Nippon Chemiphar Co., Ltd.

CORPORATE REPORT 2024

Paralym Art®

Business Philosophy

The goal of the Nippon Chemiphar Group is to make a difference in society by providing pharmaceutical drugs and health-related services to help people become and remain healthy.

Nippon Chemiphar has operated as a pharmaceutical company since its founding in 1950.

Throughout the years, we have consistently developed, manufactured, and sold distinctive, original pharmaceutical formulations. Since the year 2000, we have made generics a pillar of our business and conducted related development, manufacturing, and sales operations in-house.

We have taken on the challenges of diagnostic products that contribute to speedy diagnoses, as well as drug discovery and development which are involved in the multifaceted deployment that leverages our expertise in alkalization therapy that we have cultivated over many years.

NIPPON CHEMIPHAR CORPORATE REPORT 2024

Contents

◆ Scope of Report

This report contains information regarding the Nippon Chemiphar Group's business strategy, financial situation, and corporate social responsibility-related activities.

- Reporting period: FY2023 (April 1, 2023–March 31, 2024)
- Reporting companies: Nippon Chemiphar Co., Ltd. and its Group companies

• Note Regarding Forward-looking Statements

Statements made in this corporate report with respect to current plans, estimates, strategies and beliefs, and other statements of Nippon Chemiphar are forecasts for the Company's future performance. These forecasts are based on information currently available to management. Consequently, they are subject to known and unknown risks and uncertainties and may differ significantly from actual results. Items that may influence forward-looking statements and forecasts include changes in the economy, changes in the business and competitive environment for Nippon Chemiphar's business, revisions to the Pharmaceutical Affairs Law and related legislation, and other items not limited to the above.

Cover painting

Provided by Paralym Art,* an association that assists artists with disabilities to achieve economic independence by supporting their business.

Paralym Art®

Title of work: "Move forward, move forward, let's all fly together"

The artist Mika Kamijo was born in Nagano Prefecture. In 1995, her anosteic dysplasia (an extremely rare autosomal recessive genetic disorder suffered by only five people worldwide) worsened and she was hospitalized. While bedridden, she began drawing pictures with the hospital staff.

This work represents an image of flying ahead like a bird, come what may, against a background in the colors of the SDGs.

* A welfare service for people with disabilities or intractable diseases who, due to reasons associated with age or physical strength, have difficulty working at companies or other conventional places of business. Through this support, individuals can receive training involving light work or other forms of employment.

At a Glance

Time since Company founding

74 years

(listed on the TSE in 1971)

Number of employees

887 persons

(as of March 31, 2024)

Number of generic drugs available

220 products

(as of March 31, 2024)

Percentage of female managers

12.2 %

(Non-consolidated, as of April 1, 2024)

Rate of childcare leave taken[2]

110.0 %*

(men: 116.7%, women: 100%.
Calculated on an annual basis; as of March 31, 2024.)

Net sales

¥30.7 billion

(FY2023)

Manufacturing bases

Japan: 2
overseas: 1

Domestic installation of DropScreen

Over 1,000 units

(as of March 31, 2024)

Percentage of outside directors

37.5 %

(three of eight directors, as of March 31, 2024)

Rate of paid leave taken

60.4 %

(FY2023)

* Based on the provisions of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Law No. 76, 1991), the percentage of child care leave taken is calculated in accordance with Article 71-4-1 of the Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Ministry of Labor Ordinance No. 25, 1991).

History of value creation

Over the past 74 years, Nippon Chemiphar has remained true to the time-honored traditions it developed as a result of its business activities. Keeping pace with the times, we have undertaken evolution as necessary, and spared no effort in taking on new challenges.

We will continue to contribute to medical care through our generics, diagnostics, as well as new drugs. By continuing to take on new challenges, we will increase the value of the Group.

Main product developments and business strategies

1951

Manufacture and market our products, Nalpyrin and Nalbron (injectable solutions, pain relievers, and antipyretics for use by doctors).

1957

Begin marketing imported drugs.

1958

Launch sales of Donpyline tablets (therapeutic agent for neuralgia and rheumatism), manufactured in-house.

1976

Expand into the clinical diagnostics business, in anticipation of the increasing importance of pre-medication clinical tests in the future.

1983

Advance into the cosmetics and health food fields.

1988

The need for urinary alkalinization is recognized in response to increased complications in patients with gout and hyperuricemia due to changes in living conditions. Launch alkalizing agent Uralyt-U.

1993

Launch Soleton tablets (an analgesic/anti-inflammatory agent) developed in-house. The product has few side effects.

1995

Market Calvan tablets (for hypertension).

2000

Full-scale entry into the generic drug business. Change business policy from being a new drug manufacturer to a manufacturer that handles both new drugs and generic drugs.

2001

Launch allergy-specific IgE measurement device DiaPack 2000 and dedicated measurement reagent IgE NC.

2003

Launch Pravastan, the first in-house developed generic drug.

2005

License out NC-2400 (lipid metabolism improving agent) to Cerenis.

2007

We decide to divide our growth prospects into three principal goals as part of our long-term strategy. The themes, including generic drugs and new drug discovery and development, represent three stages that cover differing areas of business and timescales.

2020

Launch DropScreen, an allergy screening test kit. It allows 41 items to be measured with a single drop of blood. Of compact design, the kit occupies a space about the size of an A3 (29.7 cm × 42 cm) sheet of paper, allowing it to be used for in-hospital allergy testing.

Measuring device A-1

Specific IgE measuring kit ST-1

Sign a licensing agreement with Delta-Fly Pharma for DFP-17729, a cancer microenvironment improving agent. Support development at Delta-Fly Pharma with our expertise in alkalinization.

2021

Sign a joint development agreement and option agreement for NC-2800 with Sumitomo Pharma. NC-2800 is a compound discovered at Nippon Chemiphar's drug discovery research laboratories. It has the potential to become a revolutionary antidepressant/antianxiety drug with superior efficacy and safety.

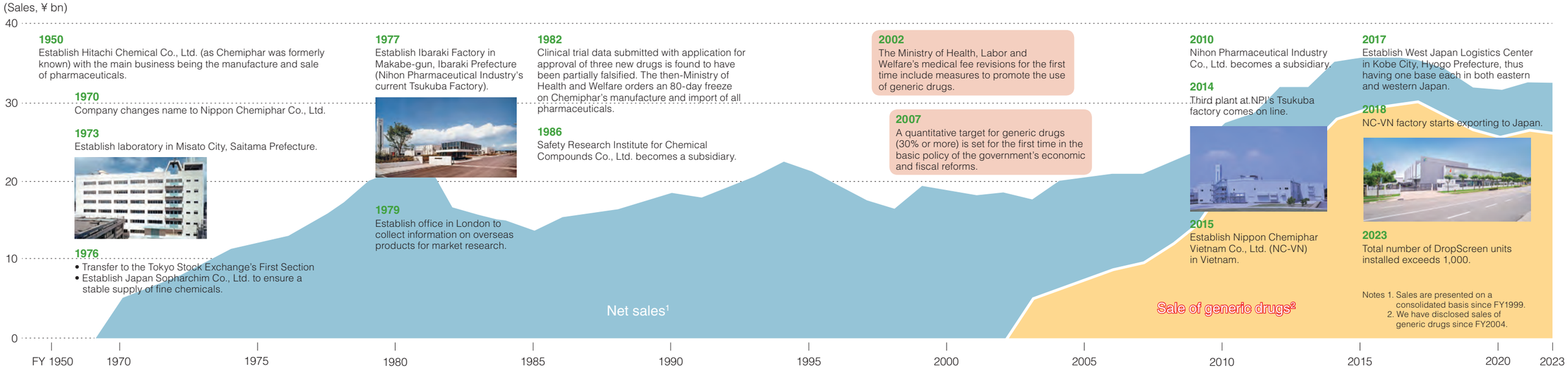
Conclude a licensing agreement with Delta-Fly Pharma for antitumor drug DFP-14323. Development targeting lung cancer is underway, and we are strengthening the pipeline in the oncology field.

2023

We define three main areas of business in order to further develop each of our three goals, namely generic drugs, diagnostics, as well as new drugs.

Starting in 1950	Business development centered on pharmaceuticals for doctors, and business expansion against the backdrop of Japan's universal health insurance system.	Since 1980, have been restoring trust and launching new drugs	Following an incident of data falsification, new drugs are launched as we strive to regain trust.	Since 2000, expanding generic drugs	Sale of generic drugs increases, resulting from government policy promoting their use.	Since 2015, pursuing new drug and new product development and overseas expansion funded by earnings from generics business.

Business timeline



Notes 1. Sales are presented on a consolidated basis since FY1999.
2. We have disclosed sales of generic drugs since FY2004.

Nippon Chemiphar Group's Value Creation Strategy

Business Model

Market demands

Generic drugs that lead to lightened burdens on patients and public finance

Creation of breakthrough drugs

Manufacture and stable supply of high-quality pharmaceutical drugs

Greater safety of, and convenience in, pharmaceutical drugs

Input*

Human capital
Employees: 887 people (consolidated)

Financial capital
Consolidated net assets: ¥49 billion

Intellectual capital
R&D: ¥2 billion

Manufactured capital
Factories: Japan, abroad

Social and relationship capital
Work with business partners

Natural capital
Energy use (crude oil equivalent) 6,695kl

Pharmaceutical Products Segment

Three business areas

Generic drugs (p. 11)
We aim to market distinctive generic drugs in the pursuit of quality.

Diagnostics (p. 13)
We are expanding our business by developing innovative products based on core technologies cultivated for the treatment of allergies.

New drug discovery and development (p. 14)
We are developing and monetizing groundbreaking new drugs based on our proprietary technologies and on expertise that includes alkalization therapy.

Overseas business (p. 18)
We are aggressively expanding our three business areas into overseas markets and becoming a group with a strong global presence.

Others Segment

Contracted testing (p. 20)
We use a comprehensive one-stop system to provide total support for non-clinical and clinical trial.

Strengths

- Integrated system to develop, manufacture, and market generic drugs.
- Factories in Japan and abroad attain advanced manufacturing technology, become cost competitive.
- Broader information delivery, data gathering resulting from marketing new drugs.
- Expertise in alkalizers and citrate preparations.
- Venture-based drug discovery research targeting early out-licensing to domestic and overseas companies.
- Adoption of new technologies, collaboration with specialists in various disciplines and fields.

Offered value

- Increased patient quality of life
- Extended healthy life spans
- Reduced patient burden, healthcare expenses
- Employee fulfillment in personal growth through work
- Stable, sustainable shareholder returns
- Safeguarding of global environment
- Community involvement

SUSTAINABLE DEVELOPMENT GOALS

- Quality assurance and stable supply (p.12)
- Contribution to local communities (p. 24)
- Compliance and risk management (p. 30)
- Initiatives to reduce environmental impact (p. 21)
- Corporate governance (p. 27)

Our corporate philosophy, principles of conduct, support for employee abilities, and training system (p. 25)

Sustainable growth in corporate value through value creation cycle

* Based on the IFRS (former IIRC) framework for FY2023 results.

Business Strategy

Management Strategy: Three Business Areas

Since 2000, the Nippon Chemiphar Group has been working to attain three principal goals. In order to advance the themes of those goals, the Group has determined three main areas of business: generics, diagnostics, and new drugs including alkalizing agents.

By expanding these business areas overseas, the Group will maximize its corporate value and achieve sustainable growth.

Main Business Areas	Fiscal 2023 business
Generic drugs Develop a distinctive generic drug business that pursues quality.	• In addition to further strengthening our quality assurance system, we are pursuing improvements in manufacturing capacity through additional capital investment in domestic factories and increased personnel, while cutting costs and increasing efficiency throughout our supply chain.
Diagnostics Expand business by developing innovative products based on core technologies cultivated in the field of allergy.	• Since its launch in 2020, more than 1,000 units of DropScreen have been installed in Japan. Our aim is to increase this number in the domestic and overseas markets.
New drugs Continuously develop and monetize groundbreaking new drugs based on our proprietary technologies and know-how, including alkalization therapy.	• Phase I study of NC-2800 completed. Phase III study of DFP-14323 commences in February 2024.
Overseas Business Realize a global presence by aggressively developing our three areas of business abroad.	• Obtained approval in China for Epinastine tablets, and in Vietnam for both Rebamipide and Febuxostat tablets. Target countries and partners for product sales in the Middle East and Africa are being narrowed down and are currently in negotiations for multiple products.

Message to Our Stakeholders

The Nippon Chemiphar Group has been working to attain its three principal goals since 2000. In order to further advance the themes of those goals, the Group has created three main areas of business: generics, diagnostics, and new drugs.

By expanding these areas overseas, gradually attaining sustainable development, and maximizing our corporate value, I believe we can build a business model with incomparable value for all our stakeholders.

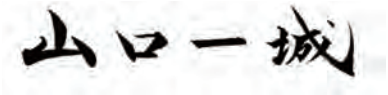
It is our view that our FY2023 financial results were significantly affected by temporary factors, such as the impact of shipment adjustments made in the third quarter of the previous fiscal year, which continued through the first half of FY2023; the sluggish allergy market, due to the lower-than-anticipated amount of airborne pollen in the fourth quarter; and the fact that the new drug out-licensing agreement that we expected to be concluded in the second half of the fiscal year did not result in a contract.

In fiscal 2024, we expect to achieve a return to profitability. Certainly, the Pharmaceutical Products segment faces the impact of drug price revisions, but the recovery trend from the second half of the previous fiscal year continues. In addition, we expect to gain further domestic market penetration for our DropScreen allergy screening kit, which has been growing remarkably in recent years.

With the ongoing changes to the environment surrounding the Japanese economy and pharmaceutical industry, the Nippon Chemiphar Group's goal is to contribute to society through our unique initiatives and thereby develop our business.

To the end, we will plan to continue making Company-wide efforts in its three areas of business to help patients suffering from diseases for which there is still no adequate treatment, and to alleviate further the burden on patients and national healthcare costs.

We look forward to your continued support.



Kazushiro Yamaguchi
President & CEO
June 2024

Interview with the President

Q1 What is your earnings outlook for FY2024?

A1 In pharmaceuticals, we expect sales to remain basically flat year on year. However, we expect to see consolidated sales grow, thanks to factors such as the more widespread use of DropScreen.

In terms of our FY2024 pharmaceuticals earnings outlook, we expect sales to remain essentially flat year on year. That is due to the NHI drug price revisions, and in spite of the ongoing recovery since the second half of last fiscal year.

However, we do forecast an increase in consolidated net sales of 2.4% year on year to ¥31.5 billion. This should result from continued domestic market penetration of DropScreen, and the predicted growth in demand for contract testing.

Further, we forecast a return to profitability, with an operating profit of ¥200 million and a profit attributable to owners of the parent of ¥60 million. This forecast takes into account factors such as a rise in the cost-of-sales ratio, due to NHI drug price revisions; higher purchase prices, reflecting soaring raw material and energy costs; and increased research and development outlays.

Consolidated Sales and Profit

(¥mn)

	FY2023 (Results)		FY2024 (Forecast)		
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)
Net sales	30,748	100.0	31,500	100.0	+2.4
Pharmaceutical products	29,611	56.3	—	—	—
Pharmaceuticals	24,093	78.4	23,620	75.0	(2.0)
Diagnostics	4,101	13.3	5,250	16.7	+28.0
Others segment	1,137	3.7	—	—	—
Operating profit	(494)	—	200	0.6	—
Ordinary profit	(219)	—	100	0.3	—
Profit attributable to owners of parent	(180)	—	60	0.2	—

Q2 The NHI drug price reform in FY2024 seems to have introduced new systems to ensure stable supplies of generic drugs; how will this affect Chemiphar?

A2 Ensuring stable supplies is becoming an increasingly crucial challenge, but we believe that some of the systems will work positively for us.

The drug price reform system, implemented in April this year, introduced measures to ensure a stable supply of pharmaceuticals for generic drugs, including: (1) a corporate mindset that can ensure a stable supply of generic drugs, (2) prices for generic drugs on initial listing, and (3) a more rigorous price support system.

Measure (1) partially introduces corporate metrics to evaluate manufacturers' stable supply systems and other factors, as well as a mechanism to reflect the results in NHI prices.

The aim is to visualize companies that are capable of ensuring a stable supply, and to make it easier for medical facilities to select products from those companies. This system has made it increasingly important to ensure stable supplies as well as to improve quality.

Measure (3) is a response to the recent rapid increase in raw material costs and supply issues. By introducing a special repricing of unprofitable products, the prices of products that are no longer profitable are raised. At Chemiphar, 47 products were subject to repricing, which significantly helped mitigate the impact of the drug price revisions.

Other new policies include the introduction of selective medical care. This allows patients, who wish to use brand-name drugs rather than generic drugs—even when there is no medical need to do so—to pay part of the difference in price.

Further, the Ministry of Health, Labour and Welfare has set a secondary goal for generic drugs: monetary value share. This is in addition to the existing goal of volume share. We believe that both will lead to a further shift to generic drugs, which will be positive for the Company.

Q3 The market share of the DropScreen allergy screening kit has been steadily increasing since its launch. How do you feel about the future of the product?

A3 The total number of installed units in Japan exceeded 1,000 in FY2023, and we aim to achieve sales of 2,000 units by FY2025.

Not only is the DropScreen kit a space-saving product, but it requires only a small amount of blood to screen 41 items simultaneously and in a short time. Thanks to this, we believe that the device is creating an in-hospital market for immediate allergy testing which, traditionally, primarily has been outsourced to testing centers.

One of the greatest advantages of DropScreen is that its immediate diagnosis allows treatment regimens to be arranged quickly. We have received feedback stating that eliminating the need to draw blood with a syringe has helped examinations go more smoothly, especially when young children are involved.

The cumulative number of units installed in Japan has exceeded 1,000, which was our target for FY2023. That is a result of a sales effort of our pharmaceutical sales department, and a sales partnership agreement signed in June 2023 with FUJIFILM Medical Co., Ltd.

We have seen solid results in expanding product sales, and in the months and years ahead, we will continue to develop next-generation equipment and reduce manufacturing costs. Our aim is to further expand the use of the kit and contribute more to business profitability.

The product has also attracted the attention of overseas companies, and we are currently working to launch the kit globally. Already we are taking steps,

including product development for overseas markets, compliance with national laws and regulations abroad, and partner selection.

Q4 In October 2023, you subscribed to a private placement of new shares from Delta-Fly Pharma, Inc. (DFP). What were your objectives in doing so?

A4 We hope that our shareholding will further deepen the relationship between the two companies and that the clinical trial for the companies' pipelines will progress without delay, leading to an early market launch and commercialization.

DFP is a drug discovery venture company specializing in oncology drug development, based on the venture's distinctive concept of module drug discovery.

In March 2020, we signed a licensing agreement with DFP to obtain exclusive sales and manufacturing rights in Japan for DFP-17729. This is a cancer microenvironment improving agent that the company is developing.

In addition, in March 2022 we signed a licensing agreement with DFP that gives us exclusive sales rights in Japan for DFP-14323, which the company is developing for the treatment of lung cancer.

Thus, DFP, with which we have licensing agreements for two pipelines, issued new shares through a third-party allotment in October 2023. We subscribed for approximately ¥500 million worth of those new shares.

Of the approximately ¥1.3 billion raised at this time, including new share warrants, DFP will allocate ¥650 million to research and development for DFP-17729 clinical trial as its top priority among its various other uses of the funds.

This share acquisition is expected to further deepen the relationship between the two companies and ensure that clinical trials of DFP-17729 and DFP-14323 proceed smoothly, leading to early market launch and then to commercialization.

Q5 What is the status of the development of DFP-17729 and DFP-14323?

A5 Both products have completed phase II development. The next phase of DFP-17729 is undergoing preparation, while DFP-14323 has advanced to phase III.

The Phase II study of DFP-17729 was completed in FY2022. It compared use of the combination of DFP-17729 and other anticancer agents with the use of other anticancer agents alone. Data analysis and study planning for the next phase are currently underway.

DFP-17729 is a revolutionary drug that is the world's first attempt to apply alkalizing therapy to cancer. In non-clinical trials, it has been shown to have antitumor effects when used in combination with existing chemotherapy agents. It is expected to be a groundbreaking therapeutic agent for intractable cancers. In a phase II study conducted by DFP, it was found that DFP-14323 in combination with half the standard dose of afatinib was associated with longer progression-free survival than that reported for afatinib or osimertinib alone.

Based on these results, the Pharmaceuticals and Medical Devices Agency [PMDA] requested that DFP conduct a phase III study to verify the superiority of DFP-14323 in patients with EGFR mutation-positive non-small cell lung cancer. In February 2024, DFP commenced a phase III study. This will note how use of DFP-14323 in combination with a half dose of afatinib works, compared with use of afatinib alone.

Q6 Could you give us an update on the development of other in-house pipelines and alkalizing agents?

A6 Phase I of NC-2800 was completed in FY2023, and preparations are currently underway for the implementation of phase IIa.

Antidepressant and antianxiety drug NC-2800 (a δ opioid receptor agonist) has been adopted by the Japan Agency for Medical Research and Development [AMED] for its Cyclic Innovation for Clinical Empowerment [CiCLE] Project. We have concluded a joint research and development agreement and an option agreement with Sumitomo Pharma Co., Ltd., which has joined the project as a partner organization. Phase I ended in FY2023, and we are now proceeding with preparations for phase IIa.

We continue to introduce NC-2600 (P2X4 receptor antagonist) to companies in Japan and overseas. Given the focus on indications of neuropathic pain and chronic cough, we hope to complete out-licensing as soon as possible.

In the area of new developments in alkalization therapy, in addition to the cancer targeted by DFP-17729 mentioned earlier, we are moving forward with developments in the field of chronic kidney disease [CKD].

Clinical studies conducted at Tohoku University, in which the Nippon Chemiphar Group cooperated, have suggested that Uralyt is useful in treating. Based on real-world data analysis, attained using AI, we are considering the possibility of expanding Uralyt's indications as well as to overseas market.

Approaches to new drug development can be divided broadly into two categories: development of novel drugs and repositioning of existing drugs. I like to refer to the former as "innovation drugs," and the latter as "renovation drugs".

In our pipeline, NC-2800 and NC-2600 fall into the former category and will require an extended period of development. But they have the potential to become completely new first-in-class drugs, with unprecedented mechanisms of action.

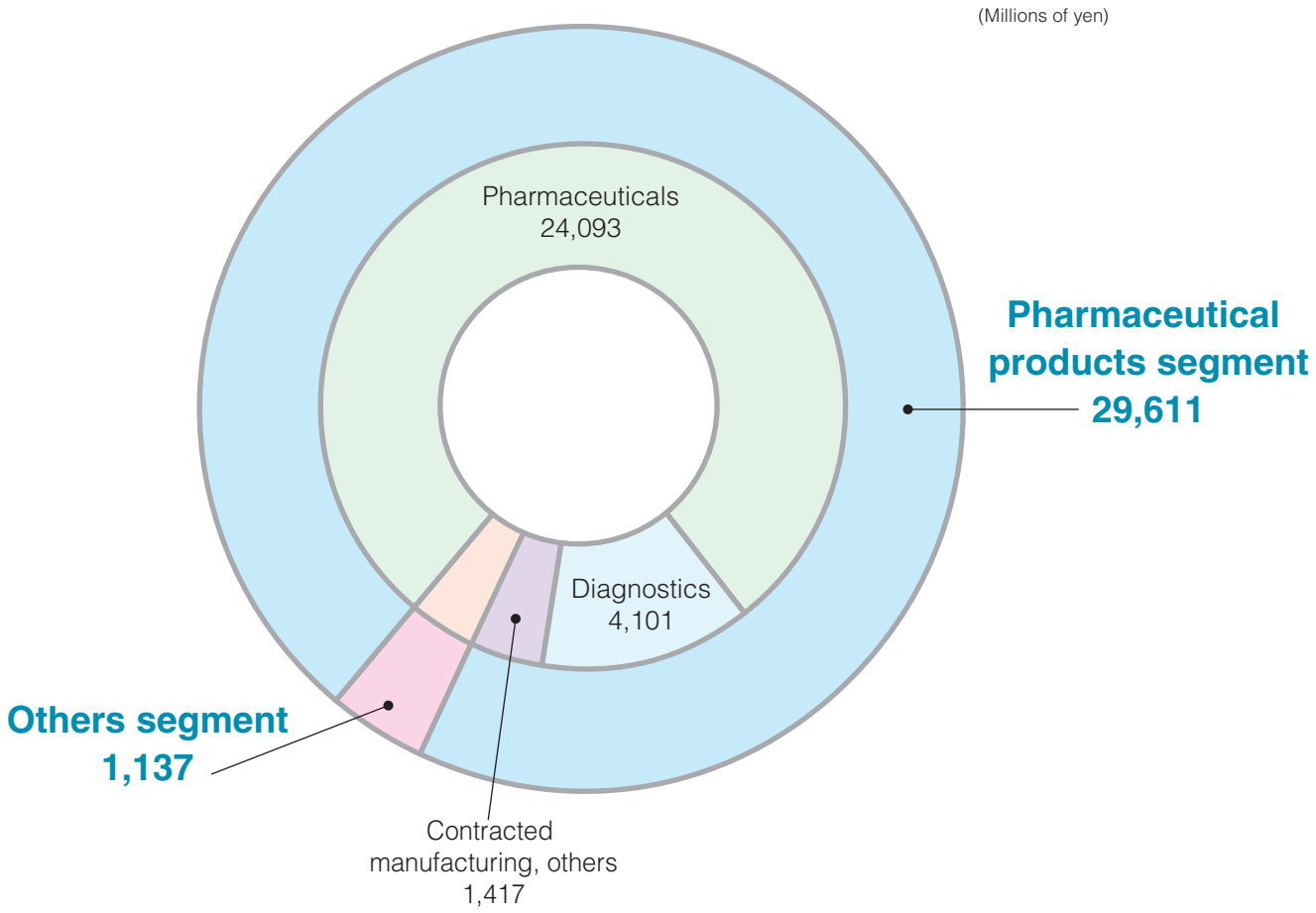
Meanwhile, DFP-17729, DFP-14323, and the development of alkalization agents are examples of renovation drugs and, because they have a proven safety track record, we believe they can be developed in less time.

Both innovation and renovation drugs have pros and cons. Yet, by working on both, we are able to strike a balance between increasing revenue from our new drug business and reducing development risks.

Business Overview by Segment

The Nippon Chemiphar Group comprises the parent company, Nippon Chemiphar; its affiliate, Japan Sopharchim Co., Ltd.; and the parent's consolidated subsidiaries Nihon Pharmaceutical Industry Co., Ltd., Safety Research Institute for Chemical Compounds Co., Ltd., and Nippon Chemiphar Vietnam Co., Ltd. The Group is engaged in medical, health, and beauty-related businesses with a core focus on prescription pharmaceuticals. Individual segment sales are presented in the pie chart below.

(Millions of yen)



Segment	Breakdown		Overview
Pharmaceutical product	Pharmaceuticals	Generics	Handles all aspects of development, manufacturing, and sales for the Nippon Chemiphar Group, and accounts for 90% of pharmaceuticals. ☞ For details, see p. 11.
		Proprietary products and new drugs	Takes care of sales of products developed by the Company and new drugs licensed from other companies. ☞ For details, see p. 14.
	Diagnostics		Business is expanding rapidly, mainly due to sales of the DropScreen allergy screening kit. ☞ For details, see p. 13.
	Contracted manufacturing		Contract manufacturing of other companies' products and licensing income for new drugs and generic drugs.
Others	Contracted testing		Contract business for non-clinical and clinical trials of pharmaceuticals, medical devices. ☞ For details, see p. 20.
	Healthcare-related products		Based on its strengths as a pharmaceutical manufacturer, the Company markets various creams and health foods. ☞ For details, see p. 20.

Pharmaceutical Products

I Initiatives Involving Generics

In Japan, as the government's target of 80% generic drug usage by volume has been fulfilled, the market is reaching maturity. In addition, in recent years, due to quality issues at other companies, the public has grown increasingly leery of the quality assurances given by companies handling generics and those companies' ability to maintain stable supplies. Moreover, the business environment has become ever more severe, due to repeated NHI drug price revisions.

While the provision of a stable supply of high-quality pharmaceuticals is our top priority, we have been developing the market for generic drugs by capitalizing on our strength as an integrated developer, manufacturer, and seller. In recent years, we have sought to secure profitability by reducing costs by manufacturing overseas. In addition to our ongoing efforts to strengthen our quality assurance, while maintaining a stable supply of generics, we will continue to enhance our quality assurance and strengthen our earnings base by providing added value that only we can deliver. This we will do by using reliable information and continuing to create products that meet market needs.

1. Development

Competition among pharmaceutical companies is growing increasingly intense. Primarily, it is a result of both the prevalence of authorized generics and the increasing difficulty of developing them.

To maintain our good reputation in the market despite this, we must improve our overall development capabilities. Doing so requires that we launch products ahead of other companies and improve the accuracy of development through cooperation with academia. In addition, we must maintain and improve the reliability of application data, which increasingly is being scrutinized.

We aim to develop products that are highly regarded in relevant markets by concentrating our development resources and implementing efficient procedures.

☞ Please refer to page 23 for information on tablet imprint and packaging.

2. Manufacturing

Aiming to improve productivity and reduce manufacturing costs at Nippon Chemiphar Vietnam's factory, we are currently working to offshore production from our factories in Japan. The manufacturing cost is expected to drop 20–30% below our Japan levels.

In addition to offshoring products to our highly cost-competitive Vietnam factory, we plan to utilize the advanced technological capabilities of our main Tsukuba factory to create added value and enhance Group manufacturing productivity. In addition, in response to the recent shortage of generic drugs, we are making capital investments and increasing our workforce. In FY2023, we strengthened our two-shift system at our Vietnam factory, and transferred to in-house production some of the manufacturing processes for items that were previously outsourced to other companies. We are also increasing the number of employees at our two domestic factories, while implementing two-shift and three-shift systems on a process-by-process basis.

☞ Please refer to page 18 for overseas manufacturing.

Tsukuba factory

Vietnam factory

3. Quality Assurance

To ensure quality control and production management of the highest standards, our quality assurance efforts comply with good quality practices[1] and good manufacturing practices.[2]

In order to confirm that we appropriately manage the drugs we manufacture, we evaluate the degree to which the raw materials and additives we use in production conform to stipulated standards; assess our methods of procurement and storage of materials; and appraise how we ship our products.

We are constantly making every effort to strengthen our Group-wide reliability assurance system to fulfill our fundamental responsibilities as a maker of pharmaceutical products. This we do primarily through our Group Quality Assurance Management Department. At the same time, we conduct periodic audits of our Group's and contract manufacturing sites.

1. According to quality standards for drugs, quasi-drugs, cosmetics, and products such as regenerative medicine.
2. According to laws on the control of the manufacture and quality of drugs and quasi-drugs.

4. Ensuring a Stable Supply Structure

(1) Logistics management system

As generics become more prevalent, manufacturers are taking on growing responsibilities with regard to supply stability. This requires carefully crafted logistics systems. The Company is expanding its distribution system nationwide together with Otsuka Warehouse Co., Ltd., which allows us to improve the quality of our logistics by cutting lead times, tracking transit status in real time, and preventing incorrect deliveries.

(2) Double-sourcing active pharmaceutical ingredients

Providing a steady supply of drugs requires efforts both to reinforce manufacturing capacity and ensure the stable procurement of active pharmaceutical ingredients.

To meet the requirements, we are strengthening our survey and evaluation efforts to secure optimal multi-source active pharmaceutical ingredients supplies in Japan and overseas.

5. Sales

In response to changes in the environment surrounding generic drugs, in addition to using sales management systems and AI to streamline sales activities, we are seeking to take advantage of a diverse range of sales channels that will synergize with the distinctive attributes of Nihon Pharmaceutical Industry Co., Ltd.

6. Creating Synergies with Our Main Products

Nippon Chemiphar categorizes new drugs that it has developed, as well as new drugs and long-listed drugs in-licensed from other companies, as proprietary products and new drugs.

Among its proprietary products are three formulations that the Company developed in-house: alkalization therapeutic drug Uralyt-U, analgesic and anti-inflammatory drug Soleton, and hypertension therapeutic drug Calvan.

Included among the new and long-listed drugs we have in-licensed from other companies are new oral intestinal cleansing agent PICOPREP and macrolide antibiotic agent Klaricid. We expect these to strengthen our product portfolio and anticipate utilizing them to generate synergies that will help expand our generics business.

☞ Please refer to page 14 for details.

Initiatives to Foster a Culture of Quality First

In order to supply high-quality pharmaceuticals, it is essential to foster a culture that places quality first. At the Group's main factory, Nippon Pharmaceutical Industry's Tsukuba Factory, we conduct awareness surveys of employees involved in the manufacturing process and implement a mentoring system in which executives and department managers are paired with mid-level managers on the front lines.

In addition, our survey on quality culture, which we previously conducted in our quality and manufacturing departments, was expanded to all employees in FY2023.

II Diagnostics Business

Our products are making a substantial contribution at a time when a growing number of people are suffering from allergic and lifestyle-related diseases. By delivering speedy test results, the products make possible early diagnosis and the compilation of appropriate treatment plans. We will continue to develop and sell clinical testing equipment and reagents to meet the needs of both medical institutions and patients, thereby supporting healthcare. Further, we are conducting marketing activities designed to expand our business both in Japan and overseas.

1. DropScreen

Together with Riken, a major scientific research institute in Japan, Nippon Chemiphar has developed the DropScreen specific IgE measuring kit ST-1, a new extracorporeal diagnostic kit that combines the Company's allergy measurement reagent technologies with screening systems based on microarray technologies. We launched sales of the kit in February 2020.

Since its release, it has won rave reviews from medical professionals and patients, and as of March 2024, the cumulative number of units installed in Japan exceeded 1,000.

Specific IgE measuring kit ST-1

Measuring device A-1

● Product characteristics

The DropScreen kit was developed bearing in mind the discomfort experienced by individuals undergoing small-volume blood sampling, and the need for greater familiarity regarding allergy screening.

This breakthrough diagnostic kit, which can be installed in small spaces, can screen for 41 allergens in just 30 minutes using only a single drop (20 microliters) of blood (whole blood, blood plasma, or blood serum), making it possible for those being tested to obtain test results quickly. Using it for children and those with an aversion to syringes is ideal, since whole blood samples can be taken from fingertips. Due to these features, it has been praised by a wide range of clinical departments, including those specializing in the treatment of allergies. Traditionally, allergy testing primarily has been outsourced to third parties. However, with DropScreen, we are cultivating a new market for in-house allergy testing.

2. New Model of Glycohemoglobin Analyzer

Since September 2022, we have been marketing the new HLC-723 GR01 automatic glycohemoglobin analyzer, developed by a global chemical and specialty materials company Tosoh Corporation. The device provides more accurate results than the previous model, a similarly high speed.

HLC-723 GR01

Sales of DropScreen rising in Japan

Since its launch, DropScreen has won rave reviews from medical professionals and patients for its revolutionary ability to measure 41 allergens from a single drop of blood without the need to draw blood with a syringe. By the end of March 2024, the total number of units installed in Japan had reached 1,000.

We plan to improve the kit's versatility and convenience by developing a series of reagents and shortening measurement times, with the goal of having a cumulative total of 2,000 units installed by FY2025. We are also preparing to expand business globally.

III New Drug Discovery and Development

We are working to develop new breakthrough drugs to benefit patients from diseases for which currently there are no appropriate therapeutic drugs. In addition to leveraging the alkalization therapy technology and knowledge that we have cultivated over many years, we are also actively working on alliances with other companies and research institutions to further expand our development pipeline and incorporate rapidly evolving digital technologies such as AI into drug discovery methods.

As of March 2024

In-house drug development / Development through alliances / Development by licensees

Item	Function (Target)	Preclinical	Phase I	Phase II	Phase III
NC-2500	XOR inhibitor (Hyperuricemia, gout)	In-house	In-house	In-house	
NC-2600	P2X4 receptor antagonist (Neuropathic pain, chronic cough)	In-house	In-house		
NC-2700	URAT1 inhibitor (Hyperuricemia, gout)	In-house			
NC-2800	δopioid receptor agonist (Depression/anxiety)	In-house	Alliance		
DFP-17729	Cancer microenvironment improving agent (Pancreatic cancer)	Alliance	Alliance	Alliance	
DFP-14323	Anti-cancer agent (Non-small cell lung cancer)	Alliance	Alliance	Alliance	
Calvan	α1 β1 blocker (Huntington's disease)			Licensee	

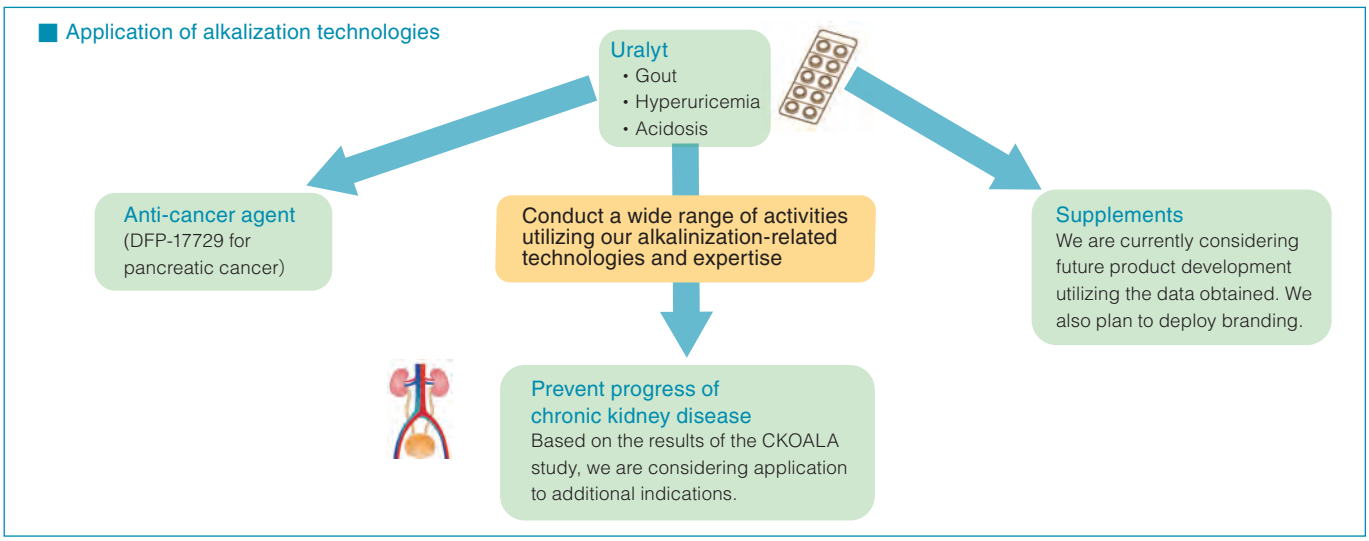
1. Alkalization Therapy

Since the launch of Uralyt in 1988, we have been working to cultivate alkalization therapy and to alleviate aciduria. By utilizing our know-how accumulated over many years, we are trying to apply alkalization therapy to various fields, such as new therapeutic areas and health food.

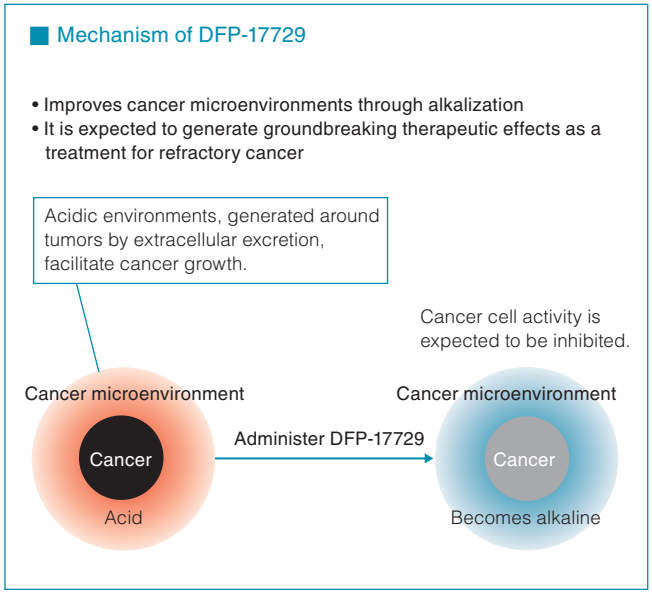
(1) Development in oncology

In March 2020, we concluded a licensing agreement with Japanese drug discovery venture Delta-Fly Pharma, Inc. concerning DFP-17729, an anticancer drug that improves cancer microenvironments through alkalization.

By this process, DFP-17729 has been shown to suppress cancer cell activities and facilitate the efficacy of anticancer agents in non-clinical studies.



DFP completed a clinical phase II study for end-stage pancreatic cancer and is currently making preparations for the next phase. We expect to be able to apply for approval around 2027, and in the future we will consider expanding its application to other types of cancer.



(2) Treatment for chronic kidney disease

It is said that some 13.3 million people suffer from chronic kidney disease (CKD) in Japan. Once it progresses, dialysis is required and, since the number of patients on dialysis in Japan is increasing, steps must be taken to reduce related medical costs.

For many years, we have supported the clinical research (CKOALA study*) conducted at Tohoku University to clarify the relationship between urinary alkalization medications and CKD. Based on research results, we are considering how to develop the treatment for CKD by using AI and real-world data.

* The title of the study is *Investigation of the renal protective effect of oral alkalizing agents in chronic kidney disease.*

(3) Application to food products

By applying alkalization know-how we have accumulated through Uralyt and clinical researches, we are trying to expand to health-promoting foods. Based on the data obtained from test sales conducted in recent years, we will continue to consider the matter further, and also plan to develop branding related to alkalization for general consumers.

2. New Drug Pipeline

In addition to developing compounds identified through exploratory studies conducted both at our drug discovery research laboratories and with collaborating research institutions, we have been expanding our pipeline by in-licensing drugs concerning which we both possess extensive expertise and expect to generate synergies with existing pipeline products.

(1) In-house development pipeline

(a) NC-2800, a δ opioid receptor agonist for anxiety and depression

NC-2800 is a chemical compound with strong potential as an antidepression and antianxiety treatment that the Company discovered through collaborative study with the University of Tsukuba, Kitasato University, and the National Center of Neurology and Psychiatry.

The Japan Agency for Medical Research and Development (AMED) selected this compound for its industry–academia collaboration program in 2015 and, with the agency's support, we conducted preclinical trial.

As a result, the compound received high acclaim for its potential as a therapeutic drug candidate.

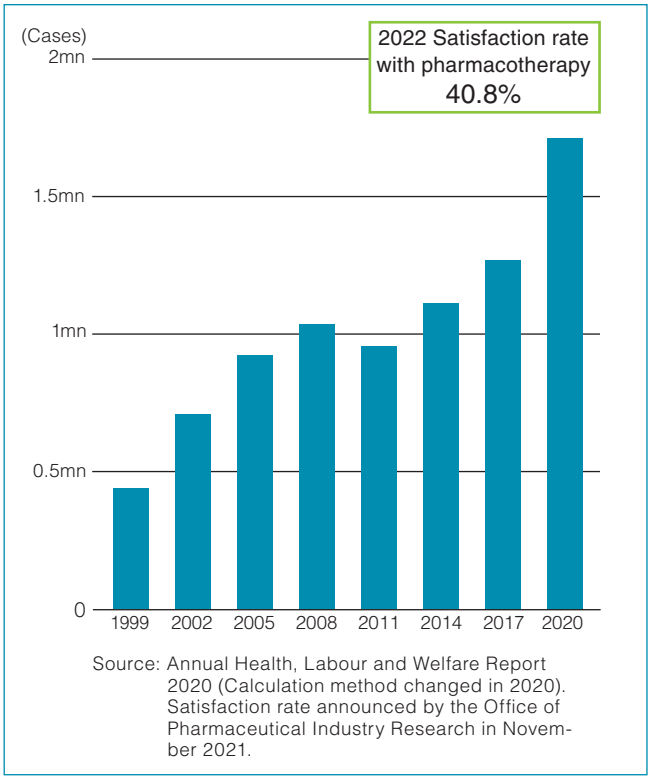
In 2018, AMED's CiCLE project selected it for public funding and support,* with which a phase I trial was started. Phase I was completed in FY2023, and since there were no major safety issues and tolerability was ensured, we are currently preparing to conduct phase IIa.

In June 2021, we concluded a collaborative research and development agreement and an option agreement for NC-2800 with Sumitomo Pharma Co., Ltd., which is participating in research and development for the CiCLE project as a contributing institution.

While each year sees more patients with mood disorders, such as depression and anxiety, only about 40% of the patients are satisfied with the drug treatment they receive. NC-2800 is expected to be a first-in-class drug with an excellent balance between safety and efficacy, and minimal impact in terms of side effects.

* Period: From March 30, 2018 to March 31, 2028.

Mood Disorders



Source: Annual Health, Labour and Welfare Report 2020 (Calculation method changed in 2020). Satisfaction rate announced by the Office of Pharmaceutical Industry Research in November 2021.

(b) NC-2600, a P2X4 receptor antagonist for neuropathic pain and chronic cough

In joint research with Kyushu University, we have developed a new drug candidate to treat neuropathic pain. Since FY2012, the Company has been carrying out research and development with the support of the Japan Science and Technology Agency, taken over by AMED in FY2015. With the support of AMED, we completed phase I trial in FY2017.

In FY2020, we added chronic cough to the primary indications of the compound. While moving to enhance its value by collaborative research for various indications, we have been conducting out-licensing activities of the compound to domestic and overseas companies.

(c) NC-2500, an XOR inhibitor; NC-2700, a URAT 1 inhibitor for gout, hyperuricemia

NC-2500

It should be noted that current drug therapies for lowering uric acid pose a risk of causing an acute attack of gout, due to the sharp decrease in uric acid levels. However, in NC-2500 phase I trial, we confirmed its unique property to lower blood uric acid levels gradually, suggesting it may rectify this issue. In February 2023, we signed a licensing agreement with Nanjing Neiwa Faith Pharmaceutical Co., Ltd., which is working to develop the drug in China.

In addition, preclinical data indicates that NC-2500 is effective against neurodegenerative disorders such as Alzheimer's disease. So we are exploring the possibility of expanding the application of NC-2500 to include such disorders.

NC-2700

This is a new chemical compound that, unlike NC-2500, promotes the excretion of uric acid from the body by inhibiting the transporter URAT 1, which is responsible for the re-absorption of uric acid by the kidneys.

Non-clinical studies have shown that NC-2700 facilitates the excretion of uric acid and also ameliorates aciduria, thereby helping to prevent kidney damage and kidney stones, which are concerns when uric acid is excreted.

We seek to out-license the compound to domestic and overseas companies.

(2) In-licensing pipeline

(a) DFP-17729, a cancer microenvironment improving agent for pancreatic cancer

In March 2020, we concluded a licensing agreement with Delta-Fly Pharma, which is pursuing development of this agent.

☞ Please refer to page 14 for details.

(b) DFP-14323, an anti-cancer agent for non-small cell lung cancer

Lung cancer is the fourth-most common cancer by site both in men and women.

A National Cancer Center Research Institute survey* shows that, in 2019, some 120,000 cases were diagnosed as lung cancer in Japan. In 2022, lung cancer caused 76,000 deaths in Japan, which is the highest number by site.

In March 2022, we concluded a licensing agreement with Delta-Fly Pharma for DFP-14323, which targets epidermal growth factor receptor (EGFR) mutation-positive non-small cell lung cancer.

Previous studies have suggested that DFP-14323 strengthens the immune response of cancer patients by binding to aminopeptidase N, which is found on the surface of cancer immunocompetent cells. In this way, the substance reduces the dose required of standard anticancer drugs, and enhances their efficacy without increasing the side effects. That makes DFP-14323 a promising therapeutic agent, especially for late-stage and elderly cancer patients.

The results of phase II trial for EGFR mutation-positive, non-small cell lung cancer at stages 3 and 4 were presented at an American Society of Clinical Oncology meeting held in June 2022. Again the results demonstrated the agent's efficacy. Phase III trial began in February 2024, and we expect to submit an application for approval by around 2029.

* National Cancer Center Research Institute, *Cancer Statistics in Japan 2023*.

■ Final Progression-free Survival (PFS) Report

The median PFS in phase II trial of DFP-14323 with 20 mg/day of afatinib: 23.0 months.
Although the standard dose of afatinib is 40 mg/day, a half dose was administered in the trial.

For reference
Afatinib 40 mg/day phase III median PFS: 11.1 months
Osimertinib 80 mg/day phase III median PFS: 18.9 months

Key Selection Criteria
- Non-small cell lung cancer
- Stage 3/4 postoperative recurrence
- Common EGFR mutations (Del 19 or L858R)
- Performance status 0–2
- No prior systemic chemotherapy or definitive thoracic radiotherapy

3. Repositioning of Existing Drugs

The experience and research of medical professionals indicate that some long-listed drugs may have efficacy for other than the original indications. As with new medicines, development of such drugs for diseases for which there are currently no particularly effective medications is awaited.

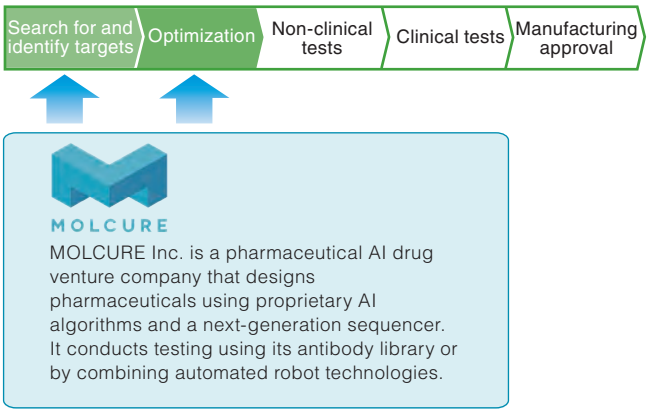
To discover new uses for our long-listed drugs, we are supporting research in Japan and abroad. In Europe, Spain-based SOM Biotech is developing our Calvan tablets for Huntington's disease and other conditions. Phase IIb trial commenced in fiscal 2023.

4. Access to New Technologies

To create further promising pharmaceutical product candidates, we must use innovative drug discovery methods by adopting innovative information technologies and using AI. In FY2022, we set up an AI promotion office within our drug discovery research laboratories. In addition, we are forming capital and business alliances with companies that have strengths in digital technology. We are promoting the introduction of new technologies, with the aim of generating promising drug discovery themes and speeding up and streamlining the development process.

With the aim of streamlining the process of compound discovery and optimization in the early stages of drug discovery, we have collaborated with MOLCURE Inc., an AI drug discovery company. For the first time, the Nippon Chemiphar Group is hoping to develop and optimize lead peptides, which are the building blocks of peptide drugs. We will leverage the lessons learned by this process and, in order to efficiently produce results using more accurate AI and experimental systems, we have selected new themes and have commenced work on them.

■ Collaboration with partners expected to speed up and streamline drug discovery processes



IV Overseas Business

As demand for prescription drugs grows, securing production capacity is critical for generic manufacturers. Further, as the business environment becomes increasingly severe, due to such factors as repeated NHI drug price revisions, manufacturing costs must be reduced for the business to stay sustainable.

To address these issues and maintain growth, we established Nippon Chemiphar Vietnam Co., Ltd. (NC-VN) in March 2015. In addition to enhancing manufacturing capacity, and reducing costs at its factory, we are developing overseas sales channels, especially in Asia.

1. Manufacturing

Having worked to expand manufacturing capacity, reduce costs, and expand overseas, NC-VN began commercial production for the Japanese market at its factory in November 2018. We have been gradually expanding the number of products manufactured at NC-VN, focusing on items with strong cost advantage potential. As of March 2024, eight products are being manufactured.

Responding to supply shortages in Japan, we strengthened our manufacturing capabilities in FY2023 by switching to two-shift operations at the NC-VN factory. In the same year, we achieved in-house production of items that previously had been outsourced to other companies. This was done by conducting a portion of the manufacturing processes at NC-VN. In FY2024, we plan to begin full-scale contract manufacturing of products from other companies. We will continue to use the factory to cut manufacturing costs, strengthen manufacturing capacity, and improve our competitiveness in the generic drug market.

2. Sales

We are working with local distributors to sell our proprietary products and generic drugs in Thailand, China (including Hong Kong), Vietnam, and South Korea. As of March 2024, we have approval to market eight products in those four countries. We will continue to expand our business to other countries and offer more products, with the goal of selling 14 products in five countries by FY2026.

(1) Business expansion in Vietnam

Rebamipide tablets, approved in December 2022, are classified as Group 1, which allows them to be sold at the highest drug price under Vietnam's current bidding system. Leveraging this advantage, we are currently marketing to hospitals and pharmacy chains through local wholesalers.

In addition, in March 2024 we obtained marketing approval for Febuxostat tablets 80 mg, a high dosage formulation not available in Japan. We expect to ship the product in FY2024. Due to the strong sales of the 80 mg in overseas, we will consider expansion into neighboring countries and regions.

Febuxostat tablets 80 mg

(2) Business expansion in China

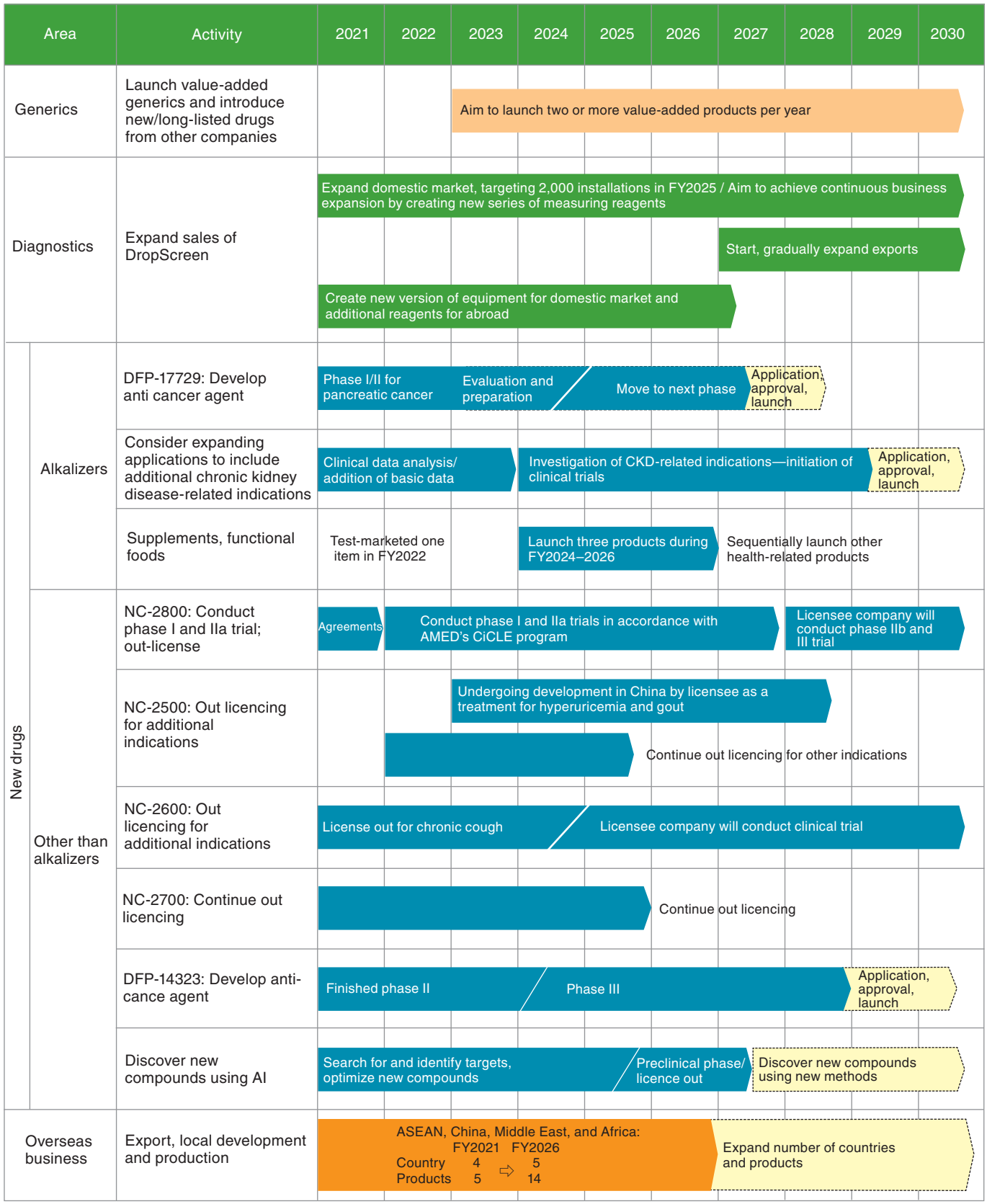
We are rolling out Calvan tablets in China. In Hong Kong, we are marketing Cilostazol tablets, which have been prescribed at all public hospitals there since 2017 and will remain on sale until 2026. In addition, Epinastine tablets, which were approved in May 2023, are scheduled to be shipped to China for the first time in FY2024. We will continue to steadily build up our track record in China, and to develop our licensing business through technology transfers to local companies.

(3) Joint project with International Finance Corporation

In March 2022, we concluded an advisory agreement with the International Finance Corporation (IFC), a member of the World Bank Group, concerning studies targeting the local marketing of generic drugs in Asia, the Middle East, and Africa.

Taking the IFC's advice and using its network, we are narrowing down the target countries and partners and are currently in negotiations regarding several specific items to be sold locally. Together, we will work to ensure that people in emerging markets have access to affordable, high-quality medicines, as we expand in ASEAN markets and beyond.

V Management Strategy



Other Segment

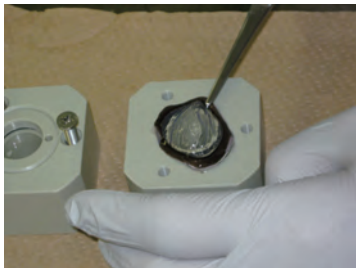
I Contracted Testing

The Nippon Chemiphar Group facilitates the creation of safe, high-quality products by providing support for nonclinical and clinical trials performed when developing pharmaceutical products and medical equipment.

The Group company Safety Research Institute for Chemical Compounds Co., Ltd. has set up an internal one-stop system to support from non-clinical and clinical studies conducted to help develop a number of therapeutic modalities. These include pharmaceutical drugs, medical devices, and regenerative medicine-related products.

Thanks in part to this system, the institute has attained a distinctive status among contract research organizations in Japan.

By taking full advantage of the strengths of this framework, we believe we will be able to provide high-quality services. At the same time, we will place emphasis on customer satisfaction, while keeping costs down for non-clinical and clinical trials for the development of a range of product.



Using the Bovine Corneal Opacity and Permeability test.

A good laboratory practice compliance certificate for a regenerative medication

II Healthcare-related Products

The Group handles a diverse array of healthcare products, including nutrients, health foods, cosmetics, and various types of creams, classified as quasi-drugs because they contain a certain concentration of active ingredients.

Amid the rising needs surrounding consumer self-medication, we are leveraging trustworthiness, the development expertise we have gained as a pharmaceutical product manufacturer, our goal to make a difference in people's lives, and our efforts to provide a high level of added value.

Moispolia White (hand cream)

CoQ10 (supplement)

Himematsutake: Agarics blazei Murrill (supplement)

Green Juice Moringa Blend (health food)

Sustainability Initiatives (for a Sustainable Society)

Currently, there is a growing recognition that addressing global issues, such as the environment and poverty, requires social development from a medium- to long-term perspective, rather than short-term action. In this context, use of the word sustainability has spread, while movements aimed at achieving a sustainable society can be found in countries around the world. The Nippon Chemiphar Group will attain both the Sustainable Development Goals adopted at the UN Summit in September 2015, as well as recommendations made by the Task Force on Climate-related Financial Disclosures. The latter is an international body that monitors, and makes recommendations about, the global financial system in order to promote international financial stability. To facilitate our initiatives, in December 2021 we formulated a Basic Sustainability Policy and formed a Sustainability Committee, chaired by our president and CEO.

Basic Policy for Sustainability

Through its business philosophy to "make a difference in society by providing pharmaceutical drugs and health-related services to help people become and remain healthy" and its business activities, the Group is working to enhance its corporate value and contribute to developing a sustainable society.

I Environment-related Initiatives

To attain a sustainable society, we believe that companies must consider the environmental impact of their business activities.

1. Environmental Philosophy

The Nippon Chemiphar Group will conduct business activities that take into consideration the conservation of the global environment and contribute to the development of a sustainable society.

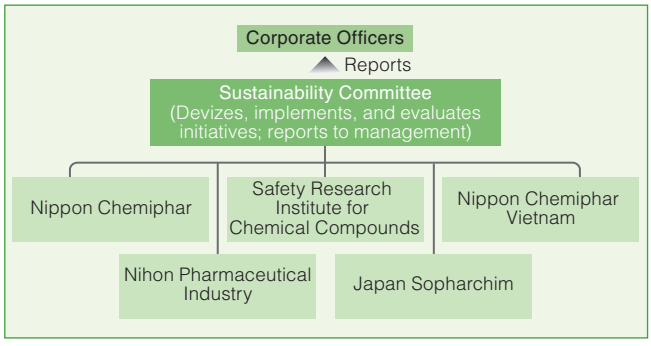
2. Basic Policies

Take firm actions to:

(1) Minimize our environmental footprint across all areas of business— including in R&D, manufacturing, and sales—by efficiently using resources and energy, minimizing waste, reusing, and recycling.
(2) Establish a management system within the Group and take actions from environmental conservation.
(3) Release impartial, appropriate information about environmental conservation to boost corporate transparency.
(4) Educate employees eco-conscious; how to protect the environment.

3. System for Environmental Conservation

Our Sustainability Committee devises, implements, and evaluates environment-related conservation initiatives for the entire Group. Our steps to protect the global environment are a Group-wide theme such as CO_2 emissions. In addition, we have launched a campaign to conserve electricity, and provide in-house training to enhance awareness of environment-related activities.



4. Impact of Group Operations (April 1, 2023–March 31, 2024)

INPUT

Energy	FY2022	FY2023	YOY (%)
Electricity	18,501,000Wh	18,863,000Wh	+2.0
Gasoline	334kl	319kl	–4.6
Heavy oil	99kl	63kl	–36.4
Light oil	273kl	274kl	+0.4
Kerosene	826kl	973kl	+17.9
LPG	2t	1t	–39.3
Town gas	273,357Nm^3	274,426Nm^3	+0.4
Total	252,865GJ	259,482GJ	+2.6
Resource			
Water (consumption by factories, laboratory)			
Tap water	33,833m^3	32,443m^3	–4.1
Well water	95,649m^3	139,199m^3	+45.5
Total	109,069m^3	152,380m^3	+39.7
Materials			
Raw materials	654t	571t	–12.6
Packaging materials	259t	228t	–12.1
Total	913t	799t	–12.5

OUTPUT

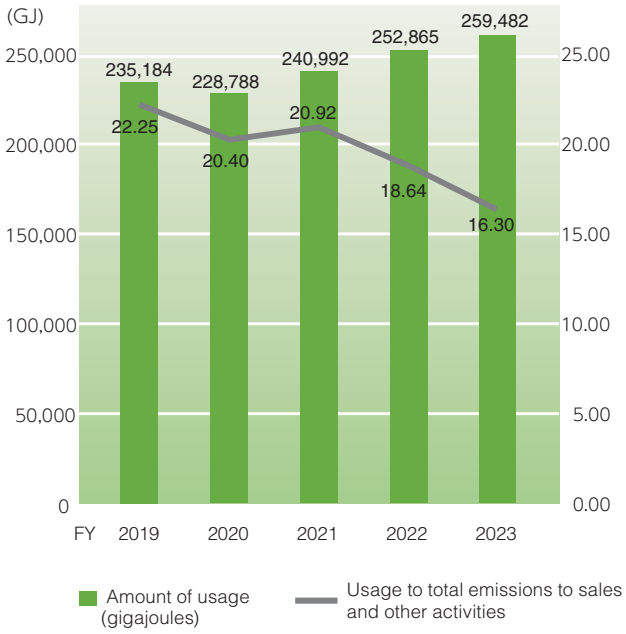
Into Atmosphere	FY2022	FY2023	YOY (%)
CO_2 emissions	12,116t-CO_2	12,622t-CO_2	+4.2
PRTR-related substances	0.00t	0.00t	±0
As Industrial Waste Water (from factories, laboratory)			
Used water	51,736m^3	60,675m^3	+17.3
PRTR-related substances	0.00t	0.00t	±0
As Waste			
General waste	153t	156t	+1.9
Industrial waste	333t	302t	–9.1
PRTR-related substances	3.40t	1.30t	–61.8

RECYCLING

	FY2021	FY2022	YOY (%)
Container and packaging recycling	37t	31t	–16.5

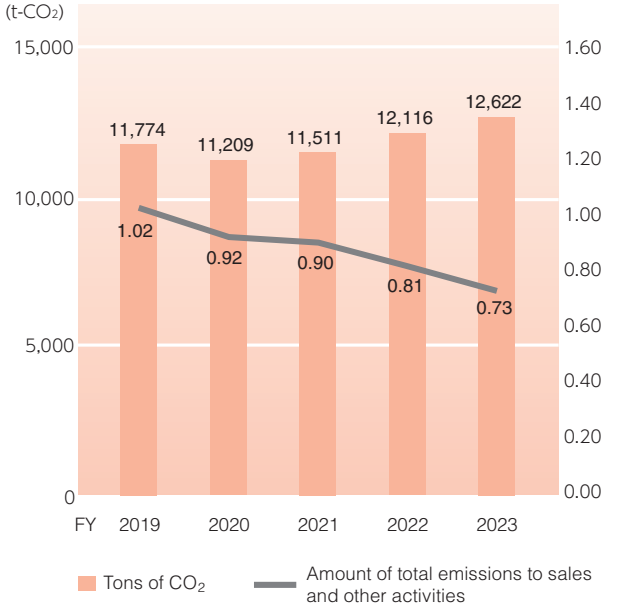
● INPUT

Energy Used



● OUTPUT

CO_2 Emissions



II Medical Professionals and Patients

It is said that drugs cannot fulfill their proper roles unless they are used together with the appropriate information. Bearing this in mind, we are quick to provide medical institutions with accurate information about the proper use of our drugs. We do this through our medical representatives (MRs), who are located nationwide.

At the same time, we collect information on quality and safety, consolidate collected safety particulars, and provide this to assist in creating new pharmaceutical preparations.

1. Initiatives to Ensure Proper Use of Drugs

We train our MRs to provide information and educate them about the proper use and efficacy of our products. With the patient always in mind, we strive to cultivate human resources who can serve as team-based healthcare providers for pharmacotherapy partners.

(1) Role of MRs

Nippon Chemiphar has some 200 MRs across Japan. It strives to supply information promptly to medical institutions through pamphlets and newsletters. To this end, we collect information on side effects; provide patient guidance and consultation services on drug use; and disseminate news about medical fee revisions.

In similar fashion, we are providing IT-based information to help prevent the spread of COVID-19 and its variants.

We work to ensure the efficiency of our MRs through ties with medical institutions, particularly core hospitals that are central to regional healthcare.

(2) Platform for Learning

The Company conducts seminars and has study groups for various medical conditions, including dementia and lifestyle-related illnesses.

We provide medical professionals with the most up-to-date information and opinions related to treatment.

(3) Support Materials

For physicians and pharmacists, we publish a periodical by means of which we share our latest information. We also produce pamphlets that provide guidance on nutrition-related and exercise therapies, for supporting health management.

Through these materials, we are contributing to help improve the quality of healthcare.

(4) Response to Inquiries Swift

To ensure accurate and speedy responses to telephone inquiries from medical professionals and patients, we have a customer support office that provides information on the appropriate use of our pharmaceuticals.

2. Strengthening Our Quality Assurance and Supply Systems

In recent years, the domestic pharmaceutical industry has faced an urgent need to restore public trust in generic drugs, due to such issues as quality-related improprieties having been observed among several generic drugmakers. At the Nippon Chemiphar Group, the Group Quality Assurance Department, set up in April 2022, plays a central role in promoting activities to foster a culture of quality. It takes action such as examining issues; solving problems; proposing, then implementing, unified management standards and methods; as well as further strengthening the entire Group's level of quality assurance.

In addition, to ensure a stable supply of pharmaceuticals, even during demand surges and natural disasters, we are expanding our pool of API suppliers, carrying out capital investments, and increasing our staff headcount.

☞ Please refer to page 12 for details regarding quality assurance and stable supply.

3. Quality, Information Paramount

We are working on initiatives to ensure the quality of both generics and proprietary products, as well as to provide information more effectively. At the same time, we are devising ways to improve the visibility and user-friendliness of our products.

Product Initiatives Aimed at Safety and Convenience

Improving Visibility and Convenience

1. Matte press-through packaging
   Reduced shine makes it easier to read the information written on the aluminum backing of medication packaging.
2. Universal design font
   For sheets of press-through packaging and outer packaging, we use a font that is easily legible to prevent misreading.
3. Tablet imprint
   All tablets are scored on both sides, with the name of the drug and the maker printed on the top and bottom half, respectively, on one side, and the bottom and top half on the other side.

III Community Participation

As members of local communities and society, we support projects that benefit the communities and society in which our offices are located. Our aim is to grow, while being an integral part of society.

1. Cooperation with Local Communities

Nippon Chemiphar's Soka office conducts annual fire drills, and in June 2022 it was awarded a certificate of commendation by Saitama Prefecture's Misato City Fire Prevention and Safety Association for its rigorous safety management, legal compliance, and exemplary facility management.

In November of the same year, two employees from the Soka office received awards from Misato City, identifying them as having contributed to the city's development over many years.

In addition, Nippon Pharmaceutical Industry Co., Ltd.'s Tsukuba Factory has regularly participated in blood drives by the Japanese Red Cross Society since the factory first came on stream. In recognition of this long-standing contribution, in December 2023 the factory received a letter of appreciation from the Ibaraki Prefecture branch of the Japanese Red Cross Society.


感謝状

日本薬品工業株式会社
つくば工場 様

多年にわたり赤十字事業の
進展に尽され多大の貢献を
されました
そのご協力に心から感謝の意を
表します

令和五年十二月十六日
日本赤十字社茨城県支部
支部長 寺門一義

Certificate from the Japanese Red Cross Society.

2. Volunteer Activities

We have established an in-house system of volunteer leave that encourages employees to take part in volunteer activities. These include social welfare initiatives and rescue efforts in disaster areas.

We support people with disabilities through donations to Hands On Tokyo, an NPO which supports those with disabilities among other activities.

3. Educational Support in Vietnam

Nippon Chemiphar Vietnam has set up a scholarship at the University of Medicine and Pharmacy in Ho Chi Minh City, southern Vietnam. The Nippon Chemiphar Scholarship aims to support the development of human resources, who will play a crucial role in the expansion of Vietnam's pharmaceutical industry by assisting students who have exhibited excellent academic ability, but are struggling with financial challenges. In addition, in 2023, we launched a new internship program for students from the university.

The Nippon Chemiphar Group will continue to support human resource development in Vietnam and other ASEAN members.

Group photo of internship participants

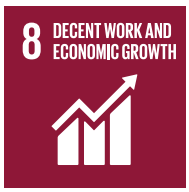
4. Recycling, Support for Developing Countries

We help developing countries through such activities as collecting PET bottle caps, books and miswritten wasted postcards. In Japan, caps and books can be collected and sold to recycling companies, while postcards can be exchanged through the postal service for money. Group companies have been generating donations in this way since 2011.

Books donated by employees to raise funds for developing countries.

IV Employees

The Group is striving to create a corporate culture that respects the individuality and talents of each employee.



1. Women's Participation and Advancement

We recruit women, promote women to management positions, and incorporate a variety of viewpoints and ways of thinking in business management. We will continue to make our workplaces enjoyable and the work fulfilling through the presence of hardworking female veteran employees and managers, who serve as role models for ambitious female colleagues.

Our support for participation by women involves efforts to raise awareness among all employees. As an example of our approach, we conduct surveys of employee awareness and needs concerning the promotion of active participation by women. Further, through the Company newsletter, we inform staff about topics related to work–life balance; roundtable discussions held by female employees raising children; and the activities of men who have taken childcare leave. We formulated an action plan, based on the Act on Promotion of Women's Participation and Advancement in the Workplace (see table below). We plan to continue our efforts to create an organization that enables female employees and managers to take pride in their work.

Furthermore, recognizing that promoting the active participation of female employees starts with involvement in the childcare process, we set up the Papa Quota System. It requires all male employees with children under two years of age to take childcare leave. We expect the system will help raise awareness regarding participation in the childcare process. A minimum of five days' childcare leave is mandatory under the system, with a maximum of five days' paid leave.

(As of March 31, 2024)

Goal (April 1, 2023–March 31, 2024)	Result
Have women account for more than 10% of managers.	13.5%

2. Diversity Initiatives

We believe that employee diversity—including differences in sex, gender roles, nationality, workstyles, and individual values—provide foundations for company vitality and growth, thereby boosting corporate value. The Group is working to create a corporate culture that draws on the various characteristics and abilities of its employees, while at the same time promoting the participation and advancement of women in the workplace.

In response to an increase in business with companies abroad, resulting from the establishment of the Vietnam factory, we are recruiting—without regard for nationality or gender—human resources highly specialized in our Group's strategic areas.

We are continuing to develop employment opportunities for people with disabilities in order to provide a workplace environment that is comfortable for everyone.

3. Structures and Training Systems That Leverages Employee Capabilities

We provide employees with training and support systems, tailored to different ages and types of work, in order to expand their capabilities and develop next-generation managers. We support our employees by conducting performance-based evaluations; applying rating standards that assess managerial ability; encouraging the acceptance of challenges; establishing personnel systems that accommodate a variety of workstyles to fit each employee's life stage; and promoting diversity. And to develop human resources that can play an active role on the global stage, we send researchers to university overseas, support employees studying to earn an MBA, and subsidize the TOEIC test for learners of English.

Support to Develop Human Resource Capabilities

Rank-based Training

- Leader training
- Management training
- Training for newly appointed managers
- Level-appropriate training for team, section, and general managers
- Training for newly appointed executives
- Evaluator training

Support for Elective Education

- Support for acquiring an MBA
- Researcher education (overseas)
- Dispatch to management team seminars

Personal Development

- Correspondence education
- IT training
- Support for obtaining public certifications
- External public lectures
- TOEIC IP test

4. Employee Questionnaires; Factory Mentoring Programs

To deliver high-quality pharmaceuticals, it is essential to foster a workplace culture that places top priority on quality. We cannot strengthen our work system and foster a culture of quality without there being a mutually beneficial relationship between personal and organizational growth.

To this end and to judge awareness of important issues, NPI's Tsukuba Factory regularly distributes questionnaires to employees. A cloud-based system has been introduced to simplify responding to questionnaires, as well as the collection of completed documents and their analysis.

In FY2022, we put in place a mentor system in each department. It uses mid-career employees, who are well positioned to provide employee guidance while at the same time doing their work. To date, we have had a degree of success with having directors act as mentors, holding regular interviews and providing advice. Since last fiscal year, we have been introducing a system of mentoring to several generations of factory employees.

As the voices of our employees are heard and their issues made clear, we will continue to implement initiatives to improve our organization.

5. Harassment Prevention and Mental Health

In order to prevent our employees from being perpetrators or victims either within or outside the Company, all employees learn about sexual, power, and maternity harassment.

Company regulations prohibit sexual harassment and we have a sexual harassment prevention manual. In addition, we have in place internal and third-party hotlines for preventing, and taking appropriate responses to, various types of harassment.

Also, we strive to maintain and improve employee mental health by conducting yearly stress checks on all our staff, and offering interviews and guidance conducted by physicians to interested parties.

6. Supporting Work–Life Balance

In recent years, we have promoted work–life balance by eliminating long working hours; having overtime-free days; in principle prohibiting overtime after 8:00 p.m.; and facilitating morning overtime, should additional work be necessary.

Since FY2021, we have made it easier for employees to use paid leave, as well as reduce and manage overtime. In addition, we have raised employee awareness regarding workstyles and implemented ongoing follow-up efforts in support of work–life balance. We have a variety of systems that enable all staff to demonstrate their skills and, at the same time, work in a comfortable environment.

The systems include flextime, which allows employees to adjust their starting and finishing times according to operational circumstances; a discretionary work system; a comeback registration system that promotes the reinstatement of employees who have left the workplace for such reasons as childcare, nursing care, or a change in the workplace of their spouse; an employment contract non-relocation clause, for employees who cannot move from their current place of work for reasons such as nursing care or the workplace of their spouse; and a reemployment system that allows senior employees to continue working after retirement.

We have adopted various approaches that take into consideration each employee's personal circumstances and preferences. When we select a work environment for our staff, we ensure that they can make full use of their experience and expertise.

Following the introduction of teleworking, staggered working hours, and online conferences, we are continuing our efforts to protect our stable supply of pharmaceutical products from disruption, while protecting the safety of our employees.

7. Promoting the Use of Paid Leave

As part of our efforts to promote work–life balance, we implemented a pre-registration system for 10 days of annual paid leave that started in FY2021. The system is based on the idea that employees should be lively, energetic, and focused not only in their work, but at home and when pursuing their hobbies.

We believe that ensuring happiness in the private lives of our employees will ultimately enable us to provide better products and services. Accordingly, we recommend that employees who make use of this pre-registration system take consecutive days of paid leave whenever possible.

V Management System

1. Corporate Governance

(1) Underlying Philosophy

We take very seriously the managerial responsibilities with which our shareholders have entrusted us. Thus, we strive to ensure that our management organization and operations are appropriate. Our top priority is to guarantee that management is fair by making it as transparent as possible.

(2) Organization

To improve management efficiency and strengthen corporate governance, we have separated the decision-making and supervisory functions from our business execution functions. The former have been delegated to the Board of Directors (eight members with two-year terms), at least one third (three members) of whose members are outside directors; the latter functions are the purview of the Corporate Executive Officers Meeting.

In addition, we have formed an Audit and Supervisory Board comprising members who conduct rigorous and neutral audits concerning the overall execution of duties performed by directors, executive officers, and other personnel. This they do in part through active participation in meetings of the Board of Directors and other key bodies within the Company. The Audit and Supervisory Board comprises one full-time and two part-time (outside) members.

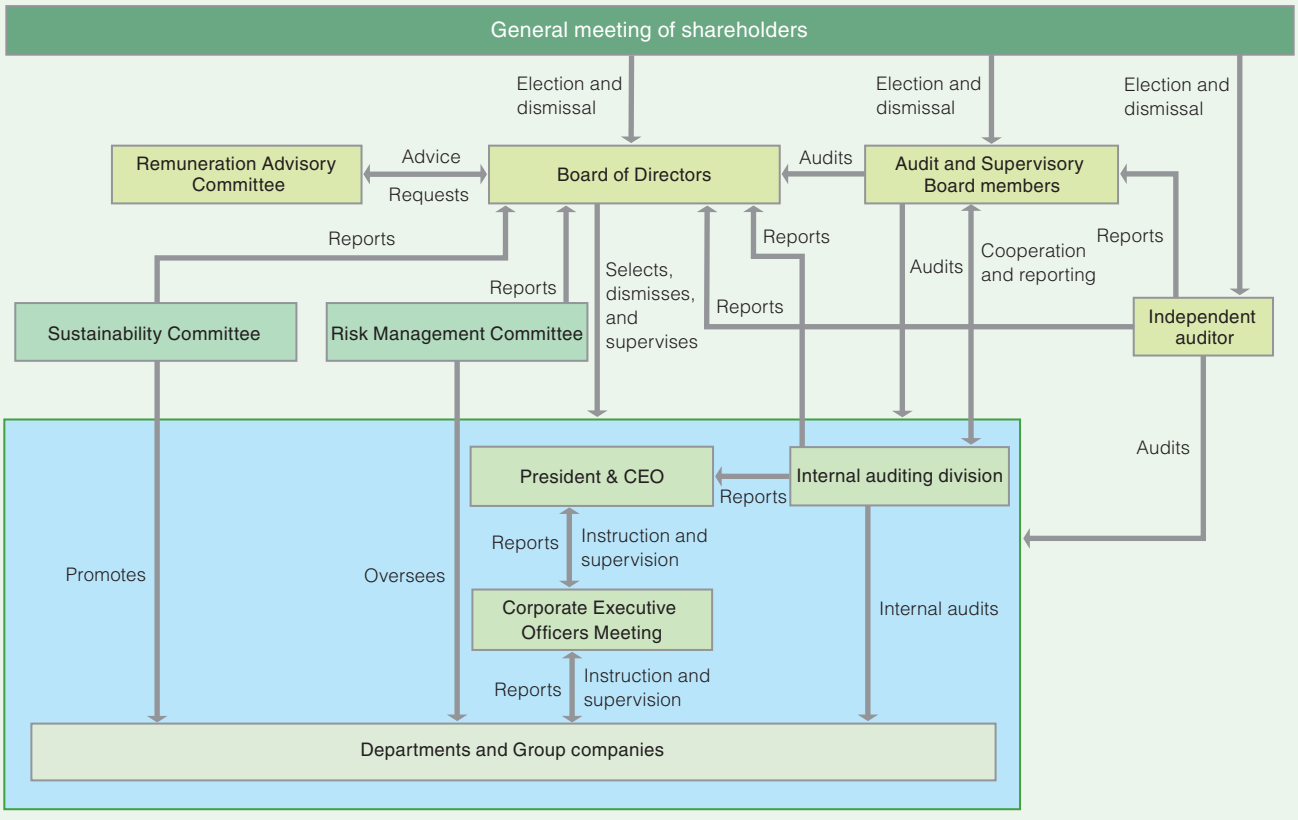
Our outside directors and outside Audit and Supervisory Board members satisfy the independence standards stipulated both by the Tokyo Stock Exchange (TSE) and Nippon Chemiphar and, therefore, are not subject to undue influence from our Company.

As required by TSE, the Company has notified that it has designated its outside directors and outside Audit and Supervisory Board members as independent officers.

At the same time, we are striving to strengthen our internal management system through risk management and the development of in-house control systems. We are promoting sound corporate activities and enhancing our corporate governance in accordance with our Fundamental Internal Control Policy and Legal Compliance Code of Conduct.

We expect these efforts to further strengthen the trust-based relationships we maintain with our shareholders and stakeholders, thereby enhancing our corporate value.

Management Organization



(3) Directors, Audit and Supervisory Board Members

(a) Directors

Before appointing someone to our Board of Directors, we check to ensure they are of flawless character, and have the appropriate insight and level of professional expertise, broad experience, superior ability, and deep sense of responsibility (please refer to the skills matrix below). They must also display advanced professional proficiency, and thorough knowledge of the Board's efforts to enhance corporate governance while generating Group-wide business value in accordance with the Innovation Roadmap.

Candidates for the position of inside director are reviewed to ensure that their performance and managerial ability are excellent, that they have fulfilled their operational responsibilities thus far, and that they are able to observe the Company's operations from a broad perspective.

Meanwhile, candidates for the position of outside director must meet the independence standards stipulated both by TSE and our Company.

Candidates for the post of director are selected by the president and CEO and, following approval by the Board, are appointed to their positions in line with annual shareholder meeting resolutions.

Director Experience and Expertise

	Position as of June 2024	Corporate Management	R&D/ New Business	Sales/ Marketing	Overseas Business/ International Experience	Intellectual Property	Legal/Risk Management	Financial Affairs/ Accounting/ Financing
Kazushiro Yamaguchi	President and CEO	√	√	√			√	√
Masanori Kutsuwada	Director and Senior Managing Corporate Officer	√			√		√	√
Tomio Yamakawa	Director and Senior Managing Corporate Officer	√	√		√	√		
Masahide Yasumoto	Director and Managing Corporate Officer	√	√	√				√
Koki Hayamizu	Director and Corporate Officer		√		√	√		
Yuji Harada	Outside Director	√			√			√
Masaki Yoshino	Outside Director				√	√	√	
Naoko Omukai	Outside Director				√	√	√	

(b) Audit and Supervisory Board Members

Before appointing an Audit and Supervisory Board member, we closely examine the candidates and select an individual of excellent character and insight, with a high level of professional expertise, wide-ranging experience, superior abilities, and a deep sense of responsibility.

A candidate for the post of inside Audit and Supervisory Board member is evaluated to ensure that they are well-versed in our operations and have the aptitude necessary to audit the appropriateness and level of propriety of our directors as they perform their duties.

A candidate for the post of outside Audit and Supervisory Board member must meet the independence standards of both the Tokyo Stock Exchange and our Company.

(4) Director Compensation

The Board of Directors has formulated a policy for determining the details of compensation for individual directors (hereinafter, the "Compensation Determination Policy"), the outline of which is as follows:

Compensation

Type	Outline
Base compensation	A fixed, monthly, cash remuneration the amount of which reflects the recipient's position, responsibilities, and years in office. It is based on the Company's business results, and evaluations of the individual's business performance.
Non-monetary compensation	The Board shall determine the appropriate details, size, and amount of stock-based compensation that is provided as an incentive to some or all inside directors to promote management that will sustainably enhance corporate and shareholder value by improving the Company's business performance. The Board shall also reveal how stock-based compensation is calculated, the timing and conditions according to which it is to be granted, and other relevant matters.

(a) Basic Policy

The Company's basic policy for determining individual director compensation is to set said compensation at levels commensurate with the responsibilities of the director in question, while also considering the role of compensation as an incentive for promoting management targeting sustainable growth in corporate and shareholder value through improved business performance.

Specifically, inside directors receive both monetary compensation (base compensation) that is fixed, in addition to non-monetary compensation that is not fixed. Outside directors receive only base compensation.

(b) Composition

Inside directors' compensation comprises a fixed monetary amount plus non-monetary compensation that is determined relative to their general compensation. They are allotted optimal percentages to ensure that their compensation serves as an incentive to focus on improving business performance, and so enhances corporate and shareholder value. The percentages are determined based on a director's position, responsibilities, and tenure; the Company's performance; employee salary levels; and compensation levels at companies of similar size and in comparable industries or business categories.

Outside directors, meanwhile, receive only base compensation, in the form of fixed monetary remuneration.

(c) Method of Determination

Reflecting resolutions adopted by the Board of Directors, the president and CEO decides the details of each director's basic compensation according to our Compensation Determination Policy.

Subsequently, the Board consults with the Compensation Advisory Committee to ensure that the president and CEO's decisions comply with this policy, and later receives a report detailing the committee's response.

The Board determines the number of shares to be awarded each inside director as share-based remuneration. This follows a review of the Compensation Advisory Committee report with recommendations for the appropriate ratio of an inside director's compensation (fixed monetary and non-monetary) relative to general compensation.

(5) Remuneration Advisory Committee

The Company set up the Remuneration Advisory Committee as an advisory body to the Board of Directors. The committee comprises four members including the President and Representative Director, three of whom are independent outside directors.

(6) Compensation of Audit and Supervisory Board Members

The maximum amount of total compensation for Audit and Supervisory Board members is determined by a resolution of the General Meeting of Shareholders. Meanwhile, the members of this board meet to decide the amount of compensation each member shall receive.

(7) Evaluating the Board's Effectiveness

To evaluate the overall effectiveness of the Board of Directors, we deliver self-evaluation questionnaires each year to all Board and Audit and Supervisory Board members. The data compiled from the responses is then analyzed and discussed by the Board. In FY2023, it was found that the Board, on the whole, had been effective.

We will continue to analyze and evaluate the Board's effectiveness in a bid to increase it, while taking the steps necessary in areas needing examination or improvement.

Main Meetings, Attendance during FY2023*

	Board of Directors' Meeting (attendance rate)	Audit and Supervisory Board Meetings (attendance rate)
Outside directors	14 times (100%)	—
Outside auditors	14 times (100%)	16 times (100%)

* The outside directors appointed on June 21, 2023 attended Board meetings 11 times (100%).

2. Compliance and Risk Management

(1) Internal controls

We have established a Fundamental Internal Control Policy based on the Companies Act and the Regulation for Enforcement of the Companies Act. In addition, we have set up a framework that ensures our operations are appropriate in terms of risk management compliance, the efficient performance of professional duties, and reliable financial reporting.

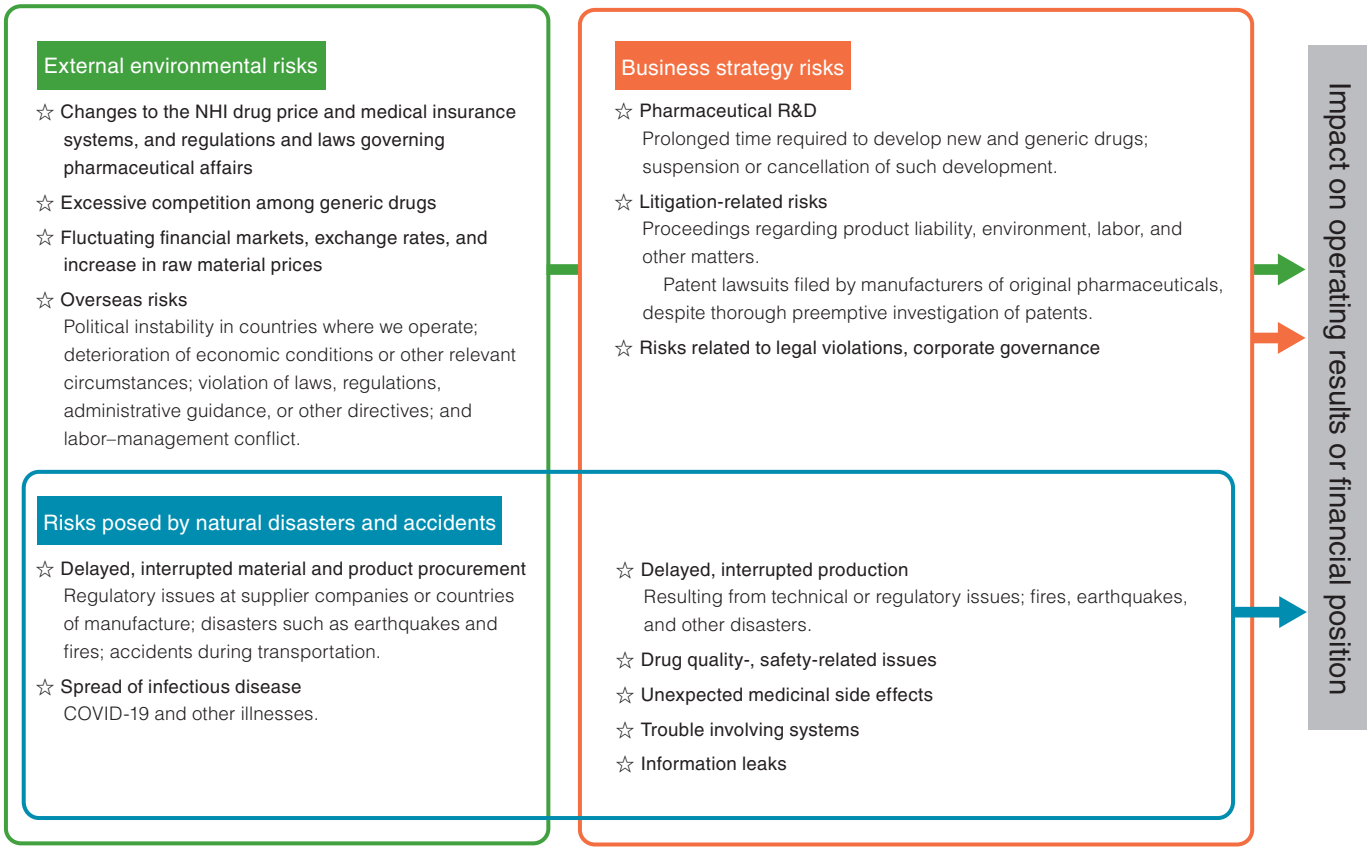
Further, we have created an Internal Auditing Division, which operates under the direct supervision of the president and CEO. This division cooperates with various committees, including the Risk Management Committee, to investigate the appropriateness of our operations and suggest improvements.

(2) Risk management

In accordance with our Fundamental Internal Control Policy, we have established a set of risk management rules to foster comprehension, management, and response to a variety of risks that have significant impact on the administration of our businesses.

The rules include provision for the creation of a Risk Management Committee, with the director in charge of risk management serving as its chairperson. We also have set up individual committees to respond to risks related to compliance and information security, and are sharing relevant information with our employees.

Business and Other Risks (presented in securities report)



3. Messages from Outside Director and Auditor

Naoko Omukai
Outside Director

Perspectives as a new member of the board of directors

In June 2023, I was appointed as an outside director of Nippon Chemiphar's Board.

Within Nippon Chemiphar, before the Board meetings, three outside directors and two outside auditors attend briefing sessions at which the person in charge offers detailed preliminary explanations followed by questions and answers. The Board within Nippon Chemiphar comprises members that reflect diversity based on its significance in terms of gender, work experience, and age; and members exchange opinions to benefit from each other's knowledge, experience, and abilities. Reflecting that diversity, the briefings are characterized by vigorous and open discussions, and the issues raised at these meetings form the basis of the deliberations conducted at Board meetings.

While the economic environment in the pharmaceutical industry is challenging, we are seeking to attain sustainable growth and development through our growth strategy, which stems from three areas of business: generics, diagnostics, and new drugs. Further, by aggressively expanding into overseas markets, we aim to achieve a global presence.

The Board oversees the allocation of management resources and the implementation of business strategies designed to enhance the Company's growth. In order to boost corporate value over the longer term, the Company recognizes the importance of investing in human capital and intellectual property.

From those perspectives, the Company is challenged to develop new products and drugs, such as DropScreen clinical diagnostics and alkalizing agents, while pushing ahead with in-house drug discovery. If we are to improve and strengthen the profitability of our areas of business, while simultaneously growing and developing due to overseas expansion, it is vital that our human resources reflect our policy of diversity, equity, and inclusion (DE&I). Moreover, it is becoming increasingly important how we respond to the challenges of intellectual property both domestically and abroad.

As a recently appointed outside director, I aim to contribute to the sustainable growth and development of the Company by drawing on my experience as an outside officer at other companies, and as an attorney experienced in corporate legal matters in Japan and overseas.

Rumi Yamaguchi
Outside Audit & Supervisory Board member

Outside corporate auditor contributes to corporate value

While outside auditors are responsible for independently assessing how directors perform their duties, our ultimate goal is to increase corporate value and prevent it from being adversely affected. Given the numerous companies where a lack of compliance and internal controls has led directly to a loss of corporate value, the benefits of having outside auditors is now being called into question.

Although an understanding of a company is required if the activities of directors are to be properly assessed, a major obstacle to independent assessment is a lack of information. At Nippon Chemiphar, however, information is proactively provided to ensure that outside directors and auditors can function as necessary.

Detailed information and careful explanations are offered, and multifaceted discussions held, at agenda briefings provided for the Board. In addition, there are frequent opportunities to hear directly from departmental managers about such matters as quality control, and to obtain information derived from actual business operations.

During factory inspections that include outside directors, we check manufacturing and quality control procedures. This enables us to ascertain whether corporate governance has penetrated the workplace, and whether operations and staff understanding deviate from management policies. This aspect of inspections is very useful, as it leads to discussions based on actual on-site circumstances.

While Nippon Chemiphar proactively offers information, I nevertheless would like to encourage the Company to provide such information as will make the audit more effective.

A chartered public accountant, I have over 30 years' experience in auditing financial statements and internal controls of various companies. I use my experience and knowledge to evaluate and review the degree to which disclosed information is appropriate and useful, as well as whether internal control systems are sufficient and effective. In addition, I am working to further improve the transparency and fairness of corporate management.

4. Directors, Audit & Supervisory Board Members, and Corporate Officers (as of June 21, 2024)

(Back row, from left)
Outside Directors Masaki Yoshino, Yuji Harada and Naoko Omukai; Director and Managing Corporate Officer Masahide Yasumoto; Director and Corporate Officer Koki Hayamizu
(Front row, from left)
Director and Senior Managing Corporate Officer Masanori Kutsuwada; President and CEO Kazushiro Yamaguchi; Director and Senior Managing Corporate Officer Tomio Yamakawa

(From left)
Audit & Supervisory Board member (full-time) Sakaru Makino, Outside Audit & Supervisory Board members (part-time) Rumi Yamaguchi and Takeshi Shiba

(Back row, from left)
Corporate Officers Takahiro Mataki, Fumio Tangiku, and Shinya Yoshida
(Front row, from left)
Corporate Officers Shinji Nakajima, Shinichi Kudo, and Hirofumi Miyata

Corporate Data

Ten-year Consolidated Performance Outline

		FY2014 (Ended March 31, 2015)	FY2015 (Ended March 31, 2016)	FY2016 (Ended March 31, 2017)	FY2017 (Ended March 31, 2018)
Income Statement	Net sales	35,118	35,602	35,689	35,331
	Pharmaceutical products segment	34,168	34,509	34,551	34,279
	Generics	27,749	28,857	29,358	29,872
	Proprietary products and new drugs	3,374	2,888	2,294	2,009
	Diagnostics[1]				
	Others segment	949	1,092	1,137	1,051
	Cost of sales	18,352	18,803	19,449	19,535
	Selling, general and administrative expenses	13,480	13,653	13,403	13,947
	R&D expenses	1,755	1,889	1,984	2,280
	Operating profit	3,285	3,145	2,836	1,848
	Ordinary profit	3,217	2,945	2,849	1,696
	Profit attributable to owners of parent	1,899	1,961	2,054	1,160
Financial position at year end	Total assets	41,428	43,644	47,002	46,698
	Total net assets	15,626	16,041	17,355	17,487
Cash flow from	Operating activities	2,438	2,450	2,737	3,188
	Investing activities	−2,072	−151	−2,504	−1,606
	Financing activities	−137	−935	787	−1,741
Capital expenditure and other	Capital expenditure	1,710	1,172	2,928	1,645
	Depreciation and amortization	1,200	1,178	1,112	1,192
Amounts per share[2]	Earnings per share (¥)	474.49	499.12	530.02	315.28
	Book value per share (¥)	3,900.05	4,099.74	4,548.80	4,859.86
	Dividend per share (¥)	100.0	100.0	100.0	100.0
Indexes	EBITDA (millions of yen)	4,588	4,280	4,104	3,025
	Operating income to sales (%)	9.4	8.8	7.9	5.2
	Return on equity (%)	13.1	12.4	12.3	6.7
	Return on assets[3] (%)	7.9	6.9	6.3	3.6
	Debt-to-equity ratio (%)	80.1	81.1	85.3	84.0
	Equity ratio (%)	37.7	36.7	36.9	37.4
	Dividend payout ratio (%)	21.1	20.0	18.9	31.7
Non-financial data	Number of employees	743	756	769	816
	Average length of employment				
	Nippon Chemiphar (year)	15.8	15.2	14.7	14.2
	Percentage of female managers[4]				
	Nippon Chemiphar (%)	—	7.2	11.2	10.4
	Nihon Pharmaceutical Industry (%)	—	—	—	—
	Male rate of childcare leave taken[5]				
	Nippon Chemiphar (%)	—	—	—	—
	Nihon Pharmaceutical Industry (%)	—	—	—	—

Notes:
1. We have disclosed sales of diagnostics since FY2021.
2. As we conducted a 10 :1 reverse stock split on October 1, 2016, per share data have been adjusted as if the split had been conducted at the start of FY2014.
3. Return on assets = ordinary profit / [(total assets for the previous term + total assets for this term) / 2].
4. Calculated based on the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Law No. 64 of 2015).
5. Based on the provisions of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Law No. 76, 1991), the percentage of child care leave taken is calculated in accordance with Article 71-4-1 of the Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Ministry of Labor Ordinance No. 25, 1991).
6. Because we have been applying the Accounting Standard for Revenue Recognition (Corporate Accounting Standard No. 29) since FY2021, it is not possible to make a simple comparison of indicators based on sales revenue before and after that fiscal year.
7. Announced on May 13, 2024.

(Millions of yen)

FY2018 (Ended March 31, 2019)	FY2019 (Ended March 31, 2020)	FY2020 (Ended March 31, 2021)	FY2021[6] (Ended March 31, 2022)	FY2022 (Ended March 31, 2023)	FY2023 (Ended March 31, 2024)	Forecast for FY2024[7] (Ending March 31, 2024)
34,182	31,756	31,541	32,506	31,559	30,748	32,700
32,682	30,632	30,423	31,501	30,543	29,611	—
28,315	26,425	25,532	26,283	24,803	22,766	24,640
1,548	1,362	1,790	1,754	1,345	1,326	1,230
			2,163	2,780	4,101	4,500
1,500	1,123	1,117	1,004	1,015	1,137	—
19,654	19,200	20,097	23,432	23,374	23,010	—
13,063	12,190	10,879	8,248	8,425	8,232	—
2,066	2,173	1,998	2,392	2,419	2,325	2,820
1,464	364	564	825	−241	−494	200
1,512	307	582	1,022	58	−219	100
881	436	495	700	339	−180	60
46,926	45,862	47,124	49,453	48,571	49,548	—
17,863	17,392	18,014	18,501	18,534	18,460	—
2,196	1,394	1,503	1,801	−916	296	—
−960	326	−1,024	35	−394	−3,139	—
110	−961	29	−793	144	1,447	—
784	660	1,812	1,131	573	2,747	3,700
1,345	1,272	1,393	1,586	1,500	1,459	1,450
245.11	121.42	137.75	194.33	94.07	−50.14	16.62
4,963.24	4,830.92	5,006.49	5,119.99	5,130.65	5,116.02	—
100.0	50.0	50.00	50.00	50.00	50.00	50.00
2,987	1,704	2,099	2,727	1,682	1,391	—
4.3	1.1	1.8	2.5	—	—	—
5.0	2.5	2.8	3.8	1.8	—	—
3.2	0.7	1.3	2.1	0.1		—
85.7	85.2	84.0	78.9	81.0	90.5	—
38.0	37.9	38.2	37.4	38.1	37.3	—
40.8	41.2	36.3	32.8	53.2	—	300.8
846	807	760	809	872	887	—
12.9	12.8	13.7	13.9	13.3	13.0	—
11.5	11.4	9.4	9.5	12.3	12.2	
—	—	—	—	13.7	9.1	
—	—	—	40.0	92.3	116.7	
—	—	—	—	100.0	100.0	

Ⅰ Overview

Company Name: Nippon Chemiphar Co., Ltd.
Founded: June 16,1950
Capitalization: ¥4,304 million
Securities Exchange: Tokyo Stock Exchange (Standard Section)
Net sales: ¥30,748 million (Consolidated, FY2023)
Employees: 887 (Consolidated, as of March 31, 2024)
Website: https: //www.chemiphar.co.jp/english/

Ⅱ Domestic Locations

Head Office:
2-2-3, Iwamoto-cho, Chiyoda-ku, Tokyo 101-0032, Japan
Tel.: +81-3-3863-1211
Fax: +81-3-3864-5940
Discovery Research Laboratories:
1-22, Hikokawado, Misato City, Saitama Prefecture, 341-0005, Japan

Ⅲ Group Companies

Subsidiaries:
Nihon Pharmaceutical Industry Co., Ltd.
Safety Research Institute for Chemical Compounds Co., Ltd.
Nippon Chemiphar Vietnam Co., Ltd.
Affiliated Company:
Japan Sopharchim Co., Ltd.

Ⅳ History

1950	Hitachi Chemical Co., Ltd. (as Chemiphar was formerly known) is set up
1969	Nihon Pharmaceutical Industry Co., Ltd. (NPI) becomes an affiliated company
1970	Company changes name to Nippon Chemiphar Co., Ltd.
1971	Listed on Tokyo Stock Exchange (Second Section)
1976	Listed on Tokyo Stock Exchange (First Section) and starts diagnostics business Establishes Japan Sopharchim Co., Ltd. (currently an affiliated company)
1986	Safety Research Institute for Chemical Compounds Co., Ltd. becomes a subsidiary
1988	Launches Uralyt-U (soluble powder)
1993	Launches Soleton 80
1995	Launches Calvan
2010	NPI becomes a wholly owned Chemiphar subsidiary; Chemiphar spins off its Ibaraki Factory to NPI (NPI's current Tsukuba Factory)
2014	New plant at NPI's Tsukuba Factory comes on line
2015	Establishes Nippon Chemiphar Vietnam Co., Ltd.
2017	Establishes West Japan Distribution Center, resulting in one base each in eastern and western Japan
2018	Vietnam factory starts exporting to Japan
2020	Launches DropScreen Concluded a license agreement with Delta-Fly Pharma, Inc. for DFP-17729
2021	Concluded a collaborative research and development agreement and an option agreement for NC-2800 with Sumitomo Pharma Co., Ltd.
2022	Concluded a license agreement with Delta-Fly Pharma for DFP-14323

Nippon Chemiphar Co., Ltd.

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2024.08