KYORIN Pharmaceutical Co., Ltd.

Integrated Report 2024

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.

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 2023 (April 2023–March 2024) *Some fiscal 2024 activities are reported.
Organizations covered: KYORIN Pharmaceutical Co., Ltd. and its Group companies

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.

CONTENTS

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.

Kyorin Group's History

1960 1970 1980

Management-related events

1931
Kyorin Chemical Laboratory was established.

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

1967
The Nogi Plant was opened.

1923
Toyo Shinyaku Sha was founded.

1947
The Okaya Plant was opened.

1962
Kyorin Chemical Laboratory 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, KYORIN Pharmaceutical's predecessor company, was established in 1923 and began manufacturing and selling injection-type 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 a wide-ranging contribution to people's health.

Emphasis on drugs to treat infectious diseases
In its research and development activities, KYORIN Pharmaceutical has long prioritized the pursuit of drugs to treat infectious diseases. We developed the world's first new quinolone synthetic antibacterial agent, Norfloxacin (Baccidal), which was initially licensed to Merck & Co. (U.S.A.) in 1980 and sold in roughly 140 countries. This was followed by the development and sales of Fleroxacin (Megalocin), Gatifloxacin (Gatiflo), and later Lascufloxacin (as Lasvic Tablets and Lasvic IV drip infusion kits).

1980
Norfloxacin was licensed to Merck & Co.

1984
Baccidal was launched.

1965
KYORIN AP-2 was launched.
Deamelin-S was launched.

1971
Cholexamin was launched.

1981
Mucodyne was launched.

1961
Behyd was launched.

Product history

1923 1960 1970 1980

1990 2000 2010 2020 2024

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. 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
KYORIN Pharmaceutical Co., Ltd. carried out an absorption-type merger of jTAS (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
Aiming to be an original and significant healthcare-contributing force

2010–2022
HOPE100
Aiming to be recognized both within and outside as a company that supports sound and healthy lifestyles

2023–
Vision 110

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

1993
Megalocin was launched.

1996
Gatifloxacin was licensed to Bristol-Myers Squibb.

2002
Gatiflo was launched.

2020
Lasvic Tablets were launched.

2021
Lasvic IV drip infusion kit was launched.

1986
Aplace was launched.

1998
Milton was launched.

2007
Uritos was launched.

2013
Flutiform was launched.

2018
Beova was launched.

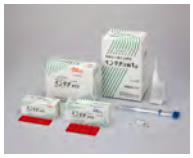
2022
Lyfnua was launched.

2012
Rubysta was launched.

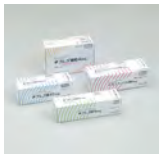
2016
Desalex was launched.

2019
GeneSoC was launched.

1989
Ketas was launched.



1996
Pentasa was launched.



2001
Kipres was launched.

Fiscal 2024 consolidated net sales (forecast)
¥123.4 billion

Fiscal 2024 consolidated operating profit (forecast)
¥6.5 billion

1,000
500
0

1990 2000 2010 2020 2024

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 other products including general pharmaceuticals. The generic drugs business develops, manufactures, and sells proprietary generic drugs and, working with the new drugs business, strives to provide a stable supply of high-quality, highly reliable products.

Financial highlights (fiscal 2023 results)

Net sales

¥119,532 million

Operating profit

¥6,234 million

Profit attributable to owners of parent

¥5,475 million

R&D expenses

¥8,019 million

Capital expenditures

¥6,587 million

Basic earnings per share

¥95.41

ROE

4.3%

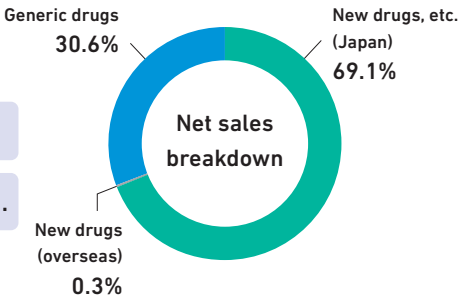
Cash dividends per share

¥52.00

Kyorin Group

KYORIN Pharmaceutical Co., Ltd.

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



Non-financial highlights (fiscal 2023 results)

Ratio of new drugs*1
47.4%

Products with No. 1 market share
Lasvic
Beova

Engagement survey's "job satisfaction" score
4.5

Percentage of female managers
8.5%

Percentage of male employees taking childcare leave
38.6%

Health examination participation rate
100%

Stress check participation rate
97.5%

Reduction in volume of CO_2 emissions compared with the level of fiscal 2015*2
25.5%

Volume of water used
219 thousand m^3

*1 Ratio of sales of new drugs as a percentage of domestic drug sales (excluding royalties)
*2 Scope 1 + Scope 2

Aiming to achieve our long-term vision "Vision 110" as a company that contributes broadly to people's health

Thoughts on the long-term vision "Vision 110"

In fiscal 2023, on the occasion of the 100th anniversary of our founding, the Kyorin Group made a new start as a business holding company by reorganizing our Group structure and changing our trade name to "KYORIN Pharmaceutical Co., Ltd." At the same time, for the 110th anniversary of our founding, we formulated the long-term vision "Vision 110" together with the medium-term business plan "Vision 110 –Stage1–" and began a series of new initiatives.

The Group's unchanging mission since our founding has been to "contribute to people's health," and we are working to produce concrete results under our corporate philosophy: "Kyorin continues to fulfill its mission of cherishing life and benefiting society by contributing to better health." To date, the Group has continued to grow, primarily through an ethical drugs business that focuses on creating original new drugs. On the basis of this DNA and under the long-term vision "Vision 110," we aim 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." I firmly believe that the realization of this corporate image is what gives meaning to the Kyorin Group's existence.

To achieve our long-term vision, we have divided the period into three stages. Stage 1 is from fiscal 2023 through fiscal 2025, Stage 2 is from fiscal 2026 through fiscal 2029, and Stage 3 is from fiscal 2030 through fiscal 2032. The first stage, the medium-term business plan "Vision 110 –Stage1–," is positioned as a period of "sowing seeds" for continuous growth. We envision the next stage as "blossoming" and the final stage as "harvesting."

We are also pursuing innovation in drug discovery to build a foundation for growth that goes beyond the 10 years of the long-term vision, looking an additional 10 to 20 years into the future. At the same time, we expect that achieving results from our drug discovery activities will take time. Therefore, for sustained growth, it is indispensable that we continuously acquire new in-licensed products and expand our development pipeline. During Stage 1, we will increase investment in management resources (human, physical, and

financial) to significantly strengthen the acquisition of in-licensed products.

By further reinforcing our drug discovery research and in-licensing activities, the Kyorin Group will be making every effort to attain the long-term vision "Vision 110" with steadfast conviction.

Review of the first year of the medium-term business plan "Vision 110 –Stage1–" (fiscal 2023)

The outlook for the Group's operating environment contains many elements of uncertainty, including annual NHI drug price revisions, other stepped-up efforts to control medical and pharmaceutical costs, high prices for energy resources and raw materials, and foreign exchange effects from the yen's depreciation. On the other hand, the downgrading of COVID-19 to a "category 5" disease under the Infectious Disease Control Law has meant that patients are increasingly seeking medical treatment, and the ethical drugs market has rebounded to pre-pandemic levels.

Against this backdrop, we achieved our consolidated business results forecast for fiscal 2023 with a ¥6.2 billion increase in net sales over those of the previous year, to ¥119.5 billion, on increased sales of new drugs expected to drive growth, with a ¥1.1 billion increase in operating profit, to ¥6.2 billion, over that of the previous year.

By product, sales of the overactive bladder treatment Beova increased ¥5.2 billion over those of the previous year, to ¥18.1 billion, making this our top product. Amid a growing market, Beova was the No. 1 brand for sales and also gained the No. 1 positions for patient acquisition rate and patient share. In addition, Lasvic, our proprietary new quinolone antibacterial agent, recorded sales of ¥4.9 billion, a ¥2.4 billion increase over those of the previous year, due to the market recovery and its listing in several guidelines as a recommended drug, making it No. 1 in sales in the oral antibacterial agent market.

Anticipating continued growth in new drugs in fiscal 2024, we are forecasting net sales of ¥123.4 billion and operating profit of ¥6.5 billion. We will aim to maintain this underlying trend of increasing sales and profit for even further growth.

Fiscal 2024 management policy

Accomplish reform of drug discovery

Accomplish reform in drug discovery research activities with focus on newly designated drug discovery research areas

Expand development pipeline

Further strengthen in-licensing activities and acquire in-licensed products

Maximize market penetration of new drugs

Maximize market penetration of new drugs by providing solutions promptly

Improve cost competitiveness

Continue to increase operational efficiency and reduce costs Groupwide

Strengthening proprietary drug discovery capabilities to create original new drugs

Against a backdrop of diversifying modalities, the level of difficulty and uncertainty in innovative new drug discovery is growing every year, significantly increasing the expenses required for new drug research and development. This makes the environment for new drug development extremely difficult, but Kyorin has a long history of creating original new drugs and providing them to patients around the world. As a member of the Company's founding family, I am firmly committed to original new drug discovery and consider this my mission.

To achieve the position targeted in the long-term vision "Vision 110," it is indispensable that we strengthen our drug discovery capability to create high-value new drugs that meet medical needs and build a structure that can continuously provide new drugs. To create additional original new drugs, we will pursue drug discovery innovation through new drug discovery systems and strategies.

In fiscal 2023, we restructured KYORIN Pharmaceutical's drug discovery systems to introduce external drug discovery seeds and technologies. We established the new Research Planning Department to formulate overall drug discovery themes and expand cooperation with external organizations. We also set up the new Innovation Research Laboratory to strengthen the functions of our disease research and drug discovery technologies. In addition to approaching external organizations proactively, our research divisions are engaged in new initiatives to promote cooperation in explorations of their own. For drug discovery technologies, we are promoting the use of nucleic acid drug discovery and new external technologies in addition to small molecule drug discovery. In drug discovery research, we have narrowed our focus to three fields that take advantage of the Company's strengths—fibrosis, pain, and autoimmune disorders—while taking into account marketability, competitiveness, and practicality. Concentrating our resources and strengthening our external cooperation capabilities this way have enabled us to put in place an optimal structure for establishing new research themes.

We will work to expand our research and development pipeline by strongly promoting proprietary research and the acquisition of external technologies for early innovative drug discovery and original new drug creation.

Expanding the development pipeline is the key to survival for a pharmaceutical company

The Kyorin Group recognizes that expanding the development pipeline is essential for our medium- to long-term growth. This is an urgent issue of the utmost priority. Because the creation of new drugs requires a significant amount of time, the Group needs to acquire in-licensed products as quickly as possible to put us on a steady growth trajectory. This is why we established the new Business Development Headquarters in fiscal 2023, significantly strengthening our in-licensed product acquisition capabilities and accelerating their evaluation and acquisition. We are expanding our modalities

and disease areas for in-licensing and proactively developing a wide range of in-licensing activities. We are also increasing financial investment and boosting human resources. After doubling our human resources since fiscal 2022, we more than tripled the number of evaluation projects. However, this did not lead to any in-licensed products in fiscal 2023, a situation I take very seriously. I am very aware that expanding the development pipeline is the key to survival for a pharmaceutical company. I will take direct responsibility and make every effort to acquire multiple in-licensed products that can be expected to contribute to results at an early date.

No products currently under development progressed to a new phase during fiscal 2023, but steady progress was made with products in development, including KRP-R120, an interstitial lung disease treatment, and KRP-114VP, an overactive bladder treatment. Specific clinical research for KRP-DT123, a therapeutic application being developed to treat tinnitus, began in September 2023. An official decision has not been made regarding steps like the application of the pharmaceutical approval system for software as a medical device (SaMD), but we are building an internal structure able to respond to system changes and are making preparations with a view toward approval.

Working to accelerate the growth of new drugs to maximize the ratio of new drugs

The Kyorin Group aims to accelerate the growth of new drugs, which are the source of higher profit, and maximize their market penetration. With the COVID-19 pandemic under control, markets for our major products are recovering and sales of new drugs are growing rapidly. In fiscal 2023, combined sales of five new drugs—Beova, Lasvic, the chronic cough treatment Lyfnua, the antiallergic agent Desalex, and the combination drug for asthma treatment Flutiform—rose ¥9.5 billion over those of the previous year. This growth in sales of new drugs originated with the marketing divisions' strong leadership. Even with frontline medical representatives' (MRs) in-person activities restricted by the pandemic, proactive activities including the development of online promotions produced these positive results.

At the same time, product-specific issues remain. In particular, fiscal 2023 sales of Lyfnua fell short of plans. Our analysis shows this was because the drug was taken for shorter periods than we had estimated for two reasons. The first is a reflection of its very high effectiveness, which meant some patients stopped taking the drug because their cough improved. The second was that the product's unique features give it an unsatisfactory taste, which caused some patients to stop taking it. These two factors resulted in it being prescribed for shorter periods than we had estimated, which we believe led to sluggish sales. As a result, we are engaged in public awareness activities related to the problem and asking physicians and pharmacists to give detailed guidance about taking the drug, to discourage patients from discontinuing the regimen on their own.

Sales of these five new drugs totaled ¥45.6 billion in fiscal 2023. We have set sales targets of ¥52.0 billion for fiscal 2024 and ¥56.0 billion for fiscal 2025, the final year

under Stage 1. With the steady growth and market penetration of new drugs, the ratio of new drugs (sales as a percentage of total ethical drug sales) is rising as well. The ratio rose from 42% in fiscal 2022 to 47.4% in fiscal 2023, putting it within range of meeting the Stage 1 target of 50% or more. We believe that we will meet this target one year ahead of schedule. Our plan for fiscal 2024 includes a projection that the new drugs ratio will reach 51%. We will continue to accelerate growth in new drugs to raise the new drugs ratio above our initial estimates.

Building a structure that ensures stable supplies and low-cost production of generic drugs

For more than three years, against a backdrop of factors including quality irregularities at some companies, the generic drugs industry has been dealing with the unusual problem of unstable supplies, making stable supplies and stronger quality control structures important issues. This situation has also affected the Kyorin Group, forcing us to limit shipments or suspend sales of certain products. We are working to address these issues as quickly as possible.

To strengthen its product supply capacity, KYORIN Pharmaceutical Group Facilities built the new Takaoka Plant in Takaoka City, Toyama Prefecture. The plant commenced operations in April 2024. Currently, generic drugs are primarily manufactured at the Inami Plant in Nanto City, but this plant is aging and space restrictions make expansion difficult. Going forward, we will transfer production capacity to the Takaoka Plant in stages. By bringing the manufacturing of outsourced products in-house, we aim to expand production volumes at an early date. We are also working to ensure stable product supplies and to reduce costs by improving factory utilization rates. After receiving a request from the Ministry of Health, Labour and Welfare during fiscal 2023 to increase production, we have decided to add equipment at the Takaoka Plant to manufacture the mucoregulant Mucodyne. We have put in place a system that will quickly be able to begin providing supplies after undergoing a GMP conformity assessment and receiving manufacturing approval.

For generic drug development, we are increasing the product development capabilities of KYORIN Rimedio's Takaoka Pharmaceutical Technology Innovation Center and building a structure that can continuously bring generics newly added to the drug price list to market. Our policy is to accelerate growth by focusing on generics newly added to the drug price list. However, the generic drugs business is facing annual NHI drug price revisions and increasing costs from factors including higher prices for raw materials, making it important to secure profitability. We aim to improve our profit structure and build a low-cost structure that will contribute to profits alongside the new drugs business.

Toward management that is aware of the cost of capital and share price

We have set numerical targets for growth and profitability during Stage 1. Our growth target is for a compound annual growth rate for net sales of at least 2%. For profitability, we aim to achieve operating profit before deduction of R&D expenses (operating profit + R&D expenses) of at least 16%.

Our compound annual growth rate for net sales in fiscal 2023 was 5.5%, a pace that is above our target. On the other hand, since operating profit before deduction of R&D expenses came in at 12%, profitability will be an area for improvement.

There are two basic concepts behind our financial strategy under the current medium-term business plan: (1) increase capital efficiency through investment for growth and shareholder returns, with an awareness of the cost of capital and return on capital, while maintaining a sound financial base; and (2) maintain a stable dividend, taking into account the dividend on equity (DOE) ratio. Our current price-book value ratio (PBR) is below 1x, which cannot be considered adequate. This figure indicates that the market's evaluation of and expectations for the Group are low, an issue we are urgently addressing. To realize management with an awareness of the cost of capital and share price, we believe that medium- to long-term enhancement of corporate value and continuous growth are essential. We recognize that achieving the four pillars of the medium-term business plan—"maximizing the ratio of new drugs," "improving cost competitiveness," "strengthening drug discovery capability," and "expanding the development pipeline"—will lead directly to an improved PBR. We are making every effort to attain this as we strive to enhance corporate value over the medium to long term.

Proactively working to address sustainability issues through our business activities

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 the realization of a sustainable society. Among various issues related to sustainability, we have identified and are prioritizing 10 important issues to be addressed as materiality through our medium- to long-term business activities 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)." We are especially emphasizing business activities that take into account environmental issues including addressing climate change and are carrying out business activities while considering their impact on the global environment and the environments of local communities.

To implement and promote environmental measures including ones addressing climate change, in April 2023, we established the Environmental Committee, chaired by the corporate officer in charge, as a structure to examine environmental measures. The committee identifies and evaluates risks and opportunities related to climate change and comprehensively considers how to respond, with initiatives addressing environmental issues as part of our management strategy. We have set specific targets of achieving carbon neutrality by 2050, with an interim target of a 46% reduction in CO_2 emissions by fiscal 2030 (from the fiscal 2015 level).

From the perspective of enhancing human capital, in line with the Company policy and Company motto of the Kyorin Group that states "a business is as good as its people," we recognize that growth in human resources is the driving force behind a stronger business. We value our employees and think that energizing people and invigorating organizations are important issues for implementing and realizing our business strategies. We are promoting an appropriate human resources management system following our basic policy that states "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)." As a specific example, from fiscal 2024, we are stepping 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 enhance corporate governance, our Board of Directors, which consists of six members including three outside directors, meets monthly, in principle, to pass resolutions on legally required matters, formulate and decide important management policies and strategies, and oversee operational execution. Amid calls in recent years to strengthen business management structures, in fiscal 2023, we created a structure for strengthening governance by assigning chief X officers (CxOs) from among internal directors and corporate officers in key operational areas the responsibility for conferring with the Management Committee on important matters related to the Company's and Group companies' operational execution.

Medium- to long-term enhancement of corporate value is the Chief Executive Officer's responsibility

As June 2023 was the 100th anniversary of our founding, the Kyorin Group held a series of commemorative events over the past year. These occasions gave me an opportunity to look back on the Group's history, which is not often discussed, and to share my thoughts internally and externally as a member of the founding family. As I mentioned previously, the Group's unchanging mission since our founding has been to "contribute to people's health." Looking ahead to the next 100 years, I think "health" will continue to be an important theme for all people, and we aim to be a company that contributes broadly to people's health. For this, we need to create new value and have all stakeholders recognize what our existence means. As Chief Executive Officer, I aim to bring about a major "transformation" by changing the way all employees think and act, by such means as formulating a long-term vision and pursuing organizational restructuring, based on a recognition that I am "Kyorin" itself. I will make every effort, with unwavering confidence, to achieve the long-term vision "Vision 110."

I ask for the continued support of all our stakeholders going forward.

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
- Diversification and increased complexity of drug discovery modalities
- Increasing desire for assurance of pharmaceutical manufacturers' reliability
- Increasing calls for stable supply of pharmaceuticals

Input (fiscal 2023)

Human capital

Comfortable working systems and employees who will drive growth

- Number of employees (consolidated): 2,042
- Operation of human resources management system
- Amount spent on training per employee: ¥62,000
- Engagement survey's "job satisfaction" score: 4.5

Intellectual capital

Technologies, expertise, and organization for new drug discovery

- R&D expenses/net sales ratio: 6.7%
- R&D bases: 2 facilities
- Small molecule/nucleic acid drug discovery

Manufacturing capital

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

- Number of Group plants: 4

Social and related capital

Diverse partnerships and relationships of trust

- Primary partner companies: 28 companies in 10 countries and regions
- General shareholders' meeting: Annually
- Full-year and half-year results briefings: One annual briefing each
- Quarterly results briefings: Twice annually
- Individual IR meetings: 27

Environmental capital

Resources used, based on environmental management system

- Amount of energy used: 527,808 GJ
- Volume of water used: 219 thousand m^3
- CO_2 emissions (Scope 1 + Scope 2): 25,005 tons

Financial capital

Solid financial base

- Net assets: ¥130.7 billion
- Total assets: ¥177.6 billion

Corporate Philosophy

Kyorin continues to fulfill its mission of cherishing life and benefiting

Long-Term Vision “Vision 110” (fiscal 2023–2032) P.18

Materiality P.14

Value creation materiality P.22

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

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

Business Activities

Value chain

Drug discovery → Development → Manufacturing → Marketing

In-licensing

Reliability assurance

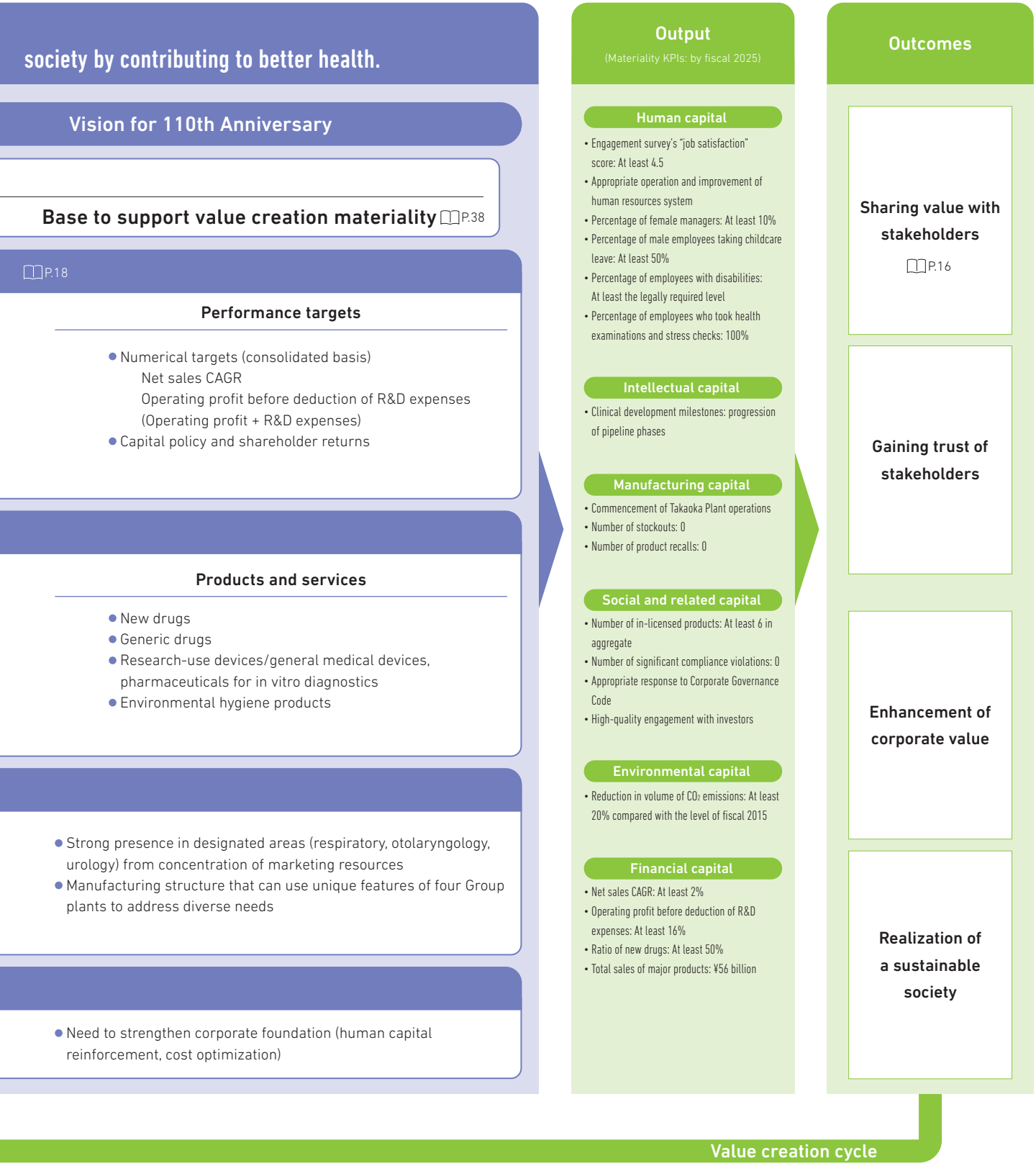
Strengths

- Effective use of resources through concentration in drug discovery research areas that build on technologies and expertise and whose medical needs are high
- Development capabilities in designated areas where we have accumulated experience in research and development (knowledge, expertise, personal and other networks)

Weaknesses

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

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



Materiality

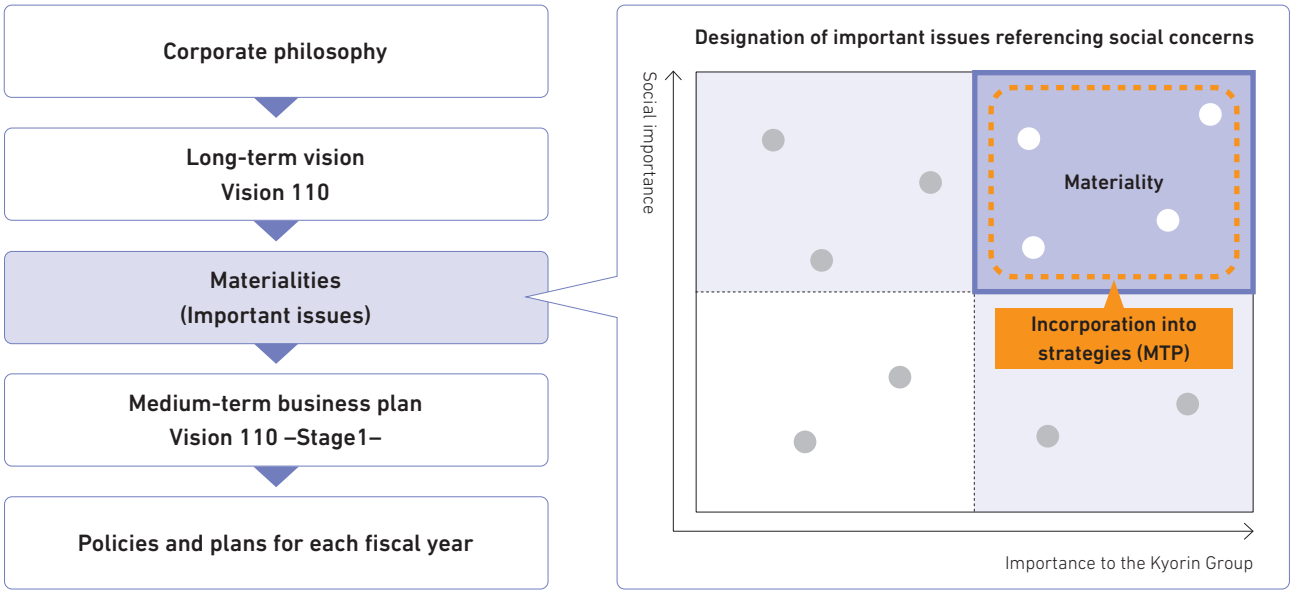
To achieve our long-term vision "Vision 110," which was formulated to realize our corporate philosophy, we consider it necessary to create both social value and economic value and, along with corporate growth, we place importance on contributing to the realization of a sustainable society. Our initiatives to address sustainability issues are derived from our basic policy for sustainability and carried out, as appropriate, to address designated materialities (important 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 Corporate Charter, 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 2023 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	• 0	
	Maximizing value of products	• Ratio of new drugs: At least 50%	• 47.4%	
		• Sales of main products: ¥56 billion	• ¥45.6 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: 1	
		• On-track progress at Takaoka Plant (qualitative)	• Commenced operations in April 2024, 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%	• 4.5	
		• Appropriate operation and improvement of human resources system (qualitative)	• Revised human resources system and instilled content through video distribution and training	
	Promoting work-style reforms that respect diverse values	• Percentage of female managers: At least 10%	• 8.5%	
		• Percentage of male employees taking childcare leave: At least 50%	• 38.6%	
		• Percentage of employees with disabilities: At least the legally required level	• 2.4%	
	Promoting health management	• Percentage of employees who took health examinations and stress checks: 100%	• Health examinations: 100%; Stress checks: 97.5%	
	Carrying out environmentally friendly business activities	• Reduction in volume of CO_2 emissions: At least 20% compared with the level of fiscal 2015	• 25.5%	
	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 (April, June, February)	
	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 professionals** • 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 professionals 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) • 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 2023: 34) • General shareholders' meeting (annually) • Full-year and half-year results briefings (one annual briefing each), quarterly results briefings (twice annually), press conferences (as needed) • Management response (meetings, small meetings, as needed) • IR staff response (meetings, 20 to 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)

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

Term

10 years: Fiscal 2023–2032

Medium-term business plan

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

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

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 the 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

		FY2023 Results	FY2024 Initiatives
1	Strengthening drug discovery capability to create high-value new drugs that meet medical needs	• Narrowed drug discovery research and concentrated resources into three areas (fibrosis, pain, and autoimmune disorders) • Made steady progress in clinical trials	• Promote in-house research and acquisition of external technologies • Expand R&D pipeline
2	Expansion of development pipeline through in-licensing	• Doubled human resources and more than tripled the number of evaluation projects with goal of acquiring at least six in-licensed products during Stage 1 • Number of in-licensed products: 0	• Acquire multiple in-licensed products with focus on products expected to contribute to business results at an early stage
3	Maximization of the ratio of new drugs	• Increased new drugs sales (to ¥45.6 billion from ¥36.1 billion) • Increased ratio of new drugs (to 47.4% from 42.0%)	• Accelerate maximization of new drugs market penetration
4	Promoting healthcare-related businesses that have synergies with the new drugs business	• Sales of infectious disease-related products from promotion of solution-based marketing activities: ¥9.5 billion • Commenced operations at Takaoka Plant	• Forecasting ¥11.2 billion in sales of infectious disease-related products from promotion of solution-based marketing activities • Full-scale operations at Takaoka Plant • Construction of expanded production structure for Mucodyne
5	Building a sustainable corporate foundation	• Relocated head office, etc. • Promoted health management • Implemented voluntary retirement program • Endorsed TCFD	• Increase operational efficiency and reduce costs

Progress toward performance targets (consolidated basis)		Performance targets for FY2025	FY2023 Results	FY2024 Forecast
Growth potential	Net sales CAGR	At least 2%	5.5%	4%
Profitability	Operating profit before deduction of R&D expenses (operating profit + R&D expenses)	At least 16%	12%	12%

Message from Executive in Charge of Finance

Realizing management with awareness of the cost of capital and share price by proactively investing for growth to achieve targets of the medium-term business plan

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

Operating environment and progress under medium-term business plan "Vision 110 –Stage1–"

With the reclassification of COVID-19 to "category 5" under the Infectious Disease Control Law, fiscal 2023 saw a rebound in patients seeking medical treatment, and the ethical drugs market recovered to pre-pandemic levels. However, the year also had other significant effects on business results, including those from annual NHI drug price revisions as well as a protracted rise in prices for raw materials and other items from exchange rate movements.

Net sales for fiscal 2023 rose ¥6.2 billion over those of the previous year, to ¥119.5 billion, on strong growth in sales of new drugs. In terms of profit, however, NHI drug price revisions and foreign exchange factors raised the cost of sales ratio 1.1 percentage points, and the increase in gross profit was held to ¥1.4 billion. Despite a ¥2.9 billion decline in R&D expenses, one-time costs associated with the relocation of our head office produced a ¥0.4 billion increase in selling, general and administrative expenses. As a result, operating profit rose ¥1.1 billion over that of the previous year, to ¥6.2 billion, meeting our initial forecast.

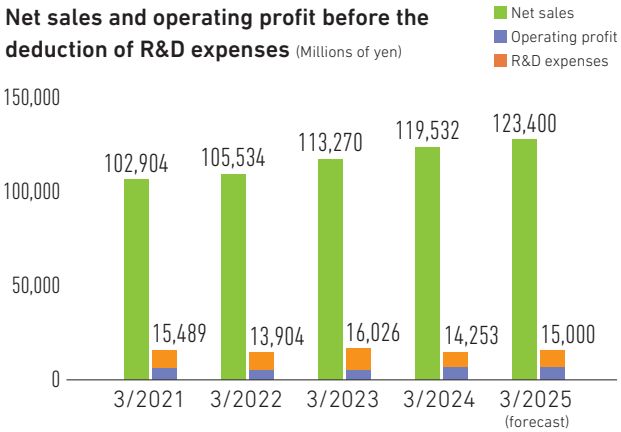
The current medium-term business plan sets numerical targets for both growth and profitability. The growth target is a compound annual growth rate (CAGR) of at least 2% for net sales, and for profitability, we aim to achieve operating profit before the deduction of R&D expenses (operating profit + R&D expenses) of at least 16% in contrast to those for net sales. The CAGR for fiscal 2023 was 5.5%, and the forecast for fiscal 2024 is 4%, exceeding the target. On the other hand, operating profit before the deduction of R&D expenses was 12%, and our fiscal 2024 forecast is 12%, meaning we have not yet met this target. We will continue to strive to lower costs and reduce selling, general and administrative expenses to achieve a target of at least 16%.

Fundamental thinking behind financial strategy

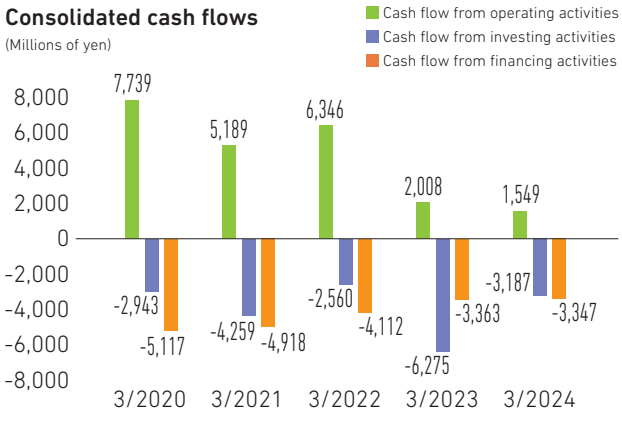
Two fundamental ways of thinking underpin our financial strategy under the medium-term business plan: (1) increase capital efficiency through investment for growth and shareholder returns, with a constant awareness of the cost of capital and return on capital, while maintaining a sound financial base; and (2) maintain a stable dividend, taking into account the dividend on equity (DOE) ratio.

In terms of investment for growth, we are proactively investing in areas including strengthening our drug discovery capability, expanding the development pipeline through in-licensing, and increasing production capacity through capital investment. To boost our drug discovery capability, during fiscal 2023, we strengthened our organizational functions for drug discovery and have been pursuing "innovation in drug

Net sales and operating profit before the deduction of R&D expenses (Millions of yen)



Consolidated cash flows
(Millions of yen)



discovery" to create new value through a combination of disease research (drug discovery targets) and drug discovery technologies. We have narrowed our areas of drug discovery research to three—fibrosis, pain, and autoimmune disorders—and will pursue disease research in these areas to create and promote new drug discovery themes. In terms of in-licensing to expand the development pipeline, we are working to increase our modalities and disease areas for potential in-licensing and accelerate in-licensing evaluation and acquisition to maximize the strength of our licensing and alliance functions, aiming to acquire at least six in-licensing projects during the current medium-term business plan. With regard to expanding production capacity through capital investment, our plan for total capital expenditure during fiscal 2024 is ¥6.6 billion, which is roughly equal to that of the previous year. This includes ¥5.1 billion in expenses for factory equipment for starting operations at the Takaoka Plant.

Regarding shareholder returns, despite significant changes in the operating environment, we will maintain a stable dividend level that balances financial soundness with investment for growth, while taking DOE into account. We envision a DOE of roughly 2.5%. The dividend per share for fiscal 2023 was ¥52, for a DOE of 2.3%.

Regarding the financial base, given that pharmaceutical companies must invest large amounts on research and development and the long time frame required, new drug development entails high risk. Business results can be greatly affected by factors like patent expiries, making a sound financial base essential to a pharmaceutical company's existence. Our consolidated financial position as of the end of fiscal 2023 showed total assets of ¥177.6 billion and total net assets of ¥130.7 billion, for a healthy shareholders' equity ratio of 73.6%. We will procure additional funds as necessary and proactively invest for growth while maintaining this sound financial position.

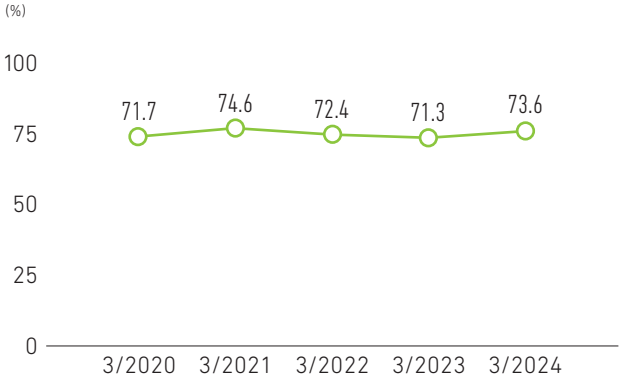
Realizing management with awareness of the cost of capital and share price

To enhance corporate value over the medium to long term and maintain continuous growth, the Tokyo Stock Exchange is calling for management with an awareness of the cost of capital and share price. One important index for this is the price-book value ratio (PBR). In recent years, Kyorin's PBR has trended below 1x, standing at 0.8x as of March 31, 2024. We are working to improve the PBR by looking separately at the PBR as return on equity (ROE) and the price earnings ratio (PER). ROE for fiscal 2023 was 4.3%, which represents a trend of improvement from 3.2% in fiscal 2021 and 3.8% in fiscal 2022, but we recognize that this is still below the level of the cost of shareholders' equity (roughly 5%). I believe two things are important for raising near-term profit—"maximizing the ratio of new drugs" and "improving cost competitiveness." The PER is an index directly tied to the share price, over which the Company has little influence, but we realize that it essentially indicates expectations for the Company's future growth. I believe that "strengthening drug discovery capability" and "expanding the development pipeline" are two approaches important for a higher share price. These four items—"maximizing the ratio of new drugs," "improving cost competitiveness," "strengthening drug discovery capability," and "expanding the development pipeline"—are all core components of Stage 1. We will make every effort to achieve these goals, recognizing that proactively investing for growth to achieve the targets of the medium-term business plan will lead directly to a higher PBR.

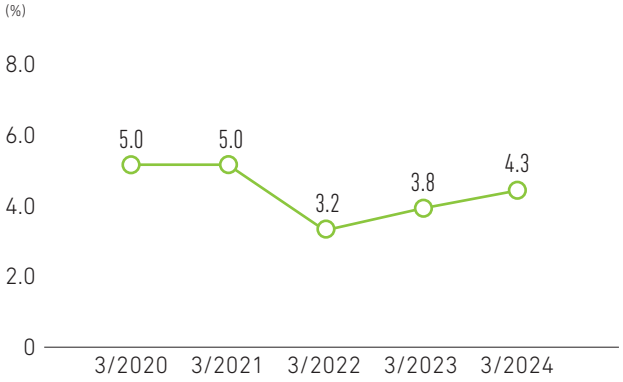
I also consider it extremely important to engage in proactive activities to enable investors to fully understand these initiatives. By further strengthening our investor relations activities, we will be striving to ensure that investors have a solid grasp of issues including our progress under the medium-term business plan and specific growth strategies.

Going forward, we will aim to continuously enhance corporate value and shareholder value by achieving the targets of the medium-term business plan. At the same time, we will proactively invest for growth and maintain a sound financial base, recognizing the importance of management that is constantly aware of the cost of capital and return on capital. I ask for your continued support.

Shareholders' equity ratio



ROE



Pursue drug innovation through new drug discovery strategies

Junichi Ishiyama

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

Technologies related to new drug development are becoming more complex for reasons including increasingly diverse drug discovery modalities and basic technologies, as well as the spread of digital transformation (DX). With drug discovery technologies becoming more sophisticated and the difficulty of achieving them increasing, Kyorin aims to contribute to people's health by pursuing drug discovery innovation through new drug discovery strategies and continuously creating high-value new products that meet medical needs. In addition to our specialty area of small molecule drug discovery, we will actively utilize nucleic acid drug discovery and new external technologies as new modalities to create new drugs with higher value by incorporating superior external technologies into our own technologies and ideas. We will also focus on developing human resources through measures including proactive collaboration with external organizations to enhance the expertise of our researchers and broaden their perspectives, as we work to achieve the targets set under the medium-term business plan "Vision 110 -Stage1-."

Changing environment (internal and external)

- Increasing sophistication and difficulty 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: Deploy nucleic acid drug discovery and external technologies, in addition to small molecule drug discovery
- Disease research: Focus on fibrosis, immune and inflammatory disorders, and other diseases

New drug discovery strategies

In the Group's core business of new drugs, the continuous creation of new drugs is difficult. To address this issue, we need to pursue drug discovery programs and formulate exit strategies for progressing to clinical trials, and we have strengthened our organizational functions to this end.

By combining drug discovery technologies and disease research (drug discovery targets), we are taking on the challenge of "drug discovery innovation" to create new value. To date, we have been working to create new drugs to address unmet medical needs (diseases where drug contribution is low). However, we also engage in drug discovery that demonstrates clinical significance by deploying new technologies to address issues with existing treatments. We are also creating and pursuing drug discovery programs more effectively by narrowing our focus to areas where we can use our drug discovery capabilities and concentrating management resources in three specific areas of drug discovery research (fibrosis, pain, and autoimmune disorders).

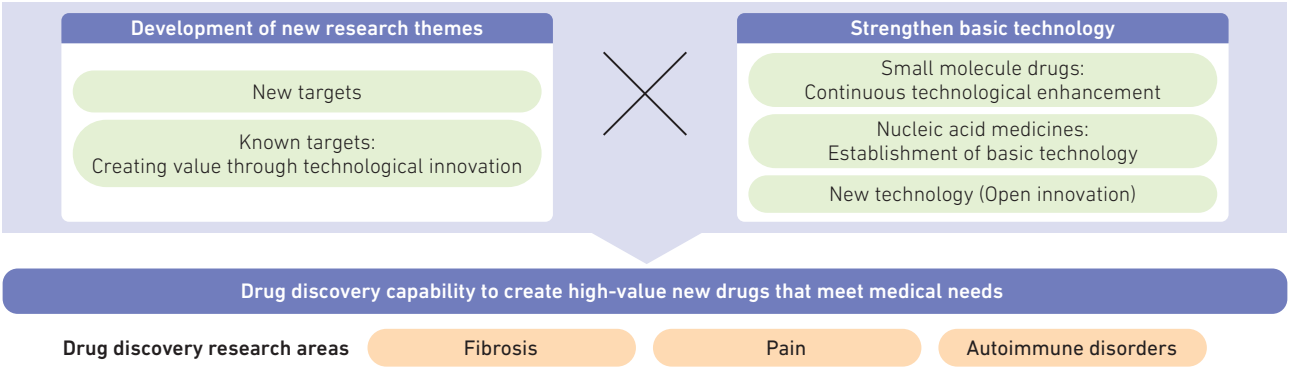
Strengthening collaboration with external organizations and pursuing drug discovery programs

We have created a new structure for external collaboration in fibrosis research and are using the results of our collaboration with academia to move on to the next step. We are also considering measures including joint research in other areas with domestic companies, international companies, and academia.

In drug discovery technology, meanwhile, we will build a foundation in nucleic acid drug discovery and utilize external

technologies, in addition to reinforcing our capabilities in small molecule drug discovery, one of our strengths. 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 incorporating superior external research and technologies into our own technologies and ideas, we will 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 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. Regarding the licensing agreement concluded in January 2020 with U.S.-based aTyr Pharma, Inc. for KRP-R120: efzofitimod (genetic recombination), a fusion protein formulation, we started Phase III multiregional clinical trials in September 2022. Those trials are progressing well. In November 2022, we concluded an agreement with SUSMED, Inc. for the joint development and marketing of KRP-DT123, a therapeutic application in the otolaryngology field. In September 2023, we began specific clinical research for the treatment of tinnitus.

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

Appropriate protection of intellectual property is important for maintaining competitiveness while meeting unmet medical needs, and we have formulated 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 create 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 improve transparency by disclosing clinical trial plans and results. Plans for 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, discloses information to maximize the value of clinical trial data, and plays roles in advancing science and promoting innovation. We are currently considering methods for information disclosure. Policies for the disclosure of clinical trial data will be released as they are finalized.

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.

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. For this, in tandem with our in-house drug discovery innovation, we need to expand our development pipeline through in-licensing. By expanding the development pipeline, stabilizing existing alliances, and acquiring new businesses, we will secure stable earnings and create new business opportunities for the new drugs business, thereby contributing to its sustainable growth. We aim to secure six or more in-licensed products during the period of the medium-term business plan "Vision 110 -Stage1-."

Changing environment (internal and external)

- Advances in digital transformation in medicine
- Increasing sophistication and difficulty of drug discovery
- Diversification and complexity of drug discovery modalities
- 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 in project acquisition

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

To achieve the objectives of "Stage1" for in-licensing search and evaluation, we are always considering multiple projects simultaneously, making it important to work closely with relevant departments to proceed with speedy and accurate evaluations. For this, we have established the Licensing Department (licensing activities) and the Alliance Department (contract negotiations and management of alliances) within the Business Development Headquarters, creating a "one-stop" in-licensing structure for everything 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, during fiscal 2024, we will strive to maximize both the volume and the quality of activities to acquire in-licensing projects.

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 will work to acquire at an early date development candidates that will enable us to demonstrate our strengths in new modalities and disease fields outside our franchise customer (FC) fields (respiratory, otolaryngology, and urology), as well as obtain in-licensed products with viable commercial prospects. With competition to acquire promising new drug candidates intensifying, we will significantly increase our investment in in-licensed product acquisition. This approach will lead to new drugs that contribute to people's health, and we will tirelessly pursue in-licensing activities.

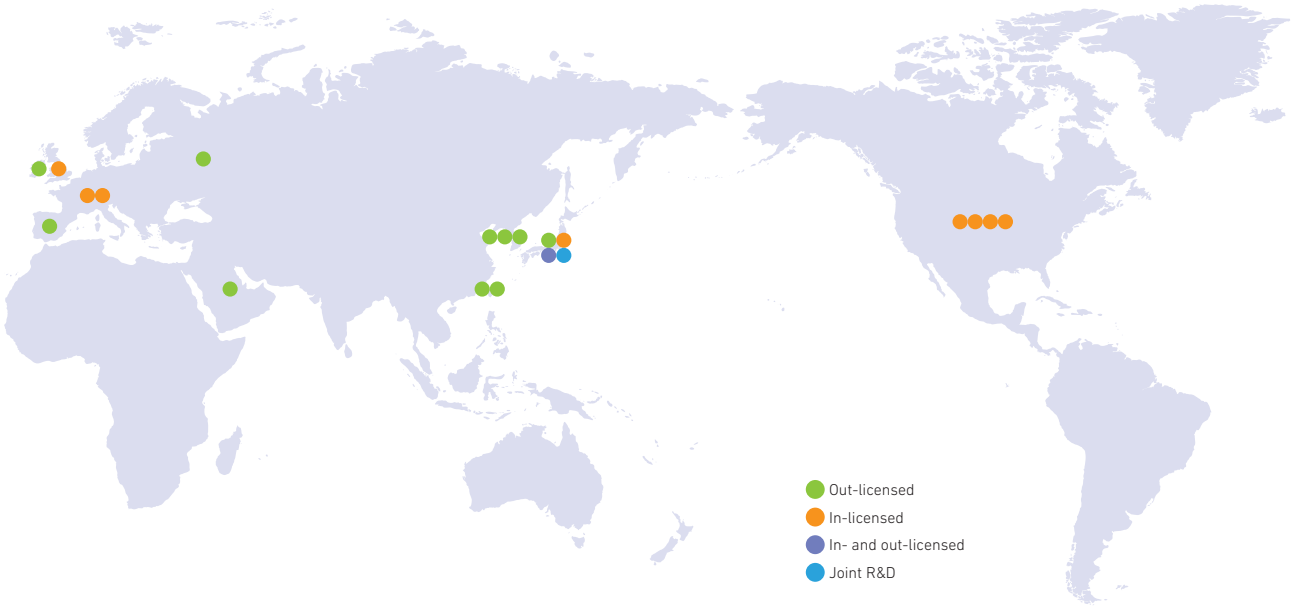
Pursuing proactive partnering activities

The Alliance Department and the Licensing Department under the Business Development Headquarters work closely with other relevant departments to pursue proactive partnering activities. We have worked to expand our development pipeline by concluding an agreement in September 2020 with ASKA Pharmaceutical Co., Ltd. for the joint development and sales of AKP-009, a benign prostatic hyperplasia treatment, by finalizing a licensing agreement in January 2020 with aTyr Pharma, Inc. of the United States for the interstitial lung disease treatment KRP-R120, and by reaching an agreement in April 2021 with MSD K.K. for the exclusive distribution rights in Japan for Lyfnua (launched in April 2022), a treatment for intractable chronic cough. 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 for the transfer of intellectual property rights for the immunomodulator KRP-203 to Priothera Limited of Ireland; in March 2021, we signed a licensing agreement with Eisai Co., Ltd. for the development and sales of 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 Co., Ltd. for development, manufacturing, and sales of Vibegron in Taiwan and other regions. 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)
- Vectura (U.K.)
- Covis Pharma (Switzerland)
- Ferring Pharmaceuticals (Switzerland)
- SPIMACO (Saudi Arabia)
- Faes Farma (Spain)

Asia

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

Japan

- Senju Pharmaceutical
- Kissei Pharmaceutical
- Sato Pharmaceutical
- Eisai
- Kaken Pharmaceutical
- Ono Pharmaceutical
- Sumitomo Pharma
- ASKA Pharmaceutical
- MSD
- ORGANON
- SUSMED
- Veneno Technologies

North America

- AbbVie (U.S.A.)
- Merck & Co. (U.S.A.)
- aTyr (U.S.A.)
- ORGANON (U.S.A.)

Maximize the market penetration of new drugs

Noriaki Tamura

Corporate Officer CCO

Senior Director of Sales & Marketing HQs

In charge of Information System Management and In Vitro Diagnostics Business

The market environment for pharmaceuticals is changing dramatically. On the one hand, an environment that recognizes and promotes innovation toward new drug discovery is being created, while on the other hand, measures to rein in drug costs are being proactively introduced to reduce the nation's financial burden. Methods of providing information are also becoming more diverse, including the use of digital tools triggered by the COVID-19 pandemic. With further developments like work-style reforms for physicians, we anticipate even greater changes. Against this backdrop, one business strategy in the medium-term business plan "Vision 110 –Stage 1–" is to "maximize the ratio of new drugs" to produce growth by capitalizing on the market penetration of new drugs.

As a pharmaceutical company that is expected to contribute to people's health by providing new drugs with high value, we strive to make maximum use of our products' potential to penetrate markets by understanding the needs of medical institutions through quality communication with medical practitioners, primarily in person, and providing them products and information that can meet those needs. Through the stable supply of quality products, we are working to maximize product value by contributing to the treatment of the many patients who need our products.

Changing environment (internal and external)

- Promotion of measures to control medical expenses and drug costs associated with pressure on public finances for medical care (revision of drug pricing system)
- Growing need for diagnosis and prevention in addition to treatment
- Changes in the way information is provided to the medical field (introduction of guidelines, etc.)

Opportunities

- Expanded lineup of new drugs
- Increased demand for testing due to the spread of COVID-19 and other causes
- Need for wide variety of treatment choices from new drugs to generics

Risks

- Reduced opportunities for communication with physicians due to restrictions on visits by MRs and need for appointments for all visits
- Accelerating decline in sales and earnings from overhaul of drug pricing system
- Structural changes in the domestic ethical drugs market

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

Promoting solution-based marketing activities

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." When the COVID-19 pandemic partially restricted MRs' visits to medical institutions and in-person meetings with medical practitioners, we introduced digital activities to provide information. To achieve even higher-quality communication with medical practitioners, we are integrating digital channels into our in-person visits to medical institutions and meetings with physicians to promote activities that provide detailed information that leaves an impact. Pursuing these activities, we are working to enhance the capabilities of all MRs through training in the detail skills needed to propose solutions that comprehensively resolve issues related to the diseases that our products address. We are also analyzing marketing data we have collected internally, aiming to understand medical

practitioners' needs and provide them high-quality information.

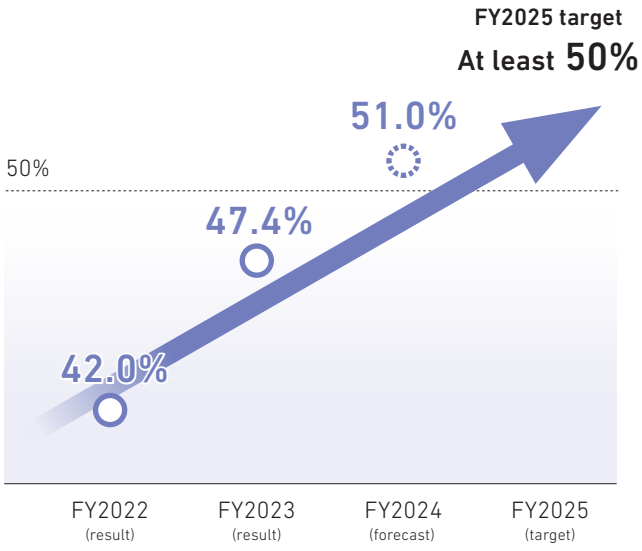
Our solution-based marketing activities start with the formulation of hypothetical scenarios to understand a patient's current needs, then drawing up a plan and proposing a suitable drug formulation from our range of products. For infectious diseases, we will provide comprehensive information that includes introducing Milton and Rubysta for infection control (prevention) at medical institutions, GeneSoC for identification (diagnosis) of pathogenic microorganisms, and the new quinolone antibacterial agent Lasvic for appropriate use (treatment) of antimicrobials. For respiratory and otolaryngology diseases, we are working to propose prescriptions for each disease and to enhance our product lineup, which includes the chronic cough treatment Lyfnua, Lasvic, the antiallergic agent Desalex, and the combination drug for asthma treatment Flutiform. By providing information that addresses the needs of medical practitioners, we are working to expand the use of our products.

Achieving a growth trajectory with new drugs

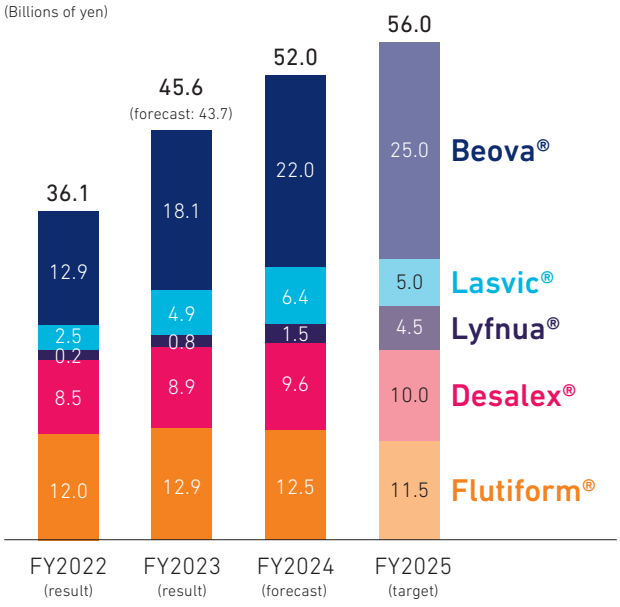
Recognizing that focusing on expanding the use of new drugs to accelerate growth is important to achieve a growth trajectory, we have set the ratio of new drugs as a percentage of total domestic ethical drug sales as a KPI and are working to maximize their use in the market. Our ratio of new drugs in fiscal 2023 was 47.4%, and we aim to achieve our Stage 1 target of a ratio of at least 50% one year early, in fiscal 2024.

Our overactive bladder (OAB) treatment Beova has been recognized by many physicians for its effectiveness and safety. With an increasing number of prescriptions and the acquisition of new prescriptions, in fiscal 2023, Beova took the No. 1*1 position for patient share in the OAB market. We will work to increase the number of prescriptions by providing real-world evidence and other information, while aiming to raise awareness of the disease. Regarding Lasvic, in addition to our ongoing activities to provide information since the product's release, the market has recovered since the downgrading of COVID-19 (to "category 5" under the Infectious Disease Control Law). Its listing as a recommended drug in multiple clinical treatment guidelines, in fiscal 2023, helped Lasvic achieve the No. 1*1 position for sales in the oral new quinolone antibacterial agent market. We are working to expand the product's use through increased inclusion in treatments and thinking based on guidelines. The lifting of the prescription period limit made possible long-term prescriptions for Lyfnua in May 2023. An analysis of the effect on prescriptions from factors including side effects adversely affecting taste and the drug's relatively quick effectiveness revealed that prescriptions were being made for fewer days than we had anticipated. To appropriately increase the number of days of subscription, we are promoting understanding of the product's special features, highlighting its effectiveness with long-term data and other means, and striving to convey its safety, with the aim of establishing a position as the only treatment for refractory chronic cough. As for Desalex, we

Ratio of new drugs



Product sales



increased sales and market share*2 through focused efforts on otolaryngology and internal medicine. Since it is a drug that is both effective and easy to use, we will continue targeting Desalex to be the No. 1 prescription in the field of otolaryngology. Prescriptions of Flutiform have increased on a synergistic effect with promotional activities for Lyfnua that provide information related to cough symptoms. We will work to increase its volume share by emphasizing the usefulness of its aerosol formulation.

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*2 Copyright©2024 IQVIA. Kyorin's own analysis based on JPM March 2023–March 2024 MAT. Unauthorized copying prohibited.

Establishing a presence in designated fields

In line with the FC strategy that concentrates resources in designated fields centering on respiratory, otolaryngology, and urology, we aim to establish a presence in those fields by having roughly 630 MRs provide and collect information on the appropriate use of pharmaceuticals and convey that information to medical practitioners. For marketing, we have adopted a "team structure," with teams based in secondary medical districts (where multiple MRs are responsible for a designated area), using an area management strategy 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 Kyorin's pharmaceutical products to ensure they are used safely and effectively. We also collect information on products' effectiveness 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 Corporate Charter.

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 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 24,800 (fiscal 2023)

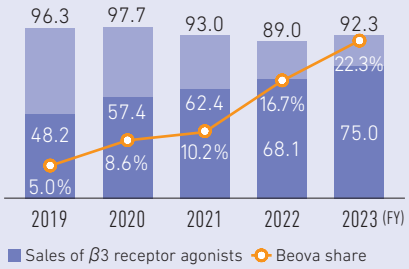
Product	States aimed for	Goal at FY2025
Beova®	First-line treatment for OAB	• No. 1 share in OAB market • 50% patient share
Lasvic®	First-choice antibacterial agent for elderly or patients with underlying disease in respiratory infection	• No. 1 share in oral new quinolone antibacterial agent market • 40% share in new quinolone antibacterial agent market in FY2025 for tablets/iv
Lyfnua®	Only treatment for chronic cough	• FY2025 approx. 10,000 of GP approx. 2,000 of HP
Desalex®	Effective and easy-to-use drug	• Sales of 10 billion yen in FY2025
Flutiform®	Aerosol for patients with weak inspiration	• Sustainable growth on volume basis to FY2025 with CAGR of low single digit %

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.

Overactive bladder (OAB) treatment market* (Billions of yen)



Beova sales (Billions of yen)

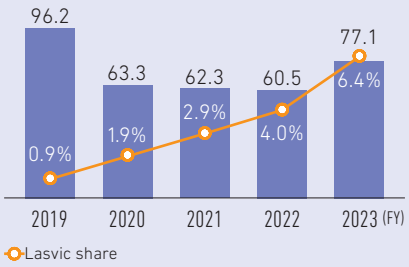
OAB treatment market

With the population aged 65 and older increasing, we expect the number of patients to rise. However, due to annual drug price revisions and competition from generic products, we expect the market to remain roughly flat. Because of differences in mechanisms compared with those of anticholinergic agents, β3 agonists continue to be increasingly favored as an OAB treatment, and we expect overall sales of β3 agonists to grow.

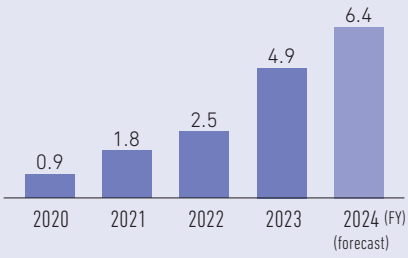
Lasvic

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)



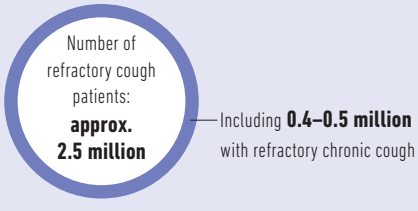
Oral antibacterial agent market

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.

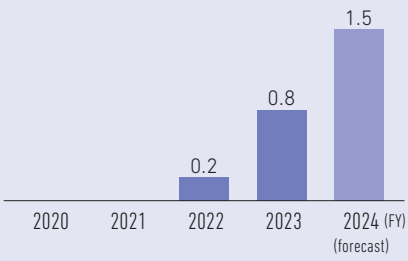
Lyfnua

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)



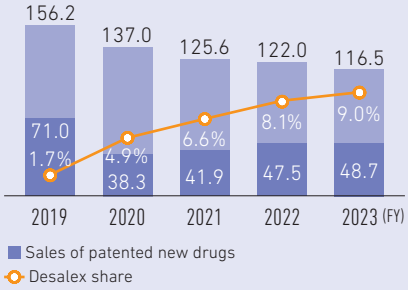
Refractory chronic cough patients

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. Since Lyfnua is currently the only treatment specifically for refractory chronic cough, we expect the number of patients using it to increase due to factors including the promotion of its appropriate use and increased awareness of the disease.

Desalex

Antiallergic agent
General name: Desloratadine
Released: 2016

Antihistamine market* (Billions of yen)



Desalex sales (Billions of yen)

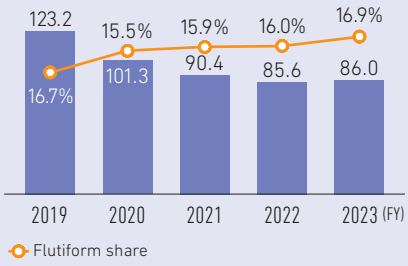
Antihistamine market

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

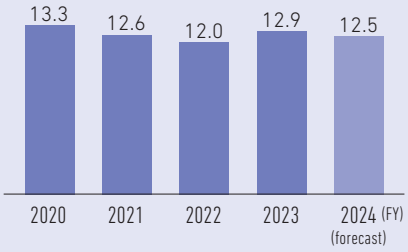
Flutiform

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 since fiscal 2023 has shown a trend of recovery that we expect to continue. At the same time, we see the market remaining flat from factors including annual drug price revisions and an increase in prescriptions of ICS/LABA/LAMA3 combination drugs.

Environmental hygiene products

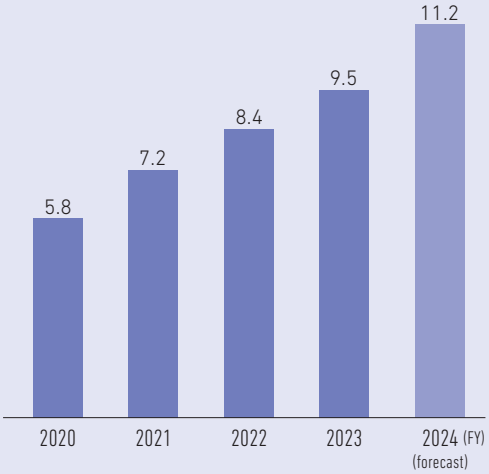
Milton

Disinfectant for baby bottles and bottle nipples
Hand disinfectant
Disinfectant spray

Rubysta

Multipurpose disinfectant cleaner

Infectious disease-related product sales (Billions of yen)



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

General medical devices, pharmaceuticals for in vitro diagnostics, etc.

GeneSoC

Research-use devices
Research-use reagents
General medical devices
Pharmaceuticals for in vitro diagnostics

Achieving Continuous Growth of the Generic Drugs Business

Although the rate of increase in market penetration for generic drugs has slowed since the Ministry of Health, Labour and Welfare's target of 80% (market share on a volume basis) was reached, proactive measures to promote the use of generic drugs are continuing, and we expect the market to keep on growing to some degree. 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 new generic products, while building a reliability assurance system with the strict quality control used for ethical drugs and increasing our product supply capacity for stable supplies of ethical drugs.

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

To provide generic drugs that can be used safely, KYORIN Rimedio manufactures pharmaceuticals and provides packaging from the perspectives of medical practitioners and patients, 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 2023, we launched eight new products with three ingredients.

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

Increased shortfalls in product supplies stemming from quality problems at some companies have yet to be resolved, and the entire Group is working to maximize production volumes. With the early commencement of full-scale operations at the Takaoka Plant in April 2024, we are striving to increase our product supply capacity.

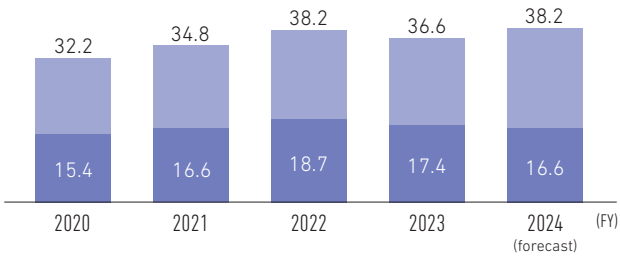
Establish a low-cost structure resilient to changing business conditions

KYORIN Rimedio 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 for selling both original drugs and authorized generics that meet the diverse needs of medical practitioners and patients. We also believe that handling authorized generics will lead to the maximization of product value. We currently sell Montelukast Tablets "KM" (our authorized generic version of Kipres) and Imidafenacin Tablets "KYORIN" OD tablets 0.1mg (our authorized generic version of Uritos). Both products have gained a share of 50% or higher in their respective generic markets.

Generic drugs sales (Billions of yen)



Value Creation Materiality

Providing a Stable Supply of High-Quality Pharmaceutical Products

Strengthen production capacity for drugs and reduce manufacturing costs

Michiro Onota

Executive Director

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

Representative Director, President and Chief Executive Officer of KYORIN Pharmaceutical Group Facilities Co., Ltd.

With an awareness of low-cost operations, we are building a manufacturing structure that utilizes the special features of our original three manufacturing centers to optimize our overall product lineup and carry out appropriate capital investment to turn out reliable, high-quality products. However, business conditions are changing dramatically, characterized by stricter quality requirements, rising manufacturing costs, and more sophisticated manufacturing technologies. In response, we must take new measures to maintain a stable supply of high-quality products. The medium-term business plan "Vision 110 –Stage1–" includes "strengthening production capacity for drugs and reducing manufacturing costs" as part of its business strategy. To accomplish those goals, we will maximize product supply capacity by firmly ramping up operations at our new plant and by optimizing overall operations at every plant. We will not only increase reliability and maintain stable manufacturing but also continuously improve processes to reduce costs by raising the level of GMP (good manufacturing practice, which is a standard for the manufacture, management, and quality control of pharmaceutical products).

Regulations and society's demands for product reliability have become increasingly strict in recent years. Amid calls for maintenance of high quality and safety, we are also developing non-pharmaceutical businesses including the diagnostics business and therapeutic applications. While responding flexibly and quickly to changes in the business environment, we are providing a stable supply of high-quality products in compliance with relevant laws and regulations, aiming to earn greater trust and achieve the long-term vision "Vision 110."

Changing environment (internal and external)

- Increasing demand for pharmaceutical companies to ensure reliability
- Diversification and increasing complexity of drug discovery modalities
- Rising manufacturing costs and changing manufacturing technologies

Opportunities

- Growing demand for high-quality products and stable supplies
- Increased demand from growth in 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

Establishing a new manufacturing structure by constructing the Takaoka Plant

To increase production of ethical drug products, we needed greater production capacity and, in September 2022, began construction of the Takaoka Plant, which commenced operations in April 2024. Plans call for the plant to produce mainly generic drug products. In addition to manufacturing high-volume products, the plant is being equipped to respond flexibly to small-lot manufacturing of many types of products. With an annual production capacity of roughly 2 billion tablets (solid formulations taken internally), it is a facility where GMP levels can be raised further. We are

Takaoka Plant Location: Takaoka, Toyama

working to improve manufacturing efficiency by reducing some operations, eliminating others, and pursuing labor savings to facilitate stable supplies and low-cost manufacturing. In addition, the plant will reduce our environmental impact by actively utilizing renewable energy sources. The plant's commencement of operations completes our four-plant manufacturing structure.

The construction of the Takaoka Plant, an important project for the Kyorin Group, was made a priority because it will lead directly to growth of the generic drugs business. First, we intend to bring outsourced manufacturing in-house and build a structure for increased production of priority (generic) products and the mucoregulating drug Mucodyne, then aim for full production as the main plant for generics at an early date. Quality issues with ethical drug products including the discovery of contamination by foreign substances in generic drugs led to insufficient supplies of generics, which became a social issue. With operations begun at the Takaoka Plant, we have built a stable supply structure for increasing our production capacity of generics and other products.

Raising GMP levels and expanding environmental considerations

We are working to further strengthen and solidify compliance with laws and regulations related to manufacturing and quality control, as well as our quality control structure, to promote stable supplies of safe and reliable products. The Takaoka Plant is a facility where GMP levels can be raised further. For the environment, in addition to being designed to significantly reduce CO_2 emissions compared with those at the other manufacturing centers, the plant aims to lessen its environmental impact by proactively using clean energy sources including liquefied natural gas (LNG) and renewable energy sources like hydroelectric power. We are also working to introduce labor savings in various operations to improve manufacturing efficiency.

Improving reliability and maintaining product quality

In recent years, quality requirements for products have become more stringent. In response, 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 relentlessly to provide products that earn the confidence of medical practitioners and patients.

Increasing manufacturing efficiency to improve cost competitiveness

We are working to establish a manufacturing structure that ensures stable supplies of new and generic drugs and low-cost production. During the production process, we utilize various practices to improve manufacturing quality, 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.

Overall optimization of manufacturing structure

Using the unique features of the three original plants, we have pursued optimization by aligning products to be manufactured with manufacturing sites to maximize our product supply capacity. At the Noshiro Plant, we have been adding manufacturing equipment and strengthening human capital (securing and training human resources) while manufacturing new drugs as well as high-volume generics, with a focus on tablets and capsules. 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. With a four-plant structure including the Takaoka Plant, we will work to raise productivity even higher and ensure even greater reliability.

* PIC/S: Pharmaceutical Inspection Co-operation Scheme

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

Supply chain management (SCM)

With an increase in global products and the diversification of modalities, supply chains are becoming more complex. Given this changing environment, we are creating a system to monitor and control supply chain disruptions by visualizing supply chains from upstream raw materials and manufacturing of pharmaceutical ingredients to final product manufacturing and supply. We also aim to build resilient supply chains to respond flexibly to recent environmental changes.

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. As another risk-hedging measure, we are striving to secure multiple alternative suppliers and various transportation routes in addition to our existing suppliers. We are also promoting compliance in logistics, including imports and exports, to guarantee stable supplies. For even greater stability of supplies, we are setting appropriate product-specific inventory standards and procurement plans for every product. For products with large fluctuations due to reasons including seasonality or fleeting popularity, we are doing our best to procure supplies flexibly while following daily changes in cooperation with marketing divisions. 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. Nevertheless, the Kyorin Group will continuously strive to ensure stable product supplies by reducing various risks through production planning and inventory coordination with internal manufacturers and external subcontracted manufacturers, while developing multiple and alternative suppliers and improving logistics efficiency.

Sustainable procurement initiatives

We consider it important to fulfill our social responsibility by striving to provide stable supplies of products. For this, we ask for our suppliers' cooperation based on their own social responsibility. To achieve sustainable procurement, we 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 stability of supplies. When an on-site investigation identifies issues needing correction, we propose improvements, request an improvement plan, and follow up on the improvement status.

Strengthening reliability assurance system to support comprehensive business development

Reliability assurance system

To ensure the stable supply of high-quality products, 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 and in vitro diagnostics and quality control. 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.

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. We also conduct drug-monitoring activities for pharmaceuticals and medical devices in compliance with GVP standards to ensure their safety and proper use. In addition, we conduct post-launch investigations to collect and evaluate information about the safety and efficacy of pharmaceuticals in compliance with Good Post-Marketing Study Practice (GPSP) standards.

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.

SPECIAL FEATURE

Consolidating the strengths of each individual to realize long-term vision “Vision 110”

Aiming to accelerate drug discovery by strengthening functions for external cooperation

Kazutaka Nakamura

Innovation Research Laboratory, WATARASE Research Center, KYORIN Pharmaceutical Co., Ltd.

Continuous creation in drug discovery themes in newly designated drug discovery research fields and strengthening basic drug discovery technologies are important roles of the Innovation Research Laboratory. Increasingly diverse modalities, advances in regenerative medical treatment, and technological innovation including the use of artificial intelligence (AI) are making it extremely difficult to continue creating new drugs with our in-house research technologies alone. Together with the Research Planning Department, the Innovation Research Laboratory is strengthening functions for external cooperation for using new technologies and external seeds to accelerate the creation of drug discovery themes. Through the creation of emerging new drugs using a combination of our proprietary research technologies and external technologies, we are wholeheartedly pursuing drug discovery research closely aligned with people's health.

Headquarters working as one to expand the development pipeline

Mutsumi Hara

Licensing, Business Development HQs, KYORIN Pharmaceutical Co., Ltd.

Expanding the development pipeline through in-licensing (acquiring products in late-stage development and sales tie-ups) is an urgent management issue and an important mission of the Licensing department. Participating in events like BIO International, which brings together several thousand pharmaceutical manufacturers and biotechnology start-ups from Japan and around the world, gives us the opportunity to convey Kyorin's strengths and appeal and to evaluate and negotiate an even greater number of proposals. I consider this an important first step toward creating in-licensing opportunities and am actively engaged in these activities daily. This year, the Business Development Headquarters is working to achieve the objectives of acquiring in-licensed products by further enhancing the quality of our activities to date, expanding our expertise in new disease fields, and increasing the precision and speed of evaluation.

Aiming for stable supplies through product understanding and greater manufacturing efficiency

Shinichi Nishimura

Development I, Takaoka Pharmaceutical Technology Innovation Center, KYORIN Rimedio Co., Ltd.

Development I, which is responsible for formulation design, is engaged in processes from evaluating pharmaceutical ingredients to laboratory-scale prototypes, manufacturing investigational new drugs, and scaling up to actual manufacturing. Given issues in the quality of generic drugs and the stability of their supply, we are deepening our understanding of developed products from the formulation design stage and will put even greater effort into quality risk management, with the goals of reducing various risks in prescribing and manufacturing that affect quality. We are also reducing manufacturing times and processes and introducing other measures to make manufacturing more efficient. By acquiring strong development capabilities for product reliability, we will steadily develop new products.

Continuing to pursue challenges going forward

Contributing to people's health has been the Kyorin Group's mission since our founding. We will work with a strong sense of determination to fulfill that mission by achieving our targets.

Addressing patients' unidentified needs

Shota Fukuda
Okayama Sales Office, ChugokuShikoku Branch, KYORIN Pharmaceutical Co., Ltd.

As medical representatives (MRs), our role is to be on the forefront passing the baton from people in various departments to medical practitioners. We handle a diverse range of material such as information about drug products and patients' unidentified needs. The joy of providing information that contributes to medical care is what motivates us in our daily work. The Lyfnua tablet for chronic cough can improve the quality of life for patients who suffer from cough symptoms. Rapid market penetration is an important issue for Lyfnua tablets, a goal we are continuing to pursue. I am confident that these activities will lead to fulfilling our corporate philosophy that states "we continue to fulfill our mission of contributing to better health."

Aiming to be a reliable subcontracted manufacturing factory

Kazuhito Katayama
Manufacturing Department, Takaoka Plant, KYORIN Pharmaceutical Group Facilities Co., Ltd.

The Takaoka Plant's Manufacturing Department, where I work, aims to be "a reliable subcontracted manufacturing factory." By linking and operating systems related to the receiving of raw materials, production, shipments, and inventory management, we are working to enhance the reliability of data related to manufacturing operations and strengthen our manufacturing management structure. Using the latest types of systems still requires human intervention. In response, I focus on preparing good management practice (GMP) documents that are easy to understand, allowing all workers, especially those involved in operations, to complete their tasks steadily and consistently. This approach contributes to the early realization of our department's aim of being a "reliable subcontracted manufacturing factory."

Achieving a stable supply of high-quality drugs

Sayaka Oota
Quality Assurance, Quality Assurance & Reliability HQs, KYORIN Pharmaceutical Co., Ltd.

Pharmaceutical companies are being strongly urged to ensure the quality and stable supplies of drug products. Some companies have received administrative penalties related to issues like manufacturing improprieties, which many media reports say are affecting stable supplies. The Quality Assurance department's primary mission is to carry out appropriate management and oversight at internal and external manufacturing sites to prevent improprieties related to product quality. We conduct audits to confirm GMP management structures, reconcile approval forms with actual manufacturing, and manage appropriate changes and deviations as we strive to ensure product quality and contribute to stable supplies. We will also continue to work to resolve product quality issues in cooperation with related departments and manufacturing sites, aiming to enhance the culture of quality at KYORIN Pharmaceutical.

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 focusing on enhancing human capital through measures including acquiring and training superior human resources, revising and managing an appropriate human resources system that leads to employees' increased 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 Corporate Charter to attain "carbon neutrality by 2050" and have established an Environmental Committee that formulates and pursues Groupwide measures to achieve 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 to accomplish the most important management goal of "continuously increasing corporate value."

The Kyorin Group is 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

Human resources management

As we enhance human capital, we recognize that to achieve our business strategies 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

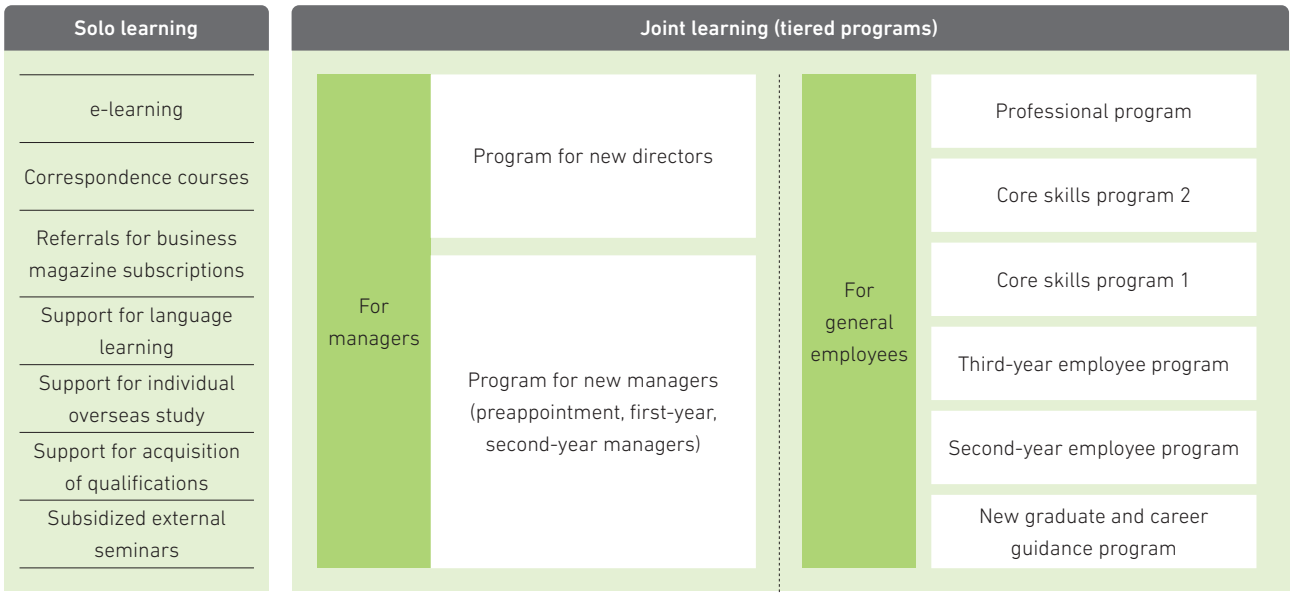
We revised our human resources system in April 2023 in line with our human resources management policy to be a "vibrant company that pursues job satisfaction." We are promoting the creation of workplace environments where members of a diverse workforce can grow autonomously and participate actively.

We have enhanced the previous human resources system by redefining the roles and standards of conduct at all levels and clarifying frameworks for assignment and promotion, aiming for 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

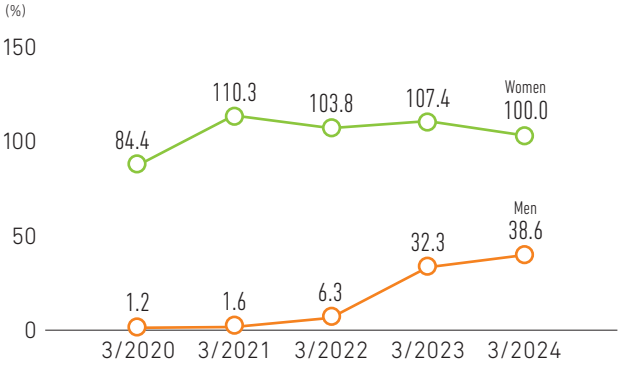


Promoting Work-Style Reforms That Respect Diverse Values

Promoting women's active participation

Through initiatives related to promoting women's active participation, we are creating workplace environments in which female employees can fully use their capabilities and play active roles. After identifying issues through a survey of all female employees, we are addressing those issues with employee training (e-learning, courses taught by outside instructors, workplace discussions, career path training, etc.) and an expanded 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.

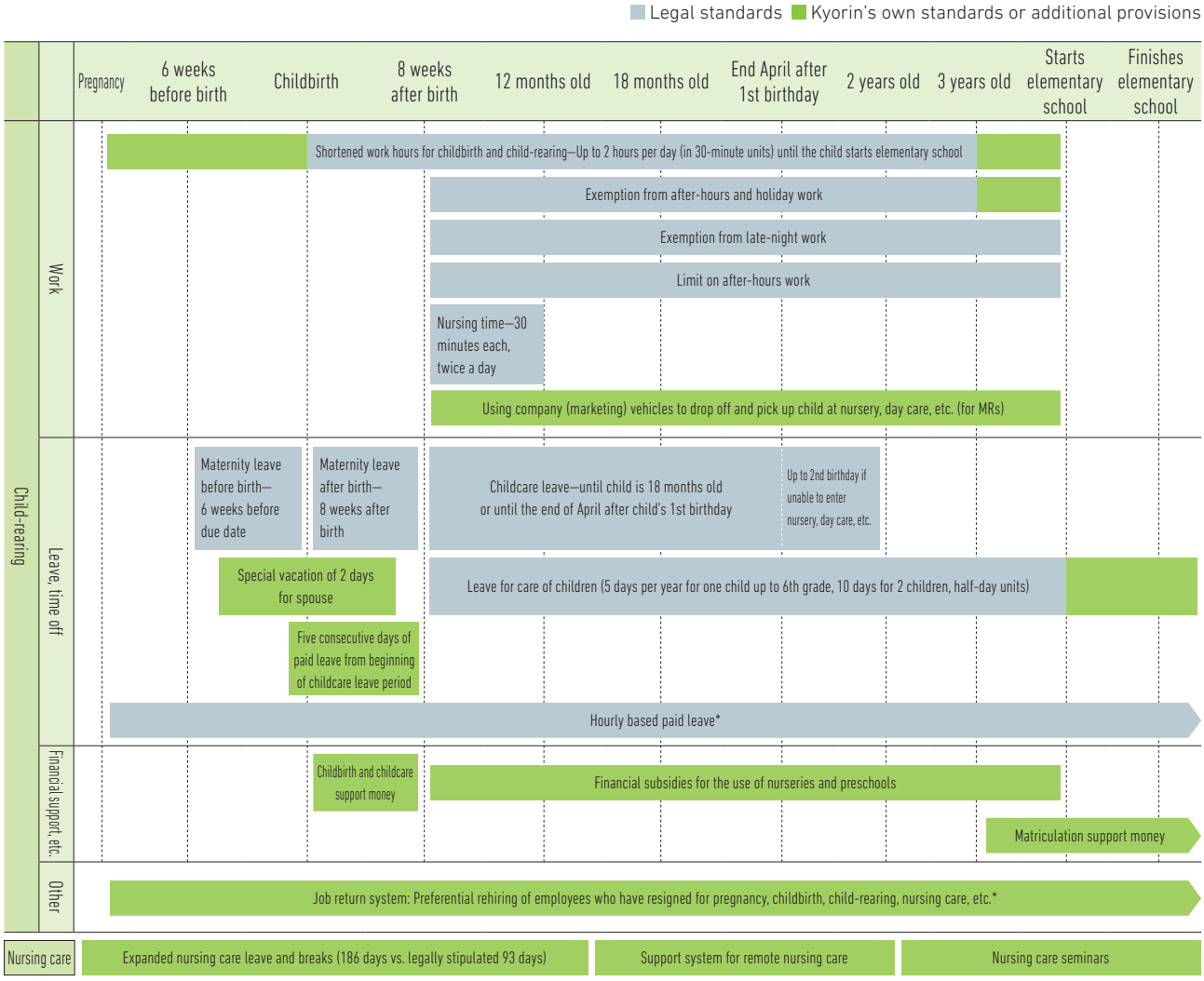
Usage rate of childcare leave



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).

Support for employees' childcare and nursing care

By supporting employees' daily lives through life stages including providing childcare and nursing care, we are creating environments that facilitate a work-life balance and environments that allow employees to have a rewarding work life against the backdrop of a healthy family life. In 2021, in recognition of our efforts to enable employees to provide childcare and nursing care, we received Kurumin Certification as a "company that supports child rearing" under the Act on Advancement of Measures to Support Raising Next-Generation Children. In November 2023, we also began offering five days of paid leave for both male and female employees from the beginning of the childcare leave period, aiming to foster a corporate climate that makes it easy to take childcare leave and respects diverse work styles. With the goal of having at least 50% of eligible male employees take childcare leave by fiscal 2025, we are introducing the system and examples of other employees to encourage male employees who want to take childcare leave to do so.

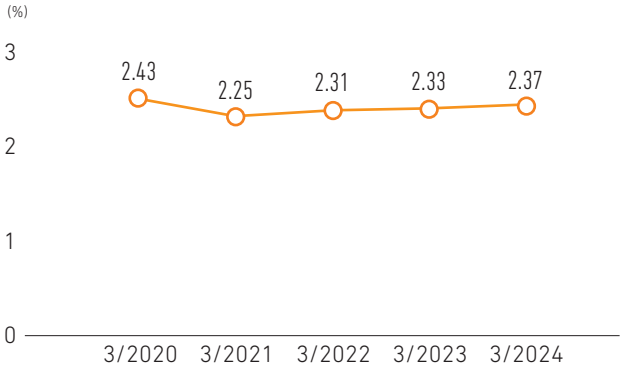


* Hourly based paid leave and the job return system are also available for nursing care support

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.

Employment rate of persons with disabilities



Job return system

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

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 Health & Productivity Management Outstanding Organizations (large corporate sector) for six consecutive years, since 2019.

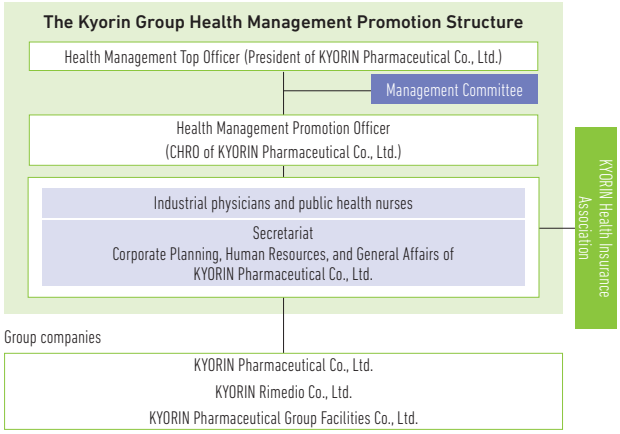
2024 健康経営優良法人 Health and productivity

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

Health Management Promotion Structure

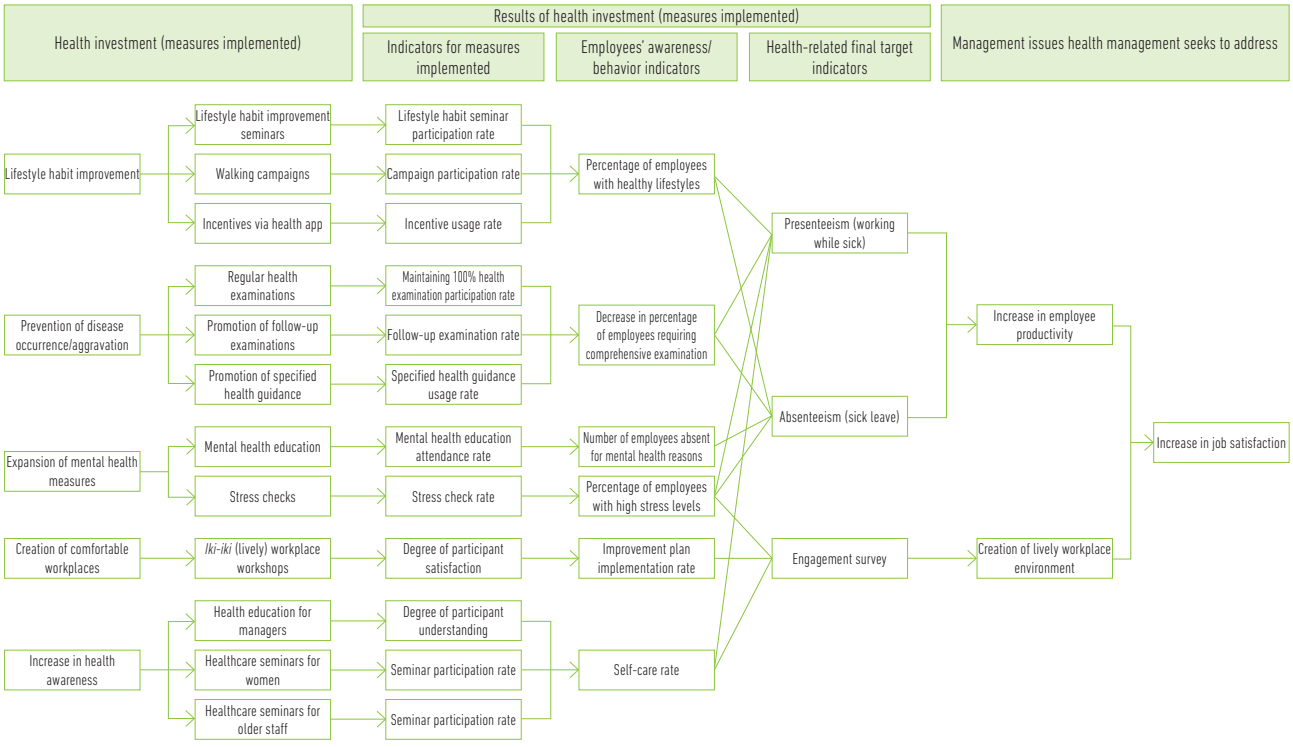
The top officer of this structure is the president of KYORIN Pharmaceutical Co., Ltd., and the promotion officer is the CHRO of KYORIN Pharmaceutical Co., Ltd. When sharing information with Group companies, we have a system in which industrial physicians, public health nurses, the KYORIN Health Insurance 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.

	FY2019	FY2020	FY2021	FY2022	FY2023	Target
Regular health examinations	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 results (reference year)	2020 results	2021 results	2022 results	2023 results	2025 (targets)
Percentage of employees who do not smoke	80.6%	81.3%	82.3%	82.5%	82.7%	85%
Percentage of employees who drink appropriate amounts of alcohol*	73.4%	74.6%	73.6%	70.1%	76.2%	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%	55%
Percentage of employees who get sufficient sleep	64.8%	72.8%	69.1%	67.2%	65.8%	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.

	FY2019	FY2020	FY2021	FY2022	FY2023	Targets
Percentage of employees taking stress checks	97.6%	97.0%	97.8%	97.5%	97.5%	100%
Percentage of employees with high stress levels	10.6%	9.8%	10.3%	10.5%	10.8%	—

Percentage of employees absent for mental health reasons: 0.75%; Returned to work: 52.9% (FY2023)

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.

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

The Group has established an Environmental Committee, chaired by the corporate officer in charge, to implement and promote environmental measures, including ones addressing climate change, as a structure to consider environmental measures at the Group level. Led by General Affairs, 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

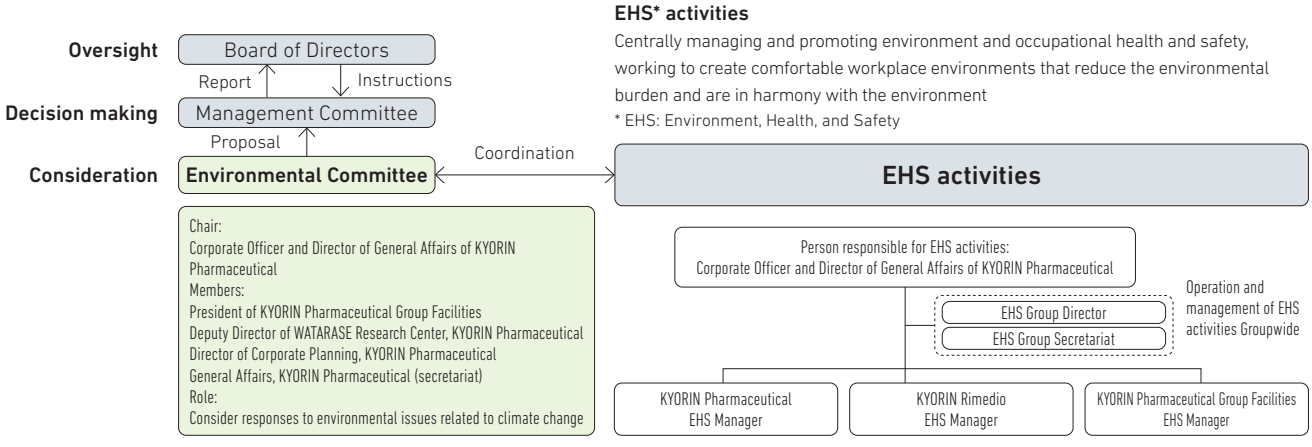
Regarding environmental issues, we are pursuing the challenge of "carbon neutrality by 2050" as part of our long-term vision. We are considering a gradual transition and new capital investments in energy from renewable sources to reduce CO_2 emissions, with a target of "reducing CO_2 emissions 46% from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

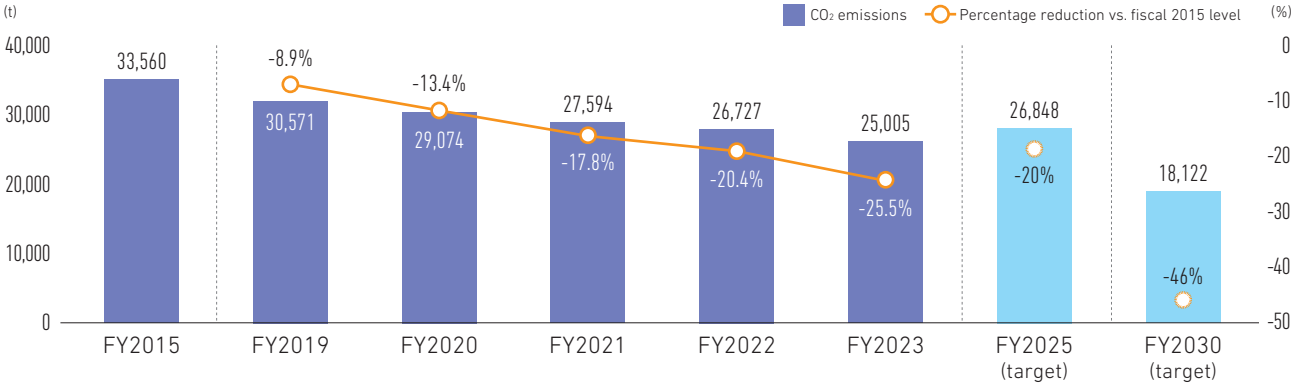
Segment	Event	Earnings opportunity	Response policy
Market changes	Changes in disease trends	• Increases in infectious disease from rising temperatures could increase the Company's business opportunities. • Demand and scope of appropriate use of our products for the prevention, diagnosis, and treatment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

For manufacturing equipment, air conditioning, and other equipment no longer needed, we are systematically upgrading to new equipment with superior energy-conservation functions, while introducing LED lighting and other measures to reduce CO_2 emissions. In addition, following a review conducted in fiscal 2023, we are introducing concrete measures for proactive capital investment in heat conversion and highly efficient machinery.

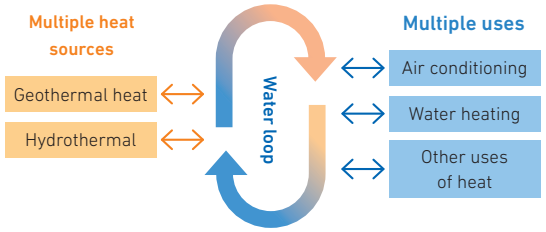
The Takaoka Plant, which commenced operations in April 2024, is using very efficient equipment systems and machinery to reduce the amount of energy used, compared with that of previously existing manufacturing centers. It is also using liquefied natural gas (LNG), other clean energy, and renewable energy including hydroelectric power to reduce air pollution and global warming, making it possible to decrease CO_2 emissions to one-sixth those given off by heavy oil and thermal power. 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 2023 reduced electric power consumption 58,502 kWh and CO_2 emissions roughly 23 tons compared with those from conventional heat pumps for air conditioning and heating, achieving energy savings of roughly 29%.

Takaoka Plant

* 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.

ReHP schematic diagram



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.

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 2024, all 837 sales force vehicles met the standard for low emission, and of these, 333 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 2023 totaled 219 thousand m^3, and wastewater volume amounted to 101 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 2023)

Raw materials	Materials	Energy	Water
359 t (PRTR substances: 9.1 t)	**Total: 1,814 t** Materials: 1,766 t Paper usage: 48 t	**Total heat: 527,808 GJ** (crude oil equivalent: 13,617 *kℓ*) Electricity: 33,618 thousand kWh Heavy oil: 934 *kℓ* Kerosene: 2,281 *kℓ* Gasoline: 1,099 *kℓ*	**Total: 219 thousand m^3** Drinking water: 166 thousand m^3 Groundwater: 53 thousand m^3

Development of new drugs | **Manufacturing** | **INPUT** / **OUTPUT** | **Sales** | **Management**

CO_2 emissions	Waste	Sewer water	Packaging recycled
41,812 t Scope 1: 12,895 t Scope 2: 12,110 t Scope 3: 16,807 t	Generated: 679 t Recycled: 307 t Landfilled: 29 t	101 thousand m^3	Total: 834 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 6,233 t
- Capital goods 5,263 t
- Fuel- and energy-related activities not included in Scope 1 or 2 1,959 t
- Business travel 763 t
- Employee commuting 977 t

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

- Direct emissions 12,895 t

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

- Indirect emissions from energy sources 12,110 t

Scope 3
Other indirect emissions

- Waste materials from businesses 259 t
- Disposal of products sold 519 t

Scope 3
Other indirect emissions

- Transport, delivery 835 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.

Corporate Charter and Compliance Guidelines

Using the Corporate Ethics and Compliance Guidelines, in August 2006, we formulated the Corporate Charter 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 Corporate Charter 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: five (fiscal 2023)

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 Contingency Measures 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 specific amounts of products and raw materials • Adjusting manufacturing plans and inventories with subcontracted manufacturers • Developing multiple and alternative suppliers • Strengthening production capacity with construction of new plant • 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-based marketing 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 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), environmental protection, 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, sharply higher purchasing prices, valuation losses on pension assets, retirement benefit obligations, equity holdings, etc.	• Confirming market trends and reviewing foreign exchange rate and interest rate levels when formulating management plans

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.

Basic policy on corporate governance

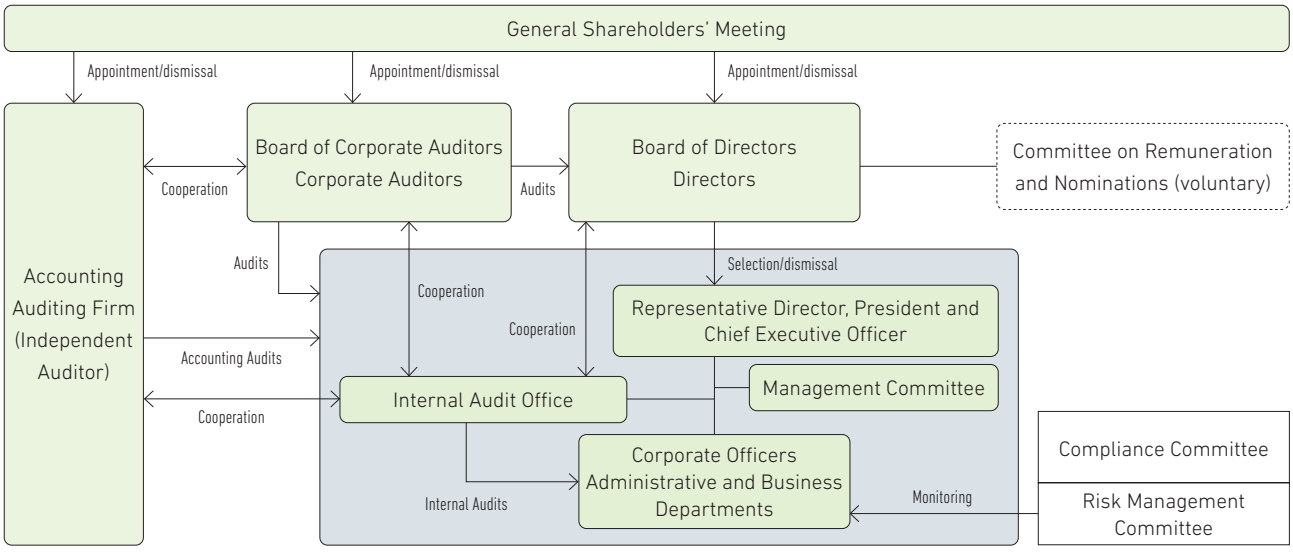
The most important management goal for the Company is to continue raising shareholder value. To achieve this goal requires fostering a management environment that enables us to build trust with the general public. Therefore, having given better corporate governance a high priority, we seek to ensure 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 in fulfilling 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.

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 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 28, 2024, the Company had 10 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)
Corporate 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.

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 (As of June 28, 2024)

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 2023) (Average attendance rate of outside directors) (Average attendance rate of outside corporate auditors)	12 (100%) (94%)
Number of the Board of Corporate Auditors' meetings (held during fiscal 2023) (Average attendance rate of outside corporate auditors)	14 (95%)
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.

However, 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 2023)

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)	166	152	13	6
Corporate auditors (Excluding outside corporate auditors)	33	33	—	2
Outside directors or corporate auditors	49	49	—	6

* Includes three directors who retired on June 23, 2023.

Strengthening the functions 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. In fiscal 2023, we strengthened the functions of the Board of Directors by separating the supervision and business execution by

establishing a system under which the newly established chief X officers (CxOs) report regularly on the progress of management plans and other matters. We are also 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 2023, 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.

[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 seven 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 also cooperates with the 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 experts	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

Messages from Outside Directors

Aiming to be an innovative company through the transformation of drug discovery

Noriyuki Shikanai
Outside Director/
Independent Officer

As an outside director, I am engaged in management supervision from the perspective of shareholders, focusing on Kyorin's corporate governance and compliance. I also offer opinions to enhance corporate value in terms of Kyorin's social presence, including through initiatives to address the UN's Sustainable Development Goals.
In the wake of the COVID-19 pandemic, requests are mounting for major changes in medical care and the pharmaceutical industry. Drug prices are being sharply cut in response to significantly higher medical care costs, meaning that to continue creating new drugs, internally we need to promote streamlining, proactively adopt new technologies for the next generation, and innovate. I believe that this approach will allow us to make an even greater social contribution while ensuring the Company's development. I am supporting the further development of Kyorin as an innovative company every day. As an attorney, I have been in a position to give objective advice to a wide range of companies and will proactively offer advice and recommendations to Kyorin's management by referencing my experience with the management of other companies.

Creating new drugs with high added value and strengthening manufacturing capabilities

Ken Shigematsu
Outside Director/
Independent Officer

The long-term vision "Vision 110," formulated on the 100th anniversary of Kyorin's founding, includes a major challenge and a major transformation. The challenge, in the area of research and development, is to create new drugs with high added value. We have clearly identified drug discovery research areas that meet medical needs and are shifting human resources and investment to achieve our targeted new portfolio. The transformation concerns manufacturing. The commencement of full-scale operations at the Takaoka Plant has increased the manufacturing capacity of the entire Kyorin Group. While we have been pursuing improved manufacturing efficiency, a manufacturing structure that is making major strides toward decarbonization has taken shape.

The Board of Directors is discussing measures to continuously enhance corporate value over the medium term while closely following day-to-day business developments. The Committee on Remuneration and Nominations makes decisions based not only on business results but also by fully evaluating processes and making impartial and exacting judgments about their effectiveness. As an outside director, I supervise management from an independent, objective perspective while offering advice as necessary in areas including management strategy, capital policies, and governance and compliance.

I ask for the continued support of shareholders.

A company that actively utilizes diverse human resources

Hiromi Watanabe

Outside Director/
Independent Officer

In the Global Gender Gap Index for 2024, released by the World Economic Forum (WEF), Japan's ranking among 146 countries rose slightly, to 118, from the previous year's 125. This primarily reflected an increase in the percentage of female legislators, however, and Japan's ranking in the field of "Economic Participation and Opportunity" was roughly unchanged from that of the previous year, showing that Japanese companies still have few women in management positions. Last year, on the 100th anniversary of our founding, Kyorin carried out an awareness survey of all female employees. We have been reviewing our initiatives to promote active participation by women and, using that review, in fiscal 2024, we are developing various initiatives to promote an expanded understanding of diversity. I hope to use my experience to support the creation of workplace environments in which a diverse workforce, including women, can continue to work with a sense of fulfillment and vitality. I hope to see a woman from within the Company elected to the Board of Directors as soon as possible.

The development and delivery of treatments in Kyorin's priority areas of respiratory, otolaryngology, and urology are important. Given concerns about future pandemics and a rapidly aging society, these markets are expected to grow. I will offer advice on a range of issues as an outside director and as a medical doctor, a position that puts me in the closest proximity to patients.

Major activities of outside directors and outside corporate auditors (Fiscal 2023)

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 12 out of 12 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 12 out of 12 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 12 out of 12 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 11 out of 12 Board of Directors' meetings and 13 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 11 out of 12 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 12 out of 12 Board of Directors' meetings and 14 out of 14 Board of Corporate Auditors' meetings

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 professionals 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 emphasize communication with stakeholders while fulfilling our social responsibilities, aiming to be a company whose significance is acknowledged by society.

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 Imidafenacin in Southeast Asia and Central and South America.

Providing information to medical professionals

Public website for medical professionals

We strive to meet the information needs of medical professionals 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 professionals.

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 professionals

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 Project

We contribute to the improvement of quality in medical care by creating educational opportunities for medical professionals and improving their knowledge and skills through support for the Medical Education Project, planned and managed by the Japanese Society of Otorhinolaryngology—Head and Neck Surgery, Inc.

Providing information to patients and their families

Course for the general public

In June 2023, we held a course for the general public on concerns about prolonged coughing and how to deal with it to help the general public better understand the disease.

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
- "Guide to Ulcerative Colitis and Crohn's Disease," "Intractable Disease Subsidy System for Patients with Ulcerative Colitis or Crohn's Disease"
- Interstitial Cystitis Square (website for patients with interstitial cystitis)

Website for patients with ulcerative colitis and Crohn's disease

Milton brand official account

In July 2022, we launched an official Instagram account for the Milton brand to provide product information and useful material for people raising children or expecting children.
Milton brand official account:
https://www.instagram.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. In response to the COVID-19 pandemic, online classroom visits were added in fiscal 2021.

Classroom visit

Work experience programs

To deepen public understanding of pharmaceutical companies and pharmaceuticals, each Group business facility offers internships, provides workplace tours, and arranges hands-on workshops for junior and senior high school students.

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. Since 2023, this event has been held on an even larger scale as the Ultimate Great Adventure for the Karada-no-Himitsu. Also, in fiscal 2018, we launched the event-linked website Teach Me—Doctors Explain the Great Adventure for the Karada-no-Himitsu, which provides videos for children describing the body's workings and explaining diseases to deepen their interest and motivate them to learn more.

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

URL: https://www.kyorin-pharm.co.jp/karada/ (Japanese only)

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 in Nakajima Fishing Pier Park, at sites after a fireworks display, and at the Kaneyu, a former Japanese-style restaurant
- Inami Plant: Cleanup activities at Zuisenji Temple
- Shiga Plant: Participation in prefectural government-promoted environmental beautification activities in the Koka district of Shiga Prefecture

Cleanup at Zuisenji Temple

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 a seasonal rain front and Typhoon No. 2 in June 2023: Environmental hygiene supplies (Rubysta, Noahtect® Pro)
- Support for those affected by heavy rains in northern Kyushu caused by a seasonal rain front in July 2023: Environmental hygiene supplies (Milton, Noahtect)
- Support for those affected by the Noto Peninsula Earthquake in January 2024: Environmental hygiene supplies (Rubysta, Milton, Milton moisturizing hand disinfectant gel) and donation of ¥10 million via the Japanese Red Cross Society

First-aid and lifesaving courses

Group employees including roughly 630 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

Members of our senior management, in addition to IR staff, hold meetings with institutional investors. Furthermore, officers responsible for communication and IR staff work with management to engage in dialogue with analysts, institutional investors, and the press by holding results briefings to explain our first-half and full-year financial results. They also provide a rundown of the Company's situation to the media when quarterly financial results are announced. Furthermore, we endeavor to create opportunities for members of senior management to visit institutional investors for direct dialogue.

The opinions and views expressed by shareholders in those dialogues are periodically reported to senior management and officers with specified responsibility and, when necessary, also presented to the Management Committee, thereby ensuring that management receives timely and appropriate feedback.

Results briefing

General shareholders' meeting

We send out the convocation notice earlier than legally required to secure 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 one business day earlier than the legally mandated date.

Appropriate information disclosure

We have established guidelines for information disclosure and the prevention of insider trading and disclose information fairly. To ensure that information is not disclosed selectively to specific parties and that inside information is kept confidential, we provide periodic education for officers and employees.

Timely disclosure

Our basic stance on corporate information disclosure is prescribed by our Corporate Charter and Compliance Guidelines. We promptly and appropriately disclose corporate information required under the Financial Instruments and Exchange Act of Japan and the Tokyo Stock Exchange's Timely Disclosure Rules.

Ten-Year Consolidated Financial Highlights

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

	3/2015	3/2016	3/2017	3/2018*2
Net sales	113,121	119,483	115,373	110,640
New drugs, etc. (Japan)*1	96,612	98,430	89,584	79,639
New drugs (Overseas)	1,032	5,586	764	3,339
Generic drugs	15,477	15,465	25,024	27,662
Operating profit	14,737	19,636	10,413	8,822
Profit attributable to owners of parent	12,064	13,639	7,305	6,574
Net cash provided by operating activities	6,391	11,137	16,386	10,456
Net cash provided by (used in) investing activities	(1,364)	650	(13,142)	(6,038)
Net cash used in financing activities	(5,233)	(2,245)	(5,721)	(3,735)
Free cash flow	5,027	11,787	3,244	4,418
R&D expenses	13,514	13,019	13,569	14,243
Capital expenditures	2,655	7,218	3,051	2,885
Depreciation and amortization	3,053	3,730	3,619	3,644
Total assets	183,383	197,825	192,668	196,736
Total net assets	148,600	157,049	157,837	163,297
Per Share Information				
Net assets (Yen)	2,009.45	2,131.67	2,146.83	2,214.13
Basic profit (Yen)	161.63	184.28	99.45	89.28
Cash dividends (Yen)	52.00	58.00	58.00	58.00
Key Performance Indicators				
Operating profit margin (%)	13.0	16.4	9.0	8.0
Profit attributable to owners of parent / Net sales ratio (%)	10.7	11.4	6.3	5.9
R&D expenses / Net sales ratio (%)	11.9	10.9	11.8	12.9
Total shareholders' equity ratio (%)	81.0	79.4	81.9	83.0
ROE (%)	8.4	8.9	4.6	4.1
Consolidated payout ratio (%)	32.2	31.8	59.3	65.9
PER (times)	17.78	11.63	23.64	22.39
Non-Financial Information				
Number of employees	2,445	2,420	2,382	2,348

*1 From the beginning of 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 the beginning of fiscal 2024, the Company changed accounting policies. The results of fiscal 2023 and changes are presented after retroactive adjustment.

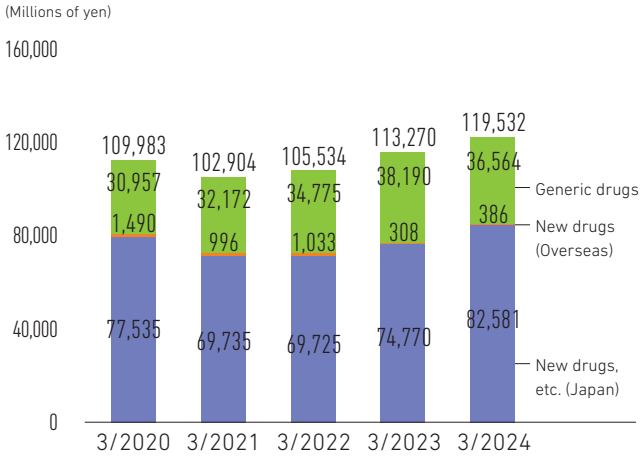
Millions of yen

3/2019	3/2020	3/2021	3/2022*3	3/2023	3/2024*4
113,620	109,983	102,904	105,534	113,270	**119,532**
83,456	77,535	69,735	69,725	74,770	**82,581**
830	1,490	996	1,033	308	**386**
29,334	30,957	32,172	34,775	38,190	**36,564**
8,972	7,503	5,786	5,007	5,123	**6,234**
6,869	6,149	6,130	3,932	4,723	**5,475**
340	7,739	5,189	6,346	2,008	**1,549**
14,939	(2,943)	(4,259)	(2,560)	(6,275)	**(3,187)**
(27,315)	(5,117)	(4,918)	(4,112)	(3,363)	**(3,347)**
15,279	4,796	930	3,786	(4,267)	**(1,638)**
10,790	10,987	9,703	8,897	10,903	**8,019**
2,306	3,590	4,307	3,624	5,252	**6,587**
2,940	3,221	3,564	3,714	3,840	**4,290**
173,034	171,160	167,126	171,924	176,045	**177,627**
123,395	122,710	124,661	124,507	125,461	**130,735**
2,154.05	2,142.07	2,175.52	2,172.83	2,189.40	**2,275.68**
104.68	107.35	106.99	68.62	82.44	**95.41**
75.00	75.00	75.00	52.00	52.00	**52.00**
7.9	6.8	5.6	4.7	4.5	**5.2**
6.0	5.6	6.0	3.7	4.2	**4.6**
9.5	10.0	9.4	8.4	9.6	**6.7**
71.3	71.7	74.6	72.4	71.3	**73.6**
4.8	5.0	5.0	3.2	3.8	**4.3**
72.6	70.9	71.1	76.9	64.0	**55.2**
20.64	20.48	18.02	25.90	20.67	**18.99**
2,297	2,271	2,243	2,222	2,138	**2,042**

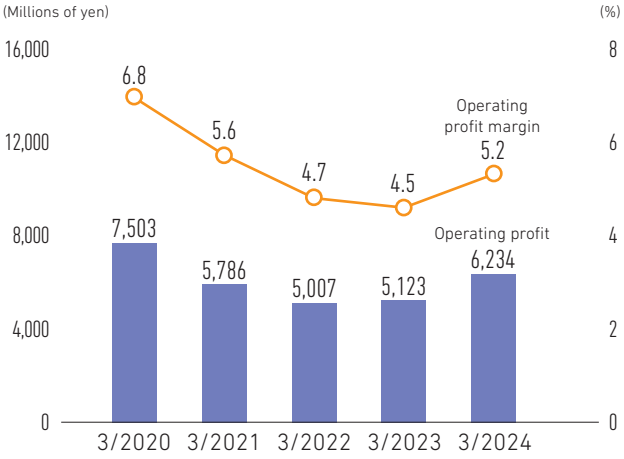
Performance Highlights

Financial Information

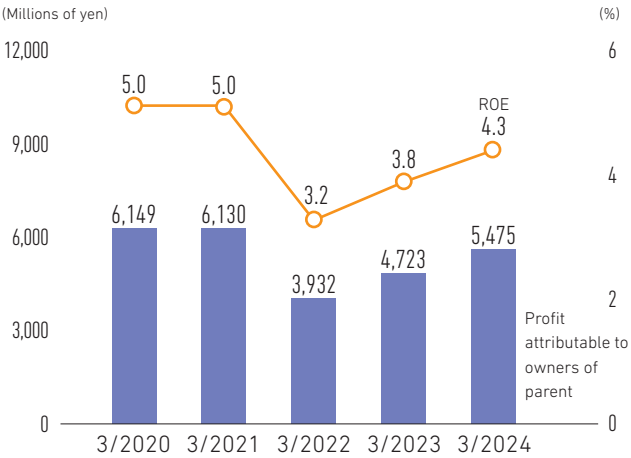
Net sales



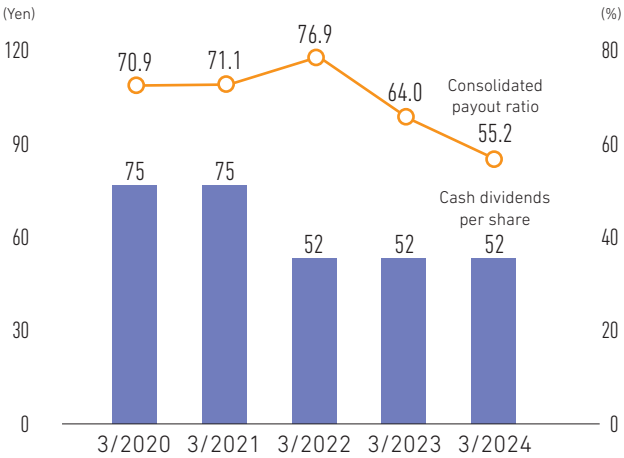
Operating profit, Operating profit margin



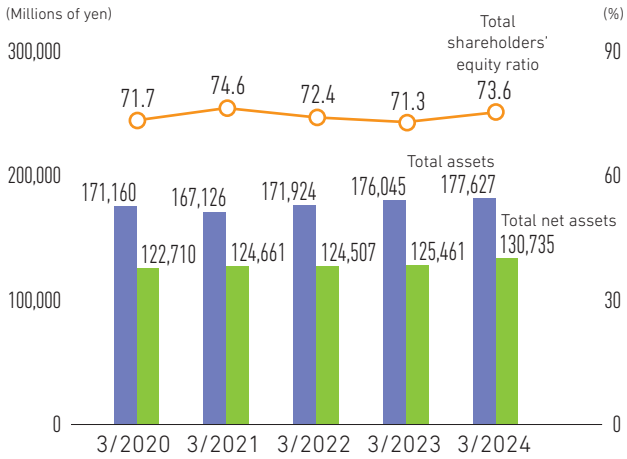
Profit attributable to owners of parent, ROE



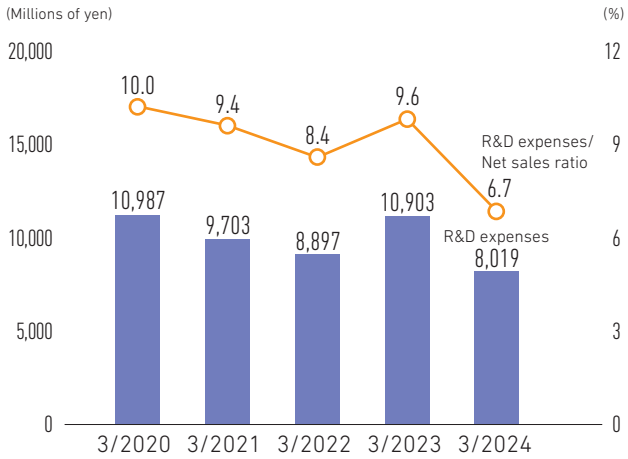
Cash dividends per share, Consolidated payout ratio



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

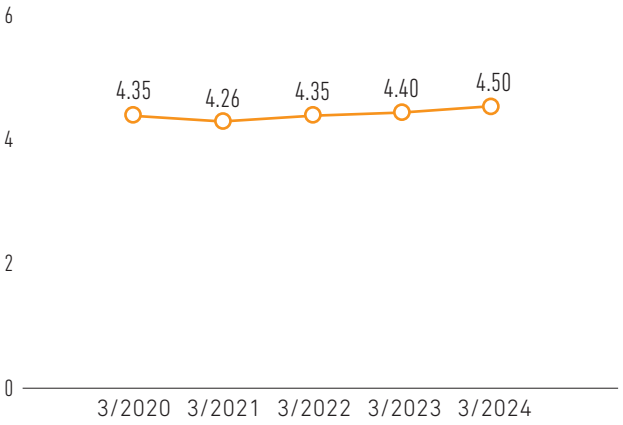


R&D expenses, R&D expenses/Net sales ratio

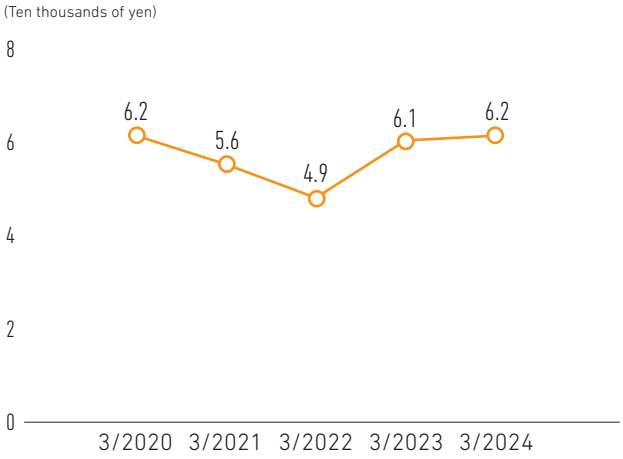


Non-Financial Information

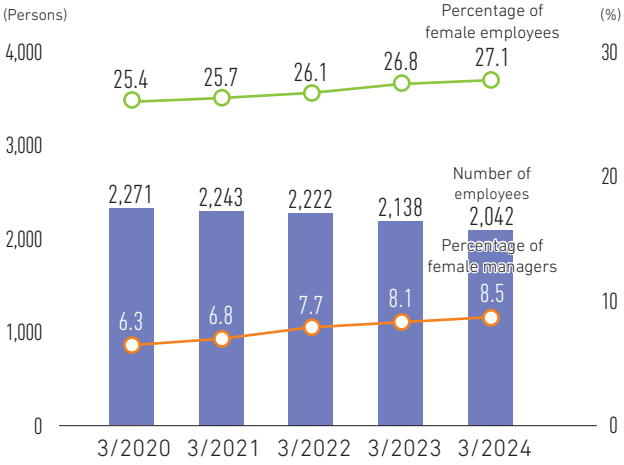
Main scores for the item “job satisfaction” from the engagement survey



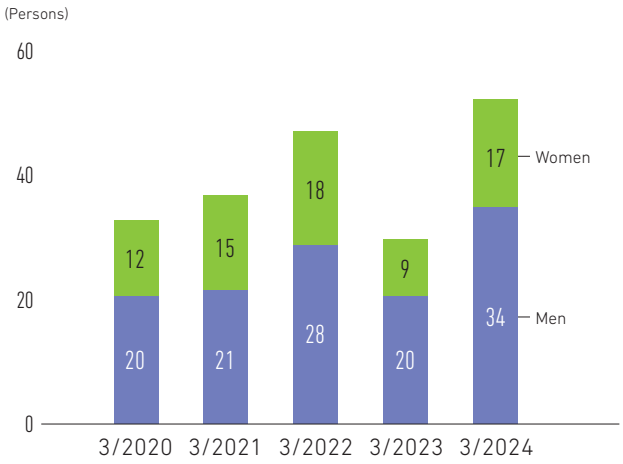
Amount spent on training per employee



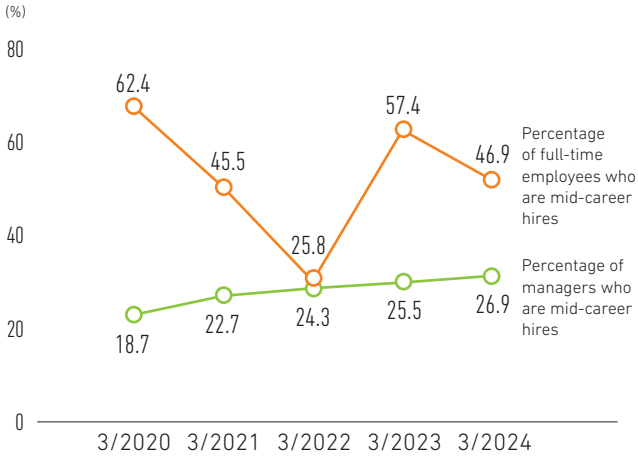
Number of employees, Percentage of female employees, Percentage of female managers



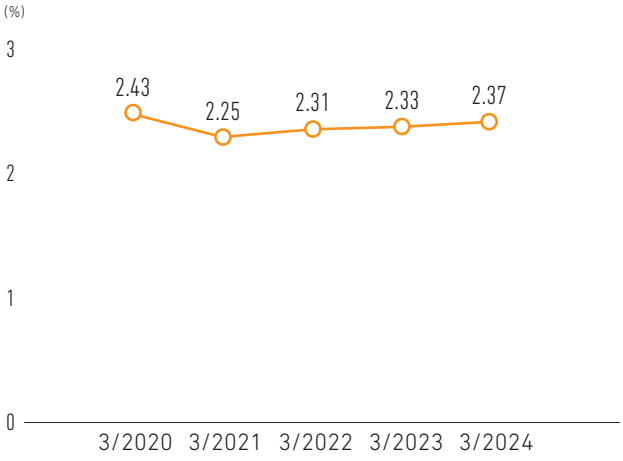
Number of new employees



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



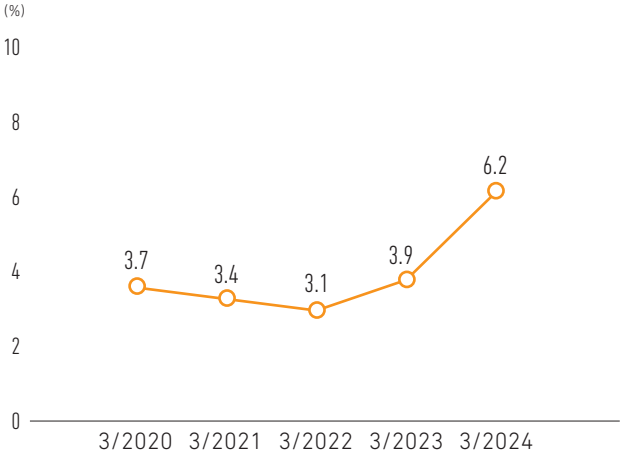
Employment rate of persons with disabilities



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

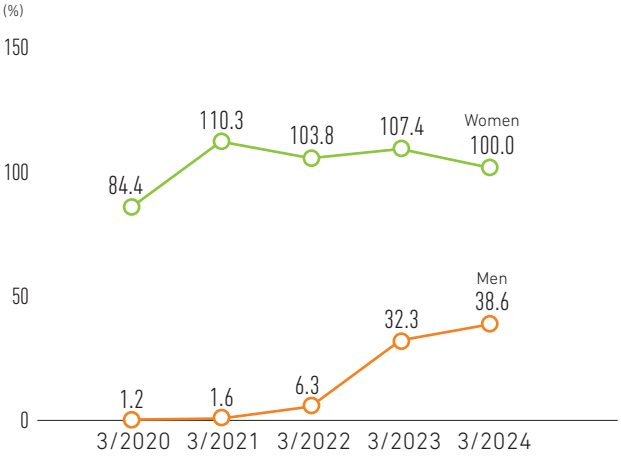
Non-Financial Information

Employee turnover rate



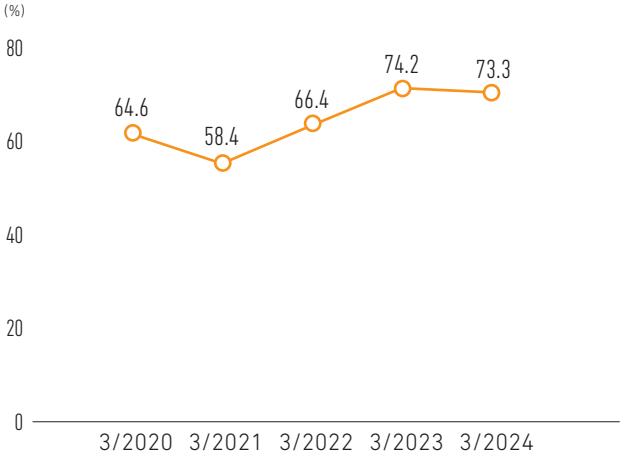
Percentage of employees as of April 1 who left for personal reasons during the fiscal year
A voluntary retirement program was implemented in fiscal 2023.

Usage rate of childcare leave

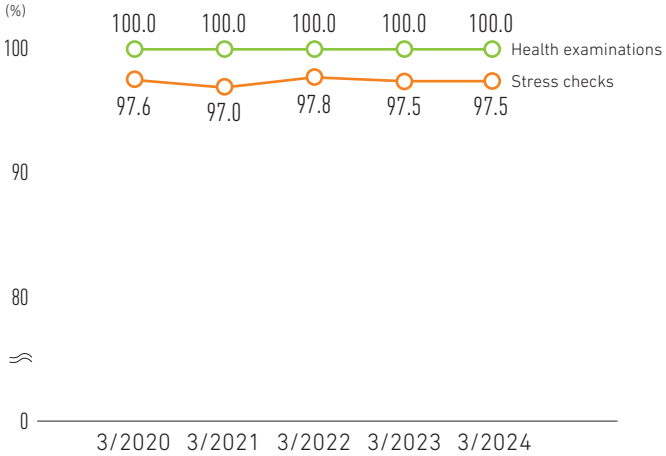


The denominator is the number of employees who gave birth or whose spouses gave birth during the fiscal year. The numerator is the number of employees who took childcare leave (including those who had given birth or whose spouses had given birth in the previous fiscal year).

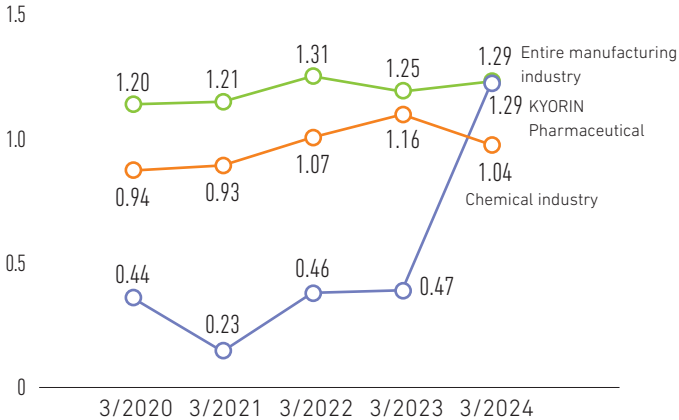
Usage rate of annual paid leave



Percentage of employees who took health examinations and stress checks

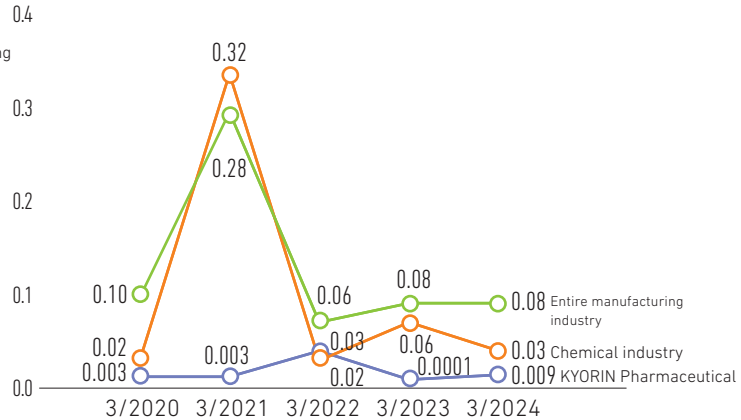


Rate of work accidents



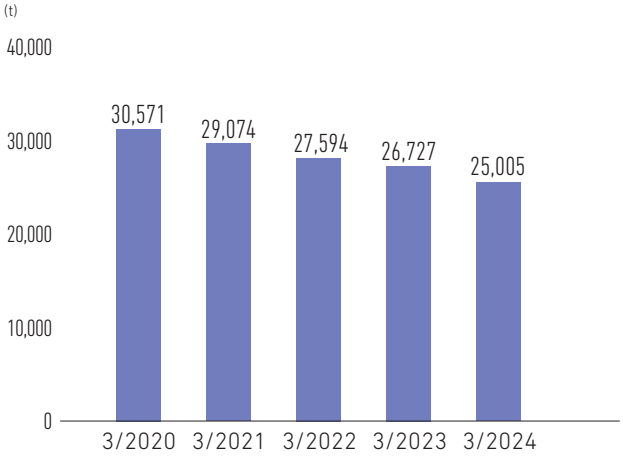
Frequency of accidents: Number of deaths and injuries due to work accidents (excluding accidents while commuting)/Total work hours × 1,000,000

Severity of work accidents

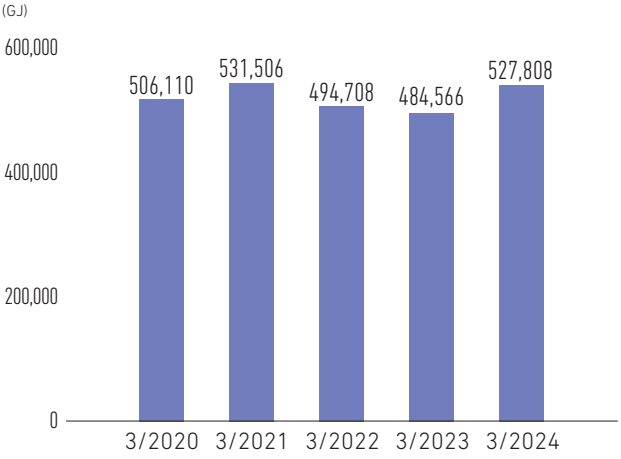


Magnitude of accidents: Number of lost work days (excluding accidents while commuting)/Total work hours × 1,000

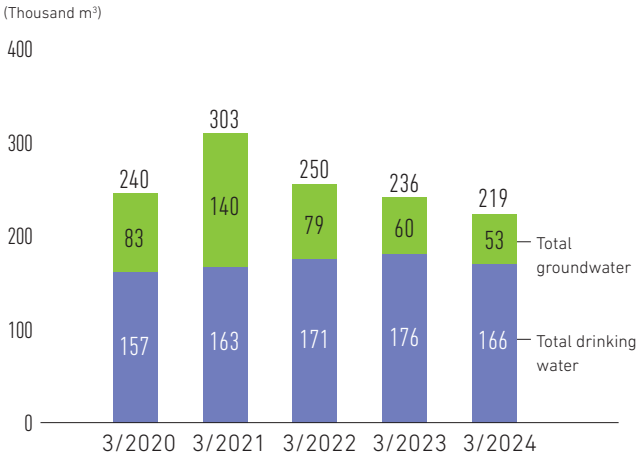
CO_2 emissions (Scope 1 + Scope 2)



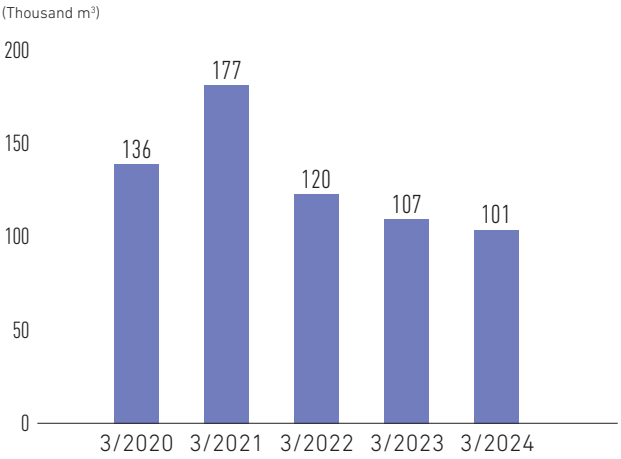
Amount of energy used



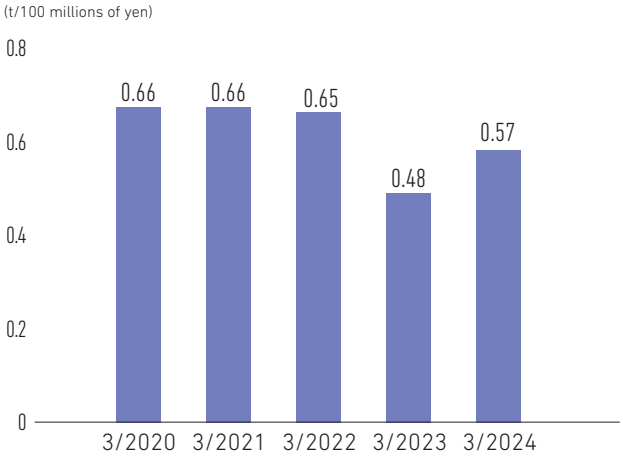
Volume of water used



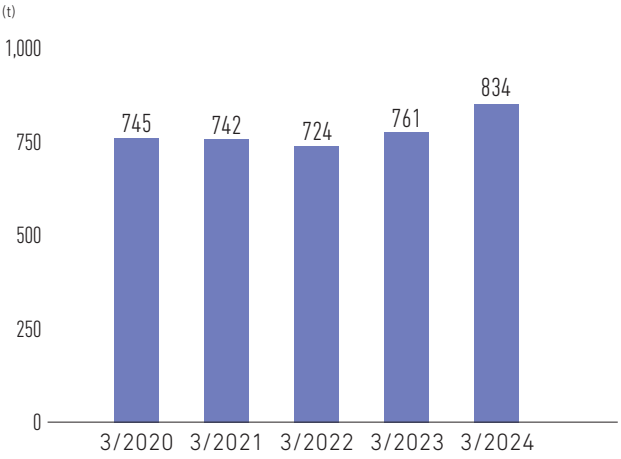
Volume of sewer water



Waste volume in relation to sales



Amount of packaging recycled



Directors, Corporate Auditors, and Corporate Officers

(As of June 21, 2024)

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. (current)
April 2018	Representative Director, President and Chief Executive Officer, KYORIN Pharmaceutical Group Facilities Co., Ltd. (current)
April 2023	Executive Director, CMO, in charge of SCM HQs and Quality Assurance & Reliability HQs, KYORIN Pharmaceutical 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

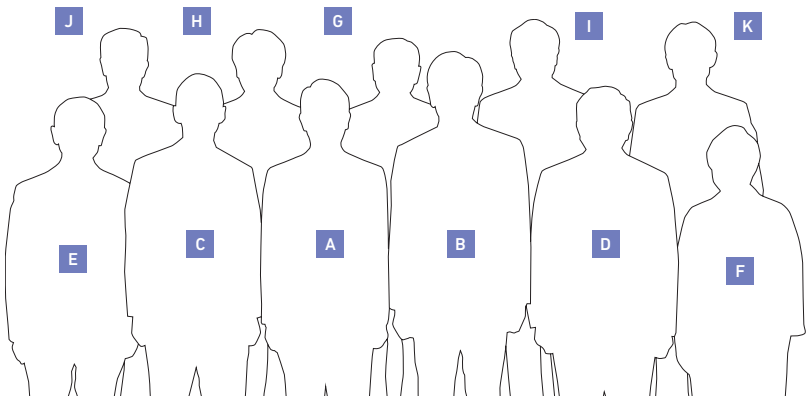
Outside Director/Independent Officer

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 Information System Management and In Vitro Diagnostics Business

Junichi Ishiyama
Corporate Officer CSO
Senior Director of Discovery Research HQs, Senior Director of WATARASE Research Center, 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

Hiroshi Hashizume
Corporate Officer
Representative Director and President of KYORIN Rimedio Co., Ltd.

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
Executive Director and Vice President, Executive Director of Business Administration HQs of KYORIN Rimedio Co., Ltd.

Kimiya Masada
Corporate Officer
Director of Product Strategy

Financial Analysis

Industry Trends in Japan

During fiscal 2023, the Japanese ethical drugs industry maintained mid-single-digit growth, as NHI drug price revisions (midyear revisions) were implemented in April 2023 and COVID-19's infectious disease category was reclassified to "category 5" under the Infectious Disease Control Law, which returned patients' medical consultations to pre-pandemic levels.

For the 100th anniversary of our founding, we launched the new long-term vision "Vision 110" (fiscal 2023–fiscal 2032) and medium-term business plan "Vision 110 – Stage1–" (fiscal 2023–fiscal 2025). For fiscal 2023, the first year of the plan, we set "reform of business structure and growth from new initiatives" as our management policy and actively worked on the following business activities: (1) reform our drug discovery systems, (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 2023, 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.). Although sales of generic drugs decreased, overall net sales totaled ¥119,532 million, a year-on-year increase of ¥6,262 million (5.5%).

Regarding profit, despite the cost of sales ratio rising, gross profit increased ¥1,240 million year on year due to sales growth. Meanwhile, SG&A expenses rose ¥350 million year on year (with a decrease in R&D expenses of ¥2,884 million), resulting in an ¥890 million (17.4%) year-on-year increase in operating profit, to ¥6,013 million. Profit attributable to owners of parent rose 12.7% year on year, to ¥5,322 million, owing to the recording of ¥1,404 million in extraordinary income, including gain on sale of investment securities, and ¥987 million in extraordinary loss, including expenses regarding the voluntary retirement program.

Assets, Liabilities, and Net Assets

As of March 31, 2024, current assets had risen ¥279 million, with increases in accounts receivable and work in process, despite decreases in cash and deposits and other current assets. Fixed assets rose ¥1,355 million, with an increase in property, plant and equipment, despite decreases in investment securities and deferred tax assets. As a result, total assets rose ¥1,634 million from those of the previous fiscal year-end, to ¥177,679 million.

Total liabilities fell ¥3,687 million from those of the previous fiscal year-end, to ¥46,896 million, due mainly to decreases in income taxes payable, long-term borrowings, and retirement benefit liability, which offset increases in the current portion of long-term borrowings and other current liabilities.

Net assets rose ¥5,322 million from those of the previous fiscal year-end, to ¥130,783 million, due primarily to increases in retained earnings and remeasurements of defined benefit plans.

As a result, equity ratio at the fiscal year-end was 73.6%, a 2.3 percentage-point increase from that of the previous fiscal year-end.

Cash Flows

Operating activities generated net cash of ¥1,549 million, primarily ¥7,019 million in profit before income taxes, ¥4,290 million in depreciation and amortization, ¥993 million in gain on sale of investment securities, ¥869 million in expenses regarding the voluntary retirement program, a ¥5,444 million increase in inventories, ¥604 million in voluntary retirement expenses paid, and ¥2,975 million in income taxes paid.

Investing activities used net cash of ¥3,187 million, primarily ¥5,778 million in purchase of property, plant and equipment, ¥2,044 million in proceeds from the sale and redemption of investment securities, and ¥921 million in proceeds from liquidation of subsidiaries.

Financing activities used net cash of ¥3,347 million, primarily ¥3,013 million paid as cash dividends.

As a result, cash and cash equivalents at the end of fiscal 2023 totaled ¥13,886 million, a ¥4,930 million decrease from that of the previous fiscal year-end.

Outlook for Fiscal 2024

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 2024, the second year of the medium-term business plan "Vision 110 – Stage1–," we have set the goal of "accomplishing reform" in our management policy. We will actively work to achieve Group targets through our business activities, namely (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.

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 7% range for KYORIN Pharmaceutical Co., Ltd.) in April 2024. For generic drugs, we forecast an increase in sales of our main products and expect products newly listed in June and December 2024 to contribute to sales. As a result, we forecast ¥84,700 million in net sales of new drugs, etc. (Japan), ¥400 million in net sales of new drugs (overseas), ¥38,200 million in net sales of generic drugs, and anticipate an increase of ¥3,868 million in consolidated net sales, to ¥123,400 million.

Regarding profit, we forecast an increase in gross profit due to an increase in the ratio of new drugs and sales growth, despite a higher cost of sales ratio stemming from drug price revisions and other factors. On the other hand, we expect SG&A expenses to remain unchanged (with R&D expenses increasing ¥481 million year on year). As a result, we forecast increases of operating profit to ¥6,500 million and ordinary profit to ¥6,900 million. For profit attributable to owners of parent, we anticipate a decrease to ¥5,000 million due to the absence of ¥1,404 million in extraordinary profit, recorded in fiscal 2023.

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, 2024.

<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.

To ensure a stable supply of products, the Group strives to secure a certain amount of products and raw materials, make production plans and inventory adjustments with subcontractors, and develop multiple and alternative suppliers. In addition, we have built a new plant in Takaoka to strengthen our production capacity for drugs. Regarding quality control, we are quickly and accurately addressing aspects involving reliability assurance for the environment and are working to strengthen our pharmaceutical-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

Clinical trials in the development phase of ethical drugs are conducted on only a limited number of subjects. Therefore, should unforeseeable and severe side effects occur after the launch of a drug, its usage could be restricted or, in some cases, its sale could 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, environmental protection issues, 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. Should greater-than-expected fluctuations in financial markets or surging purchase prices and fluctuations in the amounts of pension assets, retirement benefit obligations, the valuation of shares held, etc., occur, 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 the business plan, then revising our assumptions for exchange rates and interest rate levels accordingly.

Consolidated Balance Sheet

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

	Millions of yen		Thousands of U.S. dollars *(Note 3)*
	2024	2023	2024
Assets			
Current assets:			
Cash and cash in banks *(Notes 4 and 13)*	¥ 13,886	¥ 19,394	$ 91,717
Notes receivable *(Note 13)*	1,644	1,816	10,859
Accounts receivable *(Note 13)*	46,070	45,475	304,293
Contract assets	26	9	172
Short-term investments *(Notes 5 and 13)*	99	—	654
Inventories:			
Merchandise and finished goods	19,031	19,074	125,700
Work in process	14,622	9,079	96,579
Raw materials and supplies	19,817	19,872	130,892
Other	4,153	4,349	27,431
Less allowance for doubtful accounts	(42)	(41)	(277)
Total current assets	119,310	119,030	788,045
Property, plant and equipment:			
Land	2,831	2,830	18,699
Buildings and structures	34,726	33,950	229,366
Machinery and vehicle	27,388	26,341	180,898
Leased assets	760	757	5,020
Construction in progress	8,490	4,760	56,077
Other	9,432	9,213	62,299
Less accumulated depreciation and impairment loss	(54,679)	(52,019)	(361,156)
Property, plant and equipment, net	28,950	25,834	191,215
Investments and other assets:			
Investment securities *(Notes 5 and 13)*	22,106	22,979	146,011
Deferred tax assets *(Note 15)*	448	1,316	2,959
Other	6,898	6,913	45,561
Less allowance for doubtful accounts	(33)	(29)	(218)
Total investments and other assets	29,419	31,179	194,313
Total assets	¥177,679	¥176,045	$1,173,573

Note: From the beginning of fiscal 2024, the Company changed accounting policies. The following pages show the figures before the retroactive adjustment.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable *(Note 13)*	¥ 14,265	¥ 13,762	$ 94,221
Short-term bank loans *(Notes 6 and 13)*	10,100	10,300	66,711
Current portion of long-term debt *(Notes 6 and 13)*	10,200	—	67,371
Lease obligations *(Note 6)*	87	134	575
Accrued income taxes *(Note 15)*	923	2,027	6,096
Accrued bonuses to employees	2,198	2,182	14,518
Asset retirement obligations *(Note 18)*	623	—	4,115
Other	7,092	6,576	46,843
Total current liabilities	45,491	34,983	300,469
Long-term liabilities:			
Long-term debt *(Notes 6 and 13)*	435	10,636	2,873
Lease obligations *(Note 6)*	124	207	819
Deferred tax liabilities *(Note 15)*	185	—	1,222
Provision for stock-based payments	—	466	—
Liability for retirement benefits *(Note 14)*	117	3,721	773
Asset retirement obligations *(Note 18)*	37	37	244
Other	504	531	3,329
Total long-term liabilities	1,404	15,600	9,273
Net assets:			
Shareholders' equity (Note 7):			
Common stock, no par value:			
Authorized–297,000,000 shares in 2024 and 2023			
Issued–64,607,936 shares in 2024 and 2023	700	700	4,624
Capital surplus	4,752	4,752	31,387
Retained earnings	136,774	134,396	903,395
Treasury stock, at cost:			
7,159,151 shares in 2024			
7,304,066 shares in 2023	(17,350)	(17,666)	(114,597)
Total shareholders' equity	124,877	122,182	824,815
Accumulated other comprehensive income:			
Unrealized holding gain on other securities	5,926	5,695	39,141
Translation adjustments	—	340	—
Retirement benefits liability adjustments	(20)	(2,756)	(132)
Total accumulated other comprehensive income	5,905	3,278	39,003
Total net assets	130,783	125,461	863,824
Total liabilities and net assets	¥177,679	¥176,045	$1,173,573

See notes to consolidated financial statements.

Consolidated Statement of Income

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars *(Note 3)*
	2024	2023	2024
Net sales	¥119,532	¥113,270	$789,511
Cost of sales	68,124	63,102	449,960
Gross profit	51,408	50,167	339,551
Selling, general and administrative expenses *(Note 8)*	45,394	45,043	299,828
Operating profit	6,013	5,123	39,716
Other income (expenses):			
Interest and dividend income	501	465	3,309
Interest expense	(66)	(66)	(436)
Equity in losses of affiliates	(12)	(0)	(79)
Foreign exchange gain	59	78	390
Loss on sales and retirement of property, plant and equipment, net *(Note 9)*	(90)	(15)	(594)
Gain on sales of investment securities *(Note 5)*	993	683	6,559
Loss on devaluation of investment securities *(Note 5)*	—	(9)	—
Gain on liquidation of subsidiaries	410	—	2,708
Gain on insurance	—	881	—
Compensation income for damages	—	401	—
Impairment loss *(Note 10)*	—	(257)	—
Loss on liquidation of subsidiaries and associates	—	(605)	—
Loss on disaster *(Note 11)*	(27)	—	(178)
Extra retirement payments *(Note 12)*	(869)	—	(5,740)
Subsidy income	3	34	20
Insurance claim income	108	76	713
Other, net	(5)	118	(33)
Other income, net	1,005	1,783	6,638
Profit before income taxes	7,019	6,906	46,361
Income taxes *(Note 15)*:			
Current	1,897	2,462	12,530
Deferred	(200)	(279)	(1,321)
Total income taxes	1,696	2,182	11,202
Profit	5,322	4,723	35,152
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	¥ 5,322	¥ 4,723	$ 35,152

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars *(Note 3)*
	2024	2023	2024
Profit	¥5,322	¥4,723	$35,152
Other comprehensive income (loss) *(Note 16)*:			
Unrealized holding gain (loss) on other securities	201	(578)	1,328
Translation adjustments	(340)	229	(2,246)
Retirement benefits liability adjustments	2,736	(394)	18,071
Share of other comprehensive income of affiliates accounted for using equity method	30	5	198
Total other comprehensive income (loss)	2,627	(737)	17,351
Comprehensive income	¥7,949	¥3,986	$52,503
Total comprehensive income attributable to:			
Shareholders of KYORIN Pharmaceutical Co., Ltd.	¥7,949	¥3,986	$52,503
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, 2024

Millions of yen

		Shareholders' equity					Accumulated other comprehensive income				
	Number of shares issued (Common stock)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
Balance as of April 1, 2022	64,607,936	¥700	¥4,752	¥132,710	¥(17,671)	¥120,491	¥6,268	¥110	¥(2,362)	¥4,016	¥124,507
Cash dividends	—	—	—	(3,023)	—	(3,023)	—	—	—	—	(3,023)
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	—	—	—	4,723	—	4,723	—	—	—	—	4,723
Change in scope of consolidation	—	—	—	(13)	—	(13)	—	—	—	—	(13)
Purchase of treasury stock	—	—	—	—	(0)	(0)	—	—	—	—	(0)
Disposals of treasury stock	—	—	—	—	4	4	—	—	—	—	4
Other changes	—	—	—	—	—	—	(572)	229	(394)	(737)	(737)
Net changes during the year	—	—	—	1,686	4	1,690	(572)	229	(394)	(737)	953
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
Cash dividends	—	—	—	(3,023)	—	(3,023)	—	—	—	—	(3,023)
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	—	—	—	5,322	—	5,322	—	—	—	—	5,322
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	—	—	—	2,378	316	2,694	231	(340)	2,736	2,627	5,322
Balance as of March 31, 2024	64,607,936	¥700	¥4,752	¥136,774	¥(17,350)	¥124,877	¥5,926	—	¥ (20)	¥5,905	¥130,783

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

		Shareholders' equity					Accumulated other comprehensive income				
	Number of shares issued (Common stock)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
Balance as of April 1, 2023	64,607,936	$4,624	$31,387	$887,688	$(116,684)	$807,015	$37,616	$2,246	$(18,203)	$21,651	$828,672
Cash dividends	—	—	—	(19,967)	—	(19,967)	—	—	—	—	(19,967)
Profit attributable to shareholders of KYORIN Pharmaceutical Co., Ltd.	—	—	—	35,152	—	35,152	—	—	—	—	35,152
Change in scope of consolidation	—	—	—	522	—	522	—	—	—	—	522
Purchase of treasury stock	—	—	—	—	(0)	(0)	—	—	—	—	(0)
Disposals of treasury stock	—	—	—	—	2,094	2,094	—	—	—	—	2,094
Other changes	—	—	—	—	–	–	1,526	(2,246)	18,071	17,351	17,351
Net changes during the year	—	—	—	15,707	2,087	17,794	1,526	(2,246)	18,071	17,351	35,152
Balance as of March 31, 2024	64,607,936	$4,624	$31,387	$903,395	$(114,597)	$824,815	$39,141	—	$ (132)	$39,003	$863,824

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars *(Note 3)*
	2024	2023	2024
Operating activities			
Profit before income taxes	¥ 7,019	¥ 6,906	$ 46,361
Depreciation and amortization	4,290	3,840	28,336
Impairment loss	—	257	—
Increase (decrease) in allowance for doubtful accounts	5	(6)	33
Increase (decrease) in accrued bonuses to employees	16	(121)	106
(Decrease) increase in provision for stock-based payments	(466)	122	(3,078)
Decrease in asset for retirement benefits	279	201	1,843
Increase in liability for retirement benefits	18	66	119
Equity in losses of affiliates	12	0	79
Interest and dividend income	(501)	(465)	(3,309)
Interest expense	66	66	436
Loss on sales and retirement of property, plant and equipment, net	90	15	594
Gain on sales of investment securities, net	(993)	(683)	(6,559)
Loss on devaluation of investment securities	—	9	—
Gain on liquidation of subsidiaries	(410)	—	(2,708)
Gain on insurance	—	(881)	—
Proceeds from compensation for damages	—	(401)	—
Loss on liquidation of subsidiaries and associates	—	605	—
Extra retirement payments	869	—	5,740
Loss on disaster	27	—	178
Increase in notes and accounts receivable	(439)	(5,621)	(2,900)
Increase in inventories	(5,444)	(5,809)	(35,958)
Increase in notes and accounts payable	502	2,866	3,316
(Decrease) increase in consumption taxes payable	(183)	219	(1,209)
Other, net	(62)	(973)	(410)
Subtotal	4,695	216	31,011
Interest and dividend received	501	473	3,309
Interest paid	(66)	(66)	(436)
Proceeds from insurance claim income	—	3,050	—
Compensation received for damage	—	401	—
Extra retirement payments paid	(604)	—	(3,989)
Income taxes paid	(2,975)	(2,065)	(19,650)
Net cash provided by operating activities	1,549	2,008	10,231
Investing activities			
Payments for time deposits	(910)	(622)	(6,011)
Proceeds from withdrawal of time deposits	1,511	810	9,980
Purchase of property, plant and equipment	(5,778)	(6,330)	(38,164)
Proceeds from sales of property, plant and equipment	0	100	0
Purchase of intangible assets	(468)	(3,075)	(3,091)
Purchase of investment securities	(0)	(100)	(0)
Proceeds from sales and redemption of investment securities	2,044	3,193	13,501
Proceeds from liquidation of subsidiaries	921	—	6,083
Other, net	(509)	(251)	(3,362)
Net cash used in investing activities	(3,187)	(6,275)	(21,050)
Financing activities			
Repayments of lease obligations	(133)	(147)	(878)
Repayments of long-term debt	(200)	(200)	(1,321)
Net increase in treasury stock	(0)	(0)	(0)
Cash dividends	(3,013)	(3,015)	(19,901)
Net cash used in financing activities	(3,347)	(3,363)	(22,107)
Effects of exchange rate changes on cash and cash equivalents	87	241	575
Decrease in cash and cash equivalents	(4,897)	(7,388)	(32,345)
Cash and cash equivalents at beginning of year	18,816	26,289	124,280
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(32)	(84)	(211)
Cash and cash equivalents at end of year (Note 4)	¥13,886	¥18,816	$91,717

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KYORIN Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2024

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 2023 consolidated financial statements to conform to the 2024 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, 2024, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were two and one (four and one in 2023), respectively. As of March 31, 2024, the number of unconsolidated subsidiaries was two. The Company deconsolidated former KYORIN Pharmaceutical Co., Ltd., which was a consolidated subsidiary of the Company, due to dissolution as a result of an absorption-type merger with the Company as a company surviving the absorption-type merger effective on April 1, 2023. The Company also 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 mainly stated at cost determined by the gross 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) 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.

(f) 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.

(g) Research and Development Expenses

Research and development expenses are expensed as incurred.

(h) 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.

(i) 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.

(j) 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).

(k) Application of the Group Tax Sharing System

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

(l) 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.

(m) Significant Accounting Estimates

Recoverability of Deferred Tax Assets

(1) The amounts of deferred tax assets and liabilities recorded for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets	¥ 448	¥1,316	$ 2,959
Deferred tax liabilities	185	—	1,222
(Deferred tax assets before offsetting against deferred tax liabilities)	3,747	4,897	24,749

(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, 2024.

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, 2024 may be reversed.

(n) Accounting Standard Issued but Not Yet Effective

- **"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022)**
- **"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, revised on October 28, 2022)**
- **"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022)**

(1) Overview

In February 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (hereinafter, "ASBJ Statement No. 28, etc."), which completed the transfer of implementation guidance on tax effect accounting from the Japanese Institute of Certified Public Accountants to ASBJ. However, in the course of the deliberations, the following two issues were to be discussed again after the release of ASBJ Statement No. 28, etc., and they were discussed and released:

- The classification of tax expense (taxation on other comprehensive income)
- Tax effect on sales of equity securities issued by subsidiaries, etc. (equity securities issued by subsidiaries or affiliates) when the group taxation regime is applied

(2) Date of application

From the beginning of the fiscal year ending March 31, 2025

(3) Effect of application

The application of the "Accounting Standard for Current Income Taxes," etc. has no effect on the consolidated financial statements.

(o) Changes in Presentation

Consolidated Balance Sheet

"Asset retirement obligations," which was included in "Other" under "Long-term liabilities" in the previous fiscal year, is separately presented from the year ended March 31, 2024, due to an increase in materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥568 million included in "Other" under "Long-term liabilities" on the consolidated balance sheet for the previous fiscal year has been reclassified as ¥37 million in "Asset retirement obligations" and ¥531 million in "Other."

Consolidated Statement of Income

"Insurance claim 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, 2024, because the amount exceeded 10% of the total amount of other income (expenses). To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥220 million included in "Other, net" under "Other income (expenses)" on the consolidated statement of income for the previous fiscal year has been reclassified as ¥76 million in "Insurance claim income" and ¥144 million in "Other, net."

(p) Changes in Accounting Estimates

Changes to the Estimate of Useful Lives and Asset Retirement Obligations

In the year ended March 31, 2024, the Company resolved to relocate its head office. Accordingly, the useful lives of property, plant and equipment that were not expected to be used after the relocation were shortened, and the change has been applied prospectively.

In addition, based on new information obtained regarding expenses to restore sites to their original condition under real estate lease agreements, the Company has changed its estimate of the costs and recognized ¥623 million ($4,115 thousand) of asset retirement obligations.

As a result of these changes in estimates, operating profit and profit before income taxes each decreased by ¥633 million ($4,181 thousand) for the year ended March 31, 2024.

(q) 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, 2024 and 2023, the carrying amounts of the treasury shares were ¥1,322 million ($8,732 thousand) and ¥1,624 million, respectively, and the total numbers of treasury shares were 606 thousand shares and 745 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, 2024 and 2023, the carrying amounts of the treasury shares were ¥189 million ($1,248 thousand) and ¥208 million, respectively, and the total numbers of treasury shares were 83 thousand shares and 92 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 ¥151.40 = U.S.$1.00, the approximate rate of exchange on March 31, 2024. 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, 2024 and 2023 for the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and cash in banks	¥13,886	¥19,394	$91,717
Time deposits with a maturity over three months	—	(578)	—
Cash and cash equivalents	¥13,886	¥18,816	$91,717

5. Short-Term Investments and Investment Securities

Information regarding marketable securities classified as other securities as of March 31, 2024 and 2023 is as follows:

Marketable other securities

	Millions of yen			Thousands of U.S. dollars		
	2024			2024		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥4,479	¥12,828	¥8,348	$29,584	$ 84,729	$55,139
Debt securities:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Subtotal	4,479	12,828	8,348	29,584	84,729	55,139
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	3,000	2,948	(51)	19,815	19,472	(337)
Debt securities:						
Government bonds	5,000	4,971	(28)	33,025	32,834	(185)
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Subtotal	8,000	7,919	(80)	52,840	52,305	(528)
Total	¥12,480	¥20,748	¥8,268	$82,431	$137,041	$54,610

	Millions of yen		
	2023		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥8,518	¥16,560	¥8,041
Debt securities:			
Government bonds	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Subtotal	8,518	16,560	8,041
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	13	11	(1)
Debt securities:			
Government bonds	5,000	4,981	(18)
Corporate bonds	—	—	—
Other bonds	—	—	—
Subtotal	5,013	4,993	(19)
Total	¥13,531	¥21,553	¥8,021

Unlisted securities and other non-marketable securities are not included in the above schedules. The amounts of these securities were ¥725 million ($4,789 thousand) and ¥709 million as of March 31, 2024 and 2023, respectively.

Sales amounts of securities classified as other securities and the related aggregate gain and loss for the years ended March 31, 2024 and 2023 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Proceeds from sales	¥2,054	¥2,689	$13,567
Gains on sales	1,000	685	6,605
Losses on sales	—	1	—

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

In the year ended March 31, 2023, impairment loss on securities of ¥9 million (¥9 million of unlisted securities classified as other securities that are not measured at fair value) 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, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Short-term bank loans	¥10,100	¥10,300	$ 66,711
Current portion of long-term debt	10,200	—	67,371
Current portion of lease obligations	87	134	575
Total	¥20,387	¥10,434	$134,657

The average interest rates applicable to short-term bank loans outstanding as of March 31, 2024 and 2023 are 0.4% and 0.3%, respectively.

Long-term debt and lease obligations as of March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Long-term debt due through 2027 at average interest rate of 0.5% and 0.3% in 2024 and 2023, respectively	¥10,636	¥10,636	$70,251
Lease obligations due through 2030 in 2024 and 2023	211	341	1,394
Current portion of long-term debt and lease obligations due within one year	(10,287)	(134)	(67,946)
Total	¥ 560	¥10,843	$ 3,699

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
2025	¥10,287	$67,946
2026	230	1,519
2027	198	1,308
2028	85	561
2029	22	145

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, 2024 and 2023 were ¥8,019 million ($52,966 thousand) and ¥10,903 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, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gain:			
Buildings and structures	¥ —	¥ 0	$ —
Machinery and vehicles	0	0	0
Other	0	10	0
	¥ 0	¥ 10	$ 0
Loss:			
Buildings and structures	¥(58)	¥(13)	$(383)
Machinery and vehicles	(27)	(5)	(178)
Other	(4)	(6)	(26)
	¥(90)	¥(25)	$(594)
Total	¥(90)	¥(15)	$(594)

10. Impairment Loss

There were no applicable matters for the year ended March 31, 2024.

For the year ended March 31, 2023, the Group recognized an impairment loss on the following assets:

Location	Use	Type of assets
KYORIN Pharmaceutical Group Facilities Co., Ltd. Noshiro-shi, Akita Prefecture	Dormitory	Buildings and structures, land
ActivX Biosciences, Inc. U.S.A.	Assets for business use	Buildings and structures, other

At KYORIN Pharmaceutical Group Facilities Co., Ltd., a consolidated subsidiary of the Company, a dormitory that has been idle was written down to its recoverable amount, and the amount of decrease was recorded in other expenses as an impairment loss of ¥147 million. The impairment loss consists of ¥104 million of buildings and structures and ¥42 million of land. The recoverable amount of the assets is calculated based on the appraisal value by a real estate appraiser.

Due to the decision on the policy to dissolve ActivX Biosciences, Inc., which was a consolidated subsidiary of the Company, the carrying amount was written down to its recoverable amount, and the amount of decrease was recorded in other expenses as an impairment loss of ¥110 million. The impairment loss consists of ¥23 million of buildings and structures and ¥87 million of other. The recoverable amount of the assets is measured based on net realizable value. The net realizable value is calculated based on the estimated amount of sale.

11. Loss on Disaster

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

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. 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, and no derivatives are used.

(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.

(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, 2024 and 2023 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2024			2024		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Notes receivable	¥ 1,644	¥ 1,644	¥—	$ 10,859	$ 10,859	$ —
Accounts receivable	46,070	46,070	—	304,293	304,293	—
Short-term investments and investment securities	20,748	20,748	—	137,041	137,041	—
Total assets	¥68,463	¥68,463	¥—	$452,199	$452,199	$ —
Notes and accounts payable	¥14,265	¥14,265	¥—	$ 94,221	$ 94,221	$ —
Short-term bank loans	10,100	10,100	—	66,711	66,711	—
Current portion of long-term debt	10,200	10,197	(2)	67,371	67,351	(13)
Long-term debt	435	435	(0)	2,873	2,873	(0)
Total liabilities	¥35,001	¥34,999	¥(2)	$231,182	$231,169	$(13)

Millions of yen

	2023		
	Carrying value	Fair value	Difference
Notes receivable	¥ 1,816	¥ 1,816	¥ —
Accounts receivable	45,475	45,475	—
Short-term investments and investment securities	21,553	21,553	—
Total assets	¥68,845	¥68,845	¥ —
Notes and accounts payable	¥13,762	¥13,762	¥ —
Short-term bank loans	10,300	10,300	—
Long-term debt	10,636	10,634	(2)
Total liabilities	¥34,699	¥34,697	¥(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 ¥1,458 million ($9,630 thousand) and ¥1,425 million as of March 31, 2024 and 2023, respectively.

The redemption schedule for monetary receivables and securities with maturities subsequent to March 31, 2024 is as follows:

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	¥—	¥—

Thousands of U.S. dollars

	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	$ 91,717	$ —	$—	$—
Notes receivable	10,859	—	—	—
Accounts receivable	304,293	—	—	—
Short-term investments and investment securities:				
Other securities with maturities:				
Government bonds	661	32,365	—	—
Other	—	—	—	—
Total	$407,536	$32,365	$—	$—

Millions of yen

	2023			
	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	¥19,394	¥ —	¥—	¥—
Notes receivable	1,816	—	—	—
Accounts receivable	45,475	—	—	—
Short-term investments and investment securities:				
Other securities with maturities:				
Government bonds	—	5,000	—	—
Other	—	—	—	—
Total	¥66,686	¥5,000	¥—	¥—

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, 2024 and 2023 are as follows:

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

Thousands of U.S. dollars

	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	$ 66,711	$ —	$ —	$ —	$ —	$ —
Current portion of long-term debt	67,371	—	—	—	—	—
Long-term debt	—	1,321	1,143	403	—	—
Lease obligations	575	198	159	159	145	145
Guarantee deposits received	1,011	—	—	—	—	—
Total	$135,674	$1,519	$1,308	$561	$145	$145

Millions of yen

	2023					
	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	¥10,300	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	—	10,200	200	173	61	—
Lease obligations	134	85	29	23	23	44
Guarantee deposits received	172	—	—	—	—	—
Total	¥10,606	¥10,285	¥229	¥197	¥85	¥44

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, 2024 and 2023 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2024				2024			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities	¥20,748	¥—	¥—	¥20,748	$137,041	$—	$—	$137,041
Total assets	¥20,748	¥—	¥—	¥20,748	$137,041	$—	$—	$137,041

Millions of yen

	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities	¥21,553	¥—	¥—	¥21,553
Total assets	¥21,553	¥—	¥—	¥21,553

Financial instruments other than those recorded in the consolidated balance sheet at fair value as of March 31, 2024 and 2023 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2024				2024			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Notes receivable	¥—	¥ 1,644	¥—	¥ 1,644	$—	$ 10,859	$—	$ 10,859
Accounts receivable	—	46,070	—	46,070	—	304,293	—	304,293
Total assets	¥—	¥47,715	¥—	¥47,715	$—	$315,159	$—	$315,159
Notes and accounts payable	¥—	¥14,265	¥—	¥14,265	$—	$ 94,221	$—	$ 94,221
Short-term bank loans	—	10,100	—	10,100	—	66,711	—	66,711
Current portion of long-term debt	—	10,197	—	10,197	—	67,351	—	67,351
Long-term debt	—	435	—	435	—	2,873	—	2,873
Total liabilities	¥—	¥34,999	¥—	¥34,999	$—	$231,169	$—	$231,169

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable	¥—	¥ 1,816	¥—	¥ 1,816
Accounts receivable	—	45,475	—	45,475
Total assets	¥—	¥47,291	¥—	¥47,291
Notes and accounts payable	¥—	¥13,762	¥—	¥13,762
Short-term bank loans	—	10,300	—	10,300
Long-term debt	—	10,634	—	10,634
Total liabilities	¥—	¥34,697	¥—	¥34,697

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.

14. 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, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit obligation at the beginning of the year	¥34,510	¥35,174	$227,939
Service cost	1,039	1,095	6,863
Interest cost	193	175	1,275
Actuarial gain or loss	(3,242)	(494)	(21,413)
Retirement benefits paid	(1,661)	(1,441)	(10,971)
Retirement benefit obligation at the end of the year	¥30,839	¥34,510	$203,692

(2) The changes in plan assets for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Plan assets at the beginning of the year	¥30,876	¥32,369	$203,937
Expected return on plan assets	617	647	4,075
Actuarial gain or loss	73	(1,590)	482
Contributions paid by the employer	952	891	6,288
Retirement benefits paid	(1,661)	(1,441)	(10,971)
Plan assets at the end of the year	¥30,858	¥30,876	$203,818

(3) The changes in liability (asset) for retirement benefits for consolidated subsidiaries applying the simplified method for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liability for retirement benefits at the beginning of the year	¥ 88	¥79	$581
Retirement benefits costs	114	76	753
Retirement benefits paid	(0)	—	(0)
Contributions to the plans	(66)	(67)	(436)
Liability for retirement benefits at the end of the year	¥136	¥88	$898

(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, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded defined benefit obligation	¥31,545	¥35,118	$208,355
Plan assets	(31,434)	(31,403)	(207,622)
	110	3,715	727
Unfunded retirement benefit obligation	6	6	40
Net liability for retirement benefits	¥ 117	¥ 3,721	$ 773
Liability for retirement benefits	¥ 117	¥ 3,721	$ 773
Net liability for retirement benefits	¥ 117	¥ 3,721	$ 773

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

(5) The components of retirement benefits costs for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service costs	¥1,039	¥1,095	$ 6,863
Interest costs	193	175	1,275
Expected return on plan assets	(617)	(647)	(4,075)
Amortization of actuarial loss	630	554	4,161
Amortization of prior service costs	(2)	(26)	(13)
Retirement benefits costs based on the simplified method	114	76	753
Retirement benefits costs	¥1,358	¥1,227	$ 8,970

(6) Prior service costs and actuarial gain or loss included in other comprehensive income (before tax effect) for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Prior service costs	¥ 2	¥ 26	$ 13
Actuarial gain or loss	(3,946)	541	(26,063)
Total	¥(3,943)	¥568	$(26,044)

(7) Unrecognized prior service costs and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized prior service costs	¥ 5	¥ 2	$ 33
Unrecognized actuarial loss	24	3,970	159
Balance at the end of the year	¥29	¥3,973	$192

(8) Plan assets

The breakdown of plan assets is as follows:

	2024	2023
Domestic equity securities	4.8%	4.0%
Foreign debt securities	36.3	36.3
Foreign equity securities	7.1	5.9
General account	25.2	28.7
Short-term assets	2.4	1.3
Other	24.2	23.8
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

	2024	2023
Discount rate	Mainly 1.3%	Mainly 0.5%
Expected rate of return on plan assets	2.0%	2.0%

Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥257 million ($1,697 thousand) and ¥283 million to the defined contribution plans for the years ended March 31, 2024 and 2023, respectively.

15. Income Taxes

Significant components of deferred tax assets and liabilities as of March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Liability for retirement benefits	¥ 151	¥ 1,316	$ 997
Accrued bonuses to employees	673	668	4,445
Allowance for doubtful accounts	23	23	152
Accrued enterprise tax	36	78	238
Loss on retirement of inventories	380	345	2,510
Loss on devaluation of investment securities	228	245	1,506
Loss on retirement of property, plant and equipment	51	51	337
Amortization of deferred assets	809	1,093	5,343
Other	1,730	1,328	11,427
Subtotal	4,085	5,151	26,982
Valuation allowance	(337)	(253)	(2,226)
Total deferred tax assets	3,747	4,897	24,749
Deferred tax liabilities:			
Reserve for reduction entry of property, plant and equipment	(823)	(887)	(5,436)
Unrealized holding gain on other securities	(2,562)	(2,473)	(16,922)
Prepaid pension cost	(85)	(170)	(561)
Other	(14)	(49)	(92)
Total deferred tax liabilities	(3,485)	(3,580)	(23,018)
Net deferred tax assets	¥ 262	¥ 1,316	$ 1,731

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, 2024 and 2023 are as follows:

	2024	2023*
Statutory tax rate	30.6%	
Entertainment expenses and others that are not tax deductible permanently	0.9	
Inhabitants' per capita taxes	1.4	
Tax credits for research and development expenses	(7.8)	
Valuation allowance	1.2	
Dividends income that is not taxable permanently	(0.9)	
Effect of liquidation of subsidiaries	(0.5)	
Other	(0.7)	
Effective tax rate	24.2%	

* Notes are omitted because the difference between the statutory tax rate and the effective tax rate is less than 5.0% of the statutory tax rate.

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).

16. Comprehensive Income

Reclassification adjustments and income tax effects on other comprehensive income (loss) for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrealized holding gain (loss) on other securities:			
Gain (loss) arising during the year	¥1,281	¥ (149)	$ 8,461
Reclassification adjustments	(991)	(683)	(6,546)
Before income tax effects	290	(833)	1,915
Deferred tax	(88)	255	(581)
Unrealized holding gain (loss) on other securities	201	(578)	1,328
Translation adjustments:			
Adjustments arising during the year	(340)	229	(2,246)
Retirement benefits liability adjustments:			
Gain (loss) arising during the year	3,316	(1,095)	21,902
Reclassification adjustments	627	527	4,141
Before income tax effects	3,943	(568)	26,044
Deferred tax	(1,207)	174	(7,972)
Retirement benefits liability adjustments	2,736	(394)	18,071
Share of other comprehensive income of affiliates accounted for using equity method:			
Gain arising during the year	30	5	198
Total other comprehensive income (loss)	¥2,627	¥ (737)	$17,351

17. Business Combinations

Absorption-Type Merger of a Consolidated Subsidiary

At the meeting of the Board of Directors held on May 11, 2022, the Company resolved to conduct an absorption-type merger (hereinafter, the "Merger") with the Company as the surviving company and KYORIN Pharmaceutical Co., Ltd., which was its wholly owned subsidiary, as the resolving company by absorption with the effective date of April 1, 2023, and entered into the merger agreement on May 11, 2022. The merger was effective as of April 1, 2023.

Outline of the business combination is as follows:

(1) Name of company to be acquired and its business
Name of company to be acquired: KYORIN Pharmaceutical Co., Ltd.
Business: Manufacture, sales, and purchases of pharmaceuticals and other products

(2) Date of execution of merger agreement
May 11, 2022

(3) Date of business combination
April 1, 2023

(4) Legal form of business combination
An absorption-type merger, with the Company as the surviving company and KYORIN Pharmaceutical Co., Ltd. being dissolved

(5) Name of company after the combination
KYORIN Pharmaceutical Co., Ltd.
The trade name was changed from KYORIN Holdings, Inc. to KYORIN Pharmaceutical Co., Ltd. on April 1, 2023.

(6) Other matters concerning the outline of the transaction
In view of rapid changes in the business environment surrounding the Group and the situation of the Company, the Company has decided to conduct the Merger in order to improve its business promotion function and management efficiency.

With respect to accounting treatments, the Company accounts for the transaction as a transaction under common control, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on January 16, 2019). This has no effect on the consolidated financial statements.

18. 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, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥ 37	¥36	$ 244
Adjustments due to the passage of time	0	0	0
Increase due to changes in estimates	623	—	4,115
Balance at the end of the year	¥660	¥37	$4,359

19. Revenue Recognition

Information on the disaggregation of revenue from contracts with customers for the years ended March 31, 2024 and 2023 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Sales of pharmaceuticals and other products	¥115,883	¥108,526	$765,410
Royalty income and service revenue	3,649	4,743	24,102
Revenue from contracts with customers	¥119,532	¥113,270	$789,511
Net sales to external customers	¥119,532	¥113,270	$789,511

Useful information in understanding revenue from contracts with customers is as disclosed in "Notes to Consolidated Financial Statements, 2. Summary of Significant Accounting Policies, *(l) 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, 2024, which is expected to be recognized from the year ending March 31, 2025 onward, is as follows:

(1) The Group has no balances of contract liabilities. In addition, there is no revenue recognized in the year ended March 31, 2023 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.

20. Segment Information

Segment information is omitted for the years ended March 31, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023

Millions of yen

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

Thousands of U.S. dollars

	2024	
Name of customer	Sales amount	Related segments
Alfresa Holdings Corporation	$137,801	—
MEDIPAL HOLDINGS CORPORATION	130,542	—
SUZUKEN CO., LTD.	122,015	—
Toho Pharmaceutical Co., Ltd.	93,236	—

Millions of yen

	2023	
Name of customer	Sales amount	Related segments
Alfresa Holdings Corporation	¥19,517	—
MEDIPAL HOLDINGS CORPORATION	18,194	—
SUZUKEN CO., LTD.	16,801	—
Toho Pharmaceutical Co., Ltd.	13,089	—

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, 2024 and 2023.

21. Amounts per Share

Amounts per share for the years ended March 31, 2024 and 2023 are as follows:

	Yen		U.S. dollars
	2024	2023	2024
Basic profit	¥ 92.74	¥ 82.44	$ 0.61
Cash dividends	52.00	52.00	0.34
Net assets	2,276.52	2,189.40	15.04

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, 2024 and 2023.

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 749,790 and 836,270 for the years ended March 31, 2024 and 2023, 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 690,273 and 835,443 as of March 31, 2024 and 2023, respectively.

Building a better working world

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, 2024, 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, 2024, 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.

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, 2024 were ¥119,532 million, of which royalty income and service revenue were 3,649 million yen, part of	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

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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.	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.

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.

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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.
- 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.

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- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 provided by us and other EY member firms are 48 million yen, and the fees for other services are 2 million yen for the year ended March 31, 2024

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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 31, 2024

Ryo Kayama
Designated Engagement Partner
Certified Public Accountant

Atsushi Kasuga
Designated Engagement Partner
Certified Public Accountant

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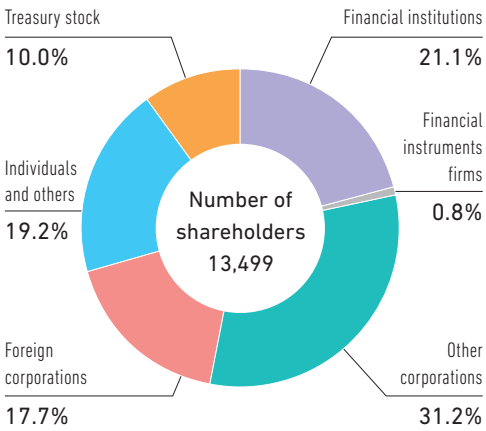
Corporate Overview and Stock Information

(As of March 31, 2024)

Trade Name	KYORIN Pharmaceutical Co., Ltd.
Head Office (From May 7, 2024)	1-3-7, Otemachi, Chiyoda-ku, Tokyo 100-0004 Phone: +81-3-6374-9700
Main Business	Manufacture, sales, and procurement of pharmaceuticals
Founding	1923
Establishment	1940 (former KYORIN Pharmaceutical Co., Ltd.)
Common Stock	¥700 million
Outstanding Shares	64,607,936
Shareholders	13,499
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)	12.92%
Mykam Co., Ltd.	8.50%
Custody Bank of Japan, Ltd. (Trust Account)	5.70%
Lucius Co., Ltd.	4.84%
Kyorin Group Stock Ownership Association	3.51%
Banrina Co., Ltd.	3.35%
Archans Co., Ltd.	3.35%
Luces Co., Ltd.	3.02%
BBH FOR THE ADVISORS' INNER CIRCLE FUND II/KOPERNIK GLO ALL–CAP FUND	2.93%
KAKEN PHARMACEUTICAL CO., LTD.	2.75%



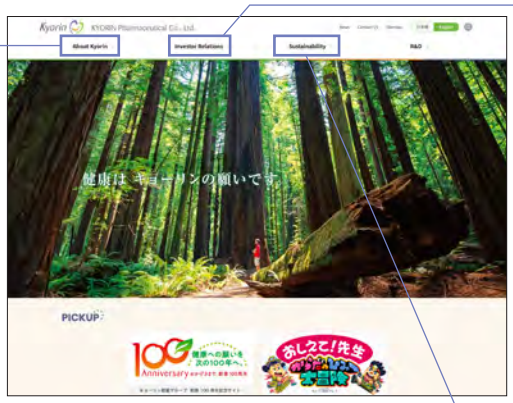
Website Information

https://www.kyorin-pharm.co.jp/en/

Please visit the Kyorin Group website for the latest information about the Group and earnings-related material.

❶ About Kyorin

- President's Message
- Corporate Philosophy, Long-Term Vision, Medium-Term Business Plan
- Value Creation Process
- History of the Kyorin Group
- Business Overview of the Kyorin Group
- Corporate Profile
- Corporate Governance
- Corporate Brand



❷ Investor Relations

Medium-Term Business Plan, Financial and Performance Results, IR Library, Shareholder Information, etc.

❸ Sustainability

Group Companies

KYORIN Rimedio Co., Ltd.

Capital: ¥1,200 million
Percentage of ownership: 100%
Head office: 287-1, Shimocho Moroe-cho, Kanazawa-shi, Ishikawa 920-0017
Operations: Manufacture and sales of pharmaceuticals
Number of employees: 195


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 and testing of pharmaceuticals
Number of employees: 493




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: 29.9%
Head office: 2-2, Nihonbashi Honcho 4-chome, Chuo-ku, Tokyo 103-0023
Operations: Production and sales of pharmaceutical ingredients

Contact point for inquiries about this report

Public Relations & IR Group, Corporate Planning
+81-3-6374-9702

Kyorin

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