Business Report for the 22nd Year

Nobelpharma Co., Ltd.

[From January 1, 2024 to December 31, 2024]

Business Report

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1. Current Status of the Company

1.1 Corporate Mission, Policies, Code of Conduct

Corporate Mission

The Company conducts its business activities under its corporate mission, "to contribute to society by providing critical but neglected pharmaceuticals and medical devices".

Although sales and profits are important management indices that should be pursued, the company considers them to be a means for executing the corporate mission and the result of executing the corporate mission.

The management policy, behavioral standards, and request to line managers (Attachment) are indicated below.

Policies

1. General
   1) Give priority to legal and ethical compliance in the course of business--never prioritize loyalty to company over morals.
   2) Share our Mission, Policies and Code of Conduct among all stakeholders (employees, shareholders, officers)
      * They cannot be shared unless they can repeatedly be invoked on a regular basis.
   3) Pursue evolution of the Company, yet becoming larger is not our main goal
   4) Aim to be a company that lasts 100 years while protecting its mission
   5) Ensure transparency and disclosure
   6) Launch business overseas
2. Personnel
   1) Value employees and families, and respect self-development
   2) Employ the principle of "select few*," and create an environment where they can enjoy working
      * The "select few" are those who have knowledge and experience, think for themselves and act on their own, and are passionately devoted to working.
      * The select few are recognized irrespective of gender, age, nationality, religion, or preference
      * Each member of the select few has an independent character and treats others with respect
   3) Value suggestions and opinions from employees
3. Products
   1) Pursue high-quality products and data
   2) Ensure post-marketing safety
   3) Search for product seeds externally
4. Capital
   1) Profits are a result of and means of achieving the Mission
   2) Focus on higher return on sales/profits per employee
   3) Keep in mind the disadvantages of failure--not the assumption of success--when making investment decisions
   4) Profits are distributed to shareholders (dividends*), employees, and internal reserves
      * dividends: 1/3 of profits after tax
      * employees: not to exceed dividends

5) Invest asset only with a principal guarantee

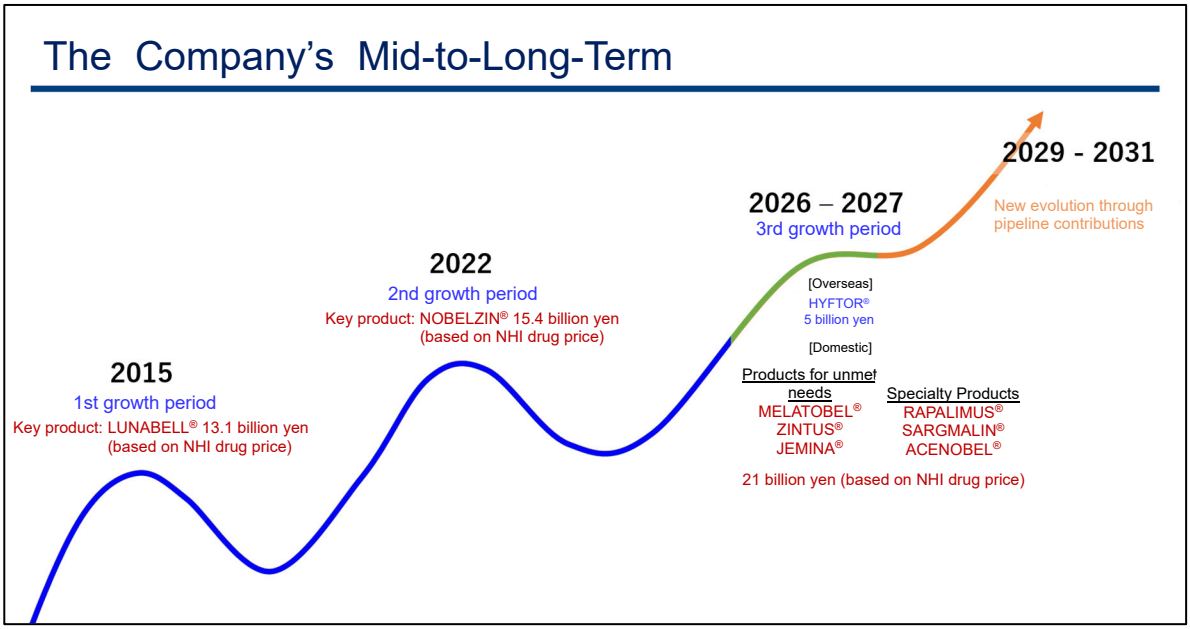
Code of Conduct

1. Principle:

   When in doubt, the patient benefit takes priority

2. Our Challenges:
   1) YMWS: "**Y**atte **M**inakucha **W**akaranai, shikashi **S**ongiri wo tamerauna" = You never know how it will turn out unless you try, but do not hesitate to cut losses"
   2) ZY: "**Z**enrei ga nainara **Y**attemiru" = Even if there is no precedent, be the first to try it
3. Speed:
   1) Never forget patients are waiting
   2) Be unafraid to buy time
   3) Without worrying about possible delays, set a challenging deadline (day, month, and year) intuitively to begin with, and do not give up easily, but persist in attempting to realize and achieve it
      * Stay away from "approximately/around" and "early/late ~," etc.
      * Loose deadlines focused on immediate concerns are not the smart way.
      *"Wait-and-see" is a waste of time
   4) If problems or mistakes occur, prevent their expansion first before preventing reoccurrence
   5) Speedy decisions by managers who have authority over ○ million-yen projects
      * For the time being, ○ million = 10 million for Division Manager; 3 million for Department/Branch Manager/PM/PL
4. Cost/Efficiency:
   1) Never take or lead to wasteful actions
   2) Zero overtime work, working from home, and using up accumulated leave are considered optimal
   3) Consider patient needs, scientific rationality and laws/regulations when pursuing higher quality in products/data
   4) As a general rule, competitive quotes should be obtained from at least △ companies for projects valued at ○ million yen or more, and in certain cases, multiple purchases should be made
      * For the time being, ○ = 1, and △ = 2 (for from 1 million yen to less than 3 million yen) or 3 (for 3 million yen or more)
5. Communications/Relationship:
   1) Embrace inter-departmental advice and cooperation—hiding in silos is a symptom of "Big Company" Disease
   2) Courageously state the opinion you think is correct, and do not choose your words while trying to gauge your superior's reaction
   3) Confidently entrust tasks to subordinates, but never leave them unmanaged
   4) Hear anyone out--never interrupt in the middle
   5) Start with the conclusion/result when explaining/responding
   6) Greetings may seem small, but they are important

1.2 Mid-to-Long-Term Grand Design



Thus far, the Company has achieved growth by maximizing the value of each drug by licensing in foreign drugs that are as yet unavailable in Japan to counter drug lag, and by adding dosage forms and indications to the items launched in the process. However, in light of the recent intensification in competition and the trends in National Health Insurance drug price policy, the environment has become such that we cannot hope to evolve merely by continuing our past business model.

The Company perceives the next few years as the "3rd growth period." In this 3rd growth period, our business structure will not rely upon a single key product for revenue as we have in the past. Instead, we will have a broad product portfolio supported by six core products, to which we will add the overseas market. Among these, the four products for which we received regulatory approval in Japan in 2024 (RAPALIMUS® Tablets/Granules [extended indication], ZINTUS® Tablets, SARGMALIN® for Inhalation, and ACENOBEL® Extended Release Tablets) are expected to contribute greatly to growth in 2026 to 2027.

Moreover, as shown in 1.6 Research and Development (Japan and overseas), the Company has an abundant pipeline that is congruent with our corporate mission. In the future, we plan to develop original new drugs in Japan and deploy them not only in Japan but overseas as well. We expect this pipeline to lead to new evolution that will become evident beyond the 3rd growth period, around 2030.

1.3 Noteworthy Points in 2024

1.3.1. Domestic development/sales (Sales figures expressed in NHI drug prices)

- Regulatory approval was obtained in January and March of 2024 for four products (NPC-12, RAPALIMUS® Tablets/Granules; NPC-25, ZINTUS® Tablets; NPC-09, ACENOBEL® Extended Release Tablets; NPC-26, SARGMALIN® for Inhalation), and these products were launched one after another in July through December. This did not have a major impact on sales in FY 2024 but will contribute to sales in 2025 and beyond.
- Owing to the impact of the launch of the generic version of key product NOBELZIN®, sales fell from 13,227 million yen in 2023 to 4,698 million yen in 2024 (35.5% versus preceding year). NOBELZIN® AG (authorized generic) was launched by Daito Pharmaceutical Co., Ltd. in December of 2023, and although we launched ZINTUS®, follow-on to NOBELZIN®, in August, this together with growth in key product MELATOBEL® Granules was not sufficient to make up for the decrease in sales.

・We decided to make efforts to revamp our sales organization, and we switched from a system with two sales departments and eight areas to one with nine areas directly under the Head of the Sales & Marketing Division. The designation for persons responsible for each area was also changed from area manager to branch manager, and by vesting them with authority and responsibility, we created a sales system that gives priority to speed. To facilitate the provision of more highly specialized information, we also installed seven full-time SCs (special coordinators) to take charge of our orphan drugs (RAPALIMUS® Tablets/Granules, SARGMALIN® for Inhalation, and ACENOBEL® Extended Release Tablets).
・The sales system that was introduced in 2013 was revamped in September of 2025. This will make the activities of the MRs more efficient and effective, and it can be expected to improve productivity. The history of all interactions with healthcare professionals (both real and digital) will be managed collectively in the new system, with functions that direct MR activity toward doctors with high potential and recommend visit frequency and content for activities to support MR activities indirectly.

1.3.2. Overseas development/overseas sales

・As the product lineup to follow RAPALIMUS® Gel, NOBELZIN® (NPC-02, for Wilson's disease) has been approved in China. Moreover, we are promoting Life Cycle Management (LCM) for RAPALIMUS® Gel (NPC-12G) in Europe and the United States, together with the development of MELATOBEL® (NPC-15) in China.
・NPC-12G, a new therapeutic agent for facial angiofibromas accompanying tuberous sclerosis that is sold in Japan under the product name of RAPALIMUS® Gel, went on sale in the US in August 2022, in England and Germany in October 2023, and in China in December 2023. The Chinese trademark for this drug is 纡洛丽 (“Xian Luo Li”), and the trademark in Europe and the US is HYFTOR.
Because sales were sluggish in the US in 2023, radical improvement measures were instituted in January 2024 to increase sales and reduce expenses, and as a result, our US affiliate (Nobelpharma America LLC) turned a single-year profit.
・On the other hand, sales of HYFTOR® in Germany and England remain sluggish because of the delay in concluding the insurance reimbursement price negotiations with GKV (Germany’s public health insurance system) and in health technology assessment in England. An agreement with GKV was finally reached in October 2024, and in January 2025, the recommendation of Scottish Medicines Consortium (SMC, Scotland’s health technology assessment agency) was obtained. In the future, we aim to obtain the recommendation of NICE (England’s National Institute for Health and Care Excellence) and devote greater efforts to strengthening sales in Germany and England.
・Since the launch of “Xian Luo Li” in China, we have been promoting broader use of the product through activities at large-scale hospitals in major metropolitan areas, and in the future we will promote adoption through a varied sales network including online sales and the DCP pharmacy route*.

*DCP (Dual Channel Pharmacy): Refers to a pharmacy where patients can obtain prescriptions if doing so at a hospital is difficult.

1.3.3. Production

・In 2024, we were able to obtain approval for four new products as planned. Among these, ZINTUS® went into production especially quickly, and as a result, we were able to launch the product in August, two months ahead of schedule.
・We were also able to meet the December 2024 target launch date for ACENOBEL® in spite of a delay in the construction of the supply system. However, owing to demand forecasting errors, supply failed to keep up with demand soon after launch, and we were forced to limit shipments. To ensure a stable supply over the medium to long term, we have been striving to eliminate the bottleneck by increasing production of the drug substance.

・This situation has prompted us to create a system that will enable us to make more accurate demand forecasts with the cooperation of related departments throughout the company.
・Twenty twenty-four was also the year in which export of RAPALIMUS® Gel to Europe, China, and Russia in addition to the US was realized, and in the future we will construct a production system to supply NOBELZIN® (NPC-02) and MELATOBEL® (NPC-15), which we plan to launch in China.

1.3.4. Medical Division

With the increase in personnel, this division began substantial activities in 2024, including the following efforts.

(1) Data creation

・Zinc-based drugs

In 2024, we initiated and conducted three clinical and non-clinical studies involving patients with kidney failure and liver failure. In 2025, we plan to conduct multicenter studies. We also plan to conduct nine clinical studies in the areas of urology, psychiatry, gastroenterological medicine, hematology, and geriatrics.

・MELATOBEL®

In 2024, we conducted and completed two studies, including Mel-moe. Four additional clinical studies are scheduled to begin in 2025.

・ACENOBEL®, SARGMALIN®, and RAPALIMUS®

Four clinical studies are planned for 2025.

(2) Patient Relations

・Meetings with patients were held to collect information on autoimmune pulmonary alveolar proteinosis, and study meetings cosponsored by patient groups were held.
・Meetings with patients were held to collect information on GNE myopathy, and the results were reported at study meetings for patient groups.

(3) Creation of content for corporate sites

・A site for patients and the general public entitled “Know About the Illness” was established to educate people about GNE myopathy, accompanied by a site for healthcare professionals and specialists entitled “Considering the Illness.”
・Sites providing a comprehensive explanation of the medical assistance system and livelihood support system, including high-cost medical care and designated intractable diseases, were created.

(4) Cooperation/support with overseas MA

・In 2024, a meeting was held to study the implementation of an independently proposed investigator-initiated clinical study by NPA (Nobelpharma America LLC), and six research themes were discussed. As a result, it was decided to pursue research on drugs for the indication of Acanthosis Nigricans.

(5) Publication

・As a result of the domestic post-marketing surveillance on NOBELZIN® and the domestic Phase III study on ZINTUS®, a scientific paper on stability studies for zinc-based drugs was published. Moreover, information on ZINTUS® was published in the journals of various academic societies.

(6) Collaboration with other departments

・Advisory board meetings on SARGMALIN®, MELATOBEL®, and ACENOBEL® were held.
・Discussions on the proper form for material reviews were held jointly with the Management and Supervision Division and the Sales Division, and the review system was improved.

1.3.5. Medical device project

This project was initiated on July 16, 2024 to provide the medical devices with which to fulfill our

corporate mission “to contribute to society by providing critical but neglected pharmaceuticals and **medical devices**.”
Following the inauguration of the Medical Device Business Division in January 2025, we have proceeded to secure experienced human resources and prepare for new licensed-in products.

1.3.6. Business development

- In October 2024, we concluded an exclusive licensing agreement on naxitamab (planned indication, neuroblastoma; trademark in US, DANYELZA) with Y-mAbs Therapeutics, Inc. of the United States. Naxitamab was approved in the US in November 2020, and it is used in combination with GM-CSF (for which the Company obtained approval for the indication of autoimmune pulmonary alveolar proteinosis in Japan under the brand name of SARGMALIN®) as standard therapy for neuroblastoma.

1.3.7. Human Resources

- The number of Nobelpharma employees in Japan was 368 in 2024, down eight from 376 in 2023 (both as of the end of December). Total personnel expenses increased from 3,401 million yen (including personnel expenses for R&D) to 3,413 million yen.
- The average overtime hours and rate of leave taking were 2.12 hours per month and 75.1%.
- The average age is 53.1 and the average length of service is 6.2 years.
- We now have 22 overseas employees in the US, 12 in China, and 14 in the EU (as of the end of December 2024).
- Starting in November 2023, we have been promoting a return to office by setting target attendance frequencies for each division to promote communication and improve employees’ sense of belonging to the company. As a result, the average attendance rate has improved from 20.7% in 2023 to 26.5% in 2024 (both as of December).

  We will continue to promote communication by improving the in-office attendance rate through the following efforts.
  - An all-employees meeting will be held at least once a year, and everyone must be physically present.
  - All-employees meetings will be held at the division unit level at least once a year, and everyone must be physically present.
  - 1 on 1 meetings with subordinates will continue to be held, and it is recommended that they sometimes be held in person.
  - Evaluation interviews will be held in person.
  - In recruitment, at least the final interview will be held in person, and the initial recruitment interview will be held in person if possible.
  - Training for new employees will be conducted in person.
  - If there are new employees, in-person lunch meetings should be held at the division and department levels, etc.
  - The head office will hold a buffet-style home party once a month.
  - Quarterly explanatory meetings will continue to be held online.
  - We will introduce a system that allows employees to build relationships with other employees freely, outside of work, through a mixture of online and in-person involvement in hobbies, sports, and interests.

1.4. Progress and Results of Operations

	mil yen		Year-on- year (%)	% to total sales	
	2023	2024		2023	2024
Sales	19,027	15,342	80.6%	100.0%	100.0%
Cost of goods sold	3,455	3,096	89.6%	18.2%	20.2%
(valuation loss and disposal loss within above)	923	410	44.5%	4.9%	2.7%
Gross profit	15,572	12,245	78.6%	81.8%	79.8%
SG&A expense *	12,925	12,389	95.9%	67.9%	80.8%
Personnel expenses *	2,365	2,384	100.8%	12.4%	15.5%
R&D expenses *	5,479	4,831	88.2%	28.8%	31.5%
Operating income	2,646	-143	-	13.9%	-0.9%
Non-operating income/expenses	162	-490	-	0.9%	-3.2%
Ordinary income	2,809	-633	-	14.8%	-4.1%
Extraordinary income/loss	-	-1,530	-	-	10.0%
Net income before tax	2,809	-2,163	-	14.8%	-14.1%
Income taxes	730	44	6.1%	3.8%	0.3%
Net income	2,078	-2,208	-	10.9%	-14.4%
Net income per employee ('000 yen)	5,257	-6,000			
Retained earnings brought forward					
Beginning balance	10,979	12,661			
Dividend	396	-			
Net income	2,078	-2,208			
Ending balance	12,661	10,452			

* Personnel expenses and R&D expenses are major items included in SG&A expenses.

* Personnel expenses did not include those of R&D, and R&D expenses included personnel expenses of R&D.

Although four new products were launched in this term (FY 2024), gross profit decreased to 12,245 million yen (down 3,326 million yen year-on-year), reflecting the fact that the growth rate for sales of key product MELATOBEL® did not meet expectations, as well as the impact of the generic version of NOBELZIN®, which was launched in 2023. Selling, general and administrative expenses were 12,389 million yen (down 536 million yen year-on-year) thanks to the decrease in development expenses owing to an overhaul of the R&D project plan, but ordinary income was -633 million yen, showing a large year-on-year decrease of 3,442 million yen.

The details are as follows.

Total sales came to 15,342 million yen (YoY 80.6%). The zinc-based drug family (NOBELZIN®, NOBELZIN® Granules, NOBELZIN® AG, and ZINTUS®) and dysmenorrhea (LEP) family (LUNABELL® LD, LUNABELL® ULD, JEMINA® and FREWELL®) posted sales of 4,175 million yen

and 4,580 million yen, respectively, accounting for 28.7% and 31.5%, respectively, of total product sales. Overseas export sales came to 154 million yen.

The cost of goods sold was 3,096 million yen including valuation loss and disposal loss of 410 million yen for products and raw materials (YoY 89.6%), accounting for 20.2% of total sales. Selling, general and administrative expenses totaled 12,389 million yen (YoY 95.9%), accounting for 80.8% of total sales. The main components were personnel expenses of 2,384 million yen (YoY 100.8%), accounting for 15.5% of total sales; R&D expenses of 4,831 million yen (YoY 88.2%), accounting for 31.5% of total sales; sales promotion expenses of 1,051 million yen (YoY 75.4%); and outsourcing expenses of 1,977 million yen (YoY 114.6%). Sales promotion expenses mainly included 591 million yen in sales commissions, etc. (YoY 66.9%) on NOBELZIN® and JEMINA® to ASKA Pharmaceutical Co., Ltd., etc.

Outsourcing expenses mainly included 256 million yen for business management services and indirect department operations outsourcing to Hisanaga & Co. Ltd., 140 million yen as the commission for safety information processing support operations, etc. by CMIC, 88 million yen to A2 Healthcare for drug use-results surveys, and 80 million yen to Fujitsu Japan for constructing the PostMaNet system for drug use-results surveys.

As a result, operating income was -143 million yen (down 2,790 million yen year-on-year), and it accounted for -0.9% of total sales.

Ordinary income was -633 million yen (down 3,442 million year-on-year), accounting for -4.1% of total sales, after recording non-operating income of 276 million yen including subsidy income of 36 million yen, interest income of 103 million yen from loans to subsidiaries, and currency exchange profit of 127 million, with non-operating expenses of 766 million yen including payment interest of 58 million yen, bond interest expenses of 9 million yen, and bad debt expense of 693 million yen for subsidiaries and investments in R&D.

Under extraordinary losses, a valuation loss of 1,530 million yen was posted reflecting the possibility of recovering shares from subsidiaries and R&D investments.

With income taxes of 44 million yen, net income was -2,208 million yen (down 4,286 million yen, YoY), and net income per employee was -6 million yen (down 11 million yen, YoY).

Retained earnings brought forward as of December 31, 2024 were 10,452 million yen, with the beginning balance of 12,661 million yen and net income of -2,208 million yen.

Foreign subsidiaries (reference)

Results in FY 2024*	mil yen				
	Nobelpharma America LLC	Plusultra pharma GmbH	Plusultra pharma UK Limited	Jiangsu Nobelpharma Co., Ltd.	Total
Sales	1,958	39	111	277	2,385
Operating income	161	-446	-103	47	-342
Current income	72	-439	-104	46	-424
Retained earnings	-5,158	-1,196	-457	-486	-7,297

* Figures for overseas subsidiaries were converted at the exchange rate for the local currency as of the end of 2024.

Overseas subsidiaries in the US showed a single-year profit with sales of 1,958 million yen (previous year: 1,124 million). Bases in Europe and China did not meet initial expectations, but the outlook is good for securing a profit in FY 2025 and subsequent years.

1.5. Domestic sales

The table below shows sales by product in 2024 on a wholesale price (NHI price) basis.

Area	Brand Name	Launch	Indication	Sales (on a wholesale price (NHI price) basis) (Yen in millions)		Year-on-year (%)
				2023	2024	
Obstetrics and Gynecology Family	LUNABELL® LD LUNABELL® ULD	July 2008 September 2013	Dysmenorrhea	2,060	1,340	65.1%
	JEMINA®	October 2018	Dysmenorrhea	3,938	3,925	99.7%
	FREWELL® LD FREWELL® ULD	December 2018	Dysmenorrhea	4,094	3,879	94.8%
Subtotal				10,091	9,145	90.6%
Pediatric Family	NOBELBAR®	December 2008	Neonatal convulsion, status epilepticus	112	103	91.8%
	INDACIN®	January 2013	Patent ductus arteriosus of prematurity	34	38	110.8%
	COSMEGEN®	January 2013	Wilms' tumor, choriocarcinoma, pediatric solid malignant tumor, etc.	31	29	93.4%
	RESPIA®	December 2014	Apnea of prematurity	212	215	101.4%
	MELATOBEL®	June 2021	Sleep-onset difficulty associated with neurodevelopmental disorder in children	2,878	3,848	133.7%
Subtotal				3,267	4,232	129.5%
Zinc Family	NOBELZIN® Tablets	April 2008 March 2017	Wilson's disease, hypozincemia	13,227	4,698	35.5%
	NOBELZIN® Granules	February 2023	Wilson's disease, hypozincemia			
	NOBELZIN® AG	December 2023	Wilson's disease, hypozincemia	282	1,896	673.0%
	ZINTUS®	August 2024	hypozincemia	-	79	-
Subtotal				13,508	6,673	49.4%
RAPALIMUS® Family	RAPALIMUS® Tablets	December 2014 September 2021 January 2024	Lymphangioleiomyomatosis Intractable lymphatic disease Intractable vascular tumor/ vascular malformation	709	1,021	144.0%
	RAPALIMUS® Granules	July 2024	Intractable vascular tumor/ vascular malformation			
	RAPALIMUS® Gel	June 2018	Skin lesions associated with tuberous sclerosis	372	392	105.5%
Subtotal				1,081	1,413	130.7%
Neurosurgery Family	FOSTOIN®	January 2012	Status epilepticus, prevention of postoperative seizures, etc.	914	859	94.0%
	ALABEL®	September 2013	Diagnosis of malignant glioma	318	248	78.1%
Subtotal				1,232	1,107	89.9%
Respiratory Family	UNITALC®	December 2013 March 2022	Prevention of recurrent malignant pleural effusion Secondary intractable pneumothorax that is difficult to treat with surgery	83	85	101.2%
	SARGMALIN®	July 2024	Autoimmune pulmonary alveolar proteinosis	-	167	-
Subtotal				83	252	302.1%
Otolaryngology Family	TITANBRIDGE®	July 2018	Adductor spasmodic dysphonia	21	24	114.7%
	RETYMPA®	December 2019	Tympanic perforation	104	110	105.8%
Subtotal				125	134	107.3%
Other Drug Families	ZANOSAR®	February 2015	Gastroenteropancreatic neuroendocrine tumor	201	148	73.7%
	ACENOBEL®	December 2024	Muscular weakness in distal myopathy with rimmed vacuoles	-	44	-
Subtotal				201	192	95.3%
Total				29,589	23,148	78.2%

The sales result for 2024 (on a wholesale price (NHI price) basis) was 23,148 million yen (YoY 78.2%). The reason for the large decrease compared to the previous year was the impact of the launch of a generic version of key product NOBELZIN® in August 2023. To cover this decline in sales, we put our maximum efforts into MELATOBEL®, and as a result of promoting an expansion into the area of pediatrics by striving to cultivate bases centered around specialists, sales came to 3,848 million yen (YoY 133.7%), but they still did not make up for the shortfall. On the other hand, ZINTUS®, the follow-on to NOBELZIN®, was placed on the market in August, followed by the addition of new indications for orphan drug RAPALIMUS® in January and the addition of a granular formulation in July, and thanks to this, sales grew to 144.0% compared to the previous year. Moreover, another orphan drug, SARGMALIN®, was launched in July, followed by the launch of ACENOBEL® in December, and sales for these three orphan drugs combined came to 1,232 million yen.

With the addition of these three orphan drugs to key products MELATOBEL®, ZINTUS®, and JEMINA®, 2025 will be an important year for placing us on a growth trajectory once again. Streamlining of our sales organization was completed in December of 2024, and our sales system will be revamped by September of this year to promote efficient MR activities. To expand sales of key products, we are also promoting sales collaboration with the Medipal Group. Seven full-time special coordinators have been placed in charge of the three orphan drugs so that we can get them to the patients who need them swiftly. We aim to achieve our sales plan for this year by further deepening digital activity to provide information to healthcare professionals, an area in which we have been making efforts since 2017.

1.6. Research and Development (Japan and overseas)

Domestic Development

Among the four products for which approval applications were filed in FY 2023 (NPC-12, NPC-25, NPC-09, and NPC-26), NPC-12 (product name, RAPALIMUS Tablets/Granules; indication, intractable vascular tumor and intractable vascular malformation), on which we worked jointly with Gifu University, was approved in January 2024. Moreover, approval was obtained for three drugs at the same time in March of 2024: NPC-25 (product name, ZINTUS® Tablets; indication, hypozincemia), NPC-09 (product name, ACENOBEL® Extended Release Tablets; indication, muscular weakness in distal myopathy with rimmed vacuoles), which was commercialized with support from Tohoku University, National Center of Neurology and Psychiatry National Institute of Neuroscience, and patient groups, and NPC-26 (product name, SARGMALIN® for Inhalation; indication, autoimmune pulmonary alveolar proteinosis), for which we received support from Niigata University. NPC-09 and NPC-26 are the world's first therapeutic agents for their respective indications. NPC-26 obtained an "innovation premium" in the NHI price listing for new drugs in May 2024 for its novel mechanism of action, high efficacy and safety, and improved treatment method. This premium represents the highest level of usefulness premium, and NPC-26 is only the sixth new drug to receive it, as well as being the first in six years.

In addition, an approval application was filed for a new dosage form of NPC-15 (MELATOBEL®) in April 2024.

At the same time that NPC-22 (scopolamine) transitions on to verification studies, commercialization has begun for NPC-33 (naxitamab; planned indication, neuroblastoma), a high-need unapproved/off-label drug whose licensing-in is awaited. Moreover, as Life Cycle Management (LCM) for our products, we are proceeding with clinical trials for NPC-18 (RETYMPA®; indication, soft tissue defect in external auditory canal), which received orphan designation in February 2025, and NPC-25 (ZINTUS®), for which the reexamination period was extended for development for pediatric use.

[Global development]

NPC-02 (Japanese product name: NOBELZIN®) was approved in China in February 2024 for the indication of Wilson's disease. An application for approval of NPC-15 (Japanese product name: MELATOBEL®) in China for the indication of sleep-onset difficulty associated with neurodevelopmental disorder in children was submitted in January 2024. Moreover, global development was begun for NPC-31 (planned indication: Prion disease) as a drug candidate to address this disease for which a treatment method is awaited but has yet to be established.

On the other hand, development has been abandoned for NPC-17 (Japanese product name: TITANBRIDGE®), on which activity had been pursued toward acquisition of CE Mark certification in Europe, as well as for NPC-18 (Japanese product name, RETYMPA®; planned indication, Tympanic perforation), on which an investigator-initiated clinical study had been conducted overseas.

The table below summarizes the development stage, expected NDA and market size classification in the three categories of A. New Drugs and Medical Devices, B. Life Cycle Management (LCM) (including global simultaneous development products for the above), and C. Overseas Development in the development pipeline as of March 1, 2025. Many are drugs based on new concepts that originated in Japan. Market size classification is as follows:

I: Potential primary sources of revenue (sales of over 3 billion yen)

II: Short term approval and marginal profit are expected; however, they are not likely to be a primary source of revenue.

III: Projects originating in academia, such as business-university collaboration, where short term approval is expected. Lower development cost with promising public subsidies. Difficult to estimate sales due to innovative concepts.

IV: Similar to III but relatively long time required for approval.

A. New Drugs, Medical Devices, and Regenerative Medical Products (including global simultaneous development products)

	Compound	Indication	Licensor	Development stage	Estimated approval	Classification
1	NPC-30 (GAIA-102) High-activity NK-like cells	Neuroblastoma	Gaia BioMedicine Inc. Kyushu University	PI	December 2026	III
2	NPC-22 Scopolamine patches	Chronic hypersalivation	In-house	PII/III	March 2027	I
3	NPC-33 Naxitamab	Neuroblastoma	Y-mAbs Therapeutics, Inc.	PI	March 2027	II
4	NPC-29 Ubiquinol	Multiple system atrophy	University of Tokyo	PII	August 2029	I
5	NPC-31 P092 maleate	Prion disease	Gifu University	In preparation for PI	TBD	III
6	NPC-32 Platelet aggregation promoter	Cardiovascular surgery, emergency and critical care area	National Defense Medical College, Waseda University	Preclinical	TBD	IV

B. Life Cycle Management (LCM) (including global simultaneous development products)

	Compound	Indication	Licensor	Development stage	Estimated approval	Classification
1	NPC-15 MELATOBEL®	Sleep-onset difficulty associated with neurodevelopmental disorder in children (Addition of dosage form)	In-house	Application pending	March 2025	II
2	NPC-12 RAPALIMUS®	Epilepsy with focal cortical dysplasia type II (new indication)	Showa University	PIII	September 2026	III
3	NPC-12 RAPALIMUS®	Primary immunodeficiency syndrome (new indication)	Institute of Science Tokyo, National Defense Medical College	PII	September 2026	III
4	NPC-18 RETYMPA®	Soft tissue defect in external auditory canal (new indication)	Kaken Pharmaceutical	PIII	September 2026	III
5	NPC-25 ZINTUS®	Hypozincemia (addition of new dosage form, pediatric dose)	In-house	PIII	September 2027	II
6	NPC-12 RAPALIMUS®	Pure red-cell aplasia (new indication)	Shinshu University	PII	January 2028	IV
7	NPC-06 FOSTOIN®	Trigeminal neuralgia (new indication)	Pfizer Inc.	PIII	September 2028	II
8	NPC-12 RAPALIMUS®	Pendred syndrome (new indication)	Keio University Kitasato University	PII	TBD	IV
9	NPC-12 RAPALIMUS®	Systemic sclerosis (new indication)	Oita University	PI/II	TBD	IV
10	NPC-12G RAPALIMUS® Gel	Skin lesions due to vascular abnormality (new indication)	Wakayama Medical University	PII/III In preparation	TBD	I
11	NPC-15 MELATOBEL®	Mild cognitive impairment / mild sleep-onset difficulty in dementia (new indication)	In-house	PII	TBD	I
12	NPC-26 SARGRAMOSTIM	Pulmonary non-tuberculous mycobacteriosis (new indication)	Niigata University	PII	TBD	I

C. Overseas Development

	Compound	Indication	Licensor	Development stage	Estimated approval	Classification
1	NPC-15 (MELATOBEL®)	Sleep-onset difficulty associated with neurodevelopmental disorder in children	-	Application pending (China)	February 2025	I
2	NPC-02 (NOBELZIN®)	hypozincemia (new indication)	-	In preparation for application (China)	April 2026	I

1.7. Funding and Major Lenders

In 2024, the Company borrowed 1,400 million yen, and repaid 527 million yen to financial institutions.

As a result, as of the end of December 2024, the balance of loans payable and bonds was 10,883 million yen, and the balance of cash and deposits was 7,732 million yen.

As of December 31, 2024, the status of borrowing is as follows:

Loans payable	
Mizuho Bank, Ltd.	4,450 million yen
Sumitomo Mitsui Banking Corporation	850 million yen
MUFG Bank, Ltd.	1,150 million yen
Resona Bank, Ltd.	400 million yen
The Bank of Yokohama, Ltd.	100 million yen
The Shoko Chukin Bank, Ltd.	1,150 million yen
The Tokyo Shinkin Bank	400 million yen
Japan Finance Corporation	32 million yen
Total	8,532 million yen
Japan Agency for Medical Research and Development	551 million yen
Corporate bond	
7th straight bond, Resona Bank, Ltd.	300 million yen (maturity date: May 2026)
8th straight bond, Resona Bank, Ltd.	150 million yen (maturity date: March 2027)
9th straight bond, Sumitomo Mitsui Banking Corporation	500 million yen (maturity date: March 2027)
10th straight bond, Resona Bank, Ltd.	100 million yen (maturity date: March 2028)
11th straight bond, Osaka Soda Co., Ltd.	750 million yen (maturity date: December 2034)
Total	1,800 million yen

1.8. Financial Results, Assets, Next Year Forecast, and Development Schedule

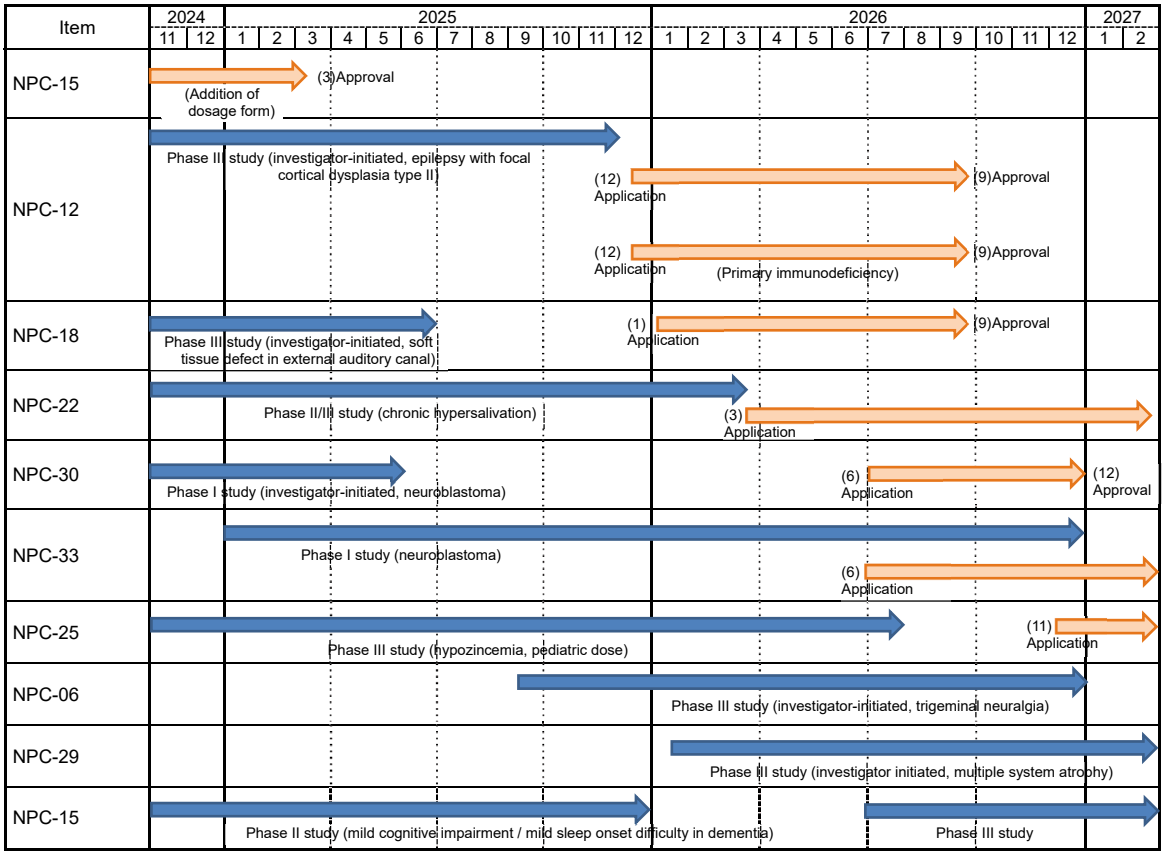
The Company's financial results, assets and next year forecasts are as follows:

In 2025, sales of NOBELZIN® are expected to decrease while sales of the four new products and MELATOBEL® increase, resulting in an increase in income and profits. In overseas subsidiaries, our US base became profitable in 2024, and we plan to increase profits in the coming year and beyond. At our European base, we continue to aim to achieve profitability, but we will need to watch the situation carefully as the regional risk remains uncertain. At our Chinese base, the aim is to turn a profit in 2025, including lump-sum payments accompanying sales contracts.

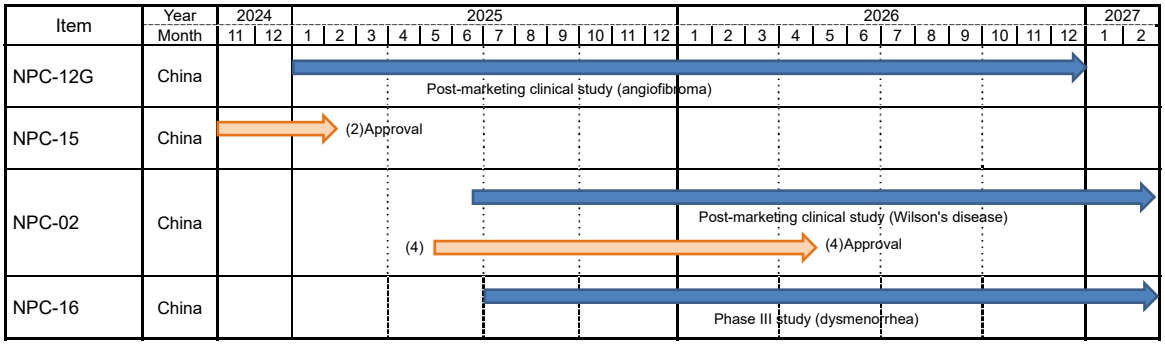
Mil yen except for *	2021 (Results) 19th year	2022 (Results) 20th year	2023 (Results) 21st year	2024 (Results) 22nd year	2025 (Estimate) 23rd year
Sales	20,741	21,204	19,027	15,342	17,042
Ordinary income	4,747	3,948	2,809	-633	452
Net income	3,551	2,701	2,078	-2,208	326
* Net income per share	262,000	199,000	153,000	-163,000	24,000
Total assets	23,008	27,679	28,806	27,433	29,179
Net assets	10,094	12,205	13,887	11,679	13,934
* Equity ratio	43.9%	44.1%	48.2%	42.6%	47.8%
* Net assets per share	746,000	902,000	1,026,000	863,000	1,030,000

"Accounting Standards for Revenue Recognition" (Accounting Standards for Corporations No. 29; March 31, 2020), etc., were applied starting at the beginning of FY 2022.

A. Domestic Development Schedule (including global simultaneous development)



B. Overseas Development Schedule



1.9. Status of reexamination, pharmaceutical risk management plan, and quality control

Pharmaceutical reexamination was addressed for five items: NOBELZIN® (hypozincemia), ALABEL®, RESPIA®, RAPALIMUS® (LAM), and ZANOSAR®. We received the results of the reexamination of NOBELZIN® (Category 1) in October. For ALABEL®, we received the results of the GPSP on-site inspection and the compliance document inspection ("Pass") in February, and in May we received the results of the reexamination (Category 1). Applications for reexamination were submitted for RESPIA® in June, for RAPALIMUS® in October, and for ZANOSAR® in December. We applied for use-results evaluation for medical device TITANBRIDGE® in March. ALABEL® was succeeded by SBI Pharmaceuticals Co., Ltd. in October of 2024.

Safety control: 1,425 adverse events were collected among Japanese cases (2023: 4,138 events) and 425 among overseas cases (2023: 1,193 events). Package insert precautions were revised for the following 6

products: RAPALIMUS® Tablets/Granules, FOSTOIN®, NOBELBAR®, SARGMALIN®, ACENOBEL®, and ZINTUS®.

In post-marketing surveillance, the approval condition (all-cases survey) for RAPALIMUS® Tablets (LAM) was lifted in December. In new surveillance, all-cases surveys of RAPALIMUS® (CVA), SARGMALIN®, and ACENOBEL® were begun in January, July, and December, respectively.

Quality: A total of 180 quality information cases (complaints) were collected (2023: 160), and appropriate action was taken to investigate the cause and make improvements. Periodic GMP inspections were performed at 21 manufacturing sites, and changes in approval documents and licenses/certificates were handled appropriately.

In overseas development, we are proceeding with construction of a global pharmacovigilance (PV) system, and an audit of the PV system of European subsidiary PUP was conducted by the Internal Auditing Division.

1.10. Status of Compliance

To "prevent legal and regulatory violations from occurring, and in the unlikely event that one does occur, [to] prevent it from expanding in scope", we conduct the following activities: monitoring, information collection through the in-house whistle-blowing system, investigation of whistle-blowing cases and planning of corrective action, training on laws and regulations, etc., consultation on whether situations constitute violations of laws or regulations, and issuing of compliance reports. We are striving to make the system as accessible to employees as possible by giving the highest priority to protection of the whistle-blower in the handling of whistle-blowing cases. Moreover, in light of the fact that numerous violations of the Pharmaceuticals and Medical Device Law have been reported at pharmaceutical manufacturing sites, we now confirm potential contractors' compliance system before newly outsourcing production.

In order to further accommodate the concept of risk-based quality assurance, the Clinical Quality Assurance Department is promoting more efficient and effective regulatory (GCP/PV/CS) auditing methods. We will establish a system for PV audits in compliance with global PV regulations, improve staff education and training, reliably conduct PV audits based on the global audit plan, and conduct audits to ensure the quality of computer systems related to GCP and PV functions.

Provision of sales information: Promotional materials, etc. are subjected to preliminary checks and approval, and sales information provision activities are monitored. We will explore a risk-based management system so that we can handle the annually increasing volume of materials.

1.11. Status of Administrative Departments

The Legal/IP Management Department" and "Legal Affairs Department" were newly established in March 2024 to create a system for horizontal supervision of all legal affairs and intellectual property-related operations throughout the company by this new supervisory department, together with the "Intellectual Property Department" split off from the Administrative Affairs & Corporate Planning Division. On September 26, 2024, a decision was made by the Tokyo District Court to reject the Company's claim in the lawsuit we had brought on April 17, 2023, calling for an injunction to stop patent violation on the grounds that Sawai Pharmaceutical Co., Ltd., which sells the generic version of "NOBELZIN® Tablets 25 mg and 50 mg," violated patents held by the Company (patent Nos. 6716464 and 6768984). Our company has appealed, filing an objection with the Intellectual Property High Court, and the case is now pending.

Accounting and Finance: We strive to quickly grasp our financial status, make appropriate management decisions on ever-changing situations, and increase the accuracy of accounting. In addition, we will continue to focus on grasping and managing the revenue and financial condition of overseas bases.

In human resources and general affairs, we are continuing hiring activity to create the personnel composition needed to improve business results. Moreover, so that our employees can work in good physical and mental health, we have improved the work environment and taken steps to maintain safety and health within the company, including health examinations.

DX Promotion: We will promote business reform through the application of digital technology while supporting business expansion from the IT side with an awareness of recent advances in AI. We will also improve the IT environment of our overseas bases and strengthen their cooperation with Japan. In 2024, we replaced all PCs for Company use with new models and standardized the OS to Windows 11. We are continuously educating users about security through e-learning.

2. Current Status of the Company

2.1. Shares (as of December 31, 2024)

①	Number of shares authorized		50,000 shares
②	Number of shares issued	Ordinary shares	13,525 shares
		Number of shareholders	3

③ Status of Major Shareholders

Hisanaga & Co., Ltd. (ordinary shares)	10,000 shares (73.9%)
Medipal Holdings Corporation (ordinary shares)	2,705 shares (20.0%)
Inabata & Co., Ltd. (ordinary shares)	820 shares (6.1%)

2.2. Share Warrant

2.2.1. Share warrant that is issued to and held by the Company's executive officers as consideration for execution of their duties

Not applicable

2.2.2. Share warrant that is issued to and held by the Company's employees as consideration for execution of their duties

Not applicable

2.2.3. Share warrant in issue

Not applicable

2.3. Corporate Executives

2.3.1. Management Reshuffle

(1) Directors and Company Auditors

As of March 28, 2025, the status of full-time and part-time directors is as follows:

Managing Director & CEO:	Jin Shiomura	
Director (part-time):	Nobukuni Taneya	(External Director, Paycloud Holdings Inc.)
Director (part-time):	Takahisa Iizuka	(Senior Executive Officer, MEDIPAL HOLDINGS CORPORATION; Deputy Head of Administrative Affairs & Corporate Planning Division/Head of Corporate Planning Department)
Director (part-time):	Koichi Noda	(Executive Officer, Inabata & Co., Ltd.; Head of Financial Management Office)
Director (part-time):	Toshio Miyata	(Director, MIH Clinic)
Director (part-time):	Georg Holländer	(Head of Department of Pediatrics, University of Oxford)
Director (part-time):	Takashi Kobayashi	(former Representative Director, BioResource Innovation Hub in Kobe)
Audit & Supervisory Board Member (part-time):	Tomoyasu Toyoda	(Company Auditor, MEDIPAL HOLDINGS CORPORATION)
Audit & Supervisory Board Member (part-time):	Yasuhiro Kaga	(former Member of the Board of Directors, Managing Executive Officer of Mitsubishi UFJ Securities Holdings Co., Ltd.)

(2) Executive Officers

As of April 1, 2025, the status of executive officers and directors is as follows:

Vice President	Shigeki Shimasaki	(Head of Research & Development Division)
Senior Executive Officer	Arata Tabata	(Head of Business Development & Project Planning Division/External Relations Department Supervisor)
Senior Executive Officer	Toshiaki Okamura	(Head of Regulatory Affairs Division/Head of External Relations Department)
Senior Executive Officer	Yoshihide Yamamoto	(Head of President's Office)
Executive Officer	Eijiro Akatsu	(Head of Administrative Affairs & Corporate Planning Division/Head of Corporate Finance Department)
Executive Officer	Kenji Shimizu	(Deputy Head of Research & Development Division/Head of Clinical Development Department 2)
Executive Officer	Yoshiki Yagi	(Deputy Head of Research & Development Division)
Executive Officer	Hitoshi Hasegawa	(Head of PMS Regulatory Compliance & Assurance Division/General Marketing Compliance Officer)
Executive Officer	Masanori Osakabe	(Deputy Head of Research & Development Division/Head of International Clinical Development Department)
Executive Officer	Makoto Shiragami	(Head of Compliance Division/Head of Compliance Promotion Department)
Executive Officer	Tetsuro Noguchi	(Head of Supply Chain & Manufacturing Division)
Executive Officer	Sachiko Ezoe	(Head of Medical Division)
Executive Officer	Hiromi Okatake	(Head of Legal/IP Management Department/Head of Legal Affairs Department)
Executive Officer	Yoshinobu Takahashi	(Head of Sales & Marketing Division)
Executive Officer	Katsu Endo	(Head of Medical Device Business Department)
Executive Director	Masato Iwamoto	(General Manager of Supply Chain Management Department)
Executive Director	Atsunori Iwao	(General Manager of Quality Assurance Department/Quality Assurance Officer)
Executive Director	Yasuo Suga	(Deputy Head of Sales & Marketing Division/Head of Product Marketing Department)
Executive Director	Yasuo Satake	(Deputy Head of Sales & Marketing Division/Sales Planning & Management Supervisor)

Executive Director	Yumi Imai	(General Manager of PMS Regulatory Compliance Department)
Executive Director	Nobuyuki Sato	(General Manager of Digital Transformation Department)
Executive Director	Yukio Urasaki	(Head of BD/Project Planning & Development Division)
Executive Director	Hideki Matsuoka	(General Manager of HR & General Affairs Department)
Executive Director	Yoshiaki Nomura	(Deputy Head of Sales & Marketing Division/Head of Distribution Management Department)
Executive Director	Mikinao Takeuchi	(General Manager of Pharmacovigilance Department/Safety Management Officer)
Executive Director	Akihiro Otsuka	(Head of Intellectual Property Department, Legal/IP Management Department)

2.3.2. Remuneration paid to directors and company auditors

Classification	Headcount	Amount paid
Directors	7	18,200,000 yen
Company auditor	2	1,200,000 yen
Total	9	19,400,000 yen

2.4. Matters related to accounting auditor

2.4.1. Name of accounting auditor

Deloitte Touche Tohmatsu LLC

2.4.2. Amount of remuneration, etc. for accounting auditor

Amount of remuneration, etc. for accounting auditor in the current business year: 16 million yen

(Note) This is remuneration, etc. for business stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act (Law No. 103 of 1948) and compensation for audit certification under the Companies Act.

2.4.3. Reasons that company auditor approves remuneration, etc. for the accounting auditor

The company auditor obtained necessary documents and received reports from the relevant department of the Company and the accounting auditor, and confirmed and verified the details of the accounting auditor's audit plan, the status of the execution of duties by the accounting auditor and calculation basis of estimated remuneration. As a result, the company auditor determined that the amount of remuneration, etc. for the accounting auditor was appropriate and approved it in accordance with Article 399, Paragraph 1 of the Companies Act.

2.4.4. Policy on decision to dismiss or not to reappoint accounting auditor

When the accounting auditor meets any of the items of Article 340, Paragraph 1 of the Companies Act, and when it is deemed to be difficult to carry out an adequate audit due to events that damage the accounting auditor's quality and independence, the company auditor may determine the details of a

proposal on dismissal or refusal of reappointment of an accounting auditor to be submitted to a general meeting of shareholders.

Attachment

Revised January 19, 2023 (underlined portion)
September 1 Postscript (commentary)
July 16, 2019
Managing Director and CEO

Request to Line Managers

Commentary We have many employees who have joined us mid-career and those with management experience have been appointed as line managers; accordingly, manager education has not been adequately provided. In 2019, when the company was evolving to a new stage, I thought it would be a good idea to offer some guidelines as to what line managers should be mindful of.

Just let me clarify that these guidelines are not meant to make an alibi or an excuse after something wrong happens, as is often the case in organizations these days. In order for a company of a certain size to operate functionally, it is necessary to maintain good human relationships, and for this reason we have created this. In addition, it is also a commandment to myself. However, please note that we are not necessarily saying that you have no qualification as line manager just because you cannot carry out these guidelines. The general aim is to encourage you to be conscious of and work towards these guidelines.

1. Review the Corporate Mission, Management Policies, and Code of Conduct periodically, to understand and take them deeply to heart.
Commentary The Corporate Mission is the meaning of our company to exist in society, or the life of the company, if you will. Talk about it from time to time with valued customers, contractors, business partners, and even with your family and personal friends outside the company. Then please internalize it and make it a part of you.

2. Be aware that your behavior is always being observed. The most unacceptable behaviors are those that appear to mix work and private matters.
Commentary The point is the "appearance" of mixing work with private matters. Even if you have no intention of mixing work with private affairs, the behavior is not acceptable as long as any member of the company perceives it as such. Keep in mind that even the littlest things tend to be taken as mixing.

3. It is when a job is tough (such as apologizing to a customer) that the manager should take the lead. Staff members respect courageous managers.
Commentary It is not just apologies to customers; making important decisions is also tough. Everyone has something they are not good at. It may be hard but showing your staff that you will not run away from any tough jobs is also an important duty of a line manager.

4. Do not create an impression of favoritism, such as having lunch/going out for drinks with a specific staff member (or even a group of staff members).
Commentary The point is creating the "wrong impression." Even if there is no intention, some staff members may take it as an act of favoritism. This is not to say that lunches with staff members are absolutely out of the question. They are OK as long as they do not give the impression of favoritism. On

the other hand, let me point out to staff members that it is a common sense, in my opinion, to accept friendly gathering invitations from line managers "once in a while."

5. Inviting a staff member of the opposite gender out for one-on-one lunch/drinks is not acceptable. Staff find it difficult to refuse, so it could be construed as harassment.
Commentary Such invitations are unacceptable. As staff are in the weaker position, they might be smiling outside and angry inside.
Leave no room for misinterpretation. Of course, as long as it is not one-on-one, such invitations should be fine every now and then.

6. Do not hesitate to make amends for your wrongs (Analects of Confucius).
Commentary What this means is that everyone makes mistakes and acknowledging one's own mistakes can be hard, yet we should have the courage to do just that. The words of Confucius from more than 2,000 years ago are convincing. The Analects of Confucius contain universal wisdom.

7. Do not point out other's mistakes, nor boast of your own achievements (Nakane Tori).
Commentary Criticizing others and boasting about yourself can make you feel good. That is why we tend to do so without thinking. However, if we take these words to heart, it will curb such behavior. If you are not conscious of it, you will become a mediocre person who has lost sight of the purpose of life. Staff will not respect someone like that.
Nakane Tori was a scholar from the Japanese Edo Period who turned his back on fame and fortune to pursue a life of seclusion. This injunction was posted on the wall for all his students to see.

8. Managers should greet out employees out loud when they come into or leave the office. Also, if the manager is quick with harmless jokes, the workplace becomes brighter. Puns are just fine.
Commentary Workplaces that have smiles and laughter will raise efficiency and lower stress. I would ask line managers to take the lead in this regard. Greetings are something that shows "I have no hostility toward you." Conversely, without greetings, the other person may feel bitterness in you.

9. Even in online meetings, it is a good idea for the manager to take the initiative to greet participants and break the ice with a joke. You should also call on people by name to encourage those who usually do not speak up to do so. Then be sure to listen to everyone's opinions.
Commentary It is difficult for subordinates to speak up even if they have an opinion. The manager or moderator should exercise care to ensure that everyone participates.
To subordinates, I would say that it is common sense to show your face and participate in online meetings. Consider it your duty as a member of society.

10. Have one-on-one communication with your staff regularly and repeatedly under no influence of alcohol. The purpose of such talks is to listen to what your staff want to say.
Commentary It may be difficult, but the "regularly and repeatedly" is the important point. Talks over drinks are not very effective. In these one-on-one communications, if your staff member does 60% of the talking, it is successful. Be careful not to make it your one-man show.

11. Do it in private when giving lectures or in public when giving compliments.
Commentary This is advice that we all remember hearing at some point. Yet we tend to do just the opposite. Try to keep this in mind all the time.

12. Nothing good can result from a heavy-handed order. The harsher the message, the more carefully you should express it.
Commentary In the pre-war Japanese army, high-handed orders and obedience through violence were commonplace. It is clear what the results have been.

13. Never reject a staff member's proposal on the spot. Listen first, then if necessary, leave a day or two before saying no.
Commentary It takes courage for staff to bring proposals to their managers. More often than not, they come forward after giving it serious thought. Having more knowledge and experience than staff, line managers may think the proposals from staff are not so good. Even so, if you reject them on the spot, they will lose motivation. Conversely, if their proposals are given even a little praise, your staff will try even harder and come up with better proposals. It is also often the case that proposals that seem insignificant at first glance turn out to have some good points upon reflection.

14. There are times when you must give your staff instructions that are against their intent. At such times, strive to gain their understanding by carefully explaining the background and objective of your instructions. However, if they are still not convinced even after you have carefully explained three times, you may carry through with the instructions.
Commentary This is related to No. 12 above. People who understand and are convinced will show better performance. You may find it onerous, but if you make the effort to convince them, it will be more efficient in the end. If they still do not understand after explaining three times, you should direct them to do as you ask. That is not being high-handed.

15. If a staff member does not improve even after being given guidance five times, there is a strong chance that such a member is not suited to that work. Making such staff understand this and recommending a transfer may be a thoughtful thing to do.
Commentary There is no guarantee that the current work is the best for the staff. Nor is there any guarantee that their current manager is the best for them. Even the company may not be the best fit for them. They might demonstrate their strengths better somewhere else. You should not give up easily, but if you have guided them carefully five times and they still have not improved, you can show kind consideration for them by recommending a change. However, the key point here is "having that staff understand," and you must not transfer them blindly.

16. Do not buy or sell the shares of related parties, either listed or unlisted.
Commentary This is an extra point. More than 3,600 companies in Japan have their shares listed on the stock exchange, so if you want to invest in shares, you should do so in companies that are not related to your work, either directly or indirectly. Even just being suspected of conducting insider trading can be troublesome. This is another of those "don't tie your shoelaces in a watermelon patch (lest you be thought of as a watermelon thief)" lessons.

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