

NEWS RELEASE



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5th Five-Year Medium-term Management Plan “Aiming for New Growth –Pursuit of Originality–”

Nippon Shinyaku Co., Ltd. (Headquarters: Kyoto, Japan; President: Shigenobu Maekawa) announces the outline of the 5th five-year Medium-term Management Plan “Aiming for New Growth –Pursuit of Originality–” (fiscal 2014 to fiscal 2018) which it started in April, 2014.

Even in the severe business environment, Nippon Shinyaku has been aiming to be trusted and appreciated by society as a “company with a meaningful existence in healthcare.” Based on this concept, in order to realize our vision, we implemented the 4th five-year Medium-term Management Plan “Innovation and Growth” from fiscal 2009 to fiscal 2013.

In the pharmaceutical business, although the sales of new products grew more than we had planned, existing core products were affected by the measures to promote the greater use of generics more severely than we had expected. Our functional food business was also hit by the deflation and other factors. As a results, the numerical target of the 4th Plan was not achieved. However, we promoted reforms such as enhancement of our R&D pipeline and establishment of management base independent of long-listed products, and marked record-high sales and each income in fiscal 2013, the final year of the 4th Medium-term Management Plan.

In the 5th five-year Medium-term Management Plan started in fiscal 2014, we aim for new growth to be a “company with a meaningful existence in healthcare” on the foundation which we built in the 4th Medium-term Management Plan. We position the 5th Plan as a scenario to differentiate us from other companies in terms of all operations and to build our own platform, and push forward vigorously toward the realization of our vision, with all employees committing to the same goal.

Please see the accompanying sheet for the outline of the 5th five-year Medium-term Management Plan “Aiming for New Growth –Pursuit of Originality–.”

Outline of the 5th five-year Medium-term Management Plan
“Aiming for New Growth –Pursuit of Originality–”

1. Nippon Shinyaku’s corporate vision

Due partly to the enhanced containment of medical expenses, the environment around us will be severer in the future. However, we aim to be trusted and appreciated by society as a “company with a meaningful existence in healthcare,” by implementing the following measures. In the pharmaceutical business, we provide patients suffering from diseases with high-quality and unique products mainly targeting the niche diseases with unmet medical needs in our five areas of focus (urology, hematology, intractable/orphan diseases, gynecology and otorhinolaryngology). In the functional food business, utilizing the high technical capabilities as a pharmaceutical company, we provide highly value-added products to meet the market needs in our three areas of focus (health food ingredients, preservatives, nutritional ingredients).

2. Aiming for New Growth –Pursuit of Originality–

We position the 5th five-year Medium-term Management Plan as a scenario to build our own platform for new growth and implement the Plan.

(1) Corporate strategy

In the pharmaceutical and functional food business, we will achieve growth by differentiating us from other companies, launching new products, and improving the profitability.

(2) Business strategy

1) Pharmaceutical business

- We will concentrate our management resources on our areas of focus (urology, hematology, intractable/orphan diseases, gynecology and otorhinolaryngology), enhance our R&D pipeline, and expand our market share.
- We will build the platform to expand our overseas business mainly by our original compounds in the areas of pulmonary arterial hypertension (PAH), hematological malignancies and nucleic acid medicines.

2) Functional food business

- As a functional food business sector in a pharmaceutical company, we will evolve into a highly profitable entity by providing high-quality and highly value-added original ingredients which contribute to the “healthy life expectancy,” “active life,” “safety and security of foods” and “reduction of food waste.”

(3) Functional strategy

1) R&D strategy

- For in-house research, we will concentrate our management resources on the areas of focus and utilize external resources to strengthen our capability for drug discovery.
- We strive to launch the first antisense nucleic acid drug for muscular dystrophy in Japan by using our accumulated fundamental technology of nucleic acid synthesis.
- Through in-house research, in-licensing and product life cycle management (PLCM), we will launch new products, implement active in-licensing activities as well as in-house research, and enhance our R&D pipeline.
- We will build a manufacturing facility for investigational drugs, curb the cost for active pharmaceutical ingredients (API), speed up our R&D, and deal with the synthesis of nucleic acid API.

2) Marketing strategy

- We will invest the management resources in our areas of focus, maximize the product value, and develop the three product groups (Zalutia[®], Vidaza[®] and PAH treatments) into drivers of growth.
- We will upgrade our hospital MRs committed to the specialty products in the areas such as hematology and PAH, and increase the number of MRs to 700.
- Through the in-house MR qualification test program, we will improve our MRs' academic knowledge about specialty products.

3) Supply chain strategy

- We will invest in the manufacturing facilities for highly active medicines, manufacture our original products and enhance our consignment manufacturing business.
- In addition to the stable product supply, we will promote streamlining of operations and cost management in each step of procurement, manufacture, and logistics.

4) Overseas business strategy

- In principle we will license out our original products to be launched, but in the US, EU and Asia, we will choose the best way to expand our business according to each country's situation.

5) Functional food business

- As for R&D, we will invest the management resources in our areas of focus (health food ingredients, preservatives, nutritional ingredients) and launch high-quality and highly value-added products which can be differentiated from other companies' products.
- As for marketing, we will invest the management resources in our areas of focus, maximize the product value and make marketing activities avoiding price competition.
- As for supply chain, we will improve the quality control and review and reduce the cost for procurement, manufacture, and logistics.

6) Human resource management

- We will increase the number of employees from 1,900 to 2,000, keeping the number of regular employees in charge of core business as it is. We will actively utilize women and re-employed seniors.
- Considering that human resources are the base of originality, we will improve our recruitment and employee training.

3. Numerical targets

(Million yen)

(Consolidated)	FY 2013 results	FY 2018 plan	CAGR*1
Net sales	76,500	110,000	8%
Pharmaceuticals	63,300	95,000	8%
Functional food	13,200	15,000	3%
Operating income	8,000	18,000	17%
Net income	5,800	12,000	16%
ROE*2	6.3%	10%	-
EPS*3	85yen	180yen	16%

*1: CAGR Compound Annual Growth Rate

*2: ROE Return On Equity

*3: EPS Earnings Per Share

4. Return to shareholders

We maintain a consolidated payout ratio of around 30% and aim to raise annual cash dividends per share by increasing EPS.

Forward-looking statements

Statements contained in this release concerning expectations and forecasts are based on various assumptions, and not a guarantee of future implementation of numerical targets and plans.