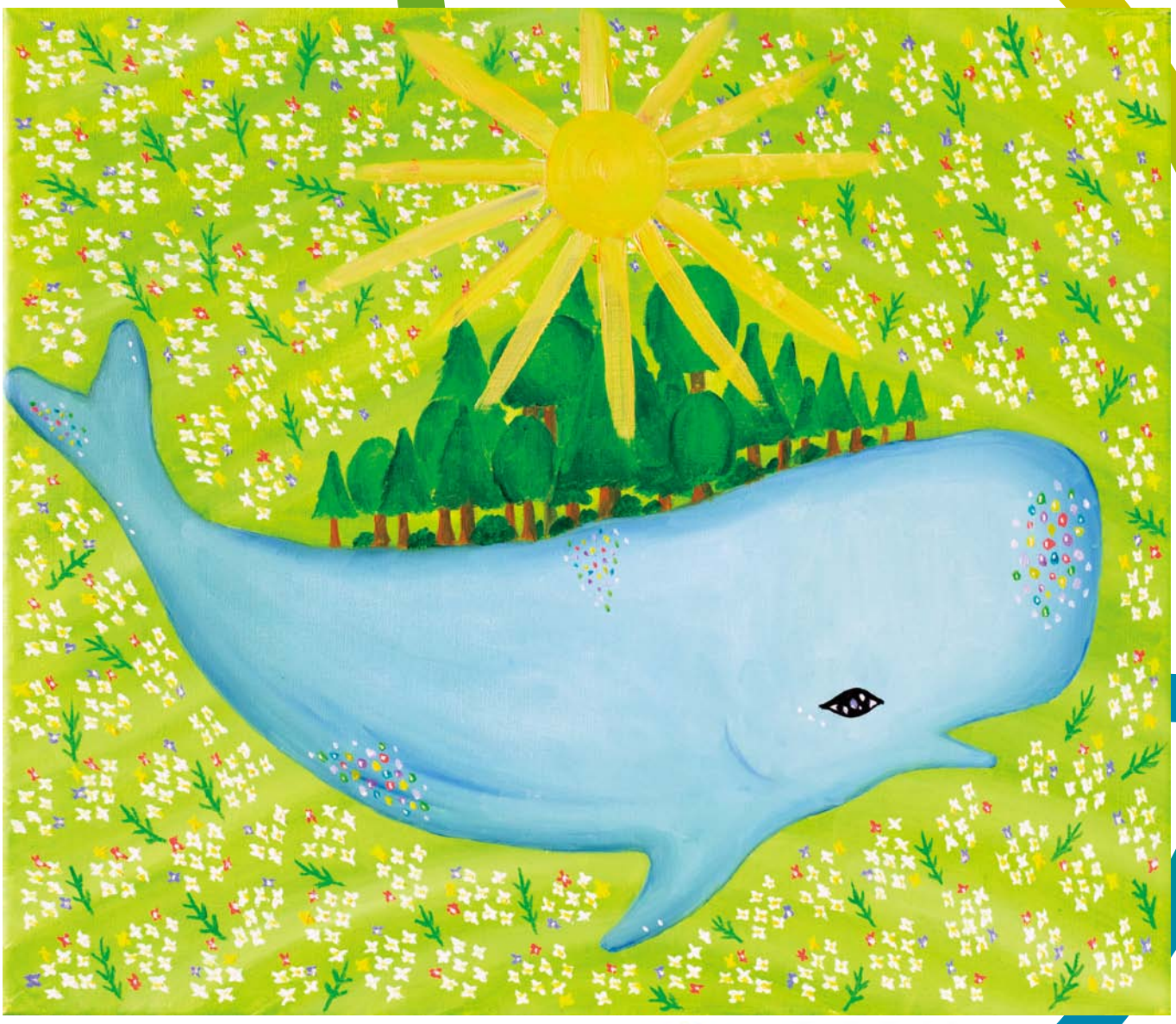
Nippon Chemiphar Co., Ltd.

CORPORATE REPORT 2025



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 deploying innovative diagnostic products that contribute to speedy diagnoses, multifaceted deployment that leverages our expertise in alkalization therapy that we have cultivated over many years, and new drug discovery and development, including our own in-house development and in-licensing pipelines.

NIPPON CHEMIPHAR CORPORATE REPORT 2025

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, 2024–March 31, 2025)

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: "Carrying Life"

Daisuke Matsuzaki started his career as a self-taught artist at the age of 37. His works are based on his experience of having long struggled in society, and express his wish for a society in which people can live as they are, without discrimination or persecution, regardless of their handicaps or characteristics. This work depicts living things existing cheerfully under the sun, free of discrimination.

* 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

75 years

(Listed on the TSE in 1971)

Number of employees

855 persons

(As of March 31, 2025)

Number of generic drugs available

211 products

(As of March 31, 2025)

Percentage of female managers

15.4 %

(Non-consolidated, as of March 31, 2025)

Rate of childcare leave taken*

92.3 %*

(Men: 87.5%, women: 100%.
Calculated on an annual basis; as of March 31, 2024.)

Net sales

¥32.5 billion

(FY2024)

Manufacturing bases

Japan: 2
Overseas: 1

Domestic installation of DropScreen

Over 1,400 units

(As of March 31, 2025)

Percentage of outside directors

42.8 %

(Three of seven directors, as of June 19, 2025)

Rate of paid leave taken

66.4 %

(FY2024)

* 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 Labour 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 evolved 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 alkalization 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 (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.

2003

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

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 alkalization.

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

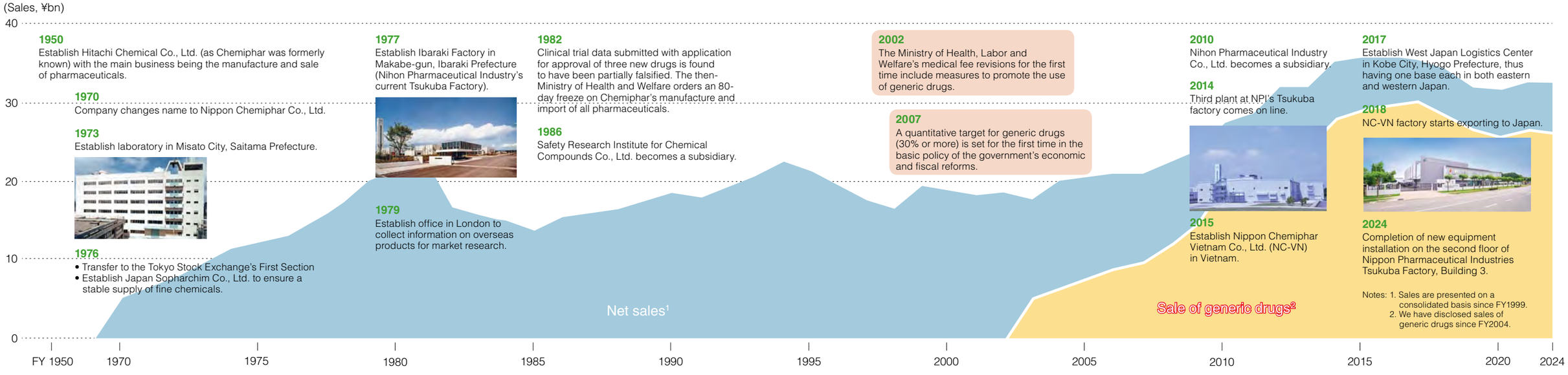
We define three main areas of business in order to further develop each of our three goals, namely generic drugs, diagnostics, as well as new drugs.

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

(Sales, ¥bn)



1950
Establish Hitachi Chemical Co., Ltd. (as Chemiphar was formerly known) with the main business being the manufacture and sale of pharmaceuticals.

1970
Company changes name to Nippon Chemiphar Co., Ltd.

1973
Establish laboratory in Misato City, Saitama Prefecture.

1976
- Transfer to the Tokyo Stock Exchange's First Section
- Establish Japan Sopharchim Co., Ltd. to ensure a stable supply of fine chemicals.

1977
Establish Ibaraki Factory in Makabe-gun, Ibaraki Prefecture (Nihon Pharmaceutical Industry's current Tsukuba Factory).

1979
Establish office in London to collect information on overseas products for market research.

1982
Clinical trial data submitted with application for approval of three new drugs is found to have been partially falsified. The then-Ministry of Health and Welfare orders an 80-day freeze on Chemiphar's manufacture and import of all pharmaceuticals.

1986
Safety Research Institute for Chemical Compounds Co., Ltd. becomes a subsidiary.

2002
The Ministry of Health, Labor and Welfare's medical fee revisions for the first time include measures to promote the use of generic drugs.

2007
A quantitative target for generic drugs (30% or more) is set for the first time in the basic policy of the government's economic and fiscal reforms.

2010
Nihon Pharmaceutical Industry Co., Ltd. becomes a subsidiary.

2014
Third plant at NPI's Tsukuba factory comes on line.

2015
Establish Nippon Chemiphar Vietnam Co., Ltd. (NC-VN) in Vietnam.

2017
Establish West Japan Logistics Center in Kobe City, Hyogo Prefecture, thus having one base each in both eastern and western Japan.

2018
NC-VN factory starts exporting to Japan.

2024
Completion of new equipment installation on the second floor of Nippon Pharmaceutical Industries Tsukuba Factory, Building 3.

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

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: 855 persons (consolidated)

Financial capital
Consolidated net assets: ¥49 billion

Intellectual capital
R&D: ¥2 billion

Manufactured capital
Factories: Japan, overseas

Social and relationship capital
Work with business partners

Natural capital
Energy use (crude oil equivalent) 7,358kl

Business Model

Pharmaceutical Products Segment

Three business areas

Generic drugs (p. 12)
We aim to market distinctive generic drugs in the pursuit of quality.

Diagnostics (p. 14)
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. 15)
We are developing and monetizing groundbreaking new drugs based on our proprietary technologies and on expertise that includes alkalization therapy.

Overseas business (p. 19)
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. 21)
We use comprehensive one-stop system to provide total support for non-clinical and clinical trials.

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.
- Core technologies in the field of allergies and groundbreaking products based on those technologies.
- Expertise in alkalizers and citrate preparations.
- Venture-based drug discovery research targeting early out-licensing to domestic and overseas companies.

- Quality assurance and stable supply (p. 13)
- Initiatives to reduce environmental impact (p. 22)
- Contribution to local communities (p. 25)
- Corporate governance (p. 28)
- Internal controls and risk management (p. 31)

Our corporate philosophy, principles of conduct, support for employee abilities, and training system (p. 26)

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

Sustainable growth in corporate value through value creation cycle

* Based on the IFRS (former IIRC) framework for FY2024 results.

Business Strategy

Management Strategy: Three Business Areas

The Nippon Chemiphar Group has designated three main areas of business: generics, diagnostics, and new drugs including alkalizing agents.

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

Main Business Areas	Fiscal 2024 business
Generics Develop a distinctive generic drug business that pursues quality.	• We have completed installation of new equipment in Building No. 3 of the Tsukuba Factory, and plan to begin shipping products in the second half of FY2025 • We have obtained approval for one authorized generic drug • We received an appropriate corporate evaluation from the authorities regarding stable supply frameworks
Diagnostics Expand business by developing innovative products based on core technologies cultivated in the field of allergy.	• More than 1,400 units of DropScreen have been installed in Japan • We will develop a next-generation kit and reagents, and prepare for expansion into overseas markets
New drugs Continuously develop and monetize groundbreaking new drugs based on our proprietary technologies and know-how, including alkalization therapy.	• NC-2800 is now undergoing preparation for Phase IIa trial • Phase II/III trial for DFP-17729 began in March 2025 • DFP-14323 is currently in Phase III
Overseas Through the strategic introduction of products derived from our three business areas into global markets, we strive to establish a strong international presence.	• Supply of Rebamipide tablets began in Vietnam in August 2024, and export of Epinastine Hydrochloride tablets to China started in July 2024 • Overseas expansion is planned for DropScreen • We are exploring opportunities to expand our products into the Middle East and African markets

Message to Our Stakeholders

This year marks a milestone for the Nippon Chemiphar Group: its 75th anniversary. We would like to express our sincere gratitude to all our stakeholders who have shared this journey with us.

The Group will continue to pursue its three business areas, namely, generics, diagnostics, as well as new drug discovery and development, which includes alkalization therapy. At the same time, we will expand these lines of business overseas, to facilitate ongoing development and maximize our corporate value. By simultaneously operating these three business areas, each with its own individual time frame, I believe we can build a business model of incomparable value for all our stakeholders.

Although our FY2024 earnings performance was affected by NHI drug price revisions, sales grew as a result of the boost we received from our focus on expanding sales of generic drugs and recently launched products, in addition to the further solid market penetration by our revolutionary DropScreen allergy screening kit.

Thus, we achieved a return to profitability at both the operating profit and ordinary profit levels, as well as for profit attributable to owners of the parent. Further, our development pipeline in the new drug business has progressed and expanded significantly over the past few years.

With the ongoing changes to the environment surrounding the Japanese economy and pharmaceutical industry, the Nippon Chemiphar Group's goal is to develop our business by contributing to society through our distinctive initiatives. Our Company-wide efforts will continue in our three areas of business in order 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.

山口一城

Kazushiro Yamaguchi
President & CEO
June 2025

Interview with the President

FY2024 saw us achieve profitability as well as steadily progress to the next stages in our new drug pipeline

Q1 Looking back on FY2024, what is your sense of accomplishment?

A1 We were resolute in carrying out a range of bold measures, thanks to which we achieved profitability at both the operating and ordinary profit levels, as well as for profit attributable to owners of the parent.

In response to declining profitability in the generic drug market over the past few years, we have been working to improve our earnings structure. However, after having posted operating losses in the previous two fiscal years, in FY2024 we were unwavering in our determination to return to profitability at all costs.

In the area of generic drugs, in addition to concentrating business resources on expanding sales of high profit margin drugs, we also benefited from the ripple effect of drug price increases for unprofitable and repriced products, as well as the start of patients having the choice of using long-listed drugs. This all helped absorb the impact of drug price revisions and led to increased revenue.

Then we have DropScreen, a groundbreaking, market-creating product for allergy testing. Testing is mostly outsourced, but our allergy screening product allows tests to be performed in clinical settings. To promote the value of this product, both our diagnostics business division and our pharmaceutical sales department came together to implement multifaceted sales measures in collaboration with wholesalers and other external parties. As a result, the cumulative number of units installed exceeded 1,400.

Our steady efforts to reduce expenses enabled us in FY2024 to achieve profitability at the operating and ordinary profit levels, as well as in the area of profit attributable to owners of the parent.

Q2 What progress did you see last year in terms of key pipeline products in the new drug business?

A2 We made steady progress with NC-2800 in preparation for Phase IIa trial, while DFP-17729 began Phase II/III trial, and DFP-14323 currently is in Phase III trial.

Our in-house developed drug NC-2800 (an opioid delta receptor agonist) has been adopted by the Japan Agency for Medical Research and Development for its Cyclic Innovation for Clinical Empowerment Project targeting depression and anxiety. We are currently preparing to conduct Phase IIa clinical trial.

Moreover, we have concluded a collaborative research and development (R&D) agreement and an option agreement with Sumitomo Pharma Co., Ltd. for the drug. If the option right is exercised and a license agreement is concluded based on the results of the Phase IIa trial, which is scheduled to be completed by FY2027, we can expect to receive milestone payments and royalties in line with the progress of subsequent development.

In addition, we have signed a licensing agreement with Delta-Fly Pharma., Inc (DFP) for DFP-17729, a cancer microenvironment improving agent. This is a revolutionary drug and the first attempt anywhere in the world to apply an alkalizing therapy agent to cancer. We expect that the agent will be effective in treating intractable cancers. DFP commenced Phase II/III clinical trial on pancreatic cancer patients in March 2025. The new drug application to Ministry of Health, Labour and Welfare is expected around 2028.

DFP-14323, an anti-cancer drug candidate, for which we have likewise concluded a licensing agreement with DFP, is currently undergoing Phase III comparative trial by DFP. It is administered to patients with EGFR gene mutation-positive, non-small cell lung cancer (stage III/IV), and we expect to submit an application for approval around 2029.

In addition to these frontrunner projects, our development pipeline has progressed and expanded significantly over the past few years, and we have high hopes that our new drug business will finally begin to contribute to our profits.

Q3 What are your expectations regarding the deployment of alkalizing therapy?

A3 We are currently engaged in a range of collaborative initiatives with external parties in areas such as cancer, chronic kidney disease or CKD, and supplements. We believe that alkalizing therapy has a unique value that we can contribute to healthcare and society.

Our expertise in alkalization therapy that we have cultivated over many years with the gout and hyperuricemia drug Uralyt can be applied to a number of different fields.

In the field of oncology, in addition to DFP-17729, the results of a study conducted in collaboration with Toyama University on the effect of alkalizing therapy on chemotheraphy-induced peripheral neuropathy were published in an academic journal in April 2025.

In the area of CKD, a physician-initiated clinical study on the renal protective effects of alkalization therapy was commenced at Nagoya University in July 2024.

In addition, we are deploying the data we have obtained so far with a view to applying it to health foods and supplements, and will continue to use our alkalization therapy-related expertise in a variety of fields.

Our responsibility: delivering pharmaceuticals to patients

Q4 What is particularly valuable to you as a company that supplies pharmaceutical products?

A4 We place top priority on maintaining and improving quality, and are committed to fostering a corporate culture that puts quality first.

As a pharmaceutical supplier, we consider maintaining and improving quality to be our number one priority. Thus, we are committed to fostering a corporate culture that puts quality first through ongoing education and training of employees. We regularly audit both internal and external manufacturing facilities to verify that pharmaceutical manufacturing and quality control are being carried out appropriately.

In addition, in voluntary inspections conducted since April 2024 regarding consistency between generic drug approval certificates and actual manufacturing and testing practices, we have found no significant discrepancies affecting quality, efficacy, or safety.

Q5 **The generic drug industry has been experiencing product supply shortages for the past few years. How have you been responding?**

A5 **We have been working to reinforce our steady supply framework so as to meet the needs of the medical field. We completed installation of new equipment at our Tsukuba Factory in August last year, and we are scheduled to begin shipping products starting in the second half of FY2025.**

To meet medical needs, we are continuing to increase our personnel and capital investments in order to strengthen our stable supply framework with quality as our top priority.

In addition, our overseas production base, Nippon Chemiphar Vietnam Co., Ltd., is steadily transferring production from domestic factories. It began contract manufacturing of other companies' products in FY2024, and is thus helping contribute to stable supplies of pharmaceuticals.

Such efforts by the Nippon Chemiphar Group have been fairly evaluated in the authorities' corporate assessment of stable supply systems, and we will continue our efforts to further fortify the supply framework.

Initiatives for sustainable growth and maximization of corporate value

Q6 **What is your outlook for FY2025?**

A6 **While we project sales growth for generic drugs and DropScreen, we expect to see development costs rise along with progress in R&D. We thus forecast growth in sales, but a dip in profits.**

We anticipate growth in pharmaceutical sales, in spite of the impact of NHI drug price revisions. This is thanks to ongoing contributions from generic drugs targeted for expansion, as well as from recently launched drugs. We likewise expect sales growth in diagnostics, thanks to further market penetration by DropScreen. We therefore forecast that consolidated net sales will increase 7.5% year on year to ¥35 billion.

At the profit level, we forecast an operating profit of ¥300 million, and ¥150 million in profit attributable to owners of the parent. The figures are due to such factors as the impact of NHI drug price revisions; higher depreciation expenses at the Tsukuba plant; rising raw material and energy costs; as well as an expected increase in R&D expenses accompanying progress in the development of generic drugs and other products.

Consolidated Sales and Profit

(¥mn)

	FY2024 (Results)		FY2025 (Forecast)		
	Amount	Distrib. (%)	Amount	Distrib. (%)	YOY (%)
Net sales	32,570	100.0	35,000	100.0	+7.5
Pharmaceutical products	31,386	96.4	—	—	—
Pharmaceuticals	25,271	77.6	26,490	75.7	+4.8
Diagnostics	4,883	15.0	5,840	16.7	+19.6
Others segment	1,184	3.6	—	—	—
Operating profit	606	1.9	300	0.9	(50.5)
Ordinary profit	443	1.4	100	0.3	(77.4)
Profit attributable to owners of parent	294	0.9	150	0.4	(49.1)

Q7 **What are the key factors for attaining that earnings forecast?**

A7 **The main factors are reaching our objectives for sales of both generic drugs targeted for growth and recently launched drugs, as well as our goal for DropScreen installations. We aim to make Company-wide efforts to achieve these goals.**

First, for generic drugs, we are making thorough preparations to ensure that shipments from the new facilities at our Tsukuba plant proceed as scheduled. In addition to existing products targeted for sales growth, we will also exert Company-wide efforts to achieve our targets for new products, including Glimepiride Tablets NC, our first authorized generic.

In diagnostics, we have continued to achieve steady market penetration for DropScreen even into FY2025; the kit has been highly commended by medical institutions that have adopted it. We will continue to expand our sales framework with the goal of reaching a cumulative total of 2,000 units installed during FY2025.

In addition, we are steadily expanding our pharmaceutical business overseas. As of the end of March 2025, we are selling six products in four countries, including China and Vietnam, and are preparing to launch two new products. We aim to bring these products to market as soon as possible, to help us continue our business expansion.

Q8 **How are you addressing the Tokyo Stock Exchange's call for listed companies' management to be more mindful of the cost of capital and stock prices?**

A8 **By increasing capital profitability in each of our three main business areas, as well as across our businesses overall, we aim to achieve an ROE of 8.0% and a PBR of 1.0.**

To achieve ongoing growth in our three designated business areas, we are working to maximize corporate value by increasing the return on capital. In recent years, ROE had fallen below the cost of shareholders' equity due to profitability setbacks in the generic drugs business. But, in FY2024, our ROE turned around and began to improve.

In future, we aim to achieve ROE of at least 8.0% by: (1) solidifying the current trend of earnings improvement in the generic drugs business, (2) further strengthening and expanding the diagnostics business, which has already been driving earnings improvement, and (3) gradually achieving profitability in the new drug business, where our development pipeline has progressed and expanded significantly over the past few years. We concurrently aim to improve our PBR to at least 1.0 or more by further enhancing our IR activities.

We consider returning profit to our shareholders to be one of our most vital management policies. We thus will continue to conduct R&D and make the capital investments that are necessary to ensure sustainable growth. At the same time, we will strengthen our financial position, so as to continue providing steady shareholder returns.

(See following page for details)

Management Eyeing Cost of Capital and Stock Prices

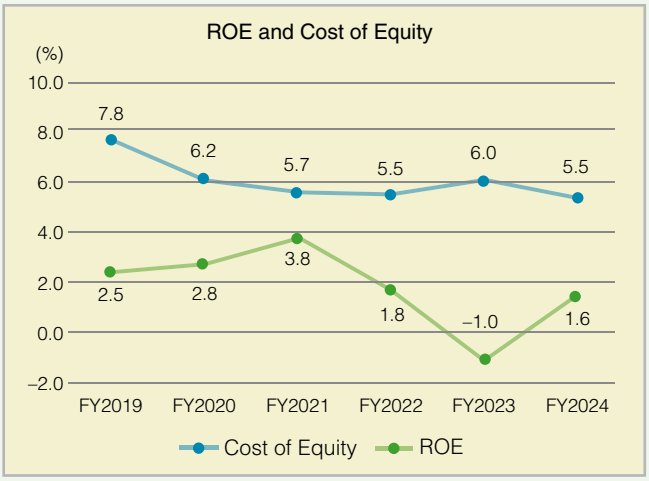
Current Status Analysis and Evaluation

ROE and cost of equity

Profitability of generic drugs—one of our main business areas—has declined in recent years. This is due to (1) slower market growth, as the generic drug conversion rate has reached the national target of 80%; and (2) annual NHI drug price revisions, including mid-year revisions since 2020.

As a result, consolidated profit has been weak, and ROE has lagged the cost of equity.

Nevertheless, several beneficial factors have led to an improvement in ROE. In the area of diagnostics, sales of the DropScreen allergy screening kit have seen steady growth; sales of profitable generic drugs have been expanding; unprofitable products have undergone repricing; and treatment of a patient's choice using long-listed products has been introduced.



Initiatives Focusing on Cost of Equity and Stock Price

Simultaneous promotion of three business areas with different time frames will sustain growth and maximize corporate value.

Business	Current Status	Approaches to Be Taken
Generics	Rally in sales and profit ↓Impact of slower market growth and annual NHI drug price revisions ↑Use of diverse sales channels, expansion of profitable drugs, maintaining fair prices ↑Vietnam factory helping cut costs ↑Repricing unprofitable items, raising minimum drug prices	Achieve stable earnings base ↑Increase production output; stream production; use Vietnam factory and core domestic factories to cut costs; collaborate with industry peers ↑Maximize sales and profit through new product launches (including authorized generics)
Diagnostics	Sales, profit surge driving improved Group profitability ↑Major growth in sales of DropScreen allergy screening kit	Continued contribution to Group profit growth ↑Have domestic DropScreen installations top 2,000 units ↑New and overseas DropScreen launches
New drugs	Pipeline robust but not yet profitable ↑In-house developed drugs (NC-2800: Phase I completed) ↑In-licensed drugs (DFP-14323: Phase III ongoing; DFP-17729: Phase II/III initiated)	Start of monetization, evolution into drivers of mid- to long-term growth ↑Exercise of option rights by Sumitomo Pharma ↑Market launch of two new in-licensed drugs
Goal	ROE: 1.6%; P/B ratio: 0.3	→ ROE: > 8.0%; P/B Ratio: > 1.0

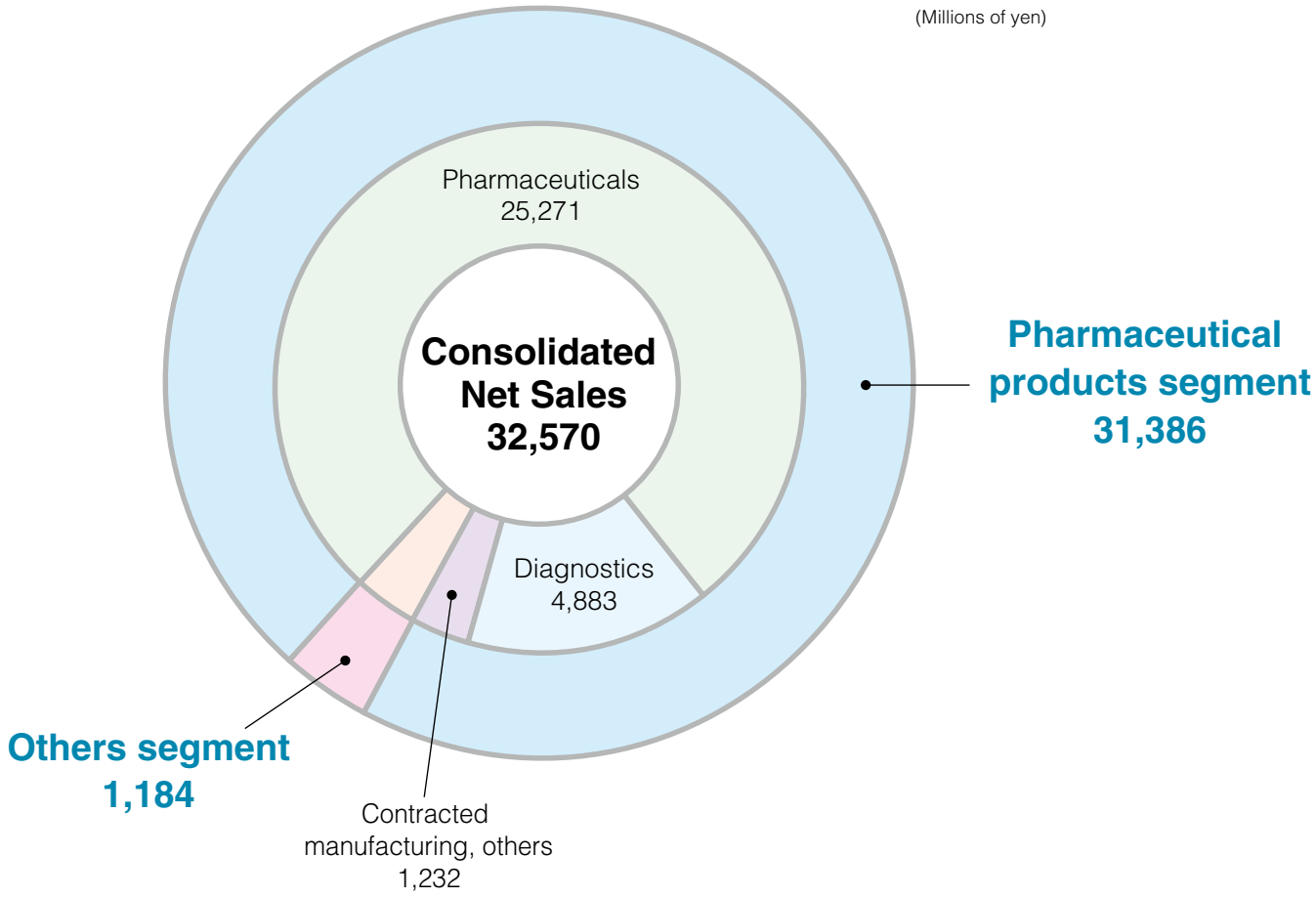
Capital Allocation Policy

Our basic policy is to provide stable dividends while streamlining management, raising profitability, and strengthening our financial position.

Cash Inflow	Cash Outflow		
Operating cash flow	Growth investment	Development investment	• Develop distinctive generics • Develop next-generation allergy screening products, new products • Advance new drug pipelines to next stage
		Capital investment	Maintain, update, expand manufacturing and research facilities in Japan, overseas
	Fortify our financial base		Debt reduction
Sale of asset holdings	Shareholder returns		Ensure dividends remain stable

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.



Segment	Breakdown		Overview
Pharmaceutical products	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. 12.
		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. 13.
	Diagnostics		Business is expanding rapidly, mainly due to sales of the DropScreen allergy screening kit. ☞ For details, see p. 14.
	Contracted manufacturing		Contract manufacturing of other companies' products and receives licensing income for new drugs and generic drugs.
Others	Contracted testing		Contract business for non-clinical and clinical trials of pharmaceuticals, medical devices, and other products such as regenerative medicine. ☞ For details, see p. 21.
	Healthcare-related products		Based on its strengths as a pharmaceutical manufacturer, the Company markets various creams and health foods. ☞ For details, see p. 21.

Pharmaceutical Products

I Initiatives Involving Generics

In Japan, insurance benefits for long-listed drugs were reviewed in October 2024, and the introduction of a selective medical care system in some areas has further encouraged the switch to generic drugs. 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.

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 generics.

To maintain our good reputation in the market despite this, we must improve our overall development capabilities. Doing so requires that we launch distinctive products that reflect the needs of medical professionals and patients 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 24 for information on tablet imprint and packaging.

2. Manufacturing

Aiming to improve productivity and reduce manufacturing costs, at the Group's overseas base factory of Nippon Chemiphar Vietnam Co., Ltd. (hereinafter referred to as the Vietnam factory), we are currently working to offshore production from our factories in Japan. Manufacturing costs are expected to drop 20–30% from current Japan production 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 enhance Group manufacturing productivity. Our Vietnam factory has begun contract manufacturing of other companies' products, thus going beyond the confines of the Group to help ensure the stable supply of pharmaceuticals. In addition, in response to the recent shortage of generic drugs, we are making capital investments and increasing our workforce. Installation of the new equipment at Building No. 3 of Nihon Pharmaceutical Industry Co., Ltd.'s Tsukuba Factory was completed in August 2024. After various validation and prototyping processes, product shipments are scheduled to begin in the second half of FY2025.

☞ Please refer to page 19 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 manufacturer 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.

In addition, in a voluntary inspection led by the Federation of Pharmaceutical Manufacturers' Associations of Japan, conducted in April 2024, to confirm consistency between generic drug approval certificates and the actual manufacturing and testing methods, the Nippon Chemiphar Group conducted checks and found no major discrepancies affecting quality, efficacy, or safety.

For those items in which discrepancies were found, we have reported the results of our investigation to the Ministry of Health, Labour and Welfare and the Tokyo Metropolitan Government. Further, in consultation with the Pharmaceuticals and Medical Devices Agency, we are working to resolve those discrepancies.

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 for the industry as a whole. 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 multisource active pharmaceutical ingredient supplies in Japan and overseas.

(3) Generic drug supply corporate indicator

With the FY2024 NHI drug price revisions, the Ministry of Health, Labour and Welfare has introduced a new generic drug supply corporate indicator on a pilot basis. Based on the criteria and methods for assessing companies capable of ensuring a stable supply of generic drugs, the indicator aims to assess generic drug companies' supply chain stability.

In FY2025, assessment methods will be formulated for all the criteria and corporate assessments will follow. Individual companies' results will be announced following the FY2026 drug price revisions.

We believe that, to date, the Nippon Chemiphar Group has been fairly assessed by the authorities regarding the initiatives we have undertaken. We thus will continue strengthening our supply framework.

5. Sales

In response to changes in the environment surrounding generic drugs, we are seeking to take advantage of a diverse range of sales channels with different characteristics under a framework that provides one-stop administration of Group sales activities.

6. Creating Synergies with Our Main Products and New Drugs

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 expect to use them to generate synergies that will help expand our generics business.

Further, we are taking on the challenge of new drug discovery themes aimed at developing groundbreaking new drugs, including pipelines being developed with the support of government funding. At the same time, we are working to in-license drugs that either are in areas where we have expertise, or have prospects for synergy with our existing pipelines.

☞ Please refer to page 15 for details.

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 dedicated IgE reagent kit ST-1, a new extracorporeal diagnostic kit that combines the Company's allergy measurement reagent technologies with screening systems based on Riken's microarray technologies. We launched sales of the kit in February 2020, together with the measuring device A-1.

Since its release, it has won rave reviews from medical professionals and patients, and as of March 2025, the cumulative number of units installed in Japan exceeded 1,400. In FY2025 we will expand our sales force and aim to reach a cumulative total of 2,000 units. At the same time, we are taking various measures for enhancement, such as improving the kit, and reducing manufacturing costs. With an eye to overseas sales, we are working on product development in compliance with individual countries' laws and regulations.

● 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.

Dedicated IgE reagent kit ST-1

Measuring device A-1

2. New Model of Glycohemoglobin Analyzer

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

HLC-723 GR01

III New Drug Discovery and Development

We are working to develop new breakthrough drugs to benefit patients with 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 working on alliances with other companies and research institutions to further advance and expand the scope of our development pipeline. It has progressed significantly over the past few years, and so we hope soon to be able to deliver new drugs to medical facilities.

As of March 2025

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)				
NC-2600	P2X4 receptor antagonist (Neuropathic pain, chronic cough)				
NC-2700	URAT1 inhibitor (Hyperuricemia, gout)				
NC-2800	Delta opioid receptor agonist (Depression/anxiety)				
DFP-17729	Cancer microenvironment improving agent (Pancreatic cancer)				
DFP-14323	Anti-cancer agent (Non-small cell lung cancer)				
Calvan	α_1 β_1 blocker (Huntington's disease)				

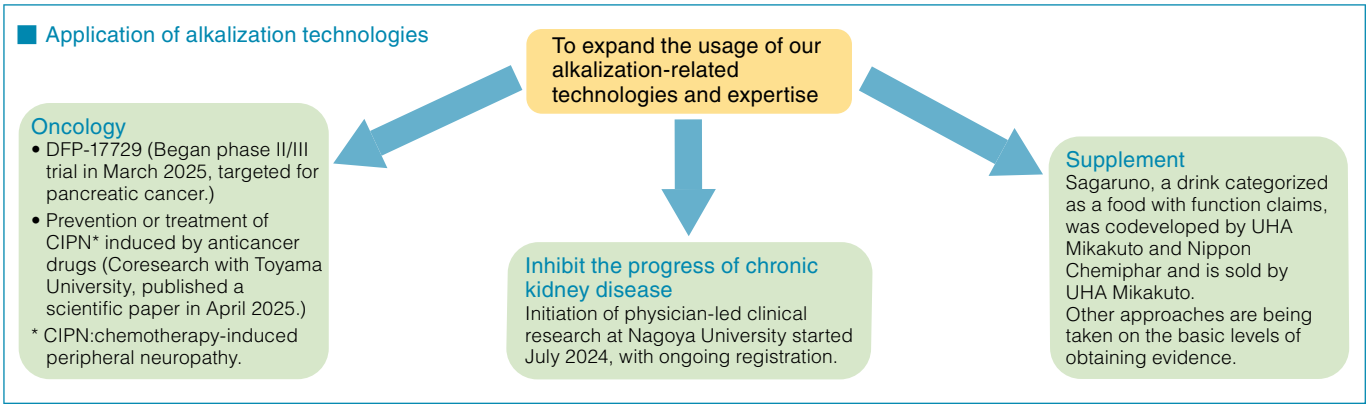
1. Alkalization Therapy

Since the launch of Uralyt in 1988, we have been collaborating with external business partners to leverage the expertise in alkalization therapy that we have accumulated over many years in three fields: oncology, chronic kidney disease, and health foods.

(1) Development in oncology

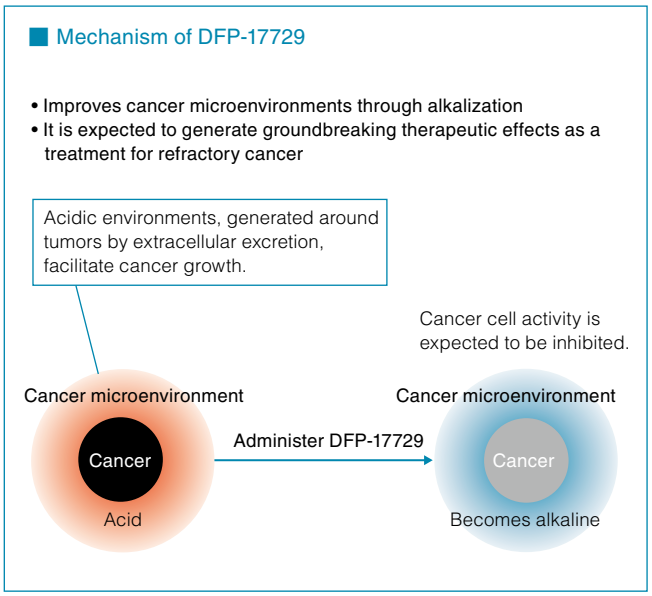
In March 2020, we concluded a licensing agreement with Japanese drug discovery venture Delta-Fly Pharma, Inc. concerning DFP-17729, an anticancer drug that improves cancer microenvironments through alkalization.

It is known that the micro environment surrounding cancer tumors becomes acidic, making it suitable for cancer growth. By alkalization of the cancer micro environment, DFP-17729 has been shown to suppress cancer cell activities and facilitate the efficacy of anticancer agents in non-clinical studies.



A Phase II/III clinical trial on patients with terminal pancreatic cancer commenced in March 2025. We expect to apply for approval of the drug around 2028, and will look into the possibility of expanding application of this technology to other types of cancer.

In addition, we conducted research with Toyama University on the prevention and treatment of peripheral neuropathy induced by anti-cancer drugs. The results were reported in April 2025 by the Multidisciplinary Digital Publishing Institute, based in Basel, Switzerland, in its academic journal *International Journal of Molecular Sciences*.



(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 clinical research* conducted at Tohoku University to clarify the relationship between urinary alkalization medications and CKD. This research has pointed to the efficacy of Uralyt.

In addition, an investigator-initiated clinical study on CKD** was commenced at Nagoya University in July 2024. Case registration is currently underway.

* A study investigated the renal protective effect of oral alkalizing agents in CKD.

** The study considers the renal protective effect of alkalization therapy for metabolic acidosis in chronic kidney disease.

(3) Application to food products

We are taking data we have obtained so far and applying it to health foods and supplements. Sagaruno, a functional food that it is claimed will lower uric acid levels, was developed jointly with UHA Mikakuto Co., Ltd. It has been on sale since September 2024 on UHA Mikakuto's e-commerce site, as well as on Rakuten Ichiba (the Rakuten marketplace, which is one of the largest online shopping platforms in Japan) and Amazon.

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 delta 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 trials.

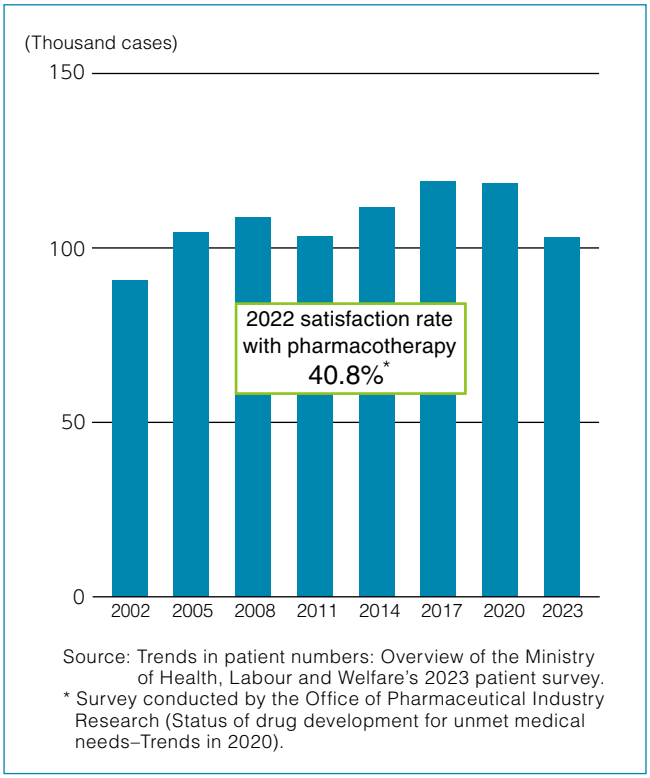
As a result, the compound received high acclaim for its potential as a therapeutic drug candidate, in 2018, AMED's CiCLE project selected it for public funding and support.* In October 2024, AMED granted approval for continuation of the program based on the achievement of milestones, including the results of Phase I trial. 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. Sumitomo is participating in research and development for the CiCLE project as a contributing institution.

While each year more than 100,000 people receive treatment for 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.

* During the period March 30, 2018 to March 31, 2028.

Patient with Mood Disorders



Source: Trends in patient numbers: Overview of the Ministry of Health, Labour and Welfare's 2023 patient survey.
* Survey conducted by the Office of Pharmaceutical Industry Research (Status of drug development for unmet medical needs–Trends in 2020).

(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 for the compound. We have been moving to enhance the drug candidate's value by conducting collaborative research for various indications. In July 2024, a paper on inflammatory bowel disease was published by the University of Pisa in Italy; then in October 2024, a paper on endometriosis was published by Tottori University. We continue to seek opportunities to out-license 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 ability 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. 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 15 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 Japan National Cancer Center Research Institute survey* shows that, in 2019, some 120,000 cases of lung cancer were diagnosed 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 the 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.

* Japan 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 or 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. The results of Phase IIb trial was presented at a conference in 2024.

Making Nippon Chemiphar's mark through alkalization therapy

Alkalization therapy is an area in which we pride ourselves on being a front-runner. We plan to take the expertise we have cultivated with Uralyt, and find new applications for the medication in the areas of cancer and CKD, and we are also using the data we have gained to develop functional foods.

Although we still have a long way to go, I am fully committed to seeing that we are able to work with various research institutions to advance the clinical research of which I am in charge. Our aim is to develop products to improve patients' quality of life.

Satomi Yamazaki
Manager of Clinical Study Section
Medical Affairs Department

IV Overseas Business

Securing sufficient manufacturing capacity to meet the growing demand for pharmaceuticals is a critical issue for companies engaged in the production of generic drugs. Moreover, in an increasingly challenging business environment due to repeated drug price revision under Japan's NHI scheme, efforts to reduce manufacturing costs are essential for sustainable operations.

To address these challenges and maintain continuous growth, we established Nippon Chemiphar Vietnam Co., Ltd. (NC-VN) in Vietnam in March 2015. The NC-VN factory not only enhances manufacturing capacity and cost efficiency but also serves as a strategic base for expanding sales channels overseas, particularly in the rapidly growing Asian market.

1. Manufacturing

The NC-VN initiative, aimed at expanding production capacity, reducing costs, and laying the groundwork for future overseas expansion, began commercial production for the Japanese market at its factory in November 2018. Production has gradually increased, focusing on items with significant cost advantages, and as of March 2025, eight products are being manufactured. To address domestic supply shortages, a two-shift system was introduced in FY2022, and contract manufacturing for other companies began in FY2024.

We will continue to leverage this facility to reduce manufacturing costs and strengthen production capacity, thereby enhancing our competitiveness in the generic pharmaceutical market.

2. Sales

We currently sell six key products, including generics, through local distributors in four countries: Vietnam, Thailand, China (including Hong Kong), and South Korea (as of March 2025). In addition to leveraging NC-VN's local advantages to access ASEAN and East Asian countries, we are also expanding into Middle East and African markets. We aim to increase the number of target countries and products, reaching 14 products across five countries by FY2027.

(1) Expansion in Vietnam

Rebamipide tablets, approved in December 2022, began local distribution in August 2024. This product is classified under Group 1 in Vietnam's tender system, allowing it to be sold at the highest drug price. Capitalizing on this advantage, we are actively marketing the product through local distributors to hospitals and pharmacy chains. It has already been adopted by national university hospitals in Vietnam, and sales are progressing smoothly.

Additionally, Febuxostat 80mg tablets, a high-dose formulation not yet available in Japan, were successfully bid for by a national university hospital in May 2025. Given the strong overseas demand for the 80mg dosage, we are exploring opportunities to expand into neighboring countries and regions.

Celebrating the first shipment of Rebamipide tablets

(2) Expansion in China

In China, we are marketing Calvan tablets and Epinastine tablets, and in Hong Kong, Cilostazol tablets. Export of Epinastine tablets began in July 2024. Cilostazol tablets have been prescribed in all public hospitals in Hong Kong since 2017, and will remain available until 2026.

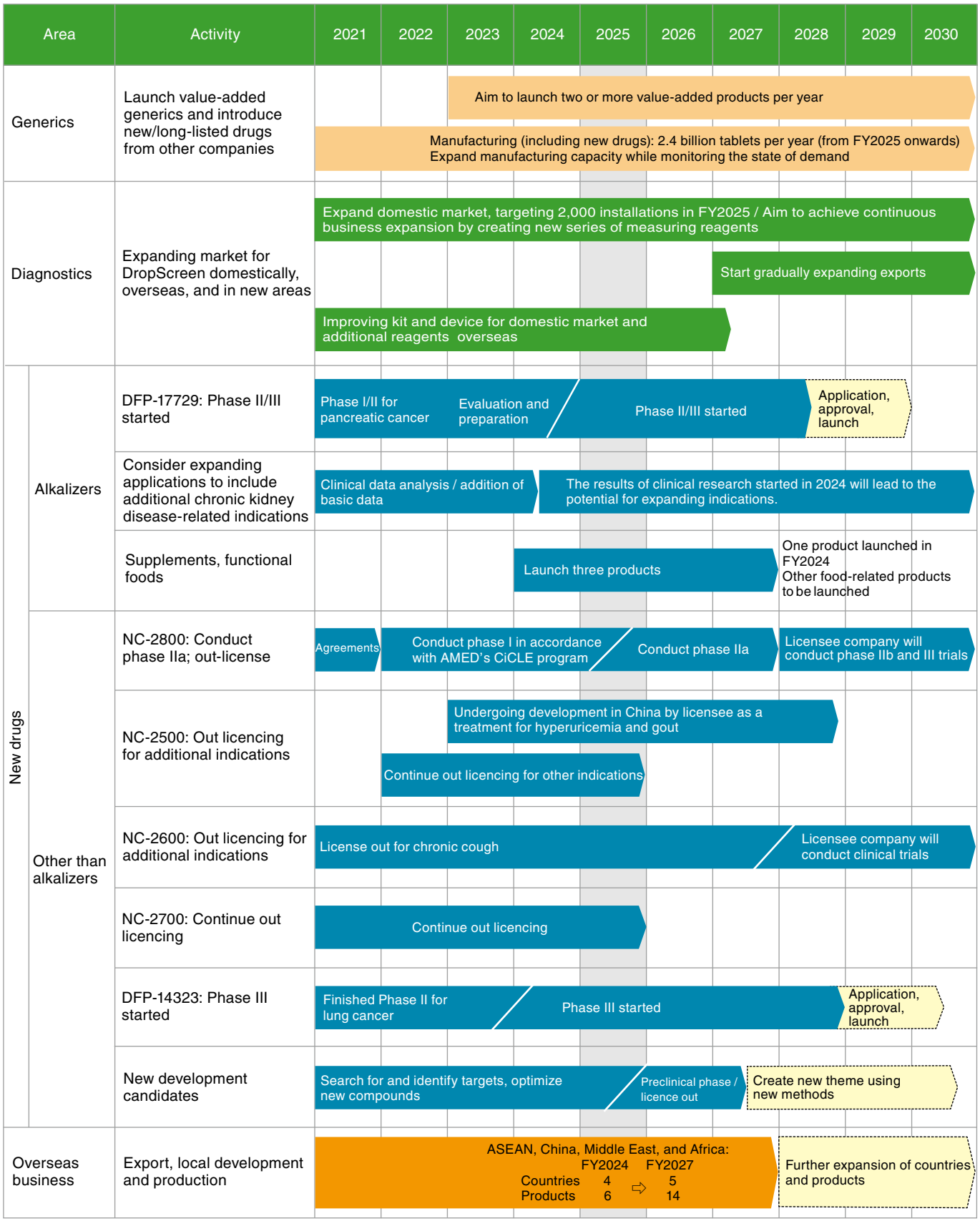
We will continue to build a solid track record in China, including the development of licensing businesses through technology transfers to local companies.

(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, to conduct research on local sales of generic drugs in Asia, the Middle East, and Africa.

Utilizing IFC's expertise and network, we are narrowing down target countries and partners and negotiating the introduction of several specific products into local markets. Together with IFC, we are working to ensure that people in emerging markets have access to high-quality pharmaceuticals at affordable prices, and we aim to expand into markets beyond ASEAN.

V Pharmaceutical Business Growth Strategy



Others Segment

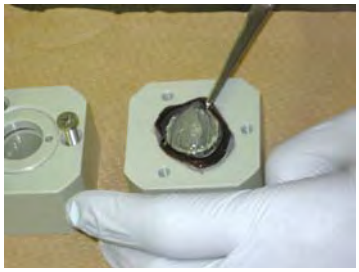
I Contracted Testing

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 non-clinical and clinical studies to help develop 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 products.



Using the Bovine Corneal Opacity and Permeability test.

A good laboratory practice compliance certificate for a regenerative medicine

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.

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 is determined to 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

Based on its business philosophy—to "make a difference in society by providing pharmaceutical drugs and health-related services to help people become and remain healthy"—the Group is working to enhance its corporate value and contributing to develop a sustainable society through its business activities.

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.

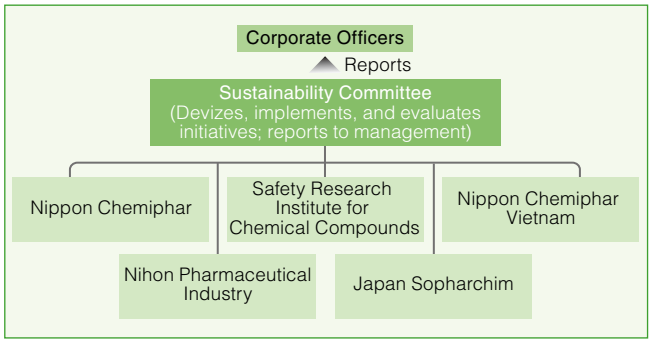
2. Basic Policies

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 to encourage environmental conservation.
(3) Release impartial, appropriate information about environmental conservation to boost corporate transparency.
(4) Educate employees how to be eco-conscious and 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 taken Group-wide and include curbing 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	FY2023	FY2024	YOY (%)
Electricity	18,863,000Wh	20,295,000Wh	+7.6
Gasoline	319kl	301kl	–5.5
Heavy oil	63kl	86kl	+35.8
Light oil	274kl	276kl	+0.7
Kerosene	973kl	1,307kl	+34.3
LPG	1t	1t	–10.8
Town gas	274,426Nm^3	280,133Nm^3	+2.1
Total	259,482GJ	285,212GJ	+9.9
Resources			
Water (consumption by factories, laboratory)			
Tap water	32,443m^3	37,209m^3	+14.7
Well water	139,199m^3	146,070m^3	+4.9
Total	171,642m^3	183,279m^3	+6.8
Materials			
Raw materials	571t	690t	+20.8
Packaging materials	228t	214t	–6.3
Total	799t	904t	+13.1

OUTPUT

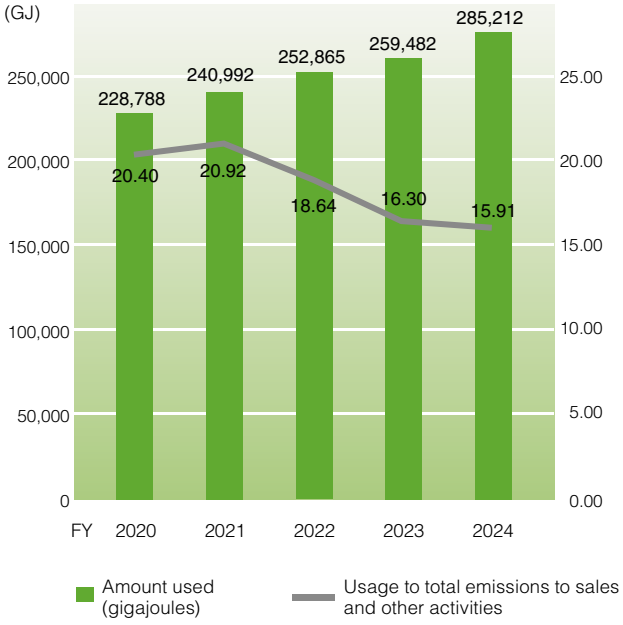
Into Atmosphere	FY2023	FY2024	YOY (%)
CO_2 emissions	12,622t-CO_2	13,445t-CO_2	+6.5
PRTR-related substances	0.00t	0.00t	±0
As Industrial Waste Water (from factories, laboratories)			
Used water	60,675m^3	68,867m^3	+13.5
PRTR-related substances	0.00t	0.00t	±0
As Waste			
General waste	156t	143t	–7.9
Industrial waste	302t	270t	–10.5
PRTR-related substances	1.30t	1.72t	+31.9

RECYCLING

	FY2023	FY2024	YOY (%)
Containers and packaging	31t	30t	–4.1

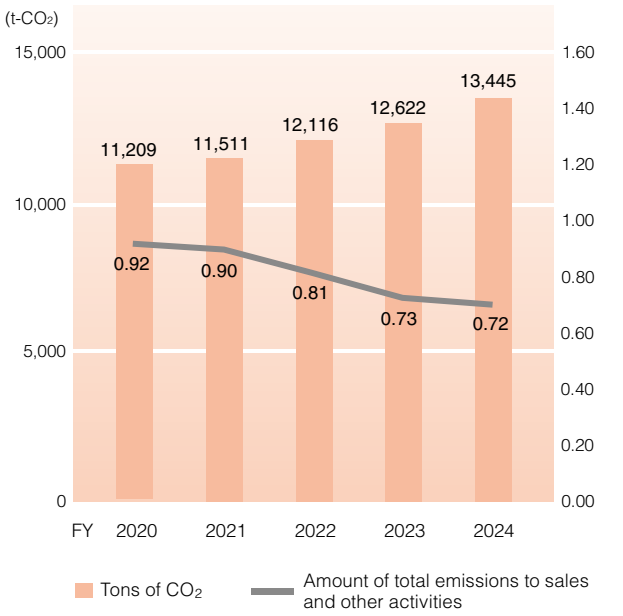
● INPUT

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 and providing the latest information.

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 and pharmacotherapy partners.

(1) Role of MRs

Nippon Chemiphar has a little less than 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. We provide IT-based information and 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, and 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 to support health management. Through these materials, we are helping 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 the necessary 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. This has been 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 plays a central role in promoting activities to foster a culture of quality. At the same time, it is working to further strengthen the Group's quality assurance framework. In other words, it proposes and implements unified management standards and methods that reflect its goal of raising the level of the entire Group's 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 13 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.

Initiatives Aimed at Product 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 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 addition, subsidiary 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 2023 the factory received a letter of appreciation from the Ibaraki Prefecture branch of the Japanese Red Cross Society.

Our subsidiary, Safety Research Institute for Chemical Compounds Co., Ltd., gives visiting lectures on topics such as toxicology at universities and other institutions in Hokkaido, and makes donations to local athletic meets.

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.

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. The Nippon Chemiphar Scholarship aims to support the students who have exhibited excellent academic ability, but are struggling with financial challenges.

Internship participants

4. Recycling, Support for Developing Countries

We help developing countries through such activities as collecting PET bottle caps, used books, and miswritten wasted postcards.

IV Respect for Human Rights

The Nippon Chemiphar Group procures raw materials and other supplies both domestically and overseas. For this reason, we must undertake to protect and respect the human rights of those not only in our Group, but also throughout our supply chain. Moreover, it is expected that we provide relief in the event that we become aware of human rights violations.

The Nippon Chemiphar Group Legal Compliance Code of Conduct clearly states that the Group will respect the human rights, personality, and individuality of all employees; comply with the relevant laws and regulations; and respect diverse cultures and customs. By so doing, we share the importance of respect for human rights.

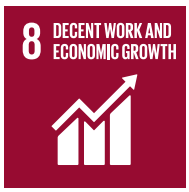
Formulation of Human Rights Policy

To raise awareness of the Group's policy on respecting human rights both within and outside the Company, in June 2025 we formulated the Nippon Chemiphar Group Human Rights Policy. All Group officers and employees are made aware of the policy, while at the same time we cooperate with outside individuals in the interests of furthering respect for human rights.

Please refer to our website for details.

V 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 an active role for 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). In addition, in March 2025, the Safety Research Institute for Chemical Compounds Co., Ltd. was awarded Level 3 Eruboshi Certification by the Minister of Health, Labour and Welfare. The award is given to companies that have formulated and submitted action plans based on the women's participation act, and have met certain requirements, including the implementation of initiatives to encourage women to take part in the workforce. We will persist in our efforts to be seen as an organization that enables its employees to take pride in their work.

Furthermore, recognizing that promoting the active participation of female employees starts with involvement in the childcare process, we have 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 30, 2025)

Goal (April 1, 2024–March 31, 2027)	Result
Have women account for more than 15% of managers.	15.4%

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 Leverage 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, dispatch staff to management team seminars, 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 Engagement

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 encourage a culture of quality throughout the Group, the Group Quality Assurance Department regularly conducts engagement surveys that also serve as opinion polls. In this way we are raising awareness for the indirect benefit of patients.

In addition, mid-career employees act as mentors for younger staff within our factories, and hold regular meetings with them to help them gain a deeper understanding of their work.

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 through training and e-learning.

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 appropriately responding to, various types of harassment.

We also 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.

VI 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 (seven 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.

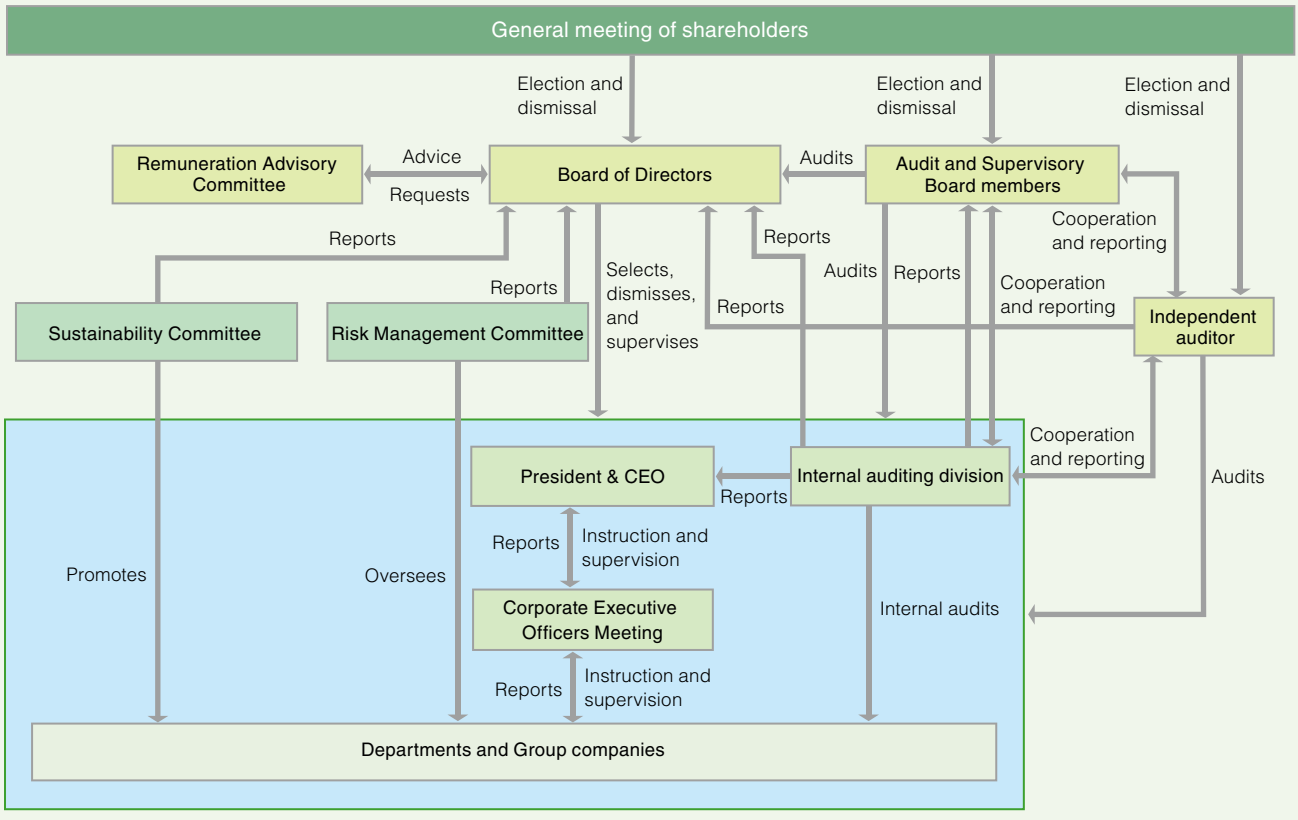
Our outside directors and outside Audit and Supervisory Board members satisfy the requirements for independent directors stipulated by the Tokyo Stock Exchange (TSE) and independence standard of Nippon Chemiphar and, therefore, are not subject to undue influence from our Company.

As required by the TSE, the Company 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 have excellent character and insight.

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 independent directors stipulated both by the TSE and the independence standard of the Company. (Please refer to the skills matrix below.)

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.

(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 requirements for the independent directors of the TSE, and the independence standards of the Company.

Directors' Skills Matrix

To enhance corporate governance while generating Group-wide business value in accordance with the growth strategy described on page 20, the Company has appointed directors with wide-ranging experience, advanced expertise, and broad knowledge. Their experience and expertise are outlined below.

Director Experience and Expertise

	Corporate Management	R&D/ New Business	Sales/ Marketing	Overseas Business/ International Experience	Intellectual Property	Legal/Risk Management	Financial Affairs/ Accounting/ Financing
Kazushiro Yamaguchi	√	√	√			√	√
Masahide Yasumoto	√	√	√				√
Koki Hayamizu		√		√	√		
Sinji Nakajima			√			√	√
Masaki Yoshino				√	√	√	
Naoko Omukai				√	√	√	
Manabu Narita	√		√				√

Note: For inside directors, the knowledge, experience, and skills that each individual has acquired through their careers and professional history are indicated with a check mark. For outside directors, the knowledge, experience, and skills expected of each individual based on their expertise, career, and professional history also are indicated with a check mark. It should be noted that the check marks displayed are not intended to represent the totality of that individual's knowledge, experience, and skills.

(4) Director Compensation

The cap on the total amount of compensation for directors is determined by a resolution of the General Meeting of Shareholders. The amount of basic compensation for individual directors is determined by the president & CEO, pursuant to a delegated resolution of the Board of Directors, in accordance with the policy for determining the details of compensation for individual directors (hereinafter, the "Compensation Determination Policy").

The Compensation Determination Policy is agreed on by the Board of Directors, and is outlined below.

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 FY2024*

	Board of Directors' Meeting (attendance rate)	Audit and Supervisory Board Meetings (attendance rate)
Outside directors	13 times (100%)	—
Outside auditors	13 times (100%)	16 times (100%)

* The outside directors appointed on June 21, 2024 attended Board meetings 11 times (100%).

2. Internal Controls 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.

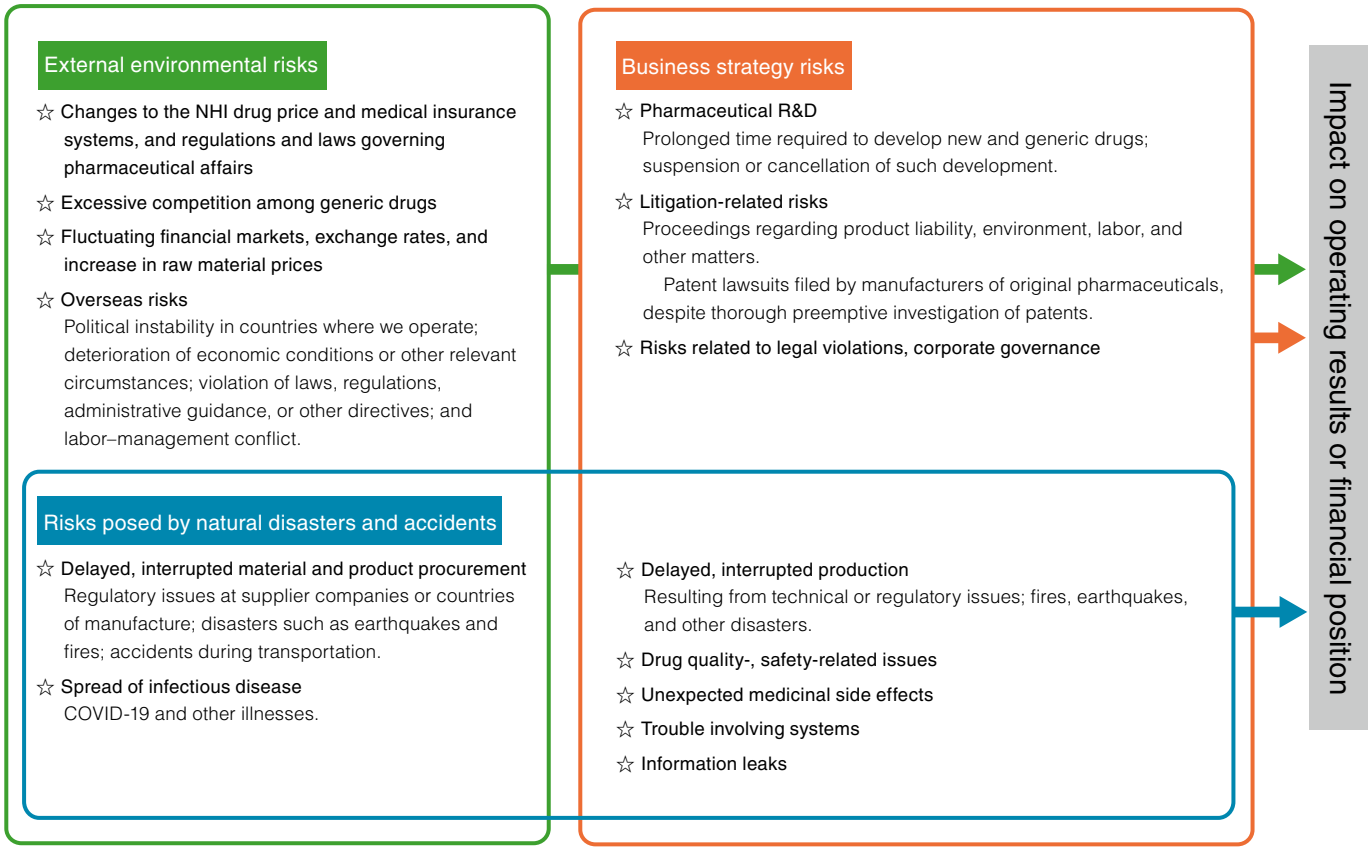
Further, we have created an Internal Auditing Division, which operates under the direct supervision of the president and CEO. This division cooperates with various committees, including the Risk Management Committee, to investigate the appropriateness of our operations and suggest improvements.

(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. Directors, Audit & Supervisory Board Members, and Corporate Officers (as of June 19, 2025)

Back row (from left): Outside Directors Masaki Yoshino, Manabu Narita, and Naoko Omukai; Director and Corporate Officer Shinji Nakajima
Front row (from left): Director and Senior Managing Corporate Officer Masahide Yasumoto; President and CEO Kazushiro Yamaguchi; Director and Managing Corporate Officer Koki Hayamizu

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 Masami Furuya, Shinya Yoshida, and Yasumasa Tashiro
Front row (from left): Corporate Officers Hirofumi Miyata, Shinichi Kudo, and Takahiro Mataki

Corporate Data

Ten-year Consolidated Performance Outline

		FY2015 (Ended March 31, 2016)	FY2016 (Ended March 31, 2017)	FY2017 (Ended March 31, 2018)	FY2018 (Ended March 31, 2019)
Income Statement	Net sales	35,602	35,689	35,331	34,182
	Pharmaceutical products segment	34,509	34,551	34,279	32,682
	Generics	28,857	29,358	29,872	28,315
	Proprietary products and new drugs	2,888	2,294	2,009	1,548
	Diagnostics[1]				
	Others segment	1,092	1,137	1,051	1,500
	Cost of sales	18,803	19,449	19,535	19,654
	Selling, general and administrative expenses	13,653	13,403	13,947	13,063
	R&D expenses	1,889	1,984	2,280	2,066
	Operating profit	3,145	2,836	1,848	1,464
	Ordinary profit	2,945	2,849	1,696	1,512
	Profit attributable to owners of parent	1,961	2,054	1,160	881
Financial position at year end	Total assets	43,644	47,002	46,698	46,926
	Total net assets	16,041	17,355	17,487	17,863
Cash flow from	Operating activities	2,450	2,737	3,188	2,196
	Investing activities	−151	−2,504	−1,606	−960
	Financing activities	−935	787	−1,741	110
Capital expenditure and others	Capital expenditure	1,172	2,928	1,645	784
	Depreciation and amortization	1,178	1,112	1,192	1,345
Amounts per share[2]	Earnings per share (¥)	499.12	530.02	315.28	245.11
	Book value per share (¥)	4,099.74	4,548.80	4,859.86	4,963.24
	Dividend per share (¥)	100.0	100.0	100.0	100.0
Indexes	EBITDA (millions of yen)	4,280	4,104	3,025	2,987
	Operating income to sales (%)	8.8	7.9	5.2	4.3
	Return on equity (%)	12.4	12.3	6.7	5.0
	Return on assets[3] (%)	6.9	6.3	3.6	3.2
	Debt-to-equity ratio (%)	81.1	85.3	84.0	85.7
	Equity ratio (%)	36.7	36.9	37.4	38.0
	Dividend payout ratio (%)	20.0	18.9	31.7	40.8
Non-financial data	Number of employees	756	769	816	846
	Average length of employment				
	Nippon Chemiphar (year)	15.2	14.7	14.2	12.9
	Percentage of female managers[4]				
	Nippon Chemiphar (%)	7.2	11.2	10.4	11.5
	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 FY2015.
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 14, 2025.

(Millions of yen)

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)	FY2024 (Ended March 31, 2025)	Forecast for FY2025[7] (Ending March 31, 2026)
31,756	31,541	32,506	31,559	30,748	32,570	35,000
30,632	30,423	31,501	30,543	29,611	31,386	—
26,425	25,532	26,283	24,803	22,766	23,968	26,490
1,362	1,790	1,754	1,345	1,326	1,303	1,810
		2,163	2,780	4,101	4,883	5,840
1,123	1,117	1,004	1,015	1,137	1,184	—
19,200	20,097	23,432	23,374	23,010	23,824	—
12,190	10,879	8,248	8,425	8,232	8,139	—
2,173	1,998	2,392	2,419	2,325	2,292	2,750
364	564	825	−241	−494	606	300
307	582	1,022	58	−219	443	100
436	495	700	339	−180	294	150
45,862	47,124	49,453	48,571	49,548	49,851	—
17,392	18,014	18,501	18,534	18,460	19,167	—
1,394	1,503	1,801	−916	296	−265	—
326	−1,024	35	−394	−3,139	−1,655	—
−961	29	−793	144	1,447	−305	—
660	1,812	1,131	573	2,747	3,003	1,420
1,272	1,393	1,586	1,500	1,459	1,377	1,690
121.42	137.75	194.33	94.07	−50.14	81.72	41.75
4,830.92	5,006.49	5,119.99	5,130.65	5,116.02	5,312.46	—
50.0	50.00	50.00	50.00	50.00	50.00	50.00
1,704	2,099	2,727	1,682	1,391	2,018	—
1.1	1.8	2.5	—	—	1.9	0.9
2.5	2.8	3.8	1.8	—	1.6	—
0.7	1.3	2.1	0.1		0.9	—
85.2	84.0	78.9	81.0	90.5	87.3	—
37.9	38.2	37.4	38.1	37.3	38.4	—
41.2	36.3	32.8	53.2	—	61.2	120.30
807	760	809	872	887	855	—
12.8	13.7	13.9	13.3	13.0	13.8	—
11.4	9.4	9.5	12.3	12.2	15.4	
—	—	—	13.7	9.1	15.4	
—	—	40.0	92.3	116.7	87.5	
—	—	—	100.0	100.0	175.0	

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: ¥32,570 million (Consolidated, FY2024)
Employees: 855 (Consolidated, as of March 31, 2025)
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 Concludes a license agreement with Delta-Fly Pharma, Inc. for DFP-17729
2021	Concludes a collaborative research and development agreement and an option agreement for NC-2800 with Sumitomo Pharma Co., Ltd.
2022	Concludes a license agreement with Delta-Fly Pharma for DFP-14323

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