KYORIN Pharmaceutical Co., Ltd.

Integrated Report 2025

Corporate Philosophy

Kyorin continues to fulfill its mission of cherishing life and benefiting society by contributing to better health.

Since our founding in 1923, our social mission has been to compassionately contribute to better health and to give people relief from disease and suffering.
Going forward, we will follow this founding spirit and contribute to people's health by continuously providing high-value new drugs that meet medical needs.

Corporate Message

Your Health is Kyorin's Mission

Our unchanging mission is to "contribute to better health." This message expresses the Group's attitude and the strong intent of all employees to fulfill our responsibility as a member of society, yearning for people's health in every age.

Passion embedded in the brand symbol
The brand symbol conveys the image of "Smiling society" to which the Kyorin brand is committed, and to achieve this, Kyorin's determination to take "Flexible and bold actions" and its desire to be externally "Trusted and reliable."

Corporate mark
The corporate mark consists of three curved lines that form a heart shaped apricot. The lines represent the smiles of patients, their families, and workers in medical services, as well as Kyorin's three core businesses, namely prevention, treatment, and prognosis.

Orange: Honesty and warmth
Violet: The technology that brings confidence
Light green: Free and lively creativity

Origin of the Name "Kyorin"
The name Kyorin originated from two Chinese characters that represent a truly virtuous way of practicing medicine. It is derived from Chinese folklore (Shinsen-den), and embodies the Kyorin Group's aspirations to continuously contribute to people's better health in any day and age.

Kyorin Legend
Long ago, a Chinese physician named Dong Feng treated the sick free of charge, and asked those who recovered from serious illness to plant five apricot tree saplings and those cured of minor illness to plant one. As time went by, a thick forest of apricot trees was formed in the area. (A story that comes from a Chinese legend named Shinsen-den.) "Kyorin" is a compound of "kyo," the Chinese word for "apricot," and "rin," the Chinese word for "woods." Praising the virtue of Dong Feng, the characters were transported from China to Japan as those representing medicine and medical treatment in general.

CONTENTS

Kyorin Group's History

1960 1970 1980

Management-related events

1923
Toyo Shinyaku Sha was founded.

1931
Kyorin Chemical Laboratory was established.

1940
Kyorin Chemical Laboratory was renamed KYORIN Pharmaceutical Co., Ltd.

Kyorin Yakuhin Co., Ltd. was organized.

1947
The Okaya Plant was opened.

1962
Kyorin Chemical Laboratory was opened.

1967
The Nogi Plant was opened.

1977
Central Research Laboratories were opened.

Strategy/ Concept

Founding–1994
Building a corporate foundation with research and development, manufacturing, and sales functions

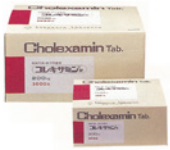
With the aim of contributing to people's health, Toyo Shinyaku Sha, the predecessor of KYORIN Pharmaceutical, was established in 1923 and began manufacturing and selling injectable medicines. During the 1960s, we built a structure for the research and development of new drugs. Since then, we have continued to contribute to people's health through the research and development, manufacture, and sales of new medicines. Going forward, we will strive to create high-value new drugs that meet medical needs and to enhance corporate value, while continuing to grow as a company that makes broad contributions to people's health.

Product history

1961
Behyd was launched.

1965
KYORIN AP-2 was launched.

Deamelin-S was launched.



1971
Cholexamin was launched.

1980
Norfloxacin was licensed to Merck & Co.

1981
Mucodyne was launched.

1984
Baccidal was launched.

1923 1960 1970 1980

1990 2000 2010 2020 2025

1992
KYORIN Pharmaceutical Co., Ltd. and Kyorin Yakuhin Co., Ltd. were merged.

1995
The Noshiro Plant was opened.

1996
Nisshin KYORIN Pharmaceutical Co., Ltd. was established.

1998
Milton was acquired.

1999
Listed on Second Section of the Tokyo Stock Exchange.

2000
Transferred listing to First Section of the Tokyo Stock Exchange.

2001
Kyorin USA, Inc. was established (dissolved in March 2020).

2002
Kyorin Europe GmbH was established (dissolved in March 2023).

2004
ActivX Biosciences, Inc. became a wholly owned subsidiary (dissolved in March 2023).

2005
Toyo Pharma Co., Ltd. (present KYORIN Rimedio Co., Ltd.) was acquired, and generic drugs business entered.

2006
Shifted to pure holding company structure.

2008
Nisshin Kyorin Pharmaceutical Co., Ltd. was merged into KYORIN Pharmaceutical Co., Ltd.

2010
Net sales reached ¥100 billion.

Trade name changed to KYORIN Holdings, Inc.

2012
KYORIN Pharmaceutical Group Facilities Co., Ltd. was established.

2015
WATARASE Research Center was established.

2017
jTAS was merged into KYORIN Pharmaceutical Co., Ltd. (entry to diagnosis business).

Takaoka Pharmaceutical Technology Innovation Center was established.

2018
KYORIN Pharmaceutical Group Facilities Co., Ltd. commenced operations.

2022
Transferred to Prime Market of the Tokyo Stock Exchange.

2023
100th anniversary

Merger by absorption of KYORIN Pharmaceutical Co., Ltd., shift to business holding company structure, and change of trade name to KYORIN Pharmaceutical Co., Ltd.

2024
The Takaoka Plant was opened.

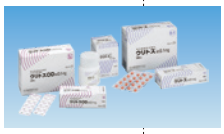
1995–2009 MIC plan

2010–2022 HOPE100

2023–2032 Vision 110

1989
Ketas was launched.

1998
Milton was launched.



2007
Uritos was launched.

2020
Lasvic Tablets were launched.

2022
Lyfnua was launched.

1986
Fleroxacin was licensed to F. Hoffmann-La Roche.

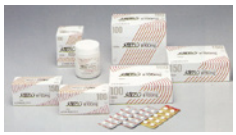
1986
Aplace was launched.

1996
Gatifloxacin was licensed to Bristol-Myers Squibb.

2002
Gatiflo was launched.

1996
Pentasa was launched.

1993
Megalocin was launched.



2001
Kipres was launched.

2016
Desalex was launched.

2019
GeneSoC was launched.

2021
Lasvic IV drip infusion kit was launched.

2013
Flutiform was launched.

2012
Rubysta was launched.

2018
Beova was launched.

Fiscal 2025 consolidated net sales (forecast)
¥127.0 billion

100

50

Fiscal 2025 consolidated operating profit (forecast)
¥6.1 billion

0

1990 2000 2010 2020 2025

Overview of the Kyorin Group

The Kyorin Group, which comprises the business holding company KYORIN Pharmaceutical Co., Ltd. and subsidiaries KYORIN Rimedio Co., Ltd. and KYORIN Pharmaceutical Group Facilities Co., Ltd., is engaged in a pharmaceutical products business primarily consisting of ethical drug products. The new drugs business creates original, new drugs and develops, manufactures, and sells other pharmaceutical products, and also sells products related to environmental hygiene and the diagnosis of infectious disease, as well as other products including general pharmaceuticals (OTC). The generic drugs business develops, manufactures, and sells proprietary generic drugs and, in collaboration with the new drugs business, strives to provide a stable supply of high-quality, highly reliable products.

Financial highlights (fiscal 2024 results)

Net sales
¥130,087 million

Operating profit
¥12,567 million

Profit attributable to owners of parent
¥9,086 million

R&D expenses
¥10,514 million

Capital expenditures
¥6,153 million

Earnings per share (EPS)
¥158.17

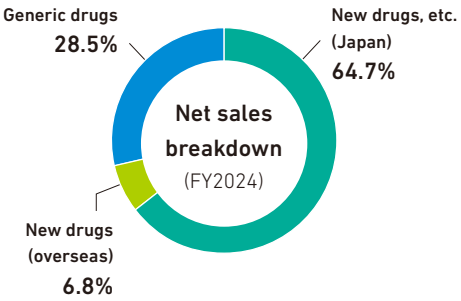
Return on equity (ROE)
6.8%

Dividends per share
¥57.00
(including a special dividend of ¥5.00)

Kyorin Group

KYORIN Pharmaceutical Co., Ltd.

- KYORIN Rimedio Co., Ltd.
- KYORIN Pharmaceutical Group Facilities Co., Ltd.



Non-financial highlights (fiscal 2024 results)

Ratio of new drugs*1
53.8%

Overall ranking of medical representatives (MRs) in designated areas*2
Respiratory: No. 6
Otolaryngology: No. 1
Urology: No. 5

Engagement survey's "job satisfaction" score*3
4.53

Percentage of female managers
9.5%

Percentage of male employees taking childcare leave
51.9%

Health examination participation rate
100%

Stress check participation rate
99.2%

Reduction in volume of CO_2 emissions compared with the level of fiscal 2015*4
27.7%

Volume of water intake
261 thousand m^3

*1 Ratio of sales of new drugs as a percentage of domestic drug sales (excluding royalties) *2 "Rep-i" survey results (2024), conducted by INTAGE Healthcare Inc.
*3 A survey (carried out internally) related to employees' job satisfaction. Seven-level scoring with 7 as the highest level. *4 Scope 1 + Scope 2

荻原 豊

Yutaka Ogihara
Representative Director,
President and CEO

Taking to heart our social mission of contributing to people's health, we are striving to realize sustainable growth and enhance corporate value

The Kyorin Group's founding spirit and the Group's reason for existence

Since our founding, the Kyorin Group has aimed to provide people with relief from disease and suffering, with the never-ending mission of cherishing life and contributing to people's health. This founding spirit is incorporated in the Company creed and Company motto, *Honryo*, formulated in 1945, which has continuously guided our actions since that time.

The Kyorin Group's **corporate philosophy, "Kyorin continues to fulfill its mission of cherishing life and benefiting society by contributing to better health,"** is a clear statement of our founding spirit, which remains in place today. We pursue our daily business activities from this fundamental corporate philosophy.

The medical world continues to face a growing number of issues. There are still unmet medical needs, including rare diseases that few people contract and for which medical treatments have yet to be established. The problems of "drug lag" (delays in approval of or for use in Japan of drugs already allowed in other countries) and "drug loss" also lead to suffering for many patients.

At Kyorin, we firmly believe that our reason for existence is to sincerely address each individual patient's suffering and contribute to medical treatments and enhanced quality of life. To fulfill our mission, we make every effort to resolve people's health issues by continuing to provide pharmaceutical products.

Honryo: Formulated in 1945 and spelling out our founding spirit. It covers our corporate mission, business purpose, organizational framework for corporate activities, employees' mental attitude, and codes of conduct.

Pursuing challenges toward our 110th anniversary, the long-term vision "Vision 110" sets out our future

The Kyorin Group formulated the long-term vision "Vision 110" in 2023 with a view toward the 110th anniversary of our founding. Kyorin aims to be **"a company that contributes broadly to people's health by comprehensively developing healthcare-related businesses, with a core focus on the new drugs business, which continuously provides high-value new drugs that meet medical needs."**

The long-term vision "Vision 110" is an expression of our firm intention to continue to evolve into a corporate group that contributes broadly to people's health **by further strengthening our new drugs business and continuously creating new pharmaceutical products with the high value sought by society as well as by developing health-related businesses such as generic drugs and over-the-counter medicine,** aimed at all stages from prevention to treatment and improved quality of life. "Vision 110" also lays out our growth strategy.

To achieve this long-term vision, we have developed a strategic, three-stage road map and are currently operating under the first stage, the medium-term business plan "Vision 110 –Stage1–." We have positioned this period as one of "sowing seeds" for continuous future growth, with the following five business strategies.

Medium-Term Business Plan "Vision 110 –Stage1–": Business Strategies

1. **Strengthening drug discovery capability to create high-value new drugs that meet medical needs**
2. **Expansion of development pipeline through in-licensing**
3. **Maximization of the ratio of new drugs**
4. **Promoting healthcare-related businesses that have synergies with the new drugs business**
5. **Building a sustainable corporate foundation**

Kyorin recognizes that the most important issues for the Kyorin Group are **to use drug discovery innovation to pursue the challenge of creating new drugs that meet medical needs and to strengthen our in-licensing activities to expand the development pipeline.** Drug discovery requires considerable time for successful results to be realized, making the simultaneous, ongoing acquisition of in-licensed products indispensable for increasing the quality and quantity of the development pipeline essential for stable growth going forward.

We are pursuing a business strategy that allocates limited management resources flexibly and optimally. At the same time, the Group is working as one with steadfast conviction and passion as we make every effort to achieve the long-term vision "Vision 110."

We are also building a strong foundation to support continuous growth further into the future.

A sense of solid growth in fiscal 2024: Progress under the medium-term business plan "Vision 110 –Stage1–"

Record-high net sales and third consecutive year of sales and profit growth in fiscal 2024

Japan's ethical drugs industry continued to face a difficult environment in fiscal 2024. Along with NHI drug price revisions, measures to curtail medical care and pharmaceutical costs continued to be introduced, while higher prices for energy resources and raw materials combined with factors including unstable exchange rate movements made this a year in which the outlook for the entire industry remained uncertain.

Despite this challenging backdrop, **solid increases in sales of growth-driving new drugs** and **a large contribution from a received upfront payment from the out-licensing of a proprietary product** led to **record-high consolidated net sales of ¥130.1 billion (a ¥10.6 billion, or an 8.8% increase, over those of the previous year). Consolidated operating profit also increased significantly, to ¥12.6 billion (a ¥6.4 billion, or a 101.6% increase), for a third consecutive year of growth in both sales and profit.**

The medium-term business plan "Vision 110 –Stage1–" sets two targets for the Group in terms of growth potential and profitability. **With fiscal 2022 used as a base year,** fiscal 2024 results showed solid progress. In terms of **growth potential, a 7.2% compound annual growth rate (CAGR) for net sales** and, in terms of **profitability, a 17.7% operating profit before excluding R&D expenses (operating profit + R&D expenses)** both surpassed their targets. I am confident that these results reflect the efforts of all employees working as one to carry out the five business strategies.

Fiscal 2025 is the final year of the medium-term business plan "Vision 110 –Stage1–." **In addition to aiming to complete the current plan and achieve its targets, we will steadily build a foundation for a smooth transition to the next medium-term business plan and further growth thereafter.**

Pursuing five business strategies

1 Strengthening drug discovery capability to create high-value new drugs that meet medical needs

—Pursuing the challenge of drug discovery innovation, creating original new drugs—

The Kyorin Group has been creating and providing patients with original new drugs for many years. We consider it our mission to carry on this tradition and contribute to people's health by continuing to create new drugs. To achieve this mission, we aim to create original new drugs continuously **by strengthening the functions of our drug discovery systems** while **pursuing the challenge of creating new value in the form of "drug discovery innovation" that integrates drug discovery technologies and disease research (drug discovery targets) in original ways.**

To strengthen and optimize our drug discovery capabilities, the Kyorin Group is expanding its drug discovery technologies and strategically focusing on areas of drug discovery research. In terms of drug discovery technologies, we are proactively using nucleic acid drugs and external technologies in addition to our traditional field of small molecule drug discovery. We also aim to identify and pursue drug discovery themes more effectively and will concentrate management resources in designated areas of drug discovery research that utilize our strengths (pain, autoimmune disorders, etc.). We have selected these areas by fully taking into account marketability, competitiveness, and practicality. Through these initiatives, the Kyorin Group aims to meet patients' needs by creating innovative pharmaceutical products.

The conclusion of a global licensing agreement for our proprietary KRP-M223 was a major achievement during fiscal 2024. This agreement grants Novartis of Switzerland an exclusive worldwide license to develop, manufacture, and commercialize KRP-M223 as a treatment for chronic spontaneous urticaria (CSU), etc. We expect this agreement to make a major contribution to the treatment of many patients around the world who are not responding to existing treatments by quickly providing them with KRP-M223.

2 Expansion of development pipeline through in-licensing

—Acquiring in-licensed products an urgent, top-priority issue—

Expanding the development pipeline is indispensable for the Kyorin Group's medium- to long-term growth. To achieve this, we are pursuing a balance of ongoing proprietary drug discovery activities and acquiring in-licensed products from outside parties. In-house drug discovery activities require considerable time until new drugs are created, meaning that this approach alone is insufficient. This is why we are also proactively working to acquire in-licensed products from outside parties. We believe that pursuing these two strategic approaches simultaneously will accelerate the Group's development while balancing short-term achievements with long-term value creation.

The Kyorin Group views the acquisition of in-licensed products as an urgent, top-priority issue. The medium-term business plan "Vision 110 –Stage1–" sets a target of acquiring a total of six in-licensed products over the period of the plan. To achieve this, we are carrying out organizational restructuring to accelerate evaluation and acquisition while increasing the efficiency and speed of our in-licensing activities.

During fiscal 2024, we acquired four in-licensed products. The most promising of these was the licensing agreement concluded in December 2024 for KRP-S124, a candidate compound for treating obstructive sleep apnea (OSA). Under this agreement with Bayer of Germany, we have obtained the exclusive worldwide rights for manufacturing, development, and commercialization.

Few treatments for OSA exist, making this a disease with high unmet medical needs. This new potential treatment holds great promise for meeting the hopes of many patients. Going forward, we will proactively pursue worldwide development while considering sub-licensing out. Our aims are to make an early contribution to patients and to achieve worldwide sales of at least ¥100 billion.

Through these initiatives, the Kyorin Group is simultaneously providing groundbreaking medical treatments while expanding our business, thereby establishing a position as a global pharmaceutical company. We consider this strategy of in-licensed product acquisition an important first step in our long-term growth.

We strongly believe that expanding the development pipeline is essential to the survival of a pharmaceutical company. We will firmly emphasize this during fiscal 2025 as we work to achieve the medium-term business plan "Vision 110 –Stage1–" target of acquiring at least six in-licensed products. Specifically, we will first aim to acquire at least two in-licensed products, focusing on those that can be expected to contribute early to business results (including products already on the market). I am therefore taking direct responsibility for this effort so that decisions will be made quickly. In addition, we have not set an upper limit on topics like investments of funds or human resources, with a basic policy of acting flexibly. Making maximum use of all types of resources, we are developing a proactive in-licensing strategy while accelerating development, to provide value to patients as quickly as possible. These initiatives are important measures that will determine Kyorin's future, and the entire Group is committed to advancing them.

3 Maximization of the ratio of new drugs

—Increasing market penetration of growth-driving new drugs, maximizing the new drugs ratio—

Under the medium-term business plan "Vision 110 –Stage1–," we aim to maximize the ratio of new drugs, which are the source of profit growth, and have set targets of new drugs accounting for at least 50% of net sales and ¥56.0 billion in sales from our five major new drugs. Our ratio of new drugs in fiscal 2024 was 53.8%, meaning the target was achieved one year ahead of schedule. As our forecast for fiscal 2025 sales of the five major new drugs is ¥58.0 billion, we expect to surpass this initial target as well.

The Kyorin Group's top-selling product is the overactive bladder treatment Beova, one of our growth drivers. Beova is the No. 1 brand in the overactive bladder treatment market, holding the top position in terms of both the ratio of new patients and the share of all patients. Lasvic, our proprietary new quinolone antibacterial agent, also has the largest share of sales in the oral new quinolone antibacterial agent market. We aim to build on these successes going forward and raise our ratio of new drugs even higher.

The Group places importance on the original role of medical representatives (MRs), who achieve appropriate use of pharmaceuticals and contribute to medical care by providing, collecting, and conveying pharmaceutical information. We strive to understand the daily needs of medical facilities through quality communication based on in-person meetings between our approximately 600 MRs and medical practitioners. We are also developing a franchise customer (FC) strategy that concentrates resources on the three designated fields of respiratory, otolaryngology, and urology, and are working to increase our presence in these fields.

Going forward, we will continue to pursue and strengthen these strategies and maximize product value to contribute even more greatly to patients' treatment. We intend to achieve continuous growth by accurately grasping the needs of medical facilities and contributing to the appropriate use of products in medical treatment.

4 Promoting healthcare-related businesses that have synergies with the new drugs business

—Continuing growth at generic drugs business, building structure for stable supplies and low costs—

The generic drugs market continues to experience unstable supplies. Stabilizing supplies and strengthening quality management structures have become urgent issues. The Kyorin Group is increasing production volumes in response to growth in demand, but limited shipments and sales suspension for some products are unavoidable. The entire Group is working to resolve this issue quickly.

As part of this effort, the new Takaoka Plant (Takaoka City, Toyama Prefecture) commenced operations in April 2024. This plant and the existing Inami Plant (Nanto City, Toyama Prefecture) have primary responsibility for generic drugs production. By bringing the manufacturing of outsourced products in-house, we aim to increase production volumes, make supplies more stable, and raise capacity utilization.

Also, in response to a request from the Ministry of Health, Labour and Welfare in fiscal 2023 to increase production of mucoregulant Mucodyne Tablets, we have

begun new production at the Takaoka Plant and are increasing production at the Noshiro Plant (Noshiro City, Akita Prefecture). With the overall optimization of the Group's four plants, we are making every effort to provide the pharmaceutical market with stable supplies of our products.

In terms of generic drugs development, we are strengthening our product development capabilities at the Takaoka Pharmaceutical Technology Innovation Center and building a structure for continuously bringing new generic drugs to market. Our policy is for growth to be accelerated by these generic drugs listed as an additional entry.

The generic drugs business is facing the issue of needing to raise profitability in the face of ongoing measures to curtail medical care and pharmaceutical costs. By stabilizing supplies and strengthening quality management structures, we will establish a position as a reliable pharmaceutical manufacturer, achieve continuous growth, and contribute to people's health.

5 Building a sustainable corporate foundation

—Toward management aware of the cost of capital and share price—

Under the medium-term business plan "Vision 110 –Stage1–," the Kyorin Group's capital policy and policy for shareholder returns are as follows:

- **Increase capital efficiency through investment for growth and shareholder returns, with a constant awareness of the cost of capital and return on capital, while maintaining a sound financial base**
- **Maintain a stable dividend, taking into account the dividend on equity (DOE) ratio**

During fiscal 2024, we set a target for reducing cross-shareholdings with the intention of raising capital efficiency even higher. We aim to achieve this target—the ratio of cross-shareholdings to net assets to be less than 10% by fiscal 2030—ahead of schedule. We have already canceled 4.66 million shares of treasury stock, reducing treasury shareholdings approximately 7% as a percentage of the total number of shares issued, from 10% prior to the cancellation.

Regarding shareholder returns, our dividend benchmark is for a dividend on equity (DOE) ratio of 2.5%. We achieved large profit growth in fiscal 2024 from a received upfront payment associated with the conclusion of the licensing agreement with Novartis for KRP-M223. To return these favorable results to shareholders, we paid a special year-end dividend of ¥5 per share for fiscal 2024, resulting in a full-year dividend of ¥57 per share.

We estimate that the Kyorin Group's cost of shareholders' equity is approximately 5%. Our return on equity (ROE) ratio for fiscal 2024 exceeded this, at 6.8%. On the other hand, the price-book value ratio (PBR) as of the end of March 2025 remained below 1.0x, at approximately 0.6x, which we recognize as an important management issue.

Moving forward, we aim to quickly raise the PBR to above 1.0x through a higher ROE and optimization of the price earnings ratio (PER). We will strive to promote management that is conscious of the cost of shareholders' equity for the medium- to long-term enhancement of the Kyorin Group's corporate value.

—Materiality initiatives toward a sustainable society—

To achieve the long-term vision "Vision 110," the Kyorin Group is pursuing business activities to create both social and economic value with the aims of growing continuously and contributing to realizing a sustainable society.

Regarding sustainability, we have designated 10 important issues as materialities and are prioritizing these issues from the perspectives of "value creation (issues directly connected to our business activities)" and "a base to support value creation (issues related to the base for our business activities)." In our business activities, we are particularly emphasizing environmental considerations including climate change and are building a structure to examine environmental measures including establishing an Environmental Committee. Specifically, we aim to achieve carbon neutrality by 2050 and have set a fiscal 2030 target of a 46% reduction in CO_2 emissions from the fiscal 2015 level.

In terms of reinforcing human capital, our *Honryo* states that "a business is as good as its people." We recognize that this is the driving force of business growth and strength. We view employees and the Company as partners who achieve mutual benefit and are pursuing optimal operation of our human resources management system. From fiscal 2024, we have stepped up efforts to have women play active roles in the Company, setting targets of having at least 15% of management positions filled by women by 2030 and having at least 50% of male employees take their eligible childcare leave by fiscal 2025.

To strengthen corporate governance, our Board of Directors, which consists of six members including three outside directors, meets monthly, in principle, to pass resolutions on important matters and oversee operational execution. We have also assigned chief X officers (CxOs) to be responsible for key operational areas to expedite decision-making and clarify responsibility for operational execution.

Chief Executive Officer's responsibility is to make unwavering decisions for the future

The Kyorin Group's enduring mission since its founding has been to "contribute to people's health." Under this mission, we sincerely address the universal theme of "health." By continuously creating new drugs, we aim to be a company that contributes broadly to people's health.

Fiscal 2025, the final year of the medium-term business plan "Vision 110 –Stage1–," is an important year for formulating the next medium-term business plan. During the year, we will objectively evaluate the achievements and issues from Stage 1 and clarify any deviations from the long-term vision "Vision 110." We will then formulate the next medium-term business plan, including specific strategies and targets for the next phase of growth.

As Chief Executive Officer (CEO), I take to heart our founding spirit and mission and will push ahead with unwavering conviction to achieve the long-term vision "Vision 110" for the 110th anniversary of our founding. The road will not be easy, but with the combined wisdom and effort of each and every employee, I promise that all Group companies will work as one as we continue to pursue the challenge of achieving our targets. We will put all our efforts into people's health, constantly looking toward the future without fearing innovations or challenges.

I would like to thank all our stakeholders for their deep understanding and support. I ask for your continued support as the Group pursues the challenge of meeting the expectations placed on us.

Message from Executive in Charge of Finance

Aiming to build a solid management foundation and enhance corporate value through investment for growth and shareholder returns with an awareness of the cost of capital and returns on capital

Yasuji Kurose
Executive Director CFO & CStO
Director of Corporate Planning, in charge of Finance & Accounting and Product Strategy

Progress under the medium-term business plan "Vision 110 –Stage1–"

Fiscal 2024 was truly a year of remarkable progress for the Kyorin Group. With strong growth in two new drugs—the overactive bladder treatment Beova and the new quinolone antibacterial agent, Lasvic—and a large upfront payment received from the out-licensing of our proprietary KRP-M223 contributing significantly, we achieved record consolidated net sales of ¥130.1 billion. This sales growth, combined with ongoing Groupwide cost reductions and other efforts, also resulted in strong growth in consolidated operating profit, to ¥12.6 billion, for the third consecutive year of sales and profit growth. I view these accomplishments as representing the fruits of the business strategies we have pursued.

The expansion of our development pipeline, which is critical to our medium- to long-term growth, included four in-licensing contracts concluded during fiscal 2024, marking steady progress in both quantity and quality. These achievements are important "seeds sown" that will solidify our future earnings base. I am confident that we are laying a firm foundation for continuous growth.

The medium-term business plan "Vision 110 –Stage1–" sets targets of a compound annual growth rate (CAGR) of at least 2% for net sales and operating profit before excluding R&D expenses (operating profit + R&D expenses) of at least 16% of net sales. With strong growth in new drugs, we have already surpassed the target for CAGR and raised operating profit before excluding R&D expenses from 11.9% in fiscal 2023 to 17.7% in fiscal 2024.

Nevertheless, with unstable exchange rate movements, high costs for raw materials and energy, and the introduction of a new health coverage rule for long-listed products, the operating environment remains challenging, and the conditions assumed when the medium-term business plan was formulated have changed significantly. Despite these drastic changes in the operating environment, the Group continues to work as one by introducing measures to pursue the challenge of achieving the medium-term business plan's targets.

Measures to achieve management with awareness of cost of capital and share price, and future outlook

As CFO, my most important role is to achieve management that is aware of the cost of capital and share price, and to set a clear path for the Group's medium- to long-term enhancement of corporate value and continuous growth.

The Group's price-book value ratio (PBR) has remained below 1.0x in recent years, standing at around 0.6x as of March 31, 2025. We recognize that this situation is an important management issue and are accelerating specific initiatives to raise the PBR above 1.0x at an early date to further strengthen the trust of shareholders and investors.

Return on equity (ROE) for fiscal 2024 was 6.8%, significantly above our estimated cost of shareholders' equity of approximately 5%, reflecting growth in new drugs and a received upfront payment for out-licensing KRP-M223. On the other hand, our price earnings ratio (PER) for fiscal 2024 was relatively low at 9.5x, an area we need to optimize by further increasing the market's expectations for the Group's future growth.

We are working to improve the PBR by strategically addressing both ROE and the PER.

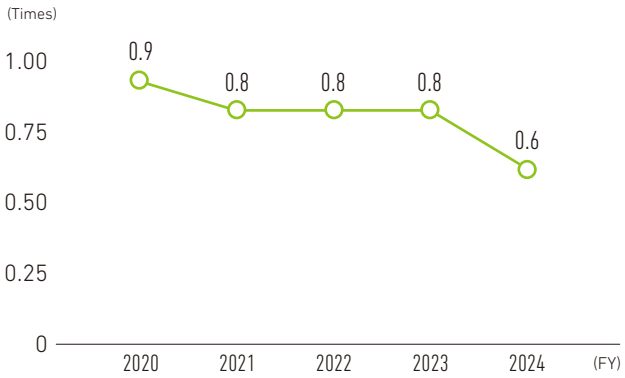
Optimizing capital structure and reinforcing earnings strength to increase ROE

To increase ROE, we are working to optimize the capital structure by actively pursuing measures such as implementing a stable dividend, reducing cross-shareholdings, and canceling treasury stock.

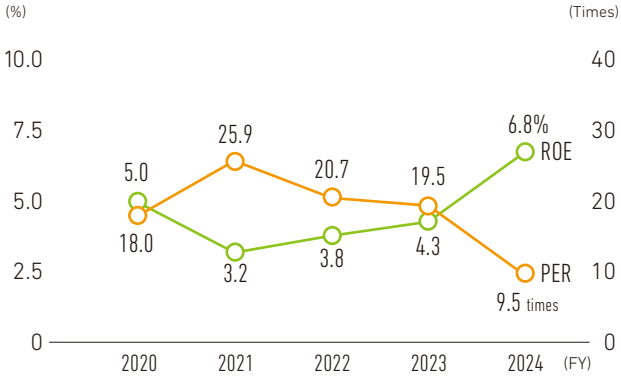
Implementing a stable dividend: Our policy for shareholder returns is to pay a stable dividend while taking the dividend on equity (DOE) ratio into account. With large profit growth in fiscal 2024, we were strongly inclined to strengthen returns to shareholders and investors, paying a ¥5 special dividend in addition to the ¥32 year-end dividend per share. This resulted in a full-year dividend of ¥57 per share (ordinary dividend of ¥52 per share and special dividend of ¥5 per share), for a DOE of 2.5%.

We plan to maintain the dividend at ¥57 per share

PBR



ROE and PER

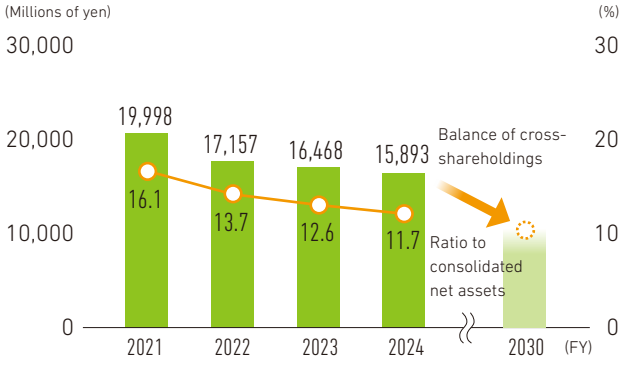


(ordinary dividend of ¥57 per share) in fiscal 2025 and to implement a stable dividend going forward.

Reduction of cross-shareholdings: Cross-shareholdings, which cultivate relationships of trust with business partners, are intended to facilitate transactions and technical tie-ups. We regularly review the degree of contribution from cross-shareholdings to improved capital efficiency and the Company's continuous growth and enhancement of corporate value. In fiscal 2024, we set a reduction target for "the ratio of cross-shareholdings to net assets to be less than 10% by 2030." We aim to reduce at least one cross-shareholding during fiscal 2025 and will strive to achieve our target ahead of schedule. The funds acquired from reducing cross-shareholdings will be used for investment for growth and shareholder returns, further increasing capital efficiency.

Reduction target of cross-shareholdings

The ratio of cross-shareholdings to net assets to be less than 10% by 2030



Cancellation of treasury stock: We have canceled 4.66 million shares of treasury stock, reducing treasury stock holdings approximately 7% of the total number of shares issued, from approximately 10% prior to the cancellation. We originally acquired these treasury stocks with the intention of using them for measures like capital alliances and mergers and acquisitions but have canceled them to further increase capital efficiency and strengthen shareholder returns.

After the cancellation, the total number of shares issued was 59,945,641, and the number of treasury stock was 1,800,000 shares (corresponding to 3.0% of the total number of shares issued).

In addition, following the business strategies of "maximization of the ratio of new drugs" and "building a sustainable corporate foundation" in the medium-term business plan "Vision 110 –Stage1–," we are working to reinforce earnings strength even further by increasing sales, focusing on new drugs and responding to changes in the challenging operating environment through Groupwide initiatives to increase operational efficiency and reduce costs.

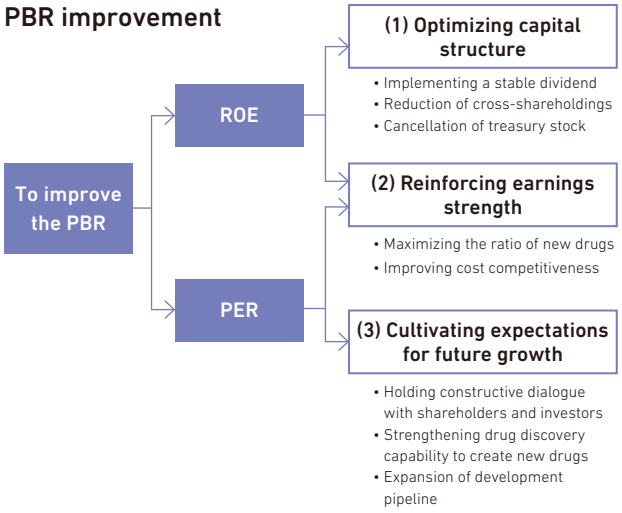
Strengthening information disclosure and implementing growth strategy to raise PER

In addition to the reinforcement of earnings strength outlined above, we believe that proactively disclosing information to cultivate expectations for future growth and implementing a growth strategy are indispensable to raise the PER.

We are further strengthening and continuously holding constructive dialogue with shareholders and investors to have them more deeply understand topics like our strategies and growth potential. We are also working proactively to strengthen and expand our information disclosure as we strive to ensure that the Group's value is properly assessed.

"Strengthening drug discovery capability to create high-value new drugs that meet medical needs" and the "expansion of development pipeline through in-licensing" are important issues for the Group, ones we consider crucial for a pharmaceutical manufacturer. In addition to the medium- to long-term perspective of creating original new drugs, we hope to acquire in-licensed products we believe capable of producing results in a shorter span of time to cultivate expectations for the future among shareholders and investors.

PBR improvement



Fiscal 2025 cash allocation and use of financial leverage

Cash on hand as of the end of March 2025 was approximately ¥15.0 billion, and we are forecasting operating cash flow of approximately ¥16.0 billion in fiscal 2025. Cash will also be generated by reducing cross-shareholdings. During fiscal 2025, we will strategically allocate this cash to investment for growth and shareholder returns.

Investment for growth: We believe the achievement of continuous growth requires proactive investment for growth. During fiscal 2025, we are placing a top priority on acquiring at least two in-licensed products, focusing on those that can be expected to contribute early to business results (including products already on the market). We will pursue this policy flexibly and have not set an upper limit on the investment amount. We will also continue to invest in research and development for original new drug discovery.

To procure the funds to support these investments, we will proactively consider using financial leverage (including external borrowings) while taking into account various risks and maintaining a sound financial position.

Shareholder returns: Despite a drastically changing operating environment, we will maintain a stable dividend level that balances financial soundness with investment for growth, while taking DOE into account. We plan to maintain the total dividend amount for fiscal 2025 at ¥3.3 billion (¥57 per share).

We will continue to provide appropriate returns to shareholders and investors, while comprehensively reviewing our business results and financial position.

The fact that the Group's product mix has a relatively high portion of products in-licensed from overseas means that our cash conversion cycle (CCC) tends to be long. We believe there is still room for improvement in areas including procurement methods for raw materials and inventory levels by product. As CFO, I will take responsibility for addressing these issues and for increasing working capital efficiency.

To shareholders and investors

Our goal is to contribute to a sustainable society while maximizing corporate value. For this, we are working to instill management with a strong awareness of the cost of capital and return on capital.

To achieve further rapid growth, the Group is emphasizing flexible investment for growth in new drug discovery and expansion of the development pipeline. We also believe that by achieving the targets under the business strategies currently being implemented, we will create corporate value that will raise the expectations of shareholders and investors.

Taking to heart our mission of "contributing to people's health," which has remained steadfast since our founding, the Group will continue to innovate and pursue challenges.
I sincerely ask for your continued understanding and support.

Cash allocation (FY2025)

Cash on hand (the end of March 2025)
¥15.0 billion

Cash inflow

Operating cash flow (FY2025)*1
¥16.0 billion
Reduction of cross-shareholdings, etc.*2

Borrowing capacity

Cash outflow

Investment for growth	**Business investment** • **Respond flexibly without a fixed upper limit** Obtain at least two in-licensed products (including marketed products) demonstrating high potential for rapid revenue generation
	R&D investment: ¥10.4 billion • **Drug discovery research** • **Development of KRP-R120**
	Capital expenditure: ¥4.7 billion • **Primarily for the renewal of factory equipment, etc.** **(Construction investment for the Takaoka Plant concluded in FY2024)**
Shareholder returns	**Dividend: ¥3.3 billion** **Policy for shareholder returns: Stable dividends taking the dividend on equity (DOE) ratio into account** FY2024: Increase ¥5 per share (¥52→¥57 per share) FY2025: ¥57 per share

*1 Before excluding R&D expenses
*2 Reduction target of cross-shareholdings: The ratio of cross-shareholdings to net assets to be less than 10% by fiscal 2030

Overview of the Long-Term Vision “Vision 110” and the Medium-Term Business Plan “Vision 110 –Stage1–”

Long-term vision

Vision 110

Vision for 110th anniversary

Our goal

A company that contributes broadly to people's health by comprehensively developing healthcare-related businesses, with a core focus on the new drugs business, which continuously provides high-value new drugs that meet medical needs

Duration

10 years: Fiscal 2023–2032

We are pursuing the long-term vision “Vision 110” with a view toward the 110th anniversary of our founding and proactively working to achieve the position targeted by that vision.

Medium-term business plan

Stage1:	Stage2:	Stage3:
Fiscal 2023–2025	Fiscal 2026–2029	Fiscal 2030–2032

Medium-term business plan “Vision 110 –Stage1–”

Transforming the business structure to realize Vision 110

Vision 110
Stage 1

1. **Strengthening drug discovery capability to create high-value new drugs that meet medical needs**
2. **Expansion of development pipeline through in-licensing**
3. **Maximization of the ratio of new drugs**
4. **Promoting healthcare-related businesses that have synergies with the new drugs business**
5. **Building a sustainable corporate foundation**

The statement for Vision 110 –Stage1– is “transforming the business structure to realize Vision 110.” We will pursue the five business strategies to reach our performance targets and improve support and evaluations from stakeholders.

Medium-Term Business Plan "Vision 110 –Stage1–": Results and Initiatives of the Five Business Strategies

		FY2024 Results	FY2025 Initiatives
1	Strengthening drug discovery capability to create high-value new drugs that meet medical needs	• Out-licensing of KRP-M223	• Promote in-house research and acquisition of external technologies • Expand R&D pipeline
2	Expansion of development pipeline through in-licensing	• Four in-licensed products KRP-S124 BDT272 CYR-064 KRP-DC125	• Acquire at least two in-licensed products, focusing on those expected to contribute early to earnings (including products already on the market)
3	Maximization of the ratio of new drugs	• New drugs ratio: 53.8% • New drugs sales: ¥54.1 billion	• New drugs ratio forecast: 55.9% • Aim for sales of ¥58.0 billion, surpassing the Stage 1 target (¥56.0 billion)
4	Promoting healthcare-related businesses that have synergies with the new drugs business	• Sales of infectious disease-related products: ¥12.0 billion • Shipments of Mucodyne and Amlodipine from Takaoka Plant • Increased production of Mucodyne Tablets • Release of GeneSoC mini 2 • Generic products: Two new products with one ingredient	• Sales of infectious disease-related products: Aim for ¥12.7 billion, surpassing the Stage 1 target (¥10.0 billion) • Further increase production of Mucodyne Tablets • Transfer production from the Inami Plant to the Takaoka Plant
5	Building a sustainable corporate foundation	• Increased operational efficiency and reduced costs (relocation of head office, etc.)	• Increase operational efficiency and reduce costs

Progress toward performance targets in Stage 1

		Performance targets for FY2025	FY2024 Results	FY2025 Forecast
Growth potential	Net sales CAGR	At least 2%	7.2%	3.9%
Profitability	Operating profit before excluding R&D expenses (operating profit + R&D expenses)	At least 16%	17.7%	13.0%

Value Creation Process

Following our corporate philosophy that states “Kyorin continues to fulfill its mission of cherishing life and benefiting society by contributing to better health,” the Kyorin Group is carrying out business activities aligned with our long-term vision, materialities (important issues), and medium-term business plan. With a new drugs business that continuously provides high-value new drugs to meet diverse medical needs as our core business, we are comprehensively developing health-related

External environment

Social environment

- Decreasing birthrate and aging population
- Growing geopolitical risks
- Calls for companies to address sustainability-related issues
- Progress in work-style reforms

Medical environment

- Promotion of measures to curtail medical care and pharmaceutical costs amid tight public finances for medical care
- Advances toward individualized medical care and fields of specialization
- Increasing needs for diagnostics and prevention in addition to treatment
- Changes in ways information should be provided to medical facilities
- Digital transformation (DX) in medical care

Pharmaceutical environment

- Increasing sophistication and difficulty of drug discovery and rising costs
- Diversification and increased complexity of drug discovery modalities and basic technologies
- Increasing desire for assurance of pharmaceutical manufacturers' reliability
- Increasing calls for stable supply of pharmaceuticals

Input

Management capital P.20

Human capital

A rewarding human resources system for employees who will drive growth

Intellectual capital

Technologies, expertise, and organization for new drug discovery

Manufacturing capital

Production structure that provides a stable supply of high-quality products

Social and related capital

Diverse partnerships and relationships of trust

Environmental capital

Resources used, based on environmental management system

Financial capital

Solid financial base

Corporate Philosophy

Inside front cover

Kyorin continues to fulfill its mission of cherishing life and benefiting

Long-Term Vision “Vision 110” (fiscal 2023–2032)

P.16

A company that contributes broadly to people's health by comprehensively developing business, which continuously provides high-value new drugs that meet medical needs

Materiality

P.22

Value creation materiality P.26

Medium-Term Business Plan “Vision 110 –Stage1–” (fiscal 2023–2025)

P.16

Business strategies

1. Strengthening drug discovery capability to create high-value new drugs that meet medical needs
2. Expansion of development pipeline through in-licensing
3. Maximization of the ratio of new drugs
4. Promoting healthcare-related businesses that have synergies with the new drugs business
5. Building a sustainable corporate foundation

Strengths

- Effective use of resources through concentration in drug discovery areas that build on technologies and expertise and whose medical needs are high
- Development capabilities accumulated through R&D experience (knowledge, expertise, personnel and other networks)

Weaknesses

- Lack of drug discovery and development experience in novel modalities, insufficient R&D pipeline

businesses to realize corporate growth and address social issues, while striving to create value by sharing the successes of those efforts with all our stakeholders. Through this ongoing value creation process, we aim to achieve a sustainable society and enhance corporate value.

society by contributing to better health.

healthcare-related businesses, with a core focus on the new drugs

Base to support value creation materiality P.42

Performance targets

- Numerical targets (consolidated basis)
  - Net sales CAGR
  - Operating profit before excluding R&D expenses
- Capital policy and shareholder returns

- Strong presence in designated areas (respiratory, otolaryngology, urology) from concentration of marketing resources
- Manufacturing structure that can use unique features of four Group plants to address diverse needs

- Need to strengthen corporate foundation (human capital reinforcement, cost optimization)

Output

New drugs

Generic drugs

General medical devices, in vitro diagnostics pharmaceuticals

Environmental hygiene products

Outcomes

Sharing value with stakeholders
P.24

Gaining trust of stakeholders

Enhancement of corporate value

Realization of a sustainable society

Value creation cycle

Management Capital

The management capital cultivated along with Kyorin's growth as a company supports our business activities and is the source of the creation of even greater corporate value. By maintaining and strengthening various types of capital, we aim to maximize corporate value and grow continuously.

Human capital

A rewarding human resources system for employees who will drive growth

- Valuing employees and invigorating people and organizations are important issues for executing business strategies and achieving results.
- Carrying on our founder's idea that "a business is as good as its people," we will acquire and train superior human resources and revise and manage an appropriate human resources system to increase employees' job satisfaction.
- Aiming to be a "vibrant company that pursues job satisfaction," we are promoting the creation of workplace environments where members of a diverse workforce can grow autonomously and participate actively.
- We are working to introduce work-style reforms that respect diverse values and promote health management that emphasizes employees' well-being.

Operation of human resources management system

Amount spent on training per employee

¥60 thousand

Engagement survey's "job satisfaction" score*

4.53

* A survey (carried out internally) related to employees' job satisfaction. Seven-level scoring with 7 as the highest level.

Intellectual capital

Technologies, expertise, and organization for new drug discovery

- Aiming to strengthen drug discovery capability to create high-value new drugs that meet medical needs, we will pursue drug discovery innovation through new drug discovery strategies.
- We will work to create and pursue drug discovery programs more effectively by concentrating management resources in specific areas of drug discovery research.
- For drug discovery technologies, in addition to further strengthening small molecule drug discovery, we will explore nucleic acid drug discovery and proactively use external technologies.
- We will bolster the development pipeline by expanding target modalities and disease fields and by pursuing broad in-licensing activities.

R&D expenses

¥10.5 billion

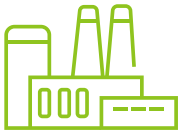
R&D expenses/net sales ratio

8.1%

R&D bases

2 sites

Manufacturing capital



Production structure that provides a stable supply of high-quality products

- Providing a stable supply of high-quality pharmaceutical products to patients is the essential mission of a pharmaceutical company.
- We will strengthen the reliability assurance system to respond to changes in the operating environment, while working to bolster supply chain management, raise the pharmaceutical product production capacity, and reduce manufacturing costs.
- With the Takaoka Plant commencing operations in April 2024 as a new manufacturing center, we will use the four-plant structure for overall optimization of our product lineup and maximization of our product supply capacity.
- We will reduce costs through ongoing investments in production resources and process improvements, aiming to establish a sustainable production structure.

Group plants

4 plants

Noshiro Plant
Takaoka Plant
Inami Plant
Shiga Plant

Social and related capital

Diverse partnerships and relationships of trust

- Strengthening relationships with stakeholders is essential for continuously contributing to people's health through the research and development, manufacturing, and sales of pharmaceutical products.
- We are working to provide useful information to patients and medical practitioners, contribute to the local communities that are the foundation of our business activities, promote partnerships with suppliers and business partners, and enhance employee engagement.
- We are introducing superior external research and technologies as we pursue partnering activities worldwide.
- In addition to disclosing timely and appropriate information, we are facilitating opportunities for high-quality dialogue with investors.

Primary partner companies

34 companies (in 12 countries) P.29

Individual IR meetings

30

Environmental capital

Resources used, based on environmental management system

- Our Charter of Corporate Conduct details our understanding that "the tackling of environmental issues is a mission for all humankind and an imperative component of the very existence of corporations to which it remains voluntarily committed." Business activities that take into account climate change and other environmental considerations are one example of our materiality.
- As per our basic policy on sustainability, we are promoting the reduction of environmentally harmful materials and the effective use of limited resources in all aspects of our business activities, including energy and resource conservation, the reduction of waste materials, and strengthened management of chemical substances.
- We are setting and reviewing objectives and targets as we proactively take the initiative in protecting the environment and preventing pollution.

Amount of energy used

516,723 GJ

Volume of water intake

261 thousand m^3

CO_2 emissions (Scope 1 + Scope 2)

24,275 tons

Financial capital

Solid financial base

- For continuous growth, a pharmaceutical company needs to proactively invest for growth to create original new drugs from a medium- to long-term perspective and acquire in-licensed products we believe capable of producing results over less time.
- We are carrying out concentrated and flexible investments in research and development for new drug discovery and in-licensed product acquisition. We will proactively consider using financial leverage to procure funds for this investment for growth, while taking into account various risks and maintaining a sound financial position.
- We will also provide returns to shareholders and investors while working to optimize our capital structure.

Net assets

¥136.3 billion

Shareholders' equity ratio

70.4%

Materiality

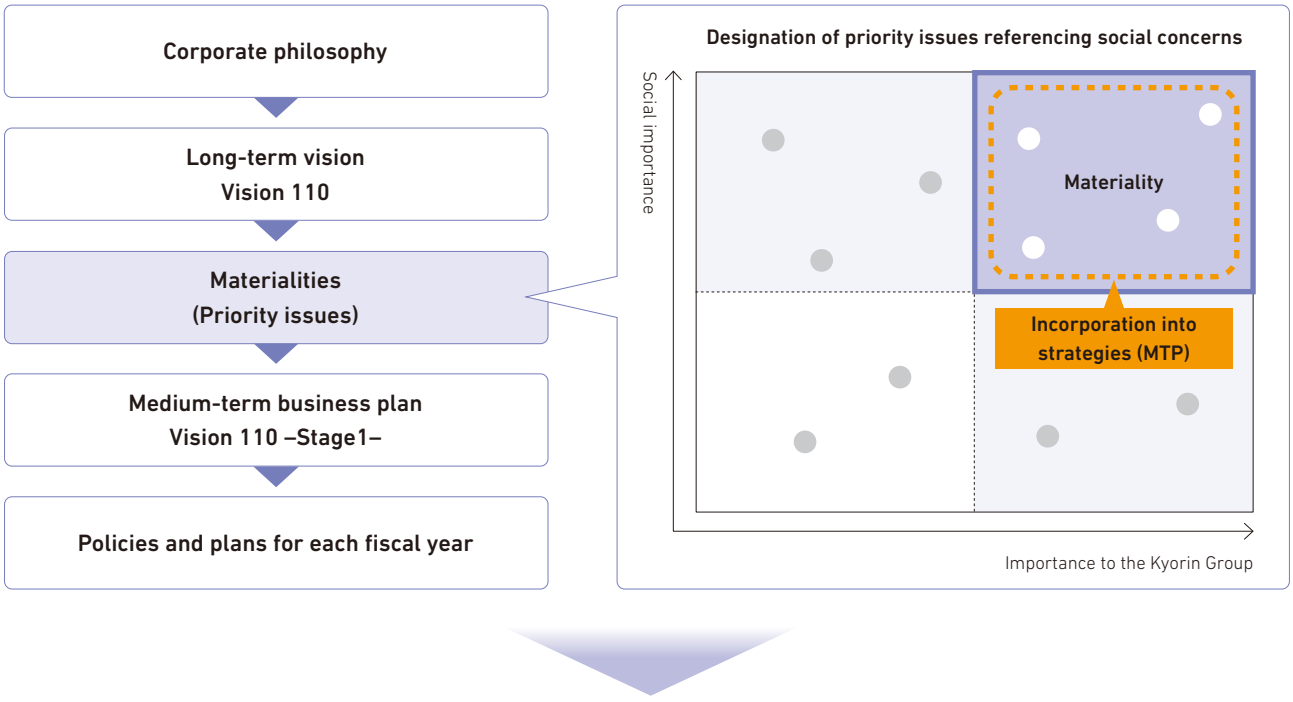
To achieve our long-term vision "Vision 110," which was formulated to realize our corporate philosophy, we consider it necessary to create both social value and economic value and, along with corporate growth, we place importance on contributing to the realization of a sustainable society. Our initiatives to address sustainability issues are derived from our basic policy for sustainability and carried out, as appropriate, to address designated materialities (priority issues).

Basic policy on sustainability

As per our corporate philosophy, the Kyorin Group is proactively addressing sustainability issues for society's continuous development through business activities based on our Charter of Corporate Conduct, as we work to enhance corporate value over the medium to long term.

Designation of materiality

We have created a two-axis matrix of the various issues related to sustainability, with social importance as one axis and importance to the Kyorin Group as the other axis, and used this matrix to assign priorities to important issues. To achieve the goals of the long-term vision "Vision 110," we have designated 10 important issues (materialities) as priorities to address from the perspectives of "value creation (issues directly connected to business activities)" and a "base to support value creation (issues related to a base for business activities)."



Value creation materiality

- Creating high-value products that meet medical needs
- Maximizing value of products
- Providing a stable supply of high-quality pharmaceutical products

Base to support value creation materiality

- Enhancing human capital
- Promoting work-style reforms that respect diverse values
- Promoting health management
- Carrying out environmentally friendly business activities
- Ensuring thorough compliance
- Strengthening corporate governance
- Strengthening relationships with stakeholders

Process for designating materiality

Materiality is designated by the following process, based on the forward-looking environmental outlook and analysis and referral to various principles and guidelines. These issues are continuously reviewed in light of environmental changes, the Kyorin Group's business activities, and demands of society.

1. Identification of issues

Issues are identified based on various principles and guidelines (including ISO 26000, the UN's Sustainable Development Goals, and the materiality map for the healthcare industry formulated by the Sustainability Accounting Standards Board).

2. Narrowing down of issues

Identified issues are narrowed down in light of the Group's corporate philosophy, long-term vision, etc.

3. Assignment of priority

Issues of particularly high priority are identified using a matrix with two axes—importance to society and importance to the Group.

4. Designation of materiality

Issues identified as important for materiality are deliberated by the Management Committee and resolved by the Board of Directors.

Materiality

Corporate philosophy

	Materiality	KPIs (by fiscal 2025)	Fiscal 2024 results	Related SDGs
Value creation	Creating high-value products that meet medical needs	• Clinical development milestones Progression of pipeline phases	• No progression of phases but steady progress	
		• Number of in-licensed products: At least 6	• 4	
	Maximizing value of products	• Ratio of new drugs: At least 50%	• 53.8%	
		• Sales of main products: ¥56 billion	• ¥54.1 billion	
	Providing a stable supply of high-quality pharmaceutical products	• Number of stockouts: 0	• New drugs: 0; Generic drugs: 0	
		• Number of product recalls: 0	• New drugs: 0; Generic drugs: 0	
		• On-track progress at Takaoka Plant (qualitative)	• Commenced operations in 2024. Manufacturing and validation progressing as planned	
Base to support value creation	Enhancing human capital	• Main scores for the item "job satisfaction" from the engagement survey*: At least 4.5	• 4.53	
		• Appropriate operation and improvement of human resources system (qualitative)	• Revised human resources system, introduced video distribution, evaluation training, etc.	
	Promoting work-style reforms that respect diverse values	• Percentage of female managers: At least 10%	• 9.5%	
		• Percentage of male employees taking childcare leave: At least 50%	• 51.9%	
		• Percentage of employees with disabilities: At least the statutory level	• 2.64%	
	Promoting health management	• Percentage of employees who took health examinations and stress checks: 100%	• Health examinations: 100%; Stress checks: 99.2%	
	Carrying out environmentally friendly business activities	• Reduction in volume of CO_2 emissions: At least 20% compared with the level of fiscal 2015	• 27.7%	
	Ensuring thorough compliance	• Number of significant compliance violations: 0	• 0	
	Strengthening corporate governance	• Appropriate response to Corporate Governance Code (qualitative)	• Reviewed corporate governance reports as appropriate in response to general requests from the Tokyo Stock Exchange (June, November)	
	Strengthening relationships with stakeholders	• Stronger engagement with investors (qualitative)	• Engaged in dialogue with investors with top management participating in meetings, briefings, online press conferences, etc.	

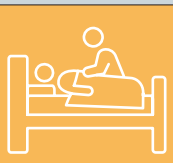
* A survey (carried out internally) related to employees' job satisfaction. Seven-level scoring with 7 as the highest level.

Sharing Value with Stakeholders

Innovative activities are needed to create social value and economic value. We consider dialogue (engagement) with all stakeholders an essential part of that process. We are carrying out initiatives to address the requests and expectations of all stakeholders by clarifying the value we provide and utilizing opportunities for dialogue, with all Group employees working as one to create and share value.

Sharing value with stakeholders

Dialogue with stakeholders

Initiatives for sharing value with stakeholders	Main venues and frequency of dialogue
 **Patients and their families** • Researching, developing, and providing new drugs • Promoting awareness of diseases	• Inquiries to Drug Information Center • Websites for public awareness of diseases (as needed) • Courses for the general public (as needed)
 **Medical practitioners** • Pursuing two-way communication • Building a structure to ensure compliance with relevant laws and regulations • Diversifying suppliers, making logistics more efficient	• Communication via in-person meetings and digital promotions (as needed) • Solution proposal activities (as needed) • Briefings, seminars (as needed) • Communication with Medical Affairs Department and clinical research associates (as needed) • Release of medical information for medical practitioners on websites, at academic conferences, etc. (as needed) • Collection and providing of information related to efficacy, safety, and quality
 **Employees** • Operating appropriate human resources management system • Addressing social welfare and work-style reforms	• Internal portal website (as needed) • Individual meetings (twice annually) • Internal media (print publication twice annually; web-based distribution twice monthly) • Internal whistleblowing system and structure • Internal training (as needed), support for self-development (as needed) • Environmental, health, and safety (EHS) activities (as needed) • Engagement survey (annually)
 **Suppliers (including pharmaceutical wholesalers)** • Building favorable relationships	• Activities by division staff (as needed) • Activities by MRs and distributor sales staff (as needed) • Briefings, etc. (as needed) • On-site investigations (as needed) • Response based on Sustainable Procurement Policy • Cooperation and sharing of information in supply chain management (as needed)
Business partners (joint research partners, joint development partners, other partners) • Building favorable relationships	• Activities by division staff (as needed) • Cooperation in drug research and development (as needed) • Information exchanges in meetings, at academic conferences, and partnering events (as needed)
 **Shareholders and investors** • Building relationships of trust • Promoting understanding of corporate management	• Press releases (fiscal 2024: 30) • General shareholders' meeting (annually) • Full-year and half-year results briefings (one briefing each), quarterly results briefings (two briefings annually), press conferences (as needed) • Management response (meetings, small meetings, as needed) • IR staff response (meetings, 30 per year)
Local communities • Interacting with communities • Promoting health-related public awareness	• Environmental protection activities • Classroom visits, health-related events (as needed) • Cleanup activities (as needed) • Summer evening parties and other events (as needed) • Support for disaster recovery (as needed) • Facility tours, internships (as needed)

Creating High-Value Products That Meet Medical Needs

Pursue drug innovation through new drug discovery strategies

Junichi Ishiyama
Corporate Officer CSO
Senior Director of Discovery Research HQs
In charge of Intellectual Property

The environment for drug discovery is becoming increasingly complex in terms of technologies related to new drug development due to changes including diversification in modalities and basic technologies and the spread of digital transformation (DX). While these drug discovery technologies are becoming more sophisticated and achieving them becoming increasingly difficult, Kyorin aims to contribute to people's health by pursuing new drug discovery strategies and drug discovery innovation for the continuous creation of high-value new products that meet medical needs. One specific success was the out-licensing of our proprietary product KRP-M223 to Novartis in March 2025. We strongly hope that global development will move forward and that this product will help many patients around the world. Going forward, in addition to our core technologies in small molecule drug discovery, we will proactively use new external technologies to create new drugs that provide new value. We will also actively work with external organizations with a focus on human resources development by raising researchers' level of specialization and broadening their perspectives, with the aim of achieving the long-term vision "Vision 110."

Changing environment
- Increasing sophistication, difficulty, and higher costs of drug discovery
- Diversification and complexity of drug discovery modalities and basic technologies
- Evolution and proliferation of digital technologies

Opportunities
- Development of basic research technologies to increase drug discovery research opportunities
- Acceleration of research through activation of open innovation
- Use of big data and AI to streamline R&D
- Increase in new treatment options thanks to digital technologies

Risks
- Increasingly competitive environment due to development of research technologies and acceleration of environmental changes
- Rise in development costs due to stricter clinical trials and stricter approval of new drugs
- Market contraction due to reform of drug pricing system and its impact on business viability

Medium-term business plan
Vision 110 –Stage1– initiatives

Business strategy

Strengthening drug discovery capability to create high-value new drugs that meet medical needs

Pursue drug innovation through new drug discovery strategies
- Engage in drug discovery using novel technologies for existing treatments that have issues, in addition to drug discovery for diseases where drug contribution is low
- Combine drug discovery technologies and disease research to create new high-value drugs
- Drug discovery technologies: Work to deploy nucleic acid drug discovery and external technologies in addition to small molecule drug discovery
- Disease research: Focus on areas including pain and autoimmune disorders

New drug discovery strategies

In the Group's core business of new drugs, the continuous creation of new drugs has become an important issue. To resolve this, we recognize that identifying drug discovery programs and formulating research and development strategies targeting future products are essential. We have strengthened our organizational functions to achieve these goals.

By combining drug discovery technologies and disease research (drug discovery targets), we are taking on the challenge of "drug discovery innovation" that creates new value. We are engaged in research and development to create value in response to unmet medical needs by working to create new drugs to address diseases where drug contribution is low and also by carrying out drug discovery that demonstrates clinical significance by deploying new technologies to address issues with existing treatments. To make maximum use of our drug discovery capabilities, we are concentrating management resources in specific areas of drug discovery research (pain, autoimmune disorders, etc.) to identify and pursue drug discovery programs more effectively. The out-licensing of our proprietary product KRP-M223 to Novartis in March 2025 is one example of our drug discovery capabilities bearing fruit. We expect this achievement to lead to global development going forward.

Strengthening collaboration with external organizations and pursuing research themes

In terms of drug discovery technologies, besides building on our core technologies in small molecule drug discovery, we

are examining nucleic acid drug discovery and proactively incorporating external technologies. In January 2024, we concluded a joint research agreement with Veneno Technologies Co. Ltd., under which we are carrying out a program to obtain functional disulfide-rich peptides (DRPs) using Veneno's next-generation peptide discovery technology. By looking beyond our own technologies and ideas and proactively incorporating superior external research and technologies, we aim to create new drugs that offer new value.

We will engage in selection and concentration of research themes that create value while formulating and verifying exit strategies. In the initial exploratory research stage, we will pursue drug discovery activities that emphasize scientific approaches to create and achieve target therapeutic profiles. After optimization research into leading compounds, we will use target product profiles to decide whether to move forward.

Expanding development pipeline through in-licensing and formulating development and medical strategies to maximize value

We will further strengthen cooperation between relevant departments to accelerate the evaluation and acquisition of in-licensing candidates, while formulating development strategies from a unique perspective with a constant awareness of novel clinical evaluation methods and therapeutic strategies for development candidates.

We envision diversifying our modalities and pursuing global development as we expand our development pipeline, including for in-licensed products. This approach will allow us to develop unique strategies while strengthening our regulatory function.

Handling of intellectual property

Given the great importance of appropriately safeguarding intellectual property to maintain competitiveness while meeting unmet medical needs, we have formulated rigorous internal guidelines for handling intellectual property. In research and development, we are working proactively to protect intellectual property and concentrating our investment in acquiring intellectual property rights to build an intellectual property portfolio that contributes to business continuity. We are also emphasizing IP (intellectual property) landscape activities based on an analysis of patent information to share intellectual property information with research divisions and help build a research and development pipeline for the future.

Disclosure of information related to clinical trials and trial results

We are working to increase transparency by disclosing clinical trial plans and results. Clinical trials led by Kyorin are posted on a clinical trial database available to the general public. Going forward, we will create an environment that allows appropriate access to clinical trial data by researchers and others who might use that data to maximize its value. By proactively disclosing information in this way, we will contribute to scientific progress and innovation.

Increased access to investigational new drugs

Some patients with serious or life-threatening diseases have tried all the treatments currently available to no effect but are unable to receive treatment with investigational new drugs because they are ineligible to participate in clinical trials. Taking into account patients who wish to receive investigational new drugs but are unable, for various reasons, to do so, from a humanitarian perspective we have formulated a "rule on the request for an extended clinical trial" that lays out the procedure for providing investigational new drugs to patients when requested by a medical institution for reasons other than clinical trials or by a regulatory authority.

Development pipeline

Development code	Target disease	Origin	Stage
KRP-R120	Interstitial lung disease	aTyr	Phase 3
KRP-114VP	Overactive bladder (pediatric patients)	Merck	Phase 1
KRP-A218	Rhinovirus infection	In-house	Phase 1 (England)
KRP-S124	Obstructive sleep apnea	Bayer	Preparations underway for commencement of Phase 2
KRP-DT123	Tinnitus	SUSMED	Specific clinical research
KRP-DC125	Chronic cough	Hyfe	Application development

Out-licensed compound

Development code	Target disease	Licensee	Stage
KRP-203	Acute myelocytic leukemia patients undergoing hematopoietic stem cell transplant	Priothera	Phase 3
KRP-M223	Allergic and inflammatory diseases involving mast cells	Novartis	Pre-clinical

Option agreement

(Based on the trial results, the decision on whether to transition to a licensing agreement will be made.)

Development code	Target disease	Origin	Stage
BDT272	Chronic pain	BIODOL	Phase 1 (France)
CYR-064	Post-viral loss of smell	Cyrano	Phase 2 (U.S.A.)

Significantly strengthen our ability to acquire in-licensed products

Takaaki Kaji

Corporate Officer
CBDO

Senior Director
of Business
Development HQs

To continue as a company that contributes broadly to people's health, we are constantly pursuing the challenge of creating high-value new drugs that meet medical needs. Therefore, in tandem with our in-house drug discovery innovation, we are expanding the development pipeline through in-licensing from external parties. We are also working to stabilize existing business alliances and create new businesses through out-licensing to secure earnings, with the aim of supporting the continuous growth of Kyorin's new drugs business. We have already acquired four new in-licensed products during the period covered by the medium-term business plan "Vision 110 –Stage1–" and are aiming to acquire at least two in-licensed products during fiscal 2025 to solidify our business base.

Changing environment

- Advances in digital transformation in medicine
- Increasing sophistication, difficulty, and higher costs of drug discovery
- Diversification and complexity of drug discovery modalities and basic technologies
- Depleted development pipeline

Opportunities

- Expansion of technological innovation through open innovation
- Increase in opportunities to collaborate with partners from different industries
- Significant increase in capital and human resources

Risks

- Surging investments in in-licensing contracts
- Intensified competition for acquisition of in-licensed products
- Increased difficulty in development

Medium-term business plan

Vision 110 –Stage1– initiatives

Business strategy

Expanding development pipeline through in-licensing

Significantly strengthen our ability to acquire in-licensed products

- Expand modalities and disease areas targeted for in-licensing and pursue wide-ranging in-licensing activities
- Increase in-licensing investments and boost investments in human resources

Promote development of digital therapeutics (DTx)

- Develop a therapeutic application in the field of otolaryngology

Search and evaluation through organizational reforms and deployment of human resources

Strengthening our in-licensing search and evaluation is essential to achieve our "Stage1" target of acquiring six in-licensed products. We are always considering multiple projects simultaneously, making it important for relevant departments to work closely to proceed with speedy and accurate evaluations. We have therefore established the Licensing Department (for licensing activities) and the Alliance Department (for contract negotiations and management of alliances) within the Business Development Headquarters, creating a "one-stop" in-licensing structure for the entire process from exploration to evaluation, negotiation of terms and conditions, and conclusion of contracts. Making full use of this strengthened organization and functionality as well as our human resources, we will strive to maximize both the volume and the quality of our in-licensed product acquisition activities.

Expanding in-licensing target modalities and disease fields

To broaden our development pipeline, we need to expand target modalities and disease fields and pursue in-licensing initiatives in a wide range of areas. In addition to small molecule drug discovery, we aim to acquire at an early date in-licensed products with viable commercial prospects that will enable us to demonstrate our strengths in new modalities and disease fields outside our priority areas of respiratory, otolaryngology, and urology. With competition to acquire promising new drug candidates intensifying, we will

increase our investment in in-licensed product acquisition with an emphasis on both the volume and quality (newness) of development information. This approach will lead to creating new drugs that contribute to people's health, and we will tirelessly pursue in-licensing activities.

Pursuing proactive partnering activities

The Business Development Headquarters' Alliance Department and Licensing Department work closely with other relevant departments to develop proactive partnering activities. We concluded an agreement in January 2020 with aTyr Pharma of the United States for the interstitial lung disease treatment KRP-R120 and reached an agreement in April 2021 with MSD for the exclusive distribution rights in Japan of the intractable chronic cough treatment Lyfnua (launched in April 2022). We further expanded the development pipeline by concluding a licensing agreement with Bayer of Germany in December 2024 for KRP-S124, a candidate compound for treating obstructive sleep apnea. In addition, in January 2025, we concluded an option agreement with BIODOL Therapeutics of France for the candidate compound for pain treatment BDT272, as well as an option agreement in February 2025 with Cyrano Therapeutics of the United States for CYR-064, a treatment for post-viral loss of smell.

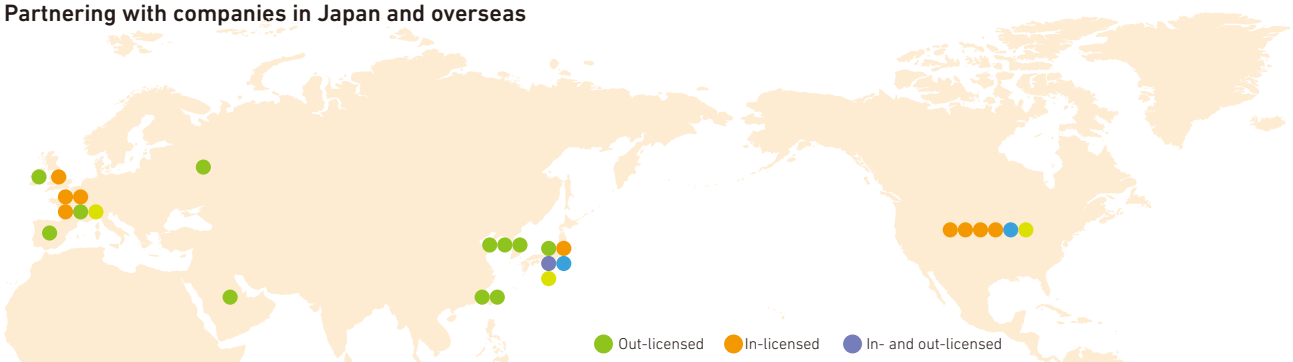
For therapeutic application development, in November 2022, we concluded an agreement with SUSMED to jointly develop and market KRP-DT123, a therapeutic application in otolaryngology, and, in September 2023, began specific clinical research to treat tinnitus. We are engaged in joint development with Hyfe of the United States to develop the chronic cough treatment application KRP-DC125, which uses AI to monitor coughing based on the principles of the non-pharmacological treatment behavioral cough suppression therapy (BCST).

Our existing businesses maintain alliances with several dozen companies in Japan and overseas, as we work to create new businesses through proactive partnering activities.

Promoting global out-licensing activities

We are proactively pursuing out-licensing activities with global companies to maximize the value of our proprietary products. In October 2020, we concluded an agreement to transfer the intellectual property rights of the immunomodulator KRP-203 to Priothera of Ireland; in March 2021, we signed a licensing agreement with Eisai to develop and sell the overactive bladder treatment Vibegron (sales name in Japan: Beova) in four ASEAN countries; and in March 2023, we signed a licensing agreement with Sumitomo Pharma to develop, manufacture, and sell Vibegron in Taiwan and other regions. We also concluded a global licensing agreement with Novartis of Switzerland in March 2025 for our proprietary KRP-M223. Going forward, we will continue to engage in proactive partnering activities worldwide to quickly roll out our own products in various countries and regions to provide high-value pharmaceutical products that contribute to people's health.

Partnering with companies in Japan and overseas



Europe

- R-Pharm (Russia)
- Priothera (Ireland)
- Novartis (Switzerland)
- Faes (Spain)
- SPIMACO (Saudi Arabia)
- Vectura (U.K.)
- Bayer (Germany)
- Covis (Switzerland)
- Ferring (Switzerland)
- BIODOL (France)

Asia

- LG Chem (Korea)
- Jeil (Korea)
- Handok (Korea)
- Synmosa (Taiwan)
- Shinlin Sinseng (Taiwan)

Japan

- Senju Pharmaceutical
- Eisai
- Ono Pharmaceutical
- Kaken Pharmaceutical
- Kissei Pharmaceutical
- Sato Pharmaceutical
- Shionogi Healthcare
- Sumitomo Pharma
- MSD
- ORGANON
- SUSMED
- Veneno Technologies
- EVerMed

North America

- AbbVie (U.S.A.)
- aTyr (U.S.A.)
- ORGANON (U.S.A.)
- Merck (U.S.A.)
- Hyfe (U.S.A.)
- Cyrano (U.S.A.)

KRP-M223 (Target diseases: Chronic spontaneous urticaria, etc.)

In March 2025, Kyorin concluded a global licensing agreement with Novartis for our proprietary KRP-M223 and its backup compounds.

KRP-M223 acts as an antagonist against MRGPRX2 (Mas-related G protein-coupled receptor X2), a G protein-coupled receptor mainly expressed on mast cells. MRGPRX2 induces mast cell activation via various ligands from sensory nerves, leading to the release of mediators such as histamine and tryptase, which causes urticaria with angioedema and intense itching. The involvement of MRGPRX2-mediated mast cell activation has been reported in various diseases such as chronic spontaneous urticaria.

As an MRGPRX2 antagonist, KRP-M223 is expected to treat allergic and inflammatory disorders mediated by mast cells. By using out-licensing to pursue global development, we are confident that we will quickly provide a new therapeutic choice to patients around the world.

Kyorin's Passion

Building and strengthening relationships with partner companies through alliance management

In addition to leading in-licensing and out-licensing negotiations at the Business Development Headquarters, we are building and deepening trust with partner companies through alliance management after a tie-up is concluded. We are responsible for achieving our common goal of quickly providing products like KRP-M223 and KRP-S124 to patients worldwide. We are currently building alliances with many companies in Japan and around the world, working to strengthen those relationships by smoothly advancing joint projects. Further strengthening these relationships will lead to new business opportunities.

Hiroaki Tsutsumi
Director of Alliance, Business Development HQs

Mechanism of chronic spontaneous urticaria

Various stimuli bind to receptors

↓

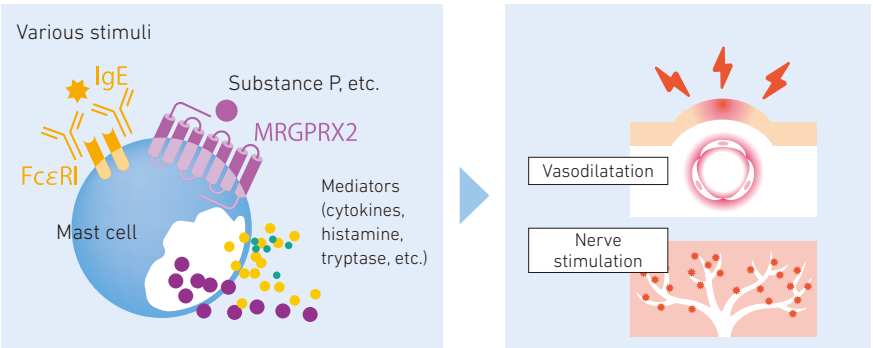
Mast cell activation

↓

Release of mediators through degranulation

↓

Acts on skin blood vessels and nerves, causing intense itching and edema



KRP-M223's method of activation

The MRGPRX2 antagonist suppresses degranulation and limits the release of mediators associated with allergic and inflammatory responses.

Chronic spontaneous urticaria (CSU)

CSU is characterized by the sudden appearance of itchy wheals (hives) or swelling of deep tissue (angioedema in the face, throat, hands, or feet), or both, lasting for more than six weeks.*1 Approximately 40 million people worldwide suffer from CSU.*2,3 CSU causes significant psychological distress, as the majority of patients suffer from sleep deprivation, have a high incidence of anxiety, depression, and other psychiatric disorders, and experience an impact on work productivity.*2 There are currently a limited number of effective therapeutic options for treating CSU, and antihistamines, the first choice of many patients, cannot fully control the symptoms.

*1 Zuberbie T, et al. The international EAACI/GA²LEN/EuroGuiDerm/APAAACI guideline for the definition, classification, diagnosis, and management of urticaria. Allergy. 2022;77:734-766
*2 Maurer M, et al. Unmet clinical needs in chronic spontaneous urticaria. A GA2LEN task force report. Allergy. 2011;66:317-330.
*3 The World Bank. Population, total. Available from: https://data.worldbank.org/indicator/SP.POP.TOTL.

KRP-S124 (Target diseases: Obstructive sleep apnea, etc.)

In December 2024, we concluded a licensing agreement with Bayer for KRP-S124 and its backup compounds as candidate compounds for a new treatment of diseases including obstructive sleep apnea (OSA).

KRP-S124 acts as an ADRA2C (α2-adrenergic receptor) antagonist, helping to centrally reduce upper airway collapse, and is expected to improve the temporary apneas and hypopneas commonly observed in patients with OSA. Continuous positive airway pressure (CPAP) therapy is currently the standard treatment for OSA, but there are said to be a certain number of patients who are ineligible for CPAP under insurance programs or experience difficulty receiving CPAP treatment, and pharmacological treatment options are limited. We are making preparations for the commencement of clinical trials for KRP-S124 during fiscal 2026 with a view toward global development. By developing KRP-S124, we will provide a new therapeutic option for patients who suffer from OSA and help enhance the quality of their treatment and their daily lives.

Kyorin's Passion

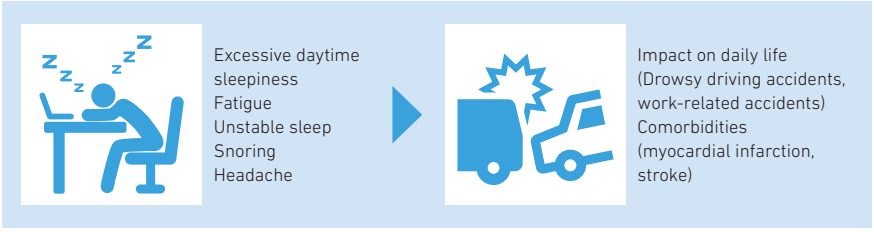
Helping many patients with new drugs that address unmet medical needs

Kyorin has been focusing on obstructive sleep apnea (OSA) as a disease in our priority care areas of respiratory and otolaryngology for which effective pharmacological treatments do not exist. We are confident that in-licensing KRP-S124 from Bayer will help many OSA patients as a groundbreaking treatment option in response to unmet medical needs. Because we have acquired the rights for developing, manufacturing, and selling KRP-S124 globally, we also expect this to become a very important core product as we pursue future global development.

Takashi Kato
Director of Licensing, Business Development HQs

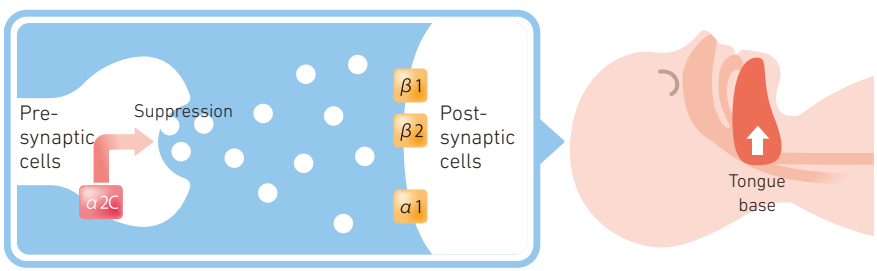
Mechanism of obstructive sleep apnea (OSA)

OSA is a condition characterized by repeated episodes of apnea or difficulty breathing during sleep, caused by the collapse of upper airway muscles, particularly the genioglossus.



KRP-S124's method of activation

The ADRA2C antagonist leads to an increase in synaptic norepinephrine levels, thereby promoting genioglossus muscle activity and alleviating upper airway collapse.



Obstructive sleep apnea (OSA)

OSA is a condition characterized by repeated episodes of apnea or hypopnea during sleep, caused by the collapse of upper airway muscles, particularly the genioglossus. These episodes lead to interrupted breathing throughout the night, significantly reducing sleep quality. As a result, patients with OSA often experience excessive daytime sleepiness and fatigue, which can increase the risk of drowsy driving accidents and work-related accidents. In addition, the oxygen deprivation caused by OSA triggers increased cardiac activity, which can lead to hypertension. OSA is also associated with a higher risk of lifestyle-related diseases and conditions including arteriosclerosis, heart attacks, strokes, and elevated blood sugar and cholesterol levels. Globally, more than 1 billion people are estimated to suffer from OSA, but many patients are currently receiving no treatment or insufficient treatment.

Maximizing Value of Products

Noriaki Tamura

Corporate Officer CCO

Senior Director of Sales & Marketing HQs

In charge of IT Solution Management and In Vitro Diagnostics Business

The market environment for ethical drugs in Japan is seeing stepped-up efforts to create an ecosystem for innovation in drug discovery, while being increasingly pressured every year by developments including the annual NHI drug price revisions, which are being carried out again in fiscal 2025 for the eighth consecutive year. Methods of providing information are diversifying, including the use of digital technologies during and after the COVID-19 pandemic, and work-style reforms for physicians and other changes are anticipated. Given this environment, the Kyorin Group has decided to "maximize the ratio of new drugs" as one of our business strategies under the medium-term business plan "Vision 110 –Stage 1–," with the aim of growth through the increased market penetration of new drugs. We will emphasize the market penetration of new drugs by accurately identifying the needs of medical institutions through quality communication based on in-person meetings with medical practitioners. Through the stable supply of quality pharmaceutical products, we are working to maximize product value by contributing to the treatment of the many patients who need our products.

Changing environment

- Promotion of measures to control medical expenses and drug costs associated with pressure on public finances for medical care
- Growing need for diagnosis and prevention in addition to treatment
- Changes in the way information is provided to the medical field

Opportunities

- Expanded lineup and market penetration of new drugs
- Increased demand for testing and greater number of patients associated with spread of infectious diseases
- Development of digital methods for providing a wide range of information

Risks

- Decline in sales and earnings of main products due to annual drug price revisions
- Diversifying needs for pharmaceuticals and medical devices associated with changing environment
- Reduced opportunities for communication with physicians due to factors including restrictions on MRs' visits

Medium-term business plan

Vision 110 –Stage1– initiatives

Business strategy

Maximizing the ratio of new drugs

Emphasize proliferation of new drugs

- Promote in-person meetings with physicians to increase the impact of medical details and accelerate the growth of new drugs

* New drugs:
Beova/Lasvic/Lyfnua
Desalex/Flutiform, etc.

Promoting activities to provide solutions

We believe that two-way communication with medical practitioners is important for MRs to completely fulfill their original role of "achieving appropriate use of pharmaceuticals and contribute to medical care by providing, collecting, and conveying pharmaceutical information." The COVID-19 pandemic placed restrictions on MRs' visits to medical institutions and in-person meetings with medical practitioners. In response, we promoted the use of digital technologies in our activities to provide information. Against this backdrop, we are working to achieve even better communication with medical practitioners by providing solutions through activities that integrate visits to medical institutions that focus on in-person meetings with digital channels. We are providing all MRs with training in the detail skills needed to propose solutions that comprehensively resolve issues related to the diseases that our products address and training in coaching skills for all sales office heads. Along with this training to enhance overall capabilities, we are analyzing marketing data collected internally to identify the needs of medical practitioners, an approach that is leading to high-quality activities in providing information. Our activities to provide solutions begin by hypothesizing problems from the patient's perspective and identifying current needs to formulate issues, then proposing a drug formulation from our range of products. For infectious diseases, for example, we provide comprehensive information that includes introducing Milton and Rubysta for infection control and prevention at medical institutions, GeneSoC for identification of pathogenic microorganisms (diagnosis), and

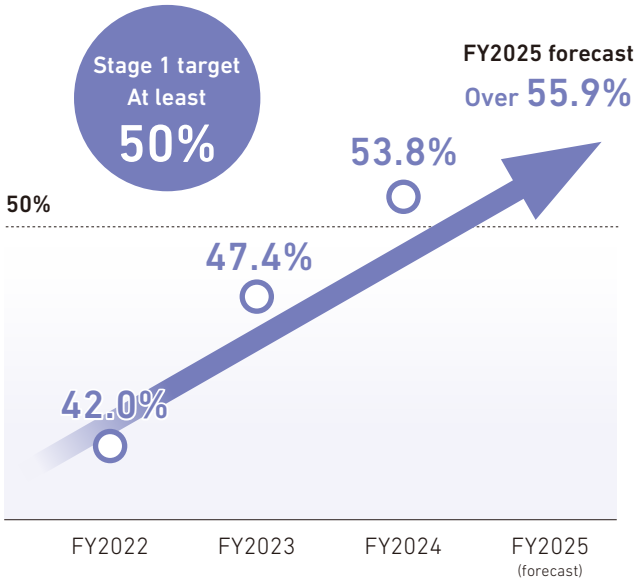
Lasvic for the appropriate use of antimicrobials (treatment). In the areas of respiratory and otolaryngology, we address various diseases by proposing appropriate drug formulations from our expansive product lineup that includes Lyfnua, Lasvic, Desalex, and Flutiform. Through these and other efforts, we are providing information that contributes to resolving issues in response to the needs of medical practitioners and working to emphasize the proliferation of new drugs.

Continuous growth by raising the ratio of new drugs

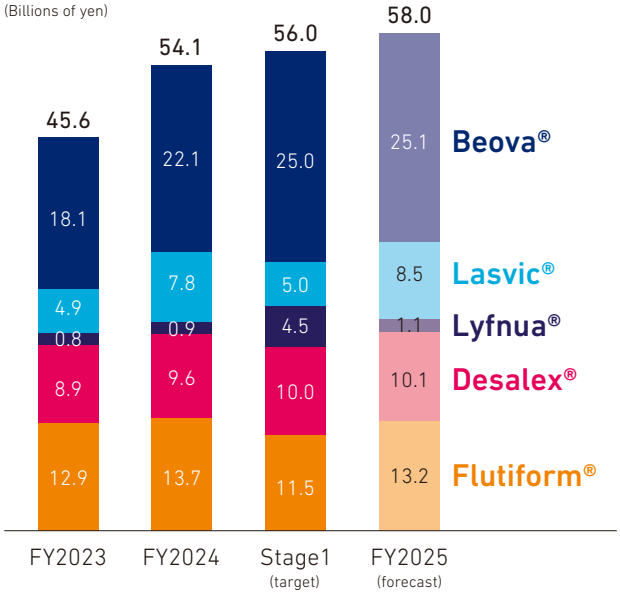
Recognizing that focusing on expanding the use of new drugs to accelerate growth is important for achieving a growth trajectory, we have set the ratio of new drugs as a percentage of total domestic ethical drug sales as a KPI and are working to maximize their use in the market. As a result, our ratio of new drugs in fiscal 2024 was 53.8%, surpassing the Stage 1 target of at least 50% one year early.

Beova, which is highly regarded by many physicians for its efficacy and safety, acts on β3 adrenaline receptors in the bladder smooth muscle to improve symptoms of overactive bladder (OAB) by increasing bladder capacity. More than 10 million people in Japan suffer from OAB, and although this is not a life-threatening disease, it has a significant negative impact on patients' quality of life. However, the percentage of people receiving treatment is extremely low. In the belief that many people are missing opportunities for treatment, we are proactively engaged in new activities to raise awareness of the disease to increase treatment rates. Lasvic is a new quinolone antibacterial agent listed in multiple guidelines as a recommended drug for infection. In recent years, pathogenic microorganisms such as bacteria have acquired resistance to antibacterials, creating a major social issue with the increase in antimicrobial resistance (AMR) when drugs cease to be effective. Kyorin has promoted treatment and approaches based on guidelines to promote the appropriate use of antibacterial agents. Lyfnua is the only drug effective for treating refractory chronic cough. Our analysis has shown that because Lyfnua has a taste-related adverse event and produces effects relatively quickly, patients take the drug for fewer continuous days than we had estimated. Since the JRS Guideline for the Management of Cough and Sputum (April 2025) clearly defines refractory chronic cough and recommends P2X3 receptor antagonist as a treatment, we are working to increase Lyfnua's market penetration as the only recommended treatment. Desalex is a product with a high degree of prescription compliance taken once a day to control allergic symptoms. In addition to not causing drowsiness and instructions that do not warn against driving an automobile, it is not affected by meals and can be taken without disrupting patients' lifestyles. We will continue to promote its market penetration as a medication that is both effective and easy to use. Flutiform is an ICS/LABA (Inhaled corticosteroids/Long-acting β2-agonists) compound that expands the respiratory tract to control inflammation and prevent outbreaks from occurring. Its aerosol formulation allows older people, women, and other patients with weak inspiration to take it easily. We see Flutiform contributing to treatment for asthma sufferers going forward.

Ratio of new drugs



Sales of five major products



Initiatives for major products during Stage 1

	Stage 1 targets	FY2024 progress	FY2025 initiatives
Beova®	• No.1 sales as Beova in OAB market by FY2023* (achieved) • 50% share of OAB patients*	• New patients acquisition rate: 55.3%[1]* • Patient share: 42.3%[2]* (FY2023: 34.2%)	• Expand patient share in general internal medicine • Enhance the consultation rate and generate ongoing consultation opportunities in urology • DTC: initiative to encourage medical consultation
Lasvic®	• No.1 sales in oral NQ market by FY2023 (achieved) • 40% market share in NQ market	• Market share in oral NQ market: 36.1%[2] (FY2023: 24.6%)	• Promote treatment and therapeutic drug selection in accordance with each guideline • Clearly define the distinctiveness and novel positioning of Lasvic HP: Expand new adoptions at university hospitals and key regional hospitals GP: Promote prescription recommendations to diseases targeted for AMR action (rhinosinusitis, tonsillitis, pharyngolaryngitis, acute bronchitis) and pneumonia
Lyfnua®	Customer coverage in 2H of FY2025 GP: 10,000 → 7,500 HP: 2,000 → 1,680 Aim to be a first-line treatment for patients with chronic cough despite treatment	• Customer coverage GP: 6,600 HP: 1,340	• Utilized practical guideline and new evidence • Initiative to extend the patient's period of taking drug (appealing effectiveness/safety including long-term data)

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2 Copyright©2025 IQVIA. Kyorin's own analysis based on JPM 2024 Mar MAT, 2025 Mar MAT. Unauthorized copying prohibited.

* Combined total with partner company

Establishing a presence in designated fields

In line with the FC strategy of concentrating resources in the fields of respiratory, otolaryngology, and urology, our approximately 600 MRs are providing, gathering, and transmitting information to medical practitioners regarding the appropriate use of pharmaceuticals with the aim of establishing a presence in these fields. For our marketing structure, in 1998, we introduced a "team structure," with teams based in secondary medical care areas (where multiple MRs are responsible for a designated area), and are using area management in which teams cultivate their own areas. Going forward, we will create a framework for teams to assist one another and achieve their targets by refining our activities to address increasingly diverse medical needs swiftly and systematically.

Promoting appropriate use of pharmaceuticals

Although concerns that the incorrect use of pharmaceuticals can harm a patient's health exist, there are also cases of side effects appearing even if the pharmaceuticals are used correctly. We strive to quickly provide medical practitioners with accurate information for the appropriate use of pharmaceutical products to ensure they are used safely and effectively. We also collect information on products' efficacy and safety from medical facilities that use our products and convey the results of the analysis and evaluation of that information to medical practitioners. Following our sense of mission to contribute to people's health, we act according to high ethical standards and conduct business in strict compliance with relevant laws and regulations, guidelines, industry rules, and internal guidelines including our Charter of Corporate Conduct.

Responding to drug inquiries

We consider it our responsibility to provide reliable drug information that is both fair and impartial in response to inquiries from patients and medical practitioners. By fulfilling this responsibility, we are promoting the appropriate use of safe and effective pharmaceutical products. To accomplish this mission, we established the Drug Information Center to respond to a broad range of inquiries. When answering inquiries related to pharmaceutical product information, we aim to provide consistent, appropriate, and accurate information, and are continuously working to improve our ability to respond with the latest objective, factual data. We also collect and analyze data related to product information and inquiries to provide patients and medical practitioners with high-quality replies. In addition to providing concise, swift, and accurate answers, this framework facilitates the analysis of patients' and medical practitioners' needs, information that is useful in product life-cycle management.

* Number of inquiries: Approximately 23,500 (fiscal 2024)

Kyorin's Passion

Project to support early awareness and diagnosis of OAB

OAB is a disease that drastically impairs a person's quality of life with symptoms including a sudden urge to urinate and increasing frequency of urination. The severity of the disease increases with patients' age, but symptoms can be expected to improve if appropriate treatment is received. Many people are hesitant to seek treatment, however, for reasons including an assumption that the effects of the disease cannot be lessened because of one's age or due to embarrassment. We have launched a new project targeting these people whereby we not only promote awareness among patients in cooperation with medical institutions but also support broader recognition of and testing for OAB. Through these efforts, we are providing support so that people suffering from the symptoms of OAB will quickly seek a diagnosis at a medical institution and receive appropriate treatment.

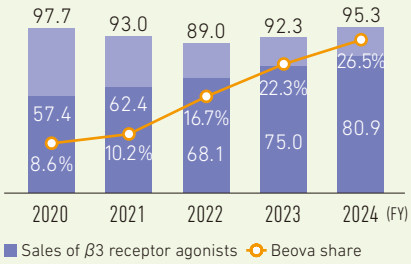
Chizuru Matsuda, Manager, Product Planning Department, Sales & Marketing Headquarters

Primary Examples of New Drugs

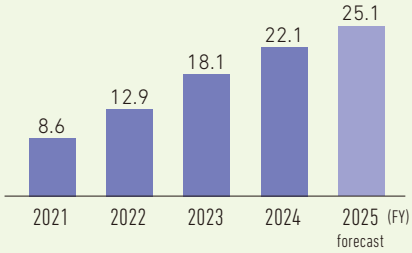
Beova

Therapeutic agent for overactive bladder
General name: Vibegron
Released: 2018
Co-development and co-marketing with Kissei Pharmaceutical Co., Ltd.

OAB treatment market* (Billions of yen)



Beova sales (Billions of yen)



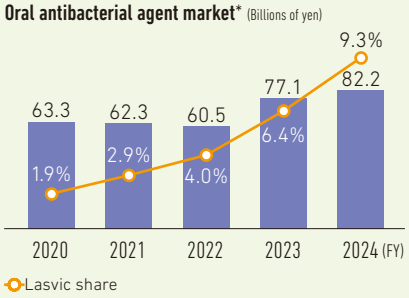
OAB treatment market

With the population aged 65 and older increasing, we expect the number of patients to rise. However, due to annual drug price revisions and the launch of generic products, we expect the market to remain more or less flat. Because of differences in the mechanisms of β3 agonists compared with those of anticholinergic agents, β3 agonists continue to be increasingly favored, and we expect their overall sales to grow.

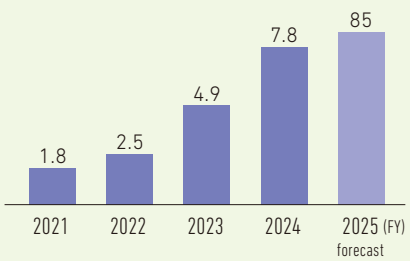
Lasvic

New quinolone synthetic antibacterial agent
General name: Lascufloxacin
Released 2020 (tablet)
2021 (IV drip infusion kit)

Oral antibacterial agent market* (Billions of yen)



Lasvic sales (Billions of yen)



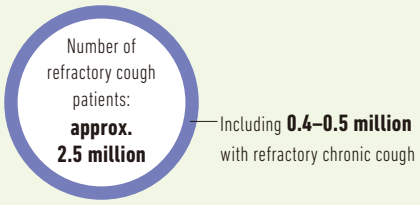
Oral antibacterial agent market

With the downgrading of COVID-19 to "category 5" in May 2023, social activity is rebounding, leading to an increase in the number of patients with respiratory and otolaryngological infections and returning the size of the market to pre-pandemic levels. At the same time, Japan has been promoting the National Action Plan on Antimicrobial Resistance (AMR) since 2016. In addition, a second phase of the AMR action plan was announced at the G7 Summit held in Hiroshima in May 2023, which we see having the effect of curtailing prescription volumes for oral antibacterial agents.

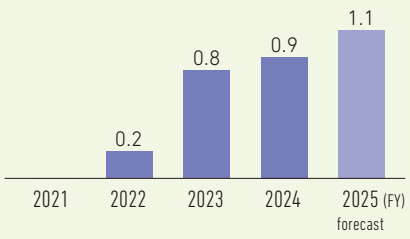
Lyfnua

Cough treatment
General name: Gefapixant citrate
Released: 2022
Concluded agreement with MSD K.K. for exclusive distribution rights in Japan

Estimated number of patients (estimate based on morbidity rate)



Lyfnua sales (Billions of yen)



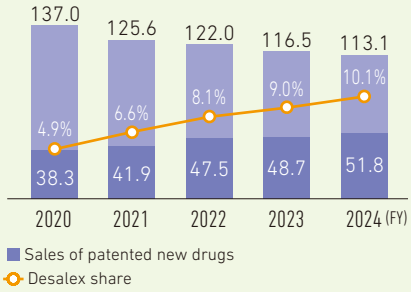
Refractory chronic cough patients

Morbidity rates indicate that the number of patients with refractory cough in Japan is approximately 2.5 million, with 0.4–0.5 million of those having refractory chronic cough. Lyfnua is the only effective treatment for refractory chronic cough. The JRS Guideline for the Management of Cough and Sputum issued in April 2025 clearly defines refractory chronic cough and recommends the P2X3 receptor antagonist as a treatment. We expect it to become increasingly popular as a recommended treatment.

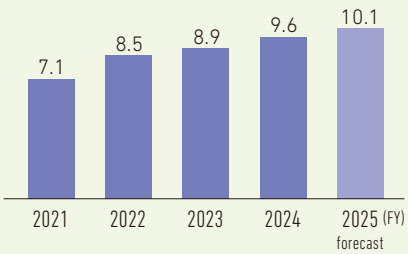
Desalex

Antiallergic agent
General name: Desloratadine
Released: 2016

Antihistamine market* (Billions of yen)



Desalex sales (Billions of yen)



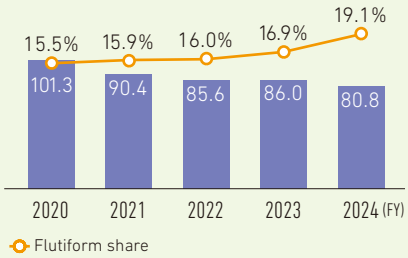
Antihistamine market

Although the number of allergy patients is forecast to grow, we expect the market to continue to contract due to annual drug price revisions and the market penetration of generic products.

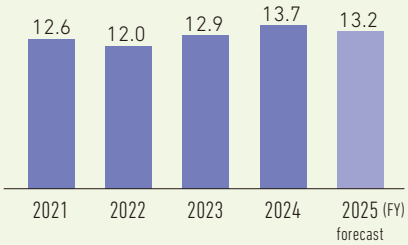
Flutiform

Combination drug for asthma treatment
General name: Fluticasone/Formoterol
Released: 2013

ICS/LABA combination drug market* (Billions of yen)



Flutiform sales (Billions of yen)



ICS/LABA market

The number of patients seeking treatment for asthma was curtailed during the COVID-19 pandemic but has shown a trend of recovery since fiscal 2023. Although the number of patients is increasing, we see the market remaining flat from factors including annual drug price revisions and the effect of generic products.

Infectious disease-related products

Milton

Disinfectant for baby bottles and bottle nipples
Hand disinfectant
Disinfectant spray

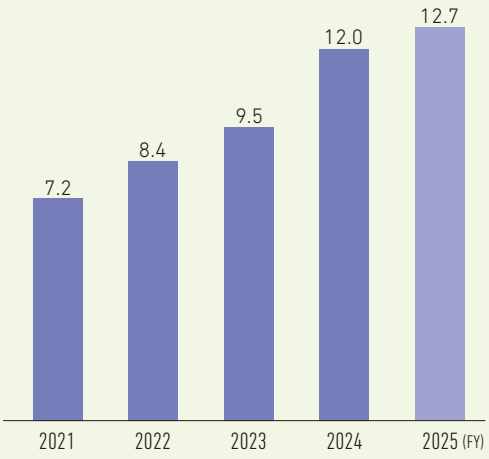
Rubysta

Multipurpose disinfectant cleaner

GeneSoC

General medical devices/
In vitro diagnostics pharmaceuticals/
Research-use reagents

Infectious disease-related product sales (Billions of yen)



Sales of ethical drugs such as Lasvic, and Milton, Rubysta, and GeneSoC

Achieving Continuous Growth of the Generic Drugs Business

Even though the Ministry of Health, Labour and Welfare's market penetration target for generic drugs of 80% (volume share) has been achieved, measures to promote the use of generics continue to be introduced. The penetration rate exceeded 90% for the first time with the introduction of a new health coverage rule for long-listed products in October 2024. We see the generic market continuing to grow somewhat. In addition, the issue of unstable supplies of generic drugs stemming from quality issues at some companies is continuing, and stable product supplies remain an issue.
To achieve unbroken growth against this backdrop, Kyorin's generic drugs business is working to maintain its advanced capabilities to develop generic products, while building a reliability assurance system with the strict quality control used for ethical drugs and increasing our stable product supply capacity.

Maintain and strengthen our capability to create new generics and accelerate growth

To provide generic drugs that can be used safely, the Kyorin Group manufactures pharmaceuticals and provides packaging from the perspectives of patients and medical practitioners, ensuring that products are easy to use in medical institutions and meet the needs of patients taking drugs. To address changing business conditions, we will enhance our in-house development capabilities by strengthening our expertise, human resources, and organizational functions to take on challenges in new fields including highly pharmacologically active drugs, anticancer drugs, and formulations in niche areas in addition to small molecule compounds, with the aim of establishing a presence as a strong generic drugs company. In fiscal 2024, we launched two new products with one ingredient.

Takaoka Pharmaceutical Technology Innovation Center

We believe that maintaining and strengthening our high level of in-house development capabilities for new generic products are essential for the continuous growth of our generic drugs business. The Takaoka Pharmaceutical Technology Innovation Center, established in July 2017 to increase the number of new generic products, has all the functions needed to obtain patent application data, from patent searches and planning strategies for development items to evaluations of pharmaceutical ingredients, formulation design and quality evaluation, as well as functions to conduct clinical trials and measure drug concentrations. To further improve the quality of these capabilities and accelerate drug development, we promote open innovation including the proactive use of Toyama Prefecture's industry-academia-government collaboration system. We are also working to strengthen our organizational functions through restructuring including assigning researchers with different specialties to the same department and invigorating communication among researchers.

Takaoka Pharmaceutical Technology Innovation Center

Strengthen production and procurement systems to ensure stable supplies

The Kyorin Group is working as one to maximize production volumes. The Takaoka Plant, which commenced operations in April 2024 and began shipping products in July, has reached full-scale operations. To increase product supply capacity, we are expanding the manufacturing scale for existing products, bringing the manufacturing of outsourced products in-house, smoothly transferring manufacturing from the Inami Plant and other plants, and restructuring the Group's production structure with an emphasis on overall optimization of the four plants.

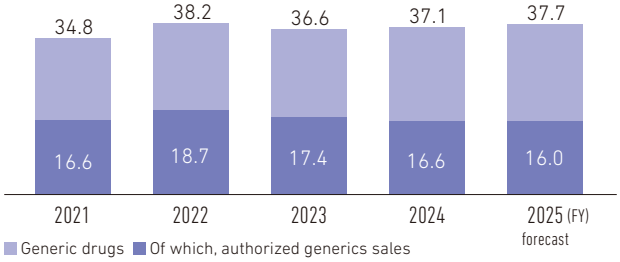
Establish a low-cost structure resilient to changing business conditions

The Generic Drugs Business has developed strong sales through multifaceted, well-balanced sales channels. Leveraging this advantage going forward, we will work to increase our sales strength and cost competitiveness by making the sales structure more efficient.

Address authorized generics

The Kyorin Group has achieved a certain degree of market recognition by selling both original drugs and authorized generics that meet the diverse needs of patients and medical practitioners. We also believe that handling authorized generics will lead to the maximization of product value. Our current products Montelukast Tablets "KM," Mometasone Nasal 50 mg "KYORIN," and Imidafenacin Tablets "KYORIN" OD tablets 0.1 mg have each gained a market share of at least 50% on a volume basis in the generic drugs market.

Generic drugs sales (Billions of yen)



Value Creation Materiality

Providing a Stable Supply of High-Quality Pharmaceutical Products

Providing a stable supply of high-quality pharmaceutical products

Michiro Onota

Executive Director

CMO, in charge of SCM HQs and Quality Assurance & Reliability HQs

Providing patients a stable supply of high-quality pharmaceutical products is the essential mission for Kyorin as a pharmaceutical company. As product quality standards become increasingly strict, manufacturing costs rise, and manufacturing technologies become more sophisticated, the Kyorin Group is responding to calls for stable supplies by bolstering our reliability assurance system while strengthening our supply chain management and working to increase production capacity and reduce manufacturing costs. With the Takaoka Plant commencing operations in April 2024, we have established a four-plant manufacturing structure. We are pursuing overall optimization for our product lineup and working to maximize our product supply capacity, while continuously investing in manufacturing resources and reducing costs through process improvements, to create a sustainable manufacturing structure. All departments are working closely together to enhance reliability and maintain stable production by raising GxP* levels. Amid heightened demand for continued high quality and safety, the Kyorin Group is pursuing businesses including diagnostics and the development of therapeutic applications in addition to pharmaceuticals. By responding flexibly and swiftly to these internal and external changes, we are contributing to people's health by providing a stable supply of high-quality products in compliance with relevant laws and regulations.

* Various management standards in areas including pharmaceutical products

Changing environment

- Increasing demand for pharmaceutical companies to ensure reliability
- Diversification and increasing complexity of drug discovery modalities and basic technologies
- Rising manufacturing costs and increasingly sophisticated manufacturing technologies
- Increasing geopolitical risks

Opportunities

- Growing demand for high-quality products and stable supplies
- Increasing demand for generic products associated with measures to curtail drug costs
- Growing need for subcontracted manufacturing for foreign companies entering the Japanese market

Risks

- Annual drug price revisions that translate to higher cost of sales ratio
- Higher raw material prices due to increasing crude oil prices and logistics costs
- Emergence of quality issues in domestic and international supply chains

Medium-term business plan

Vision 110 –Stage1– initiatives

Business strategy

Strengthening production capacity for drugs and reducing manufacturing costs

- Maximize production capacity through reliable operation of Takaoka Plant and overall optimization of other plants
- Improve reliability and maintain stable production by raising the GMP level
- Reduce costs through continuous improvement activities

Strengthening reliability assurance system to support comprehensive business development

- Strengthen our legal compliance system for pharmaceutical matters
- Promote prompt and reliable responses to changes in the environment surrounding reliability assurance

Takaoka Plant operations

The Takaoka Plant, which commenced operations in April 2024, was built in response to the need for increased capacity to raise production of ethical drugs. The plant has an annual production capacity of approximately 2 billion tablets (solid oral formulations). To be mainly engaged in generic drugs production, the plant was built to respond flexibly with the manufacture of all products in addition to those produced in large quantities. As a facility where levels for GMP (good manufacturing practice, a standard for the manufacture, management, and quality control of pharmaceutical products) can be raised further, we are working to improve manufacturing efficiency by reducing some operations, eliminating others, and pursuing labor savings to facilitate stable supplies and low-cost manufacturing. In terms of the environment, the plant was designed to significantly reduce CO_2 emissions compared with those of existing plants. We are working to limit its environmental impact by actively utilizing liquefied natural gas (LNG), other clean energy sources, and renewable energy sources including hydroelectric power generation.

We are treating the improvement of plant utilization

Takaoka Plant Location: Takaoka, Toyama

rates as an important step that will lead directly to the growth of the generic drugs business. We first intend to bring outsourced manufacturing in-house and build a structure for increased production of priority generic products and Mucodyne Tablets, with the aim of subsequently utilizing the plant's high level of operations by transferring the main production of generics there at an early date.

Overall optimization of the manufacturing structure to build a system for stable supplies

To date, we have been proactively taking advantage of the special features of each plant site for the optimal alignment of products to be manufactured, with the aim of maximizing product supply capacity. At the Noshiro Plant, we have been adding manufacturing equipment and strengthening human capital (securing and training human resources) while manufacturing tablets and capsules, primarily of new drugs. The Shiga Plant has a high percentage of subcontracted manufacturing sourced from outside the Group, including drugs for the Japanese market sold by foreign pharmaceutical companies. We are proactively promoting subcontracted manufacturing to make it a reliable subcontracting plant. The Inami Plant primarily handles generic drugs and also manufactures solid formulations taken internally and eyedrops. These three plants are working to raise GMP levels and maintain and improve quality-control systems, while establishing PIC/S* GMP compliance and building a supply system for both domestic and overseas markets. Going forward, we will pursue further overall optimization and reinforcement based on this four-plant manufacturing structure to strengthen our pharmaceutical production capacity to build a system for stable supplies.

* PIC/S: Pharmaceutical Inspection Co-operation Scheme

Improving reliability and maintaining product quality

With quality requirements for products becoming increasingly stringent, we are further strengthening and implementing the structure for legal compliance and quality related to manufacturing and quality to establish a quality-driven culture. As a result, we are working to maintain quality through various approaches, including cross-facility reciprocal audits of GMP, reinforcement of data integrity (framework ensuring data is complete, consistent, and accurate), regular training and testing of employees, and the use of video to teach standardized operations. In these ways, we are working to provide products that earn the confidence of patients and medical practitioners.

Increasing manufacturing efficiency to improve cost competitiveness

To establish a manufacturing structure that ensures stable supplies of pharmaceutical products and low-cost production, we are introducing various practices to improve manufacturing quality during the production process, including enhancing manufacturing technologies and acquiring new technologies. Going forward, we will strive to improve manufacturing efficiency by appropriately deploying resources and improving processes to ensure low-cost operations and increases in production volume. In these ways, we will solidify our structure to improve cost competitiveness.

Supply chain management (SCM)

As suppliers and partners become more global and modalities more diverse, supply chains are becoming increasingly complex. In response to this changing environment, we are building a structure to monitor and control supply chain flows with the aim of building resilient supply chains that visualize components from upstream raw materials and pharmaceutical ingredient manufacturing to final product manufacturing and supply.

Our pharmaceutical supply chain, which encompasses a wide variety of items including raw materials, intermediates, and pharmaceutical ingredients, is supported by numerous suppliers in Japan and overseas. To continue providing stable supplies without interruption in the procurement chain, we consider it imperative to strengthen relationships with individual suppliers by working closely and sharing information with them. To hedge risks, we are striving to secure multiple alternative suppliers and various transportation routes in addition to our existing suppliers, while pursuing optimization in logistics including importing and exporting, and strengthening our ability to provide stable supplies. For even greater stability of supplies, we are setting appropriate product-specific inventory standards and procurement plans, while working closely with marketing divisions for flexible procurement that tracks daily changes for products with large seasonal fluctuations or swings in popularity. Several challenges have emerged in the past few years, including geopolitical risks, exchange rate fluctuations, rising raw material prices due to rising energy costs and semiconductor shortages, and a logistics problem in 2024. Amid this situation, the Kyorin Group will continuously strive to ensure stable product supplies by reducing risks through production planning and inventory coordination with internal manufacturers and external subcontracted manufacturers, while developing multiple and alternative suppliers and improving logistics efficiency.

Noshiro Plant Location: Noshiro, Akita

Plant certifications

Environmental management system: ISO 14001

Occupational health and safety management system: ISO 45001

Shiga Plant Location: Koka, Shiga

Plant certifications

Environmental management system: ISO 14001

Occupational health and safety management system: ISO 45001

Inami Plant Location: Nanto, Toyama

Plant certifications

Environmental management system: ISO 14001

Occupational health and safety management system: ISO 45001

Sustainable procurement initiatives

Given the importance of striving to provide stable supplies of high-quality products and build sustainable supply chains, we ask for our suppliers' cooperation based on their own social responsibility. We have formulated a Sustainable Procurement Policy to promote sustainable procurement activities that take into account their effect on the environment and society, and carry out activities with high ethical standards in compliance with the letter and spirit of laws, regulations, and international rules in Japan and overseas.

On-site investigations of suppliers

When selecting a new supplier, we begin transactions only after confirming through an on-site investigation that the supplier has measures in place for issues including legal and regulatory compliance, labor safety, and environmental protection. We regularly visit suppliers with whom we have business relationships to maintain and enhance product quality and the supply stability. When an on-site investigation identifies issues needing correction, we propose improvements, request an improvement plan, and follow up on the improvement status.

Kyorin's Passion

Initiatives for stable supplies through sustainable procurement

Working closely with all suppliers in Japan and overseas is essential for providing stable supplies of high-quality pharmaceutical products. While emphasizing ongoing communication, we are striving to build relationships to share information about changes in the external environment with suppliers as quickly as possible and flexibly take action. We have also formulated a Sustainable Procurement Policy for the Kyorin Group. By building sustainable and resilient supply chains, we aim to be a company that fulfills its social responsibility and a company whose significance is acknowledged by society.

Hiroki Sahashi
Manager, SCM Group, SCM HQs

Strengthening reliability assurance system to support comprehensive business development

Reliability assurance system

To ensure the stable supply of high-quality products, the roles and responsibilities of the accountable corporate officers and three senior managers involved in manufacturing and sales are clearly stipulated as per the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. At the same time, the Group complies with the Good Quality Practice (GQP) and Good Vigilance Practice (GVP) standards for pharmaceuticals. In the diagnostics business, we have established a system that conforms to the Quality Management System (QMS) standard for manufacturing and managing medical devices, in vitro diagnostics, quality control, and GVP. Our Quality Assurance & Reliability Division, which plays a central role in this process, coordinates with the R&D, manufacturing, and sales divisions to promote unified product reliability assurance initiatives aimed at providing products and information that patients and medical practitioners can use with confidence. In addition, we promote proper use of our products and assure their reliability by faithfully and promptly responding to after-sales inquiries from patients and medical practitioners about products' efficacy, safety, and quality.

Quality assurance

The Kyorin Group has a quality policy for both ensuring product quality and providing stable supplies. We are strengthening operation of our manufacturing centers through management of quality risk based on scientific evidence.

For pharmaceuticals, we have established a system to supply high-quality products based on GMP standards in cooperation with Group plants and other facilities from the development stage. After launches, we carry out quality assurance in compliance with GQP standards. We have also created a distribution system that conforms to Good Distribution Practice (GDP) standards for pharmaceutical products, aiming to maintain product quality and ensure the integrity of distribution processes, as we strive to guarantee product quality and stable supplies from development and manufacturing to distribution. For in vitro diagnostics and medical devices (diagnostics business), we are committed to providing high-quality products by practicing quality assurance in compliance with QMS standards across all stages, from design and development to sales.

KYORIN Pharmaceutical's Quality Policy

"Kyorin continues to fulfill its mission of cherishing life and benefiting society by contributing to better health." Following this corporate philosophy, we provide high-quality products that are trusted by patients and medical practitioners.

- We engage in appropriate quality-related activities in compliance with relevant laws, regulatory requirements, and internal standards.
- We practice quality risk management based on scientific knowledge to ensure product reliability.
- We strive to raise employee awareness of quality and foster a quality-driven culture with ongoing education.
- We work closely with subcontracted manufacturers and suppliers to ensure stable supplies of high-quality products.
- We listen and respond sincerely to patients, medical practitioners, and others and actively strive to improve product quality.

Safety management

Drugs can be effective for treating patients (benefits) but can also have adverse side effects (risks). Therefore, during the development phase, we collect and manage safety information on investigational new drugs and appropriately monitor and evaluate changes in the safety profile of those drugs. After a product is launched, moreover, side effects unforeseen during the development phase may become apparent. For this reason, it is important to collect and analyze a wide range of information about benefits and risks after a product is launched and to quickly provide appropriate information to the medical community, with the balance taken into account. The Kyorin Group formulates risk management plans and collects and manages safety information by individual product. This approach includes drug-monitoring activities for pharmaceuticals and medical devices in compliance with GVP standards to ensure their safety and proper use. We also conduct post-launch investigations in accordance with Good Post-Marketing Study Practice (GPSP) standards to collect and evaluate information about the safety and efficacy of pharmaceuticals after they are launched.

Kyorin's Passion

Aiming to strengthen safety management further

We pursue activities to monitor the safety of pharmaceutical products and minimize their risks, with patients' safety our highest priority. The 2025 revisions to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (the Act on Pharmaceuticals and Medical Devices) call for strengthening safety assurance with the appointment of three senior managers and require risk management planning for pharmaceutical products. We are going beyond just responding to these more stringent legal requirements by continuously improving our risk management system and by collecting and evaluating safety information to provide timely guidance on appropriate use to medical facilities, as we strengthen initiatives that allow patients to use our pharmaceutical products with peace of mind.

Chie Kanari
Director of Pharmacovigilance, Quality Assurance & Reliability HQs

Build a sustainable corporate foundation

Kiyoo Uehara

Corporate Officer

CHRO

Director of General Affairs
In charge of Human Resources
and Legal & Compliance

The Kyorin Group believes it is important to build a sustainable corporate foundation to realize the long-term vision "Vision 110." To that aim, we have designated seven materialities as a "base to support value creation." Carrying on our founder's idea that "a business is as good as its people," we are pursuing initiatives including acquiring and training human resources who will be central to achieving the long-term vision, revising and managing an appropriate human resources system that increases employees' job satisfaction, introducing work-style reforms that respect diverse values, and promoting health management that emphasizes employees' well-being. Regarding environmental considerations, we are addressing climate change in line with our Charter of Corporate Conduct to achieve "carbon neutrality by 2050" and have established an Environmental Committee that formulates and implements Groupwide measures to realize this vision. We are also placing priorities on creating a management environment that gains the trust of society, implementing thorough compliance, and enhancing corporate governance, with the most important management goal of "continuously increasing corporate value." In addition, we are contributing to realizing a vibrant society and economic development by deepening relationships with all stakeholders through dialogue, engaging in business activities that gain trust and empathy, and acting as a good corporate citizen.

Sustainability issues and initiatives
Enhancing human capital We are enhancing human capital in line with the idea that human resources are capital with value that expands and contracts, rather than something to be managed. The most important issue is to train and acquire human resources who will accomplish the long-term vision "Vision 110." Along with building a human resources portfolio to achieve business plans, we are creating an environment and fostering a culture that invigorate diverse individuals and organizations to allow all participants to demonstrate their maximum potential.
Promoting work-style reforms that respect diverse values We are promoting autonomous, flexible work styles that respect diverse values to invigorate people and organizations with the aim of continuously enhancing corporate value.
Promoting health management We believe that both the mental health and the physical health of all employees are essential. We aim to create workplace environments where all employees are motivated to promote their own health and approach their work enthusiastically.
Carrying out environmentally friendly business activities We are working to preserve a sustainable environment through measures including preventing environmental pollution, reducing our environmental burden, and promoting the effective use of resources.
Ensuring thorough compliance In addition to following high ethical standards to promote thorough compliance with the letter and spirit of all laws, regulations, and codes of conduct, we are carrying out appropriate activities to manage internal and external business-related risks with the aim of continuously enhancing corporate value.
Strengthening corporate governance We consider the enhancement of corporate governance an important issue for creating an environment to gain the trust of society. Measures we are implementing include expediting decision making, strengthening appropriate management oversight functions, and maintaining transparency in corporate activities based on corporate ethics.
Strengthening relationships with stakeholders We believe that we need to strengthen our relationships with various stakeholders through dialogue. By emphasizing communication with all stakeholders and fulfilling our social responsibility, we aim to be a company whose significance is acknowledged by society.

Base to Support Value Creation Materiality

Enhancing Human Capital/Promoting Work-Style Reforms That Respect Diverse Values

Enhancing Human Capital

Building a human resources portfolio

To achieve the long-term vision "Vision 110," we are building a human resources portfolio that identifies to the extent possible an ideal portfolio based on our management and business strategies and any gaps that may exist, while implementing measures to secure and train human resources over the medium to long term.

Human resources management

As we enhance human capital, we recognize that it is important to place importance on employees and energize people and organizations. The Kyorin Group's basic policy underlying our human resources management system views the Company and its employees as partners who, by continuously fulfilling the responsibilities expected of each other over the long term, realize mutual benefits (with employees contributing to the Company's development, and the Company enriching employees' lives and contributing to their self-fulfillment). We are creating frameworks (systems, standards, guidelines, etc.) for hiring, position assignments, growth (training), evaluations, transfers, compensation, welfare, and other benefits, and promoting their appropriate operation based on this policy. In the engagement survey carried out annually at each Group company, we aim for higher scores in major areas while incorporating the opinions of the human resources management system that surface in the survey to review and improve the system.

"Partners for mutual benefits over the long term"

By continuously fulfilling the responsibilities expected of each other over the long term, the Company and its employees are partners who realize mutual benefits (with employees contributing to the Company's development, and the Company enriching employees' lives and contributing to their self-fulfillment).

Employees		Company
Contribute to achieving the Company's (organization's) goals and objectives through autonomy, growth, and performance of their duties	Long-term employment	Employees are considered assets (drivers of growth) of the Company, which respects their individuality and supports their growth.
Perform tasks and carry out duties proactively and with initiative	Emphasis on contribution to fulfillment of duties	Each employee is assigned duties that conform to ability and work style.
Take initiative to maintain and enhance their own humanity and ability to carry out their duties	Comprehensive treatment	Each employee's contribution is comprehensively understood, and employees are evaluated and treated fairly and consistently.
Cooperate with co-workers for the success of the organization	Self-reliance and cooperation	The Company provides a comfortable and rewarding work environment that fosters a "desire to work" among employees.

Human resources system

We have periodically revised our human resources system in line with our human resources management policy of being a "vibrant company that pursues job satisfaction" and are promoting the creation of workplace environments where members of a diverse workforce can grow autonomously and participate actively. During Stage 1, we implemented measures including redefining the roles and standards of conduct at all levels and clarifying frameworks for assignment and promotion based on the previous human resources system, to create a structure in which all employees can pursue career advancement through their own initiative and abilities.

Human resources development

The Company supports the growth of its employees by creating structured and systematic educational programs that provide opportunities for both solo learning (autonomous improvement of one's personality and abilities) and joint learning (mutual growth and support). The structure and mechanisms for solo learning include e-learning, correspondence courses, referrals for business magazine subscriptions, support for language learning, individual overseas study, support for the acquisition of qualifications, and subsidized external seminars. In joint learning, we offer tiered programs ranging from new employee training to training for managers. Functional training is provided by each department to give employees the knowledge and skills required in their roles.

Overall structure of solo learning/joint learning

Solo learning	Joint learning (tiered programs)			
e-learning	For managers	Program for new directors	For general employees	Professional program
Correspondence courses		Program for new managers (preappointment, first-year, second-year managers)		Core skills program 2
Referrals for business magazine subscriptions				Core skills program 1
Support for language learning				Third-year employee program
Support for individual overseas study				Second-year employee program
Support for acquisition of qualifications				New graduate and career guidance program
Subsidized external seminars				

Promoting Work-Style Reforms That Respect Diverse Values

Promoting women's active participation

We are pursuing initiatives related to promoting women's active participation to create workplace environments where female employees can fully use their capabilities and play active roles. Specific measures include employee training (promoting understanding related to diversity via e-learning, courses on women's active participation taught by outside instructors, workplace discussions, career path training, etc.), seminars on diversity for managers led by experts, and expansion of our structure for supporting diverse work styles (working from home, flexible working hours, staggered working hours, encouragement of male employees to take childcare leave, etc.). Our goal is to have women fill 15% of management positions by 2030.

Kyorin's Passion

Contributing to the creation of workplace environments and support for career formation

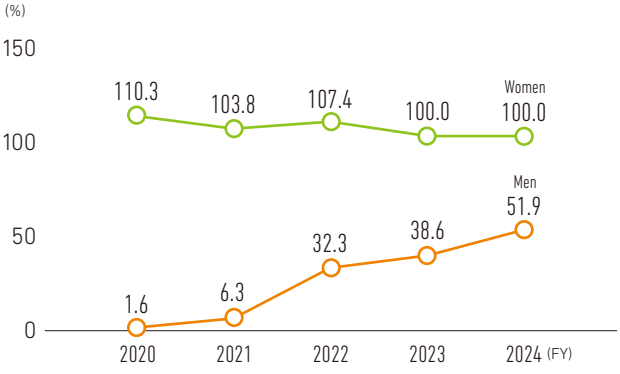
The introduction of diverse viewpoints and flexible thinking unbound by fixed concepts are essential to achieve the long-term vision "Vision 110." Promoting active participation by women leads to personal growth for all employees regardless of their gender and to the Company's development. To achieve these goals, I will contribute to creating workplace environments where employees can overcome occasional difficulties and perform their work with enthusiasm, while supporting career formation. By cultivating a corporate culture that encourages all individual employees to act on their own initiative, we are invigorating the entire organization to become a market-leading company.

Uta Miyakawa
Human Resources

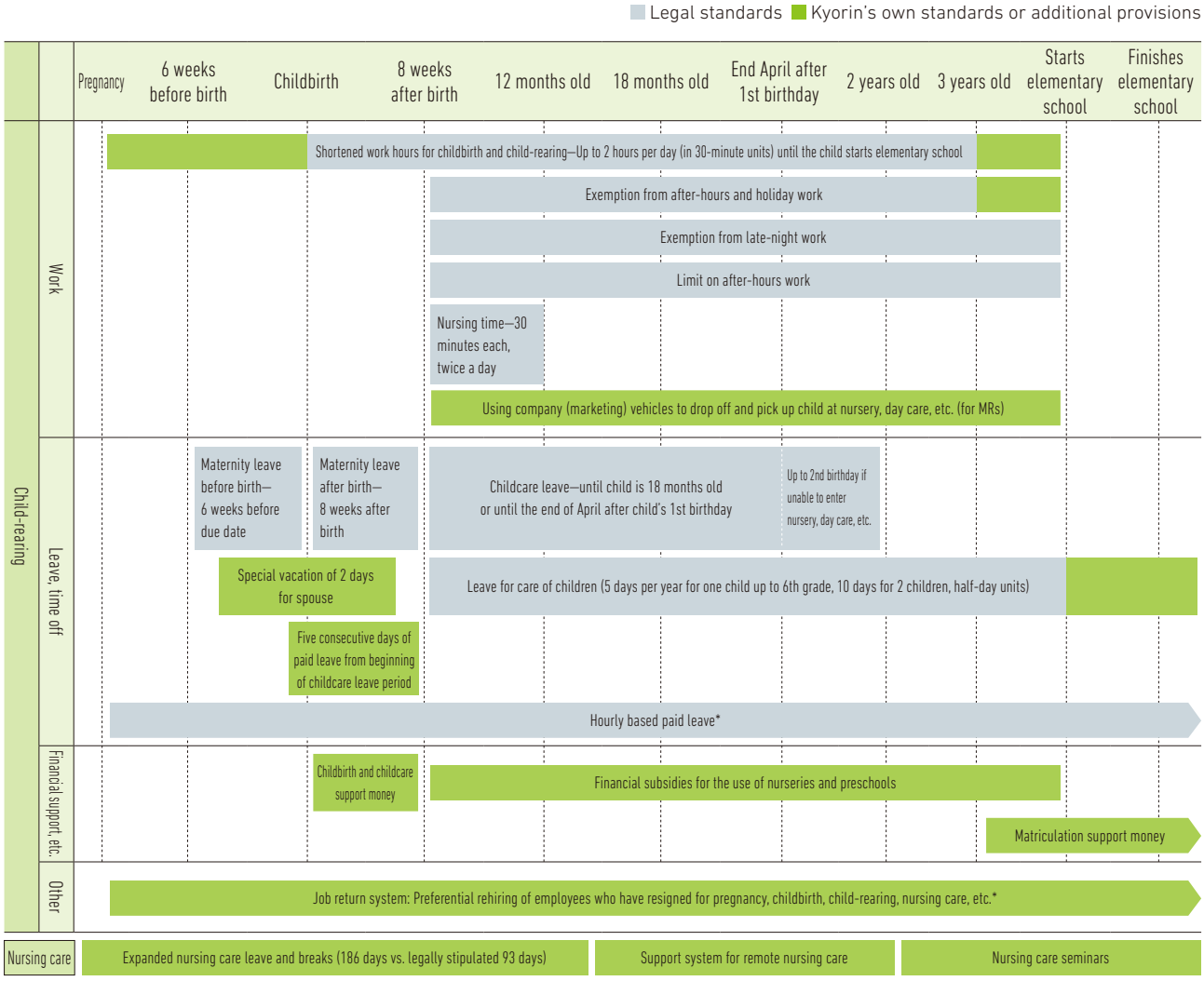
Support for employees' childcare and nursing care

We are creating workplace environments that facilitate a work-life balance by supporting employees' daily lives through life stages including providing childcare and nursing care, enabling them to have a rewarding work life against the backdrop of a healthy family life. In recognition of our initiatives for employees providing childcare or nursing care, in 2021, we received Kurumin Certification as a "company that supports child rearing" under the Act on Advancement of Measures to Support Raising Next-Generation Children. We had set a goal of having at least 50% of eligible male employees take childcare leave by fiscal 2025, which we achieved ahead of schedule when

Usage rate of childcare leave



The denominator is the number of employees who gave birth or whose spouses gave birth during the fiscal year. The numerator is the number of employees who took childcare leave (including those who had given birth or whose spouses had given birth in the previous fiscal year).



* Hourly based paid leave and the job return system are also available for nursing care support

51.9% of eligible male employees took leave in fiscal 2024. We are explaining the system and examples of its use to male employees wanting to take childcare leave to raise this percentage even higher. In November 2023, we began offering five days of paid leave from the beginning of the childcare leave period to create an environment that makes it easy for both male and female employees to take childcare leave. In fiscal 2024, we held a discussion session on male childcare leave at the WATARASE Research Center to share the experiences of male employees who had taken childcare leave Companywide.

Initiatives on disability hiring

As one of its social responsibilities, the Company strives to provide suitable work environments for employees with disabilities to enable them to give full play to their abilities and live independent lives like able-bodied people. We also endeavor to create work spaces that are easy for employees with disabilities to operate in, such as by using apps for employees with impaired hearing.

Job return system

The Company has created a job return system that provides opportunities for employees who have left the Company because of various major life events (marriage, a partner's job transfer, pregnancy, childbirth, child-rearing, nursing care, volunteer activities, overseas study, etc.) who still have a strong desire to work and are seen as vital by their colleagues to come back to their jobs.

Mid-career hiring

In addition to hiring new graduates, we hire mid-career people with advanced skills and extensive experience to create more diverse and flexible work styles. We work to eliminate concerns about things like unequal opportunities for promotion and strive to assign the right person to the right position.

Promoting the use of paid leave

Going beyond our legal obligations for paid leave under the Act on the Arrangement of Related Acts to Promote Work Style Reform (requiring companies to allow employees eligible for at least 10 days of annual paid leave to take five days with the timing selected by the employer), we promote the regular taking of paid leave. We encourage employees to take paid leave flexibly in hourly units and to take consecutive days off to enable them to maintain a good work-life balance to maximize their capabilities.

Promoting Health Management

The Kyorin Group believes that the health of each employee, both mental and physical, is essential for realizing our corporate philosophy and achieving our long-term vision, and on June 16, 2020, we formulated the Kyorin Group Health Declaration to promote Health Management.®* We aim to create workplace environments in which all employees are motivated to promote their own health and approach their work enthusiastically. In recognition of these efforts, the Company has been designated as one of the Certified Outstanding Organizations of KENKO Investment for Health (large corporate sector) for seven consecutive years, since 2019.

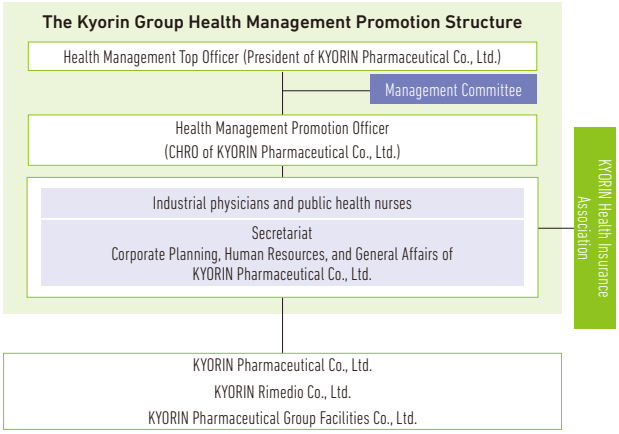
* Health Management® is a registered trademark of the nonprofit organization Kenkokeiei.

2025 健康経営優良法人 KENKO Investment for Health 大規模法人部門

Health Management Promotion Structure

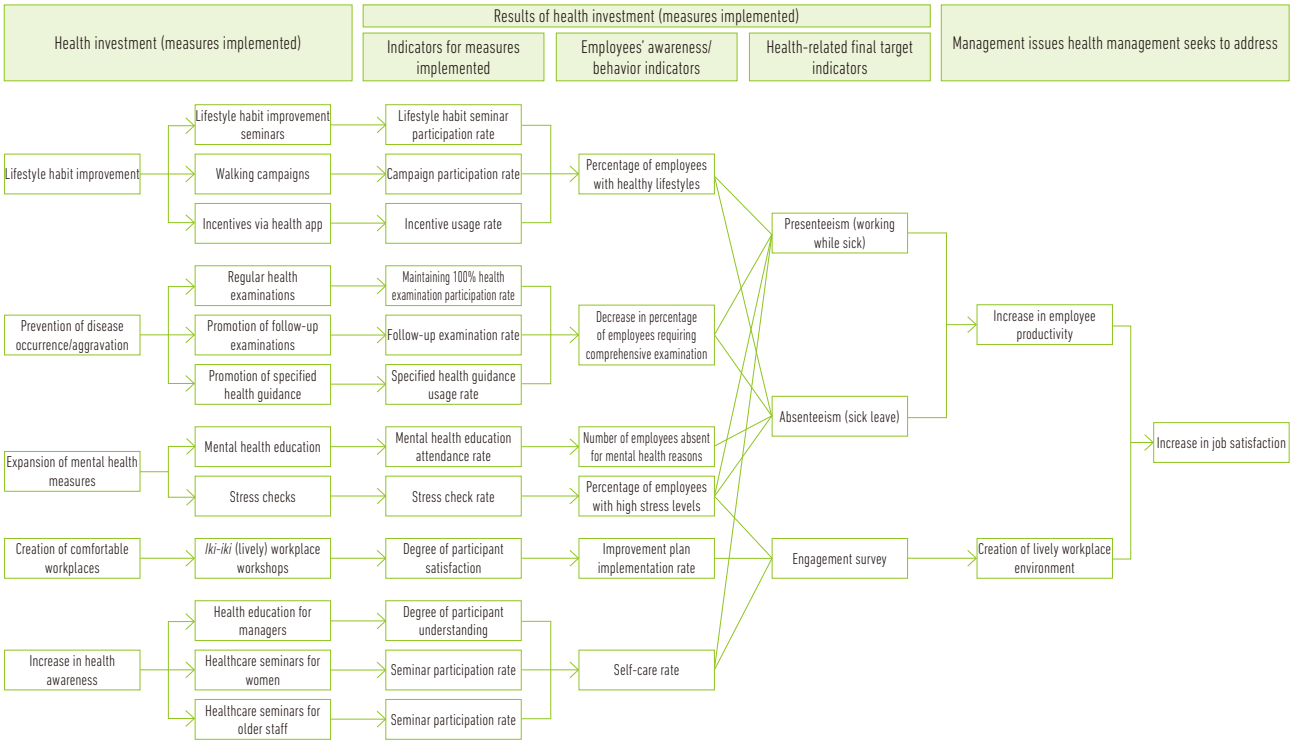
The top officer of this structure is the president of KYORIN Pharmaceutical Co., Ltd., and the promotion officer is the CHRO of KYORIN Pharmaceutical Co., Ltd. When sharing information with Group companies, we have a system in which industrial physicians, public health nurses, the KYORIN Health Insurance Association, and the secretariat work together to formulate health promotion measures and coordinate with health committees at individual companies to implement these measures. In response to health challenges linked to solutions to business challenges, we assess the expected benefits of these measures, as well as the connections between specific activities involved in maintaining and promoting health, and support health management based on a health management strategy map.

The Kyorin Group Health Management Promotion Structure



Health management strategy map

In our promotion of health management, we will implement measures according to a "strategy map" and verify the results in relation to our final target indicators while measuring behavior indicators.



Major initiatives

1. We will coordinate with health insurance associations to further implement health promotion measures.
2. We will achieve a 100% health examination participation rate and help employees maintain and improve their health.

	2019	2020	2021	2022	2023	2024	Target
Regular health examinations	100%	100%	100%	100%	100%	100%	100%

3. We will implement measures aimed at improving employee lifestyle habits (smoking, alcohol consumption, exercise, sleep, and diet). We are working to improve lifestyle habits and have set numerical targets for 2025, with 2019 as the reference year.

	2019 (reference year)	2020	2021	2022	2023	2024	2025 (targets)
Percentage of employees who do not smoke	80.6%	81.3%	82.3%	82.5%	82.7%	83.4%	85%
Percentage of employees who drink appropriate amounts of alcohol*	73.4%	74.6%	73.6%	70.1%	76.2%	80.9%	80%
Percentage of employees who walk or engage in equivalent physical activities for one hour or more per day	45.0%	44.8%	44.0%	44.8%	46.2%	45.5%	55%
Percentage of employees who get sufficient sleep	64.8%	72.8%	69.1%	67.2%	65.8%	64.0%	75%

* Percentage of male employees who drink less than 40 g of alcohol per day and female employees who drink less than 20 g of alcohol per day

4. We will implement measures that cover everything from the prevention, early detection, and early response to mental health issues to the support of employees returning to work and the prevention of relapses.
   We provide mental health education to managers and employees. Management training promotes consideration of subordinates and understanding of specific symptoms of mental disease, in an effort to prevent and detect symptoms at an early stage. Along with promoting the acquisition of knowledge to maintain mental health via the intranet and other platforms, we are building a structure to offer easily accessible consultations for employees and their families. When a mental health issue arises, the employee's department, industrial psychiatrists, public health nurses, and Human Resources work together to help the employee recover, return to work, and prevent a relapse. All employees also undergo an annual stress check, which is useful in their own health management.

	2019	2020	2021	2022	2023	2024	Targets
Percentage of employees taking stress checks	97.6%	97.0%	97.8%	97.5%	97.5%	99.2%	100%
Percentage of employees with high stress levels	10.6%	9.8%	10.3%	10.5%	10.8%	10.1%	—

Percentage of employees absent for mental health reasons: 0.85%; Returned to work: 44.4% (FY2024)

5. We will conduct presenteeism studies and verify the effectiveness of our health promotion measures.
   Presenteeism refers to being at work despite not feeling well and not being able to mentally or physically function as intended, thereby performing below the normal level. Since 2020, Kyorin has been conducting surveys using the Wfun (Work Functioning Impairment Scale), developed by the University of Occupational and Environmental Health, Japan.

The Kyorin Group Health Declaration

(Established on June 16, 2020)

—Your Health is Kyorin's Mission—

The Kyorin Group views the health of its employees as a vital management issue, and is committed as an organization to promoting the health management of each and every employee.

1. To ensure that our employees and their families can live active lives, we pursue the maintenance of their sound physical and mental health by working hand in hand with a health insurance association.
2. We proactively support our employees' efforts to maintain and improve their health and to further their health awareness.
3. We implement measures to maintain and improve our employees' health and create safe and comfortable work environments as we aim to build business operations that allow us to fulfill our social mission of contributing to better health.

We strive to maintain and improve the health of our employees and their family members, to create a healthy and lively workplace culture where our employees can live up to their full potential, and to further increase their motivation and work satisfaction.

Kyorin's Passion

Walking events to build health

I walk with the goal of taking at least 15,000 steps every day. I started doing this because I was having difficulty moving immediately after I got out of bed in the morning and when going up or down stairs. I maintain my motivation by participating in Let's Walk events, held by the KYORIN Health Insurance Association, and by using apps that offer special benefits. My daily routine to date has been to walk for one hour each during my morning and evening commutes. After approximately one year, my weight has decreased about 30 kilograms and my blood test results have improved to within normal ranges. As long as I do not overeat, I can eat whatever I want and enjoy a drink after work, so I will continue to strive for improved health and a stress-free life.

Naoya Kitamura
Legal and Corporate Compliance

Carrying Out Environmentally Friendly Business Activities

The Kyorin Group's Charter of Corporate Conduct details our understanding that "the tackling of environmental issues is a mission for all humankind and an imperative component of the very existence of corporations to which it remains voluntarily committed." Business activities that take into account climate change and other environmental considerations are one example of our materiality.

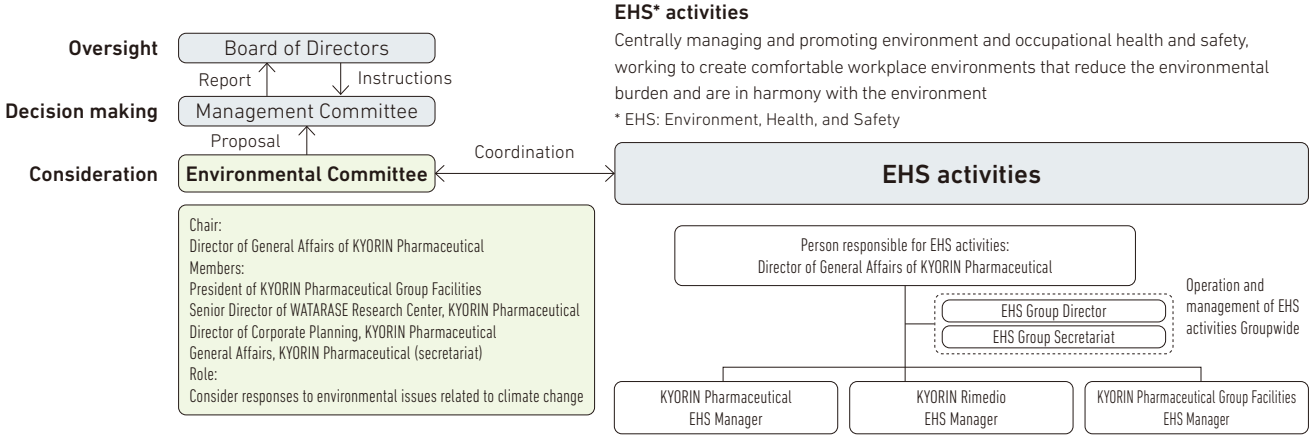
Following our basic policy on sustainability, the Group promotes reduced use of environmentally harmful materials and the effective use of the world's limited resources through energy and resource conservation, waste reduction, and enhanced chemical substance management in all our business activities. By setting and constantly reviewing objectives and targets for these initiatives, we are voluntarily and proactively committed to protecting the environment and preventing pollution.

Information disclosure based on TCFD recommendations

We have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Following those recommendations, we have identified climate-related risks and opportunities and are addressing climate change and other environmental issues.

Governance

We have established an Environmental Committee, chaired by the Director of General Affairs and led by General Affairs, to implement and promote environmental measures, including ones addressing climate change, as a structure to consider environmental measures Groupwide. The committee is primarily composed of directors, corporate auditors, and corporate officers responsible for plants and research centers doing business related to the environment in local communities or involved in management strategies. It considers responses to environmental issues (vision, targets, road maps, etc.), then reviews them. In coordination with environmental, health, and safety (EHS) activities, the committee identifies and evaluates risks and opportunities related to climate change and comprehensively compiles additional measures that it proposes to the Management Committee, with the resulting decisions reported to the Board of Directors.



Strategy

Regarding environmental issues, we are pursuing the challenge of "carbon neutrality by 2050" as part of our long-term vision. We are considering a gradual transition and new capital investments in energy from renewable sources to reduce CO_2 emissions, with a target of "reducing CO_2 emissions 46% from the fiscal 2015 level by fiscal 2030."

We are promoting the effective use of the world's limited resources and have set targets to protect the environment under the important themes of preventing global warming, protecting resources, and living in harmony with the natural environment. Our three plants, except the Takaoka Plant, which began operations in April 2024, have obtained ISO 14001 certification, an international standard for environmental management systems. We will maintain and continue these measures going forward.

Risk management

The effects on the Kyorin Group's business and management from global warming and climate change themselves, as well as changes to the business environment from long-term policy related to climate change, are broken down as physical risks and earnings opportunities caused by climate change and transition risks to a decarbonized society, and undergo a scenario analysis.

The scenario analysis is carried out by referencing documents and materials including the Intergovernmental Panel on Climate Change's (the IPCC's) Sixth Assessment Report's SSP1-1.9 (1.5˚C scenario) and SSP5-8.5 (4˚C scenario).

1.5°C Scenario

Transition Risks

Segment	Event	Risks	Response policy
Policies, laws and regulations	Introduction of an environmental (carbon) tax	• The introduction of an environmental (carbon) tax on greenhouse gas emissions related to research, manufacturing, and marketing could increase costs.	• Further promote activities to reduce CO_2 emissions with the establishment of the Environmental Committee • Transition gradually to electric power from renewable sources at plants and research centers • Replace sales force vehicles with hybrid vehicles • Efficiently use the EHS management system
	Installation of equipment and machinery	• The replacement of existing equipment with new models that can operate with renewable energy as a result of newly enacted laws and regulations could increase costs.	• Consider new installations and systematically upgrade equipment to energy-saving models and machinery
Market	Changes in procurement/ operational costs	• Increasing the percentage of electric power generated from renewable energy sources could raise the cost of electric power procurement. • Responses to transition risks by suppliers and logistics subcontractors could increase manufacturing and logistics costs.	• Systematically introduce electric power generated from renewable sources • Consider installation of highly efficient machinery • Cooperate with suppliers, logistics subcontractors, and others to reduce logistics costs
Evaluation	Assessment from investors	• Delays in the Company's introduction of climate change countermeasures could erode investor confidence and negatively affect the share price. • Insufficient disclosure of information could reduce share price.	• Disclose timely and appropriate information including status of climate change countermeasures • Participate in external surveys

4°C Scenario

Physical Risks

Segment	Event	Risks	Response policy
Acute risk	Direct damage from unusual weather (typhoons, heavy rains, etc.)	• Localized heavy rains, large typhoons, etc., could cause flooding, halt operations, and necessitate repair expenses at research, manufacturing, and logistics centers. • In addition to Group facilities, supply chain disruptions (affecting materials procurement and shipment logistics) could occur.	• Consider and implement equipment plans that envision water damage, etc. • Carry out drills that envision emergencies • Appropriately manage inventories • Secure multiple and alternative suppliers of materials
Chronic risk	Changes in location of centers, procurement, and operations from changes in climate patterns, higher temperatures, rising sea levels, etc.	• Several research and manufacturing centers are located near rivers, and sea levels are rising due to higher temperatures. Flood susceptibility countermeasures in response to changes in climate patterns and reviews of locations could increase costs. • Responses to physical risks by suppliers and logistics subcontractors could lead to higher market prices and increase manufacturing and logistics costs. • Air-conditioning temperature management in manufacturing, warehousing, and logistics in response to higher temperatures could increase costs.	• Consider and implement equipment plans that envision water damage, etc. • Appropriately manage inventories • Consider optimizing locations from a business continuity planning (BCP) perspective • Secure multiple and alternative suppliers of materials • Improve energy efficiency

Earnings Opportunities

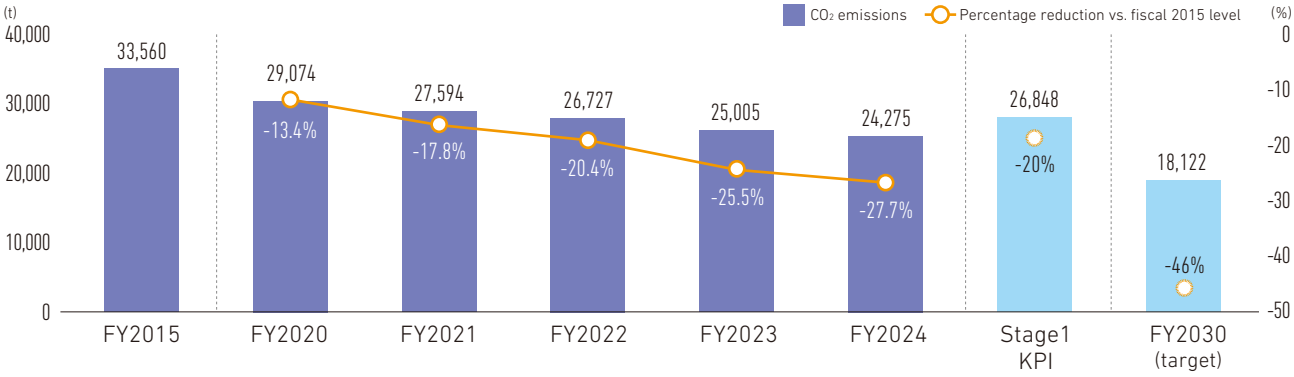
Segment	Event	Earnings opportunity	Response policy
Market changes	Changes in disease trends	• Increases in infectious disease from rising temperatures could increase the Company's business opportunities. • Demand and scope of appropriate use of our products for the prevention, diagnosis, and treatment of infectious disease could increase and expand.	• Develop solution proposal activities for infectious diseases • Proactively invest in pipeline expansion

Indicators and targets

Tackling environmental issues is a mission for all humankind. We are voluntarily pursuing the challenge of "carbon neutrality by 2050" as an imperative component for the very existence of corporations.

2030 target: Reduce CO_2 emissions (Scope 1 + Scope 2) 46% in fiscal 2030 vs. fiscal 2015 level

CO_2 emissions and percentage reduction vs. fiscal 2015 (Scope 1 + Scope 2) level



Measures toward achieving targets

Systematic upgrades and proactive capital investment in equipment

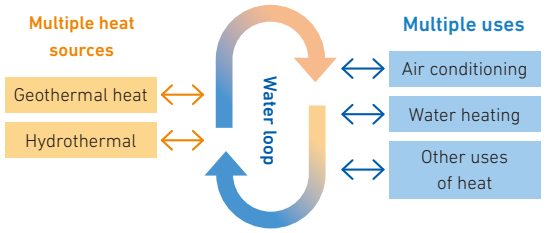
To reduce CO_2 emissions, we are systematically upgrading antiquated manufacturing equipment, air conditioning, and other equipment to new models with superior energy-conservation functions, while introducing LED lighting and other measures. In addition, we are currently considering proactive capital investment in heat conversion and highly efficient machinery and making preparations for concrete implementation.

The Takaoka Plant uses equipment systems and machinery much more efficient than ones at previously existing manufacturing centers to reduce energy use. It is also using liquefied natural gas (LNG), other clean energy, and renewable energy including hydroelectric power to reduce air pollution and global warming. As a result, CO_2 emissions in fiscal 2024 were reduced approximately 2,932 tons. We are also working to lessen the environmental impact of wastewater and have completed installation of equipment to prevent pollution of nearby rivers and emission of odors in surrounding areas.

The WATARASE Research Center has installed ReHP* technology. Operation of this system during fiscal 2024 reduced electric power consumption 68,375 kWh and CO_2 emissions approximately 29.5 tons compared with those from conventional heat pumps for air conditioning and heating, achieving energy savings of approximately 35%.

Takaoka Plant

ReHP schematic diagram



* A Renewable Energy Heat Pump (ReHP) is a highly efficient heat pump that uses renewable energy. The ReHP installed at two adjacent buildings (CS and LAB1) at the WATARASE Research Center uses geothermal heat and unused waste heat from a water chiller as a heat source and circulates heated water in a single loop used by air-conditioning and water-heating equipment to increase energy efficiency.

Introducing renewable energy

We are working to reduce CO_2 emissions by gradually replacing electric power at research centers and plants with power from renewable sources. Of the electricity used during fiscal 2024, the percentages derived from renewable sources were 20% at the WATARASE Research Center, 20% at the Noshiro Plant, 100% at the Takaoka Plant, 0% at the Inami Plant, and 10% at the Shiga Plant.

Reducing number of sales force vehicles and replacing with hybrid vehicles

From the perspective of preventing global warming, we are reducing the number of sales force vehicles and replacing vehicles with ecologically friendly versions including low-emission vehicles and hybrid vehicles. As of March 2025, all 803 sales force vehicles met the standard for low emission, and of these, 316 are hybrid vehicles, which were introduced in 2004. In addition, these vehicles adhere to the Ministry of the Environment's "Eco-Driving" guidelines regarding their impact on the environment and for traffic safety.

Other initiatives

Water resource management

In addition to monitoring the volumes of water intake and wastewater outflow, we are striving to preserve water resources by using wastewater treatment buildings and primary treatment equipment at research centers and plants for the appropriate management of the quality of water outflow. Water intake during fiscal 2024 totaled 261 thousand m^3, and wastewater volume amounted to 107 thousand m^3, with wastewater pH, BOD, and SS at all research centers and plants within standard levels.

Air pollution management

We regularly measure and manage soot particles as well as NOx and SOx emissions from boilers and generators.

Reducing waste materials

We are proactively implementing 3R (reduce, reuse, recycle) initiatives for waste materials to effectively use limited resources.

Chemical substance management

We strive to appropriately manage specified chemical substances by following the Japanese government's Pollutant Release and Transfer Registers (PRTR) system.

KYORIN Group material flow (fiscal 2024)

Raw materials	Materials	Energy	Water
389 t (PRTR substances: 7.2 t)	**Total: 1,988 t** Materials: 1,947 t Paper usage: 41 t	**Total heat: 516,723 GJ** (crude oil equivalent: 13,327 *kℓ*) Electricity: 36,786 thousand kWh Heavy oil: 913 *kℓ* Kerosene: 2,287 *kℓ* Gasoline: 1,081 *kℓ*	**Total: 261 thousand m^3** Drinking water: 170 thousand m^3 Groundwater: 91 thousand m^3

Research and Development | Manufacturing | INPUT / OUTPUT | Sales | Management

CO_2 emissions	Waste	Sewer water	Packaging recycled
55,402 t Scope1: 12,767 t Scope2: 11,508 t Scope3: 31,127 t	Generated: 715 t Recycled: 446 t Landfilled: 32 t	107 thousand m^3	Total: 746 t

CO_2 emissions (Scope 1, 2, and 3)

The Kyorin Group strives to expand the scope of coverage to calculate CO_2 emissions throughout its supply chains.

Scope 3
Other indirect emissions

- Purchased products and services 7,374 t
- Capital goods 17,844 t
- Fuel- and energy-related activities not included in Scope 1 or 2 1,796 t
- Business travel 1,395 t
- Employee commuting 952 t

Scope 1
Direct emissions from the use of fuel in-house and industrial processes

- Direct emissions 12,767 t

Scope 2
Indirect emissions associated with use of purchased electricity and heat

- Indirect emissions from energy sources 11,508 t

Scope 3
Other indirect emissions

- Waste materials from businesses 284 t
- Disposal of products sold 481 t

Scope 3
Other indirect emissions

- Transport, delivery 1,001 t

Ensuring Thorough Compliance

Along with adhering to all laws, regulations, and codes of conduct in both letter and spirit, and promoting compliance with high ethical standards, the Kyorin Group is engaged in activities that appropriately manage internal and external business-related risks with the aim of continuously enhancing corporate value. Each Group company has a Compliance Committee and a Risk Management Committee, which work to propose various policies and raise awareness, promote compliance and risk management, and prevent legal and regulatory violations.

Compliance

Basic policy

An enterprise is required to promote the realization of a sustainable society through the creation of added value and employment that are useful to society and through autonomous and responsible actions based on fair and free competition. Following our corporate philosophy, the Kyorin Group conducts its activities in Japan and overseas based on a high standard of corporate ethics, in compliance with both the letter and the spirit of relevant laws, regulations, and international rules.

Charter of Corporate Conduct and Compliance Guidelines

Using the Corporate Ethics and Compliance Guidelines, in August 2006, we formulated the Charter of Corporate Conduct and the Compliance Guidelines, which were revised in April 2019 to reflect our commitment to a sustainable society and again in April 2023 to reflect the Group's restructuring and changes including legal revisions and social developments. We are also building a structure to promote compliance, including the establishment of a Compliance Committee, which is chaired by the corporate officer responsible for compliance and led by Legal and Corporate Compliance. The committee meets monthly and reports regularly on the content of its meetings to the Management Committee.

Respect for human rights

Kyorin's respect for human rights is outlined in the Charter of Corporate Conduct and the Compliance Guidelines. The Group is managed with an understanding of international norms related to human rights and with a priority on respect for the human rights of all people. We have also established guidelines to prevent harassment including sexual harassment, harassment related to pregnancy, childbirth, childcare leave and nursing care leave, as well as for the prevention of "power harassment" by managers toward their subordinates.

Education and training

Companywide level-specific training and functional training are held to teach corporate ethics and compliance, and efforts are made to ensure that an understanding and consideration of compliance are reflected in the work performed by directors, corporate auditors and officers, and employees. We have designated June and November as twice-yearly "compliance enforcement months" and are working to ensure that compliance is thoroughly understood and practiced through initiatives designated for each department and employee.

Internal whistleblowing system

The Kyorin Group has established a "Corporate Ethics Hotline" to accept inquiries, consultations, and reports regarding corporate ethics and responses to laws and regulations, etc. The Group also accepts whistleblower reports of suspected injustice or non-compliance via internal and external points of contact. We strictly maintain the confidentiality of whistleblowers, respect their privacy, and ensure that they are not disadvantaged.
Whistleblowing reports: three (fiscal 2024)

Initiatives related to transparency in relationships with medical institutions and other parties

The mission of a pharmaceutical company is to contribute to the health and welfare of people around the world through ongoing research and the development of high-value new drugs that address medical needs and by providing stable supplies of those drugs. To fulfill this mission, partnerships with pharmaceutical companies, research laboratories, and medical institutions including universities and others are essential, and we are required to properly manage our relationships where there is a potential conflict of interest with pharmaceutical companies. Against this backdrop, the Kyorin Group has established the Guidelines for Transparency of Relationships between Corporate Activities and Medical Institutions, etc., and the Guidelines on Collaboration with Patient Groups and Transparency of Their Activities. In accordance with these guidelines, we disclose information about funding to medical institutions, patient groups, and others on our website.

Risk management

The Kyorin Group companies have established the Risk Management Committee, which is held once a month to

develop a management system that seeks to prevent the occurrence of risks and handle any risks that arise. The details of these meetings are regularly reported to the Management Committee. The Risk Management Committee oversees risk management initiatives across the entire Group, while also promoting activities to be implemented as necessary at respective divisions to build a structure to identify potential risks, reduce risks, and prevent risk events from occurring, and to minimize the damage from risk events that do occur unavoidably. If a problem arises, it will be reported to the corporate officer in charge in a timely manner. In the event of a natural disaster or other risk that could significantly impact business, a Crisis Management Headquarters, headed by the president, will be established to manage the crisis.

Business risks

The Kyorin Group carries out its business in compliance with the Act on Pharmaceuticals and Medical Devices and other relevant laws and regulations of Japan and other countries. However, we recognize the following risks with the possibility of substantial impacts on our operating results and financial position from factors including major revisions to relevant laws and regulations, medical system reforms, drastic changes in market conditions, and large-scale natural disasters. We are addressing these risks organizationally and systematically. However, the risks and uncertainties that could affect the Group are not limited to these.

Risks related to value creation

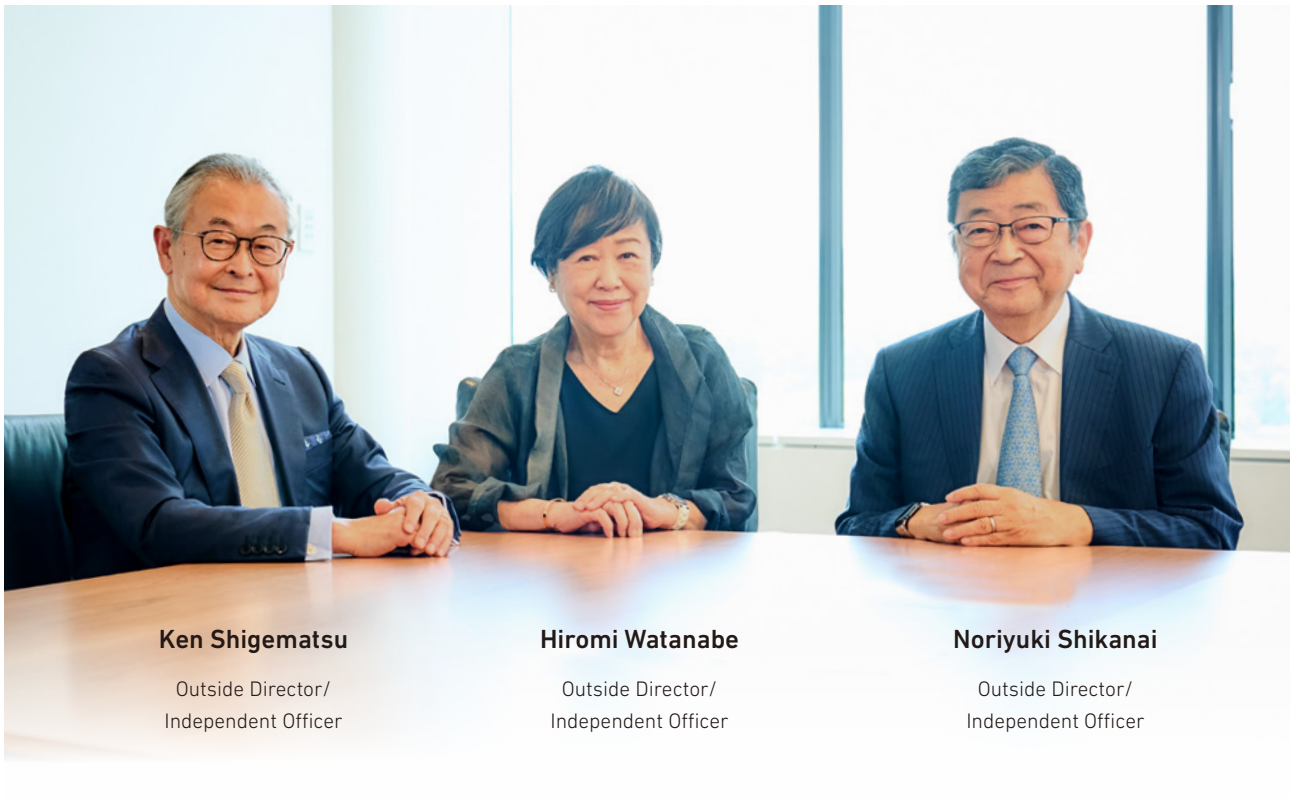
Potential risks	Major initiatives
Risks related to research and development • Delays in or discontinuation of development for reasons including emergence of safety problems or inability to confirm expected effectiveness of development candidates	• Strengthening capability to create high-value new drugs that meet medical needs • Significantly strengthening in-licensing capabilities • Expanding development pipeline
Risks related to stable supplies • Delays in or cessation of manufacturing activities or purchasing due to unforeseen developments • Product recalls, etc., due to emergence of problems with product quality, etc.	• Securing products and raw materials to fully meet demand • Adjusting production plans and inventories through close coordination with subcontracted manufacturers and suppliers • Diversifying subcontracted manufacturers and suppliers of raw materials, etc. • Further increasing production capacity and productivity with four-plant structure • Strengthening reliability assurance system in compliance with pharmaceutical-related laws and regulations
Risks related to medical system reforms • Unforeseeable drug price revisions or medical insurance system reforms	• Maximizing ratio of new drugs to increase earnings strength • Increasing cost competitiveness by reducing pharmaceutical manufacturing costs and optimizing costs Groupwide
Risks related to alliances • Dissolution of alliances, major changes in partners' business strategies or operating environment	• Maintaining and continuously developing alliances by improving relationships with business partners based on their sales strategies and R&D trends
Risks related to competition with other pharmaceutical products • Competition from other companies' products, release of generic drugs • Entry of companies from other industry sectors using advanced technology	• Increasing market penetration of new drugs through solution provision originating in franchise customer strategy • Developing generic drugs business utilizing Group's unique strengths with focus on manufacturing and sales of authorized generics
Risks related to the occurrence of side effects • Restrictions on use, product recalls, or cessation of sales due to unexpected serious side effects after market launch	• Collecting and analyzing broad range of safety-related information after products are launched • Swiftly providing appropriate information to medical facilities
Risks related to intellectual property rights • Business interruption or dispute due to Group's infringement on other companies' intellectual property rights or outside parties' infringement on Kyorin's intellectual property rights	• Strict management of intellectual property rights • Ongoing monitoring to check for infringements by third parties

Risks related to base to support value creation

Potential risks	Major initiatives
Risks related to IT security and information management • Unforeseen business disruption or external leakage of information, etc., due to computer system failure, computer virus, cyberattack, etc.	• Introducing information technology (IT) security services, carrying our regular data backups • Formulating various information management regulations, carrying out thorough employee training
Risks related to human capital • Stagnant growth from inability to secure qualified, diverse human resources due to intensified competition in hiring or drastic changes in labor environment	• Appropriately operating human resources management system • Proactively promoting initiatives for active participation by women, etc., and work-style reforms that respect diverse values
Risks related to litigation • Litigation related to intellectual property rights, product liability (Product Liability Act), labor, etc.	• Response based on advice of experts, etc.
Risks related to environmental issues • Violations of related laws and regulations due to accidents, etc. • Introduction of environmental taxes, changes in procurement or operating costs, etc., associated with transition to a decarbonized society • Changes at business locations and in procurement, operations, etc., due to damage from irregular weather or changes in weather patterns	• Compliance with relevant laws and regulations and creation of high voluntary standards • Integration of the environmental management system and the occupational health and safety management system to promote environmental, health, and safety (EHS) activities throughout the Group • Establishment of Environmental Committee to conduct business activities that take into account environmental impact at Group level
Risks related to large-scale disasters, etc. • Plant closing, cessation of operations, etc., at manufacturing subsidiaries or suppliers due to major natural disaster, accident, or pandemic	• Preparation of response manuals and implementation of drills to prepare for large-scale disasters, etc. • Stable supply system through maintenance of specific amounts of product inventories, etc.
Risks related to fluctuations in financial markets • Losses on import/export transactions, increased interest expenses, sharply higher purchasing prices, valuation losses on pension assets, retirement benefit obligations, equity holdings, etc.	• Confirming financial market trends and reviewing forward foreign exchange contracts and fund procurement methods when formulating management plans

Dialogue among Outside Directors

Kyorin's three outside directors had a conversation to exchange views on themes including the Company's corporate governance reforms and enhancement of the effectiveness of the Board of Directors. They also expressed frank views on issues and responses for achieving the long-term vision "Vision 110" and continuous growth going forward from their respective perspectives.



Ken Shigematsu
Outside Director/
Independent Officer

Hiromi Watanabe
Outside Director/
Independent Officer

Noriyuki Shikanai
Outside Director/
Independent Officer

What do you see as the role of outside directors?

Shikanai

When I took office as an outside director in 2013, discussions about the Corporate Governance Code were just beginning in Japan. As a director, I participated in the Board of Directors' deliberations regarding the process in response to the Tokyo Stock Exchange's announcement of the Corporate Governance Code in 2015 until its implementation at the Company. As I am an attorney by profession, I had the option of offering opinions from an auditor's legal perspective. But as an outside director, I recognize that my primary role is to present objective, third-party opinions to the Company's management. I am also a legal advisor or auditor at other companies, so I try to give advice for enhancing Kyorin's corporate value based on factors including the management at other companies and the types of corporate governance recently being called for.

Shigematsu

I originally worked for a department store, spending many years conducting business in the retail sector, which is the farthest downstream market in supply chains and the market closest to consumers. I was primarily engaged in product development and international business and was posted overseas. Later, I was involved in managing a metalworking company in the manufacturing sector, which is upstream in the supply chain. From experience in both upstream and downstream industries, I believe two things are important for corporate management regardless of the industry. The first is to strive to enhance future corporate value. The second is for corporate management to have strict and effective governance. I want to work with my colleagues to think about how we can focus on setting the direction of Kyorin's future.

Watanabe

I took office as an outside director in 2019, when boards of directors were being called upon to ensure diversity in areas including gender and international perspectives, and when Kyorin had no female directors. As a medical doctor, I have worked at various medical institutions including university hospitals and have also been involved in university-level teaching. Kyorin is famous for its Corporate Message of "Your Health is Kyorin's Mission," which convinced me to join the Board of Directors to offer input as a doctor and despite no experience in corporate management. In line with the perspective of the Board of Directors' diversity, I hope that I express opinions from a woman's standpoint to help women working at Kyorin thrive.

What is your assessment of the effectiveness of the Board of Directors?

Shikanai

I believe that years ago the Board of Directors had a strong tendency to just formally approve proposals. As times changed and a new generation of directors arrived, I feel that efforts to enhance the board's effectiveness have led to major changes in today's board. Deliberations are much more active than in the past. The board has become a venue where directors engage in rigorous exchanges of opinions from various perspectives.

Shigematsu

Kyorin's current Board of Directors is made up of three internal directors and three outside directors, a composition that ensures objectivity. When KYORIN Pharmaceutical marked its 100th anniversary in 2023, the Company introduced a new Group structure, clarified the roles of directors and corporate officers, and separated the management supervision and business execution functions. This change gave directors a strong awareness of having greater responsibility for supervision, with the authority for actual business execution transferred to corporate officers.

I have been a director at several companies and believe that Kyorin's Board of Directors functions effectively with appropriate corporate governance. For example, proposals from outside directors are included in the schedule for discussion topics at the Board of Directors' meetings throughout the year and debated. We also receive in-depth explanations in advance for proposals to be presented at every month's Board of Directors' meeting, with President Ogihara participating. This arrangement means that on the day of the meeting, we can participate in discussions with a thorough understanding of the proposals being made.

Kyorin has also established a voluntary Committee on Remuneration and Nominations, which ensures that the systems for director personnel matters, evaluation, and compensation operate appropriately, while leading sequential discussions about succession plans to maintain the management structure from a long-term perspective. The majority of the members of the Committee on Remuneration and Nominations are outside directors, a composition that ensures the committee's objectivity, transparency, and independence.

Watanabe

Initially I did not understand many things, but the opportunity to ask questions in advance about proposals is very helpful. The Board of Directors itself operates within an atmosphere that makes it easy for us to speak freely. Even when I express an opinion that differs with those of the internal directors, they respond very flexibly and carefully listen and consider what I say. Having discussions that incorporate diverse opinions is very important. We strive to create as many opportunities for this as possible.

Shikanai

In the 10 years since the Corporate Governance Code was adopted, companies have responded in clearly different ways, but Kyorin has made steady progress. I believe that corporate governance reforms have been particularly effective under the current management structure. The knowledge of the three outside directors is mutually complementary, and we are constantly studying so that we can contribute to expedited decision making and more sophisticated management. We all have different specializations, and I immediately share news and information that I think will be useful with the two other outside directors.

Shigematsu

In the United States, outside directors hold executive sessions only among themselves to exchange opinions. At Mr. Shikanai's suggestion, we regularly hold these sessions semiofficially. Japan's Corporate Governance Code also recommends the introduction of executive sessions. These exchanges of information lead to more objective opinions that contribute to enhancing Kyorin's corporate value.

What are the sources of Kyorin's strength?

Watanabe

I do not have many opportunities to talk with employees directly, but I was able to communicate with employees at the 100th anniversary ceremony in 2023 and do so when I attend in-house awards ceremonies. Everyone has been

very well mannered, energetic, and extremely sincere, giving me the impression that they are friendly and easy to talk to. I have been interacting with medical representatives (MRs) for some time now and have found many of them very talented. Their enthusiastic marketing activities make me feel that the Company as a whole provides quality drugs with a sense of their mission to contribute to medical care. I believe that enhancing the capabilities of our employees even further will lead to additional growth for the Company.

Shikanai

I do not have many opportunities to interact with employees either, but when I met some young employees working on the front line recently, I was very impressed. They are enthusiastic and work diligently. I am sure that they will produce results.

A pharmaceutical manufacturer carries a strong sense of being in a kind of defensive industry, but a company cannot grow if it is only defensive. I felt that the young employees I met have the desire and enthusiasm to break out of the shell of being defensive.

Shigematsu

I believe that Kyorin's strength is in formulating plans and then steadily realizing them. The Company is able to achieve things systematically, and in this regard I believe the Company enjoys a great deal of trust. As we approach the 110th anniversary of the Company's founding, the long-term vision "Vision 110" aims for Kyorin to become "a company that contributes broadly to people's health by comprehensively developing healthcare-related businesses, with a core focus on the new drugs business, which continuously provides high-value new drugs that meet medical needs." We have also set targets for the businesses in the priority areas of respiratory, otolaryngology, and urology, and have clearly laid out new areas of drug discovery research. These business strategies themselves are Kyorin's greatest strength. The WATARASE Research Center, our R&D base for proprietary drug discovery, is a facility with an extremely high level of drug discovery capabilities. I have very high expectations for our drug discovery, which is focused on this research center while we strengthen cooperation with outside institutions. With the new Takaoka Plant completed and full-scale operations begun in 2024, we have a structure for increased production in the future. I also recognize that Kyorin's marketing capabilities are in the top class of the industry. The Company has significant potential in terms of drug discovery, production, and marketing, with a good balance among the three. The issue going forward will be how to demonstrate these strengths.

What are the issues for future growth?

Shikanai

I believe that our business strategies have a very good direction, but if I am forced to name an issue, I would say international aspects. It is essential that we increase our opportunities as a company for overseas cooperation, including the in-licensing and out-licensing of pharmaceuticals, and incorporate superior new ideas, technologies, and management methods. This approach will significantly broaden our possibilities for growth. As I mentioned previously, the younger-generation employees are very enthusiastic. I have high expectations for developments in the future.

For 23 years, I taught at graduate schools, where I considered interaction with students very important and greatly enjoyed watching them grow. I sincerely hope that everyone at KYORIN Pharmaceutical will pursue all kinds of challenges and seize opportunities for growth.

Shigematsu

I see two main things that we need to do for the Company to be forward looking and to ensure continuous and sound growth. The first is to accelerate drug discovery. We are

already fully engaged in this but need to speed up our efforts in light of technological development and intensifying market competition worldwide. In addition to the drug discovery we have carried out to date, we need to look for more ways, including tie-ups with other companies, to fast-track development. One feature of the pharmaceutical business is that patents on the products themselves expire, meaning that products' life cycles are shorter than those of general daily consumables. Therefore, it is important to expand the development pipeline that considers products' life cycles.

Another goal is to improve capital efficiency, but first we need to increase sales and profit. Then the point will be how to raise asset efficiency. This will require various approaches including inventory reductions.

Of course, the actual driving force behind this will be people, also referred to as human capital. I want to increase the value of our human capital by creating favorable workplace environments in terms of job satisfaction and women's active participation, and by training and securing human resources. In addition, with the use of artificial intelligence (AI) expected to increase, even though we are already using AI in drug discovery and marketing, I believe that using it more widely will lead to improved efficiency and reduced costs at all businesses.

What are your expectations for KYORIN Pharmaceutical going forward?

Shikanai

Our three visions for Kyorin's future may take different forms, but I would say that they all point in the same direction. My hope is that we become a company where all our employees—human resources—can play an even more active role. If employees work hard and actively participate, Kyorin will become a strong company that broadly contributes to society. Since we have many employees capable of doing this, I want them to continue to push forward.

Shigematsu

As President Ogihara often says, Kyorin's orientation toward proprietary drug discovery is extremely strong. I believe we must raise this conviction even higher as a shared Companywide mindset. Of course, near-term business results are important, and it is also important for the Company to formulate and achieve medium-term business plans. Nevertheless, the world around us is changing drastically, and with people's values changing, companies' business environments are also shifting considerably. To

move forward without being swayed by these changes, everyone must have a shared vision for the long-term future. The Board of Directors' discussions have focused on clarifying a forward-looking vision for the Company—what kind of businesses it will pursue and what its corporate value will be. The Company's current initiatives represent a team effort involving top management, middle management, and front-line employees. I hope that we will move forward while having in-depth discussions about our future and keeping lines of communication open.

Watanabe

That is true. Since drug discovery begins with a strong desire to provide patients with effective drugs that improve their quality of life even if they are sick, I want the Company to continue to create truly useful drugs. As a member of the medical community, I strongly feel that no matter how far AI advances, in the end, it is people who will use it, and I believe people's responsibility will not change. As Mr. Shikanai said, I want Kyorin to be a company that cares for people and facilitates their active participation. I would also point to women's active participation in particular. With a decreasing population, productivity can be maintained if women are active in the workplace. Japanese policymakers have set a target for women to make up 30% of companies' boards of directors by 2030. The percentage of female directors at some non-Japanese pharmaceutical manufacturers is already quite high. The eagerness and intentions of women themselves are the most important factors for promoting women's active participation at Kyorin. At the same time, I hope that male employees will show an understanding of their female co-workers' work styles and cooperate to raise women's motivation.

Strengthening Corporate Governance

The Group will work to improve sustainable corporate value to gain the confidence and meet the expectations of all stakeholders. As part of these efforts, the Group considers strengthening and enhancing corporate governance an important management issue.

Fundamental approach to corporate governance

The most important management goal for the Company is to continue raising shareholder value. To achieve this goal requires fostering a management environment that enables us to build trust with the general public. Therefore, having given better corporate governance a high priority, we seek to ensure prompt decision making, strong monitoring of the appropriateness of management, and ethical and transparent corporate activities. To ensure transparency and fair disclosure, we release appropriate information without delay for the benefit of shareholders and investors. In the future, we intend to actively increase our disclosure of information and expand our communications with all stakeholders.

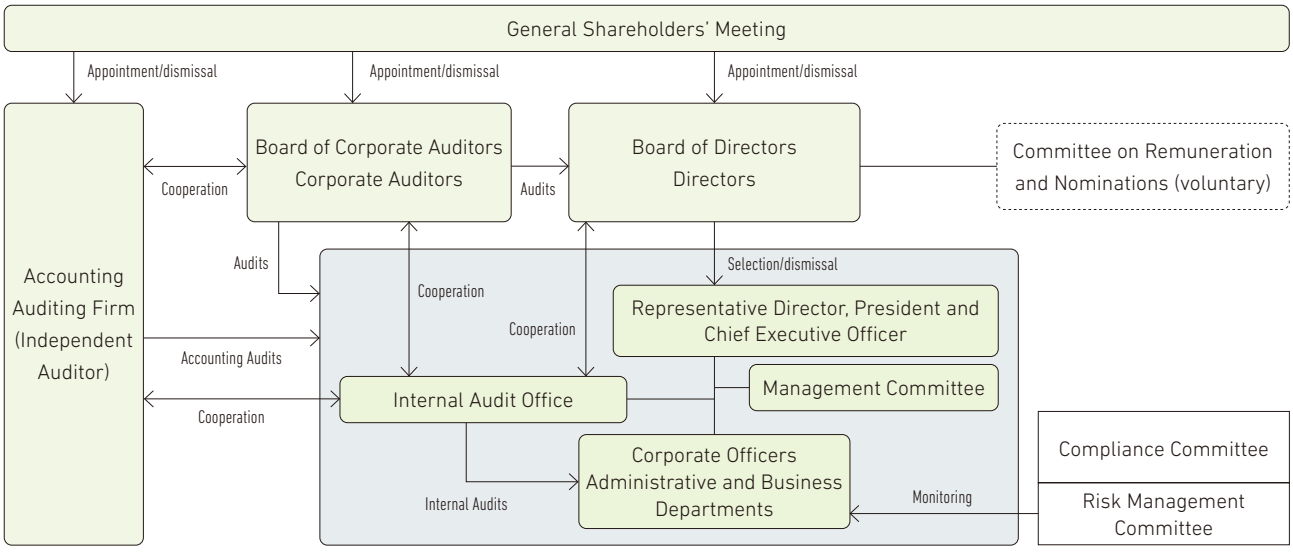
The Company has appointed three outside directors to further strengthen supervision of the business execution of directors and to further enhance the transparency and fairness of management.

The Company is a company with a board of corporate auditors based on the Companies Act of Japan. The Board of Corporate Auditors, including three outside corporate auditors, endeavors to fully demonstrate its auditing and supervising functions and to ensure the transparency of the decisions made by the Board of Directors. At the same time, corporate auditors carry out a diverse range of activities to fulfill their auditing function. In addition to participating in important meetings, including those of the Board of Directors and the Management Committee, corporate auditors implement comprehensive audits by checking documents and other materials relating to important decisions and by inspecting Group companies.

In addition, recognizing our corporate social responsibility (CSR), we appoint compliance and risk management promotion officers for each department at each Kyorin Group company. We have established a Groupwide compliance and risk management system administered by the Compliance Committee and Risk Management Committee. We have decided guidelines for each Group company and set up a system for employees to report possible irregularities and seek advice. As well as the above measures, we have created management guidelines for affiliated companies and built a system of governance while securing their autonomy. Under this system, we receive regular business reports from these companies and meet with their management before deciding important issues. The Internal Audit Office conducts audits of each Group company based on internal audit guidelines. Following the results of these audits, the heads of departments that oversee the operations of Group companies issue instructions or warnings and provide appropriate guidance.

We formulated a Corporate Governance Basic Policy derived from our fundamental approach to corporate governance.

Corporate governance structure



Corporate governance system

Board of Directors

The Company's Board of Directors comprises six directors, including three outside directors. The Board of Directors usually meets once a month, resolving legal matters, formulating and deciding important management policies and strategies, and overseeing business execution, etc.

Chairperson: Yutaka Ogihara, Representative Director, President and Chief Executive Officer
Executive Directors: Michiro Onota, Yasuji Kurose
Outside Directors: Noriyuki Shikanai, Ken Shigematsu, Hiromi Watanabe

Business execution system (Management Committee)

In addition to the representative directors and the internal directors engaged in ordinary business execution, we actively delegate authority to corporate officers responsible for specific areas appointed as necessary. As of June 20, 2025, the Company had nine corporate officers. We have also appointed chief X officers (CxOs) from among internal directors and corporate officers to oversee important areas of the Company's operations and built a framework that allows prompt decision making and clarification of responsibility for business execution under the guidance and supervision of the Board of Directors. In addition, we have established a Management Committee comprising internal directors and CxOs that discusses key operational matters about the Company and Group companies.

Chairperson: Yutaka Ogihara, Representative Director, President and Chief Executive Officer
Executive Directors: Michiro Onota (CMO), Yasuji Kurose (CFO & CStO)
Chief X officers: Takaaki Kaji (CBDO), Noriaki Tamura (CCO), Junichi Ishiyama (CSO), Kiyoo Uehara (CHRO)

Board of Corporate Auditors

The Company's Board of Corporate Auditors comprises two senior corporate auditors and three outside corporate auditors. The Board of Corporate Auditors has established a system to ensure that the outside corporate auditors exercise authority for audits, etc., from an independent and objective standpoint.

Chairperson: Tomiharu Matsumoto, Senior Corporate Auditor
Senior Corporate Auditor: Kenji Akutsu
Outside Corporate Auditors: Takao Yamaguchi, Yukio Ikemura, Kensuke Morita

Committee on Remuneration and Nominations (voluntary)

For the remuneration and nomination of directors and corporate auditors (including succession planning), the Company has established a Committee on Remuneration and Nominations (voluntary), the majority of whose members are independent outside directors detached from management, thereby maintaining independence and objectivity from the functions of the Board of Directors regarding remuneration and nominations. The Committee on Remuneration and Nominations (voluntary) deliberates the validity of our compensation system for directors and our basic policies in light of industry standards, business performance, etc., which are then decided by the Board of Directors. When appointing or dismissing directors or corporate auditors, the Committee on Remuneration and Nominations (voluntary) comprehensively considers the aptitudes of individual candidates for their roles, their performance and results, and other factors. The committee deliberates the validity of the proposed appointment or dismissal, which is then decided by the Board of Directors.

Chairperson: Yutaka Ogihara, Representative Director, President and Chief Executive Officer
Senior Corporate Auditor: Tomiharu Matsumoto
Outside Directors: Noriyuki Shikanai, Ken Shigematsu, Hiromi Watanabe

Corporate governance system

Key items	Description
Organizational design	Company with a board of corporate auditors
Number of directors (including outside directors)	6 (3)
Number of corporate auditors (including outside corporate auditors)	5 (3)
Number of the Board of Directors' meetings (held during fiscal 2024)	15
(Average attendance rate of outside directors)	(100%)
(Average attendance rate of outside corporate auditors)	(98%)
Number of the Board of Corporate Auditors' meetings (held during fiscal 2024)	14
(Average attendance rate of outside corporate auditors)	(98%)
Term of office of directors	1 year
Adoption of the corporate officer system	Yes
Voluntary committee of the Board of Directors	Committee on Remuneration and Nominations (voluntary)
Accounting auditing firm	Ernst & Young ShinNihon LLC

Outside directors and outside corporate auditors

The Company has three outside directors and three outside corporate auditors. We seek independent and objective advice from outside directors at Board of Directors' meetings, etc., and have established a highly effective management supervision system in which the Board of Directors maintains a distance from business execution.

Noriyuki Shikanai uses his advanced expertise and abundant experience as an attorney to provide advice on corporate management, mainly from a legal perspective. Ken Shigematsu uses his abundant corporate experience and wide-ranging insight to provide advice on management in response to changes in the social environment. Hiromi Watanabe uses her wide-ranging insight as a physician to provide advice from the perspective of promoting women's participation in the workplace, an aspect of diversity.

Three outside corporate auditors are neutrally positioned and uncompromised by relationships with management or parties with special interests. All have considerable knowledge about corporate legal affairs, finance, or accounting. We leverage their specialist perspectives and wide-ranging insight and experience to enhance and strengthen our auditing function.

Takao Yamaguchi has considerable knowledge of finance and accounting as a certified public accountant and a certified tax accountant. Yukio Ikemura has many years of experience in the financial industry, experience as a representative director of another company, and knowledge and wide-ranging insight into finance and accounting. Kensuke Morita, an attorney, is well versed in corporate legal affairs and has considerable knowledge of legal matters.

The Company has established criteria for determining the independence of outside directors and outside corporate auditors, and selects candidates on the premise that they have sufficient independence to perform their duties as outside officers independent of the Company's management. All outside directors and outside corporate auditors fulfill the requirements of independence criteria stipulated by the Tokyo Stock Exchange, Inc. and have been reported as independent officers to the Tokyo Stock Exchange.

Compensation of directors and corporate auditors

The Kyorin Group's basic policy is to provide compensation that contributes to the enhancement of the Kyorin Group's corporate value through sustainable and stable growth. Specifically, our compensation consists of two types: basic compensation, which is paid in cash, and stock options, which are paid in shares of the Company.

"Basic compensation" is a remuneration system that defines the appropriate level of benefits for each position based on economic and social conditions and public standards, and also reflects the Company's situation and the performance responsibilities of each officer. In addition, "stock options" is remuneration linked to performance, and a system of a stock benefit trust has been adopted. For the period of the medium-term management plan, stock benefit points linked to the performance of the Company and each executive are awarded annually. After the end of the relevant period (or upon the retirement of an eligible officer, if applicable), the Company shall grant its common stock, etc., (or, if certain requirements are met, cash equivalent to the market value of a specified proportion thereof) according to the accumulated points. From the viewpoint of emphasizing the stability and improvement of medium-to long-term performance, the percentage of "stock options" is set not to exceed "basic compensation."

To ensure that outside directors are able to fully exercise their management oversight function, their compensation is limited to basic compensation, which is not linked to annual performance and does not include stock options.

The amounts of basic compensation and stock options are calculated in accordance with relevant decision-making policies, within the limits of the compensation approved at the General Shareholders' Meeting. The amounts are determined by the representative director, president and chief executive officer, who is delegated that authority by the Board of Directors, after the objectivity and transparency of the decision-making process have been confirmed by examining whether any arbitrary decisions were made as well as the statistical data used as a reference, by the voluntary Committee on Remuneration and Nominations, the majority of whose members are independent outside directors.

Total compensation paid to each director or corporate auditor, total paid by type of compensation, and number of applicable directors and corporate auditors (Fiscal 2024)

Director or corporate auditor	Total compensation paid (Millions of yen)	Total paid by type of compensation (Millions of yen)		Number of applicable directors and corporate auditors (People)
		Basic compensation	Stock options	
Directors (Excluding outside directors)	126	120	5	4*
Corporate auditors (Excluding outside corporate auditors)	33	33	—	2
Outside directors or corporate auditors	50	50	—	6

* Includes one director who retired on June 21, 2024.

Operations of the Board of Directors

In addition to matters prescribed in laws, regulations, the Company's Articles of Incorporation, and the Regulations of the Board of Directors, the Board of Directors engages in strategic management discussions. Every quarter, chief X officers (CxOs) report on the status of their own operations, and the Board of Directors oversees them to ensure that those operations are being executed properly.

Deliberations by the Board of Directors in fiscal 2024

- Matters related to management plans and business plans (including medium- and long-term challenges, KPIs, R&D, licensing, etc.)
- Matters related to budgeting, financial results, dividends, etc.
- Matters related to human resources issues, etc., for the Board of Directors (including presidential succession planning, compensation for directors, etc.)
- Matters related to governance, compliance, and risk management
- Other matters (sustainability, cross-shareholdings, borrowing of funds, human resources decisions regarding employees, etc.)

Training for directors and corporate auditors

We plan and conduct training such as workshops for directors and corporate auditors as necessary, including at the time of their appointment. For newly appointed outside directors and outside corporate auditors, we provide overviews of the Company and explanations of our management philosophy, business status, corporate governance, regulations for directors and corporate auditors, and other topics. After appointing directors and corporate auditors, we implement briefings and tours to explain our business activities, trends in the pharmaceutical industry, and the status of our business environment for those directors' and auditors' deeper understanding of the Company. We strive to promote a greater understanding of our internal and external environments through initiatives such as creating opportunities for outside directors to interact with employees.

Evaluation of the effectiveness of the Board of Directors

We are strengthening the functions of the Board of Directors by evaluating its effectiveness every fiscal year using questionnaires and other methods, identifying issues, and formulating and implementing improvement measures. In fiscal 2024, we determined that the overall effectiveness of the Board of Directors has been ensured. We will continue to improve the effectiveness of the Board of Directors by deepening discussions on the Company's priority issues from both short- and medium- to long-term perspectives, based on the results of this effectiveness evaluation, and by implementing measures such as deliberating the structure (personnel numbers, skills, etc.) needed for the Board of Directors to continue to function effectively, following our long-term vision "Vision 110."

Evaluation method

(1) Administer questionnaire to directors and corporate auditors
(2) Use the results of the questionnaire to analyze and evaluate the current status of the Board of Directors
(3) Report the results in Board of Directors' meetings and discuss future issues
(4) Promote initiatives and formulate improvement measures for continuously improving the board's effectiveness

Main items in questionnaire

(1) Structure of the Board of Directors
(2) Operation of the Board of Directors
(3) Matters deliberated by the Board of Directors
(4) Support system for outside directors

Internal audits and audits conducted by corporate auditors

Internal audits are conducted by the Internal Audit Office, which is staffed by six employees who report directly to the president and is independent from other sections. Following yearly auditing plans, the Internal Audit Office regularly assesses and evaluates the effectiveness and efficiency of the legal compliance and internal control systems in the Company and Group companies. After an audit, the office communicates any problems or areas that need improvement directly to the president and makes appropriate recommendations. Another function of the office is to evaluate the Kyorin Group's internal controls over financial reporting. The office evaluates the development and operation of these internal controls according to a predetermined scope for evaluation and makes a report for the president.

Corporate auditors conduct audits in line with an auditing policy and plan set by the Board of Corporate Auditors at the beginning of each fiscal year. In addition to participating in important meetings, including those of the Board of Directors and the Management Committee, corporate auditors implement comprehensive audits by checking documents and other materials relating to important decisions and by inspecting each department, office, and Group company.

To ensure that audits are conducted effectively, the Company's accounting auditing firm explains the content of the accounting audits to the corporate auditors, exchanges information with them, and cooperates closely with the internal audit divisions to ensure appropriate communication and effective performance of audits.

Under our adopted system, if executives or regular employees discover that an executive officer or employee is acting in contravention of laws, regulations, or the Company's Articles of Incorporation, they immediately notify the corporate auditors. We are working to establish an environment conducive to more efficient audits by corporate auditors by coordinating closely with executives and regular employees and by fostering deeper understanding of audits.

Skills matrix of the Company's directors and corporate auditors

The Company's Board of Directors consists of diverse individuals with various skills (knowledge, experience, etc.) to ensure that the Board of Directors appropriately performs its decision-making and management supervision functions and maintains a more transparent governance structure in accordance with the Company's medium- to long-term management direction and business strategy. The skills possessed by individual directors and corporate auditors are as follows.

	Name	Attributes	Corporate management	Healthcare business	Finance & accounting	Legal	Academic expertise	Major qualifications, etc.
Directors	Yutaka Ogihara		●	●				
	Michiro Onota		●	●				
	Yasuji Kurose		●	●	●			Pharmacist
	Noriyuki Shikanai	Outside Independent				●		Attorney
	Ken Shigematsu	Outside Independent	●					
	Hiromi Watanabe	Outside Independent		●			●	Medical Doctor
Corporate auditors	Tomiharu Matsumoto			●		●		
	Kenji Akutsu		●	●				
	Takao Yamaguchi	Outside Independent			●			Certified Public Accountant
	Yukio Ikemura	Outside Independent	●		●			
	Kensuke Morita	Outside Independent				●	●	Attorney

Major activities of outside directors and outside corporate auditors (Fiscal 2024)

Position	Name	Major activities	Attendance at meetings
Outside Directors	Noriyuki Shikanai	Utilizing his high degree of specialization and abundant experience as an attorney, he makes suggestions and offers appropriate advice on corporate management, mainly from a legal perspective, and fully performs his role mainly in deciding important management matters of the Company and Group companies and supervising business execution.	Attended 15 out of 15 Board of Directors' meetings
	Ken Shigematsu	Utilizing his abundant experience and wide-ranging insight in corporate management, he makes suggestions and offers appropriate advice on management in response to changes in the social environment and fully performs his role mainly in deciding important management matters of the Company and Group companies and supervising business execution.	Attended 15 out of 15 Board of Directors' meetings
	Hiromi Watanabe	Utilizing her wide-ranging insight in a medical setting as a physician, she makes suggestions and offers appropriate advice from the perspective of promoting women's participation in the workplace, which is one aspect of diversity, and fully performs her role mainly in deciding important management matters of the Company and Group companies and supervising business execution.	Attended 15 out of 15 Board of Directors' meetings
Outside Corporate Auditors	Takao Yamaguchi	He makes comments as necessary based mainly on his specialist understanding of finance and accounting as a certified public accountant and a certified tax accountant.	Attended 15 out of 15 Board of Directors' meetings and 14 out of 14 Board of Corporate Auditors' meetings
	Yukio Ikemura	He contributes appropriately to ensure accurate decision making by the Board of Directors. In addition, at meetings of the Board of Corporate Auditors, he offers suitable comments based on his experience and insight.	Attended 14 out of 15 Board of Directors' meetings and 13 out of 14 Board of Corporate Auditors' meetings
	Kensuke Morita	He makes comments as necessary based mainly on his specialist understanding as an attorney.	Attended 15 out of 15 Board of Directors' meetings and 14 out of 14 Board of Corporate Auditors' meetings

Cross-shareholdings

We maintain cross-shareholdings to cultivate relationships of mutual trust with our partners and to facilitate our transactional and technical partnerships, etc. We monitor the status of investee companies, provide regular status reports to the Board of Directors, and examine the propriety of holdings from the perspectives of our sustainable growth and the improvement of our corporate value. If the significance of these shareholdings is determined to have diminished, however, we intend to reduce those shareholdings as appropriate after engaging in dialogue with investee companies. Following this approach, we have set a target of compressing our cross-shareholdings to below 10% of our consolidated net assets by fiscal 2030. With respect to the exercising of voting rights, our standard is to contribute to the sustainable growth and increase the medium- and long-term corporate value of investee companies, with the assumption that doing so will contribute to our own profits. Furthermore, if we closely examine proposals and find any that would significantly harm shareholder interests, we will not vote in favor of those proposals.

Number of issues and balance sheet amount (as of March 31, 2025)

	Number of issues	Balance sheet amount (millions of yen)
Unlisted shares	9	433
Shares other than unlisted shares	11	15,460

Strengthening Relationships with Stakeholders

The Kyorin Group's Charter of Corporate Conduct calls for it to "actively co-exist with society as a good corporate citizen and to contribute to society's development." To those ends, and to conduct sustainable corporate activities, we believe that strengthening our relationships with various stakeholders through dialogue is essential. As we strive to contribute to society by developing and supplying new drugs that meet medical needs and offer high value, we will endeavor to provide medical practitioners and patients with useful information, benefit the local communities that form the foundation for our business activities, promote partnerships with suppliers and business partners, and enhance engagement with employees. We will also promptly and appropriately disclose information, create opportunities for high-quality dialogue with investors, and strive to better reflect the perspectives of our stakeholders in our management while emphasizing communication with them, aiming to be a company that fulfills social responsibilities.

Contributing to better health of people around the world through collaboration with partners (enhancing medical access)

We aim to contribute to the health of patients around the globe by proactively implementing partnering activities for out-licensed products discovered in-house. At present, we have licensees selling Vibegron and Imidafenacin in Southeast Asia and Central and South America.

Providing information to medical practitioners

Public website for medical practitioners

We strive to meet the information needs of medical practitioners by posting product-related information, the latest academic information, and other information useful in daily medical care on Kyorin Medical Bridge and other websites for medical practitioners.

Providing information via "Doctor Salon"

We sponsor "Doctor Salon," a radio program for physicians on Radio NIKKEI that answers questions related to day-to-day clinical practice from general practitioners across Japan. In addition, the program's content is distributed as a brochure with back issues available on a website, and an audio version is distributed as a podcast.

Collaborating with medical practitioners

Supporting the Department of Drug Discovery Medicine

We helped establish and support the Department of Drug Discovery Medicine at the Kyoto University Graduate School of Medicine to cultivate innovative human resources for Japan's drug discovery through cooperation between industry and academia.

Supporting the Medical Education Grants Program

We contribute to the improvement of quality in medical care by creating educational opportunities for medical practitioners and improving their knowledge and skills through support for the medical education program planned and managed by the Japanese Society of Otorhinolaryngology-Head and Neck Surgery, Inc.

Supporting the Investor Initiated Studies Program

This program provides support for researcher-led medical research with the aims of advancing medical and pharmaceutical science related to corporate activities and improving medical treatment.

Providing information to patients and their families

Public website for patients

On our website for patients and their families, we post useful information such as material about diseases and advice on proper ways to take medicine to increase patients' adherence to guidelines.

- Product websites for patients undergoing treatment with our products
- Chronic Cough Navi
- Interstitial Cystitis Square
- "Guide to Ulcerative Colitis and Crohn's Disease," "Intractable Disease Subsidy System for Patients with Ulcerative Colitis or Crohn's Disease"

Chronic Cough Navi

Milton brand official account

On the official Instagram and TikTok accounts for the Milton brand, we provide product information and other useful material for people raising children or expecting children.

Milton brand official account:
https://www.instagram.com/milton_official.jp/
https://www.tiktok.com/@milton_official.jp

Living in harmony with local communities

Classroom visits

Since fiscal 2017, we have visited elementary and junior high school classrooms nationwide to teach and demonstrate to

the children representing the next generation the correct ways of taking medicine and washing their hands (through both face-to-face and online classes).

Kyorin's Passion

Reaffirming the basics of my work by engaging with children

As an MR, I am in constant contact with medical practitioners, but this classroom visit, in which I taught children how medicines work and the correct ways of taking them, has provided me with an invaluable experience that is unlike anything I do in my daily work.

In the experiment where we demonstrated the importance of taking medicine with water to maximize its benefits, the children were audibly surprised. This reaffirmed for me the importance of conveying things in an easy-to-understand way and the importance of the basics of my work as an MR—providing accurate information about the benefits and side effects of medicine and promoting proper medicine usage. I became more conscious of contributing to society through the class and plan to use what I learned through this experience in my daily work.

Sayaka Morinishi
Chiba Chuo Sales Office, Shutoken Branch, Sales & Marketing HQs

Work experience programs

To deepen public understanding of pharmaceutical companies and pharmaceuticals, every Group business facility offers working experience. For junior and senior high school students, those facilities provide workplace tours and arrange hands-on workshops.

Supporting a hands-on science event for children

The Kyorin Group has supported the "Kyorin Group Presents the Great Adventure for the Karada-no-Himitsu (the Body's Secrets)" program since 2016, with the idea of supporting healthy lives for children, who will lead the next generation. We have also launched the event-linked website Teach Me—Doctors Explain the Great Adventure for the Karada-no-Himitsu, which provides videos for children from kindergarten through early elementary school age that describe the body's workings and explain diseases to deepen their interest and motivate them to learn more.
https://www.kyorin-pharm.co.jp/karada/ (Japanese only)

Teach Me—Doctors Explain the Great Adventure for the Karada-no-Himitsu

Local cleanup activities

As a responsible member of the local community, the Group actively participates in cleanups of local districts, including the areas around its business facilities.

- Group companies (head offices, branches, plants, research centers): Cleanup activities around business facilities
- Noshiro Plant: Cleanup activities around Noshiro City Hall, along the Chuwa Dori ginkgo tree street, and at sites after a fireworks display; participation in the Akita Sea Waste Zero Project
- Inami Plant: Cleanup activities at Zuisenji Temple
- Shiga Plant: Participation in prefectural government-promoted environmental beautification activities in the Koka district of Shiga Prefecture, in the Lake Biwa beautification campain, and in cleanup activities around the plant

Donations to areas affected by natural disasters

As useful support for those affected by disasters, the Group provided relief goods.

- Support for those affected by heavy rains caused by Typhoon No. 10 in August 2024: Environmental hygiene supplies (Rubysta)
- Support for those affected by heavy rains in Noto in September 2024: Environmental hygiene supplies (towels, cotton work gloves)

First-aid and lifesaving courses

Group employees including approximately 600 Kyorin medical representatives received training on the need for first aid, CPR, the use of AEDs, and ways to stop bleeding.

Dialogue with shareholders and investors

Constructive dialogue

We recognize that constructive dialogue with shareholders and investors contributes to the sustainable growth of the Company and the improvement of the medium- and long-term value. Therefore, in addition to meetings between IR staff and institutional investors, we strive to create opportunities for our senior management to have direct dialogue with institutional investors. The opinions and views expressed by shareholders and investors in those dialogues are periodically reported to the representative director and president and the officer responsible for Corporate Planning and, when necessary, also presented to the Management Committee, thereby ensuring that management receives timely and appropriate feedback. Furthermore, officers responsible for communication and IR staff work with management to conduct briefings for securities analysts, institutional investors, and the media twice a year, following the announcements of financial results. Every quarter, these officers and IR staff also provide explanations of our financial results to the media.

General shareholders' meeting

We send out the convocation notice one business day earlier than legally required to ensure sufficient time for shareholders to consider proposals to be voted on at the general shareholders' meeting. We also publish the notice electronically in accordance with rules for the electronic provision of information, posting it on our website and that of the Tokyo Stock Exchange.

Appropriate information disclosure

We have established guidelines for information disclosure, and we promptly and appropriately disclose corporate information fairly, in accordance with laws and regulations. To ensure that information is disclosed appropriately and that insider information is kept confidential, we provide periodic education for officers and employees.

Ten-Year Consolidated Financial Highlights

(Fiscal years ended March 31/As of March 31)

	3/2016	3/2017	3/2018*2	3/2019
Net sales	119,483	115,373	110,640	113,620
New drugs, etc. (Japan)*1	98,430	89,584	79,639	83,456
New drugs (Overseas)	5,586	764	3,339	830
Generic drugs	15,465	25,024	27,662	29,334
Operating profit	19,636	10,413	8,822	8,972
Profit attributable to owners of parent	13,639	7,305	6,574	6,869
Net cash provided by operating activities	11,137	16,386	10,456	340
Net cash provided by (used in) investing activities	650	(13,142)	(6,038)	14,939
Net cash provided by (used in) financing activities	(2,245)	(5,721)	(3,735)	(27,315)
Free cash flow	11,787	3,244	4,418	15,279
R&D expenses	13,019	13,569	14,243	10,790
Capital expenditures	7,218	3,051	2,885	2,306
Depreciation and amortization	3,730	3,619	3,644	2,940
Total assets	197,825	192,668	196,736	173,034
Total net assets	157,049	157,837	163,297	123,395
Per Share Information				
Net assets (Yen)	2,131.67	2,146.83	2,214.13	2,154.05
Basic profit (Yen)	184.28	99.45	89.28	104.68
Cash dividends (Yen)	58.00	58.00	58.00	75.00
Key Performance Indicators				
Operating profit margin (%)	16.4	9.0	8.0	7.9
Profit attributable to owners of parent / Net sales ratio (%)	11.4	6.3	5.9	6.0
R&D expenses / Net sales ratio (%)	10.9	11.8	12.9	9.5
Total shareholders' equity ratio (%)	79.4	81.9	83.0	71.3
ROE (%)	8.9	4.6	4.1	4.8
Consolidated payout ratio (%)	31.8	59.3	65.9	72.6
PER (times)	11.63	23.64	22.39	20.64
Non-Financial Information				
Number of employees	2,420	2,382	2,348	2,297

*1 From fiscal 2020 (ended March 31, 2021), reportable segments have been aggregated into a single segment. In conjunction with this, net sales categories have been changed and the previous new drugs (Japan) and healthcare businesses have been combined into new drugs, etc. (Japan).
*2 Figures shown are adjusted to retroactively apply certain revisions to accounting standards related to tax-effect accounting.
*3 From the beginning of fiscal 2021, the "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., have been applied.
*4 From fiscal 2024, the Company changed accounting policies. The results of fiscal 2023 and changes are presented after retroactive adjustment.

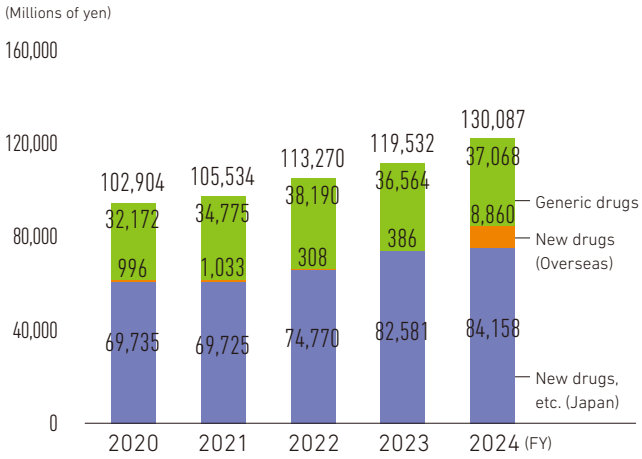
Millions of yen

3/2020	3/2021	3/2022*3	3/2023	3/2024*4	3/2025
109,983	102,904	105,534	113,270	119,532	**130,087**
77,535	69,735	69,725	74,770	82,581	**84,158**
1,490	996	1,033	308	386	**8,860**
30,957	32,172	34,775	38,190	36,564	**37,068**
7,503	5,786	5,007	5,123	6,234	**12,567**
6,149	6,130	3,932	4,723	5,475	**9,086**
7,739	5,189	6,346	2,008	1,549	**3,506**
(2,943)	(4,259)	(2,560)	(6,275)	(3,187)	**(6,323)**
(5,117)	(4,918)	(4,112)	(3,363)	(3,347)	**3,952**
4,796	930	3,786	(4,267)	(1,638)	**(2,817)**
10,987	9,703	8,897	10,903	8,019	**10,514**
3,590	4,307	3,624	5,252	6,587	**6,153**
3,221	3,564	3,714	3,840	4,290	**4,603**
171,160	167,126	171,924	176,045	177,627	**193,618**
122,710	124,661	124,507	125,461	130,735	**136,285**
2,142.07	2,175.52	2,172.83	2,189.40	2,275.68	**2,372.29**
107.35	106.99	68.62	82.44	95.41	**158.17**
75.00	75.00	52.00	52.00	52.00	**57.00**
6.8	5.6	4.7	4.5	5.2	**9.7**
5.6	6.0	3.7	4.2	4.6	**7.0**
10.0	9.4	8.4	9.6	6.7	**8.1**
71.7	74.6	72.4	71.3	73.6	**70.4**
5.0	5.0	3.2	3.8	4.3	**6.8**
70.9	71.1	76.9	64.0	55.2	**36.5**
20.48	18.02	25.90	20.67	19.54	**9.50**
2,271	2,243	2,222	2,138	2,042	**1,998**

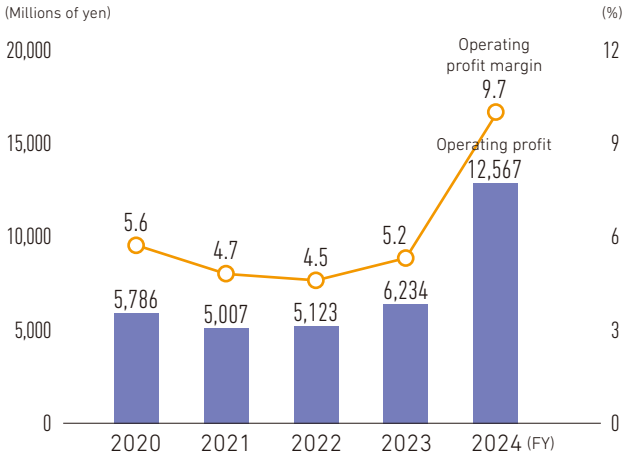
Performance Highlights

Financial Information

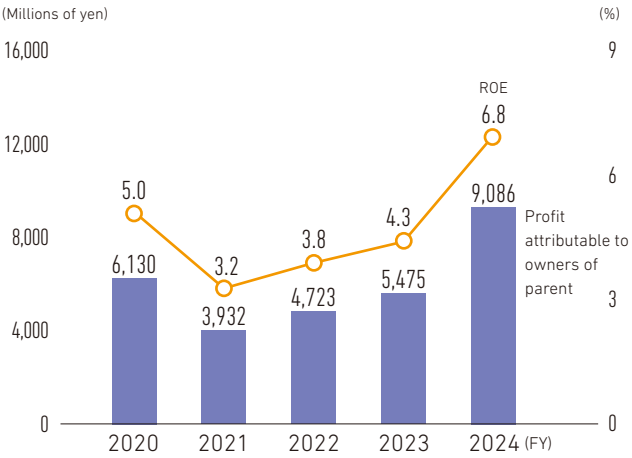
Net sales



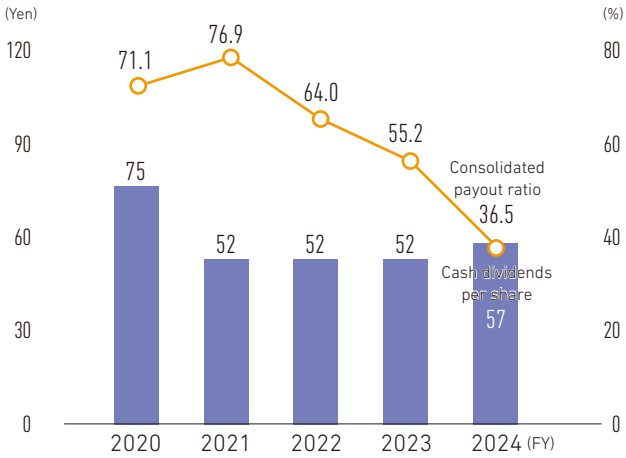
Operating profit, Operating profit margin



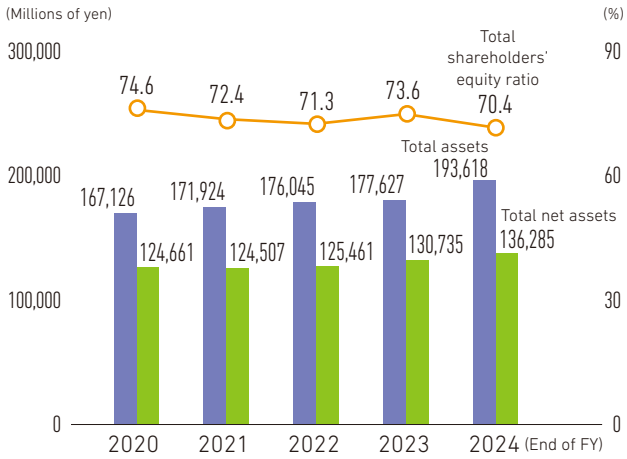
Profit attributable to owners of parent, ROE



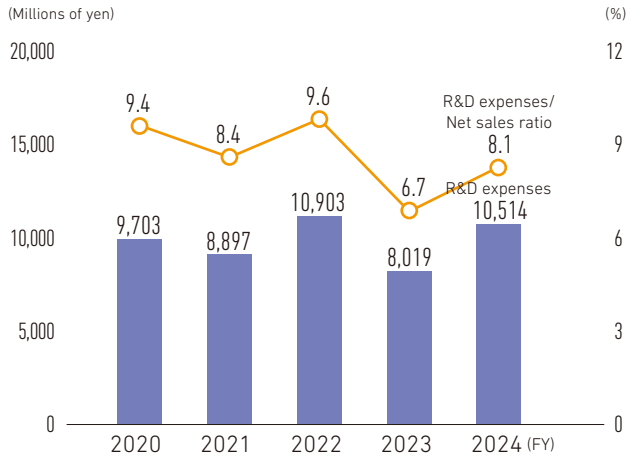
Cash dividends per share, Consolidated payout ratio



Total assets, Total net assets, Total shareholders' equity ratio

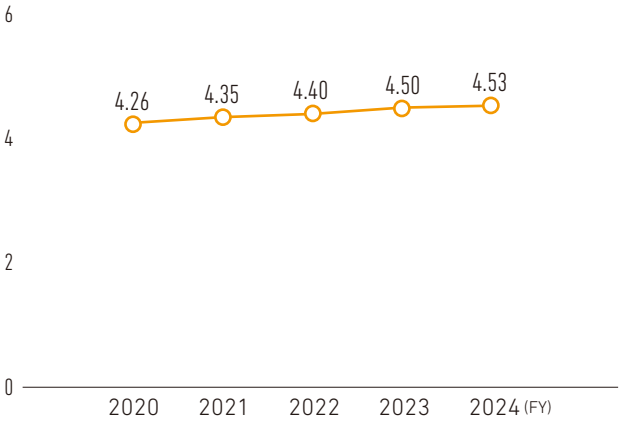


R&D expenses, R&D expenses/Net sales ratio

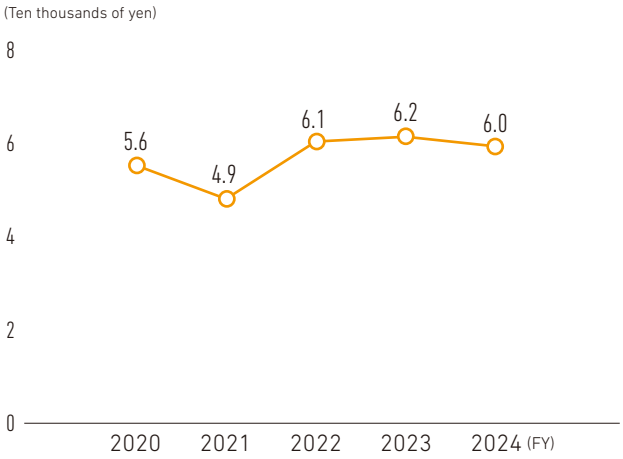


Non-Financial Information

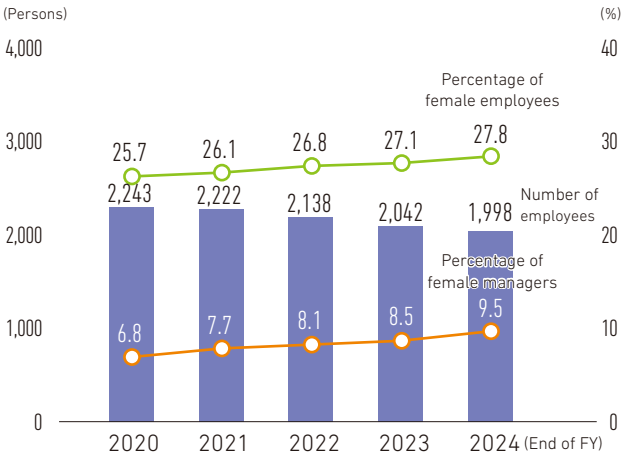
Main scores for the item “job satisfaction” from the engagement survey



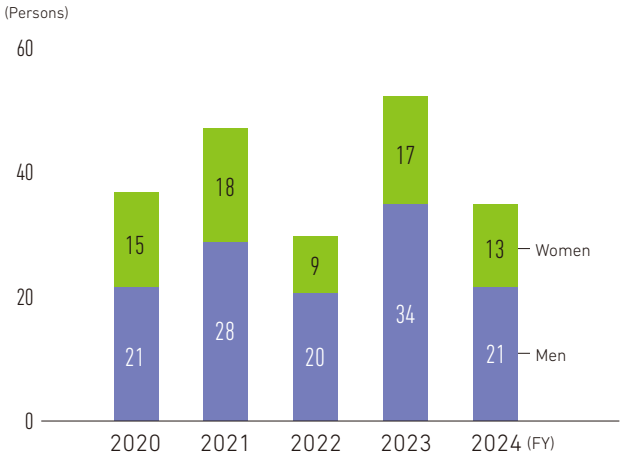
Amount spent on training per employee



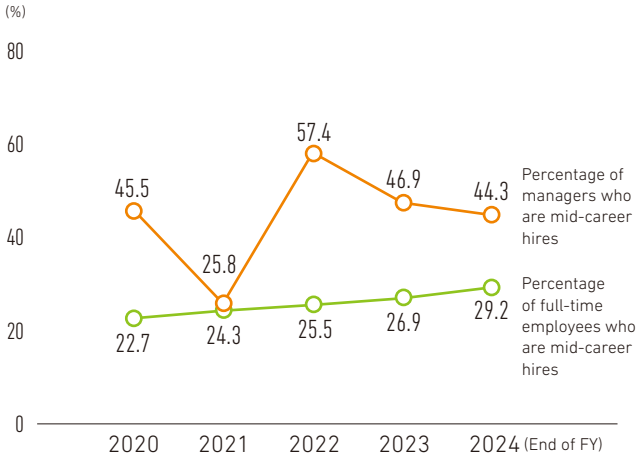
Number of employees, Percentage of female employees, Percentage of female managers



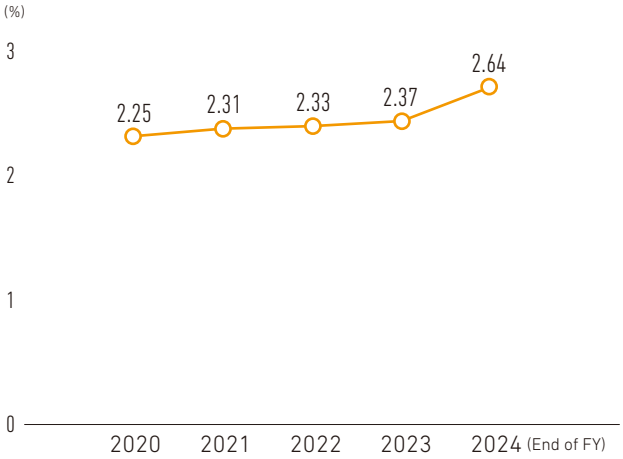
Number of new employees



Percentage of full-time employees who are mid-career hires*/Percentage of managers who are mid-career hires



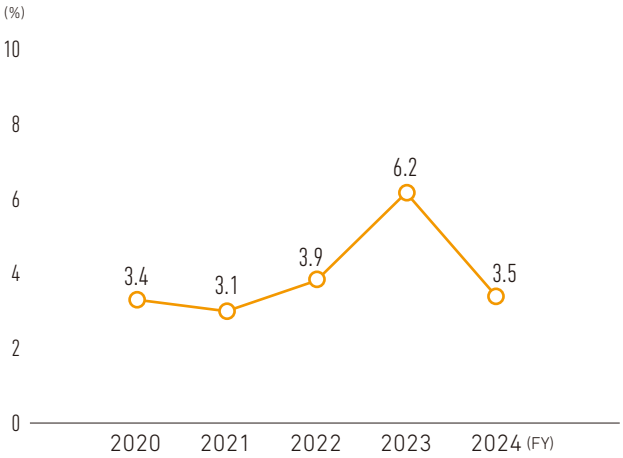
Employment rate of persons with disabilities



* Percentage of total number of full-time employees who are mid-career hires for each fiscal year

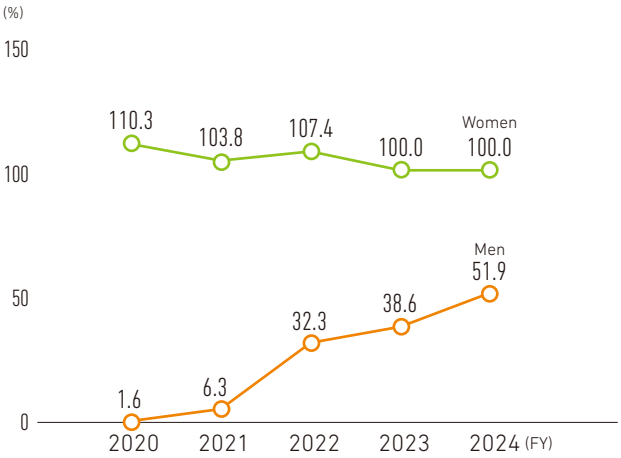
Non-Financial Information

Employee turnover rate



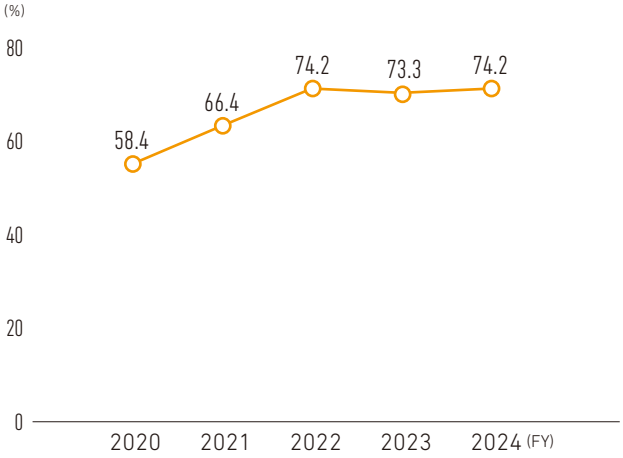
Percentage of employees as of April 1 who left for personal reasons during the fiscal year
* A voluntary retirement program was implemented in fiscal 2023.

Usage rate of childcare leave

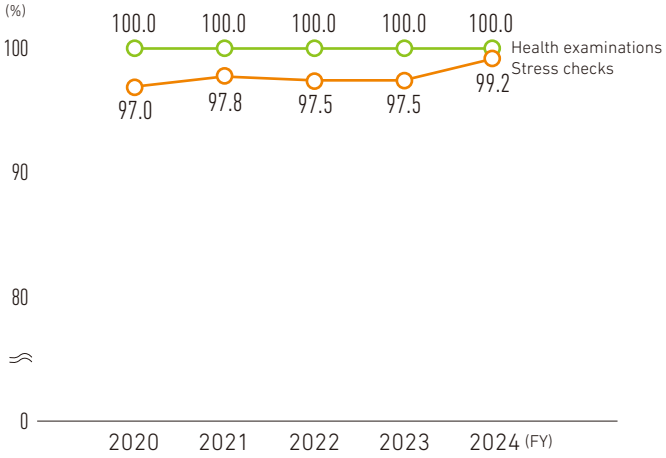


The denominator is the number of employees who gave birth or whose spouses gave birth during the fiscal year. The numerator is the number of employees who took childcare leave (including those who had given birth or whose spouses had given birth in the previous fiscal year).

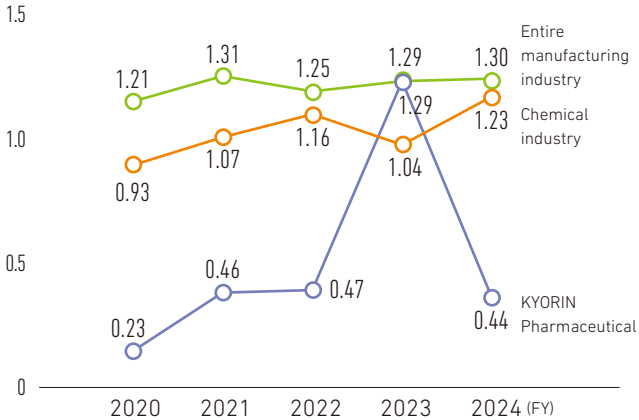
Usage rate of annual paid leave



Percentage of employees who took health examinations and stress checks

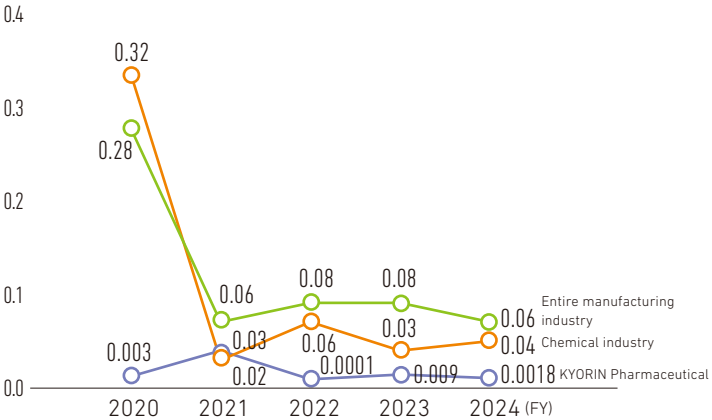


Rate of work accidents



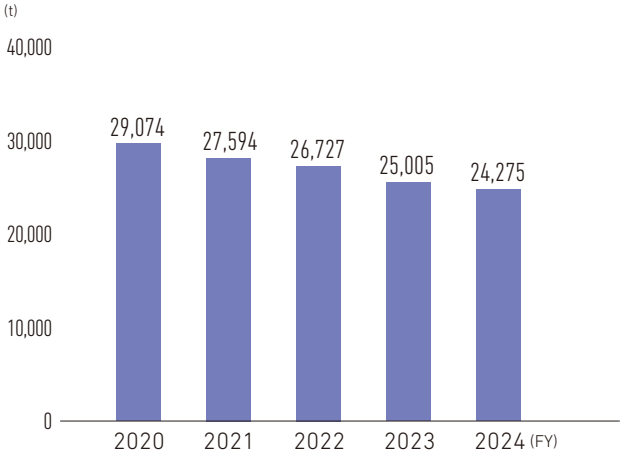
Frequency of accidents: Number of deaths and injuries due to work accidents (excluding accidents while commuting)/Total work hours × 1,000,000

Severity of work accidents

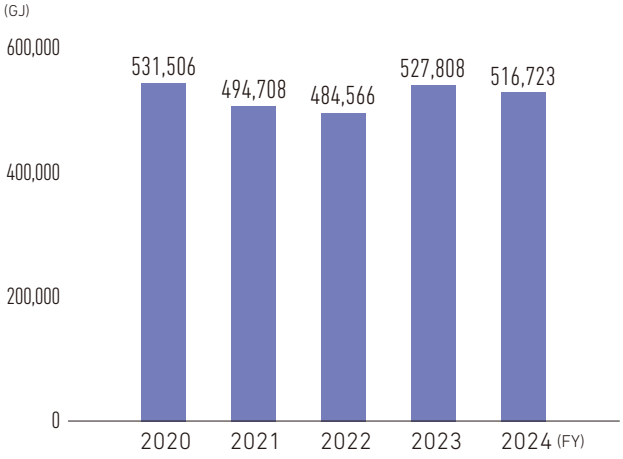


Magnitude of accidents: Number of lost work days (excluding accidents while commuting)/Total work hours × 1,000

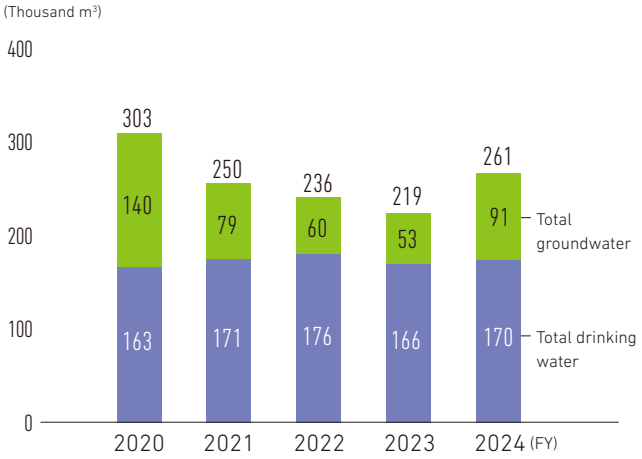
CO_2 emissions (Scope 1 + Scope 2)



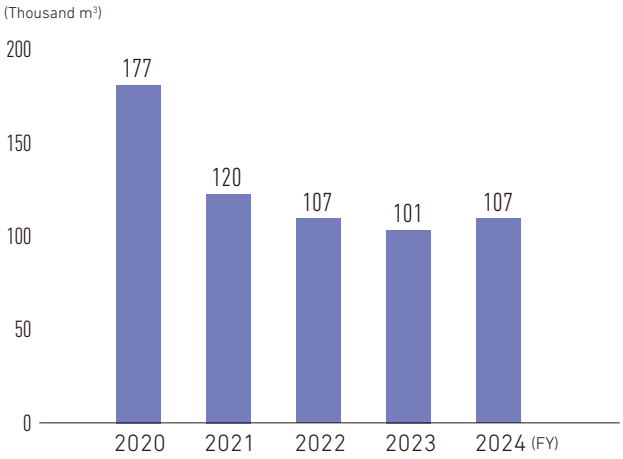
Amount of energy used



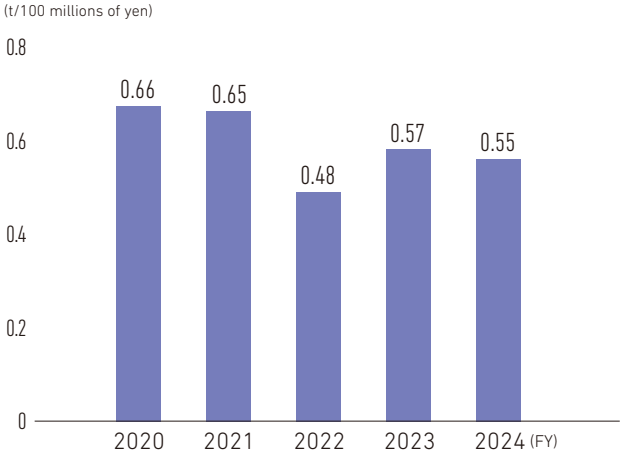
Volume of water intake



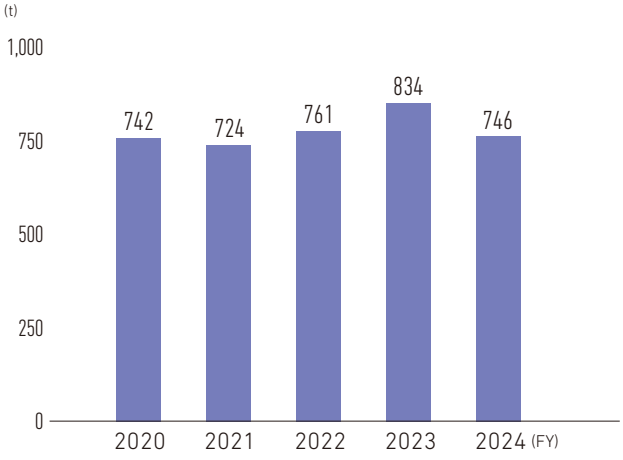
Volume of sewer water



Waste volume in relation to sales



Amount of packaging recycled



Directors, Corporate Auditors, and Corporate Officers

(As of June 20, 2025)

Executive Directors

A Yutaka Ogihara

Representative Director, President and Chief Executive Officer
CEO, in charge of Auditing

April 1990	Joined KYORIN Pharmaceutical Co., Ltd.
June 2011	Director, President's Office, KYORIN Holdings, Inc.
June 2011	Executive Director, President's Office, in charge of Corporate Communication and Information System Management, KYORIN Holdings, Inc.
June 2016	Senior Executive Director, President's Office, KYORIN Holdings, Inc.
June 2019	Representative Director, President and Chief Executive Officer, in charge of Auditing, KYORIN Holdings, Inc.
April 2023	Representative Director, President and Chief Executive Officer, CEO, in charge of Auditing, KYORIN Pharmaceutical Co., Ltd. (current)

B Michiro Onota

Executive Director
CMO, in charge of SCM HQs and Quality Assurance & Reliability HQs

April 1985	Joined KYORIN Pharmaceutical Co., Ltd.
April 2008	Head of Okaya Plant, Production HQs, KYORIN Pharmaceutical Co., Ltd.
April 2015	Representative Director, President and Chief Executive Officer, KYORIN Rimedio Co., Ltd.
April 2015	Corporate Officer, KYORIN Holdings, Inc.
June 2017	Executive Director, KYORIN Holdings, Inc.
April 2018	Executive Director, KYORIN Rimedio Co., Ltd.
April 2018	Representative Director, President and Chief Executive Officer, KYORIN Pharmaceutical Group Facilities Co., Ltd.
April 2023	Executive Director, CMO, in charge of SCM HQs and Quality Assurance & Reliability HQs, KYORIN Pharmaceutical Co., Ltd. (current)
June 2025	Executive Director and Chairman, KYORIN Pharmaceutical Group Facilities Co., Ltd. (current)

C Yasuji Kurose

Executive Director
CFO & CStO, Director, Corporate Planning, in charge of Finance & Accounting and Product Strategy

April 1995	Joined KYORIN Pharmaceutical Co., Ltd.
April 2019	Management Strategy Office, Director, Corporate Planning, KYORIN Holdings, Inc.
April 2020	Director, Corporate Planning, KYORIN Holdings, Inc.
June 2022	Corporate Officer, Director, Corporate Planning, KYORIN Holdings, Inc.
April 2023	Corporate Officer, CFO & CStO, Director, Corporate Planning, in charge of Finance & Accounting and Product Strategy, KYORIN Pharmaceutical Co., Ltd.
June 2024	Executive Director, CFO & CStO, Director, Corporate Planning, in charge of Finance & Accounting and Product Strategy, KYORIN Pharmaceutical Co., Ltd. (current)

D Noriyuki Shikanai

Outside Director/Independent Officer

April 1974	Registered with Daini Tokyo Bar Association
March 1977	Established Shikanai Law Office (currently Kyobashi Law Office) (current)
October 2002	Councilor, Keio University (current)
October 2010	Trustee, Keio University (current)
April 2012	Auditor, J. F. Oberlin University
June 2013	Outside Executive Director, KYORIN Pharmaceutical Co., Ltd. (current)
April 2023	Councilor, Kibun Scholarship Foundation (public interest incorporated foundation) (current)

E Ken Shigematsu

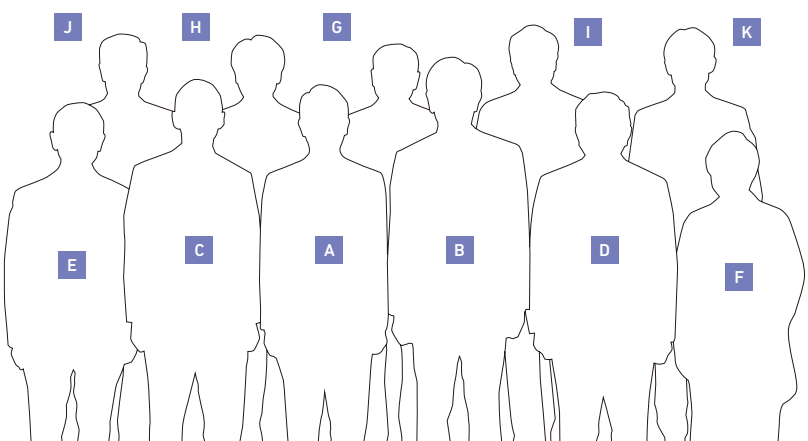
Outside Director/Independent Officer

April 1971	Joined Mitsukoshi, Ltd.
March 1991	President, Mitsukoshi USA, Inc.
May 2002	Director, Executive Officer, Deputy General Manager, Sales Headquarters, Mitsukoshi, Ltd.
March 2004	Director, Managing Executive Officer, General Manager, Merchandising Headquarters, Mitsukoshi, Ltd.
March 2005	Director, Managing Executive Officer, Store Manager, Mitsukoshi Ginza, Mitsukoshi, Ltd.
April 2008	Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd., Director, Mitsukoshi, Ltd.
April 2009	Director, Senior Managing Executive Officer, Special Appointive Officer, Mitsukoshi, Ltd.
April 2010	Senior Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd., Representative Director, President and Chief Executive Officer, Nagoya Mitsukoshi Ltd.
October 2011	Representative Director, President and Chief Executive Officer, Endo Manufacturing Co., Ltd.
October 2015	Representative Director, President and Chief Executive Officer, MFSJ Co., Ltd.
June 2017	Outside Executive Director, KYORIN Pharmaceutical Co., Ltd. (current)

F Hiromi Watanabe

Outside Director/Independent Officer

April 1972	Joined Internal Medicine Department, Tokyo Women's Medical University Hospital
April 1998	Assistant Professor, Internal Medicine, School of Nursing, Tokyo Women's Medical University
April 2007	Professor and Dean, Medical Science, College of Nursing, Shukutoku University
November 2014	President, Tokyo Branch, Japan Medical Women's Association (current)
April 2018	Neurology Department, Yokufukai Hospital, Total Health and Medical Care Center for Seniors (social welfare corporation) (current)
June 2018	Member of the Board, 3.11 Fund for Children with Thyroid Cancer (NPO) (current)
June 2019	Outside Executive Director, KYORIN Pharmaceutical Co., Ltd. (current)
April 2021	Member of the Board, Daijo Shukutoku Gakuen (current)
October 2021	Deputy Director, Shimotakaido Station Clinic ENT Plus+ (current)



Senior Corporate Auditors

G Tomiharu Matsumoto

April 1976 Joined Kyorin Yakuhin Co., Ltd.
April 2001 Head of Nogi Plant, KYORIN Pharmaceutical Co., Ltd.
April 2005 Corporate Officer, General Manager, General Affairs & Human Resources, KYORIN Pharmaceutical Co., Ltd.
June 2007 Executive Director, Corporate Officer, General Affairs & Human Resources, KYORIN Pharmaceutical Co., Ltd.
June 2012 Senior Executive Director, General Manager, General Affairs & Human Resources, KYORIN Holdings, Inc.
June 2016 Senior Managing Director, General Manager, General Affairs & Human Resources, KYORIN Holdings, Inc.
June 2018 Senior Corporate Auditor, KYORIN Pharmaceutical Co., Ltd. (current)
June 2018 Corporate Auditor, KYORIN Pharmaceutical Group Facilities Co., Ltd. (current)

H Kenji Akutsu

April 1978 Joined KYORIN Pharmaceutical Co., Ltd.
February 2001 Representative Director, President and Chief Executive Officer, Kyorin USA, Inc.
April 2004 Business Development Office, General Manager, Legal, KYORIN Pharmaceutical Co., Ltd.
June 2009 Corporate Officer, General Manager, Product Strategy Office, KYORIN Pharmaceutical Co., Ltd.
April 2015 Representative Director, President and Chief Executive Officer, KYORIN Medical Supply Co., Ltd.
June 2016 Executive Director, KYORIN Holdings, Inc.
April 2017 Executive Director, General Manager, General Affairs & Human Resources, KYORIN Holdings, Inc.
June 2019 Senior Executive Director, General Manager, General Affairs & Human Resources, KYORIN Holdings, Inc.
June 2021 Corporate Auditor, KYORIN Rimedio Co., Ltd. (current)
June 2022 Senior Corporate Auditor, KYORIN Pharmaceutical Co., Ltd. (current)

Outside Corporate Auditors/Independent Officers

I Takao Yamaguchi

February 1985 Registered as Certified Public Accountant
December 1987 Registered as Certified Public Tax Accountant
January 1996 Director, Yamaguchi Accounting Office (current)
June 2013 Chairperson, The Japanese Institute of Certified Public Accountants Chiyoda Subchapter
June 2013 External Audit & Supervisory Board Member, SATO HOLDINGS CORPORATION
June 2015 Outside Corporate Auditor, KYORIN Pharmaceutical Co., Ltd. (current)
March 2016 Independent Audit & Supervisory Board Member, Tokyo Tatemono Co., Ltd.
March 2019 External Audit & Supervisory Board Member, Lion Corporation

J Yukio Ikemura

April 1981 Joined The Fuji Bank, Ltd.
April 2009 Executive Officer, Mizuho Securities Co., Ltd.
April 2010 Senior General Manager, NSK Ltd.
June 2011 Executive Officer, NSK Ltd.
June 2013 Senior Vice President, Head of CSR Division HQ, NSK Ltd.
June 2018 President and Representative Director, Ohsaki Redevelopment Building Co., Ltd.
June 2022 External Auditor, The Ogaki Kyoritsu Bank, Ltd. (current)
June 2022 Outside Corporate Auditor, KYORIN Pharmaceutical Co., Ltd. (current)

K Kensuke Morita

April 1991 Registered as attorney with The Tokyo Bar Association
April 1998 Established Kensuke Morita Law Office
April 2002 Jointly established APOLLO Law Office (current)
April 2009 Instructor, Legal Training and Research Institute, Supreme Court of Japan
May 2009 Councilor, Chuo University (current)
November 2010 Part-time Board Member, Anshin Zaidan (current)
April 2012 Professor, Faculty of Business Sciences, University of Tsukuba (current)
May 2015 Vice Chair, Center for Graduate Schools of Law, Japan Federation of Bar Associations (current)
June 2022 Outside Corporate Auditor, KYORIN Pharmaceutical Co., Ltd. (current)

Corporate Officers

Takaaki Kaji
Corporate Officer CBDO
Senior Director of Business Development HQs

Noriaki Tamura
Corporate Officer CCO
Senior Director of Sales & Marketing HQs, in charge of IT Solution and In Vitro Diagnostics Business

Junichi Ishiyama
Corporate Officer CSO
Senior Director of Discovery Research HQs, in charge of Intellectual Property

Kiyoo Uehara
Corporate Officer CHRO
Director of General Affairs, in charge of Human Resources and Legal & Compliance

Kei Takahashi
Senior Corporate Officer
Senior Director of SCM HQs

Makoto Yanai
Corporate Officer
Deputy Senior Director of Business Development HQs

Katsuhiro Hamada
Corporate Officer
Senior Director of Quality Assurance & Reliability HQs

Kenichi Nakamura
Corporate Officer
Representative Director, President and Chief Executive Officer, KYORIN Pharmaceutical Group Facilities Co., Ltd.

Kimiya Masada
Corporate Officer
Director of Product Strategy

Financial Analysis

Industry Trends in Japan

During fiscal 2024, in the Japanese ethical drugs industry, the ongoing promotion of measures to curtail medical expenses, such as the NHI drug price revisions carried out in April 2024, made the environment even more challenging, and the ethical drugs market growth rate was in the lower single-digit range.

We are working toward achieving "Vision 110" (fiscal 2023–fiscal 2032), the long-term vision we formulated in fiscal 2023, and "Vision 110 –Stage1–" (fiscal 2023–fiscal 2025), our medium-term business plan. For fiscal 2024, the second year of the plan, we set the goal of "accomplishing reform" in our management policy and actively carried out the following business activities: (1) accomplish reform of drug discovery, (2) expand the development pipeline, (3) maximize the expansion of sales growth in new drugs, and (4) improve cost competitiveness.

Consolidated Operating Results

For consolidated net sales for fiscal 2024, net sales of new drugs, etc. (Japan) exceeded those of the previous fiscal year due to the growth of new drugs, despite the impact of drug price revisions (the 7% range for KYORIN Pharmaceutical Co., Ltd.). Furthermore, since we recorded revenue from up-front payments for agreements in conjunction with the out-licensing of our proprietary compounds, net sales of new drugs (overseas) rose significantly year on year. Net sales of generic drugs also rose. As a result, overall net sales totaled ¥130,087 million, a year-on-year increase of ¥10,554 million (8.8%).

Regarding profit, the above new drug growth, revenue from up-front payments for agreements, and other increases in revenue increased gross profit to ¥7,907 million year on year. Meanwhile, SG&A expenses also went up, rising ¥1,573 million year on year due to an increase in R&D expenses in conjunction with the acquisition of in-licensed products (with R&D expenses increasing ¥2,495 million). As a result, operating profit rose 101.6%, or ¥6,333 million, year on year, to ¥12,567 million, and profit attributable to owners of parent rose 66.0% year on year, to ¥9,086 million.

The method used to evaluate inventories changed this current fiscal year. Therefore, comparative analysis was performed after retroactive application of the new method to figures from the previous fiscal year.

Assets, Liabilities, and Net Assets

As of March 31, 2025, current assets had risen ¥16,894 million, with increases in cash and deposits, short-term investments, merchandise and finished goods, raw materials and supplies, and other current assets, despite a decrease in work in process. Fixed assets fell ¥903 million, with decreases in intangible assets and investment securities, despite increases in property, plant and equipment and asset for retirement benefits. As a result, total assets rose ¥15,990 million from those of the previous fiscal year-end, to ¥193,618 million.

Total liabilities rose ¥10,441 million from those of the previous fiscal year-end, to ¥57,333 million, due mainly to increases in notes and accounts payable, income taxes payable, and long-term debt, which offset decreases in short-term bank loans and the current portion of long-term debt.

Net assets rose ¥5,549 million from those of the previous fiscal year-end, to ¥136,285 million, due primarily to an increase in retained earnings.

As a result, equity ratio at the fiscal year-end was 70.4%, a 3.2 percentage-point decrease from that of the previous fiscal year-end.

Cash Flows

Operating activities generated net cash of ¥3,506 million, primarily ¥12,770 million in profit before income taxes, ¥4,603 million in depreciation and amortization, a ¥12,330 million increase in inventories, a ¥1,252 million increase in notes and accounts payable, ¥1,703 million in increase/decrease in consumption taxes payable/consumption taxes refund receivable, and ¥1,317 million in income taxes paid.

Investing activities used net cash of ¥6,323 million, primarily ¥5,697 million in purchase of property, plant and equipment and ¥596 million in purchase of intangible assets.

Financing activities generated net cash of ¥3,952 million, primarily ¥20,000 million in proceeds from long-term debt, ¥10,200 million in repayments of long-term debt, ¥3,015 million paid as cash dividends, and ¥2,700 million in repayments of short-term borrowings.

As a result, cash and cash equivalents at the end of fiscal 2024 totaled ¥15,021 million, a ¥1,135 million

increase from that of the previous fiscal year-end.

Outlook for Fiscal 2025

The external environment surrounding the ethical drugs business has become even more severe due to the ongoing promotion of measures to curtail medical expenses and drug costs including annual NHI drug price revisions as well as the strengthening of measures to ensure a stable supply of drugs. These events have significantly affected management of the Kyorin Group. On the other hand, we expect our internal environment to see growth in the sales of new drugs, which serve as growth drivers.

Under these circumstances, for fiscal 2025, the final year of the medium-term business plan "Vision 110 –Stage1–," we have set a goal of "establishing a business structure for realizing Vision 110" in our management policy. We will actively work to achieve Group targets and produce results through our business activities, namely, we will (1) try for drug innovation through new drug discovery strategies, (2) expand the development pipeline, (3) maximize the expansion of sales growth in new drugs, and (4) improve cost competitiveness.

We forecast increased net sales of new drugs, etc. (Japan) during the next consolidated fiscal year, including for Beova, an overactive bladder therapeutic agent, and Lasvic, a new quinolone antibacterial agent, despite the impact of NHI drug price revisions (the lower 5% range for KYORIN Pharmaceutical Co., Ltd.) in April 2025. In the new drugs (overseas) segment, we forecast a decrease in net sales primarily due to the absence of revenue from up-front payments in conjunction with the out-licensing of our proprietary compounds recorded in the previous fiscal year. For generic drugs, we forecast an increase in sales. As a result, we forecast ¥89,000 million in net sales of new drugs, etc. (Japan), ¥200 million in net sales of new drugs (overseas), ¥37,700 million in net sales of generic drugs, and anticipate a decrease of ¥3,087 million in consolidated net sales, to ¥127,000 million.

Regarding profit, we forecast a decrease in gross profit due primarily to a higher cost of sales ratio stemming from drug price revisions and the absence of revenue from up-front payments in conjunction with the out-licensing of our proprietary compounds recorded in the previous fiscal year. On the other hand, we expect SG&A expenses to remain unchanged (with R&D expenses falling ¥114 million year on year) and decreases of operating profit to ¥6,100 million and profit attributable to owners of parent to ¥4,800 million.

Business Risks

The Group promotes its operations within the framework of pharmaceutical administration, in compliance with legal regulations regarding pharmaceutical development, production, and distribution in Japan, such as the Pharmaceutical and Medical Device Act, as well as various regulatory frameworks of other countries. However, we are aware of the existence of risks that could materially affect our business performance and financial condition, due to various factors including substantial changes in relevant laws, healthcare system reforms, drastic changes in the market environment, and large-scale natural disasters.

Among such risks, those that could materially affect the decisions of investors are described below. Although the Group has taken organizational and systematic measures to minimize risk, the outline does not include every risk or variable that could affect its business.

The forward-looking statements contained therein represent the Group's judgment as of March 31, 2025.

<Risks Associated with Value Creation>

1. Risks Associated with R&D

Ethical drug development requires substantial R&D investment over lengthy periods, and the success rate for bringing a drug development candidate to market as a pharmaceutical product is low. Should development be delayed or terminated due to safety issues or a failure to confirm the expected efficacy of a drug development candidate, our business performance and financial condition could be materially affected.

The Group is working to expand our development pipeline by enhancing our ability to create high-value new drugs that meet medical needs and by significantly strengthening in-licensing capabilities.

2. Risks Associated with Stable Supply

The supply of certain products and raw materials to the Group depends on having specified business partners. Should manufacturing activities or procurement be delayed

or terminated due to unforeseeable circumstances, the stable supply of our products could be adversely affected. Furthermore, while our pharmaceutical products are manufactured within various regulatory frameworks, should problems such as those related to quality control at suppliers occur and recalling our products become necessary, our business performance and financial condition could be materially affected.

The Group works closely with subcontracted manufacturers and suppliers to formulate production plans and adjust inventories. We strive to ensure a stable supply of products by such means as securing sufficient products and raw materials to meet demand. When necessary, we also use alternative subcontracted manufacturers and multiple suppliers for raw materials and other supplies. With our four-plant structure, we are working to further increase our production capacity and productivity.

Regarding quality control, we rapidly and fully engage with aspects involving reliability assurance and are strengthening our pharmaceuticals-related legal and regulatory compliance structure.

3. Risks Associated with Healthcare System Reforms

Japan's healthcare system, including NHI drug prices, is being revised. Should greater-than-expected NHI drug price revisions be made or should changes to the NHI system occur, our business performance and financial condition could be materially affected.

The Group is working to increase profitability by maximizing the ratio of new drugs and to improve cost competitiveness by reducing the cost of manufacturing drugs and optimizing costs Groupwide.

4. Risks Associated with Alliances

The Group promotes strategic alliances to make efficient use of external capital. Through tie-up agreements with other pharmaceutical companies inside and outside Japan, we license technology, allocate sales rights for some products, and collaborate in sales, R&D, and other activities. Should these alliances be terminated or should significant changes in business strategy or the business environment occur at a business partner, our business performance and financial condition could be materially affected.

The Group strives to maintain and develop ongoing alliance relationships, enhancing these relationships in light of the business strategies and R&D trends of business partners.

5. Risks Associated with Competition from Other Drugs

The competitive landscape in the pharmaceutical market is severe. Should competition from peer products in the same fields intensify, the entry of generic drugs after the patent expiry of the original drugs increase, or entry from other industries utilizing advanced technological capabilities intensify, our business performance and financial condition could be materially affected.

Following our FC (franchise customer) strategy, the Group is actively engaged in activities aimed at maximizing the expansion of sales growth in new drugs through solution-based marketing (proposing solutions to problems) as one of the priority strategies of our medium-term business plan. In the generic drugs business, we are focusing on the manufacture and sale of authorized generics and working to develop businesses that utilize the unique characteristics of the Group.

6. Risks Associated with Side Effects

For our pharmaceutical products, we conduct clinical trials in the development phase and sell products after they are reviewed and approved by relevant authorities. Should unforeseeable or serious side effects occur after the launch of these products, their usage may be restricted, products may be recalled, or their sale may be discontinued, and our business performance and financial condition could be materially affected.

The Group collects and analyzes a wide range of safety information after the launch of a pharmaceutical product and promptly provides appropriate information to the medical field.

7. Risks Associated with Intellectual Property Rights

Should the Group's business activities infringe on the intellectual property rights of another company or should a third party infringe on our intellectual property rights, the Group could encounter issues such as business discontinuation or legal disputes, which could materially affect our business performance and financial condition.

The Group strictly manages its intellectual property rights and continuously and carefully watches out for any infringements by third parties.

<Risks Associated with Our Foundation to Support Value Creation>

1. Risks Associated with IT Security and Information Management

The Group utilizes numerous IT systems in its business operations and handles highly confidential and personal information. Therefore, we face the risk of operations being suspended or information being leaked due to factors such as system faults, computer viruses, or cyberattacks. Should society's trust in the Group become seriously weakened due to unforeseeable business disruptions or leakages of information, our business performance and financial condition could be materially affected.

The Group strives to establish IT security measures and a framework for information management systems by introducing IT security services, regularly backing up data, establishing various information management regulations, and providing employee training on those regulations.

2. Risks Associated with Human Resources

The Group believes that the growth of human resources serves as the driving force behind the strengthening of our business and considers enhancing human resources an important issue for executing business strategies and realizing results. However, should we become unable to secure talented personnel and diversity in our workforce, including women, mainly due to intensifying competition for human resources and significant changes in the work environment, the growth of our business activities may stagnate, which could materially affect our business performance and financial condition.

Committed to the basic idea that the Company and its employees are partners that realize mutual benefits, the Group is working to appropriately operate its human resources management system. We are also actively promoting work-style reforms that respect diverse values through initiatives such as promoting women's active participation.

3. Risks Associated with Lawsuits

The Group faces litigation risks in its business activities both in Japan and overseas, including those associated with intellectual property rights such as patents, violations of the Product Liability Act, and labor disputes. Should lawsuits involving such risks be brought against the Group, our business performance and financial condition could be materially affected.

While conducting business activities, the Group takes appropriate measures based on the advice of experts.

4. Risks Associated with Environmental Issues

The Group conducts business activities with consideration for the environment. However, should a violation of relevant laws or regulations occur due to unexpected accidents or other events in business operations, our business performance and financial condition could be materially affected.

The Group strives to not only comply with relevant laws and regulations but also to achieve even higher voluntary standards in terms of the environment, health, and safety. It also promotes Groupwide EHS activities that integrate the environmental management system and the industrial safety and hygiene management system. In particular, the Group views climate change countermeasures as one of its critical issues. As a result, it has established the Environmental Committee to consider the impact of Groupwide business activities on the environment.

5. Risks Associated with Large-Scale Disasters

Should natural disasters such as earthquakes or typhoons, accidents such as fires, or pandemics such as influenza or COVID-19 occur, these events could result in the closure of plants and the suspension of operations at KYORIN Pharmaceutical Group Facilities Co., Ltd., the Company's production subsidiary, the Group's suppliers, or other locations. Should such plant closings or suspensions extend for a lengthy period, our business performance and financial condition could be materially affected.

The Group prepares various manuals and conducts drills to prepare for large-scale disasters. We also secure a certain amount of inventory to ensure a stable supply of products.

6. Risks Associated with Volatility in the Financial Markets

The Group's business performance and financial condition could be affected during import and export transactions due to fluctuations in exchange rates. Greater-than-expected fluctuations in financial markets could result in an increase in interest expenses, surging purchase prices, and fluctuations in the amounts of pension assets, retirement benefit obligations, the valuation of shares held, etc., by which our business performance and financial condition could be materially affected.

The Group responds to fluctuations in financial markets by confirming trends in these markets when drafting business plans, then concluding exchange contracts and revising fund procurement methods.

Consolidated Balance Sheet

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
As of March 31

	Millions of yen		Thousands of U.S. dollars *(Note 3)*
	2025	2024	2025
Assets			
Current assets:			
Cash and cash in banks *(Notes 4 and 14)*	¥ 15,021	¥ 13,886	$ 100,455
Notes receivable *(Note 14)*	1,524	1,644	10,192
Accounts receivable *(Note 14)*	46,059	46,070	308,025
Contract assets	—	26	—
Short-term investments *(Notes 5 and 14)*	1,493	99	9,985
Inventories:			
Merchandise and finished goods	22,558	18,795	150,859
Work in process	13,112	14,622	87,688
Raw materials and supplies	30,060	19,983	201,030
Other	6,347	4,153	42,446
Less allowance for doubtful accounts	(42)	(42)	(281)
Total current assets	136,134	119,240	910,413
Property, plant and equipment:			
Land	2,811	2,831	18,799
Buildings and structures	40,810	34,726	272,922
Machinery and vehicle	30,646	27,388	204,949
Leased assets	1,234	760	8,253
Construction in progress	937	8,490	6,266
Other	9,700	9,432	64,870
Less accumulated depreciation and impairment loss	(55,838)	(54,679)	(373,423)
Property, plant and equipment, net	30,303	28,950	202,655
Investments and other assets:			
Investment securities *(Notes 5 and 14)*	20,042	22,106	134,033
Asset for retirement benefits *(Note 16)*	158	—	1,057
Deferred tax assets *(Note 17)*	591	465	3,952
Other	6,419	6,898	42,928
Less allowance for doubtful accounts	(32)	(33)	(214)
Total investments and other assets	27,180	29,436	181,770
Total assets	¥193,618	¥177,627	$1,294,844

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2024	2025
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable *(Note 14)*	¥ 15,517	¥ 14,265	$ 103,772
Short-term bank loans *(Notes 6 and 14)*	7,400	10,100	49,488
Current portion of long-term debt *(Notes 6 and 14)*	200	10,200	1,338
Lease obligations *(Note 6)*	135	87	903
Accrued income taxes *(Note 17)*	3,176	923	21,240
Accrued bonuses to employees	2,226	2,198	14,887
Asset retirement obligations *(Note 19)*	—	623	—
Other	6,455	7,092	43,169
Total current liabilities	35,111	45,491	234,809
Long-term liabilities:			
Long-term debt *(Notes 6 and 14)*	20,235	435	135,324
Lease obligations *(Note 6)*	469	124	3,136
Deferred tax liabilities *(Note 17)*	59	181	395
Provision for stock-based payments	334	—	2,234
Liability for retirement benefits *(Note 16)*	575	117	3,845
Asset retirement obligations *(Note 19)*	37	37	247
Other	509	504	3,404
Total long-term liabilities	22,221	1,400	148,606
Net assets:			
Shareholders' equity *(Note 7)*:			
Common stock, no par value:			
Authorized–297,000,000 shares in 2025 and 2024			
Issued–64,607,936 shares in 2025 and 2024	700	700	4,681
Capital surplus	4,752	4,752	31,780
Retained earnings	142,789	136,726	954,919
Treasury stock, at cost:			
7,159,087 shares in 2025			
7,159,151 shares in 2024	(17,349)	(17,350)	(116,024)
Total shareholders' equity	130,892	124,829	875,356
Accumulated other comprehensive income:			
Unrealized holding gain on other securities	5,544	5,926	37,076
Deferred gains on hedges	13	—	87
Retirement benefits liability adjustments	(166)	(20)	(1,110)
Total accumulated other comprehensive income	5,392	5,905	36,060
Total net assets	136,285	130,735	911,422
Total liabilities and net assets	¥193,618	¥177,627	$1,294,844

See notes to consolidated financial statements.

Consolidated Statement of Income

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2025

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2024	2025
Net sales	¥130,087	¥119,532	$869,973
Cost of sales	70,551	67,904	471,818
Gross profit	59,535	51,628	398,148
Selling, general and administrative expenses *(Note 8)*	46,967	45,394	314,098
Operating profit	12,567	6,234	84,043
Other income (expenses):			
Interest and dividend income	497	501	3,324
Interest expense	(173)	(66)	(1,157)
Equity in gains (losses) of affiliates	38	(12)	254
Foreign exchange gain	165	59	1,103
Loss on sales and retirement of property, plant and equipment, net *(Note 9)*	(127)	(90)	(849)
(Loss) gain on sales of investment securities *(Note 5)*	(1)	993	(7)
Loss on devaluation of investment securities *(Note 5)*	(304)	—	(2,033)
Gain on liquidation of subsidiaries	—	410	—
Loss on disaster *(Note 11)*	—	(27)	—
Extra retirement payments *(Note 12)*	—	(869)	—
Subsidy income *(Note 10)*	102	—	682
Insurance claim income	0	108	0
Compensation income	106	1	709
Head office relocation expenses	(68)	—	(455)
Loss on discontinuation of product sales *(Note 13)*	(49)	—	(328)
Other, net	17	(3)	114
Other income, net	203	1,005	1,358
Profit before income taxes	12,770	7,239	85,401
Income taxes *(Note 17)*:			
Current	3,807	1,897	25,460
Deferred	(123)	(133)	(823)
Total income taxes	3,684	1,764	24,637
Profit	9,086	5,475	60,764
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	¥ 9,086	¥ 5,475	$ 60,764

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2025

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2024	2025
Profit	¥9,086	¥5,475	$60,764
Other comprehensive income (loss) *(Note 18)*:			
Unrealized holding (loss) gain on other securities	(381)	201	(2,548)
Deferred gains on hedges	13	—	87
Translation adjustments	—	(340)	—
Retirement benefits liability adjustments	(145)	2,736	(970)
Share of other comprehensive income of affiliates accounted for using equity method	0	30	0
Total other comprehensive (loss) income	(513)	2,627	(3,431)
Comprehensive income	¥8,572	¥8,102	$57,326
Total comprehensive income attributable to:			
Shareholders of KYORIN Pharmaceutical Co., Ltd.	¥8,572	¥8,102	$57,326
Non-controlling interests	—	—	—

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2025

Millions of yen

	Number of shares issued (Common stock)	Shareholders' equity					Accumulated other comprehensive income					Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain (loss) on other securities	Deferred gains on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	
Balance as of April 1, 2023	64,607,936	¥700	¥4,752	¥134,396	¥(17,666)	¥122,182	¥5,695	¥–	¥340	¥(2,756)	¥3,278	¥125,461
Cumulative effects of changes in accounting policies	–	–	–	(201)	–	(201)	–	–	–	–	–	(201)
Restated balance	–	700	4,752	134,195	(17,666)	121,981	5,695	–	340	(2,756)	3,278	125,259
Cash dividends	–	–	–	(3,023)	–	(3,023)	–	–	–	–	–	(3,023)
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	–	–	–	5,475	–	5,475	–	–	–	–	–	5,475
Change in scope of consolidation	–	–	–	79	–	79	–	–	–	–	–	79
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Disposals of treasury stock	–	–	–	–	317	317	–	–	–	–	–	317
Other changes	–	–	–	–	–	–	231	–	(340)	2,736	2,627	2,627
Net changes during the year	–	–	–	2,531	316	2,847	231	–	(340)	2,736	2,627	5,475
Balance as of April 1, 2024	64,607,936	700	4,752	136,726	(17,350)	124,829	5,926	–	–	(20)	5,905	130,735
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Restated balance	–	700	4,752	136,726	(17,350)	124,829	5,926	–	–	(20)	5,905	130,735
Cash dividends	–	–	–	(3,023)	–	(3,023)	–	–	–	–	–	(3,023)
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	–	–	–	9,086	–	9,086	–	–	–	–	–	9,086
Change in scope of consolidation	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Disposals of treasury stock	–	–	–	–	1	1	–	–	–	–	–	1
Other changes	–	–	–	–	–	–	(381)	13	–	(145)	(513)	(513)
Net changes during the year	–	–	–	6,062	0	6,063	(381)	13	–	(145)	(513)	5,549
Balance as of March 31, 2025	64,607,936	¥700	¥4,752	¥142,789	¥(17,349)	¥130,892	¥5,544	¥13	¥–	¥(166)	¥5,392	¥136,285

Thousands of U.S. dollars *(Note 3)*

	Number of shares issued (Common stock)	Shareholders' equity					Accumulated other comprehensive income					Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain (loss) on other securities	Deferred gains on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	
Balance as of April 1, 2024	64,607,936	$4,681	$31,780	$914,372	$(116,030)	$834,809	$39,631	$–	$–	$(134)	$39,490	$874,306
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Restated balance	–	4,681	31,780	914,372	(116,030)	834,809	39,631	–	–	(134)	39,490	874,306
Cash dividends	–	–	–	(20,217)	–	(20,217)	–	–	–	–	–	(20,217)
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	–	–	–	60,764	–	60,764	–	–	–	–	–	60,764
Change in scope of consolidation	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Disposals of treasury stock	–	–	–	–	7	7	–	–	–	–	–	7
Other changes	–	–	–	–	–	–	(2,548)	87	–	(970)	(3,431)	(3,431)
Net changes during the year	–	–	–	40,540	0	40,547	(2,548)	87	–	(970)	(3,431)	37,110
Balance as of March 31, 2025	64,607,936	$4,681	$31,780	$954,919	$(116,024)	$875,356	$37,076	$87	$–	$(1,110)	$36,060	$911,422

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2025

	Millions of yen		Thousands of U.S. dollars *(Note 3)*
	2025	2024	2025
Operating activities			
Profit before income taxes	¥ 12,770	¥ 7,239	$ 85,401
Depreciation and amortization	4,603	4,290	30,783
(Decrease) increase in allowance for doubtful accounts	(1)	5	(7)
Increase in accrued bonuses to employees	27	16	181
Increase (decrease) in provision for stock-based payments	334	(466)	2,234
Decrease in asset for retirement benefits	65	279	435
Increase in liability for retirement benefits	23	18	154
Equity in (gains) losses of affiliates	(38)	12	(254)
Interest and dividend income	(497)	(501)	(3,324)
Interest expense	173	66	1,157
Loss on sales and retirement of property, plant and equipment, net	127	90	849
Loss (gain) on sales of investment securities, net	1	(993)	7
Loss on devaluation of investment securities	304	—	2,033
Gain on liquidation of subsidiaries	—	(410)	—
Subsidy income	(102)	–	(682)
Extra retirement payments	—	869	—
Loss on disaster	—	27	—
Head office relocation expenses	68	—	455
Loss on discontinuation of product sales	49	—	328
Decrease (increase) in notes and accounts receivable	158	(439)	1,057
Increase in inventories	(12,330)	(5,665)	(82,458)
Increase in notes and accounts payable	1,252	502	8,373
Decrease in consumption taxes payable or receivable	(1,703)	(183)	(11,389)
Other, net	(461)	(62)	(3,083)
Subtotal	4,824	4,695	32,261
Interest and dividend received	505	501	3,377
Interest paid	(173)	(66)	(1,157)
Extra retirement payments paid	(265)	(604)	(1,772)
Head office relocation expenses paid	(68)	—	(455)
Income taxes paid	(1,317)	(2,975)	(8,808)
Net cash provided by operating activities	3,506	1,549	23,447
Investing activities			
Payments for time deposits	—	(910)	—
Proceeds from withdrawal of time deposits	—	1,511	—
Purchase of property, plant and equipment	(5,697)	(5,778)	(38,099)
Proceeds from sales of property, plant and equipment	42	0	281
Subsidies received	102	—	682
Purchase of intangible assets	(596)	(468)	(3,986)
Purchase of investment securities	(152)	(0)	(1,017)
Proceeds from sales and redemption of investment securities	100	2,044	669
Proceeds from liquidation of subsidiaries	—	921	—
Other, net	(122)	(509)	(816)
Net cash used in investing activities	(6,323)	(3,187)	(42,286)
Financing activities			
Proceeds from long-term debt	20,000	—	133,752
Repayments of lease obligations	(131)	(133)	(876)
Repayments of long-term debt	(10,200)	(200)	(68,214)
Net increase in treasury stock	(0)	(0)	(0)
Cash dividends	(3,015)	(3,013)	(20,163)
Decrease in short-term bank loans, net	(2,700)	—	(18,057)
Net cash provided by (used in) financing activities	3,952	(3,347)	26,429
Effects of exchange rate changes on cash and cash equivalents	(0)	87	(0)
Increase (decrease) in cash and cash equivalents	1,135	(4,897)	7,590
Cash and cash equivalents at beginning of year	13,886	18,816	92,864
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(32)	—
Cash and cash equivalents at end of year *(Note 4)*	¥ 15,021	¥13,886	$100,455

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2025

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of KYORIN Pharmaceutical Co., Ltd. (the "Company") and consolidated subsidiaries (the "Group") are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain reclassifications have been made in the 2024 consolidated financial statements to conform to the 2025 presentation. These reclassifications have no effect on consolidated profit and net assets. Amounts of less than one million yen have been rounded down to the nearest million yen, and amounts less than one thousand U.S. dollars have been rounded down to the nearest thousand U.S. dollars, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Basis of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements on an equity basis. As of March 31, 2025, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were two and one (two and one in 2024), respectively. As of March 31, 2025, the number of unconsolidated subsidiaries was two. The Company deconsolidated Kyorin Europe GmbH, which resolved to dissolve in March 2023, and ActivX Biosciences, Inc., which resolved to dissolve in March 2023 and also conducted the distribution of certain residual assets in the year ended March 31, 2024. These companies became unconsolidated subsidiaries because they have insignificant effects on the consolidated financial statements of the Company. Both companies were in the process of liquidation as of the consolidated balance sheet date. All significant inter-company balances and transactions are eliminated in consolidation.

Investments in subsidiaries and affiliates, which are not consolidated or accounted for by the equity method, are carried at cost or less. Where there has been a significant decline in the value of such investments, the Company has written down the investments.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposit with banks withdrawable on demand, and short-term investments that are readily convertible into cash and subject to an insignificant risk of any changes in their value and were purchased with original maturities of three months or less.

(c) Short-Term Investments and Investment Securities

Securities other than equity securities issued by subsidiaries and an affiliate are classified into other securities. Securities other than equity securities, etc. without market prices that are classified as other securities are carried at fair value with changes in unrealized gain or loss, net of the applicable income taxes, and directly included in net assets. Equity securities, etc. without market prices that are classified as other securities are stated at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Merchandise and finished goods, work in process, raw materials, and some supplies (samples) are stated at cost determined by the moving average method. Inventories with lower profitability are written down to their net realizable value. Supplies except for samples are stated by the last purchase price method.

(e) Derivatives

Derivatives are measured at fair value.

(f) Depreciation and Amortization (Except for Leased Assets)

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets. The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	12 to 38 years
Machinery and vehicle	4 to 17 years

Intangible assets are amortized by the straight-line method over their estimated useful lives. Computer software

for internal use is capitalized and amortized by the straight-line method over the useful life of three to five years.

(g) Leases

Leased assets are depreciated over the lease term by the straight-line method with no residual value. All finance leases are accounted for in the same manner as sales transactions.

(h) Research and Development Expenses

Research and development expenses are expensed as incurred.

(i) Income Taxes

Deferred tax assets and liabilities are determined on the basis of differences between financial reporting and the tax bases of the assets and liabilities and are measured using the effective tax rates and enacted laws that will be in effect when the differences are expected to reverse.

(j) Accounting Method for Retirement Benefits

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount to the period of service on the benefit formula basis.

Prior service cost is amortized as incurred by the straight-line method over the average remaining years of service of employees in the year such cost occurs (10 years).

Actuarial gain or loss is amortized from the year following the year in which such gain or loss is recognized primarily by the straight-line method over the average remaining years of service of employees in the year such gain or loss occurs (10 years).

Unrecognized actuarial loss and unrecognized prior service costs are, after adjusting for tax effects, recorded as retirement benefits liability adjustments under accumulated other comprehensive income in net assets.

(k) Appropriation of Retained Earnings

Appropriation of retained earnings with respect to a given financial period is made by resolution of the Board of Directors' meeting for dividends and resolution of the ordinary general shareholders' meeting for other appropriations (see Note 7).

(l) Application of the Group Tax Sharing System

The Company and its domestic consolidated subsidiaries have applied the group tax sharing system.

(m) Significant Revenue and Expense Recognition Standards

The Group earns revenue from sales of pharmaceuticals and other products, as well as royalty income and service revenue based on contracts, etc., that allow third parties to research and develop, manufacture, sell, and use the Group's products and technologies. The Group recognizes revenue as the amount it expects to receive in exchange for its goods or services when customers obtain control of the goods or services that are promised to be transferred.

Revenue from sales of pharmaceuticals and other products is recognized when performance obligations are satisfied by transferring control of pharmaceuticals and other products to customers. For sales of pharmaceuticals and other products in Japan, the Group recognizes revenue at the time of shipment in accordance with Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, because the period from the time of shipment to the time when control of the pharmaceuticals and other products is transferred to customers is a normal period.

Transaction prices are calculated based on considerations promised in contracts with customers, less sales rebates, etc.

For considerations for sales incentives, etc., paid to distributors, the Group reduces certain sales incentives, etc., from transaction prices.

In addition, for sales with expected reruns of products, the Group does not recognize revenue at the time of sales, in accordance with provisions regarding variable considerations.

Royalty income and service revenue include upfront payments, development milestone income, sales milestone income, and royalty income based on licensing agreements (granting or transferring rights to research and develop, manufacture, and sell pharmaceuticals and other products to third parties based on patents and know-how). With respect to income such as upfront payments, development milestone income, and sales milestone income based on licensing agreements, if performance obligations are satisfied at a point in time, the income is recognized as sales revenue when development and sales rights are granted, or when the contractually specified milestones are achieved. If performance obligations are satisfied over time, the consideration is recorded as a contract liability. Upfront payments and milestone income are recognized as sales revenue over time, such as an expected contract period, in accordance with the method of measuring progress regarding satisfaction of performance obligations determined for each contract. Income related to sales

royalties where the consideration received for licensing of intellectual property is based on net sales or usage is recognized as sales revenue when customers' sales revenue, etc., is generated, or performance obligations are satisfied, whichever is later.

The Group receives considerations for performance obligations generally within one year after satisfying the performance obligations in accordance with payment terms prescribed separately, and such considerations do not contain a significant financing component.

(n) Significant Hedge Accounting Methods

In principle, deferred hedging is applied as a hedge accounting method. Foreign exchange contracts are accounted for by the allocation treatment when the contracts meet the criteria.

Regarding hedging instruments and hedged items, foreign exchange contracts are carried out for monetary receivables and payables denominated in foreign currencies.

As our hedge policy, we are working within the limits of the amount of foreign currency transactions and do not conduct speculative transactions.

Since important conditions of hedged items and hedging instruments are the same, it can be assumed that the hedging instruments will completely offset market fluctuations at the beginning of the hedge and continuously thereafter, the evaluation of the hedge effectiveness is omitted. The evaluation of the effectiveness of foreign exchange contracts based on the allocation treatment is also omitted.

(o) Significant Accounting Estimates

Recoverability of Deferred Tax Assets

(1) The amounts of deferred tax assets and liabilities recorded for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets	¥ 591	¥465	$ 3,952
Deferred tax liabilities	59	181	395
(Deferred tax assets before offsetting against deferred tax liabilities)	3,967	3,764	26,530

(2) With respect to deductible temporary differences, recoverability of deferred tax assets is judged using taxable income based on future profitability, tax planning, etc.

Taxable income is estimated mainly on the basis of business plans that incorporate market prices (distribution prices), etc. The market growth rate trends due to implementation of annual drug price revisions implemented in line with basic policies of the NHI drug pricing system reforms and further promotion of measures to curtail medical expenses and drug costs, and cost increases in raw materials, energy, etc. affected the Group's business activities. Such effects have been incorporated into the business plans, which are the basis for estimating future taxable income, in light of external information, etc. available at the end of the year ended March 31, 2025.

The timing of when taxable income incurs and its amount may be affected by changes in the external environment surrounding the ethical drugs business, which is the core of the Group. If the actual timing and amount of taxable income are different from estimates, deferred tax assets recorded in the consolidated financial statements for the year ended March 31, 2025 may be reversed.

(p) Changes in Accounting Policies

Application of the "Accounting Standard for Current Income Taxes," etc.

The Group has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan ("ASBJ") Statement No. 27, revised on October 28, 2022; hereinafter, the "2022 Revised Accounting Standard"), etc., from the beginning of the year ended March 31, 2025.

Amendments to the classification of income taxes (taxation on other comprehensive income) are made in accordance with the transitional treatment set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment set forth in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022; hereinafter, the "2022 Revised Implementation Guidance"). The changes in accounting policies have no effect on the consolidated financial statements.

In addition, with regard to amendments related to the review of the treatment in the consolidated financial statements in the case of deferral of gains and losses arising from the sale of shares of subsidiaries among consolidated companies for tax purposes, the Group has applied the 2022

Revised Implementation Guidance from the beginning of the year ended March 31, 2025. The changes in accounting policies are retroactively applied, and the consolidated financial statements for the previous fiscal year represent those after the retroactive application. The changes in accounting policies have no effect on the consolidated financial statements for the previous fiscal year.

Change in the Valuation Method of Inventories

The Company and certain consolidated subsidiaries had adopted the cost method based on the gross average method for the valuation of inventories for merchandise and finished goods, work in process, raw materials, and some supplies (samples). However, it has been changed to the cost method based on the moving average method from the year ended March 31, 2025.

The purpose of this change is to enable faster and more appropriate valuation of inventories and calculation of periodic profits and losses in response to the establishment of new core systems and changes in trading conditions.

The changes in accounting policies are retroactively applied, and the consolidated financial statements for the previous fiscal year represent those after the retroactive application.

As a result, cost of sales for the previous fiscal year decreased by ¥220 million, and operating profit and profit before income taxes increased by ¥220 million, respectively, compared with the figures before the retroactive application. At the end of the previous fiscal year, merchandise and finished goods decreased by ¥235 million, raw materials and supplies increased by ¥166 million, deferred tax assets increased by ¥17 million, and the balance of retained earnings decreased by ¥48 million. Since the cumulative effect was reflected in net assets at the beginning of the previous fiscal year, the balance of retained earnings at the beginning of the previous fiscal year decreased by ¥201 million.

(q) Accounting Standard Issued but Not Yet Effective

- **"Accounting Standard for Leases" (ASBJ Statement No. 34, issued on September 13, 2024)**
- **"Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, issued on September 13, 2024)**

(1) Overview

As part of efforts to make the Japanese GAAP internationally consistent, the Accounting Standards Board of Japan (ASB) reviewed the development of an accounting standard for leases that recognizes assets and liabilities for all leases of lessees, taking into account international accounting standards. As a basic policy, the ASB announced the accounting standard for leases, etc., which is based on the single accounting model of IFRS 16, but aims to make it simple and convenient by adopting only the main provisions rather than all the provisions of IFRS 16. Furthermore, there is basically no need to revise the provisions of IFRS 16 even if they are used in non-consolidated financial statements.

As in IFRS 16, for the purpose of accounting for lessees, a single accounting model is applied to allocate the cost of leases by lessees, regardless of whether the leases are finance leases or operating leases, in which depreciation on right-of-use assets and an equivalent amount of interest on lease liabilities are recorded for all leases.

(2) Date of application

Scheduled to be applied from the beginning of the fiscal year ending March 31, 2028

(3) Effect of application

The effect of applying the "Accounting Standard for Leases," etc., on the consolidated financial statements is currently being evaluated.

(r) Changes in Presentation

Consolidated Statement of Income

"Subsidy income" under "Other income (expenses)," which was separately presented in the previous fiscal year, is included in "Other, net" in the year ended March 31, 2025, due to a decline in monetary materiality. "Compensation income," which was included in "Other, net" under "Other income (expenses)" in the previous fiscal year, is separately presented from the year ended March 31, 2025, because the amount exceeded 10% of the total amount of other income (expenses). To reflect these changes in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥3 million in "Subsidy income" and ¥61 million included in "Other, net" under "Other income (expenses)" in the consolidated statement of income for the previous fiscal year have been reclassified as ¥1 million in "Compensation income" and ¥64 million in "Other, net" under "Other income (expenses)."

(s) Additional Information

Employee Stock Delivery Trust (the "J-ESOP")

At a meeting of the Board of Directors held on February 23, 2016, the Company resolved that KYORIN Pharmaceutical

Co., Ltd. ("KYORIN Pharmaceutical"), which was a subsidiary of the Company, introduces an incentive plan referred to as the Employee Stock Delivery Trust (the "J-ESOP," hereinafter, the "ESOP Plan") under which the Company's shares are delivered to employees of KYORIN Pharmaceutical.

The Company accounts for the Plan in line with the guidelines set out in "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(1) Outline of transactions

Under the ESOP Plan, the Company's shares are delivered to eligible employees of KYORIN Pharmaceutical who satisfy certain requirements, on the bases of the stock benefit plan rules prescribed by KYORIN Pharmaceutical in advance.

KYORIN Pharmaceutical awards its employees a set number of points on the bases of business performance and their personal contribution and delivers or pays the Company's shares and cash to employees who attain rights to receive such delivery or payment under certain conditions. The Trust acquires the Company's shares to be delivered including future delivery portion using the entrusted money, and separately manages it as trust assets.

Introduction of the ESOP Plan is expected to contribute to employees' work motivation by increasing interest in improvement of business performance and the Company's share price. In addition, various stakeholders including shareholders are expected to receive shared benefits from improvement in the Company's corporate value.

(2) Company shares remaining in trust

Treasury shares remaining in the Trust are presented as treasury stock in net assets with carrying value in the Trust (excluding ancillary expenses). As of March 31, 2025 and 2024, the carrying amounts of the treasury shares were ¥1,322 million ($8,841 thousand) and ¥1,322 million, respectively, and the total numbers of treasury shares were 606 thousand shares and 606 thousand shares, respectively.

Performance-Linked Stock Compensation Plan

At the 58th Annual General Shareholders Meeting, held on June 24, 2016, the Company resolved to introduce a performance-linked stock compensation plan (hereinafter, the "Plan") for directors of the Company (excluding outside directors; hereinafter, "Directors"). At the Annual General Shareholders Meeting, held on June 23, 2023, the Company resolved to revise the Plan.

The Company accounts for the Plan in line with the guidelines set out in the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(1) Outline of transactions

The Plan is a stock-based compensation arrangement whereby the Company's shares are acquired through a trust with funds contributed by the Company, and the Company's shares and the amount of cash equivalent to the Company's shares at their fair value (hereinafter, the "Company's Shares, etc.") are paid to eligible Directors on the basis of the stock benefit plan rules for directors prescribed by the Company.

The Company adopts a Board Benefit Trust system when introducing the Plan. In principle, Directors will receive the Company's Shares, etc., on a certain date during the trust period set out by the stock benefit plan rules for directors or upon their retirement, whichever is earlier.

(2) Company shares remaining in trust

Treasury shares remaining in the Trust are presented as treasury stock in net assets with carrying value in the Trust (excluding ancillary expenses). As of March 31, 2025 and 2024, the carrying amounts of the treasury shares were ¥188 million ($1,257 thousand) and ¥189 million, respectively, and the total numbers of treasury shares were 83 thousand shares and 83 thousand shares, respectively.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥149.53 = U.S.$1.00, the approximate rate of exchange on March 31, 2025. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2025 and 2024 for the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and cash in banks	¥15,021	¥13,886	$100,455
Cash and cash equivalents	¥15,021	¥13,886	$100,455

5. Short-Term Investments and Investment Securities

Information regarding marketable securities classified as other securities as of March 31, 2025 and 2024 is as follows:

Marketable other securities

	Millions of yen			Thousands of U.S. dollars		
	2025			2025		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥7,480	¥15,460	¥7,980	$50,023	$103,391	$53,367
Debt securities:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Subtotal	7,480	15,460	7,980	50,023	103,391	53,367
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	—	—	—	—	—	—
Debt securities:						
Government bonds	4,900	4,844	(55)	32,769	32,395	(368)
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Subtotal	4,900	4,844	(55)	32,769	32,395	(368)
Total	¥12,380	¥20,305	¥7,925	$82,793	$135,792	$52,999

	Millions of yen		
	2024		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥4,479	¥12,828	¥8,348
Debt securities:			
Government bonds	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Subtotal	4,479	12,828	8,348
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	3,000	2,948	(51)
Debt securities:			
Government bonds	5,000	4,971	(28)
Corporate bonds	—	—	—
Other bonds	—	—	—
Subtotal	8,000	7,919	(80)
Total	¥12,480	¥20,748	¥8,268

Unlisted securities and other non-marketable securities are not included in the above schedules. The amounts of these securities were ¥467 million ($3,123 thousand) and ¥725 million as of March 31, 2025 and 2024, respectively.

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Proceeds from sales	¥0	¥2,054	$0
Gains on sales	0	1,000	0
Losses on sales	1	—	7

In the year ended March 31, 2025, impairment loss on securities of ¥304 million ($2,033 thousand) (¥304 million ($2,033 thousand) of unlisted securities classified as other securities that are not measured at fair value) was recognized.

In the year ended March 31, 2024, no impairment loss on securities was recognized.

The impairment loss was recognized for the amount deemed necessary, taking into consideration the recoverability of the actual value of the equity securities and other factors.

6. Short-Term Bank Loans, Long-Term Debt, and Lease Obligations

Short-term bank loans and the current portion of long-term debt and lease obligations as of March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Short-term bank loans	¥7,400	¥10,100	$49,488
Current portion of long-term debt	200	10,200	1,338
Current portion of lease obligations	135	87	903
Total	¥7,735	¥20,387	$51,729

The average interest rates applicable to short-term bank loans outstanding as of March 31, 2025 and 2024 are 0.9% and 0.4%, respectively.

Long-term debt and lease obligations as of March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Long-term debt due through 2028 at average interest rate of 0.9% and 0.5% in 2025 and 2024, respectively	¥20,435	¥10,636	$136,662
Lease obligations due through 2030 in 2025 and 2024	604	211	4,039
Current portion of long-term debt and lease obligations due within one year	(335)	(10,287)	(2,240)
Total	¥20,704	¥ 560	$138,461

The annual maturities of long-term debt and lease obligations are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2026	¥335	$2,240
2027	303	2,026
2028	20,190	135,023
2029	126	843
2030	76	508

7. Shareholders' Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. The board of directors may declare dividends (except for dividends-in-kind) if the company has prescribed so in its articles of incorporation for companies that meet certain criteria such as:

(1) having a board of directors,
(2) having independent auditors,
(3) having a board of corporate auditors, and
(4) the term of service of the directors is prescribed as one year rather than the two-year of normal term by its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act also provides certain limitations on the amounts available for dividends and the purchase of treasury stock. The limitation is defined as the amount available for distribution to shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution by the shareholders.

(c) Treasury Stock and Stock Option

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of net assets. The Companies Act also provides that companies can purchase

both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

8. Research and Development Expenses

Research and development expenses included in general and administrative expenses for the years ended March 31, 2025 and 2024 were ¥10,514 million ($70,314 thousand) and ¥8,019 million, respectively.

9. Gain or Loss on Sales and Retirement of Property, Plant and Equipment, Net

Significant components of the gain or loss on sales and retirement of property, plant and equipment, net for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gain:			
Machinery and vehicles	¥ 0	¥ 0	$ 0
Other	0	0	0
	¥ 0	¥ 0	$ 0
Loss:			
Buildings and structures	¥ (47)	¥(58)	$(314)
Machinery and vehicles	(61)	(27)	(408)
Other	(18)	(4)	(120)
	¥(127)	¥(90)	$(849)
Total	¥(127)	¥(90)	$(849)

10. Subsidy Income

For the year ended March 31, 2025, the Company recognized subsidy income for a subsidy for industrial agglomeration promotion measures received through capital investment at the Takaoka Plant of KYORIN Pharmaceutical Group Facilities Co., Ltd., a consolidated subsidiary.

11. Loss on Disaster

In the year ended March 31, 2025, no loss on disaster was recognized.

For the year ended March 31, 2024, the Company recognized a loss on abandonment because finished goods and merchandise stored in a subcontracted logistics warehouse located in Imizu-shi, Toyama Prefecture were damaged due to the 2024 Noto Peninsula Earthquake that occurred on January 1, 2024.

12. Extra Retirement Payments

In the year ended March 31, 2025, no extra retirement payments were recognized.

For the year ended March 31, 2024, the Company recognized extra retirement payments for special additional allowance and reemployment support grant for retirees due to the solicitation of applicants for extra retirement.

13. Loss on Discontinuation of Product Sales

For the year ended March 31, 2025, the Company recognized a loss incurred due to the discontinuation of sales of products sold at the Company.

14. Financial Instruments

(a) Investment Policy of Financial Instruments

The Company and its consolidated subsidiaries mainly operate funds by highly secured financial instruments such as deposits and highly rated bonds, ensuring security and liquidity. The Company and its consolidated subsidiaries use bank loans as the prime source of financing. Derivative transactions are used to avoid the risks described below, and the policy of the Company and its consolidated subsidiaries is not to engage in speculative transactions.

(b) Details of Financial Instruments, Associated Risks, and Risk Management

Operating receivables such as notes and accounts receivable are exposed to credit risk of customers. The Company and its consolidated subsidiaries, in accordance with internal rules, keep track of adverse financial conditions of customers in the early stage to mitigate bad debt by monitoring the major customers' credit conditions periodically and managing the due date and balance per customer. The Company and its consolidated subsidiaries mitigate foreign currency risk by utilizing foreign currency deposits for operating receivables denominated in foreign currencies and settling payables denominated in the same currencies through the deposits.

Short-term investments and investment securities mainly consist of highly rated bond securities and equity securities of companies with business relationships and are exposed to market risk and credit risk of issuers. The Company and its consolidated subsidiaries regularly review the fair value and issuers' financial condition to mitigate the risks.

Operating payables such as notes and accounts payable are mainly due within six months. Certain operating payables are denominated in foreign currencies.

Bank loans and debts are mainly used for the operating fund and fund for capital investments.

Operating payables and loans and debts are exposed to liquidity risk. The Company and its consolidated subsidiaries manage the risk by preparing and updating the cash management plan periodically.

Derivative transactions are forward exchange contracts for the purpose of hedging foreign exchange fluctuation risks associated with trade receivables and payables denominated in foreign currencies.

(c) Supplemental Information on Fair Value of Financial Instruments

As the calculation of fair values of financial instruments includes variable factors, those values may vary if different assumptions are applied.

Carrying values, fair values, and their differences of financial instruments as of March 31, 2025 and 2024 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2025			2025		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Notes receivable	¥ 1,524	¥ 1,524	¥ —	$ 10,192	$ 10,192	$ —
Accounts receivable	46,059	46,059	—	308,025	308,025	—
Short-term investments and investment securities	20,305	20,305	—	135,792	135,792	—
Total assets	¥67,888	¥67,888	¥ —	$454,009	$454,009	$ —
Notes and accounts payable	¥15,517	¥15,517	¥ —	$103,772	$103,772	$ —
Short-term bank loans	7,400	7,400	—	49,488	49,488	—
Current portion of long-term debt	200	199	(0)	1,338	1,331	(0)
Long-term debt	20,235	20,162	(73)	135,324	134,836	(488)
Total liabilities	¥43,353	¥43,279	¥(73)	$289,928	$289,434	$(488)
Derivative transactions	¥ 19	¥ 19	¥ —	$ 127	$ 127	$ —

Millions of yen

	2024		
	Carrying value	Fair value	Difference
Notes receivable	¥ 1,644	¥ 1,644	¥ —
Accounts receivable	46,070	46,070	—
Short-term investments and investment securities	20,748	20,748	—
Total assets	¥68,463	¥68,463	¥ —
Notes and accounts payable	¥14,265	¥14,265	¥ —
Short-term bank loans	10,100	10,100	—
Current portion of long-term debt	10,200	10,197	(2)
Long-term debt	435	435	(0)
Total liabilities	¥35,001	¥34,999	¥(2)

"Cash and cash in banks" are omitted because their carrying value is deemed as the fair value since they are scheduled to be settled in a short time.

Equity securities, etc. without market prices are not included in "Short-term investments and investment securities" in the above tables. These financial instruments recorded in the consolidated balance sheet are unlisted securities and others of ¥824 million ($5,511 thousand) and ¥1,458 million as of March 31, 2025 and 2024, respectively.

The redemption schedule for monetary receivables and securities with maturities subsequent to March 31, 2025 is as follows:

Millions of yen

	2025			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash in banks	¥15,021	¥ —	¥—	¥—
Notes receivable	1,524	—	—	—
Accounts receivable	46,059	—	—	—
Short-term investments and investment securities:				
Other securities with maturities:				
Government bonds	1,500	3,400	—	—
Other	—	—	—	—
Total	¥64,105	¥3,400	¥—	¥—

Thousands of U.S. dollars

	2025			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash in banks	$100,455	$ —	$—	$—
Notes receivable	10,192	—	—	—
Accounts receivable	308,025	—	—	—
Short-term investments and investment securities:				
Other securities with maturities:				
Government bonds	10,031	22,738	—	—
Other	—	—	—	—
Total	$428,710	$22,738	$—	$—

Millions of yen

	2024			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash in banks	¥13,886	¥ —	¥—	¥—
Notes receivable	1,644	—	—	—
Accounts receivable	46,070	—	—	—
Short-term investments and investment securities:				
Other securities with maturities:				
Government bonds	100	4,900	—	—
Other	—	—	—	—
Total	¥61,701	¥4,900	¥—	¥—

Scheduled repayments of corporate bonds, long-term debt, lease obligations and other interest-bearing liabilities after the consolidated balance sheet date as of March 31, 2025 and 2024 are as follows:

Millions of yen

	2025					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥7,400	¥ —	¥ —	¥ —	¥ —	¥—
Current portion of long-term debt	200	—	—	—	—	—
Long-term debt	—	173	20,061	—	—	—
Lease obligations	135	129	129	126	76	6
Guarantee deposits received	142	—	—	—	—	—
Total	¥7,878	¥303	¥20,190	¥126	¥76	¥6

Thousands of U.S. dollars

	2025					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	$49,488	$ —	$ —	$ —	$ —	$ —
Current portion of long-term debt	1,338	—	—	—	—	—
Long-term debt	—	1,157	134,160	—	—	—
Lease obligations	903	863	863	843	508	40
Guarantee deposits received	950	—	—	—	—	—
Total	$52,685	$2,026	$135,023	$843	$508	$40

Millions of yen

	2024					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥10,100	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term debt	10,200	—	—	—	—	—
Long-term debt	—	200	173	61	—	—
Lease obligations	87	30	24	24	22	22
Guarantee deposits received	153	—	—	—	—	—
Total	¥20,541	¥230	¥198	¥85	¥22	¥22

Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject to the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs that are significant to the fair value measurement are used, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Financial instruments recorded in the consolidated balance sheet at fair value as of March 31, 2025 and 2024 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2025				2025			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities:								
Other securities:								
Equity securities	¥15,460	¥—	¥—	¥15,460	$103,391	$ —	$—	$103,391
Government bonds	4,844	—	—	4,844	32,395	—	—	32,395
Derivative transactions:								
Currency-related	—	19	—	19	—	127	—	127
Total assets	¥20,305	¥19	¥—	¥20,325	$135,792	$127	$—	$135,926

Millions of yen

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities:				
Other securities:				
Equity securities	¥15,777	¥—	¥—	¥15,777
Government bonds	4,971	—	—	4,971
Total assets	¥20,748	¥—	¥—	¥20,748

Financial instruments other than those recorded in the consolidated balance sheet at fair value as of March 31, 2025 and 2024 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2025				2025			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Notes receivable	¥—	¥ 1,524	¥—	¥ 1,524	$—	$ 10,192	$—	$ 10,192
Accounts receivable	—	46,059	—	46,059	—	308,025	—	308,025
Total assets	¥—	¥47,583	¥—	¥47,583	$—	$318,217	$—	$318,217
Notes and accounts payable	¥—	¥15,517	¥—	¥15,517	$—	$103,772	$—	$103,772
Short-term bank loans	—	7,400	—	7,400	—	49,488	—	49,488
Current portion of long-term debt	—	199	—	199	—	1,331	—	1,331
Long-term debt	—	20,162	—	20,162	—	134,836	—	134,836
Total liabilities	¥—	¥43,279	¥—	¥43,279	$—	$289,434	$—	$289,434

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable	¥—	¥ 1,644	¥—	¥ 1,644
Accounts receivable	—	46,070	—	46,070
Total assets	¥—	¥47,715	¥—	¥47,715
Notes and accounts payable	¥—	¥14,265	¥—	¥14,265
Short-term bank loans	—	10,100	—	10,100
Current portion of long-term debt	—	10,197	—	10,197
Long-term debt	—	435	—	435
Total liabilities	¥—	¥34,999	¥—	¥34,999

The description of valuation techniques and inputs used in the fair value measurements is as follows:

Notes and accounts receivable
The carrying value is deemed as the fair value since they are scheduled to be settled in a short time. Their fair value is classified as Level 2.

Short-term investments and investment securities
The fair value of equity securities is based on the price on stock exchanges and that of bonds is based on the price on bond markets or the price presented by the counterparty financial institutions. Their fair value is classified as Level 1.

Notes and accounts payable and short-term bank loans
The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time. Their fair value is classified as Level 2.

Current portion of long-term debt and long-term debt
The fair value of current portion of long-term debt and long-term debt is determined by discounting the amount of the total principal and interest at the interest rate assumed in case new, similar loans are borrowed. Their fair value is classified as Level 2.

Derivative transactions
The fair value of derivative transactions is calculated based on prices presented by financial institutions. Their fair value is classified as Level 2.

15. Derivative Transactions

Currency-related derivative transactions to which hedge accounting is applied as of March 31, 2025 are as follows:

Hedge accounting method	Type of transaction	Main hedged items	Amount of contracts, etc. (Millions of yen)	Of the amount of contracts, etc., one year of more (Millions of yen)	Fair value (Millions of yen)
Principle accounting method	Foreign exchange contracts				
	Buy position				
	Euro	Foreign currency-denominated scheduled transactions	¥4,442	¥—	¥19
	Total		¥4,442	¥—	¥19

Hedge accounting method	Type of transaction	Main hedged items	Amount of contracts, etc. (Thousands of U.S. dollars)	Of the amount of contracts, etc., one year of more (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Principle accounting method	Foreign exchange contracts				
	Buy position				
	Euro	Foreign currency-denominated scheduled transactions	$29,706	$—	$127
	Total		$29,706	$—	$127

As of March 31, 2024, there were no derivative transactions to which hedge accounting was applied.

16. Retirement Benefit Plans

The Group has defined benefit pension plans, defined contribution pension plans, and annuity in advance retirement severance plans.

Certain domestic consolidated subsidiaries apply a simplified method in calculating the retirement benefit obligation.

Defined benefit plans

(1) The changes in the retirement benefit obligation for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Retirement benefit obligation at the beginning of the year	¥30,839	¥34,510	$206,240
Service cost	853	1,039	5,705
Interest cost	405	193	2,708
Actuarial gain or loss	297	(3,242)	1,986
Retirement benefits paid	(1,742)	(1,661)	(11,650)
Retirement benefit obligation at the end of the year	¥30,653	¥30,839	$204,996

(2) The changes in plan assets for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Plan assets at the beginning of the year	¥30,858	¥30,876	$206,367
Expected return on plan assets	617	617	4,126
Actuarial gain or loss	(339)	73	(2,267)
Contributions paid by the employer	945	952	6,320
Retirement benefits paid	(1,742)	(1,661)	(11,650)
Plan assets at the end of the year	¥30,338	¥30,858	$202,889

(3) The changes in liability (asset) for retirement benefits for consolidated subsidiaries applying the simplified method for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Liability for retirement benefits at the beginning of the year	¥136	¥ 88	$910
Retirement benefits costs	35	114	234
Retirement benefits paid	—	(0)	—
Contributions to the plans	(68)	(66)	(455)
Liability for retirement benefits at the end of the year	¥102	¥136	$682

(4) The reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Funded defined benefit obligation	¥ 31,354	¥ 31,545	$ 209,684
Plan assets	(30,943)	(31,434)	(206,935)
	410	110	2,742
Unfunded retirement benefit obligation	6	6	40
Net liability for retirement benefits	¥ 417	¥ 117	$ 2,789
Liability for retirement benefits	¥ 575	¥ 117	$ 3,845
Asset for retirement benefits	(158)	—	(1,057)
Net liability for retirement benefits	¥ 417	¥ 117	$ 2,789

The above table includes defined benefit plans applying the simplified method.

(5) The components of retirement benefits costs for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service costs	¥ 853	¥1,039	$ 5,705
Interest costs	405	193	2,708
Expected return on plan assets	(617)	(617)	(4,126)
Amortization of actuarial loss	382	630	2,555
Amortization of prior service costs	1	(2)	7
Retirement benefits costs based on the simplified method	35	114	234
Retirement benefits costs	¥1,061	¥1,358	$ 7,096

(6) Prior service costs and actuarial gain or loss included in other comprehensive income (before income taxes and tax effects) for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Prior service costs	¥ (1)	¥ 2	$ (7)
Actuarial gain or loss	254	(3,946)	1,699
Total	¥253	¥(3,943)	$1,692

(7) Unrecognized prior service costs and unrecognized actuarial loss included in accumulated other comprehensive income (before income taxes and tax effects) as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized prior service costs	¥ 3	¥ 5	$ 20
Unrecognized actuarial loss	279	24	1,866
Balance at the end of the year	¥282	¥29	$1,886

(8) Plan assets

The breakdown of plan assets is as follows:

	2025	2024
Domestic equity securities	7.1%	4.8%
Foreign debt securities	35.5	36.3
Foreign equity securities	7.7	7.1
General account	20.3	25.2
Short-term assets	2.2	2.4
Other	27.2	24.2
Total	100.0%	100.0%

In determining the long-term expected rate of return on plan assets, the Company and its consolidated subsidiaries consider the current and projected asset allocations, as well as current and future long-term rates of return for various categories of plan assets.

(9) Actuarial assumptions

	2025	2024
Discount rate	Mainly 1.3%	Mainly 1.3%
Expected rate of return on plan assets	2.0%	2.0%

Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥252 million ($1,685 thousand) and ¥257 million to the defined contribution plans for the years ended March 31, 2025 and 2024, respectively.

17.Income Taxes

Significant components of deferred tax assets and liabilities as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Liability for retirement benefits	¥ 405	¥ 151	$ 2,708
Accrued bonuses to employees	681	673	4,554
Allowance for doubtful accounts	23	23	154
Accrued enterprise tax	121	36	809
Loss on retirement of inventories	438	380	2,929
Loss on devaluation of investment securities	408	228	2,729
Loss on retirement of property, plant and equipment	39	51	261
Amortization of deferred assets	1,285	809	8,594
Other (Note)	1,258	1,747	8,413
Subtotal	4,663	4,102	31,184
Valuation allowance	(695)	(337)	(4,648)
Total deferred tax assets	3,967	3,764	26,530
Deferred tax liabilities:			
Reserve for reduction entry of property, plant and equipment	(779)	(823)	(5,210)
Unrealized holding gain on other securities	(2,496)	(2,562)	(16,692)
Prepaid pension cost	(87)	(85)	(582)
Other (Note)	(70)	(9)	(468)
Total deferred tax liabilities	(3,435)	(3,480)	(22,972)
Net deferred tax assets	¥ 532	¥ 283	$ 3,558

(Note) As stated in "*(p) Changes in Accounting Policies*, Change in the Valuation Method of Inventories," the Company has changed the valuation method of inventories for merchandise and finished goods, work in process, raw materials, and some supplies (samples). This change has been retroactively applied, and the figures for the previous fiscal year represent those after the retroactive application.

Taxes on income consist of corporate, inhabitants' and enterprise taxes. A reconciliation of the statutory tax rate to the effective tax rate for the years ended March 31, 2025 and 2024 are as follows:

	2025	2024
Statutory tax rate	30.6%	30.6%
Entertainment expenses and others that are not tax deductible permanently	0.3	0.9
Inhabitants' per capita taxes	0.7	1.4
Tax credits for research and development expenses	(3.5)	(7.5)
Valuation allowance	1.8	1.2
Dividends income that is not taxable permanently	(0.3)	(0.9)
Effect of liquidation of subsidiaries	—	(0.5)
Other	(0.7)	(1.8)
Effective tax rate	28.9%	23.4%

(Note) As stated in "*(p) Changes in Accounting Policies*, Change in the Valuation Method of Inventories," the Company has changed the valuation method of inventories for merchandise and finished goods, work in process, raw materials, and some supplies (samples). This change has been retroactively applied, and the figures for the previous fiscal year represent those after the retroactive application.

Accounting treatment of corporate and local income taxes or tax effect accounting related to these taxes

The Company and its domestic consolidated subsidiaries apply the group tax sharing system, and perform accounting treatment of corporate and local income taxes or tax effect accounting related to these taxes and disclosure in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

Adjustment of deferred tax assets and deferred tax liabilities due to changes in corporate tax rates

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) was passed by the Diet on March 31, 2025, and the "Defense Special Corporation Tax" will be imposed from the fiscal year beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences that are expected to be

eliminated in or after the fiscal year beginning on or after April 1, 2026, are calculated by changing the statutory tax rate from 30.62% to 31.52%.

The effect of this tax rate change is immaterial.

18. Comprehensive Income

Reclassification adjustments, income taxes and tax effects on other comprehensive income (loss) for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrealized holding gain (loss) on other securities:			
Gain (loss) arising during the year	¥(753)	¥1,281	$(5,036)
Reclassification adjustments	305	(991)	2,040
Before income taxes and tax effects	(447)	290	(2,989)
Income taxes and tax effects	65	(88)	435
Unrealized holding gain (loss) on other securities	(381)	201	(2,548)
Deferred gains on hedges:			
Gain arising during the year	19	—	127
Reclassification adjustments	—	—	—
Before income taxes and tax effects	19	—	127
Income taxes and tax effects	(6)	—	(40)
Deferred gains on hedges	13	—	87
Translation adjustments:			
Adjustments arising during the year	—	(340)	—
Retirement benefits liability adjustments:			
Gain (loss) arising during the year	(637)	3,316	(4,260)
Reclassification adjustments	384	627	2,568
Before income taxes and tax effects	(253)	3,943	(1,692)
Income taxes and tax effects	107	(1,207)	716
Retirement benefits liability adjustments	(145)	2,736	(970)
Share of other comprehensive income of affiliates accounted for using equity method:			
Gain arising during the year	0	30	0
Total other comprehensive income (loss)	¥(513)	¥2,627	$(3,431)

19. Asset Retirement Obligations

Asset Retirement Obligations Recorded on the Consolidated Balance Sheet

The asset retirement obligations are expenses for removing asbestos from the buildings owned by the Company and obligations to restore sites to their original condition under the real estate lease agreements.

Calculation method of the amount of the asset retirement obligations

With regard to expenses for removing asbestos from the buildings owned by the Company, the amount of asset retirement obligations was calculated using the discount rate of 0.897% based on the estimated use period of 50 years from their acquisition. As for expenses to restore sites to their original condition under the real estate lease agreements, the amount of asset retirement obligations was calculated using the undiscounted estimated amount as the discounted amount is immaterial.

Changes in the total amount of the asset retirement obligations for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at the beginning of the year	¥ 660	¥ 37	$ 4,414
Adjustments due to the passage of time	—	0	—
Increase due to changes in estimates	—	623	—
Decrease due to performance of asset retirement obligations	(623)	—	(4,166)
Balance at the end of the year	¥ 37	¥660	$ 247

20. Revenue Recognition

Information on the disaggregation of revenue from contracts with customers for the years ended March 31, 2025 and 2024 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Sales of pharmaceuticals and other products	¥117,679	¥115,883	$786,993
Royalty income and service revenue	12,407	3,649	82,973
Revenue from contracts with customers	¥130,087	¥119,532	$869,973
Net sales to external customers	¥130,087	¥119,532	$869,973

Useful information in understanding revenue from contracts with customers is as disclosed in "Notes to Consolidated Financial Statements, 2. Summary of Significant Accounting Policies, *(m) Significant Revenue and Expense Recognition Standards.*"

Information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, as well as the amount and timing of revenue from contracts with customers that existed at the end of the year ended March 31, 2025, which is expected to be recognized from the year ending March 31, 2026 onward, is as follows:

(1)The Group has no balances of contract assets or contract liabilities. In addition, there is no revenue recognized in the year ended March 31, 2024 from performance obligations that were satisfied (or partially satisfied) in previous fiscal years.

(2)The Group has no significant transactions with an initially expected contract term of more than one year. In addition, there are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

21. Segment Information

Segment information is omitted for the years ended March 31, 2025 and 2024, since the Group operates in a single segment.

(Related Information)

(a) Information by Product and Service

Information by product and service is omitted for the years ended March 31, 2025 and 2024, since the Group operates in a single segment.

(b) Information by Geographical Area

(1) Sales

Information about sales by geographical area is omitted for the years ended March 31, 2025 and 2024, since domestic sales were more than 90% of net sales on the consolidated statement of income.

(2)Property, plant and equipment

Information about property, plant and equipment by geographical area is omitted for the years ended March 31, 2025 and 2024, since property, plant and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheet.

(c) Information by Major Customer for the Years Ended March 31, 2025 and 2024

Millions of yen

	2025	
Name of customer	Sales amount	Related segments
Alfresa Holdings Corporation	¥21,486	—
MEDIPAL HOLDINGS CORPORATION	21,265	—
SUZUKEN CO., LTD.	17,923	—
Toho Pharmaceutical Co., Ltd.	13,746	—

Thousands of U.S. dollars

Name of customer	2025 Sales amount	2025 Related segments
Alfresa Holdings Corporation	$143,690	—
MEDIPAL HOLDINGS CORPORATION	142,212	—
SUZUKEN CO., LTD.	119,862	—
Toho Pharmaceutical Co., Ltd.	91,928	—

Millions of yen

Name of customer	2024 Sales amount	2024 Related segments
Alfresa Holdings Corporation	¥20,863	—
MEDIPAL HOLDINGS CORPORATION	19,764	—
SUZUKEN CO., LTD.	18,473	—
Toho Pharmaceutical Co., Ltd.	14,116	—

As the Group operates in a single segment, information about related segments is omitted.

(d) Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment

There was no unamortized balance of goodwill as of March 31, 2025 and 2024.

22. Amounts per Share

Amounts per share for the years ended March 31, 2025 and 2024 are as follows:

	Yen		U.S. dollars
	2025	2024	2025
Basic profit	¥ 158.17	¥ 95.41	$ 1.06
Cash dividends	57.00	52.00	0.38
Net assets	2,372.29	2,275.68	15.86

Basic profit per share was computed on the basis of the profit attributable to common shareholders of KYORIN Pharmaceutical Co., Ltd. and the weighted average number of shares of common stock outstanding during the year. Diluted profit per share is omitted because no potentially dilutive shares were outstanding during the years ended March 31, 2025 and 2024.

Cash dividends per share represent the cash dividends applicable to the year.

The amount per share of net assets is computed on the basis of the net assets attributable to common shareholders of KYORIN Pharmaceutical Co., Ltd. and the number of shares of common stock outstanding at the year-end.

The treasury shares remaining in trust and recorded as treasury stock in shareholders' equity are included in the treasury shares excluded from the calculation of the average number of shares during the fiscal year, which is used to calculate the amount of profit per share. Furthermore, these treasury shares are included in the number of treasury shares excluded from the total number of issued shares at the end of the fiscal year, which is used to calculate net assets per share.

The average numbers of treasury shares during the fiscal year that were excluded from the calculation of the amount of profit per share were 689,821 and 749,790 for the years ended March 31, 2025 and 2024, respectively.

The numbers of these treasury shares at the end of the fiscal year that were excluded from the calculation of net assets per share were 689,671 and 690,273 as of March 31, 2025 and 2024, respectively.

As described in *(p) Changes in Accounting Policies*, the changes in accounting policies for the year ended March 31, 2025 are retroactively applied, and the consolidated financial statements for the previous fiscal year represent those after the retroactive application.

As a result, compared with prior to the retroactive application, the previous fiscal year's "net assets per share" decreased by ¥0.84, "basic profit per share" increased by ¥2.67, and "profit attributable to owners of parent" and "profit attributable to owners of parent related to common stock" increased by ¥153 million, respectively.

23. Significant Subsequent Event

Cancellation of Treasury Stock

At a meeting of the Board of Directors held on May 12, 2025, the Company resolved to cancel a portion of its treasury stock pursuant to the provisions of Article 178 of the Companies Act and implemented the cancellation on May 30, 2025.

The reason for implementing the cancellation of treasury stock is to increase shareholder profits by reducing the total number of issued shares.

(1)Class of shares to be cancelled
The Company's common stock

(2)Number of shares to be cancelled:
4,662,295 shares
(Note) 7.2% of the total number of issued shares before cancellation

(3)Cancellation date
May 30, 2025

(4)Total number of issued shares after cancellation
59,945,641 shares

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Independent Auditor's Report

The Board of Directors
KYORIN Pharmaceutical Co., Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of KYORIN Pharmaceutical Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognition of royalty income	
Description of Key Audit Matter	**Auditor's Response**
As stated in Note 19.Revenue Recognition, the Group's consolidated net sales for the year ended March 31, 2025 were ¥130,087 million, of which royalty income and service revenue were 12,407 million yen, part of which comprised of royalty income. Royalty income is income from contracts that allow third parties to manufacture and sell the Group's products and use its technologies. Royalty income primarily consists of four types: upfront payment, development milestone, sales milestone, and royalty on net sales. If performance obligations are satisfied at a point in time considering the contract details, upfront payment, development milestone and sales milestone are recognized as net sales when development and sales rights are granted, or when the contractually specified milestones are achieved, and sales royalties are recognized as net sales when customers' net sales etc. is generated, or performance obligations are satisfied, whichever is later. With regard to contracts that permit manufacturing and sale of products and use of technology, the terms and conditions are unique depending on the individual contract, and some of them are complicatedly stipulated. In addition, upfront payment, development milestone, and sales milestone occur non-recurringly, and the amount of each transaction, including royalty on net sales, has a large impact on profits of the Group. Accordingly we have decided that revenue recognition of royalty income is a key audit matter.	We primarily conducted the following procedures to ensure that revenue recognition of royalty income was recorded properly. ・We understood the internal controls related to the revenue recognition process of royalty income, evaluated the design of controls, and tested the operations of controls for effectiveness. ・For transactions of high monetary importance, we observed contracts, internal approval materials and customer's report, etc. in order to understand the terms and conditions and their economic substance and inquired of the person in charge of the company. ・Regarding upfront payment, development milestone and sales milestone, we obtained the contract to confirm the appropriateness of revenue recognition by fulfilling performance obligations at a point in time, measurement of revenue and the timing of revenue recognition by verifying the consistency between the contents of the contract and the performance obligations recognized by the Group and comparing the time of fulfillment of performance obligation with the fact of cash receipts. ・Regarding royalty on net sales, we obtained the customer's report and verified the appropriateness of the measurement of revenue and the timing of revenue recognition by comparing the timing of occurrence of customers' net sales, etc. with the time of fulfillment of performance obligation.

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Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of KYORIN Pharmaceutical Co., Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 49 million yen and 1 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 29, 2025

飯田 圭一

Keiichi Iida
Designated Engagement Partner
Certified Public Accountant

Corporate Overview and Stock Information

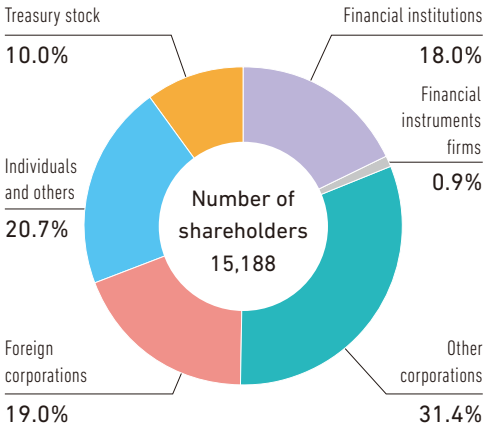
(As of March 31, 2025)

Trade Name	KYORIN Pharmaceutical Co., Ltd.
Head Office	1-3-7, Otemachi, Chiyoda-ku, Tokyo 100-0004 Phone: +81-3-6374-9700
Main Business	Manufacture, sales, etc., of pharmaceuticals
Founding	1923
Establishment	1940 (former KYORIN Pharmaceutical Co., Ltd.)
Common Stock	¥700 million
Outstanding Shares	64,607,936 Note: Due to the cancellation of treasury stock, the number of outstanding shares as of May 30, 2025 is 59,945,641 shares.
Shareholders	15,188
Listing	Tokyo Stock Exchange (Securities code: 4569)
Transfer Agent	Mizuho Trust & Banking Co., Ltd. 1-3-3, Marunouchi, Chiyoda-ku, Tokyo 100-8241 Phone: +81-3-6627-8000

Major Shareholders

	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	12.30%
Mykam Co., Ltd.	8.50%
Lucius Co., Ltd.	4.84%
BBH FOR THE ADVISORS' INNER CIRCLE FUND II/ KOPERNIK GLO ALL–CAP FUND	3.57%
Kyorin Group Stock Ownership Association	3.53%
Custody Bank of Japan, Ltd. (Trust Account)	3.43%
Banrina Co., Ltd.	3.35%
Archans Co., Ltd.	3.35%
Luces Co., Ltd.	3.02%
KAKEN PHARMACEUTICAL CO., LTD.	2.75%

Shareholding Distribution by Shareholder Type



Editorial Policy

This material is being published as an Integrated Report, comprehensively including non-financial information such as management strategies, business overviews, and accounts of sustainability activities in addition to financial information.

We hope that this report will deepen the understanding of shareholders, investors, and a wide range of other stakeholders about the Kyorin Group's activities.

Please visit our corporate website for more detailed information.

[Detailed information]

Information for shareholders and investors:
https://www.kyorin-pharm.co.jp/en/ir/

Information on corporate governance:
https://www.kyorin-pharm.co.jp/en/company/governance.shtml

Information on sustainability:
https://www.kyorin-pharm.co.jp/en/sustainability/

Scope of coverage

Period covered: Fiscal 2024 (April 2024–March 2025) *Some fiscal 2025 activities are reported.
Organizations covered: KYORIN Pharmaceutical Co., Ltd. and its consolidated subsidiaries

Reference guidelines, etc.

- The IFRS Foundation's international integrated reporting framework
- Global Reporting Initiative's (GRI) sustainability reporting standards
- ISO 26000
- Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation
- Ministry of the Environment's Environmental Reporting Guidelines, etc.

Disclaimer

This report contains performance forecasts, goals and plans, and other forward-looking statements related to the Group. These statements draw on the judgment of the Group's assumptions and outlooks based on the information and forecasts available at the time of preparation of this material, and contain known and unknown risks and uncertainties. Therefore, due to various factors that may occur, the actual performance, progress/success/failure of developments, and other insights may differ significantly from the description. It also contains information about medicines (including those under development), but the description is not for the purpose of advertising or medical advice.

Consolidated Subsidiaries

KYORIN Rimedio Co., Ltd.

Capital: ¥1,000 million
Percentage of ownership: 100%
Head office: 287-1, Shimocho Moroe-cho, Kanazawa-shi, Ishikawa 920-0017
Operations: Manufacture, sales, etc., of pharmaceuticals
Number of employees: 172


As the Kyorin Group subsidiary responsible for the generic drugs business, KYORIN Rimedio aims to become “a highly reliable drug manufacturer.” To contribute to the health of patients, and recognizing critical social issues in reducing healthcare costs and helping maintain the social security infrastructure, KYORIN Rimedio will continue to ensure a stable supply of high-quality products and information, as it works to deliver products that provide ease of use and peace of mind.

KYORIN Pharmaceutical Group Facilities Co., Ltd.

Capital: ¥350 million
Percentage of ownership: 100%
Head office: 1-3-7, Otemachi, Chiyoda-ku, Tokyo 100-0004
Operations: Manufacturing, testing, etc., of pharmaceuticals
Number of employees: 496




The company is a Kyorin Group subsidiary responsible for pharmaceutical manufacturing that began operations in April 2018 following the consolidation of the Group’s manufacturing functions. In April 2024, the Takaoka Plant went into operation, making it the company’s fourth plant. The company is striving to maximize its manufacturing capacity by totally optimizing each plant to achieve a competitive Group production structure that can provide stable supplies of high-quality pharmaceuticals at low cost.

Equity-Method Affiliate

Nippon Rika Co., Ltd.

Capital: ¥411 million (Percentage of ownership: 30.9%)
Head office: 2-2, Nihonbashi Honcho 4-chome, Chuo-ku, Tokyo 103-0023
Operations: Production and sales of pharmaceutical ingredients

External Recognition

FTSE Blossom Japan Sector Relative Index

2025 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数

THE INCLUSION OF KYORIN Pharmaceutical Co., Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KYORIN Pharmaceutical Co., Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

S&P/JPX カーボン エフィシェント 指数

Morningstar Japan ex-REIT Gender Diversity Tilt Index

2021年認定 くるみん 子育てサポートしています

2025 健康経営優良法人 KENKO Investment for Health 大規模法人部門

NIKKEI Smart Work Company 2025

Contact point for inquiries about this report
Public Relations & IR Group, Corporate Planning
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