

Risks and Opportunities

To grow sustainably, the Nippon Shinyaku Group identifies risks and opportunities by analyzing social conditions, the market environment, and our internal condition. The identified issues are being addressed by the relevant departments, and each department will formulate quantitative and qualitative targets and promotion plans to achieve the targets in order to resolve material issues, enhancing effectiveness.

Process to determine issues of materiality

1 Listing issues
We list issues taken from the risks and opportunities identified through an analysis of international guidelines and standards, social conditions, the market environment, and our internal condition.

2 Assessing the importance of issues
The importance of listed issues is evaluated by mapping them on a two-axis graph—one axis is the degree of impact on/priority for stakeholders and the other axis is the degree of impact on/priority for Nippon Shinyaku's business management.

3 Formulating promotion plans and execution
For each of the issues, the relevant department formulates not only quantitative and qualitative targets, but also plans to achieve those targets. The Sustainability Committee regularly verifies progress in implementing the plans, and if necessary, improvements are made to activities.

Major risks	Major opportunities	Actions	Materialities
<ul style="list-style-type: none"> Lower value of existing therapies from emerging treatments/ approaches based on new technology Scaling down Japan-focused business due to Japan's declining population More intense natural disasters, more diverse business risks Impact of loss of end-user trust on business activities 	<ul style="list-style-type: none"> Creation of novel therapeutic agents using new technologies Higher demand for health-related products as focus shifts from treatment to prevention Discovery of unmet needs based on a patient-centric perspective 	<ul style="list-style-type: none"> Contributing to people's health through the creation of products and services with unique characteristics Maintaining a safe and high-quality supply of products Strengthening patient support and advocacy activities based on patient-centricity Promoting DX 	<p>Realizing a healthy future by creating innovation</p>
<ul style="list-style-type: none"> Loss of personnel Reduced motivation due to lack of psychological safety 	<ul style="list-style-type: none"> Maintenance of employee health, diversification of human resources and work styles, and promotion of productivity and innovation by developing human resources A desirable place where people enjoy working 	<ul style="list-style-type: none"> Creating an environment where each person can grow and play an active role Promoting diversity, equity and inclusion Achieving well-being 	<p>Developing diverse human resources and realizing employee well-being</p>
<ul style="list-style-type: none"> Loss of business opportunities due to delays in addressing healthcare disparities Loss of trust, and impact on business due to the occurrence of human rights issues 	<ul style="list-style-type: none"> Creation of new business opportunities by improving medical facilities through support of patients, and research in the medical and pharmaceutical fields Increased credibility both inside and outside the Company due to consideration of human rights and environmental improvements Stakeholder trust generated by child-related support initiatives 	<ul style="list-style-type: none"> Contributing to the healthcare field beyond the provision of medicines Improving medical access Respecting human rights Contributing to regions and cultures Contributing to the future of children 	<p>Resolving social issues and coexisting with the community</p>
<ul style="list-style-type: none"> Climate change-related extreme weather and natural disasters Reputational risk due to increased waste (improper disposal), increased disposal costs Erosion of trust and brand value due to activities that lack consideration for animal welfare 	<ul style="list-style-type: none"> Reduced CO₂ emissions and facility operating costs due to climate change actions 	<ul style="list-style-type: none"> Climate change countermeasures Promoting resource circulation Conserving biodiversity Contributing to food waste reduction 	<p>Strengthening efforts to protect the global environment</p>
<ul style="list-style-type: none"> Increased international legal compliance. Corruption due to reduced awareness of integrity and compliance Erosion of trust and brand value from cyberattacks, data leaks or other information security issues Decrease in credibility among stakeholders due to inappropriate responses 	<ul style="list-style-type: none"> Greater trust in the Company due to cultivation of compliance mindset and business ethics Trust generated by appropriate disclosures to stakeholders 	<ul style="list-style-type: none"> Promoting integrity Strengthening risk management Appropriate information disclosure 	<p>Strengthening governance</p>

Materialities

In April 2021, we as the Nippon Shinyaku Group determined the mission we should fulfill in service of society and our stakeholders and identified 19 issues of materiality we consider important to resolve social issues and create value. In March 2023, as sustainability was taking on added significance globally, and because the environment

surrounding our businesses had significantly changed, we implemented a review of these issues of materiality. Going forward, in order to respond flexibly to environmental changes, we aim to create sustainable value by continuously reviewing issues of materiality and proceeding with relevant initiatives.

Materialities (Issues of materiality)		Description of Activities	Related SDGs
 <p>Realizing a healthy future by creating innovation</p>	Contributing to people's health through the creation of products and services with unique characteristics	<ul style="list-style-type: none"> Promoting drug discovery utilizing nucleic acid drugs, new modalities, and new targets and methods → P. 35 Promoting drug discovery research and clinical trials based on patient centricity → P. 35 Providing unique healthcare products and health food ingredients to promote health through food → P. 49 Establishing a global sales and supply system to provide pharmaceuticals and functional foods to the world → P. 42 Promoting treatment, diagnosis, medication guidance, and life improvement through the use of digital technologies → P. 45 	 
	Maintaining a safe and high-quality supply of products	<ul style="list-style-type: none"> Strengthening the stable supply system of products through risk management → P. 42 Establishing a mechanism for supplying safe and high-quality products, including new drugs such as nucleic acid drugs → P. 42 	 
	Strengthening patient support and advocacy activities based on patient centricity	<ul style="list-style-type: none"> Providing information to medical institutions and implementing disease awareness-raising activities for patients and their families → P. 41, 45 Promoting social understanding of diseases → P. 41 	
	Promoting DX	<ul style="list-style-type: none"> Promoting our Digital Strategy towards the realization of our Digital Vision 	
 <p>Developing diverse human resources and realizing employee well-being</p>	Creating an environment where each person can grow and play an active role	<ul style="list-style-type: none"> Fostering autonomous human resources and global leaders who are motivated to grow → P. 52 Building a flexible and resilient organization that can respond to change → P. 52 	 
	Promoting diversity, equity and inclusion	<ul style="list-style-type: none"> Fostering a culture that recognizes individuals regardless of factors such as age, gender, values, or disability → P. 56 	 
	Achieving well-being	<ul style="list-style-type: none"> Realizing a workplace that is comfortable and rewarding where psychological safety is ensured → P. 52 Promoting diverse work styles tailored to each individual → P. 52 Maintaining and improving employee health → P. 58 	
 <p>Resolving social issues and coexisting with the community</p>	Contributing to the healthcare field beyond the provision of medicines	<ul style="list-style-type: none"> Disseminating scientific findings through academic papers and conferences for the development of the scientific field → P. 35, 41 Enhancing the public research grant system to support medical and scientific research → P. 68 	
	Improving medical access	<ul style="list-style-type: none"> Implementing an unapproved drug delivery program and expanding the number of approved countries to support patients with intractable and rare diseases → P. 12 	 
	Respecting human rights	<ul style="list-style-type: none"> Implementing due diligence to prevent and mitigate adverse impacts associated with business activities → P. 57 Implementing in-house education and awareness-raising activities to promote understanding of human rights → P. 57 	 
	Contributing to regions and cultures	<ul style="list-style-type: none"> Implementing social contribution activities rooted in each region, including preserving Kyoto culture → P. 68 	
	Contributing to the future of children	<ul style="list-style-type: none"> Providing educational and mental well-being support for children through activities such as sports and reading opportunities → P. 68 Conducting dietary education activities for children in order to foster an interest in food → P. 49 	
 <p>Strengthening efforts to protect the global environment</p>	Climate change countermeasures	<ul style="list-style-type: none"> Promoting greenhouse gas reductions → P. 60 	 
	Promoting resource circulation	<ul style="list-style-type: none"> Promoting recycling of resources (water, waste, etc.) → P. 60 	
	Conserving biodiversity	<ul style="list-style-type: none"> Continuing activities to protect and cultivate endangered species at the Yamashina Botanical Research Institute → P. 60 Promoting animal welfare-friendly initiatives → P. 35 	 
	Contributing to food waste reduction	<ul style="list-style-type: none"> Developing high-quality stable preservatives that do not impair the taste of food, in order to extend shelf life and reduce waste → P. 49 	
 <p>Strengthening governance</p>	Promoting integrity	<ul style="list-style-type: none"> Strengthening governance, including Group companies → P. 70 Enhancing compliance → P. 76 Promoting fair and transparent business → P. 76 	 
	Strengthening risk management	<ul style="list-style-type: none"> Understanding critical risks and strengthening the management and response system for each risk → P. 77 	
	Appropriate information disclosure	<ul style="list-style-type: none"> Strengthening IR activities for investors → P. 66 Implementing information disclosure to stakeholders → P. 66 	