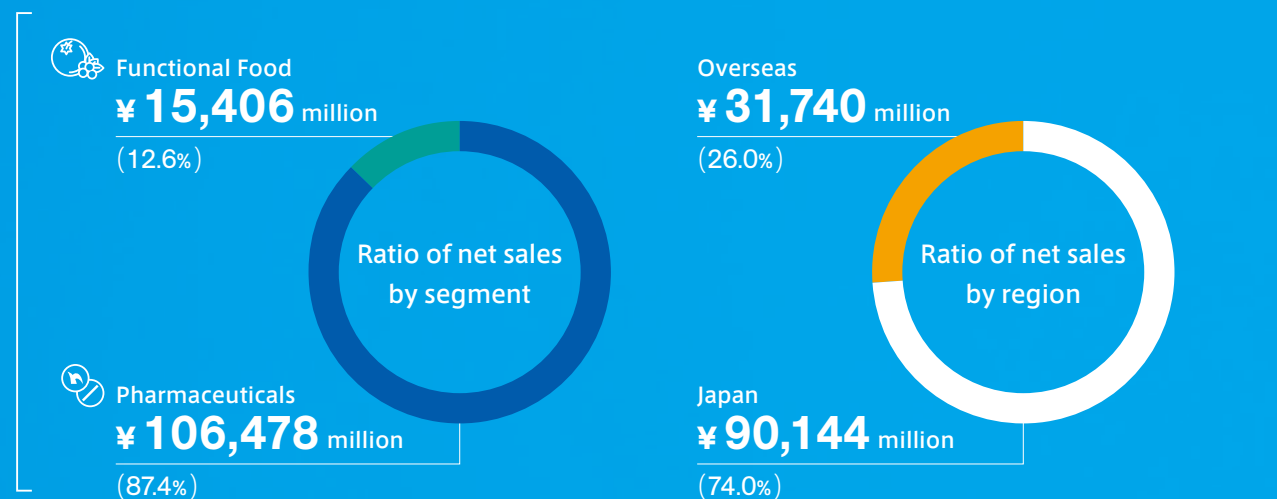


Business Segments

Net sales

¥ **121,885** million (Up 4.5% YoY)



Operating income

¥ **26,134** million
(Up 20.6% YoY)

EPS

¥ **307**
(Up 22.7% YoY)

Net income attributable to owners of the parent

¥ **20,702** million
(Up 22.7% YoY)

ROE

13.5%
(Up 1.5pt YoY)

Developing two businesses that supply products of high quality and originality worldwide.

Pharmaceuticals

With our core focus on four therapeutic fields (urology, hematology, intractable and rare diseases, and gynecology), we are targeting areas of disease with unsatisfied therapeutic needs and supplying distinctive products of high quality to give hope to long-suffering patients.

Main Products

1. Urology

- For urinary disorder caused by benign prostatic hypertrophy
Zalutia
- For erectile dysfunction
Cialis
- For prostate cancer
Estracyt
- For pollakiuria
Bladderon
- For benign prostatic hypertrophy
Eviprost



3. Intractable and Rare Diseases

- For Duchenne muscular dystrophy
Viltepso
- For pulmonary arterial hypertension
Uptravi
- For pulmonary arterial hypertension
Opsumit
- For pulmonary arterial hypertension
Addirca



2. Hematology

- For sinusoidal obstruction syndrome (hepatic veno-occlusive disease)
Defitelio
- For CD20-positive follicular lymphoma
Gazyva
- For myelodysplastic syndrome or acute myeloid leukemia
Vidaza
- For relapsed or refractory acute promyelocytic leukemia
Amnolake
- For relapsed or refractory acute promyelocytic leukemia
Trisenox
- For relapsed or refractory acute leukemia and malignant lymphoma
Cylocide N
- For solid tumor and acute leukemia
Cylocide



4. Gynecology

- For dysmenorrhea
Lunabell ULD
- For dysmenorrhea
Lunabell LD



6. Others

- Controlled-release treatment for cancer-associated pain and chronic pain
Onetram
- For cancer-associated pain and chronic pain
Tramal
- Aid for maintaining alcohol abstinence
Regtect



Functional Food

In the Functional Food business, we seek to leverage our technical expertise as a maker of pharmaceuticals to supply high-value-added products that meet market needs, focusing on four areas (health food ingredients, preservatives, protein preparations, and supplements).

Main Products

1. Health Food Ingredients

Mangosteen Aqua, Hyaluronic Acid 3000, Garcinia Powder J, Bacopa Extract Powder

2. Preservatives

Mirai Ace Nu, Binesh Deli, Mikaku Fine S, Mikaku Fine BK, Mikaku Fine Z

3. Protein Preparations

Lactocrystal plus, PROGEL800, Enlacto HG, Fitness S

4. Supplements

Sports supplements (WINZONE series), aging care supplements (Mangostia, Kioku no Kobako, etc.)

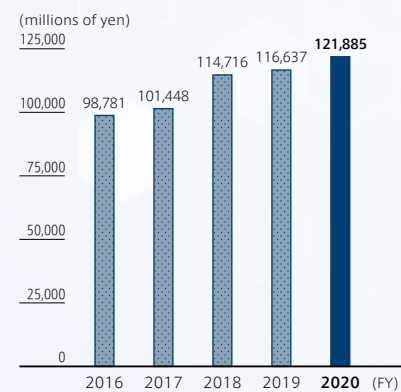


Sports supplements (WINZONE series)

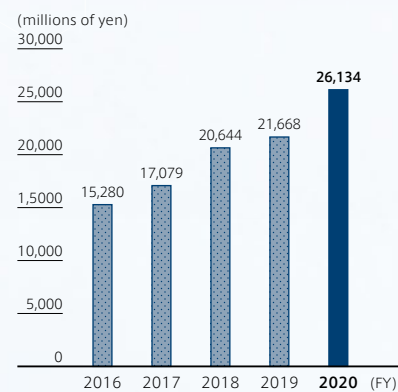
Financial and Non-Financial Highlights

Financial Highlights

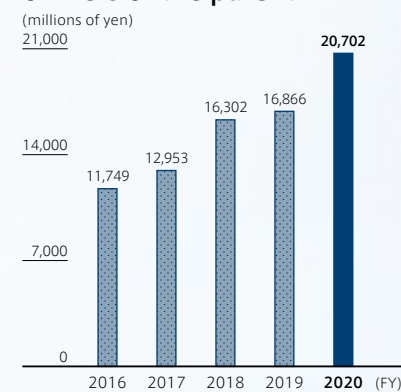
Net sales



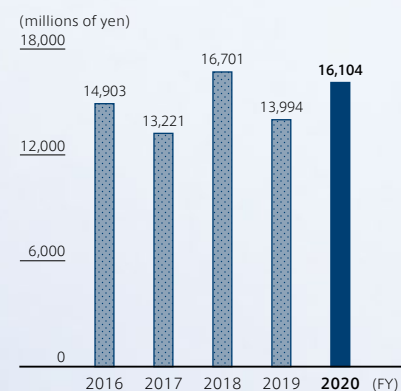
Operating income



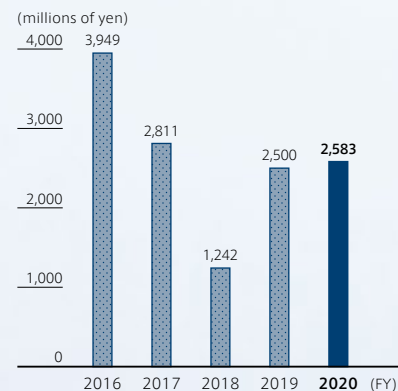
Net income attributable to owners of the parent



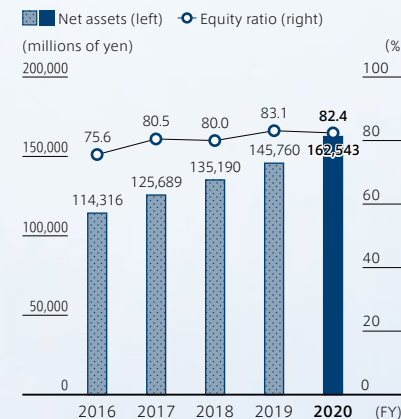
R&D expenses



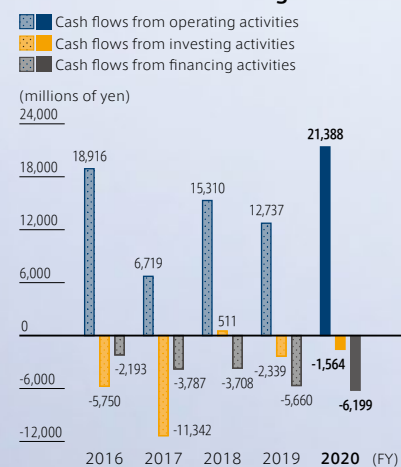
Capital investment



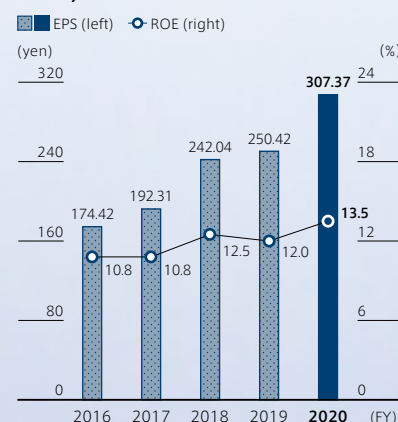
Net assets / Equity ratio



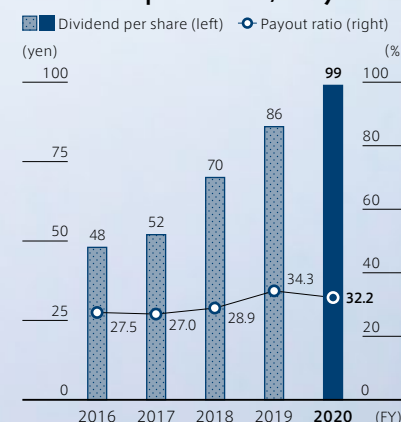
Cash flows from operating activities / Cash flows from investing activities / Cash flows from financing activities



EPS / ROE



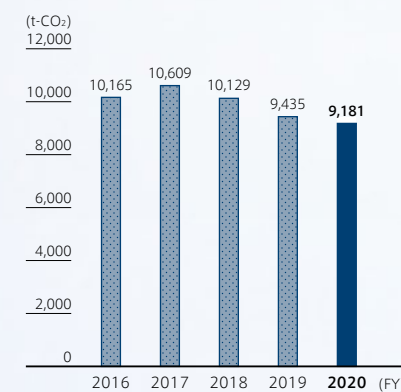
Dividend per share / Payout ratio



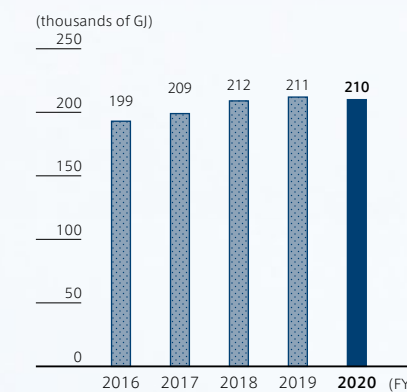
Non-Financial Highlights

Environment

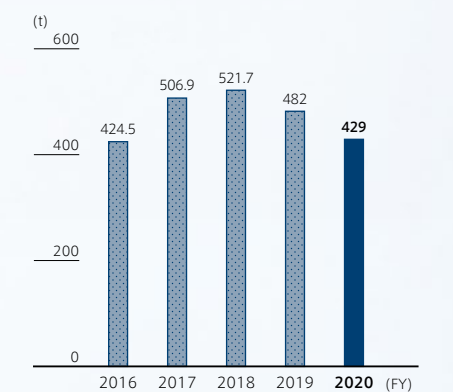
CO₂ emissions (Main business locations*)



Total energy consumption (Main business locations*)

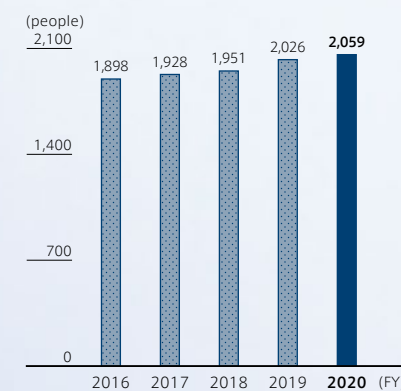


Waste substances generated (Main business locations*)

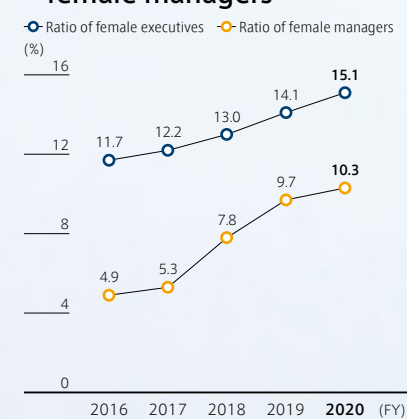


Social

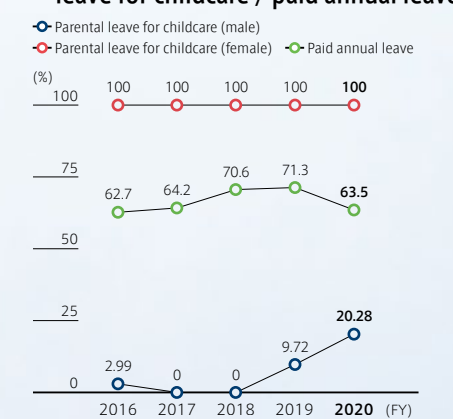
Number of employees (consolidated)



Ratio of female executives / female managers



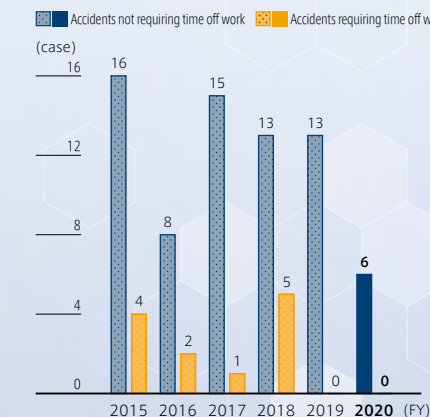
Ratio of employees taking parental leave for childcare / paid annual leave



Ratio of employees with disabilities

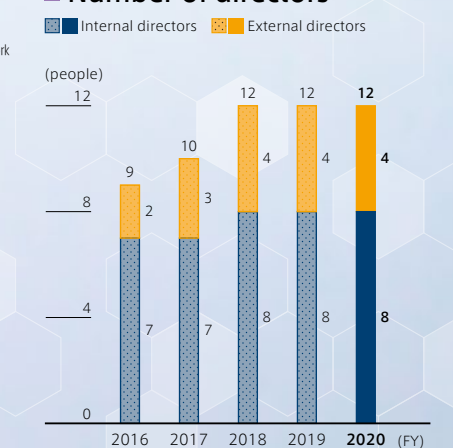


Number of occupational accidents (excluding the company's amateur baseball team)



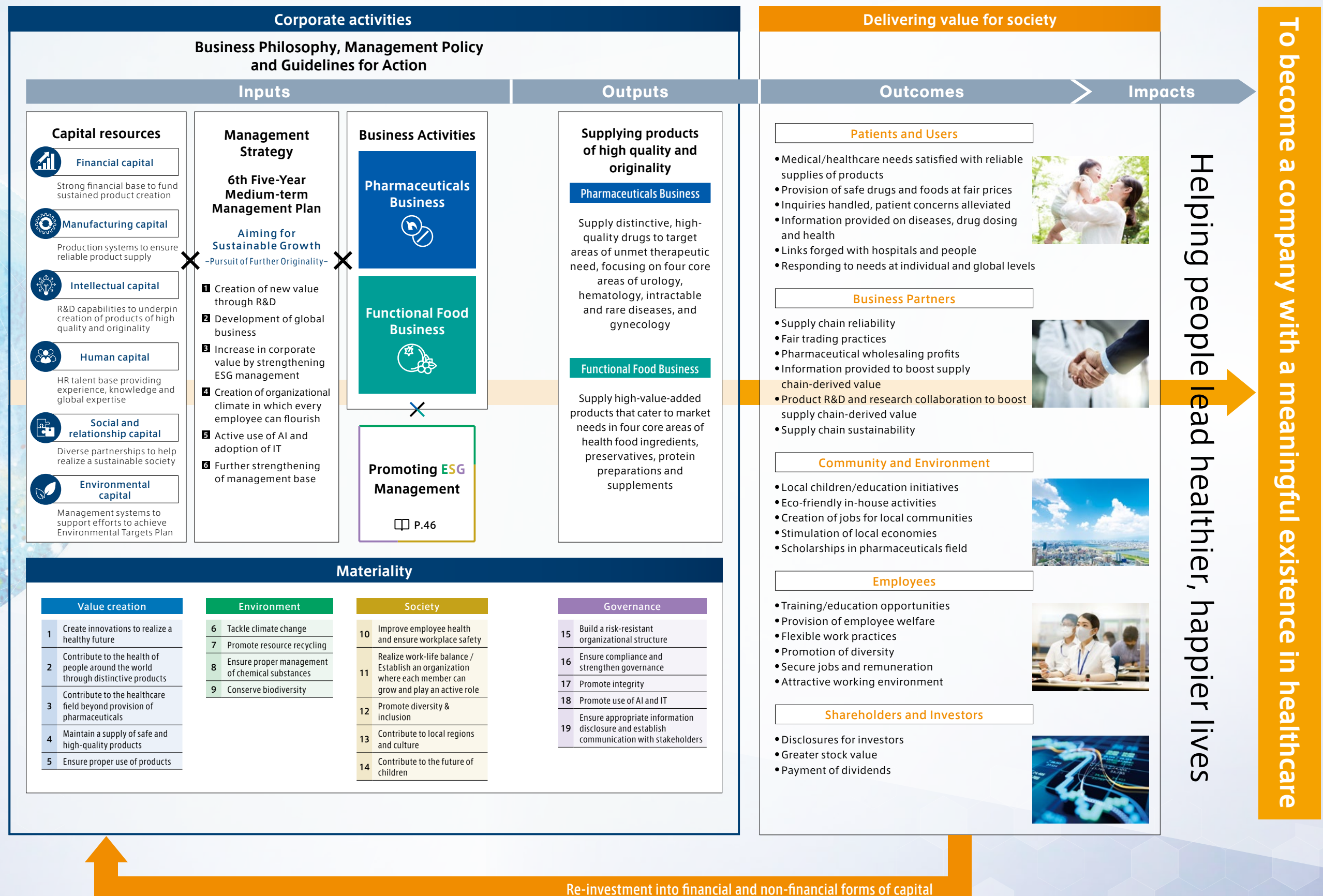
Governance

Number of directors



* Main business locations: Head Office area, Odawara Central Factory, Discovery Research Laboratories in Tsukuba

Nippon Shinyaku's business activities focus on using various forms of capital to address material issues in response to societal trends. By creating value in this way, we aim to help people lead healthier, happier lives to become "a company with a meaningful existence in healthcare."



Materiality

The Nippon Shinyaku Group has designated 19 items as its issues of materiality in pursuing sustainability. To determine these issues, we identified the missions that Nippon Shinyaku should fulfill for our communities and stakeholders in each of the fields of value creation, the environment, society, and governance, and we took into consideration the risks and opportunities that may arise in association with changes in society.

Process for determining materiality issues

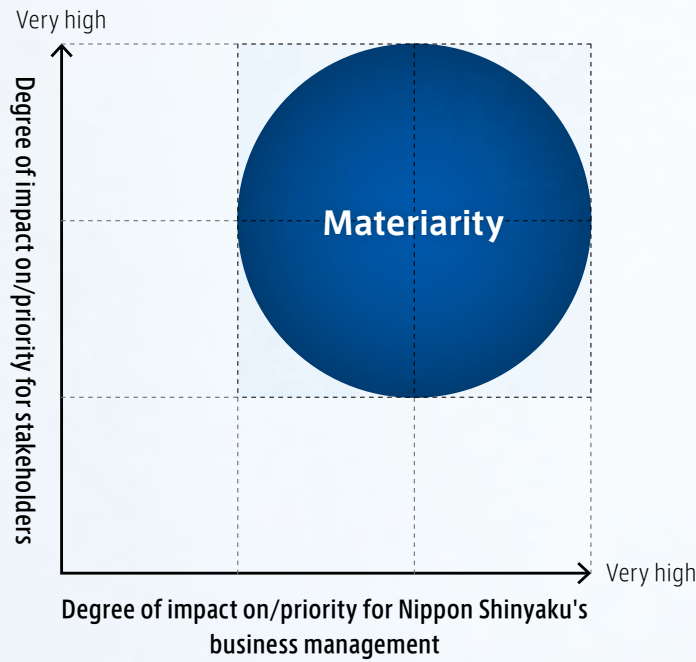
▶ Process 1 Listing issues

Issues of Nippon Shinyaku were listed based on two perspectives as follows:

- Issues that are derived by reference to international guidelines and standards, such as ISO 26000, GRI Standards, and SDGs
- Issues associated with “risks and opportunities” in promoting businesses, which are derived by analysis of social situations, the market environment, and our internal condition

▶ Process 2 Assessing importance of issues

The listed issues were assessed from two perspectives: stakeholders’ perspective (the degree of impact on/priority for activities of each stakeholder) and Nippon Shinyaku’s perspective (the degree of impact on/priority related to business strategies, etc.). The results were mapped on a graph to define the issues of materiality.



▶ Process 3 Formulating plans and obtaining approval

For each of the defined materiality issues, under the initiative of the relevant department in charge of promotion, quantitative and qualitative goals were set, and promotion plans to achieve the goals were formulated.

The goals and plans formulated were reviewed by the CSR Committee and then approved by the Board of Directors. For the goals and plans, the Committee periodically checks their progress in implementation to improve the activities as necessary.











Risks and Opportunities











Determining materiality issues first involves identifying opportunities for growth (such as the development of therapies with new technologies, growth of markets from higher populations, and increasing interest in preventive medicine) and business risks (such as production stoppages due to natural disasters, and rising medical spending). The process also identifies the negative social or environmental impacts from activities throughout the Nippon Shinyaku Group, such as the generation of waste and manufacturing, from the perspective of trying to mitigate such impacts.

	Category	Materiality	Major risks	Major opportunities
Value creation	Health and life	1 Create innovations to realize a healthy future	• Lower value of existing therapies from emerging treatments/ approaches based on new technology • NHI pricing system reforms and other measures to promote generics • Greater competition due to new entrants from other sectors • Lower demand for prescription medicines due to better population health • Responses to stricter guidelines	• Creation of new technologies to satisfy demand for more advanced medicines to treat intractable diseases, COVID-19, etc. • Growth of global market from higher population • Higher demand for health-related products as focus shifts from treatment to prevention • Higher medical/healthcare demand due to older population
		2 Contribute to the health of people around the world through distinctive products		
		3 Contribute to the healthcare field beyond provision of pharmaceuticals		
	Reliability assurance, stable supply	4 Maintain a supply of safe and high-quality products	• Pressure on profit margins due to higher raw material costs • Higher-intensity natural disasters, more diverse business risks • Impact of loss of end-user trust on business activities	• Higher valuation of safe, high-quality products as consumers place premium on safety/quality • Enhanced competitiveness from establishment of traceability
		5 Ensure proper use of products		
Environment	Climate change	6 Tackle climate change	• Climate change-related extreme weather and natural disasters • Impact of supply chain interruptions on production activities • Stricter energy efficiency regulations • Greater capital investment in energy-efficient equipment and renewable energy	• Reduced CO2 emissions and facility operating costs due to climate change actions • Increase in business opportunities • Stakeholder trust generated by climate change actions
	Recycling-oriented society	7 Promote resource recycling	• Environmental degradation from forest fires, plastic pollution in oceans, etc. • Reputational risk from higher waste generation, increased processing costs	• Lower costs due to reduced waste and recycling • Increase in stakeholder trust
	Chemical substances	8 Ensure proper management of chemical substances	• Increased environmental impact due to chemical wastes from business activities • Erosion of trust and brand value • Stricter chemical usage regulations	• Stakeholder trust generated by undertaking risk assessments for chemicals
	Biodiversity	9 Conserve biodiversity	• Biodiversity impacts from business activities • Erosion of trust and brand value	• Greater trust from stakeholders such as local communities and business partners
	Society	10 Improve employee health and ensure workplace safety	• Lower labor productivity due to occupational incidents • Workforce attrition due to workplace conditions not satisfying needs of individuals • Loss of personnel • Competitiveness loss from eroded human capital	• Higher workforce productivity/motivation from employee health maintenance and more diverse work styles • Better personnel retention by Nippon Shinyaku • A desirable place where people enjoy working • Promotion of diversity as a source of innovation
		11 Realize work-life balance / Establish an organization where each member can grow and play an active role		
		12 Promote diversity & inclusion		
Governance	Local communities	13 Contribute to local regions and culture	• Cultural impacts on communities from loss of population • Progressively aging demographics in Japan	• Better local presence due to corporate citizenship • Stakeholder trust generated by children-related support initiatives
		14 Contribute to the future of children		
	Governance	15 Build a risk-resistant organizational structure	• Stricter international legal compliance • Erosion of trust/brand value from cyberattacks, data leaks or other information security issues • Corruption caused by erosion of integrity and compliance mindset • Erosion of stakeholder trust • Loss of business opportunities from delays in introduction of digital technology	• Governance improvements from international cooperation in ESG field • Greater operational stability • Greater trust in company due to cultivation of compliance mindset and business ethics • Development of more techno-literate workforce by improving IT literacy across Group • Trust generated by appropriate disclosures to stakeholders • Sustained improvements in corporate value
		16 Ensure compliance and strengthen governance		
		17 Promote integrity		
		18 Promote use of AI and IT		
		19 Ensure appropriate information disclosure and establish communication with stakeholders		

Materiality

For more details on ESG, please refer to PP.46-71.

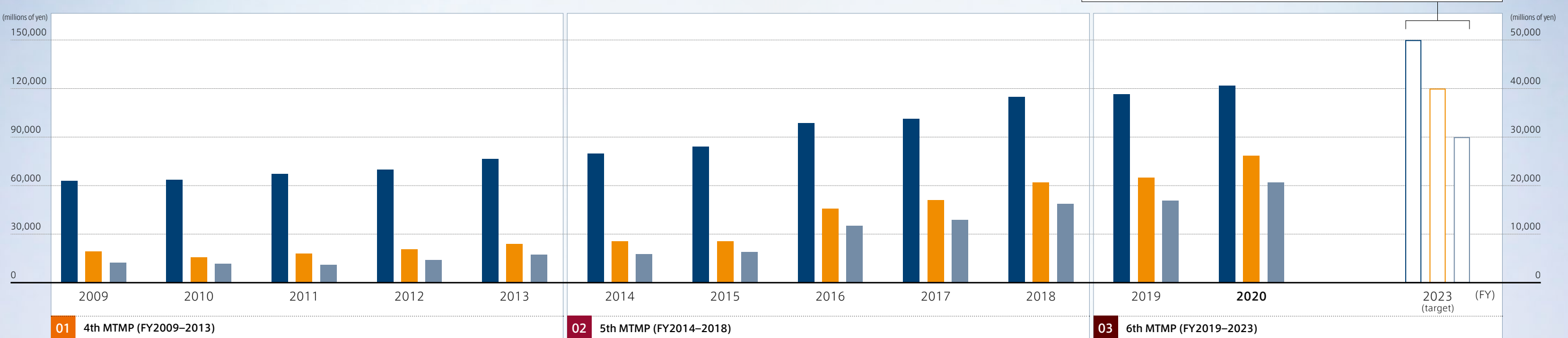
Category		Materiality	Goals	Activities	Related SDGs
Value creation	Health and life	1 Create innovations to realize a healthy future	Creation of therapeutic agents for intractable and rare diseases for which effective treatment methods have not been established	Taking on the challenge of new drug discovery modalities, including gene therapy based on nucleic acid drug discovery technology	<div></div> <div></div> <div></div> <div></div> <div></div>
			Creation of products that contribute to realizing health through food	Regularly launching highly unique healthcare products, materials and milk protein materials into the market to contribute to disease prevention	
			Enhancement of in-house resources to provide a healthy future	Strengthening organizational capacity to respond to changes	
				Strengthening efforts for human resource development in each department	
			Contribution to medical development in the area of intractable and rare diseases	Providing information for medical professionals and familiarizing patients and their families with diseases	
			Contribution to reducing food loss	Contributing to waste reduction by extending the expiration dates by developing a quality stabilizer/preservative that will not impair the taste of food	
		2 Contribute to the health of people around the world through distinctive products	Provision of required therapeutic agents for the world	Expanding businesses in Japan and overseas	
				Building a global sales system to support business expansion	
			Contribution to the health of people around the world through food	Providing highly unique healthcare products and materials for EC malls in Asian countries	
		3 Contribute to the healthcare field beyond provision of pharmaceuticals	Contribution to the science field through research on and development of nucleic acid drugs, etc.	Contributing to the development of related science fields by presenting scientific knowledge through academic papers or academic societies	
				Promoting treatment and medication guidance by digital health	
			Support for individuals' health creation that goes beyond treatment	Raising awareness of new diseases by the Web	
			Enhancement of patient support and advocacy activities	Promoting development and sales of anti-aging care products for the purpose of disease prevention	
		Expanded support for medical and scientific research that contributes to the development of medicine	Promoting social understanding of diseases through provision of accurate information on diseases and treatments		
		4 Maintain a supply of safe and high-quality products	Enhanced reliability assurance system	Strengthening a system that can maintain and manage the supply of safe and high-quality products, including new drugs such as nucleic acid drugs	
	Enhancement of stable supply system with the development of information network throughout the supply chain		Visualizing risks for each item to implement preventive measures		
			Enhancing supplier management to ensure stable procurement and supply		
	5 Ensure proper use of products	Provision of accurate information for proper use of products	Collecting safety information and further promoting integrity in the sales department		
		Response to counterfeit medicines	Operating the Anti-Counterfeit Committee to promote information sharing and implement countermeasures		
Enhancement of capacity to respond to inquiries from medical institutions		Improving business efficiency and customer satisfaction by promoting digital communication			
Environment	6 Tackle climate change	2022 target: 6% reduction in greenhouse gas emissions compared to FY2013 2030 target: 25% reduction in greenhouse gas emissions compared to FY2013	Implementing measures to reduce greenhouse gas emissions	<div></div> <div></div> <div></div> <div></div> <div></div>	
	7 Promote resource recycling	2022 target: 65% of waste plastic recycled	Implementing measures to promote waste plastic recycling		
		2022 target: Recycling rate 55% or higher 70% reduction in final disposal amount compared to FY2005 results	Promoting resource saving, waste reduction and 3Rs		
	8 Ensure proper management of chemical substances	Promotion of proper management of chemical substances	Promoting proper management of chemical substances, including PRTR Law-designated chemicals		
			Continuously reducing emissions to the natural environment		
9 Conserve biodiversity	Promotion of social contribution activities related to conservation of biodiversity	Continuing activities to protect and grow endangered species at the Yamashina Botanical Research Institute			

Category	Materiality	Goals	Activities	Related SDGs
Society	10 Improve employee health and ensure workplace safety	Raised employee awareness of health and productivity management	Enhancing vitality and productivity by maintaining or improving the health of employees	
		Promotion of health and productivity management based on health data analysis 2022 target: Smokers' rate 0%, gynecological consultation rate 70% 2023 target: Rate of employees in BMI normal weight range 75%	Making effective use of health data to understand the health status of employees (improvement or worsening)	
		Implementation of measures to reduce risk of industrial accidents	Further strengthening activities to ensure workplace safety, such as enhancing the industrial accident risk prediction capacity and implementing zero accident campaigns	
		Promotion of health and productivity management based on health investment administration accounting	Establishing a PDCA cycle of "strategy setting," "implementation," "evaluation," and "improvement" for health and productivity management	
	11 Realize work-life balance / Establish an organization where each member can grow and play an active role	Improved employee engagement	Supporting diverse work styles tailored to individual employees Reviewing wages, bonuses, evaluations, etc. to improve job satisfaction	      
		Promotion of human resource development efforts to foster an organizational culture in which each individual can play an active role	Developing self-independent human resources and global human resources who are motivated to grow	
		Development of a personnel system to promote Nippon Shinyaku's new working style	Promoting various work styles, such as flexitime and teleworking, and reviewing operations using ICT	
		Optimization of work hours by instilling Nippon Shinyaku's new working style	Promoting various work styles, such as flexitime and teleworking, and reducing business hours using ICT	
		Promotion and instillation of Nippon Shinyaku's new working style	Revising personnel systems and operation thereof to realize a company that is friendly to and satisfying for workers	
	12 Promote diversity & inclusion	Jobs created, secured and maintained (jobs created by local employment at overseas subsidiaries)	Promoting recruitment activities in view of diversity and inclusion	
		Promotion of understanding of diversity with the aim of raising awareness of employees	Fostering an organizational culture where "individuals" are respected and their strengths and weaknesses can be frankly pointed out or accepted	
		Greater female participation promoted	Developing a workplace environment where every member can have opportunities to play an active role regardless of gender, and establishing the necessary organizational structure	
		Employment of people with disabilities promoted	Promoting development of job areas available for people with disabilities	
		Creation of an environment that is friendly to all workers and establishment of an organizational structure therefor	Developing a work environment where employees can work with peace of mind without worry about personal circumstances, such as childcare leave, nursing care, or illness	
	Local communities	13 Contribute to local regions and culture	Social contribution activities rooted in each region, including the preservation and maintenance of Kyoto culture Implementing contribution activities for each region	
		14 Contribute to the future of children	Educational support for children, who will bear the future Support for facilities with pediatric patients Supporting children's mental health through offering picture books, etc.	
Governance	15 Build a risk-resistant organizational structure	Enhancement of the risk management system	Examining measures appropriate for current risks each year to improve the system Enhancing privacy protection and information security for customers and employees	
		Establishment of business continuity system, examination of the method for emergency supply chain maintenance	Enhancing the system for stable product supply by promoting risk management of plants and suppliers	
	16 Ensure compliance and strengthen governance	Enhancement of governance functions	Enhancing governance throughout the Company, including subsidiaries	  
		Compliance and prevention of corruption ensured	Fostering compliance awareness and preventing corruption	
	17 Promote integrity	Promotion of integrity	Maintaining fair transactions Fostering high ethical standards	
	18 Promote use of AI and IT	Active utilization of AI and promotion of IT to improve business efficiency	Promoting AI/IT themes throughout the Company Improving company-wide IT literacy, developing IT human resources	
	19 Ensure appropriate information disclosure and establish communication with stakeholders	Enhanced engagement with investors Trust gained from stakeholders	Enhancing IR activities for investors Disclosing information to shareholders/investors, employees, business partners, customers (healthcare professionals/patients and their families), and local communities	

Medium-term Management Plan (MTMP) Overview

Prior to the 6th five-year plan, we have achieved steady growth by formulating and implementing medium-term management plans to cope with changing business conditions and related issues.

■ Net sales (left) ■ Operating income (right) ■ Net income attributable to owners of the parent (right)



► FY2009–2013

01 4th Five-Year Medium-term Management Plan: “Innovation and Growth”

4th MTMP

1 Review

The initiatives during the “Innovation and Growth” five-year plan focused on raising the profile of Nippon Shinyaku to make it “a company with a meaningful existence in the healthcare field.” FY2013 results fell short of initial targets despite greater-than-expected growth from sales of new pharmaceuticals, reflecting the impact on sales of existing mainstay drugs from

the measures to promote generics, plus the impact of deflation-induced price erosion in the Functional Food business. Net sales and profits in FY2013 set new records, however, due to success in developing the R&D pipeline and in building an earnings base less reliant on products that had been NHI-listed for a long time.

2 Results

- Pipeline enhancement from in-house drugs NS-018 (myelofibrosis) and NS-065/NCNP-01 (Duchenne muscular dystrophy) and in-licensed products ACT-064992 (pulmonary arterial hypertension (PAH)), NS-24 (cancer pain/chronic pain), GA101 (CD20-positive follicular lymphoma), LunabeII ULD (dysmenorrhea), and tadalafil
- Investment in detailing based on clear allocation of resources in response to promotion of generics; steady progress with new products

- Expansion of Functional Food business
- Cumulative cost-reduction target of about ¥2.0 billion achieved
- Creation of CASA (CAreer Support Academy) for development support/training; initiatives include Terakoya Academy, training for executives, next-generation leader training, level-specific training, support for MBA/PhD qualifications
- Social contribution initiatives: Children’s Literary Awards, Nippon Shinyaku Kira-Kira Mirai Kodomo Bokin (Children’s Bright Future Fund), Smiles Art Project, Public Service Award for Kyoto Kiwanis

3 Issues for following plan

- Establish clear differentiation with rivals by building base of innovation to achieve sustained growth amid shifts in external conditions such as healthcare spending restrictions and falling birth rates
- Achieve targets through launches of new products and profitability improvements; link qualitative and financial targets

► FY2014–2018

02 5th Five-Year Medium-term Management Plan: “Aiming for New Growth –Pursuit of Originality–”

5th MTMP

1 Review

The focus of the 5th Plan was to establish clear differentiation with rivals based on the pursuit of originality to help develop a business foundation for sustaining new growth. The Pharmaceuticals business was negatively affected by measures to promote generics and fundamental reform of the NHI pricing system, but this was offset by higher-than-expected income from revenues from the licensing of industrial property rights and profit in

co-promotion. Despite slightly-below-target sales in the Functional Food business, operating income and other profit metrics set new records in FY2018 due to development of a stronger earnings base. We broadly achieved the target of launching one product per year, based on the success in enhancing the R&D pipeline through a combination of in-house drug discovery, in-licensing and product life cycle management (PLCM) activities.

2 Results

- Launch of seven products, including Zalutia (urinary disorders caused by benign prostatic hypertrophy) and Upravi (PAH)
- Pipeline enhancement from in-licensing agreements for six compounds, including NS-73 (sinusoidal obstruction syndrome) and NS-32 (iron deficiency anemia)
- Completed clinical trial API manufacturing facility in March 2016; R&D sped up due to faster production of oligonucleotides and other APIs
- New growth drivers from ¥10 billion-plus sales generated by Zalutia and Vidaza (myelodysplastic syndromes)
- Higher profile for Nippon Shinyaku in PAH field from detailing activities linked to launches of Upravi and Opsumit
- Manufacturing plant for highly active solid formulations completed in July 2017

- Manufacturing of Upravi shifted in-house
- Major contribution to growth from launch of Upravi in multiple overseas markets
- NS-065/NCNP-01: preparations made to file U.S. NDA and establish local sales organization
- Significantly higher operating margin achieved in Functional Food business
- Supplement business created within the Functional Food domain, creating base for transformation
- Flextime system introduced for MRs (industry first in Japan)
- Outside specialist personnel recruited
- Recognized as “White 500” firm in Certified Health & Productivity Management Outstanding Organization Program

3 Issues for following plan

- Pursue technological innovation to create new value by supplementing the existing drug discovery base for targeting small molecules and oligonucleotide drugs with new modalities and technologies
- Re-invest profits generated by Upravi in NS-065/NCNP-01 and successor nucleic acid medicines, NS-018, and other drugs, to support accelerated global development

Medium-term Management Plan (MTMP) Overview

►FY2019–2023

03 6th Five-Year Medium-term Management Plan Aiming for Sustainable Growth –Pursuit of Further Originality–

6th Five-Year Medium-term Management Plan

1 Overview

	Plans
1. Creation of new value through R&D	·Pharmaceutical R&D Strategy: Create original value by widening scope of drug discovery through addition of new modalities and technologies to the drug-discovery platform that produced NS-304 (small molecule) and NS-065/NCNP-01 (oligonucleotide) ·Functional Food R&D Strategy: Bring to market continuous stream of highly original products by upgrading R&D capabilities
2. Development of global business	·To supply distinctive products worldwide, build organization completely geared to development of global business from R&D to production, logistics and sales; accelerate pace of development in global operations built up in 5th Five-Year Medium-term Management Plan
3. Increase in corporate value by strengthening ESG management	·Boost enterprise value and achieve sustainable coexistence with society by working to reinforce management based on ESG (Environment, Social, and Governance), primarily reflecting development of new treatments for intractable diseases and the supply of medicines to patients, and development of high-value-added consumer supplements
4. Creation of organizational climate in which every employee can flourish	·Based on the concept that “unique products are the product of unique people,” maintain respect for employee diversity free from discrimination based on gender, nationality or cultural background, and create an organizational climate where every employee can play a significant role and flourish by providing opportunities for individuals to take on challenges and grow
5. Active use of AI and adoption of IT	·Support sustained creation of new value through aggressive adoption of AI, Robotic Process Automation (RPA) and information technologies to allow faster product development, help streamline operations, and boost productivity
6. Further strengthening of management base	·To achieve sustainable growth within a highly unpredictable and fast-changing environment, pursue greater profitability, improve management of costs and make effective use of resources while rebuilding management systems

2 FY2020 results

The COVID-19 pandemic significantly affected the world economy in the fiscal year ended March 2021, creating major social and economic impacts. Challenging conditions prevailed in the pharmaceutical industry due to continued measures aimed at restricting healthcare costs through the promotion of generics and annual revision of NHI reimbursement prices, along with impacts related to the spread of COVID infections. Conditions in the food industry were also harsh despite the rising demand for functional foods with increased health awareness, with demand being affected by sluggish consumer spending due to higher savings rates and COVID-related impacts such as the cancellation of sports events and reduced visitor numbers to Japan.

Under these business conditions, we posted net sales of ¥121,885 million in fiscal 2020, a rise of 4.5% year on year. In pharmaceuticals, we generated growth from higher royalty income on overseas sales of PAH treatment Upravi, and from higher sales and co-promotion revenues for Defitelio, a treatment for sinusoidal obstruction syndrome, the CD20-positive follicular lymphoma treatment Gazyva, Upravi, and other recently introduced products. Other contributors to growth included milestone payments for Upravi and the launch of the Duchenne muscular dystrophy (DMD) treatment Viltepso in Japan in May 2020 and the U.S. in August 2020. Net sales of pharmaceuticals rose 4.8% year on year, to ¥106,478 million.

In functional food, higher sales of protein preparations, preservatives and other products contributed to a 2.8% increase in net sales to ¥15,406 million.

In terms of profits, operating income rose 20.6% to ¥26,134 million due to higher sales and a fall in the cost-of-sales ratio, among other factors. Ordinary income increased 19.2% to ¥26,760 million, and net income attributable to owners of the parent rose 22.7% to ¥20,702 million.

As in the previous fiscal year, we posted growth in sales and profits in the second year of the 6th Plan, representing steady progress towards achieving the FY2023 performance targets.

	FY2020 results	FY2023 target
Net sales	¥121.8 billion	¥150.0 billion
Pharmaceuticals	¥106.4 billion	¥133.0 billion
Functional Food	¥15.4 billion	¥17.0 billion
Operating income	¥26.1 billion	¥40.0 billion
Net income attributable to owners of the parent	¥20.7 billion	¥30.0 billion
EPS	¥307.37	¥445.00
ROE	13.5%	10% or more during term of 6th Plan

3 Progress with plan as of end-FY2020

1. Creation of new value through R&D
In the urology field, co-promotional agreements with Janssen Japan enabled the launch in Japan of two new prostate cancer treatments, Erleada (May 2019) and Zytiga (February 2020). In the field of hematology, we launched Defitelio for the treatment of sinusoidal obstruction syndrome in September 2019, and we also gained regulatory approval in March 2021 for an additional indication for Vidaza of acute myeloid leukemia. We launched the oligonucleotide drug Viltepso for treating DMD in May 2020 in Japan and in August 2020 in the U.S.

2. Development of global business
We continue to steadily expand sales of Upravi in Japan and in overseas markets in collaboration with our global licensee, Johnson & Johnson.

Our local U.S. subsidiary NS Pharma leads the sales activities for Viltepso in the U.S. market, where we are building a base for sustained growth through the launch of successor oligonucleotide drugs and other products. In Europe and China, we are looking to build local sales networks by utilizing in-house resources alongside our alliances with strategic partners.

3. Increase in corporate value by strengthening ESG management
We signed the United Nations Global Compact (UNGC) in January 2020. With the aim of building and maintaining the trust of all our stakeholders worldwide, we are committed to working proactively to address societal issues as a corporate citizen.

In April 2021, we identified 19 aspects of materiality that we consider important in working to realize sustainability. We are disclosing our efforts to address issues related to value creation, the environment, society, and governance.

4. Creation of organizational climate in which every employee can flourish

Since October 2019, we have introduced flextime arrangements* across the company aimed at raising productivity by giving individuals more choice in terms of workstyle. In response to the COVID-19 outbreak, we have created conditions to facilitate smoother operational processes using staggered work times and ICT-based telework. Our plan for the post-COVID workplace is to realize more diverse working styles tailored to individual needs rather than insisting on a return to pre-pandemic norms.

* Except for some areas of production that rely on shift work

5. Active use of AI and adoption of IT

Since fiscal 2019, we have begun utilizing RPA throughout the company to help improve productivity based on higher process efficiency and lower costs. Fixed process automation and other improvements have so far generated

annual savings of around 10,000 hours.

In addition, we have formed project teams to coordinate the introduction of new DX technologies across Nippon Shinyaku and to lead related activity programs. Through the adoption of AI and advanced IT, we are targeting faster product creation, more efficient processes and productivity gains.

6. Further strengthening of management base

We made steady progress in fiscal 2020 by increasing sales and profits as we work to achieve the performance targets in the 6th Five-Year Medium-term Management Plan.

To achieve sustained growth, we are continuing to strengthen our management base by maintaining a consistent focus on efforts to rebuild management systems, utilize management resources effectively, manage costs, and find ways to improve business profitability.

We are working to strengthen the business foundation to support sustained growth.

At Nippon Shinyaku, we aspire to be an R&D-led drug manufacturer supplying distinctive, high-quality pharmaceuticals. We face a low probability of success: it is said only one in every 30,000 compounds ends up as a new drug. It also requires a long time to develop any medicine. It is vital for us to provide timely disclosures and undertake dialogue so stakeholders gain a clear understanding of our R&D pipeline, the business environment, and our business strategy.

Specific IR initiatives include biannual presentations by top management for the benefit of shareholders and institutional investors in May and November. These give an opportunity for direct dialogue. We also hold conference calls to discuss quarterly results in February and August. Separately, the Corporate Planning Dept. and the R&D Administration Dept. collaborate to respond to IR inquiries and explain our R&D pipeline status, financials, and business strategy. Our IR briefings are increasing year after year. In fiscal 2020, we gave briefings to around 180 companies. Going forward, we plan to hold strategy briefings for R&D and other areas, and to upgrade the information provided via our corporate website. Moreover, as society moves towards an ESG-based investment approach as part of achieving sustainable development goals, we are upgrading our ESG-based management approach.

We have already made progress towards achieving the targets set for fiscal 2021, the third year of the 6th five-year plan. Achieving these targets will help us to continue returning profits to shareholders and investors.

In addition, we are upgrading our internal frameworks to support reliable disclosure and the incorporation of feedback from shareholder and investor dialogues into our business management. The aim is for constructive dialogues with shareholders and investors to translate into sustained growth and increases in corporate value over the medium and long term.

We ask for your continued support and understanding.

Takanori Edamitsu
Director
Head of Business Management

