

## Business Philosophy

# Helping People Lead Healthier, Happier Lives

## Management Policy

### Customers: Supply Unique and High-quality Products

We will develop and supply pharmaceuticals that are safe and highly effective relative to other drugs, and that in some way contribute to a better quality of life in patients, first and foremost for patients who suffer from illnesses. We will develop and supply high-quality functional food that meets the needs of customers.

### Society: Earn the Trust of Society

We will achieve regulatory compliance and adherence to internal rules, and always remember our corporate social responsibility and behave according to high ethical standards.

### Employees: Develop Each Employee

We will develop each employee through goal-setting and positive challenges in work.

## Guidelines for Action

### Challenge: Meet Challenges

We will always take a positive approach in pursuing our goals, with a firm belief and sense of responsibility rooted in an ethical approach.

### Speed: Speedy Action

We will always take speedy action to make certain to seize opportunities.

### Investigation: Spirit of Investigation

We will carefully investigate and analyze information that we have broadly gathered, and carefully plan to achieve our goals, and make certain to implement plan-do-check-action (PDCA) cycles.

### Smile: Keep on Smiling

We will always act with a smile to make certain of smooth communication.



## To Our Stakeholders

### We aspire to build a meaningful existence in healthcare by playing an indispensable role

Nippon Shinyaku is committed to bringing people better health by providing society with distinctive products of high quality through the pharmaceuticals and functional food segments. We aspire to be a unique organization that has earned society's trust and respect, by building a meaningful existence in the healthcare field.

To that end, we seek to achieve sustainable growth in both pharmaceuticals and functional food by steadily applying our business philosophy of helping people lead healthier, happier lives. Based on our guidelines for action—which are to meet challenges, take speedy action, maintain a spirit of investigation, and keep on smiling—we encourage every one of our employees to work to achieve their targets with promptness and a strong sense of ethics. In this way we are able to build relationships of trust with patients and our many other stakeholders, and carry out business activities with full integrity.

At Nippon Shinyaku, we have embarked on our 6th Five-Year Medium-term Management Plan (FY2019-FY2023), which aims for sustainable growth through the pursuit of further originality. We urge all of our employees to boldly embrace the six actions outlined in this plan, with a view to enhancing our global presence and further strengthening our management base to support sustainable growth.

I ask for your ongoing understanding and support as Nippon Shinyaku continues laying the foundations for sustainable growth.

September 2019

Shigenobu Maekawa  
President

# Nippon Shinyaku's Business Segments

Nippon Shinyaku has two business segments: Pharmaceuticals and Functional Food. In each of these businesses we identify fields of focus into which we pour management resources, with a view to achieving further originality and differentiating ourselves from rivals.

## Pharmaceuticals

The thrill of delivering new medicines to those who need them

Net Sales **¥100,223 million**  
(Up 14.6% year on year)



## Functional Food

Firm in the belief that medicine and food share the same importance in maintaining good health

Net Sales **¥14,492 million**  
(Up 3.3% year on year)



### Business Domains: **Four** Fields of Focus

#### Urological Diseases



Zalutia improves quality of life (QOL) for individuals with benign prostatic hypertrophy, by alleviating urinary disorders and difficulty urinating. The anticancer drug Erleada is contributing to the treatment of prostate cancer patients, having won approval for the treatment of castration-resistant prostate cancer without distant metastases.

- Erleada
- Zalutia
- Cialis
- Estracyt
- Bladderon
- Eviprostat

#### Hematology



Launched in August 2018, Gazyva provides medical professionals with a new treatment option for follicular lymphoma. Another drug, Vidaza, is making an important contribution to patients with myelodysplastic syndrome, as the world's first drug known to extend survival time for such patients.

- Gazyva
- Vidaza
- Amnolake
- Trisenox
- Cylocide N
- Cylocide

#### Intractable and Rare Diseases



Nippon Shinyaku markets three drugs—Opsumit, Upravi, and Adcirca—for the treatment of pulmonary arterial hypertension (PAH), designated in Japan as an intractable disease. Combination therapies featuring these drugs in different permutations gradually are gaining traction, contributing to the treatment of PAH patients.

- Upravi
- Opsumit
- Adcirca

#### Otorhinolaryngology



The allergic rhinitis drug Erizas is a once-daily dry powder steroid nasal spray that alleviates the three major symptoms of allergic rhinitis (sneezing, nasal discharge and nasal congestion). Nippon Shinyaku also offers a number of other drugs helping patients achieve better health, including the vertigo remedies Cephadol and Isobide, and Azunol Gargle Liquid.

- Erizas
- Azunol Gargle Liquid
- Livostin
- Cephadol
- Isobide

#### Gynecology



Lunabell Tablets LD are a low-dose estrogen and progesterone compounded agent, the first product indicated for treatment of dysmenorrhea associated with endometriosis to be covered by health insurance in Japan. In Lunabell Tablets ULD, the amount of estrogen is further reduced to lessen the risk of thrombosis. Together, these remedies will help improve QOL for many women who suffer from menstrual pain.

- Lunabell Tablets ULD
- Lunabell Tablets LD

#### Other



Tramal and Onetram are drugs used to treat cancer pain and chronic pain. Tramal is an immediate-release analgesic administered four times daily, whereas Onetram provides a stable analgesic effect with a once-daily oral administration. Nippon Shinyaku also markets Regtect, which helps patients with alcohol dependence maintain abstinence, by suppressing cravings for alcohol.

- Onetram
- Tramal
- Regtect

### Business Domains: **Four** Fields of Focus

#### Health Food Ingredients



In our Functional Food business, we leverage the expertise in safety and quality control developed in our Pharmaceuticals business to provide health food ingredients that are beneficial to maintaining and improving human health, with assured quality and evidence of efficacy.

- Mangosteen Aqua
- Hyaluronic Acid 3000
- Garcinia Powder J
- NS Amla Extract Powder

#### Protein Preparations



We provide ingredients such as sodium caseinate and soy protein for use in processed meat products, fish-paste products, and other general food products, and ingredients such as milk proteins and peptides for use in nutritional foods for therapeutic and sports purposes.

- Lactocrystal plus
- PROGEL800
- Enlacto HG
- Fitness S

#### Spices and Condiments



We utilize the extraction and formulation technologies developed in our Pharmaceuticals business to make chili pepper extracts and onion concentrate, as well as juice products using haskap berries (Japanese blue honeysuckle) and cantaloupes grown in Hokkaido.

- Kenda – chili pepper extract
- New Onion Concentrate
- Haskap Concentrate H
- Hokkaido Cantaloupe Melon Extract

#### Preservatives



We supply preservatives of consistent quality that both extend the shelf life of various foods and minimize the impact on flavor by using proprietary formulation techniques. Our Mikaku Fine series and other products can be used for a wide range of applications, enhancing both the taste of food and its longevity.

- Mikaku Fine NT
- Mikaku Fine S
- Mikaku Fine L
- Mikaku Fine BK
- Mikaku Fine W
- Mikaku Fine Z
- Glycine GX-2

#### Supplements



We want to help people lead healthier, happier lives through diet. We communicate this directly to consumers by supplying unique health foods for the sports and aging care markets, which we develop in-house drawing on our R&D capabilities as a maker of original pharmaceuticals.

- Sports supplements (WINZONE series)
- Aging care supplements (AGE-SHUT, etc.)

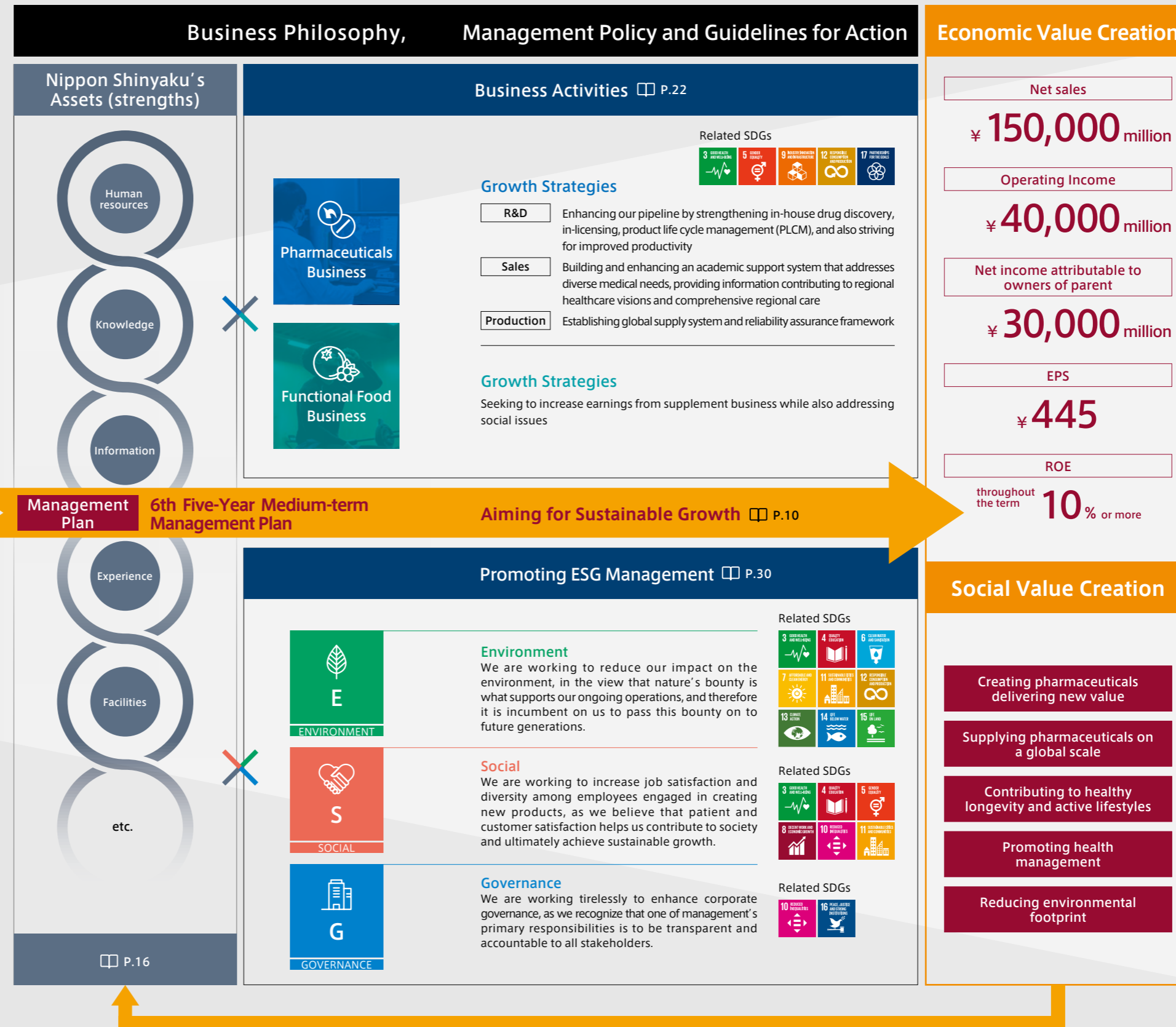
# Our Value Creation Model

Nippon Shinyaku aims to grow sustainably and be globally acclaimed as a “company with a meaningful existence in healthcare.”

### Operating Environment

- Declining birthrate, aging population
- Decrease in working population
- Arrival of the era of centenarians
- Diversification in work styles
- Measures to promote greater use of generics
- Drug price reductions to curb medical expenses
- Diversification in drug discovery modalities
- Advances in personalized medicine
- Penetration of health/prevention-oriented mindset

New management plan reflects our view that change in the operating environment is a business opportunity



Corporate vision: To become a company with a meaningful existence in healthcare

## Financial and Non-Financial Highlights

### Summary of Consolidated Financial Indicators

(FY)

	2014	2015	2016	2017	2018	2018
					Millions of Yen	Thousands of U.S. Dollars
<b>For the year</b>						
Net sales	79,991	84,209	98,781	101,448	114,716	1,033,477
Pharmaceuticals	66,340	70,489	85,315	87,416	100,223	902,909
Functional food	13,651	13,720	13,466	14,031	14,492	130,558
Operating income	8,562	8,549	15,280	17,079	20,644	185,981
Net income attributable to owners of the parent	5,882	6,340	11,749	12,953	16,302	146,864
Depreciation and amortization	2,665	2,452	2,648	2,773	3,418	30,792
Capital investment	1,239	3,554	3,949	2,811	1,242	11,189
R&D expenses	8,968	9,739	14,903	13,221	16,701	150,459

### End of the year

					Millions of Yen	Thousands of U.S. Dollars
Total assets	129,757	135,370	150,905	155,887	168,763	1,520,387
Net assets	101,207	102,762	114,316	125,689	135,190	1,217,927

### Financial information per share

					Yen	U.S. Dollars
Earnings per share	87.26	94.10	174.42	192.31	242.04	2.18
Dividend per share	25	28	48	52	70	0.63

### Principal financial indicators

					%	%
Equity ratio	77.8	75.8	75.6	80.5	80.0	—
Return on equity	6.1	6.2	10.8	10.8	12.5	—
Payout ratio	28.7	29.8	27.5	27.0	28.9	—

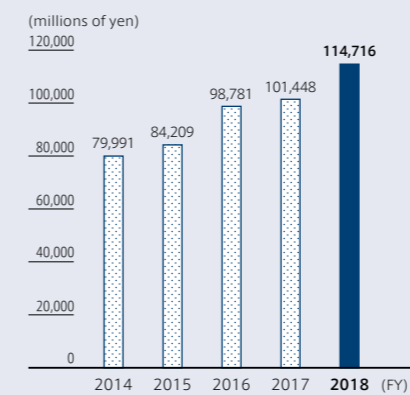
### Summary of ESG Indices

Total energy consumption (thousands of GJ)	194	193	199	209	212	—
CO <sub>2</sub> emissions (t)	10,183	10,059	10,165	10,609	10,129	—
CO <sub>2</sub> per unit of revenue (t/million yen)	0.128	0.119	0.103	0.104	0.089	—
Number of employees (people)	1,885	1,914	1,934	1,962	1,998	—

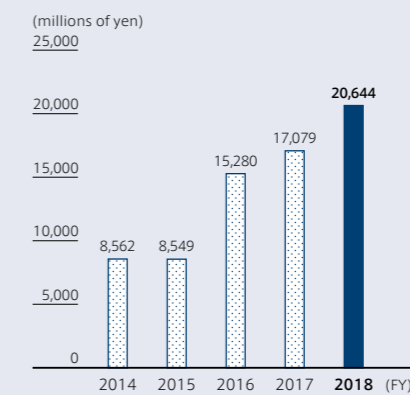
\* Employee numbers for FY2014–2017 differ from those shown in the Nippon Shinyaku Annual Report 2018 and earlier reports, due to a change in calculation method.

### Financial Highlights

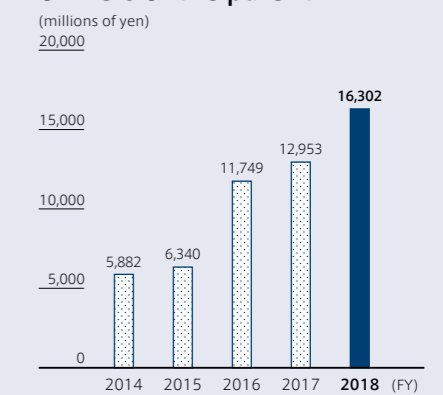
#### Net sales



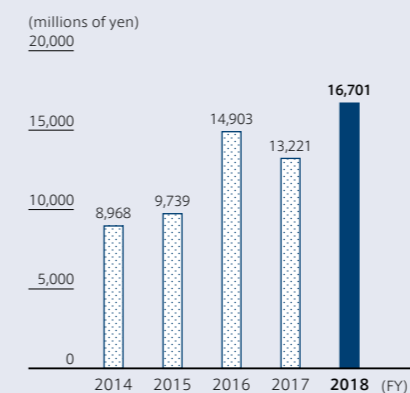
#### Operating income



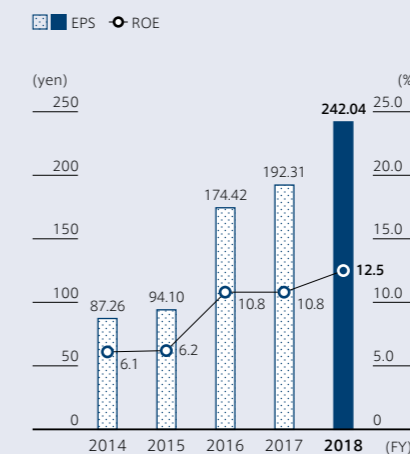
#### Net income attributable to owners of the parent



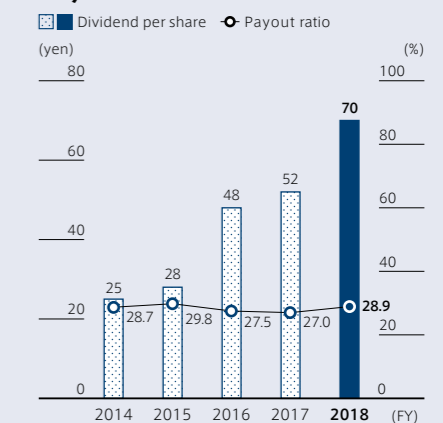
#### R&D expenses



#### EPS / ROE

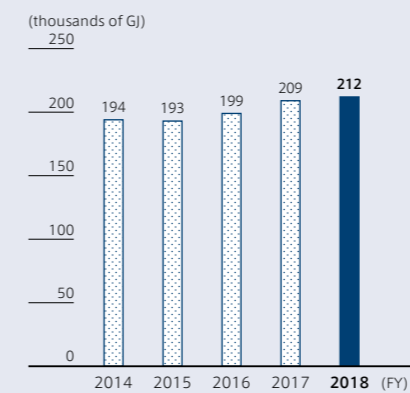


#### Dividend per share / Payout ratio

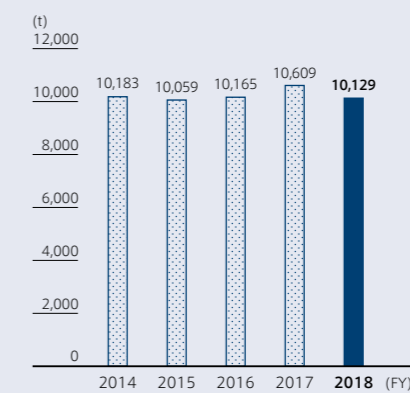


### Non-Financial Highlights

#### Total energy consumption



#### CO<sub>2</sub> emissions



#### Number of employees (consolidated)

