

## Medium-term Management Plan (MTMP)

Since the start of the 4th Five-year Medium-term Management Plan in FY2009, Nippon Shinyaku has provided new and unique products to the market at a pace of over one product on average per year in accordance with “Supply Unique and High-quality Products,” which is one of the elements of our management policy. This has resulted in net sales of approximately double and an operating profit of approximately five times that of FY2009 in FY2022. Going forward, it is conceivable that Nippon Shinyaku will face increasing operational uncertainty due to significant changes in the

business environment, including fundamental reforms to the health care system aimed at enhancing measures to curb medical expenses, technological innovation, and industry restructuring. The Company intends to adapt to the changing external environment and continue to provide unique pharmaceutical products around the world to more patients with unmet treatment needs than ever.

Nippon Shinyaku's Vision

A company with a meaningful existence in the healthcare field

4th Five-Year Medium-term Management Plan FY2009–2013		5th Five-Year Medium-term Management Plan FY2014–2018	
Scenario	“Innovation and Growth”	Scenario	“Aiming for New Growth –Pursuit of Originality–”
Business metrics	<b>FY2013 results</b>	<b>FY2018 results</b>	
	Net sales <b>¥76.5 billion</b> Operating income <b>¥8.0 billion</b> Net income attributable to owners of the parent <b>¥5.7 billion</b>	Net sales <b>¥114.7 billion</b> Operating income <b>¥20.6 billion</b> Net income attributable to owners of the parent <b>¥16.3 billion</b> EPS <b>¥242</b> ROE <b>12.5%</b>	
Main results	<ul style="list-style-type: none"> <li>Expansion of pipelines for in-house drugs</li> <li>Investment in detailing based on clear allocation of resources in response to promotion of generics; steady progress with new products</li> <li>Expansion of Functional Food business</li> <li>Cumulative cost-reduction target of about ¥2.0 billion achieved for 5 years</li> <li>Creation of CASA (CAreer Support Academy) for development support and training</li> <li>Social contribution initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Launch of seven products, including Uptravi for pulmonary arterial hypertension (PAH)</li> <li>Pipeline enhancement through conclusion of in-licensing agreements for six products</li> <li>Greater awareness of Nippon Shinyaku in PAH field</li> <li>Major contribution to growth from the launch of Uptravi in multiple overseas markets</li> <li>Significantly higher operating margin achieved in Functional Food business</li> <li>Flextime system introduced for MRs (industry first in Japan)</li> <li>Outside specialist personnel recruited</li> </ul>	
Tasks for the next MTMP	<ul style="list-style-type: none"> <li>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</li> <li>Achieve targets through launches of new products and profitability improvements; link qualitative and financial targets</li> </ul>	<ul style="list-style-type: none"> <li>Pursue technological innovation to create new value by supplementing the existing drug discovery base for targeting small molecules and nucleic acid drugs with new modalities and technologies</li> <li>Re-invest profits generated by Uptravi in NS-065/NCNP-01 and successor nucleic acid drugs, NS-018, and other drugs, to support accelerated global development</li> </ul>	
Net sales trend			

### “Aiming for Sustainable Growth –Pursuit of Further Originality–”

	FY2022 results	FY2023 Quantitative Targets	
		Targets	CAGR
Revenue	¥144.1 billion	¥150.0 billion	5.5%
Pharmaceuticals	¥121.9 billion	¥133.0 billion	5.8%
Functional Food	¥22.1 billion	¥17.0 billion	3.4%
Operating income	¥30.0 billion	¥40.0 billion	14.2%
Net income attributable to owners of the parent	¥22.8 billion	¥30.0 billion	13.0%
EPS	¥338	¥445	13.0%
ROE	12.1%	10% over the period	

#### Summary

In the 6th Five-year Medium-term Management Plan for FY2019-2023, building on the management base laid in the 5th Medium-term Management Plan, Nippon Shinyaku has promoted **six actions** (see PP. 26-27) to solidify a foundation for sustainable growth.

- 1 Creation of new value through R&D
- 2 Development of global business
- 3 Increase in corporate value by strengthening ESG management
- 4 Creation of organizational climate in which every employee can flourish
- 5 Active use of AI and adoption of IT
- 6 Further strengthening of management base

#### Main results up to FY2022

- Launched Defitelio, a treatment for sinusoidal obstruction syndrome; nucleic acid drug Vilepso, a treatment for Duchenne muscular dystrophy (DMD); Fintepla, a treatment for epileptic seizures associated with Dravet syndrome; and MonoVer, a treatment for iron deficiency anemia
- Started marketing of Vilepso in the U.S., the first product marketed by Nippon Shinyaku itself in the U.S.
- Gained regulatory approval for the additional indication of acute myeloid leukemia for Vidaza, and chronic thromboembolic pulmonary hypertension (CTEPH) for Uptravi
- Established Beijing Nippon Shinyaku Co., Ltd. and Tianjin Nippon Shinyaku Co., Ltd., as bases for the Chinese business
- Opened Innovation Research Partnering (IRP), a drug discovery center in the U.S.
- Started co-promotional activities for the prostate cancer treatments Erleada and Zytiga with Janssen pharmaceuticals K.K.
- Entered into an exclusive partnership for distribution in the U.S. and Japan of a cell therapy developed by Capricor Therapeutics, Inc. for Duchenne muscular dystrophy (code no.: CAP-1002)
- Utilizing the metaverse, held online public seminars and get-together events on the theme of muscular dystrophy, as part of our activities to raise disease awareness
- Declared support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and began information disclosure
- Revised and disclosed the Nippon Shinyaku Group Sustainability Policy, Nippon Shinyaku Group Human Rights Policy, Nippon Shinyaku Sustainable Procurement Policy, and Basic Environmental Policy
- Introduced flextime throughout the Company and continued to make use of telework
- Endorsed the “Challenge Initiatives for 30% of Executives to be Women by 2030” established by the Japan Business Federation in order to promote DE&I
- Established a new Digital Transformation Division to strengthen digitalization, and established and announced a digital vision and digital strategy
- Acquired “DX certification” from the Ministry of Economy, Trade and Industry
- Organized e-sports contests using an eye-controlled application for players with impaired bodily functions

## Medium-term Management Plan (MTMP)

### Six actions—FY2022 results and challenges

#### 1 Creating new value through R&D

##### FY2022 Results

- UCB JAPAN gained marketing approval for ZX008 (a treatment for epileptic seizures associated with Dravet syndrome) in September 2022 and Nippon Shinyaku began distribution in November
- Launched MonoVer (iron deficiency anemia treatment)
- Co-developer Chugai Pharmaceutical Co., Ltd. gained regulatory approval in Japan for the additional indication of chronic lymphocytic leukemia for Gazyva in December 2022
- Entered into an exclusive partnership for distribution in Japan of a cell therapy developed by Capricor Therapeutics, Inc. for the expected indication of Duchenne muscular dystrophy (DMD) (code no.: CAP-1002)

##### Tasks for FY2023

- Promote drug discovery research and expand development pipeline
- Accelerate R&D

##### FY2023 initiatives

- Promote R&D of various pipeline items, in addition to nucleic acid drugs such as NS-089, NS-050, NS-051
- Promote research of new modalities centered on gene therapy
- Promote global in-licensing activity with a flexible and agile scouting system, to continuously create innovative products
- Revise R&D system and make effective use of outside consultants to improve and accelerate R&D activity and productivity

#### 2 Development of global business

##### FY2022 Results

- Promoted preparations to develop Chinese business using local subsidiaries in China as bases
- Strengthened medical and business activities to maximize the value of Viltepso in the U.S. market
- Opened Innovation Research Partnering, a drug discovery center in the U.S.

##### Tasks for FY2023

- Formulate policy for business development outside of the U.S. and China, countries with Nippon Shinyaku bases

##### FY2023 initiatives

- Examine business model for Europe and investigate and promote business expansion in other regions
- Increase visibility of Nippon Shinyaku in the U.S.

#### 3 Increase in corporate value by strengthening ESG management

##### FY2022 Results

- Revised and disclosed the Nippon Shinyaku Group Sustainability Policy
- Disclosed information based on the TCFD recommendations
- Took part in the Japan Climate Initiative
- Became selected as a constituent of the FTSE Blossom Japan Sector Relative Index
- Analyze changes in external and internal environments as well as the demands of society today to revise the Company's issues of materiality

##### Tasks for FY2023

- Promote activities in line with the Sustainability Policy

##### FY2023 initiatives

- Hold an ESG briefing to increase understanding among stakeholders of the Company's efforts related to sustainability
- Aim to acquire SBTi validation to promote the 7th Nippon Shinyaku Environmental Targets Plan (FY2023-2025)
- Promote business activities in line with the issues of materiality to realize sustainable growth

#### 4 Creation of an organizational climate in which each employee can flourish

##### FY2022 Results

- Introduced a second job system with the aim of promoting the acquisition of diverse knowledge and skills by employees and to promote career autonomy and independence
- Introduced an hourly-based paid leave system to promote diverse work styles
- Revised the parental leave system and introduced a partial childcare leave system as part of realizing a supportive workplace environment
- Promoted the development of human resources to support global expansion
- Designated one of the FY2023 Certified Health & Productivity Management Outstanding Organizations "White 500" under the large enterprise category

##### Tasks for FY2023

- Become a company in which people can grow, be supported in their work, and feel rewarded

##### FY2023 initiatives

- Introduce job-based employment
- Launch NS Mind, which demonstrates the behavior, attitude and awareness that employees should aim for, NS Academy, which supports employees' self-directed career formation, and HONKI Juku, which nurtures managers for the next generation

#### 5 Active use of AI and adoption of IT

##### FY2022 Results

- Planned and promoted DX initiative themes for key departments centered on the new Digital Transformation Division established in April
- Received certification from the Ministry of Health, Labour and Welfare for the Company's business adaptation plan for the DX Investment Promotion Tax Incentive
- Promoted efficient business activities through the use of digital technology, increasing target doctors, gaining awareness of candidate cases, and increasing new prescription cases
- Promoted production optimization through the utilization of digital technology at the Odawara Central Factory, including building an appearance defect sorting system for vials using automation and AI for some of the work involved in testing and inspection
- Promoted the digitalization of research departments and established an environment for data-driven drug discovery by introducing AI

##### Tasks for FY2023

- Promote work reform using digital technology

##### FY2023 initiatives

- Promote the use of digital technology to improve productivity, optimize costs, and create new businesses companywide

#### 6 Further strengthening the business foundation

##### FY2022 Results

- Adopted International Financial Reporting Standards (IFRS) starting with the consolidated financial statement in the securities report for the fiscal year ended March 31, 2022 to increase international comparability of financial information
- Promoted managerial accounting with the aim of efficient management by introducing a new budget management system

##### Tasks for FY2023

- Promote management aimed at a highly profitable structure and efficient management

##### FY2023 initiatives

- Promote the formulation of the 7th Medium-term Management Plan