled out the "DX Action Book" across the Company as a guide for DX initiatives, with the aim of embedding and accelerating business transformation with the frontline as the starting point.

DX Initiatives in the 7th Five-Year Medium-Term Management Plan

In the 7th Five-Year Medium-Term Management Plan, we are working to "reform operations and improve productivity by promoting digitalization" as one of the measures for strengthening five management foundations. By leveraging digital technology and data to review, streamline, and enhance business processes across various operational areas, including R&D, manufacturing, and sales, we are working to strengthen the management foundation that supports our business activities.
As a system for comprehensively identifying company-wide business challenges and promoting reform, we established the Business Process Transformation Department in FY2026, which reports directly to the president, and is promoting the visualization and redesign of key business processes.
At the same time, we are strengthening the organizational structures of the Information Systems Department and the Digital Transformation Promotion Department while advancing the use of digital technologies, including generative AI, and enhancing our IT and data infrastructure. By supporting the use of digital technologies based on operational challenges identified on the front lines, we are enhancing the effectiveness of business reforms and promoting company-wide initiatives that lead to improved productivity. Furthermore, we remain committed to developing human resources by improving the DX literacy of all employees and systematically cultivating talent capable of driving transformation.
Through these initiatives, we are not only improving our day-to-day operations but also advancing the building of a solid management foundation to support our future growth.

DX Initiatives in Each Division

Research & Development Division

The R&D Division is working to establish an environment that leverages medical big data and real-world data, with the aim of streamlining and advancing the entire drug discovery process.
In addition to the utilization of AI for small-molecule compound design and the analysis of safety and pharmacokinetics (ADME) prediction models, the division is introducing various screening robots to generate new drug discovery themes and accelerate the evaluation process.
By leveraging data from both within and outside the company in a cross-functional manner, the division is promoting further improvements in the speed of drug discovery.
Furthermore, we are streamlining the preparation of clinical trial documentation through the use of generative AI, creating an environment in which researchers can focus on the value-creating work that should be their primary focus in clinical development.

Supply Chain and Production Division

In the Supply Chain and Production Division, we reduced the value of inventory assets by approximately 8% through the automation of demand forecasting and production planning using AI and statistical models. By advancing data-driven planning, we are working to streamline the entire process, from material procurement to production.
We are also working to enhance quality inspections in the drug product manufacturing process. At the Odawara Central Factory, we are conducting validation tests aimed at automating visual inspections through the utilization of AI, with the goal of stabilizing quality and reducing the workload. In the Production & Assurance Division, we are conducting a fundamental review of business processes in conjunction with the introduction of a globally-compatible integrated system for pharmacovigilance operations. Through these DX measures, we are strengthening our systems for stable supply and quality assurance.

Developing Diverse Human Resources and Realizing Employee Well-being

Material issues and related SDGs

Developing diverse human resources and realizing employee well-being



We will continue to build an organization that elicits the strengths of our human resources and supports employees in taking on challenges.

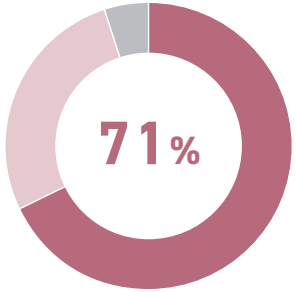
Board Director
Personnel, General Affairs, Risk Management, Compliance, Sustainability & Digital Transformation

Mitsuharu Koizumi

Building an Organization that Supports Employees to Take the Initiative to Tackle Challenges

As the pace of change in the business environment continues to intensify, it is crucial for companies not only to keep up with these changes but also to be organizations that can take a comprehensive view of the situation and think and act independently to continuously create value. We believe that, in times of heightened uncertainty in particular, the ability for people to proactively think things through forms the foundation of our competitiveness.
The driving force behind Nippon Shinyaku's sustainable growth and the creation of social value is none other than our "human resources." What matters is not simply securing these resources, but rather eliciting the strengths of employees with diverse expertise and abilities and channeling them into organizational strength. To achieve this, we must establish systems and foster a corporate culture that encourages employees to take on challenges and supports their growth.
Based on this philosophy, the 7th Medium-Term Management Plan positions "promoting human capital management that allows each employee to grow and a diverse range of human resources to play an active role" as one of the pillars for strengthening our management foundation. Specifically, we are focusing on the following four key themes: realizing employee treatment in line with roles, duties, and accomplishments; realizing self-directed career development and placing of the right employee in the right position; realizing a highly psychologically safe organization; and realizing flexible work styles. We believe that the essence of human capital management lies not in managing people, but in reassessing systems and structures to help them perform at their best.
To realize this, we have been reassessing the assumptions we previously accepted as a given, such as work styles, how tasks are carried out, and the structure of our organization. This includes refining job descriptions, developing global talent and digital transformation talent, and introducing flexible work styles. We will continue to foster an empowering environment for employees to take the initiative in tackling new challenges by revising our promotion examination system and expanding our re-employment support programs. These systems are not meant to restrict people, but rather to support their growth and willingness to take on challenges. Based on this philosophy, we will continue to build an organization that is resilient to change.
To understand the results and challenges of these initiatives, Nippon Shinyaku places great importance on engagement surveys. Engagement is an important indicator that demonstrates the extent to which employees can perform at their best and are willing to tackle challenges within the organization. The engagement score for FY2025 was 71%, falling short of our target of 75% or higher. We take this result seriously and will work to address these challenges through placing of the right employee in the right position by visualizing employee skills and by promoting diversity.
Human capital management is an initiative that goes beyond just establishing systems, but involves changing employee behavior and organizational culture. Nippon Shinyaku will continue to build an organization that elicits the strengths of a diverse range of human resources and supports employees in taking on challenges.

Engagement score



- Response rate: 92%
- Engagement score: 71%
  10% ▲ above the average for Japanese companies in FY2024
  2% ▼ below the global average in FY2024

*This figure is calculated based on the percentage of positive responses ("Strongly Agree" and "Agree") to the three engagement-related items.

Three engagement-related items	Positive response rate
I get a sense of personal achievement through work	73%
I would recommend this company to other people as a great workplace	68%
I want to contribute to this company in ways that go beyond just doing my work	72%

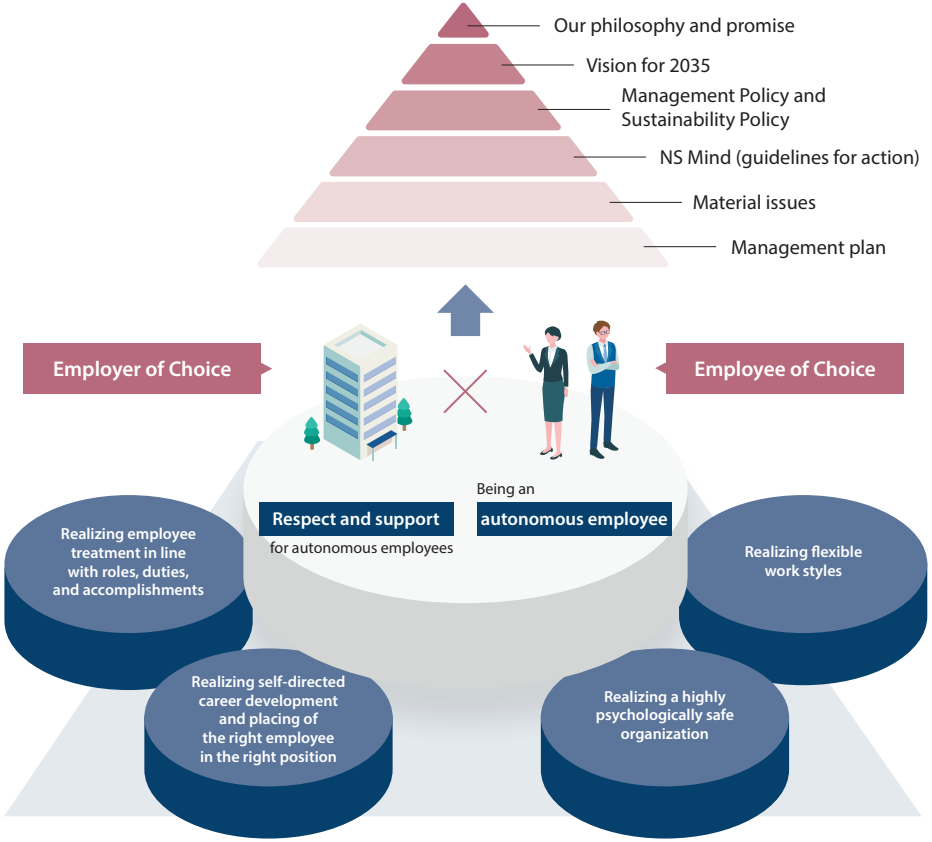
Developing Diverse Human Resources and Realizing Employee Well-being

Overview of Talent Strategy

Nippon Shinyaku views human capital management as the foundation of our human resource strategy, serving as the management foundation that supports the creation of sustainable value. Through various measures based on the four key themes, we are working to foster an environment that ensures we remain an "employer of choice" and "employee of choice" with the aim of realizing our business philosophy.
On the other hand, investing in people has the challenge that its results are difficult to assess in the short term. That is why Nippon Shinyaku conducts engagement surveys to continuously monitor employees' attitudes and behaviors, as well as the state of the organization.
Based on the challenges identified in the survey results, we formulate and implement action plans at the workplace level to drive improvements tailored to the specific needs of each workplace. Furthermore, after implementing these measures, we conduct a follow-up survey to verify their effectiveness and incorporate the findings into our next set of measures.
This cycle of visualization and improvement is the driving force that steadily advances human capital management. We believe that the essence of human capital management lies in enhancing effectiveness through repeatedly implementing measures, verifying their effectiveness, and reviewing them, all of which lead to the growth of both individuals and the organization.

Value creation through an "employee of choice" and "employer of choice"

Nippon Shinyaku has established "NS Mind" as a guideline for incorporating our philosophy into our daily actions. It outlines the behaviors, attitudes, and mindset we expect from our employees. We define an "employee of choice" as an employee who embodies NS Mind, proactively pursues self-development, and continuously takes on new challenges. Through our growth support cycle, each individual's commitment to continuous self-development serves as the base for becoming an "employee of choice."
At the same time, for "employees of choice" to continue to perform at their best, it is essential that we be an "employer of choice," one where employees can feel secure at work. Based on this thinking, we have been advancing institutional reforms centered on four pillars: realizing employee treatment in line with roles, duties, and accomplishments; realizing self-directed career development and placing of the right employee in the right position; realizing a highly psychologically safe organization; and realizing flexible work styles.
We are creating an environment where diverse talent can perform at their best through measures such as revising promotion examinations, introducing a compensation system that better reflects individual roles, a work location preference system and an internal open recruitment system, and establishing programs that support the active participation of senior employees. We will continue to provide appropriate roles and growth opportunities to all employees, regardless of gender, nationality, or age, creating a virtuous cycle between "employees of choice" and an "employer of choice," leading to sustainable growth and enhancement of corporate value.



Human Capital Report 2026

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



Developing Diverse Human Resources and Realizing Employee Well-being

Realizing Employee Treatment in Line with Roles, Duties, and Accomplishments

Innovation is essential to realizing our philosophy. To achieve this, we believe it is important to have a framework that identifies and develops talented people who embrace challenges, appropriately evaluates the process and results of those challenges, and uses that evaluation to drive further growth.
Nippon Shinyaku is working to develop personnel systems that empower each and every employee to take initiative and tackle challenges.

Personnel system and evaluation and role systems

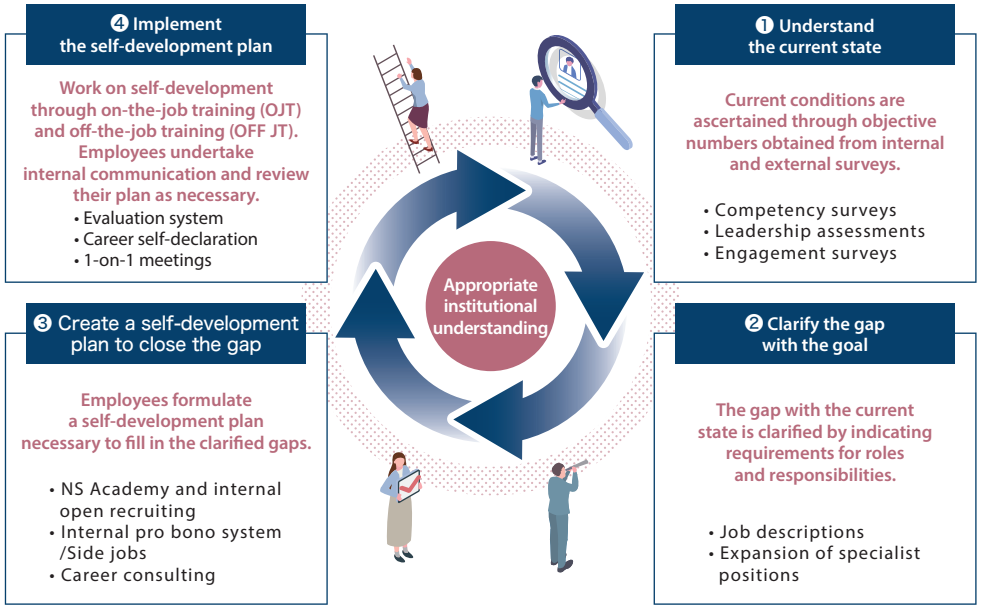
We have revised our compensation system to reflect external standards and align it with a structure that rewards employees based on their value, roles, and contributions to performance. By explicitly setting "challenge targets" during the target-setting process, we evaluate not only results but also the process of taking on challenges, thereby encouraging self-directed behavior. Furthermore, with a few exceptions, we have eliminated written exams from our promotion system.
From now on, we will not judge solely based on written exam results. Instead, we will carefully observe the growth process through daily challenges, sustained effort, and collaboration with others, and use this to appropriately evaluate and promote our employees.

Recruiting, promoting, and supporting diverse talent

In line with the idea that "unique products are the product of unique people," we are working to foster an organizational climate where employees with diverse values can thrive. As part of this effort, we have promoted the appointment of women to management, and the percentage of female managers reached 15.5% in FY2025. However, we recognize that there is still work to be done, as this remains low compared with the 32.4% share of women among all employees.
In light of this situation, we held a workshop for female employees in FY2025, which was attended by 19 female employees in leadership roles.
To create innovation and, ultimately, realize our philosophy, it is essential to have an organizational climate in which employees with diverse values can thrive and be appropriately recognized. The promotion of women's active engagement is a key indicator of whether such an organizational climate has been achieved, and it also serves as the foundation for "full participation by all." We will continue to foster an environment where diverse talent can perform at their best, based on fair and equitable treatment.

Realizing Self-directed Career Development and Placing of the Right Employee in the Right Position (Growth Support Cycle)

Employee's growth support cycle



Nippon Shinyaku is developing systems to support the growth of each employee so that they can grow proactively and make the most of their strengths. The "Employee's growth support cycle" shown in the figure above systematically maps this approach. It continuously cycles through the process in which employees ❶ understand the current state based on data and objective facts; ❷ clarify the gap with the goal; ❸ create a self-development plan to close the gap; and ❹ implement that plan. By enhancing their own value through this cycle, employees become "employees of choice" within the company.
At the same time, the company creates an environment where employees can feel secure at work while taking on challenges and achieving growth, ensuring that this cycle functions effectively by providing training measures and growth opportunities. Through these initiatives, we aim to be an "employer of choice."

Developing Diverse Human Resources and Realizing Employee Well-being

Realizing Self-directed Career Development and Placing of the Right Employee in the Right Position

We are engaged in career development support centered on our "NS Academy" talent development program, aiming to realize self-directed career development and placing of the right employee in the right position. We have mapped the ideal talent profile that supports sustainable growth based on three perspectives—"Change," "Global," and "Professional"—and have established development frameworks tailored to each. We have also introduced an open badge system to promote employees' self-directed learning and provide a mechanism for visualizing their achievements. Furthermore, we are advancing the development of human resources from a medium- to long-term perspective through certification programs for global and digital transformation talent, as well as the HONKI Juku, which aims to develop the next generation of business leaders.

Program examples

Transformation	● HONKI Juku (leadership/management/executive), ● In-house certification MBA program "SIMBA," ITS training (Innovative Thinking Skills program), etc.
Global	● Foreign language support program, global mindset training, the Global Leadership Program, etc. ● PROGOS English speaking test
Professional (IT/DX)	● Sukimani Digital (a short video-based digital transformation learning program; beginner to intermediate) ● Program to support acquisition of official IT qualifications ● Data utilization (beginner/practical), etc.

FY2025 NS Academy enrollees (Cumulative number of enrollees)	6,211
Number of open badges issued	5,097

Realizing the placing of the right employee in the right position

In addition to providing career development support, we are also working to create an environment where each individual can maximize their strengths by ensuring the placing of the right employee in the right position. We are promoting the visualization and internal sharing of data related to our organization and human resources, and as part of this effort, we have clarified the job descriptions, required roles and responsibilities, and qualification requirements for all executive positions. This enables us to appoint employees who are well suited to these requirements.
We will also continue to focus on mapping employee skills and utilizing them for smoother and more effective organizational management.

Global and digital transformation talent certification program

Through our talent certification program, Nippon Shinyaku identifies and certifies employees who possess expertise and practical skills in global operations and digital transformation.
This system is positioned as a foundation for supporting sustainable value creation by promoting individual skill development, highlighting employees' strengths, and expanding opportunities for their future growth and success.

VOICE



Sales and Marketing Planning Division
Digital Solutions Department

Kohei Kono

Global Talent Certification ★4

In Sales and Marketing, we have deployed numerous digital measures to support the activities of our MRs (medical representatives). By combining the strengths of people and digital technology, we aim to deliver Nippon Shinyaku's unique products to as many people as possible, as quickly as possible.
I began my career as an MR and have faced many challenges, such as being seconded to NS Pharma despite my limited English proficiency. Through these experiences, I have come to realize the importance of an environment that encourages taking on challenges.



Discovery Research Laboratories
Pharmacology Research Department

Michiko Oka

Global Talent Certification ★4

Last fiscal year, at Boston Children's Hospital in the U.S., I presented our drug discovery research and proposals for collaborative research to an audience of approximately 100 researchers.
This has opened up more opportunities for me to participate in global projects, and I can truly feel that Nippon Shinyaku is making steady progress as a Kyoto-born global healthcare company.
I will actively be involved in promoting globalization and developing the next generation of global human resources to contribute to Nippon Shinyaku's sustainable growth.

Developing Diverse Human Resources and Realizing Employee Well-being

Realizing a Highly Psychologically Safe Organization

At Nippon Shinyaku, we are working to realize a workplace that supports well-being and ensures psychological safety through dialogue across organizational levels and functions. Well-being refers to a state of physical, mental, and social well-being, and we aim to be an organization where employees can experience happiness through their work.
As part of this effort, we continuously monitor the state of our organization and workplaces through various initiatives, including engagement surveys, and use this information to drive improvements. For example, in our leadership assessment, we compile subordinates' responses regarding their managers' words and actions and provide feedback to the managers themselves, thereby fostering self-awareness and growth while improving the workplace environment.
In addition, to deepen our understanding of our own and our members' behavioral characteristics, we have introduced the LIFO program, and as of FY2025, 97.3% of all employees have taken the examination. We place great importance on providing appropriate feedback on these results so that each workplace and every individual employee can recognize their current situation, which will then lead to subsequent actions and improvements.
We will continue to conduct surveys and engage in dialogue, adapting to changes while advancing the transformation into a strong organization that consistently delivers results.

Realizing Flexible Work Styles

Nippon Shinyaku is committed to promoting flexible work styles in order to improve productivity and achieve a healthy work-life balance. In order for our employees to work in a state of physical and mental well-being, we believe it is important to provide an environment where they can flexibly choose how to spend their time, including working hours, family life, self-improvement, and side jobs, in accordance with their individual sense of values and life stages.
From FY2024, we designated the third Friday of each month as an Annual Leave Promotion Day and reflected this in each employee's Outlook calendar to create a workplace environment that makes it easier to take annual leave. In addition, we encourage management to take at least 10 days of annual leave each year and urge them to take the initiative in changing the way they work. In FY2025, 89.2% of all managers met this target, and the average number of days taken was 12.7. On the other hand, given the gap between this figure and the company-wide average of 15.1 days, we will continue to encourage management to lead by example.
Moreover, in FY2024, we introduced a work location preference system for MRs, establishing a framework that allows them to continue working while keeping their place of residence. However, there are currently some regions that are not covered by this system, so it is not always possible to live in the location of one's choice. To support work styles that take individual circumstances into account, we will continue to review these systems and take the initiative to build an environment that supports diverse ways of working. By recognizing and respecting each other's differences and helping one another, we aim to foster a workplace culture where everyone can feel secure at work.

TOPICS

Selected under the 2026 KENKO Investment for Health Stock Selection

Under our Well-being Declaration, we are promoting a workplace environment where every employee can maximize their potential and work with vitality. We were selected under the 2026 KENKO Investment for Health Stock Selection in recognition of our measures that promote health, improve health literacy, and encourage employees to review their lifestyle habits.
We will continue to strive to realize a workplace environment that goes beyond mere ease of work to pursue a truly rewarding work experience.



KENKO Investment for Health Award 2026

Well-being dialogue sessions

We held dialogue sessions at each of our business offices where each employee openly exchanged views on the themes of their own happiness and the happiness of others, transcending their positions and job titles. A total of 14 sessions were held, with a cumulative total of 586 participants.
By developing a mutual understanding of the values and thoughts that are often difficult to share in the workplace, we are promoting respect for diversity and mutual understanding, helping foster trust and enhance psychological safety in the workplace. We will continue to prioritize opportunities for dialogue and work toward creating an even better workplace.


Dialogue session at the Odawara Central Factory

Resolving Social Issues and Coexisting with the Community

Material issues and related SDGs

Resolving social issues and coexisting with the community

Respecting Human Rights

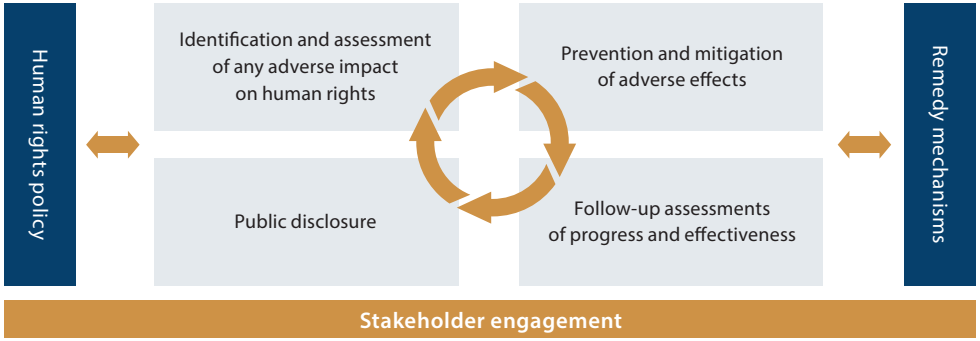
Basic approach to human rights and systems

As a signatory to the United Nations Global Compact, Nippon Shinyaku supports its ten principles across four areas. 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 dignity of individuals in accordance with the Guiding Principles on Business and Human Rights.
The Sustainability Committee, chaired by the President, meets twice a year to discuss and receive reports on initiatives related to respect for human rights. Important matters are reported to the Board of Directors. The Board Director in charge of Business Management & Sustainability is responsible for respect for human rights, and the Corporate Sustainability Department takes the lead in promoting initiatives to resolve issues.

Human rights due diligence

As a company, the Group adheres to a human rights policy to fulfill our 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 advance full-scale human rights due diligence, we have established a Human Rights Subcommittee under the Sustainability Committee, with relevant department heads as members. The Corporate Sustainability Department serves as its secretariat, and the Subcommittee holds discussions aimed at advancing these initiatives, including ascertaining human rights issues both within and outside the Company and identifying the issues to be addressed.

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
- Improvement of the workplace environment
- Prohibiting discrimination and promoting diversity
- Child labor
- Forced labor
- Supply stability
- Impact on the community
- Bribery and corruption

Training and educational activities

In addition to annual training on harassment, the Nippon Shinyaku Group has provided training on human rights due diligence through departmental compliance trainings and e-learning since 2022.
In FY2025, we held a human rights workshop for the relevant department heads. We also inform our business partners about our human rights policy, seeking their understanding and promoting their efforts.

	FY2022	FY2023	FY2024	FY2025
Human rights-related training	Once	Once	Once	Twice

Resolving Social Issues and Coexisting with the Community

Contributing to Local Communities and Cultural Heritage

Preservation and maintenance of Kyoto culture

For more than half a century, we have produced an annual calendar featuring dyed paintings created with Kataezome, a traditional Kyoto stencil-dyeing technique, showcasing the changing scenery and seasonal sights of Kyoto together with its time-honored annual events. The Company also publishes a quarterly PR magazine titled Kyo, which features these dyed paintings on its cover and explores the profound 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 specialties. 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 cultivated and dedicated 460 plants of Futaba Aoi for the Aoi Matsuri, one of the three major festivals in Kyoto, through the Aoi Project 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 initiatives, the Yamashina Botanical Research Institute was awarded the Special Award (KES Promotion Award) at the 23rd Kyoto Environmental Awards for FY2025.

TOPICS

Awarded the Kyoto Environmental Awards Special Award

The Yamashina Botanical Research Institute was awarded the Special Award (KES Promotion Award) at the 23rd Kyoto Environmental Awards for FY2025. This is in recognition of the following activities that we have been engaged in for many years, which have significantly contributed to the conservation of biodiversity in Kyoto.

- Educational activities on useful plants and culturally significant plants of Kyoto
- Propagation and cultivation of Futaba Aoi and contribution to the Aoi Matsuri
- Survey of plant diversity in the temple and shrine forests of Kyoto



Receiving a certificate of commendation from Mayor Matsui of Kyoto City (left)

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 based on the best entries in both categories.
The picture books produced are donated through pediatric clinics and other medical institutions nationwide, as well as public facilities and are also published on the award's website.



Picture books produced for the Nippon Shinyaku Children's Literary Awards winners

TOPICS

An Exciting Reading Experience for Children

Launched in 2019 as part of the Company's centenary celebrations, the Nippon Shinyaku Sparkling Future Mobile Library delivers exciting reading experiences to children.
Accompanied by employee volunteers, the library visits elementary schools, children's centers and community events; in 2025, we made 40 visits and lent out a total of 5,768 picture books.
It provides children with a special and exciting experience of enjoying these books under the blue sky.

Donating Rice to Local Children's Cafeterias

As part of our initiative to support the future of children alongside our local community, Nippon Shinyaku donates rice to children's cafeterias.
In FY2025, using funds raised through employee donations, we donated a total of 378 kg of rice to five children's cafeterias in Kyoto City and received expressions of gratitude from each facility.
We will continue to work hand in hand with the local community and actively promote initiatives that support the healthy growth of the children who will shape the future.

Strengthening Efforts to Protect the Global Environment

Material issues and related SDGs

Strengthening efforts to protect the global environment



Disclosure Based on the TCFD Recommendations

Governance

The Nippon Shinyaku Group positions climate change countermeasures as one of its material issues and conducts deliberations, decision-making, and progress monitoring on key issues through our Sustainability Committee, which is chaired by the President. Furthermore, the Environment Committee, led by the Director in charge of Personnel, General Affairs, Risk Management, Compliance, Sustainability & Digital Transformation, promotes the establishment of specific measures and targets, including CO_2 emissions reduction, as well as the management of progress toward these goals. The results are regularly reported to the Board of Directors, ensuring an appropriate oversight system by management.

Website ► Disclosure based on the TCFD Recommendations
https://www.nippon-shinyaku.co.jp/english/sustainability/esg/environment/tcfd.php

Strategy and scenario analysis

We are analyzing the risks and opportunities in line with climate change utilizing a 1.5°C warming scenario and a 4°C warming scenario. Under the 1.5°C warming scenario, we are promoting our decarbonization initiative in anticipation of rising costs in line with stricter regulatory requirements such as carbon taxes and increases in raw material prices. Under the 4°C warming scenario, we are strengthening our efforts to diversify our supply sources and enhance business continuity planning (BCP) measures in anticipation of weather-related disasters. Meanwhile, we view the reduction in manufacturing costs achieved through energy conservation efforts and the growing demand for our proprietary preservatives as opportunities.

Indicators and targets

The Nippon Shinyaku Group has obtained SBT certification. For FY2030, we have set targets for greenhouse gas emission reduction: Scope 1 and 2 emissions are to be reduced by 42% compared to FY2020 levels, and Scope 3 (Category 1) emissions are to be reduced by 25%. To achieve these targets, we are promoting the switch to renewable energy and the adoption of hybrid vehicles for our fleet, while also strengthening our engagement with business partners to reduce CO_2 emissions throughout our supply chain.

Category		Impact on Nippon Shinyaku	Details of measures of potential risks and opportunities	Indicator	Financial impact	Period
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 • Intra-Group awareness-raising and momentum-fostering initiatives • Implementation of monitoring environmental regulation trends by the Environment Committee	Increase in expenses	Small	Mid-term
	Markets	• Increase in market prices of procured goods due to increased demand for raw materials (pharmaceuticals) • Risk of decreasing demand due to price hikes of products resulting from higher market prices of procured goods (functional foods)	• Proactive support for suppliers' carbon neutral activities to deal with the risk of increased procurement costs	Decrease in sales	Small	Mid-term
Physical risks	Acute risks	Increase in 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	Mid-term
		• 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	Short-term
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	Long-term
	Resource efficiency/ 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	Short-term

[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%

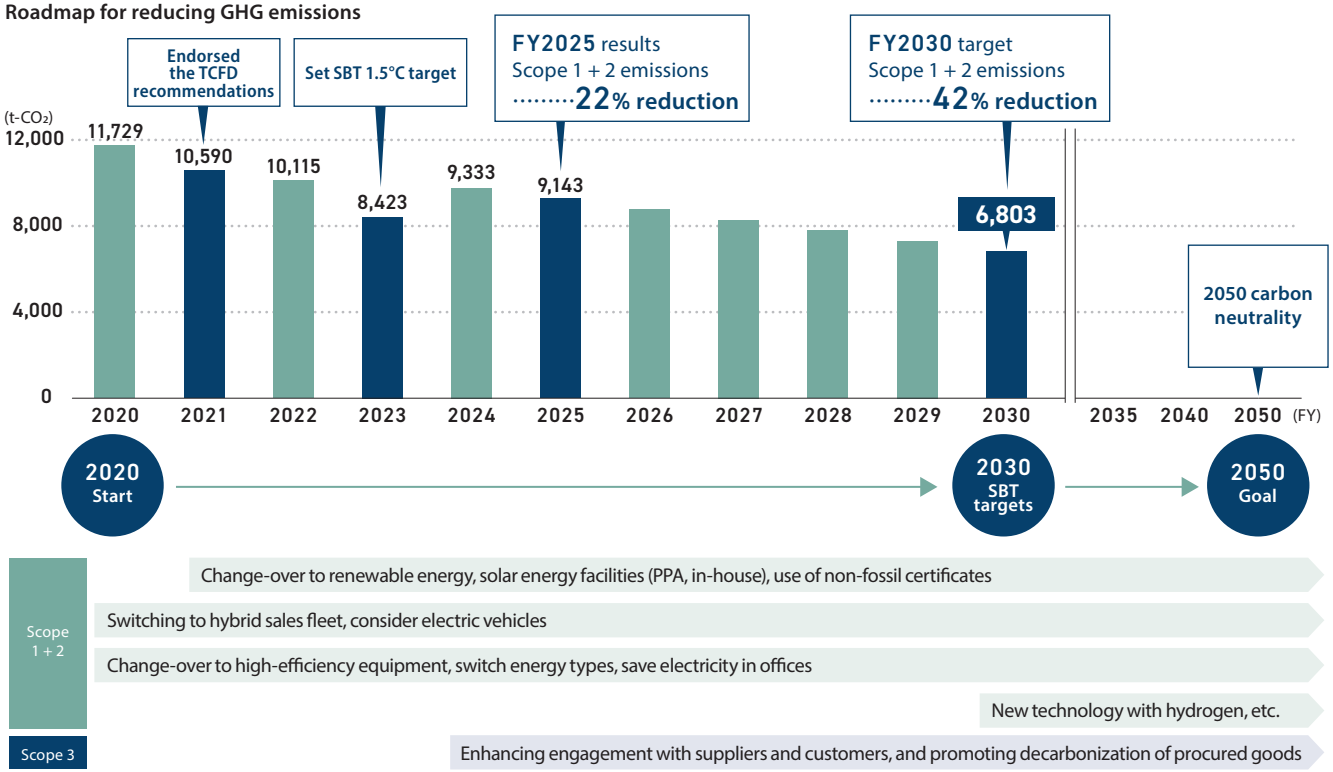
Strengthening Efforts to Protect the Global Environment

Responding to Climate Changes

Initiatives to reduce CO_2 emissions

The Nippon Shinyaku Group has identified the "strengthening efforts to protect the global environment" as one of its material issues and is proactively addressing climate change. The Group has set a long-term target of achieving net-zero CO_2 emissions by FY2050, and a mid-term goal of achieving greenhouse gas emission reduction (Scope 1 and 2) of 42% by FY2030 compared to FY2020 levels. This target (6,803 t-CO_2) represents a reduction of more than 50% compared to FY2013 levels, which is even more ambitious than the government's target. To achieve the target, we are promoting thorough energy conservation through measures such as converting our sales fleet to hybrid vehicles and introducing high-efficiency equipment, while also advancing the transition to renewable energy through initiatives such as the installation of solar power generation equipment. As a result, our Scope 1 and 2 emissions for FY2025 totaled 9,143 t-CO_2, representing a 22% reduction compared to the base year of FY2020. We have also begun exploring the introduction of an internal carbon price (ICP) with the aim of promoting decarbonization investments. Looking ahead to applying this to capital investment decision-making, we will continue to contribute to environmental conservation through multifaceted initiatives.

Roadmap for reducing GHG emissions

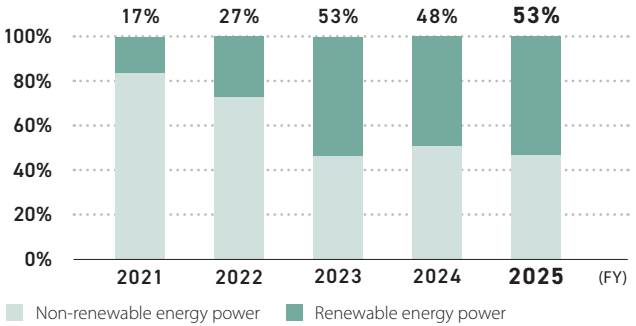


Switching to renewable energy

The Group is actively promoting the switch to renewable energy in order to reduce CO_2 emissions. As a result of the full-scale implementation that began in FY2021, the Group-wide utilization rate of electricity derived from renewable energy sources reached 53% in FY2025.

As part of our in-house power generation efforts, we have installed solar power generation equipment at the Discovery Research Laboratories in Tsukuba, the Head Office area, the Odawara Central Factory, and Tajima Shokuhin Kogyo Co., Ltd., a Group company. We are also working to expand the effective use of renewable, including through the use of FIT non-fossil energy certificates with tracking. We will continue to accelerate the shift toward renewable energy, while also exploring options such as the shift from fossil fuels to electricity, and contribute to the realization of a decarbonized society.

Rate of change-over to electricity derived from renewable energy sources



Strengthening Efforts to Protect the Global Environment

Emissions in the supply chain

To promote decarbonization across our entire business activities, the Nippon Shinyaku Group is working to strengthen cooperation aimed at reducing emissions throughout the entire supply chain, in addition to taking active measures to reduce our own greenhouse gas emissions. In FY2025, we conducted an environmental survey targeting our major suppliers to assess the status of their decarbonization initiatives. Through this survey, we are sharing our environmental targets and decarbonization initiatives with our suppliers to enhance mutual understanding and cooperation.
Furthermore, recognizing the importance of decarbonization across the entire pharmaceutical supply chain, the 13 member companies of the Environmental Issues Committee of the Japan Pharmaceutical Manufacturers Association (JPMA), with support from the Ministry of the Environment, formulated the "Practical Guidelines for Scope 3 Calculation and Collaboration with Business Partners in the Pharmaceutical Industry" and published them in March 2026.

CDP evaluation

In the FY2025 assessment by the CDP, an international environmental nonprofit organization, the Nippon Shinyaku Group received an "A," the highest rating, in the "Climate Change" category and an "A-" in the "Water Security" category.
Both ratings represent a leadership level, and we believe this recognition reflects our commitment to appropriately disclosing information regarding environmental risks and opportunities, as well as our efforts to enhance sustainability throughout our entire value chain.

Promoting Resource Circulation

Basic attitude

Recognizing that resources from natural capital are finite, the Nippon Shinyaku Group is committed to reducing resource consumption and promoting resource circulation. We are working to reduce resource consumption by promoting reuse and shared use, while also striving to recycle waste materials. Progress is monitored using two key indicators: reductions in the final landfill volume and increases in the recycling rate. By balancing the effective use of resources with the reduction of environmental impact, we will contribute to the realization of a circular economy.

Current status and performance of waste management

The final amount of landfilled waste in FY2025 was 2.3 tons (final landfill waste ratio: 0.3%). Under our 8th Environmental Targets Plan, which will take effect in FY2026, we have set three new waste management targets: "maintaining and improving the plastic waste recycling rate (FY2024: 89.7%)," "maintaining the final landfill waste ratio at 1% or less," and "promoting the reduction of environmental impact through product packaging." In order to make effective use of limited resources, we are actively committed to the 3Rs (Reduce, Reuse, Recycle) of waste.

Appropriate treatment and utilization of waste materials

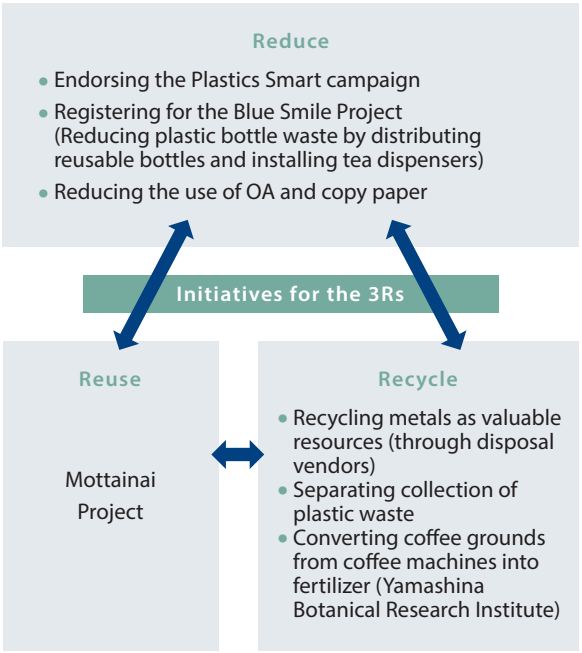
The Nippon Shinyaku Group is committed to helping realize a sustainable society through the proper management and effective utilization of waste generated by our business activities. By practicing thorough sorting of waste and strengthening recycling efforts, we are working to continuously reduce the final amount of landfilled waste and improve our recycling rate. We are also introducing environmentally friendly materials and reducing plastic usage in the packaging of pharmaceuticals and functional foods, with the aim of reducing our environmental impact across the entire value chain.

	FY2024	FY2025
Final amount of landfilled waste (compared to FY2005)	**1.7t**(**88%** reduction)	**2.3t**(**84%** reduction)
Waste plastic recycling rate	**89.7%**	**86.5%**
Recycling rate	**85.8%**	**87.9%**

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) for waste generated within the Company.

3Rs initiatives



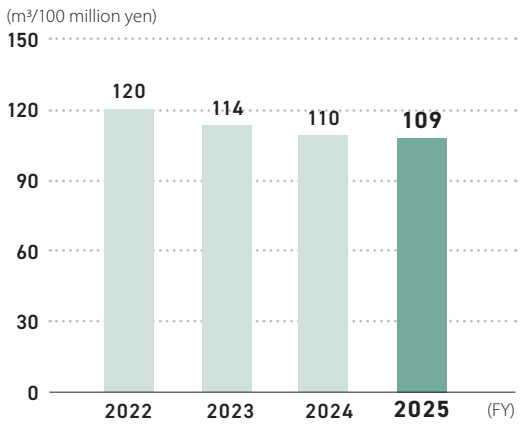
Strengthening Efforts to Protect the Global Environment

Water consumption and risk assessment

The Nippon Shinyaku Group views the conservation of water resources, which are essential for R&D and manufacturing of pharmaceuticals and functional foods, as a key priority and is working to strengthen our water usage and risk management practices.
Under our 8th Environmental Targets Plan, which will take effect in FY2026, the Group has set two new targets: "an 18% reduction in water consumption intensity by FY2028 (compared to FY2022)" and "accurate tracking of pollutant discharges into water bodies." To achieve these goals, the Group is promoting water conservation and the efficient use of water at each of our sites, while also practicing thorough water quality management and strict compliance with wastewater discharge standards.

Water consumption intensity

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



Conserving Biodiversity

The Group aims to contribute to the maintenance and conservation of biodiversity and to the realization of a sustainable society through the creation of a society that coexists with nature. The Yamashina Botanical Research Institute cultivates approximately 3,000 plant species from around the world and is engaged in ex situ conservation of 340 rare plant species. These include 190 medicinal plant species listed in the Japanese Pharmacopoeia, as well as 0.4% of eligible species protected by the Washington Convention, 8% of species listed on the Ministry of the Environment's Red List, and 6% of species listed in the Kyoto Prefecture Red Data Book. The institute hosts a wide range of educational programs for audiences ranging from experts to elementary school students, which include observation and training sessions, seminars for professionals, hands-on plant dyeing activities, and workshops, and it welcomed over 2,400 visitors in FY2025. In addition to preservation activities for plants associated with Kyoto's culture (p. 46), 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.


Scenes from the observation and training sessions

Appropriate Management of Chemical Substances

Basic attitude

As a pharmaceutical company that handles a diverse range of chemical substances, the Nippon Shinyaku Group views their appropriate management as a social responsibility. In accordance with the Basic Regulations for the Management of Chemical Substances, we have established a Chemical Substances Management Committee and have put in place a company-wide management system. We utilize an IT system that comprehensively and exhaustively manages chemical-related regulations, ensuring that all chemical substances handled are properly managed in accordance with the latest applicable legal requirements. Furthermore, from the perspective of occupational health and safety, we conduct workplace risk assessments and strive to ensure the highest level of workplace safety.

Management of highly active substances at Odawara Central Factory

The highly active solid formulation building at the Odawara Central Factory is built with a multi-layered containment system to prevent the external leakage of highly active substances. Highly active substances are contained first by equipment, second by atmospheric current and chamber pressure, and third by the building. Through the latest equipment and proper operation, we practice a thorough commitment to safety, quality, and environmental considerations, and strive to maintain and improve equipment performance.


Odawara Central Factory