Business Report for the 23rd Year

Nobelpharma Co., Ltd.

[From January 1, 2025 to December 31, 2025]

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
      * People who simply wait for instructions are not the select few
      * For the select few, stay away from: “I won’t do it,” “I can’t do it,” “I don’t want to do it”
   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

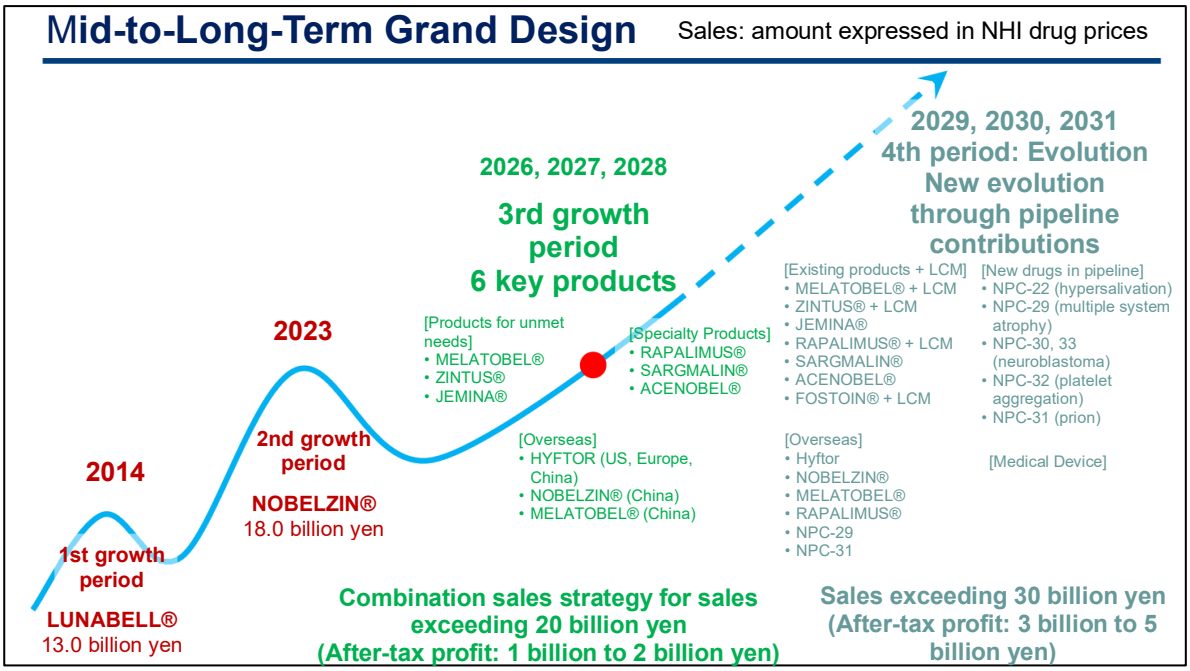
Code of Conduct

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) Our business and manufacturing contractors and suppliers are our equal partners, and show them respect
      * Do not favor certain contractors and suppliers; cast a broad net for candidates
      * Paint a picture of our objectives and landing points with business and manufacturing outsourcing, and share it with contractors
      * Competitive quotes should be obtained from at least △ companies for projects valued at ○ million yen or more
      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)
      * Always aim for more than one contractor/supplier
5. Communications/Relationship:
   1) Embrace inter-departmental advice and cooperation—hiding in silos is a symptom of "Big Company" Disease
   2) Do not confuse objectives with means
   3) Courageously state the opinion you think is correct, and do not choose your words while trying

to gauge your superior's reaction

4) Confidently entrust tasks to subordinates, but never leave them unmanaged
5) Hear anyone out--never interrupt in the middle
6) Start with the conclusion/result when explaining/responding
7) When apologizing, do not put the blame on someone else
8) Greetings may seem small, but they are important

1.2 Mid-to-Long-Term Grand Design



The Company has grown in the 1st and 2nd growth periods by licensing in foreign drugs that are as yet unavailable in Japan to counter drug lag, and by releasing large-sized new products every 5 to 10 years and medium-sized new products every 2 to 3 years by adding dosage forms and indications to the items launched. However, no one can hope to evolve by simply tracing the steps of past successes.

The Company perceives the next 3 years (2026 through 2028) as the 3rd growth period. In this 3rd growth period, we will have a product portfolio supported by six medium-sized products, to which we will add the overseas market.

We consider the period further ahead, from 2029, as the 4th period: Evolution. Fortunately, as shown in 1.6 Research and Development (Japan and overseas), the Company has a abundant pipeline. Having a wide variety "existing product LCM + new drugs in the pipeline + overseas products," we plan to search for and introduce seeds with the following characteristics toward the future beyond 2032 while consolidating our foundation:

- Items that are consistent with the Company's mission,
- Academia seeds in the broad sense, involving hospitals other than university hospitals that is difficult for global and mid-tier manufacturers to get involved in,
- Items based on needs expressed by patient groups,
- Items that are Low/Middle Risk and Low/Middle Return appropriate for Company's ability,
- Items that can be deployed overseas, particularly in the US.

(They need not meet all of these criteria, but the vectors must be in alignment with them.)

1.3 Noteworthy Points in 2025

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

- Regulatory approval was obtained in March of 2025 for NPC-15 (addition of dosage form of MELATOBEL® Tablets for pediatric use) and this product was launched in July. This is expected to further contribute to the improvement of QOL for patients with neurodevelopmental disorder in children and their families.
- In addition to the four products launched in 2024 (ZINTUS® Tablets, SARGMALIN® for Inhalation, ACENOBEL® Extended Release Tablets, and RAPALIMUS® Granules), the MELATOBEL® for Pediatric Use that was placed on the market in July has contributed to sales, and the sales result (on a wholesale price (NHI price) basis) was 24,974 million yen (YoY 107.9%, sales growth 1,826 million yen compared to the previous year).
- The sales system that was introduced in 2013 was revamped in July and has begun operation. New functions of the system include the ability to search for and identify doctors with high interest in our products and then put our efforts into MR activities toward them. By promoting and utilizing these functions, we are making efforts to reform MR activities to be more efficient.
- We are working together with MEDIPAL HOLDINGS CORPORATION for sales promotion of key products ZINTUS® Tablets and MELATOBEL® Granules/Tablets, and with our collaboration, monthly sales of these products in December achieved the highest since their launch. On the other hand, for MEDIPAL Gr, our approach to efforts for the joint sales promotion will need to be modified because there has been a change in the number of MSs compared to when the hypozincemia indication for NOBELZIN® was added. One solution now being considered is utilization of the previously described N-Navi system.

1.3.2. Overseas development/overseas sales

- As the product lineup to follow RAPALIMUS® Gel (US, Europe, China; for facial angiofibromas) in 2022-23 and NOBELZIN® (China, for Wilson's disease) in 2024, MELATOBEL® Granules (NPC-15, for sleep-onset difficulty associated with neurodevelopmental disorder in children) has been approved in China in July 2025.
- In the US, business improvement measures have executed, leading to major growth in sales of Hyftor (sold under the product name of RAPALIMUS® Gel in Japan) in terms of both volume and amount. Our US affiliate (Nobelpharma America LLC) turned a single-year profit following 2024, and it has been promoting sales through activities that include education on disease at TCS (tuberous sclerosis) centers and dermatology clinics, etc. ---
- In Europe, we began co-promotion of Hyftor with InfectoPharm (Head office in Germany) in Germany in May 2025, but sales did not initially meet the plan because an issue had occurred in the product supply until June of the same year in both Germany and England, among other issues. In Germany, Hyftor has become eligible for the insurance reimbursement, but in the United Kingdom, we are fighting an uphill battle because the insurance reimbursement for Hyftor is still pending in England and Wales themselves, although Hyftor has become eligible for it in two of the four nations (Scotland and Northern Ireland). Managing business in Europe is not easy, but we aim to get through these difficulties by defining our decision tree clearly and simultaneously putting the "pedal to the metal." Marketing rights in Italy and France have been licensed out to InfectoPharm, and we are aiming to drug price listing of Hyftor in both countries in April 2026.
- In China, we have cancelled our agreement with the distributor for Xian Luo Li (Japanese product name: RAPALIMUS® Gel) and promote the product by self-promoting cooperating with an exclusive import distributor. We aim to promote adoption through a varied sales network including large-scale hospitals

in major metropolitan areas, online sales, and the DCP pharmacy route.* We are also preparing to launch Nuo Bei Ren (Japanese product name: NOBELZIN®) under the same marketing strategy. For Manlejing (Japanese product name: MELATOBEL®), we concluded a sales outsourcing agreement with the Chinese corporation Beijing Dyne Health Pharmaceutical Co., Ltd. and launched the product through Dyne in January of this year.

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

1.3.3. Project Planning

The Project Planning Department in the Project Planning & Development Division is the department that presents the development and commercialization of next-generation candidates in the Company's product development pipeline by surveying and assessing the status of pharmaceutical R&D in Japan and overseas. This department collaborated with organizations/startups that conduct research on neglected diseases, including rare and intractable diseases, patient groups, medical institutions, pharmaceutical companies, and government agencies (PMDA, AMED) to conduct evaluation for accompanying joint research to and licensing-in of pharmaceutical seeds research, as well as for the development of candidates for "drug repositioning" whereby existing drugs and drugs that were dropped from development would be redeveloped as therapeutic agents for different diseases, to study the development of "unapproved drugs" that have already been approved overseas but have been as yet unavailable in Japan, and to study strategies for extending the indications of drugs in the Company's development and product pipelines.

1.3.4. Production

・In line with our BCP (Business Continuity Plan), we are making efforts to switch to domestic production for imported items with unstable supply, and important products are increasingly being produced in more than one plant.
・We have asked distributors limit shipments of ACENOBEL® from January 2025 owing to the failure of keeping up supply with demand, and this resulted in tremendous inconvenience to the patients. With aiming to remove limit shipments in November of 2027, we have been striving to eliminate the bottleneck by the construction of a system for ensuring a stable supply of the bulk substance.
・To keep a stable supply of COSMEGEN®, we are constructing a supply system that pivots from the present reliance on imported drugs to domestic production of these materials.
・For overseas, MELATOBEL® Granules for Pediatric Use 0.2% has been approved in China in July 2025, our third product introduced to China. Aiming for a speedy launch, we released the first lot in December, earlier than initially planned. In the future, we will construct a production system that can flexibly handle increases in demand.
・We are also striving to reinforce our procurement and distribution functions to prevent a recurrence of the large disposal loss and the limit supply that occurred in 2024.

1.3.5. Medical Division

In 2025, this division made the following efforts.

・Evidence creation: In zinc-related clinical studies, we reached to conduct six studies (including non-clinical research) and to conclude agreements for four studies. The main research themes are kidney dialysis and hepatic encephalopathy. In sleep-related studies, we completed two studies and newly conducted one study. In pulmonary alveolar proteinosis-related studies, we have concluded an agreement on one study and reached to conduct it.
・Publication: A scientific paper on the results of stability studies for zinc-based drugs was published in *Japanese Journal of Pharmaceutical Health Care and Sciences*. An article entitled "Introducing ZINTUS®" was published in the bulletins of the pharmaceutical associations of Nara Prefecture, Chiba

Prefecture, and Hokkaido. A TCS case report on RAPALIMUS® Gel has been submitted for publication, and scientific papers on the "Analysis of Japanese Medical Receipt Data for MELATOBEL®" and "Investigation of the Efficacy and Safety of MELATOBEL® in Children" have been published in *No to Hattatsu* (Brain and Development).

- Patient relations: A total of two lectures open to the public were conducted at the Japanese Association of School Health and Japanese Association of Yogo Teacher Education. In addition, a patient interview survey was conducted to understand the Patient Journey associated with vascular tumor and vascular malformation. As part of the disease awareness activities, information on GNE myopathy, vascular tumor, and vascular malformation has been posted on our corporate website.
- Cooperation with overseas MA: A study on the efficacy of Hyftor against *Acanthosis nigricans* has been completed, and a paper describing the study has been published. Another six clinical study proposals are now being discussed.
- Review of marketing material: Working together with the Marketing Information Provision Activity Supervisory Department, the Medical Division constructed a flow for the review of materials in 2025, which has contributed to enhancing the speed and efficiency of reviews.

1.3.6. Medical Device Business Department

This department was initiated as the Medical device project 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."

In January 2025, this project was upgraded to the Medical Device Business Division, and it began to secure experienced human resources and prepare for new licensed-in products. In July, this department concluded an exclusive licensing agreement on ENT-specific blue laser with A.R.C. LASER of Germany for the first time in Japan.

1.3.7. PMS Regulatory Compliance & Assurance

- Compliance inspections for pharmaceutical reexamination were conducted in February for RESPIA®, in April for ZANOSAR®, and in August for RAPALIMUS® (lymphangioleiomyomatosis [LAM]), and we received the results of reexamination (Category 1) for RESPIA® in September and for ZANOSAR® and RAPALIMUS® (lymphangioleiomyomatosis [LAM]) in December. An application for reexamination was submitted for RETYMPA® in December. Moreover, a compliance inspection for use-results evaluation for TITANBRIDGE® was conducted in May.
- Renewal of marketing authorization license for Category I drugs: In July, a compliance inspection (GVP/GQP on-site inspection) was conducted by the Tokyo Metropolitan Government, and the Company's 5-year business license was renewed (October 11, 2025 to October 10, 2030).
- Handling of unreported AEs (adverse events)

Cases that had gone unreported as AEs to the Safety Control Department were found in slides used in academic societies and lectures. Of the approximately 1,800 slides used between 2021 and 2024, approximately 500 slides contained safety information, and the followings were processed as unreported cases: 8 cases (9 events) of known serious adverse reactions, 10 cases (10 events) of unknown non-serious adverse reactions, and 43 cases (53 events) of known non-serious adverse reactions. A delayed report was submitted to PMDA in August 2025. As a result of an internal check for other missing safety information, it was found that no cases other than those in the slides had gone unreported.

1.3.8. Human Resources

- The number of Nobelpharma employees in Japan was 361 in 2025, down seven from 368 in 2024 (both as of the end of December). Total personnel expenses increased approximately 11% from 3,413 million

yen (including personnel expenses for R&D) to 3,798 million yen.

- The average overtime hours and rate of leave taking were 2.83 hours per month and 72.3%.
- The average age is 52.7 and the average length of service is 6.5 years.
- We now have a total of 47 overseas employees: 22 in the US, 13 in China, and 12 in the EU (as of the end of December 2025).
- Starting in November 2023, we set target attendance frequencies for each division to promote communication and awareness, and we have been promoting a return to office through the following efforts. As a result, the average attendance rate has slightly improved from 26.5% in 2024 to 35.1% in 2025 (both as of December).
    - An all-employees meeting will be held once a year, and everyone must be physically present.
    - All-employees meetings will be held at the division unit level 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 be held in person.
    - Evaluation interviews will be held in person.
    - In recruitment, 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.
    - Exchange with employees from other divisions will be promoted in the follow-up training for new employees.
    - 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.
    - We will continue 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.
- However, the following types of problems are implicit in the low attendance frequency, and solutions to these have yet to be found.
- The Company has hired young people who have just received their doctorate degrees and have no or little business experience every year and has nurtured their development into future executives. However, for young employees, the low attendance frequency reduces their opportunity to improve communication and awareness, and they risk losing the opportunity to learn the ropes of the job by observing senior members at work. We are concerned that, as a result, they may end up being members who can only do the kind of work that could be replaced by AI.
- We have been considering various measures for improving attendance frequency, but no good solutions have yet to be found.

1.4. Progress and Results of Operations

	mil yen		Year-on-year (%)	% to total sales	
	2024	2025		2024	2025
Sales	15,342	17,976	117.2%	100.0%	100.0%
Cost of goods sold	3,096	4,213	136.0%	20.2%	23.4%
(valuation loss and disposal loss within above)	410	637	155.2%	2.7%	3.5%
Gross profit	12,245	13,763	112.4%	79.8%	76.6%
SG&A expense*	12,389	11,607	93.7%	80.8%	64.6%
Personnel expenses*	2,384	2,775	116.4%	15.5%	15.4%
R&D expenses*	4,831	4,250	88.0%	31.5%	23.6%
Operating income	-143	2,155	-1499.8%	-0.9%	12.0%
Non-operating income/expenses	-490	378	-129.4%	-3.2%	2.1%
Ordinary income	-633	2,534	-399.9%	-4.1%	14.1%
Extraordinary income/loss	-1,530	163	-936.5%	-10.0%	1.8%
Net income before tax	-2,163	2,698	-124.7%	-14.1%	15.0%
Income taxes	44	1,053	2374.6%	0.3%	5.9%
Net income	-2,208	1,644	-74.5%	-14.4%	9.1%
Net income per employee ('000 yen)	-6,000	4,555			
Retained earnings brought forward					
Beginning balance	12,661	10,452			
Dividend	-	-			
Net income	-2,208	1,644			
Ending balance	10,452	12,097			

* 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.

Sales of the dysmenorrhea (LEP) family decreased in this term (FY 2025), as well as those of NOBELZIN®, owing to the impact of the Elective Care Scheme for Long-Listed Products. On the other hand, with the strong sales results of key product MELATOBEL® and the new products ACENOBEL® and SARGMALIN® launched in 2024, total sales came to 17,976 million yen (YoY 117.2%) with an increase in overall sales compared to the previous year. 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 3,992 million yen and 4,468 million yen, respectively, accounting for 23.6% and 26.4%, respectively, of total product sales. Overseas export sales came to 215 million yen. The cost of goods sold was 4,213 million yen (YoY 136.0%, % to total sales 23.4%) including valuation loss and disposal loss of 637 million yen for products and raw materials (Disposal loss was tax deductible). As a result, gross profit increased to 13,763 million yen (up 1,517 million yen year-on-year).

Selling, general and administrative expenses totaled 11,607 million yen (YoY 93.7%, % to total sales 64.6%). The main components were personnel expenses of 2,775 million yen (YoY 116.4%, % to total sales 15.4%); R&D expenses of 4,250 million yen (YoY 88.0%, % to total sales 23.6%); sales promotion expenses of 857 million yen (YoY 81.5%); and outsourcing expenses of 1,978 million yen (YoY 100.0%). Sales promotion expenses mainly consisted of 499 million yen in sales commissions, etc. on JEMINA® to ASKA Pharmaceutical Co., Ltd. (YoY 84.4%). Outsourcing expenses mainly included 231 million yen for business management services and indirect department operations outsourcing to Hisanaga & Co. Ltd., 187 million yen as the commission for regulatory affairs operations to an overseas subsidiary (Jiangsu Nobelpharma Co., Ltd.), 137 million yen as the commission for safety information processing support operations, etc. by CMIC, 115 million yen as the commission for drug use-results surveys by EPS Corporation, and 100 million yen to Mediceo Corporation for the use of Medichat.
As a result, operating income was 2,155 million yen (up 2,299 million yen year-on-year, % to total sales: 12.0%)
Non-operating income of 479 million yen was recorded, including subsidy income of 276 million yen and interest income of 104 million yen from loans to subsidiaries, with non-operating expenses of 100 million yen including payment interest of 60 million yen and bond interest expenses of 20 million yen. As a result, ordinary income came to 2,534 million yen (up 3,168 million yen year-on-year), and it accounted for 14.1% of total sales.
Under extraordinary income, gain on forgiveness of debt of 495 million yen to a public funding agency (AMED) was posted. Under extraordinary losses, a valuation loss of 332 million yen (non-tax deductible) was posted reflecting the possibility of recovering shares from subsidiaries.
With income taxes of 1,053 million yen, net income was 1,644 million yen (up 3,852 million yen, YoY), and net income per employee was 4 million yen (up 10 million yen, YoY).
Retained earnings brought forward as of December 31, 2025 were 12,097 million yen, with the beginning balance of 10,452 million yen and net income of 1,644 million yen.

Foreign subsidiaries (reference)

Results in FY 2025*	mil yen				
	Nobelpharma America LLC	Plusultra pharma GmbH	Plusultra pharma UK Limited	Jiangsu Nobelpharma Co., Ltd.	Total
Sales	2,345	177	106	417	3,045
Operating income	497	-341	-90	163	229
Current income	411	-323	-90	159	157
Retained earnings	-4,818	-1,699	-594	-355	-7,466

* Figures for overseas subsidiaries were converted at the exchange rate for the local currency as of the end of 2025.

Overseas subsidiaries in the US showed a profit as in the previous year with current income of 411 million yen (previous year: 72 million).

Bases in Europe continue to face a harsh business environment, continuing from the previous year, and losses were posted this year. Various improvement measures continue to be taken, and we aim to get through these difficulties by defining our decision tree clearly and simultaneously putting “pedal to the metal.”

Bases in China showed a profit thanks to posting of contract lump-sum payment for granting distribution rights for MELATOBEL®, which will launch next year.

1.5. Domestic sales

The table below shows sales by product in 2025 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 (%)
				2024	2025	
Obstetrics and Gynecology Family	LUNABELL® LD LUNABELL® ULD	July 2008 September 2013	Dysmenorrhea	1,340	766	57.2%
	JEMINA®	October 2018	Dysmenorrhea	3,925	3,728	95.0%
	FREWELL® LD FREWELL® ULD	December 2018	Dysmenorrhea	3,879	3,955	102.0%
Subtotal				9,145	8,449	92.4%
Pediatric Family	NOBELBAR®	December 2008	Neonatal convulsion, status epilepticus	103	94	91.3%
	INDACIN®	January 2013	Patent ductus arteriosus of prematurity	38	39	102.6%
	COSMEGEN®	January 2013	Wilms' tumor, choriocarcinoma, pediatric solid malignant tumor, etc.	29	31	106.9%
	RESPIA®	December 2014	Apnea of prematurity	215	205	95.3%
	MELATOBEL® Granules	June 2020	Sleep-onset difficulty associated with neurodevelopmental disorder in children	3,848	4,993	129.8%
	MELATOBEL® Tablets	July 2025	Sleep-onset difficulty associated with neurodevelopmental disorder in children			
Subtotal				4,232	5,362	126.7%
Zinc Family	NOBELZIN® Tablets	April 2008 March 2017	Wilson's disease, hypozincemia	4,698	2,421	51.5%
	NOBELZIN® Granules	February 2023	Wilson's disease, hypozincemia			
	NOBELZIN® AG	December 2023	Wilson's disease, hypozincemia	1,896	2,938	155.0%
	ZINTUS®	August 2024	hypozincemia	79	907	1148.1%
Subtotal				6,673	6,266	93.9%
RAPALIMUS® Family	RAPALIMUS® Tablets	December 2014 September 2021 January 2024	Lymphangioleiomyomatosis Intractable lymphatic disease Intractable vascular tumor/ vascular malformation	1,021	1,259	123.3%
	RAPALIMUS® Granules	July 2024	Intractable vascular tumor/ vascular malformation			
	RAPALIMUS® Gel	June 2018	Skin lesions associated with tuberous sclerosis	392	415	105.9%
Subtotal				1,413	1,674	118.5%
Neurosurgery Family	FOSTOIN®	January 2012	Status epilepticus, prevention of postoperative seizures, etc.	859	828	96.4%
	ALABEL®	September 2013	Diagnosis of malignant glioma	248	1	0.4%
Subtotal				1,107	829	74.9%
Respiratory Family	UNITALC®	December 2013 March 2022	Prevention of recurrent malignant pleural effusion Secondary intractable pneumothorax that is difficult to treat with surgery	85	85	100.0%
	SARGMALIN®	July 2024	Autoimmune pulmonary alveolar proteinosis	167	798	477.8%
Subtotal				252	883	350.4%
Otolaryngology Family	TITANBRIDGE®	July 2018	Adductor spasmodic dysphonia	24	14	58.3%
	RETYMPA®	December 2019	Tympanic perforation	110	106	96.4%
Subtotal				134	120	89.6%
Other Drug Families	ZANOSAR®	February 2015	Gastroenteropancreatic neuroendocrine tumor	148	132	89.2%
	ACENOBEL®	December 2024	Muscular weakness in distal myopathy with rimmed vacuoles	44	1,259	2861.4%
Subtotal				192	1,391	724.5%
Total				23,148	24,974	107.9%

As a result of activities, in which sales resource was distributed effectively without relying on a single key product, with six products that included orphan drugs RAPALIMUS®, SARGMALIN®, and ACENOBEL® in addition to key products ZINTUS®, MELATOBEL®, and JEMINA®, the sales result for 2025 outperformed the sales plan of 23,638 million yen (on a wholesale price (NHI price) basis), reaching 24,974 million yen (achievement rate of 105.7%, YoY 107.9%, up 1,826 million yen compared to 2024). This placed us on the 3rd growth trajectory.

- With the lifting of the restrictions on long-term administration in September, prescribing of ZINTUS® has expanded, and the sales grew from 79 million yen in 2024 to 907 million yen (+ 828 million yen). We will continue to promote sales collaboration with Medipal Holdings.
- In addition to a granular formulation, MELATOBEL® Tablets were launched in July and are being promoted for prescribing to elderly patients who have shied away from taking granules. As a result, sales grew from 3,848 million yen in 2024 to 4,993 million yen (+ 1,145 million yen).
- With the entry of a competing product into the market, sales of JEMINA® decreased from 3,925 million yen in 2024 to 3,728 million yen (△ 197 million yen). Through the cooperation with ASKA Pharmaceutical Co., Ltd., to which we have outsourced joint sales promotion, we will further promote the appeal of the features of this product.
- Although sales of RAPALIMUS® grew from 1,021 million yen in 2024 to 1,259 million yen, they fell short of the sales plan by 473 million yen. Because the information did not reach due to the board target departments, we are now providing information on RAPALIMUS® along with that on ZINTUS®, which is provided to all clinical departments.
- Sales of SARGMALIN® also fell short of the sales plan by 391 million yen while expanding from 167 million yen in 2024 to 798 million. In the future, we will make special efforts to promote use in metropolitan areas.

  For our market penetration strategy, penetration to existing patients has already been achieved for the most part outside of metropolitan areas. On the other hand, diagnosis and identification of undiagnosed patients remains insufficient in the Tokyo Metropolitan Area, so in the future we will plan to improve awareness of the disease and its treatment by strengthening information sharing and cooperation between specialists and non-specialists in this region.
- Sales of ACENOBEL® grew from 44 million yen in 2024 to 1,259 million yen, but owing to demand forecasting errors, production failed to keep up with demand, and shipments have been limited since January. We are making efforts to remove the limitation on shipments but do not expect to be able to do so until November of 2027. This has greatly inconvenienced the patients and has been a blow to our business as well.

  In 2026, we will accelerate the pace of growth in the 3rd growth period and bring the Company's products to even more patients.

1.6. Research and Development (Japan and overseas)

Domestic Development

In March 2025, the new dosage form of NPC-15 (MELATOBEL®) for which an application for approval had been submitted in April 2024 was approved as "MELATOBEL® Tablets for Pediatric Use 1 mg/2 mg" (indication: sleep-onset difficulty associated with neurodevelopmental disorder in children).

In 2025, we proceeded with clinical trials for new drugs NPC-22 (scopolamine; planned indication, chronic hypersalivation) and NPC-33 (naxitamab; planned indication, neuroblastoma; orphan drug designation in February 2025) and as Life Cycle Management (LCM) for our products NPC-18 (RETYMPA®; planned indication, soft tissue defect in external auditory canal; orphan designation in February 2025), NPC-15 (MELATOBEL®; planned indication, mild cognitive impairment / mild sleep onset difficulty in dementia), NPC-25 (ZINTUS® Dry Syrup®, Pediatric Dose and Pediatric Dosage

Form; planned indication, hypozincemia), and NPC-12 (RAPALIMUS®; planned indication, autoimmune cytopenia, primary immunodeficiency syndrome accompanied by lymphoproliferaton or enteritis; orphan designation in December 2025). In 2026, we plan to submit approval applications for four of these drugs (NPC-12, NPC-18, NPC-22, and NPC-25).

Development of NPC-12 (RAPALIMUS®) for the indication of "epilepsy with focal cortical dysplasia (FCD) type II" as LCM for the product, has been abandoned because efficacy was not confirmed in verification studies, and the orphan designation has been revoked.

The main clinical trials that we plan to begin in 2026 are Phase III studies on NPC-06 (FOSTOIN®; planned indication, trigeminal neuralgia), NPC-15 (MELATOBEL® LCM), and NPC-29 (UBIQUINOL®; planned indication, multiple system atrophy; orphan designation in June 2025). In addition, we will steadily proceed with clinical trials for NPC-25 and NPC-33.

[Global development]

We proceed with development of NPC-12 (Japanese product name, RAPALIMUS®; planned indication, lympatic malformation; FDA orphan designation in September 2024) in the US. Moreover, global development is proceeded for NPC-31 as a drug candidate to address Prion disease for which a treatment method has yet to be established in Europe and the United States.

In China, NPC-15 (Japanese product name: MELATOBEL®) for which an approval application had been submitted in January 2024 was approved in July 2025 for the indication of sleep-onset difficulty associated with neurodevelopmental disorder in children. In addition, an application was filed to add a new indication of zinc deficiency for NPC-02 (Japanese product name: NOBELZIN®; approved in February 2024).

The table below summarizes the development stage, expected NDA and market size classification in the three categories of A. New Drugs, Medical Devices, and Regenerative Medical Products, 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, 2026. 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-22 Scopolamine patches	Chronic hypersalivation	In-house	PII/III	September 2027	I
2	NPC-33 Naxitamab	Neuroblastoma	Y-mAbs Therapeutics, Inc.	PI	December 2027	II
3	NPC-30 (GAIA-102) High-activity NK-like cells	Neuroblastoma	Gaia BioMedicine Inc. Kyushu University	PI	February 2028	III
4	NPC-29 Ubiquinol	Multiple system atrophy	University of Tokyo	PIII	August 2029	I

5	NPC-31 P092 maleate	Prion disease	Gifu University	PI/II In preparation	TBD	III
6	NPC-32 Platelet aggregation promoter	Cardiovascular surgery, emergency and critical care area	National Defense Medical College Waseda University	Preclinical	TBD	IV
7	MD-02	ENT-specific laser system	A.R.C. Laser Gmbh.	In preparation for application	TBD	II

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

	Compound	Indication	Licensor	Development stage	Estimated approval	Classification
1	NPC-18 RETYMPA®	Soft tissue defect in external auditory canal (new indication)	Kaken Pharmaceutical	In preparation for application	March 2027	III
2	NPC-12 RAPALIMUS®	Primary immunodeficiency syndrome (new indication)	Institute of Science Tokyo, National Defense Medical College	In preparation for application	May 2027	III
3	NPC-25 ZINTUS®	hypozincemia (addition of new dosage form, pediatric dose)	In-house	PIII	September 2027	II
4	NPC-12 RAPALIMUS®	Pure red-cell aplasia (new indication)	Shinshu University	PIII	January 2028	III
5	NPC-06 FOSTOIN®	Trigeminal neuralgia (new indication)	Pfizer Inc.	PIII	November 2028	II
6	NPC-12 RAPALIMUS®	Pendred syndrome (new indication)	Keio University Kitasato University	PII	TBD	IV
7	NPC-12 RAPALIMUS®	Systemic sclerosis (new indication)	Oita University	PI/II	TBD	IV
8	NPC-12G RAPALIMUS® Gel	Skin lesions due to vascular abnormality (new indication)	Wakayama Medical University	PII/III In preparation	TBD	IV
9	NPC-15 MELATOBEL®	TBD (new indication)	In-house	PIII	TBD	I

C. Overseas Development

	Compound	Indication	Licensor	Development stage	Estimated approval	Classification
1	NPC-02 (NOBELZIN®)	Zinc deficiency (new indication)	-	Application pending (China)	December 2026	I
2	NPC-12 (RAPALIMUS®)	Lympathic malformation	-	PIII (US)	TBD	II

1.7. Funding and Major Lenders

In 2025, the Company did not newly raise funds because liquidity on hand was sufficient. On the other hand, 67 million yen was repaid to financial institutions. Regarding the 551 million yen borrowed from a public research funding agency as development funds (Japan Agency for Medical Research and Development), discontinuation of the said development project resulted in release from a part of the debts (495 million yen) in accordance with the agreement.

As a result, as of the end of December 2025, the balance of loans payable and bonds was 10,319 million yen, and the balance of cash and deposits was 10,450 million yen.

As of December 31, 2025, the status of borrowing is as follows:

Loans payable

Mizuho Bank, Ltd.	4,450 million yen
MUFG Bank, Ltd.	1,150 million yen

The Shoko Chukin Bank, Ltd.	1,150 million yen
Sumitomo Mitsui Banking Corporation	850 million yen
The Tokyo Shinkin Bank	400 million yen
Resona Bank, Ltd.	400 million yen
The Bank of Yokohama, Ltd.	100 million yen
Japan Finance Corporation	19 million yen
Total	8,519 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:

Although sales of the dysmenorrhea (LEP) family and NOBELZIN® are expected to continue decreasing next year (2026) consistent with the current year, sales of key products like MELATOBEL® and ZINTUS® are expected to expand, resulting in an increase in income.

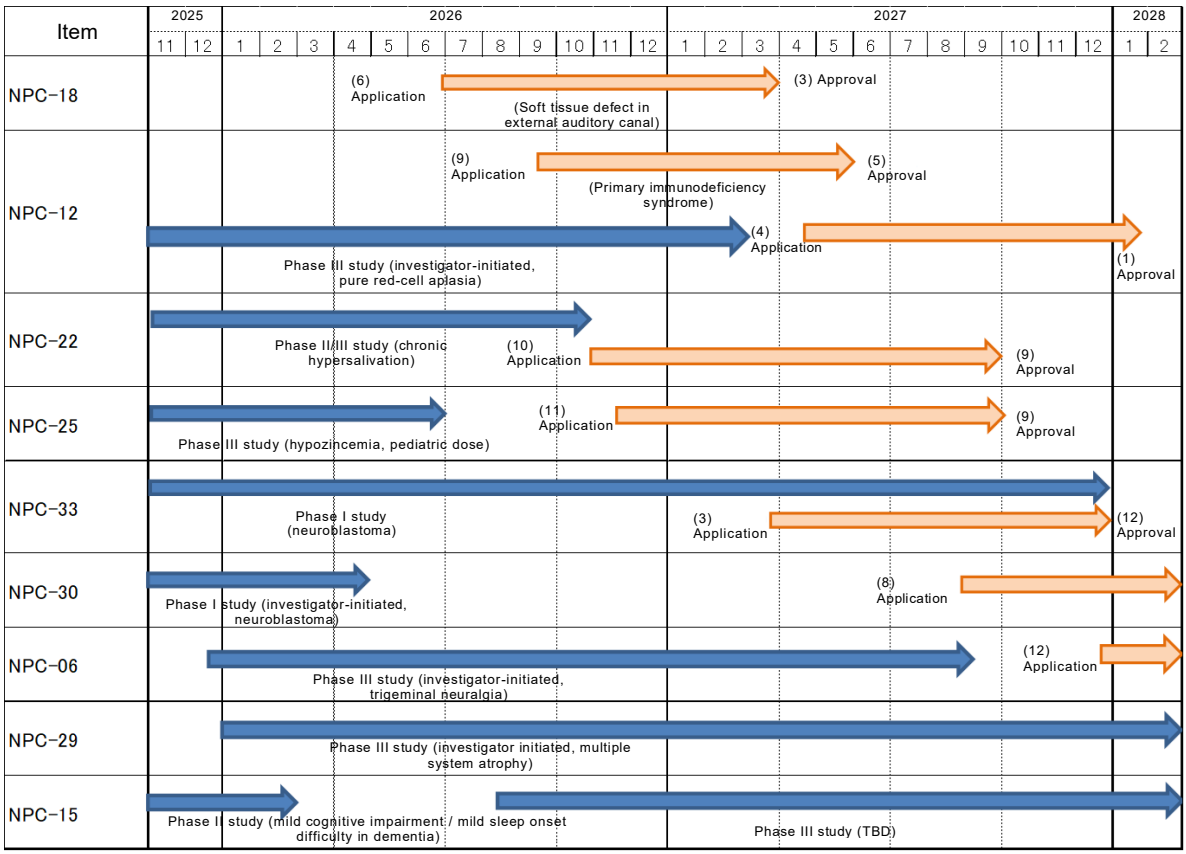
However, planning aggressive investment in R&D to strengthen our future revenue base, expenses will decrease in profits. Subsidy income of 696 million yen related to R&D was posted as non-operating income.

In overseas subsidiaries, our US base plans higher sales than the current year, and both income and profits are expected to improve. At our European base, the various measures taken this year are expected to show effectiveness, but we will still face an uphill battle. By following the decision tree we have established in advance, we will put the “pedal to the metal” to get through these difficulties. At our Chinese base, sales of two new products will begin in the home market, and we continue to expect a profit.

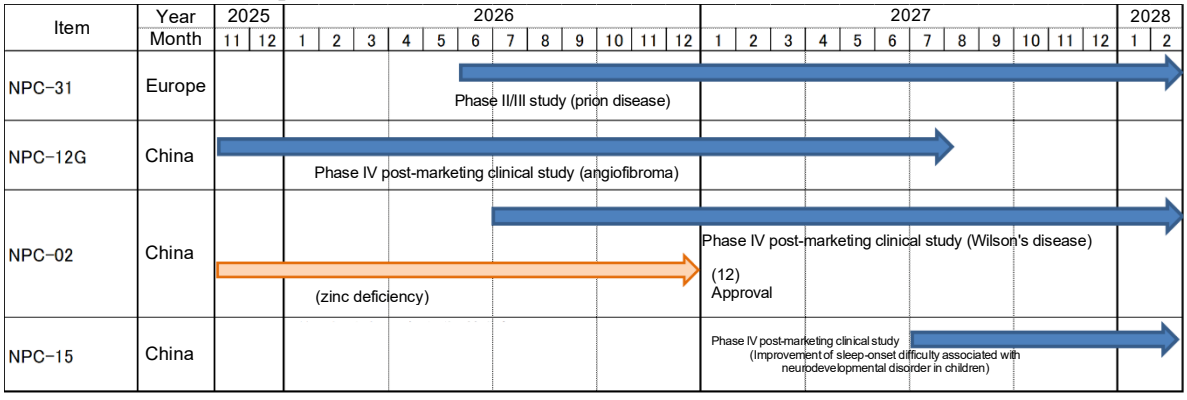
* Mil yen except for	2022 (Results) 20th year	2023 (Results) 21st year	2024 (Results) 22nd year	2025 (Results) 23rd year	2026 (Estimate) 24th year
Sales	21,204	19,027	15,342	17,976	18,644
Ordinary income	3,948	2,809	-633	2,534	553
Net income	2,701	2,078	-2,208	1,644	387
* Net income per share	199,000	153,000	-163,000	121,000	28,000
Total assets	27,679	28,806	27,433	31,576	
Net assets	12,205	13,887	11,679	13,324	
* Equity ratio	44.1%	48.2%	42.6%	42.2%	
* Net assets per share	902,000	1,026,000	863,000	984,000	

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

Compliance inspection for pharmaceutical reexamination were conducted in February for RESPIA®, in April for ZANOSAR®, and in August for RAPALIMUS® (LAM), and we received the results of the reexamination of RESPIA® (Category 1) in September and of ZANOSAR® and RAPALIMUS® (LAM) in December. Applications for reexamination were submitted for RETYMPA® in December.
Moreover, compliance inspection for use-results evaluation for medical device TITANBRIDGE® was

conducted in April.

Safety control: 2,473 adverse events were collected among Japanese cases (2024: 1,425 events) and 451 among overseas cases (2024: 425 events). Package insert precautions were revised for 10 products.

In post-marketing surveillance, a general use-results survey for ZINTUS® Tablets was begun in April.

Quality: A total of 169 quality information cases (complaints) were collected (2024: 180), 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 Jiangsu Nobelpharma Co., Ltd. was conducted by the Internal Auditing Division in July, and mock inspections of Nobelpharma Co., Ltd. (On-site) and Nobelpharma America (Remote) were conducted in October.

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 in-house 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 (Compliance reviews have been completed for our 18 existing contractors and six new contractors).

As a risk management effort, we have been formulating a BCP assuming the scenario of a major disaster.

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. Moreover, in addition to the usual GCP/PV/CS audits, we have newly introduced GQP/QMS audits.

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

1.11. Status of Administrative Departments

The "Legal/IP Management Department" supervises all legal affairs and intellectual property-related operations and is striving to improve knowledge and handling of legal affairs and intellectual properties throughout the Company. Our Company regards patents and other intellectual property rights as important management resources. While attempting risk management by performing various surveys for both in-house products and licensed-in products, we are striving to improve our IP portfolio by proactively acquiring rights to our Company's own technologies.

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 to hire to achieve 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. The HR & General Affairs Department is scheduled to independent as the HR & General Affairs Division in April 2026.

DX Promotion: We are putting business reform into practice through the application of digital technology while supporting business expansion from the IT side with an awareness of recent advances in AI. We are continuously educating employees about information security through e-learning.

2. Current Status of the Company

2.1. Shares (as of December 31, 2025)

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 26, 2026, the status of full-time and part-time directors is as follows:

Managing Director & CEO: Jin Shiomura

Director (part-time): Nobukuni Taneya

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): Yasuhiro Kaga (former Member of the Board of

Directors, Managing Executive Officer of Mitsubishi UFJ Securities Holdings Co., Ltd.)
Audit & Supervisory Board Member (part-time): Masaki Sato (Manager of Business Investment Department, MEDIPAL HOLDINGS CORPORATION)

(2)Executive Officers

As of April 1, 2026, 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)
Senior Executive Officer: Michihisa Yato	(President's Office & Business Development & Project Planning Division)
Executive Officer: Eijiro Akatsu	(Head of Administrative Affairs & Corporate Planning Division/Head of Corporate Finance Department)
Executive Officer: Yoshinobu Takahashi	(Head of Sales & Marketing Division)
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: Katsu Endo	(Head of Medical Device Business Department)
Executive Officer: Yasuo Suga	(Deputy Head of Sales & Marketing Division/Head of Product Marketing Department)
Executive Officer: Hideki Matsuoka	(Head of HR & General Affairs Division)
Executive Director: Masato Iwamoto	(Deputy Head of Supply Chain & Manufacturing Division and Head of Production Management Department)
Executive Director: Atsunori Iwao	(General Manager of Quality Assurance Department/Quality Assurance Officer)
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: Yukio Urasaki	(Head of BD/Project Planning & Development Division)
Executive Director: Yoshiaki Nomura	(Deputy Head of Sales & Marketing Division/Distribution Management Supervisor/Head of Inbound Logistics Department/Supply Chain & Manufacturing Division)
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)
Executive Director: Yoshinao Kobayashi	(Head of Project Planning/Business Development & Project Planning Division)
Executive Director: Yoshihiro Kishigami	(Head of Distribution Management Department/Sales & Marketing Division)
Executive Director: Takuto Kusanagi	(General Manager of Digital Transformation Department)

2.3.2. Remuneration paid to directors and company auditors

Classification	Headcount	Amount paid
Directors	7	18,600,000
Company auditor	3	900,000
Total	10	19,500,000

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: 17 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 (2nd) June 24, 2025 (underlined portion)
Revised January 19, 2023
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) or accepting year-end or midyear gifts from subordinates.

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." You may think that year-end or midyear gifts from subordinates is old-fashioned nowadays. It is, however, not impossible that your

previous company has a custom of doing that. Therefore, I intentionally added that "*We do not need to do this here*."

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. 10 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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