Strategies for Value Creation

Pharmaceuticals

R&D

Fiscal 2020 saw us gain approval for the launch in Japan and the U.S. of Viltepso, a nucleic acid medicine we had developed over many years for treating Duchenne muscular dystrophy (DMD). In fiscal 2021, we will continue to apply the R&D expertise that we have gained in small molecules and nucleic acid medicines, while also focusing on the development of new drug discovery modalities such as gene therapy. The pursuit of innovation will remain the core of our R&D efforts. Besides pipeline development based on a combination of in-house drug discovery, in-licensing and produc life cycle management (PLCM), we will continue to work on overseas development.

Kazuchika Takagaki Director, Head of R&D

Strengths Nippon Shinyaku's excellence in R&D has resulted in products such as the small molecule Uptravi and the nucleic acid medicine Viltepso. We are also focused on developing the capabilities to create a broad range of medicines based on new modalities such as gene therapy. We aim to continue creating new value via such expertise, focusing on four therapeutic areas (urology, hematology, intractable and rare diseases, and gynecology). At the same time, we are developing our global presence to supply medicines to patients worldwide.

Progress of the 6th Five-Year Medium-term Management Plan

FY2020 Overview

Expanding the pipeline in focus therapeutic areas

In November 2020, we applied to the Japanese Ministry of Health, Labour and Welfare (MHLW) for approval for an additional indication of chronic thromboembolic pulmonary hypertension (CTEPH) for Uptravi (code no.: NS-304; generic name: selexipag), a pulmonary arterial hypertension (PAH) treatment launched in 2016. Uptravi was designated as an orphan drug for CTEPH by MHLW. In addition, late-stage Phase II clinical trials and early-stage Phase II clinical trials are under way to add arteriosclerosis obliterans and lumbar spinal stenosis, respectively, to the indications for Uptravi.

Viltepso (code no.: NS-065/NCNP-01; generic name: viltolarsen), a DMD treatment launched in Japan and the U.S. in 2020, was designated as an orphan drug by the European Commission in June 2020. Joint international Phase III clinical trials are also under way for Viltepso.

In March 2021, we obtained MHLW domestic approval for an additional indication of acute myeloid leukemia (AML) for Vidaza for Injection 100 mg (generic name: azacitidine), a myelodysplastic syndrome treatment launched in March 2011.

For NS-32, an iron deficiency anemia treatment in-licensed from Pharmacosmos A/S in 2016, we completed Phase III clinical trials in Japan and applied for approval in March 2021.

In March 2021, we also entered into an exclusive license agreement with the Menarini Group (headquarters: Florence, Italy) for the development and commercialization of tagraxofusp, a treatment for blastic plasmacytoid dendritic cell neoplasm (BPDCN), in Japan.

FY2021 Strategies

Aiming to further expand the pipeline and establish a new foundation for growth

We will accelerate the development of our in-house products, including another DMD treatment (exon 44) after Viltepso and a myelofibrosis treatment (NS-018). We also aim to launch in-licensed products—an iron deficiency anemia treatment (NS-32) and an intractable epilepsy treatment (ZX008)—onto the market as early as possible and expand the pipeline by promoting PLCM for Uptravi (NS-304).

With recently growing public attention on new drug discovery modalities, such as gene therapy and regenerative medicine, it has been becoming difficult to survive the development competition only with conventional drug discovery approaches. We will broaden our possibilities for drug discovery by readily trying new drug discovery modalities and establish a foundation for growth by further pursuing originality.

Value creation initiatives
–strengthening internal resources to help realize a healthy future

Initiatives to flesh out drug pipeline and create new platform for growth

1. Selecting optimal modalities for drug discovery

In recent years in the field of drug discovery research, advances in nucleic acid therapeutics and molecular biology have led to increased use of new drug discovery modalities. Nippon Shinyaku has focused on the development of both small molecule drugs and nucleic acid therapeutics, bringing examples of each to market, and now is also working on gene therapies. To assist in our endeavors, we have strengthened ties with academic institutions and other external parties, analyzing the attributes and future potential of various drug discovery modalities, and selecting the modalities we consider optimal for specific diseases and mechanisms. We have also provided employees with education and training in the use of these new drug discovery modalities and conducted strategic planning surrounding drug discovery themes.

2. Promoting PCLM strategies

Due in part to depletion of drug discovery targets, the cost and duration of new drug development continues to increase, adding to the difficulty of drug discovery each year. The external environment is changing dramatically also, as exemplified by the start of annual revisions to NHI drug prices. Against this backdrop, pharmaceutical companies are finding it ever more important to secure profitability via initiatives to maximize product value. Nippon Shinyaku practices PLCM to enhance the value of existing products such as Uptravi by proactively adding new indications and dosage forms. We also engage in strategic PLCM planning for drug candidates still in development, based on these compounds' distinguishing features.

Pipeline (As of August 10, 2021)

Japan

Code No. (generic name)	Development phase	Therapeutic field	Indications	Origin	Development
NS-065/NCNP-01 (Viltolarsen)	Launched PⅢ	Intractable disease/ orphan disease	Duchenne muscular dystrophy	Co-development: National Center of Neurology and Psychiatry	Nippon Shinyaku
NS-304 (Selexipag)	NDA filing		Chronic thromboembolic pulmonary hypertension	Nippon Shinyaku	Co-development: Janssen Pharmaceutical K.K.
NS-32 (Ferric derisomaltose)	NDA filing	Gynecology	Iron deficiency anemia	Licensed-in from: Pharmacosmos A/S	Nippon Shinyaku
ZX008	PⅢ	Intractable disease/orphan disease	Dravet syndrome/ Lennox-Gastaut syndrome	Licensed-in from: Zogenix, Inc.	Zogenix, Inc.
NS-304 (Selexipag)	PⅡ	Cardiovascular	Arteriosclerosis obliterans	Nippon Shinyaku	Nippon Shinyaku
	PⅡ	Orthopedics	Lumbar spinal stenosis	Nippon Shinyaku	Nippon Shinyaku
	PⅡ	Cardiovascular	Pediatric pulmonary arterial hypertension	Nippon Shinyaku	Nippon Shinyaku
NS-580	PⅡ	Gynecology	Endometriosis	Nippon Shinyaku	Nippon Shinyaku
NS-87	PⅠ/Ⅱ	Hematologic malignancies	Secondary acute myeloid leukemia	Licensed-in from: Jazz Pharmaceuticals PLC	Nippon Shinyaku
NS-229	PⅠ	Inflammatory diseases	Inflammatory diseases	Nippon Shinyaku	Nippon Shinyaku
NS-917	Preparation for PⅠ	Hematologic malignancies	Relapsed/refractory acute myeloid leukemia	Licensed-in from: Delta-Fly Pharma, Inc.	Nippon Shinyaku
NS-401 (tagraxofusp)	Preparation for development		Blastic plasmacytoid dendritic cell neoplasm	Licensed-in from: The Menarini Group	Nippon Shinyaku

Overseas

Code No. (generic name)	Development phase	Therapeutic field	Indications	Origin	Development
NS-065/NCNP-01 (Viltolarsen)	Launched PⅢ	Intractable disease/ orphan disease	Duchenne muscular dystrophy	Co-development: National Center of Neurology and Psychiatry	Nippon Shinyaku
NS-304 (Selexipag)	PⅢ		Chronic thromboembolic pulmonary hypertension	Nippon Shinyaku	Licensed-out to: Johnson & Johnson
NS-018 (ilginatinib)	Preparation for PⅡ	Hematologic malignancies	Myelofibrosis	Nippon Shinyaku	Nippon Shinyaku

Strategies for Value Creation

Pharmaceuticals

Sales

The mission of the Sales and Marketing Division is to support patient well-being based on supplying medicines as well as providing medical professionals with high-quality information on appropriate disease treatments.

Rather than being buffeted by changes in the external environment, we are focused on developing human resources to forge our own path. By clarifying the role of each employee and working together as a team, the Sales and Marketing Division aims to maintain the position of Nippon Shinyaku as a trusted partner for medical professionals.

Shouzou Sano Managing Director, Head of Sales and Marketing

Strengths

Since introducing our system of internal examinations in 2013, we have developed our Specialist MR corps with advanced detailing expertise in the areas of arterial hypertension and hematology. With more products targeting specialized domains such as cancer and rare diseases, Nippon Shinyaku's MR culture is based firmly on continued education to support detailing activities. To improve quality further, we have a broad range of training programs for our sales and marketing personnel. In other moves aimed at cultivating a good environment within the division, we have instituted a team-based system, and have also created opportunities for employees to share knowledge easily.

Progress of the 6th Five-Year Medium-term Management Plan

FY2020 Overview

Establishing a high-quality detailing system suitable for the new normal

In FY2020, in response to the COVID-19 pandemic, we shifted the focus of our detailing activities from conventional face-to-face communication to online communication, or e-detailing. To conform to this dramatic shift, we built a system to provide the same high-quality communication as in previous years by not only improving our digital content but also devoting efforts to developing the digital capabilities of our human resources. We also established a mechanism for promptly providing information to medical professionals by enhancing communication both through MRs and through digital channels. In the area of pulmonary hypertension, Nippon Shinyaku is the only company in the world that provides three oral treatments for pulmonary arterial hypertension (PAH) with different mechanisms of action—Uptravi, Opsumit, and Adcirca. As a leading company in this area, we contribute to medical treatment and the improvement of healthcare systems.

In the area of pediatrics and neurology, we launched Viltepso, a treatment for Duchenne muscular dystrophy (DMD), in May 2020.

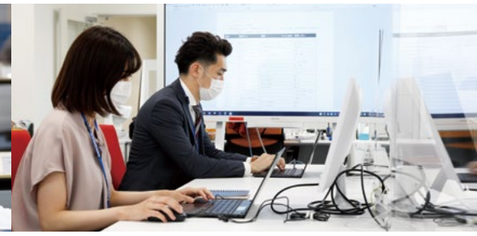
Since there had been no treatment for the disease before Viltepso was launched, we are deeply committed to detailing activities concerning the new treatment so that it will reach patients as soon as possible.

In the areas of hematology and urology as well, our sustained detailing activities have been highly rated by medical professionals, making these areas major pillars of our business performance.

FY2021 Strategies

Contributing to regional healthcare and the well-being of patients by following area marketing plans

In FY2021, we reorganized our academic organization into a Product Marketing Department. This department plays a leading role not only in offering first-class training to MRs and helping them increase their knowledge of the therapeutic areas the Company focuses on, but also in creating and implementing area marketing plans based on objective data. The digital shift in MR activities, represented by e-detailing, has widely expanded the field for the activities of Product Marketing Department staff. Detailing activities through digital channels will become more important in the future, but we place the same level of importance on conducting high-quality real-life detailing activities. This means that we are committed to enhancing the quality of MRs' detailing activities and establishing a system for promptly fulfilling the needs of medical professionals. To achieve this, MRs and Product Marketing Department staff will work together to accomplish their mission in Sales to help patients gain access to proper therapies as quickly as possible.



Value Creation Initiatives

Contributing to the treatment of patients

Nippon Shinyaku is committed to contributing to patients suffering from rare diseases. In the field of pediatric neurology, Viltepso launched in May 2020 upon its NHI price listing as a treatment for Duchenne muscular dystrophy (DMD). Previously, only steroids had demonstrated any effectiveness in slowing the progress of this disease, giving rise to a significant unmet treatment need for DMD.

In the area of pulmonary arterial hypertension (PAH), Nippon Shinyaku offers three oral agents with different mechanisms of action: Uptravi, Adcirca, and Opsumit. PAH is a rare disease thought to affect only one or two people in every million, and the prognosis is poor, as without medical intervention the median survival time after diagnosis is 2.8 years. There had been a dearth of treatments for PAH, but in recent years several innovative new drugs have launched, including the three offered by Nippon Shinyaku. As a result, the survival profile of PAH patients looks to be improving.

To ensure that our valuable products assist as many patients as possible and without delay, we think it important that suspected sufferers are identified in a timely fashion so that they can be referred to specialist institutions to receive the appropriate treatment. We have introduced a variety of initiatives to support the well-being of both patients and their families.

■ Contributing to DMD patients

Nippon Shinyaku is taking steps to raise awareness of this disease and its treatments, not only among specialists in the field of pediatric neurology, but also among non-specialists engaged in daily pediatric practice. By conducting activities to foster awareness among both patients and medical professionals, we aim to ensure the timely delivery of medications to patients battling DMD.

Nippon Shinyaku also disseminates information on DMD to patients and ordinary consumers via "DMD wo Shiru" (Know DMD), a disease awareness website for DMD patients; the "HelC+ Hospital Search – Duchenne Muscular Dystrophy" website providing information on medical institutions; and "Moshikashite NMD" (Could this be NMD?), a website jointly established by three companies selling medications for neuromuscular diseases. In addition to setting up these websites, Nippon Shinyaku also runs advertisements in newspapers, creating opportunities for conveying the words of specialists to a wide audience of regular consumers, to instill in them a deeper understanding of DMD and its treatments. We believe that promoting broader awareness of the disease, especially among parents with young children, will aid in timely diagnosis, and by extension, appropriate treatment.

■ Contributing to pulmonary hypertension patients

In order to raise awareness of pulmonary hypertension (PH) among non-specialist physicians, Nippon Shinyaku utilizes an array of digital content such as company websites dedicated to the subject, e-detailing and webinars. To help ensure that patients go on to receive appropriate treatment, we offer lectures around the nation that provide a forum for non-specialist physicians to communicate with those specializing in the PH field.

Among patient-oriented initiatives, we run two dedicated websites, "Pulmonary Hypertension Treatment Support" and "Did You Know That Shortness of Breath and PH are Complications of Scleroderma," providing information on the disease itself and its symptoms, as well as testing, treatment, and assistance schemes. We have also launched a smartphone app, "PAH Care Notebook," that can be used to record daily symptoms and medications, digitizing this information for patients to review in graph and report form and use as a tool for communicating with medical professionals. The app also reminds patients not to forget their medications and can refer patients to the "Pulmonary Hypertension Treatment Support" website if they have concerns, for example about side effects. In this manner, we strive to afford PH patients peace of mind about their treatment.

Strategies for Value Creation

Pharmaceuticals

Resource Procurement, Production & Assurance

In fiscal 2020, we achieved most of the Year 2 targets contained in the 6th Five-Year Medium-term Management Plan. Completion of the global supply chain to support in-house sales of Viltepso in the U.S., including quality assurance systems, was a major step forward as we work to develop other overseas markets in Europe and China going forward.

Separately, we are managing progress toward achieving material improvements in sustainability by 2030. Addressing the specific issues identified in the plan, we see our mission as the development of a global supply chain built on world-class reliability and quality assurance systems to provide high-quality pharmaceuticals for the benefit of patients worldwide.

Hitomi Kimura Director, Head of Resource Procurement, Production & Assurance

Strengths The advent of in-house sales in the U.S. has magnified the importance of overseas markets. We are responding by upgrading EHS*1 programs at the Odawara Central Factory as part of efforts to accommodate the shift toward products for specialized domains such as cancer and rare diseases. Within efforts to develop supply and QA capabilities to support our global supply chain, we are also working to ensure our logistics processes for transportation and storage of pharmaceuticals are compliant with GDP*2 guidelines.

*1. EHS: Environment, Health & Safety *2. GDP: Good Distribution Practice

Progress of the 6th Five-Year Medium-term Management Plan

FY2020 Overview

Accelerating our efforts to further enhance our global supply system and increase productivity in response to the launch of Viltepso in the U.S.

In FY2020, we established global supply and reliability assurance systems in response to the launch of Viltepso for sale in the U.S.

Specifically, we made various preparations, including validating transportation and packaging and establishing the procedures for operations with various subcontractors, quality assurance in the U.S., change management, and pharmacovigilance.

In addition, we strengthened our system for stable product supply by newly installing refrigerated storage exclusively for the active ingredients of oligonucleotide therapies in the Odawara Central Factory in line with the BCP.*3 At the factory, we have also been conducting gap analysis, including mock inspections, in preparation for commencement of global operations. Furthermore, we have begun detailed discussions about new investments related to oligonucleotide therapies, with a view to other therapies following Viltepso.

In terms of distribution, we established a global supply system and adopted various measures to meet the Good Distribution Practice (GDP) Guidelines for Pharmaceuticals, including establishing an appropriate organizational structure, relocating our distribution warehouses, and producing a procedure manual.

Just as in FY2019, we devoted efforts to strengthening our system for stable product supply and further promoting streamlined operations and low-cost management. For these purposes, we defined new standards for risk assessment in our supply chain and cut the cost of procuring ingredients of our focus products.

*3. BCP: Business continuity plan

FY2021 Strategies

Devoting efforts to strengthening our global supply system and responding to the diversification of specialties and drug modalities

Against the backdrop of the growing importance of expansion into overseas markets, we are striving to strengthen our global supply system to adapt to European, Chinese, and emerging markets by leveraging as a foothold the supply and reliability assurance systems that we established in preparation for the start of in-house local sales in the U.S.

We are also actively facilitating the use of the Odawara Central Factory to respond to the market shift to specialties and the diversification of drug modalities. Specific measures include utilizing the manufacturing plant for highly active solid formulations in product life cycle management (PLCM) for Uptravi (code no.: NS-304; generic name: selexipag), a pulmonary arterial hypertension (PAH) treatment, discussing new investments concerning oligonucleotide therapies, and responding to overseas inspections in preparation for the launch of relevant products. Moreover, we are striving to streamline our manufacturing process in anticipation of a future decline in the working population by robotizing production facilities at our factory and introducing AI and factory automation technologies.

We will also make sustained cost management efforts, including cutting procurement and distribution costs, to contribute to the generation of profits.

Value Creation Initiatives

Quality assurance and supply stability

Ensuring reliability from R&D to manufacturing and marketing

Based on our policy commitment to supply safe, high-quality products, the Regulatory Affairs, Safety Management and Quality Assurance Division leads efforts to ensure the quality, efficacy and safety of the pharmaceuticals we supply.

We file applications for manufacturing and marketing approval using the data gained from the preclinical and clinical studies conducted at the R&D stage. The division audits filing submissions at the appropriate stage to ensure the reliability of data from all R&D studies.

Once manufacturing and marketing approval is gained, work continues to ensure full compliance with the terms of approval via close cooperation between the general marketing supervisor, QA manager and safety manager. We seek to fulfill our responsibilities to the market by ensuring regulatory compliance and the proper maintenance and management of manufacturing and marketing licenses to guarantee product quality and safety.

Quality assurance for pharmaceuticals

R&D stage	
Preclinical studies	Clinical trials
Test data reliability based on GLP and reliability standards	Trial data reliability based on GCP

↓

Manufacturing/ marketing stages		
Quality control	Safety management	Management of approvals/ licenses
QC based on GMP/GQP	Safety management based on GVP	Maintenance/ management of manufacturing/ marketing approvals and licenses

Pharmaceutical risk management initiatives

Risk management for Nippon Shinyaku products is based on the use of a Risk Management Plan (RMP)*4. The aim is to ensure pharmaceutical safety at the post-marketing stage by using the RMP to evaluate the benefits and risks across all stages from R&D to post-marketing and institute required safety measures in line with results of analyses. The RMPs are published on the websites of the Pharmaceuticals and Medical Devices Agency (PMDA) and Nippon Shinyaku.

Our Safety Management Department prepares manuals to support those with responsibility for RMP execution. We are also developing systems to enable borderless Group cooperation for RMP processes.

To support global development of drugs such as Viltepso, an oligonucleotide drug for the treatment of Duchenne muscular dystrophy, we are also in the process of establishing a pharmacovigilance system based on global standards as part of ensuring the integrated management of safety-related information.

*4. Risk Management Plan: An RMP defines the critical risks for an individual drug at the post-marketing stage and collates measures taken by the company to mitigate such risks

Building pharmaceutical QA systems

Our pharmaceutical QA systems are continually developed by the Quality Assurance Department in compliance with Good Quality Practice (GQP) and Good Manufacturing Practice (GMP). Management reviews are used to help improve quality systems, product quality and resource allocation. Audits are also used to check compliance with GMP and the terms of regulatory approvals. As we develop our global operations, we are building QA infrastructure to meet the local regulatory requirements; investing in English communication skills; and recruiting and training people with the QA-related knowledge and experience in overseas markets.

Ensuring reliable product supplies

To reinforce the reliability of the entire supply chain, we have instituted criteria to support the dynamic assessment of underlying risks for each product, in line with the international risk management standard ISO 31000. Based on the results of the risk assessment, we prioritize risk mitigation measures according to impact magnitude and consider ways to prevent supply interruptions. On the distribution side, we have set up our logistics based on the Good Distribution Practice (GDP) guidelines for pharmaceuticals. We are also looking at mitigating the risks posed by natural disasters by decentralizing our storage warehouse locations.

We have set up an in-house accreditation system at the Odawara Central Factory for qualifications relating to areas such as management of manufacturing and quality processes. We monitor the skills status of the workforce to ensure critical skills are not lost through retirement, and support multi-skills development by all our employees. The Business Continuity Plan (BCP) supports our preparations for any disaster-related supply issues caused by events such as earthquake, fire, power blackout, flood, or volcanic eruption. We have undertaken seismic reinforcement works and installed fire and flood-proof walls and doors, along with a slanting roof to aid removal of volcanic ash; the site also has its own emergency backup power generation and fuel supply set-up, as well as specially installed emergency exits. Besides investing in hardware, we have also prepared safety manuals and undertake regular emergency training drills. We are also considering making further investments to support reliable supplies of nucleic acid medicines.

Strategies for Value Creation

Functional Food

The Functional Food business aims to help address environmental concerns and societal issues such as food shortages and related waste through our bulk materials and supplement businesses, in the process supplying a stream of new and distinctive products of high quality to help prevent disease and to support improvements in human health.

By cultivating a strong corporate culture to empower individual action, we hope to contribute to lifestyles that are healthier and enriched through food.

Hitoshi Ishizawa Director, Head of Functional Food

Strengths

At the Food Development Laboratories, we leverage the advanced expertise that Nippon Shinyaku has built up as a drug maker to develop new commercial foods of high quality and originality. We also benefit from our pharmaceutical heritage in the expertise we can bring to managing materials, production and product quality.

Developing and selling a broad range of products such as health food ingredients, protein preparations and preservatives, Nippon Shinyaku aspires to contribute to healthier lifestyles through food.

Progress of the 6th Five-Year Medium-term Management Plan

FY2020 Overview

Achieving the FY2020 sales target in the face of restrictions on business activities amid the COVID-19 pandemic

In FY2020, our business activities were severely restricted to prevent the spread of COVID-19. Even amid that situation, we continued our efforts to increase our R&D capabilities as a pharmaceutical manufacturer focusing on the development of new products. Specific measures included promoting joint research with academia (academic research institutions, including universities) and developing an AI-assisted R&D platform.

We also strove to strengthen our quality assurance system to become an organization that is trusted by society. Although the COVID-19 pandemic prevented us from visiting ingredient suppliers outside Japan for local inspections, we instead conducted remote inspections and reviewed and managed the quality control format in cooperation with the suppliers in order to improve our quality assurance system.

In the supplements business, the cancellation and postponement of sports events in various areas had a serious impact on sales of our sports supplements (the WINZONE series). Nevertheless, our follow-up activities with corporate and university teams led to WINZONE users achieving good results in various sports events.

We also strove to win new customers for our aging care supplements, *Mangostia* and *Kioku no Kobako*, through online marketing, resulting in a drastic increase in the number of regular customers.

In the bulk materials business, despite a sharp decline in demand among international tourists to Japan, sales of lacto-protein preparations grew significantly against the background of heightened health awareness among remote workers and a consequent rise in demand for at-home workouts and sports nutrition products, many of which contain lacto-protein.

WINZONE PROTEIN

Mangostia

Kioku no Kobako

FY2021 Strategies

Further accelerating the Functional Food business's shift to greater profitability with both bulk materials and supplements businesses as growth drivers

In the supplements business, we established the Supplement Sales Planning Department in FY2021. In FY2021, with this new organizational structure, we aim to make a giant leap by allocating our management resources to sports supplements, with which we aim to become the most popular brand among athletes, and to aging care supplements, with which we aim to become a pioneer in disease prevention and aging care.

In the bulk materials business, we will further increase our sales by launching new distinctive products according to a well-designed schedule in our main product categories of health food ingredients, preservatives, and protein preparations.

Additionally, we will newly introduce a consumer preference analysis tool and a marketing database to devise more effective sales strategies and maximize the sales of new products as early as possible.

As shown above, we position both supplements and bulk materials businesses as growth drivers for the Functional Food business. We will achieve rapid growth of the supplements business with the aim of further accelerating the Functional Food business's shift to greater profitability.

Value Creation Initiatives

Helping to reduce food waste

With more people living to one hundred years of age, it is important that we can all achieve health and prosperity to enjoy a longer life. Japan's fiscal situation has deteriorated, however, due to lower birth rates and an aging population, and we must look after our own health without relying on public healthcare spending. While pharmaceuticals will continue to play an essential role in treating illness, now is increasingly the time for people to make smart use of functional foods as a way of staying healthy. With many more health-conscious and demand increasing for ways to prevent disease, our aim is to help people to lead a rich and healthy life through food.

The COVID-19 pandemic has brought significant changes to all our lives. The attitudes of consumers towards food is also moving with the times. Recently, we have seen a trend toward thinking about how foods are made and their benefits to health, in addition to taste and nutrition. More consumers want to buy foods with eco-friendly characteristics. There is also a growing desire for consumers to know where and how a product was made, and where the ingredients listed on the label came from. The related concept of 'clean label' foods is a rising worldwide trend. Beyond demanding that foods are safe and healthy, consumers are also showing a strong desire to understand them better. These trends are stimulating the creation and rapid growth of new global markets for products such as meat alternatives, as well as preservative-free foods with more natural ingredients. At Nippon Shinyaku, we take a forward-looking approach to develop foods that help address societal issues such as environmental protection, global food shortages, and food waste. We aim to identify demand trends before they fully emerge, while leveraging the advanced technical expertise we possess as a pharmaceutical company to create new products that will make a positive contribution to people's health through food.

The population of Japan is in long-term decline, with projections it will fall below the 100 million mark by the middle of the century, reaching 99.13 million in 2048. In line with this trend, we expect the food market in Japan to continue shrinking gradually. Elsewhere in Asia, however, notably in China, Vietnam, Thailand and Indonesia, working populations are growing. Markets in these countries will expand rapidly due to the high rates of economic growth and increased numbers of people in higher income groups.

Our overseas sales of functional foods are limited at present because we only have a presence in a few markets such as China, South Korea, and Taiwan. However, we are receiving ever more inquiries from overseas. We aim to develop our global sales set-up so we can supply to people worldwide highly original and valuable healthcare products and materials that we have developed in-house.