

NEWS RELEASE



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The 7th Five-Year Medium-Term Management Plan "For Global Growth Beyond the Cliff"

Kyoto, Japan, May 27, 2024 – Nippon Shinyaku Co., Ltd. (Nippon Shinyaku; Headquarters, Kyoto; President, Toru Nakai) announced that the outline of the 7th Five-Year Medium-Term Management Plan "For Global Growth Beyond the Cliff" (FY2024 to FY2028), which was started in April, 2024.

In a drastically changing environment, we have been promoting our business activities based on our corporate philosophy of "Helping People Lead Healthier, Happier Lives." During the 6th Five-Year Medium-Term Management Plan "Aiming for Sustainable Growth - Pursuit of Further Originality -" which started in FY2019, we had been taking on challenge of the six actions such as R&D, promotion of global business, etc., to be "a company playing a meaningful role in the global healthcare sector."

As a result, in the pharmaceutical segment, although we did not achieve management targets due to the annual price revision by Ministry of Health, Labour and Welfare (MHLW) of Japan and the COVID-19 pandemic, we established a foundation for global expansion through working on our own marketing in the U.S. In the functional food segment, we promoted management aimed at highly profitable structure and achieved the target. Overall, although we fell short of targets for FY 2023, we continued to achieve sales and profit growth during the 6th Medium-Term Management Plan.

In the 7th Five-Year Medium-Term Management Plan which started in FY2024, we have set Vision for 2035: "A global healthcare company from Kyoto creating various types of new ways of life for each person around the world," and have created a scenario for future growth by overcoming the patent cliff of Uptravi. By resolving issues identified while promoting the six actions of the 6th Five-Year Medium-Term Management Plan, and taking up the challenge of "promoting strengthening the three key themes and strengthening five management foundations" with all employees, we will be fully prepared in FY 2028 to be a company with revenue of 300 billion yen and operating profit of 50 billion yen in FY2030 as well as realize Vision for 2035.

Please see the next pages for the outline of the 7th Five-Year Medium-Term Management Plan, "For Global Growth Beyond the Cliff."

Outline of the 7th Five-Year Medium-Term Management Plan

"For Global Growth Beyond the Cliff"

1. Vision for 2035

Based on our corporate philosophy of "Helping People Lead Healthier, Happier Lives," we have promoted business activities for resolving five issues of materiality to be "a company that supplies unique and high-quality pharmaceuticals that are needed by patients and their families who suffer from diseases for which there are few patients and no established treatments," in other words, "a company playing a meaningful role in the global healthcare sector." This direction of our thoughts will not change significantly in the 7th Five-Year Medium-Term Management Plan.

On the other hand, the business environment surrounding us is expected to continue to change drastically and become more challenging in the future due to such factors as the promotion of the use of generic products and the price revision by MHLW to strengthen policies to reduce medical expenses, advancement of R&D and the emergence of new modalities due to technological advancement of drug discovery, the entry of major companies into the rare disease area, and development of IT digital technologies.

In this environment, to demonstrate playing a meaningful role in society continuously and grow sustainably, it is important that we are more serious about one's life than ever and continue to provide valuable products and services. In addition, a venture spirit of pioneering the future has rooted in Kyoto, where we are, and Kyoto is home to many global companies. With providing values to the world without being bound by existing products and frameworks, we will realize our Vision for 2035: "A global healthcare company from Kyoto creating various types of new ways of life for each person around the world."

2. Overcoming the patent cliff to realize Vision for 2035

Toward realizing Vision for 2035, we will resolve issues of materiality and promote three key themes and strengthening five management foundation for supporting them thorough pharmaceutical business and functional food business to overcome Uptravi's patent cliff.

(1) Three key themes

① Fostering growth drivers to replace Uptravi

As growth drivers during the 7th Medium-Term Management Plan, we will launch various DMD products globally, new hematologic cancer products in Japan and lifecycle management of approved drug products, and achieve early market penetration.

② Expanding global development

In the U.S. and China, where we have already run by our own marketing, we will strengthen the product line-up. In addition, we will expand marketing areas to Europe such as U.K., Germany and France as well as other regions, by various means including M&A.

③ Continuous pipeline expansion

We will continue to expand our pipeline by In-licensing clinical trial stage products and strengthen in-house drug discovery through open innovation and AI drug discovery.

(2) Strengthening five management foundations supporting three key themes

① Promote sustainability management for realizing a sustainable society

We will promote initiatives to resolve issues of materiality such as environmental, social, and governance issues, and promote information disclosure to be recognized as an attractive company.

② Speeding up R&D

We will speed up R&D by flexibly changing the global development system according to the pipeline and strengthening the response to regulatory authorities in each country.

③ Promoting human capital management that allows each employee to grow and diverse human resources to play an active role

We will become a small but unique team by various human capital measures including acquisition and development of human resources supporting global expansion or promoting company-wide DX as well as placing the right employee in the right position.

④ Business process reengineering and productivity improvement by promoting digitalization

We will improve productivity by developing a data utilization infrastructure and reengineering data-driven business processes.

⑤ Financial strategy for sustainable growth

With developing capital allocation that indicates that we will secure the necessary funds and use the cash on hand for future growth, we will make the strategic investments necessary for sustainable growth while ensuring financial soundness.

3. Targets in FY2028

By promoting the "Three key themes and strengthening five management foundations," we aim to achieve revenue of 230 billion yen and operating profit of 30 billion yen in FY2028, and we will establish a management system to become a company with revenue of 300 billion yen and operating profit of 50 billion yen in FY2030.

(Consolidated basis)	Targets in FY2028
Revenue	230 billion yen
Operating profit	30 billion yen
EPS ^{*1}	341 yen
ROE ^{*2}	8% or more
ROIC ^{*3}	9% or more

*1: EPS Earnings per Share

*2: ROE Return on Equity

*3: ROIC Return on Invested Capital

4. Capital allocation

Cumulative R&D expenses for the five-year period (from FY2024 to FY2028) are expected to total 190 billion yen (annual average of 38 billion yen). Capital investment for such initiatives as the construction of a new research building to respond new technologies and create innovations, and the active utilization of AI, IoT or RPA making current business process more efficiently is assumed to total 38 billion yen. Growth investment including but not being limited to M&A and in-licensing is assumed to up to 100 billion yen. Total dividends are assumed to 42 billion yen.

5. Shareholder return

To return profits to shareholders, our policy is to maintain stable dividend payments while taking into consideration DOE (Dividend on Equity) ratio.

Safe Harbor Statement

The statements made in this press release contain forward-looking statements based on management's assumption and beliefs in light of information available as of the day of this release, which involve both known and unknown risks and uncertainties. Therefore, they are not guarantee of future implementation of numerical targets and plans, and actual results may differ materially from those contained in this release due to number of factors. This English press release was translated from the original Japanese version. In the event of any inconsistency between the Japanese original and the English translation, the former shall prevail.

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