

Nippon Shinyaku 6th Five-Year Medium-term Management Plan (FY2019-FY2023)

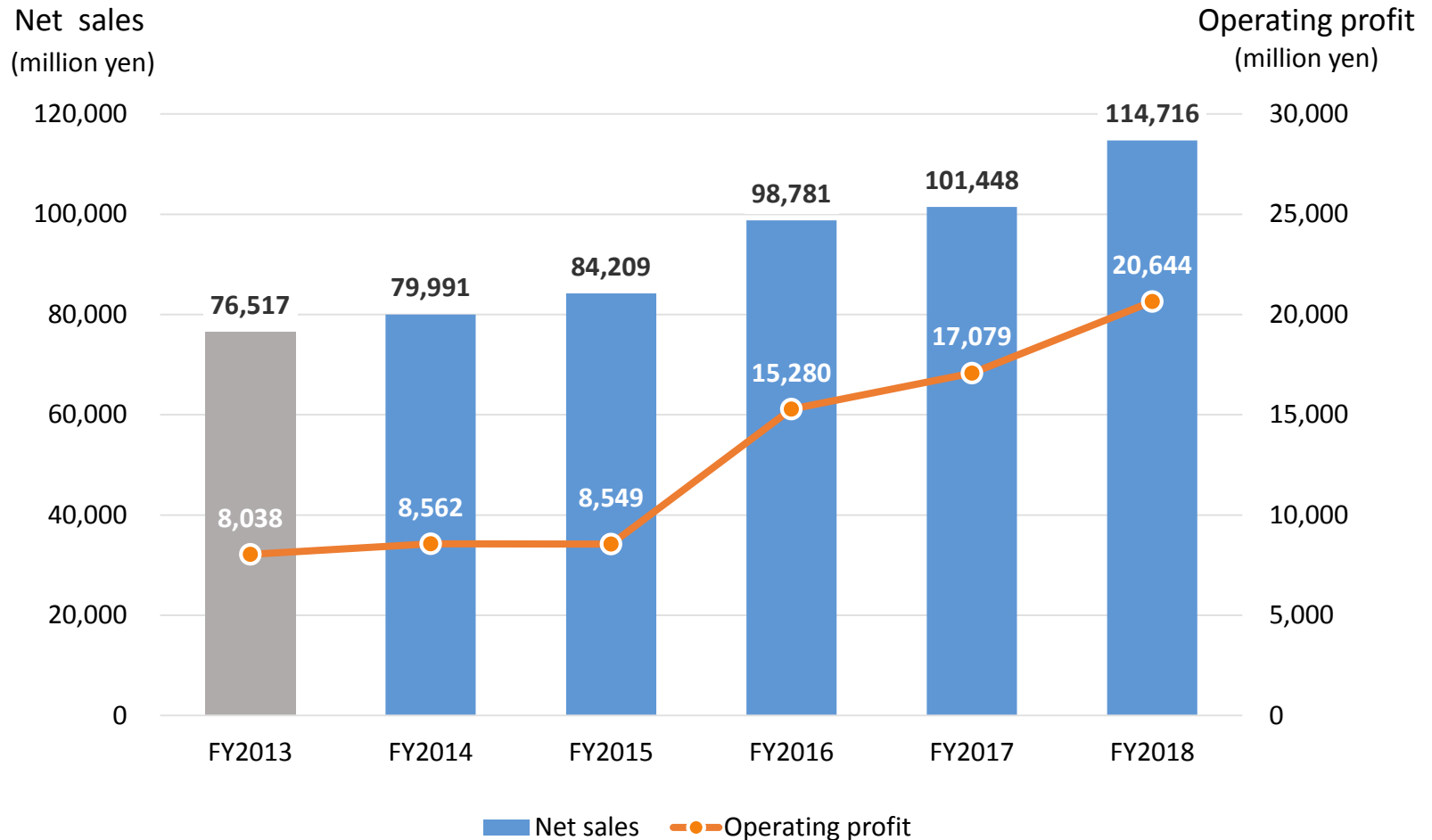
Aiming for Sustainable Growth –*Pursuit of Further Originality*–

May 15, 2019
Nippon Shinyaku Co., Ltd.
President and Representative Director
Shigenobu Maekawa

5th Five-Year Medium-term Management Plan

Aiming for New Growth –*Pursuit of Originality*–

Financial Results for the Term of the 5th Plan



Net sales and Operating profit have steadily grown during the term of the 5th Plan.

Numerical Target Assessment for FY2018

	Targets		Results	
Net sales	¥110,000 mil		¥114,716 mil	○
Pharmaceuticals	¥95,000 mil		¥100,223 mil	○
Functional Food	¥15,000 mil		¥14,492 mil	
Operating profit	¥18,000 mil		¥20,644 mil	○
Profit attributable to owners of parent	¥12,000 mil		¥16,302 mil	○
EPS	¥180		¥242	○
ROE	10.0%		12.5%	○

Qualitative Target Assessment for the Term of the 5th Plan (1)

R&D Strategy

Enhance our pipeline to launch products continuously in the areas of focus

- Launched seven products including Zalutia and Uptravi
- Enhanced our pipeline by concluding license agreements for six products including NS-73 and NS-32

Reduce cost and speed up R&D by building a manufacturing facility for APIs for clinical trials

- Completed the manufacturing facility for APIs for clinical trials in March 2016, promptly manufactured nucleic acid API, and sped up R&D

Marketing Strategy

Develop product groups in three areas (PAH, urology, hematology) into drivers of growth

- Vidaza and Zalutia became drivers of growth with sales of more than 10 billion yen
- Awareness in PAH area increased by the launch of Uptravi and Opsumit and our information provision activities

Supply Chain Strategy

Invest in a manufacturing facility for highly active medicines and manufacture our original products

- Completed the manufacturing facility for highly active medicines in July 2017 and proceeding with in-house manufacturing of Uptravi

Qualitative Target Assessment for the Term of the 5th Plan (2)

Overseas Business Strategy

Choose the best way to expand our business according to each country's situation

- Uptravi: launched in many countries and greatly contributed to the growth
- NS-065/NCNP-01: proceeded with preparations for US NDA and establishment of sales organization

Functional Food Business

Transform functional food business into a highly profitable entity

- Significantly improved the operating profit on sales of functional food business
- Started supplement business and built a foundation for transformation

Human Resource Strategy

Improve recruitment and employee training (“Human resources are the base of originality”)

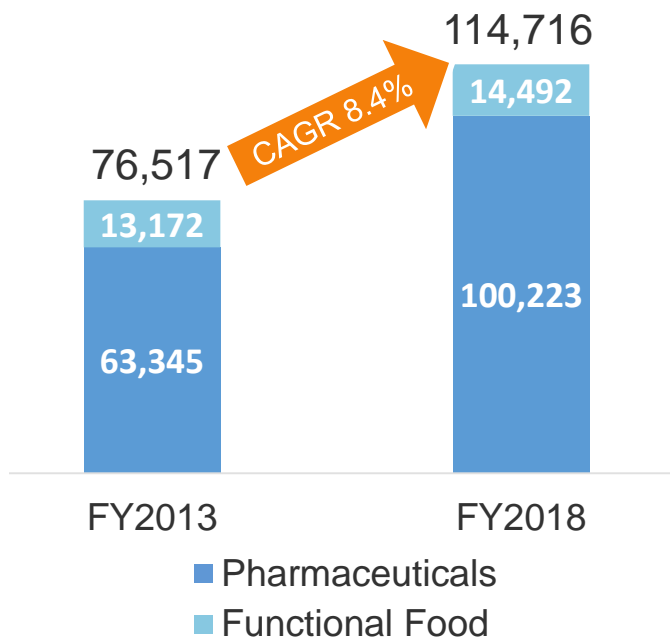
- Introduced a flextime system for medical representatives first in the Japanese pharmaceutical industry
- Hired outside personnel with a high level of expertise
- Recognized under the Certified Health and Productivity Management Organization Recognition Program (White 500)

Summary and Outlook for the Next Plan

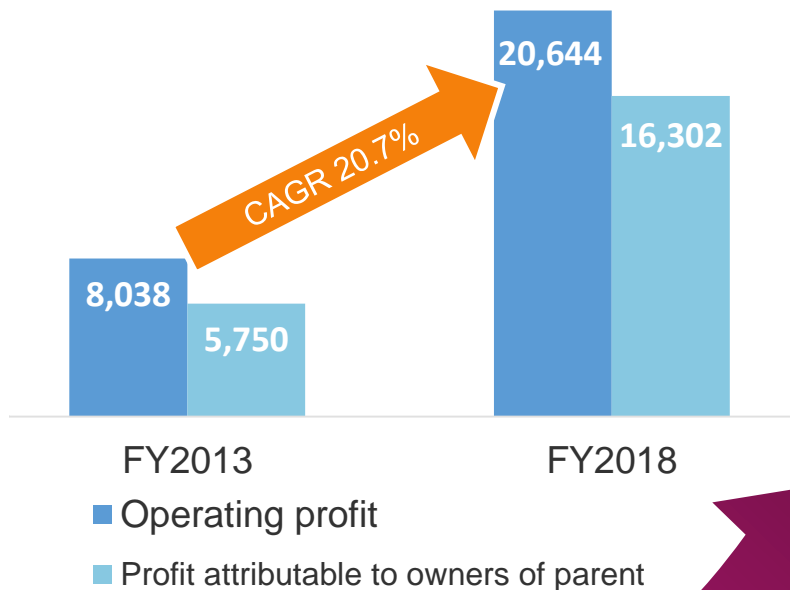
Market Cap at the end of FY2013
¥137,482 mil

Market Cap at the end of FY2018
¥566,227 mil

Net sales
(million yen)



Operating profit &
Profit attributable to owners of parent
(million yen)



Aiming for sustainable growth
6th Medium-term Management Plan

Establish a new basis for growth by pursuing originality

6th Five-Year Medium-term Management Plan

Aiming for Sustainable Growth –*Pursuit of Further Originality*–

Business Environment around Nippon Shinyaku

Measures to promote greater use of generics
Drug price reduction to curb medical expenses

Declining birthrate
Aging population
Decrease in working population
Arrival of the era of centenarians
Diversification in work style

Diversification in modality of drug discovery
Progress of precision medicine
Penetration of health/prevention-oriented mindset

Actions outside the existing framework are needed
for sustainable growth

Six Actions in the 6th Plan

1 Creation of new value through R&D

2 Development of global business

3 Increase in corporate value by strengthening ESG management

4 Creation of organizational climate in which each employee can be active

5 Active use of AI and adoption of IT

6 Further strengthening of management base

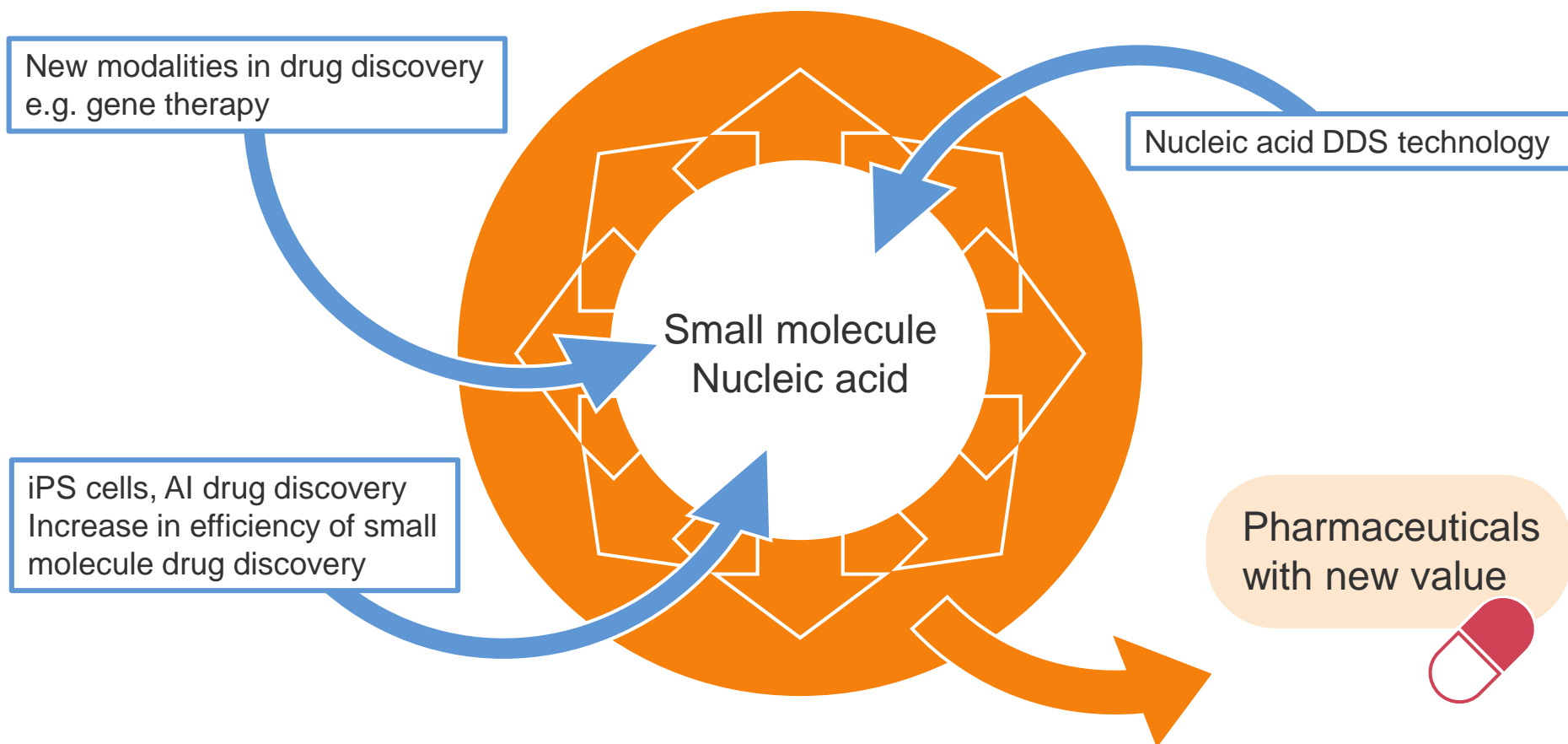
Corporate vision: company with a meaningful existence in healthcare

Action ①

Creation of new value through R&D

Pharmaceutical R&D Strategy

Expand the range of drug discovery to create new value by adding new modalities and technologies to our drug discovery platform where we created a small molecule drug NS-304 and a nucleic acid drug NS-065/NCNP-01.



Products to be Launched during the Term of the 6th Plan

Products of which we aim for approval by FY2023

Original	NS-065/NCNP-01 DMD in Japan and overseas	Exon 44 skipping drug DMD in Japan and overseas	NS-018 Myelofibrosis Overseas
License-in	NS-73 Veno-occlusive disease (treatment) in Japan	NS-73 Veno-occlusive disease (prevention) in Japan	
	NS-32 Iron deficiency anemia in Japan	ZX008 Intractable epilepsy in Japan	
PLCM	NS-304 Chronic thromboembolic pulmonary hypertension in Japan	NS-304 Arteriosclerosis obliterans in Japan	
	Macitentan Chronic thromboembolic pulmonary hypertension in Japan	NS-17 AML in Japan	

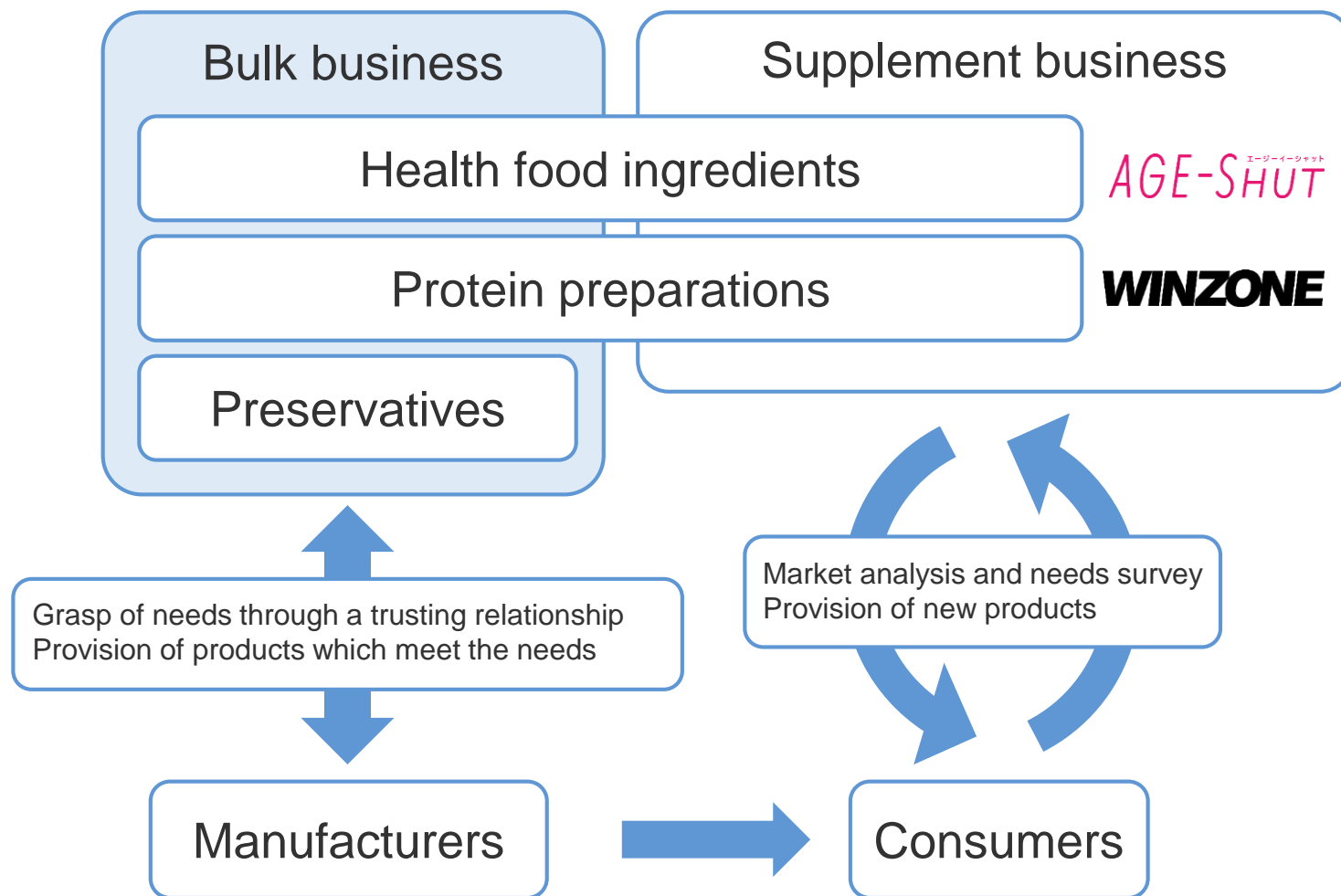
Products of which we aim for approval in the near future after FY2024

NS-580 Endometriosis	NS-304 Lumbar spinal stenosis	NS-87 Secondary AML	NS-917 Relapsed/refractory AML
DMD treatments other than NS-065/NCNP-01 and Exon 44 skipping drug			

DMD: Duchenne muscular dystrophy
AML: Acute myeloid leukemia

Functional Food R&D Strategy

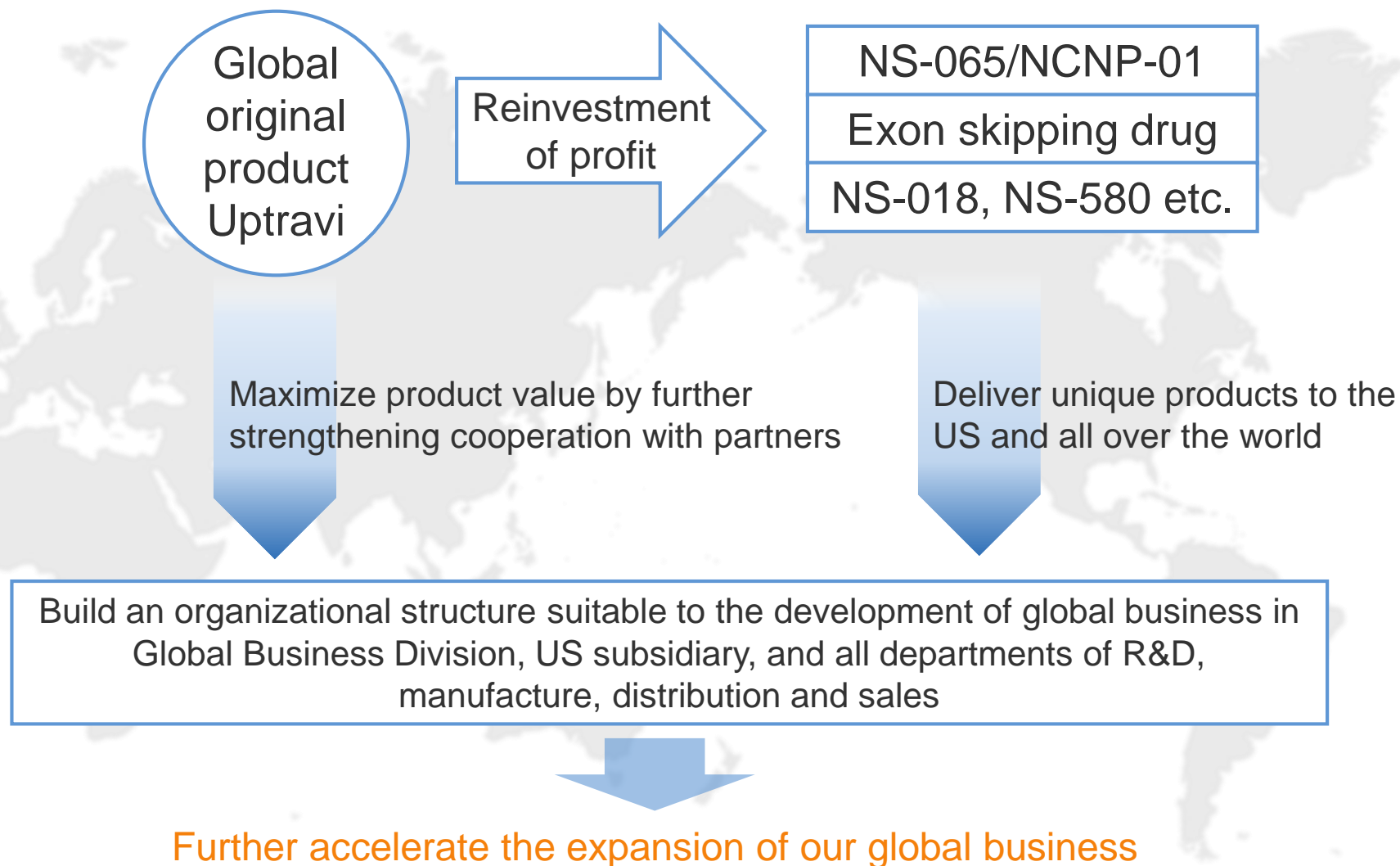
Continuously launch highly original new products by enhancing R&D capability



Action ②

Development of global business

Global Business Strategy



US business

- Prepare for NS-065/NCNP-01 launch, establish sales organization
- Invest in R&D of nucleic acid drugs after NS-065/NCNP-01
- Enhance product pipeline

Europe/China business

- Aim for early approval of NS-065/NCNP-01
- Consider sales organization

Action ③

Increase in corporate value by
strengthening ESG management

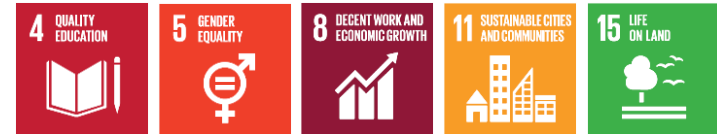
Actions for ESG Management

Environment



We recognize that to pass on nature's bounty to future generations is a mission imposed on a company which continuously practices business activities. We will work to reduce our impact on the environment.

Social



We will increase the satisfaction and diversity of our employees creating new products, based on the idea that patients' and customers' satisfaction leads to contributions to society and ultimately to the company's sustainable growth.

Governance

We recognize that it is a critical management priority to be transparent and accountable to all stakeholders. We will work non-stop to enhance corporate governance.

Action ④

Creation of organizational climate in which each employee can be active

Promotion of Motivation Management

“Unique products come from unique human resources”
Respect diversity and provide opportunities for each employee to proactively take on challenges and grow

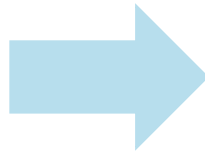
Changes in working environment

Decrease in working generation
due to declining birthrate and
aging population
Increase in senior generation

Changes in work style of
child-raising generation

Increase in caregiving
generation

Globalization of business



Growth of working generation
Active senior generation
Active child-raising and caregiving generations
Increase in productivity

Revision of personnel systems and their operation

Measures to streamline operations
by using AI and RPA

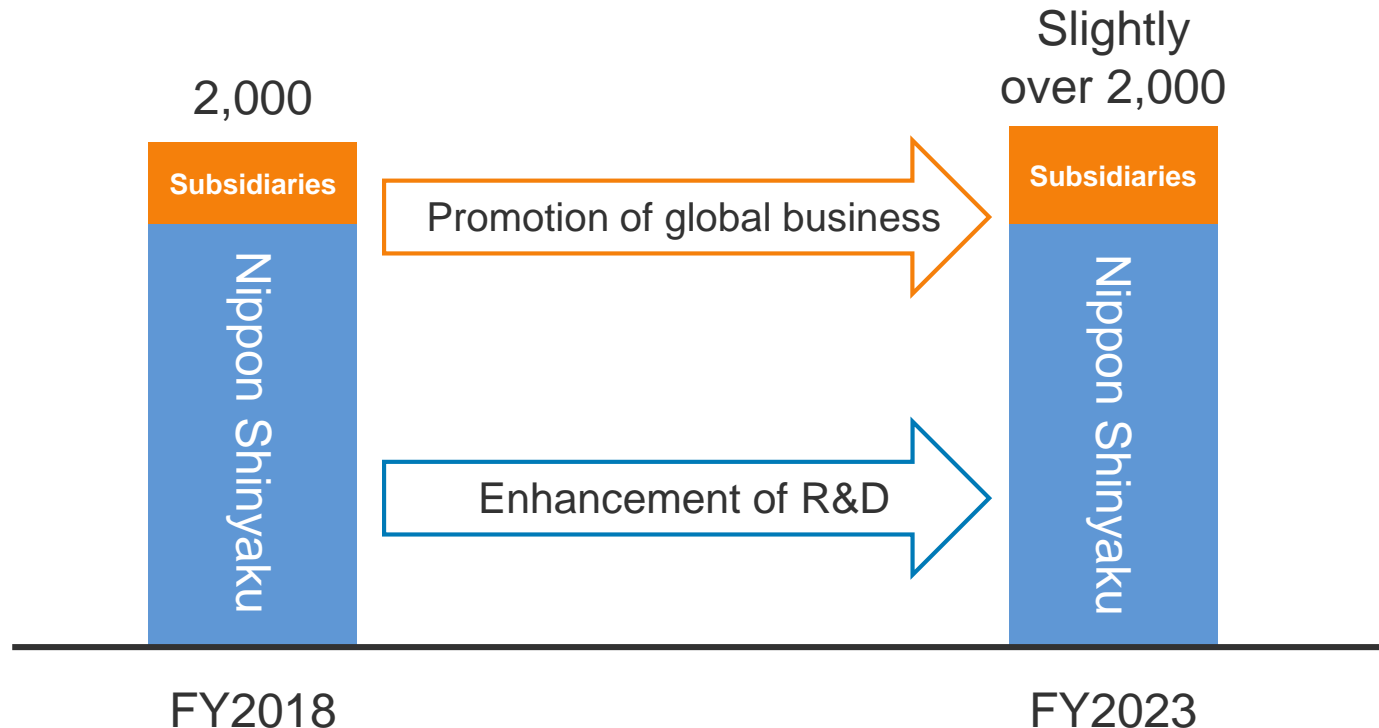
Cultivation of next-generation leaders and global
human resources

Promotion of Health and Productivity Management

Allow employees to work in diverse ways and
to try various things. Create an organizational
climate in which each employee can
proactively take on challenges and grow.

Manpower Planning

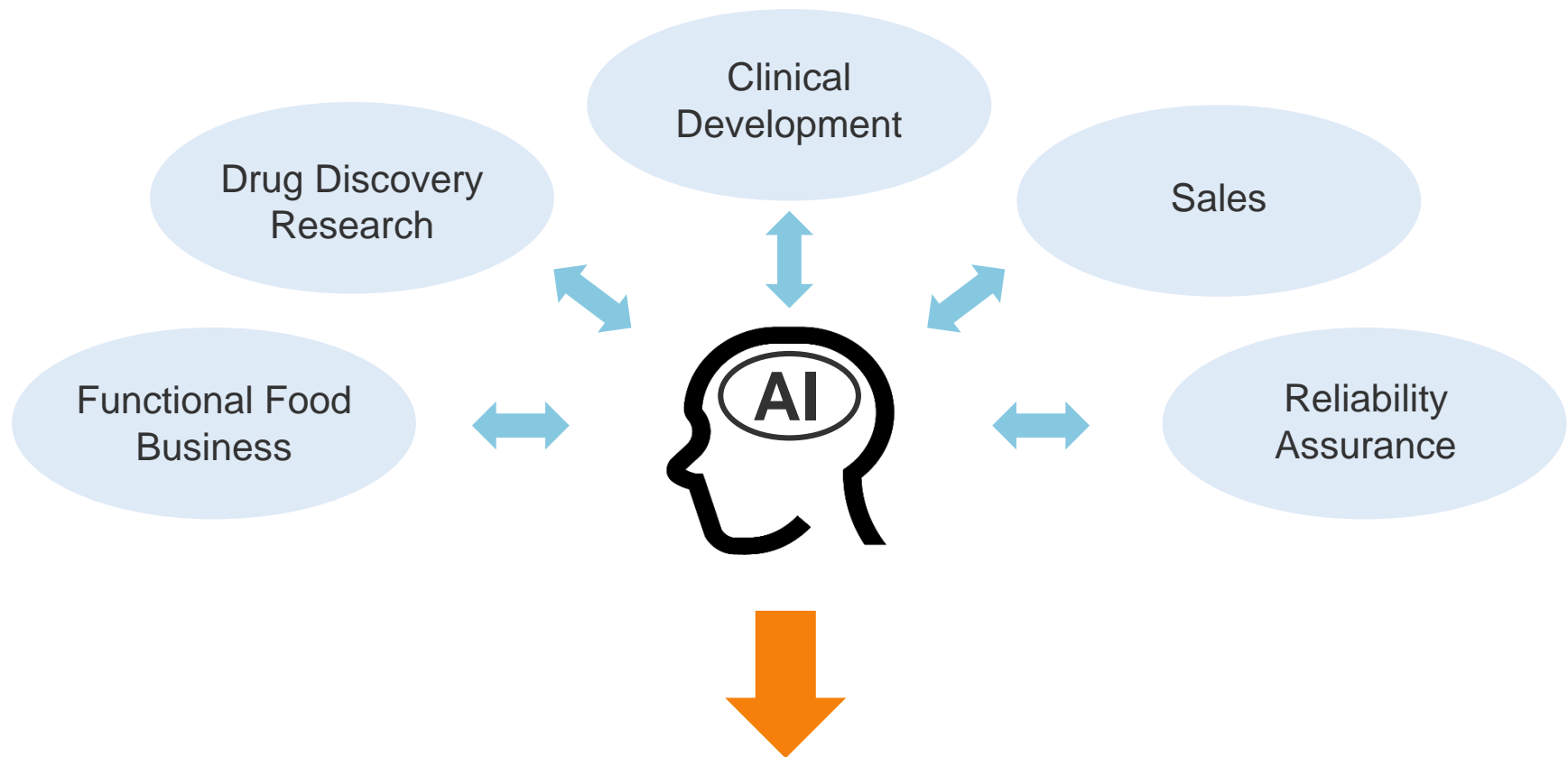
- Actively recruit new graduates and mid-career workers to deal with business expansion
- Increase productivity per employee using AI, IoT and RPA
 - ⇒ The number of employees at the end of FY2023 will be slightly more than 2,000 at the end of FY2018



Action ⑤

Active use of AI and adoption of IT

Active Use of AI and Investment in IT Adoption



We will accelerate launch of new products, streamline operations and increase productivity by actively using AI, RPA and other technologies, and by promoting adoption of IT.

Action ⑥

Further strengthening of
management base

Further Strengthening of Management Base

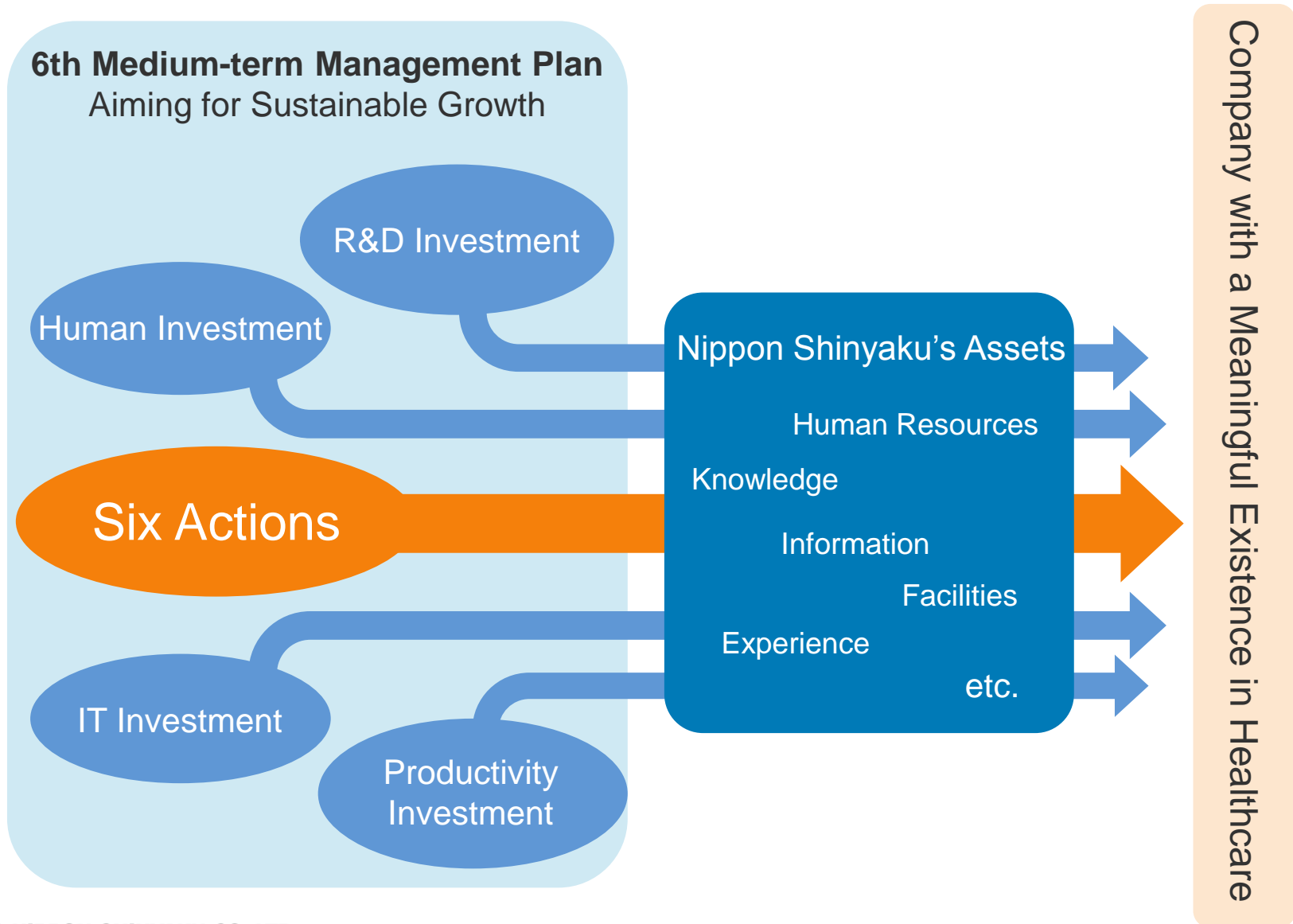


6th Medium-term Management Plan Numerical Target for FY2023

Numerical Targets for FY2023

	Targets	CAGR
Net sales	¥150,000 mil	5.5%
Pharmaceuticals	¥133,000 mil	5.8%
Functional Food	¥17,000 mil	3.4%
Operating profit	¥40,000 mil	14.2%
Profit attributable to owners of parent	¥30,000 mil	13.0%
EPS	¥445	13.0%
ROE	10% or more throughout the term	

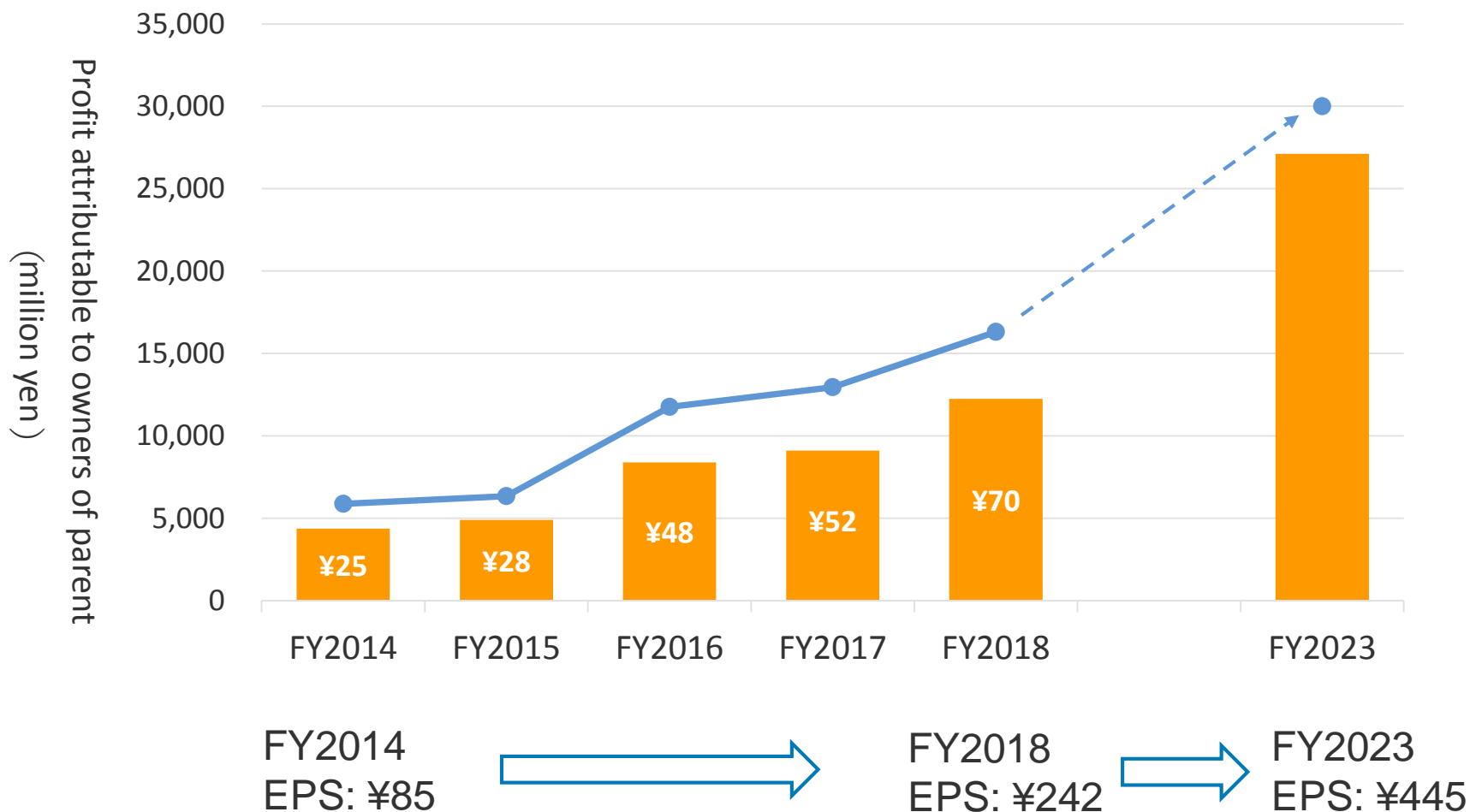
Strengthening of Strategic Investment



Basic Policy for Return to Shareholders

Policy for Dividends

- Increase the consolidated payout ratio to around 35% and aim to raise annual cash dividends per share by increasing EPS.



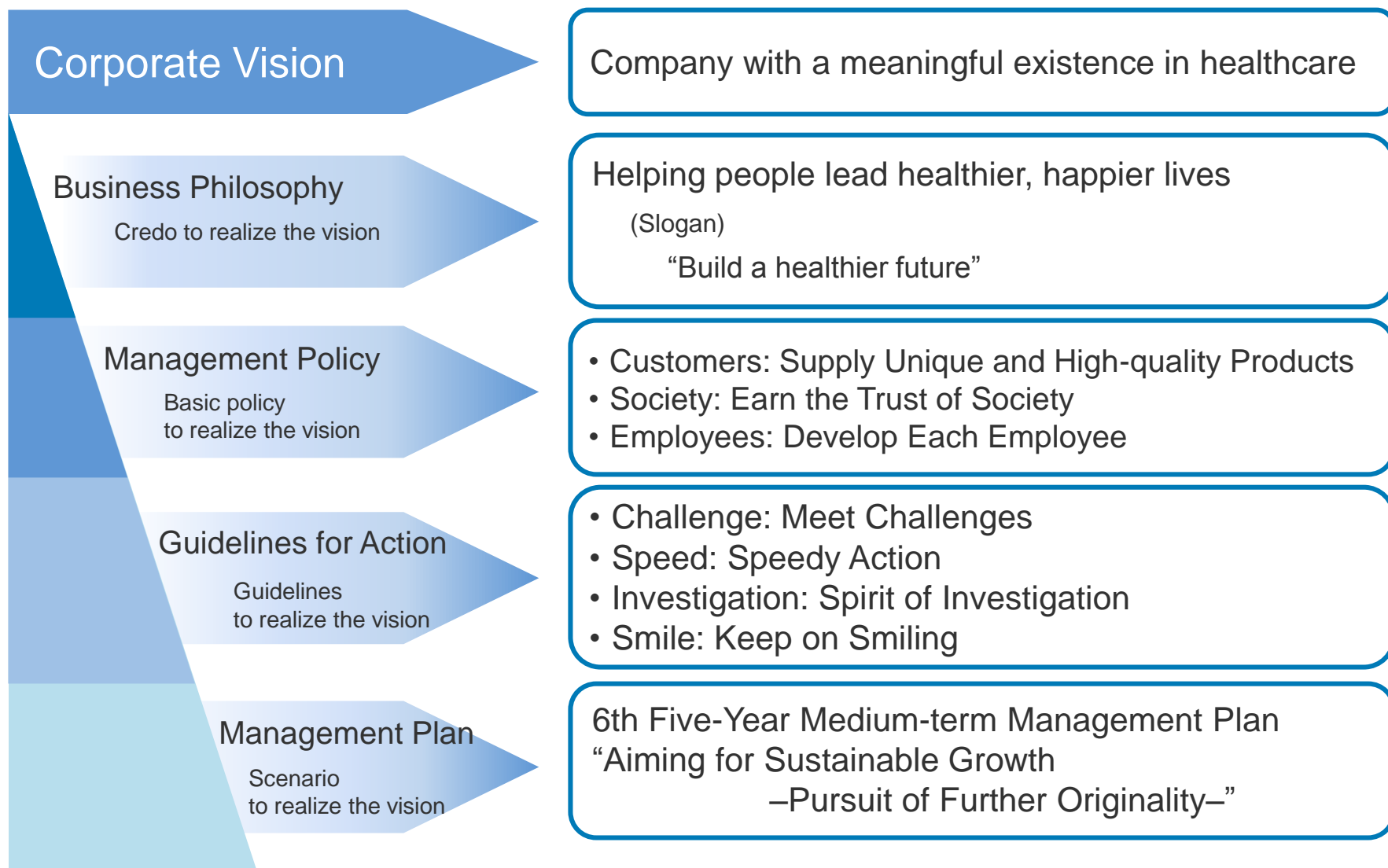


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Nippon Shinyaku Basic Policy



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