

CORPORATE REPORT 2025

KAKEN PHARMACEUTICAL CO., LTD.















Bringing Smiles to Everyone

KAREN helps improve the quality of life of patients by serving as many people as possible to return smiles of happiness to their faces, through supplying superior pharmaceuticals.
In this endeavor, we always strive to be “the best,” rather than pursuing the scale of business.
We aspire to be, and to remain, a company that can create “Joys” for patients, society and our employees.
We also hope to contribute to society by demonstrating KAKEN’s distinctive and vigorous presence.

Corporate Philosophy

KAKEN helps improve the quality of life of patients by serving as many people as possible to return smiles of happiness to their faces, through supplying superior pharmaceuticals.

Business Philosophy

KAKEN “Three Joys”

Joy for patients
We strive to create and supply efficacious drugs that satisfy the needs of patients and medical professionals.

Joy for society
We recognize our social responsibility as a pharmaceutical company, engage in all activities with high ethical standards, and aspire to earn society’s trust.

Joy for employees
Our objective is to become a company with vitality and presence whose employees enjoy and take pride in their work.



Joy for patients

We are always committed to a patient-first perspective and continue to grow every day as pharmaceutical professionals.

Haato Wakabayashi
Regional Marketing & Sales Department 1



Joy for patients

We work as a team to utilize patient feedback and information from the frontlines of medicine in clinical development so that we can deliver new drugs that are needed to patients as quickly as possible.

Hayuru Koizumi
Clinical Development Department

Joy for society

To realize a sustainable society, we are re-examining our business activities to identify and implement the steps that we can take right now.

Hayato Ishigami
Production Technology Department



Joy for employees

At KAKEN a deep respect for tradition is harmoniously blended with an openness to new values. KAKEN fosters a professional yet friendly atmosphere, where employees are encouraged to take initiative and realize their full potential.

Chihiro Ito
Legal Affairs & Intellectual Property Department



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Editorial Policy
Our policy in issuing this report is to help KAKEN’s various stakeholders (including shareholders and investors) to understand the Company’s management foundation and strengths, as well as the sustainable growth it aspires to achieve through the creation of corporate value in the future. We have compiled the report using the International Integrated Reporting Framework by the IFRS Foundation and Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry as a reference.

Reporting Period
FY2024 (April 1, 2024 to March 31, 2025)
Note: Some information from before and after the period above is included.

Scope of This Report
Kaken Pharmaceutical Co., Ltd. (“the Company” or “KAKEN”) and its consolidated subsidiaries (collectively, “the KAKEN Group” or “the Group”)

Cautionary Statement
This report contains forward-looking statements on the Group’s business. They are projections based on information available at the time this report was written, and may differ from actual results due to a variety of factors. In addition, although this report includes information related to pharmaceuticals (including those under development), these statements are not intended to be advertisements or medical advice.

Position of the Corporate Report in Information Disclosure
To communicate with stakeholders, we use various tools to disseminate a wide range of information in addition to the information in this report. Our purpose in issuing this report is to tell our value creation story by integrating financial and non-financial information.

Financial	Non-Financial
Investor relations section of the Company website	
Corporate Report	
Presentation materials	ESG data (in Japanese only)
	Sustainability section of the Company website
Annual Securities Report (in Japanese only) and Consolidated financial results	Corporate Governance Report (in Japanese only)

Investor relations section of the Company website
ESG data (in Japanese only)
Sustainability section of the Company website

KAKEN At a Glance

KAKEN is an R&D-driven pharmaceutical company that leverages its unique strengths, with a focus on dermatology and orthopedics, to improve patients' quality of life.

Consolidated Results (Year Ended March 31, 2025)

Net Sales
¥94.0 billion

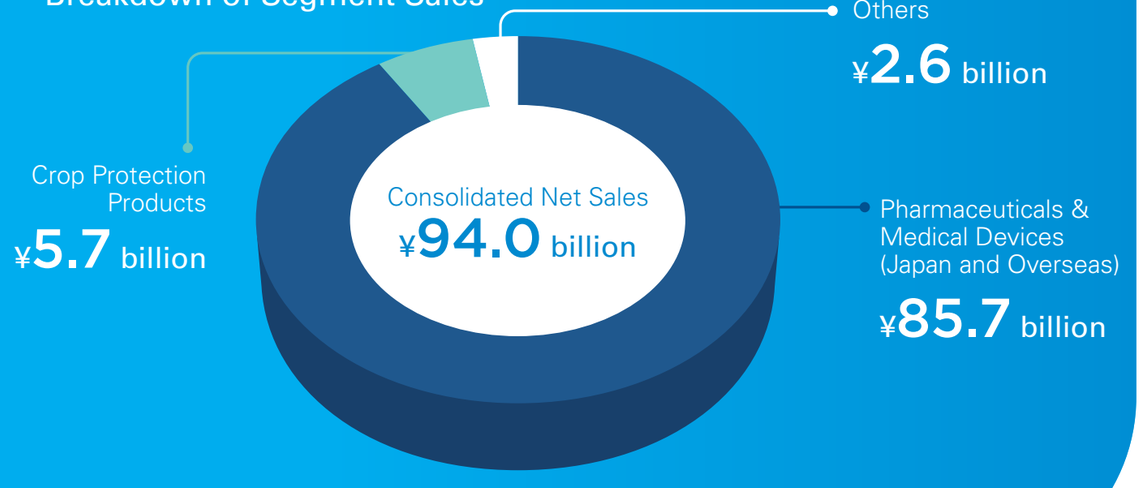
Operating Profit
¥21.0 billion

ROE
9.4%

R&D Expenses
¥18.7 billion

Dividend Payout Ratio
52.0%

Breakdown of Segment Sales



First in Class*

*Breakthrough drugs. New drugs that are the first in their categories to be approved.

Onychomycosis treatment
Clenafin



Oral antifungal drugs sometimes lead to adverse drug reactions, such as liver damage, and also to drug interactions. KAKEN launched Japan's first topical treatment effective for onychomycosis in 2014, providing patients with a new treatment option.

Primary axillary hyperhidrosis treatment
Ecclock



KAKEN offers a new treatment option for primary axillary hyperhidrosis with the topical agent Ecclock, the first NHI-listed treatment for this condition. The Company is also focused on ensuring that dosage forms can be used safely and easily by patients.

Anti-osteoarthritis agent
Artz



Hyaluronic acid has been shown to improve symptoms of knee osteoarthritis, shoulder periarthritis, and other joint diseases. KAKEN launched the world's first hyaluronic acid intra-articular injection in 1987.

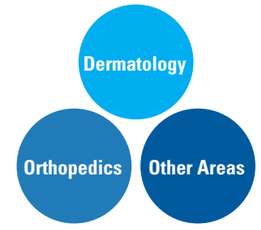
Lumbar disc herniation treatment
Hernicore



KAKEN provides a new treatment option for lumbar disc herniation with Hernicore, Japan's first intradiscal enzyme injection therapy. When injected into the intervertebral discs, Hernicore reduces pressure within the disc and improves leg pain and other symptoms.

Expertise from Focusing on Specific Therapeutic Areas

KAKEN provides new treatment options to patients with a focus on prescription pharmaceuticals in the areas of dermatology and orthopedics. By concentrating on specific therapeutic areas and providing information tailored to patient needs, have built strong trust with medical professionals. As a result, we are able to reflect patient feedback obtained from medical professionals in new drug development and formulation improvements.



Market Information

Onychomycosis is an infectious disease of the toenails or fingernails caused by the Trichophyton fungus. Symptoms include white or yellow nail discoloration and the thickening of the nail.

Breakdown of Athlete's Foot and Onychomycosis[1]

1 in 7 Japanese people have tinea pedis (athlete's foot)
1 in 13 have tinea unguium (onychomycosis).
1 in 6 Japanese people have some kind of tinea of the feet.

Estimated Patient Numbers[2]

Athlete's foot	Onychomycosis	Concomitant athlete's foot and onychomycosis
16.91 million people	9.75 million people	6.05 million people

Hyperhidrosis is a condition characterized by excessive sweating caused by hyperthermia of the head, face, palms, soles of the feet and armpits, or by emotional distress, or issues independent of those factors. As such, it interferes with daily activities.

Epidemiology of Primary Axillary Hyperhidrosis[1]

Prevalence of primary axillary hyperhidrosis: 5.75%
Amongst individuals with primary focal hyperhidrosis:
Consultation rate at medical facilities: 6.3%
Those using commercially available products (ointment, deodorants, etc.): 47.8%

Nationwide impact on productivity for workers and homemakers with axillary hyperhidrosis[2]

Productivity losses due to axillary hyperhidrosis
¥312.0 billion per month



1. Hata Y, et al.: *Journal of the Japan Organization of Clinical Dermatologists.* 2024:41(1): 66-76.
2. KAKEN estimates based on population estimates from the Statistics Bureau, Ministry of Internal Affairs and Communications, as of April 1, 2025

1. Fujimoto T, et al.: *The Japanese Journal of Dermatology.* 2013;40(11):886-890.
2. Murota H, et al.: *The Japanese Journal of Dermatology.* 2021;48(10):1482-1490.

President's Message

Strengthening Long-Term Business Plan 2031 Initiatives and Accelerating the "Three Transformations"

FY2024 marked the third year of Long-Term Business Plan 2031 (the "Plan") and was a year when we achieved major results. Over the first three years of the Plan, we have implemented new measures for growth, increased strategic investments, and accelerated the "3Xs" ("Three Transformations") to achieve our 2031 Vision.



President and Representative Director

Major Contracts Signed in FY2024; Long-Term Business Plan 2031 Partially Revised to Accelerate The 3Xs

The business environment is changing significantly. Globally, there are concerns over moves to lower U.S. drug prices and an economic deceleration due to reciprocal tariff impacts. In Japan, drug prices have been revised annually since FY2021, making business conditions increasingly difficult.

Against this backdrop, the Company performed very well in FY2024, the third year of Long-Term Business Plan 2031. We achieved significant sales and profit growth, mostly due to success with two major out-licensing projects, and have already reached milestone targets in Long-Term Business Plan 2031 that were originally expected in FY2026.

However, we are facing a "patent cliff"[1] for the onychomycosis treatment Clenafin. In order to offset this impact, we are working on both growth initiatives ("offense") and risk-mitigation measures ("defense") to offset this impact. For "offense," we are in-licensing late-stage development projects that are close to launch to expand our pipeline. In FY2024, we in-licensed four projects, making a total of seven projects in-licensed over the past three years. As a result, as of May 31, 2025, our projects under development include 10 projects, surpassing the initial targets set in the Plan of in-licensing or entering into sales alliances for at least one project every year (10 projects over 10 years of the plan) and maintaining at least six projects under development in Phase 1 or later phases at any given time. For "defense," our subsidiary obtained marketing authorization for Clenafin AG (authorized generic)[2] in February 2024 and launched this product in September 2025.

Looking ahead to FY2025 and FY2026, we expect this to be a difficult period because of the Clenafin patent cliff, and we assume earnings will fluctuate significantly according to when out-licensed products reach milestones. To respond to this changeable business environment, we announced partial revisions to Long-Term Business Plan 2031 in April 2025 to ensure steady progress toward achieving our 2031 Vision. We aim to implement measures to further enhance corporate value and have therefore developed additional strategies, increased strategic investments, and revised cash flow allocations to fund these initiatives. By steadily executing these various measures, we will continue to accelerate the "Three Transformations" of R&D, overseas expansion, and management base.

1. A steep decline in sales following the expiration of a patent.
2. A generic drug that uses the same active pharmaceutical ingredient, excipients, and manufacturing method, etc., as the original brand-name drug, and that is marketed with authorization from the innovator manufacturer of the original brand-name drug.

Focusing on Unmet Medical Needs And Strengthening Our Projects Under Development

Under "R&D Transformation," the first of the "Three Transformations," we entered into an intellectual property transfer and commercialization option agreement in May 2024 with Cilag GmbH International, an affiliate of Johnson & Johnson ("J&J") for the new bi-specific antibody NM26 that had been jointly developed for atopic dermatitis by Numab Therapeutics AG ("Numab," a Swiss company) and KAKEN.

Then in December 2024, we entered into a licensing agreement with J&J for STAT6 inhibitor, our next-generation oral treatment for inflammatory diseases. We believe that recognition from global pharmaceutical companies for our projects under development and products discovered in-house has contributed to increasing our presence globally. These two out-licensing agreements stand out as major achievements in our Company's history.

We have learned a lot from J&J, our licensing partner for both projects, including their thoughts behind research and development and how to progress clinical trials, as well as how to approach drug discovery with a sense of urgency and a strong social mission. Our staff in the R&D division have been greatly inspired by this experience. We have also maintained our relationship of trust with Numab,

with whom we conducted the joint research on NM26. We have now signed a new joint research agreement with Numab on ND081 for inflammatory bowel disease that will allow both companies to make full use of our R&D capabilities and technology. We are working together to discover innovative new drugs for inflammatory bowel disease and deliver them to patients as early as possible.

For our pipeline, we have increased our target for the number of projects under development in Phase I or later phase at any given time from at least six projects to at least eight projects. With in-licensed projects, we still aim to in-license at least one project every year expanding global products as a target. For in-house drug discovery, we continue to focus on the fields of the immune system, nervous system, and infectious disease, where we can maximize the use of our experience, technologies, and platforms. We are also progressing initiatives in the rare diseases area, where we have in-licensed a number of development projects over the past few years. We look to leverage KAKEN's unique perspectives to address unmet medical needs and deliver new treatment options to patients with rare diseases.

Executed M&A in the U.S. to Pursue Overseas Expansion

For "Overseas Expansion Transformation," the second of the "Three Transformations," we acquired the U.S. company Aadi Subsidiary, Inc. (currently Aadi Bioscience, Inc.; "Aadi") in December 2024. This is the first acquisition of an overseas company by KAKEN, marking a major step forward for overseas expansion. Aadi markets FYARRO as a rare cancer treatment in the U.S. and the company has sales infrastructure and expertise in the rare diseases area. Going forward, alongside the stable operation of the FYARRO business, we expect this acquisition to contribute significantly to our ability to market KP-001 directly in the U.S. We are currently developing KP-001 in the U.S. for the potential indication of refractory vascular malformations in the rare diseases area.

In terms of progress with global expansion products, we obtained approval for Clenafin in Italy in March 2025 and in Germany in August 2025. We will also explore the potential for expansion of FYARRO and KP-001 in the Europe.

Fostering Professional Talent for Innovation And Enhancing Employee Motivation

For "Management Base Transformation," the third of the "Three Transformations," we recognize that it is increasingly important to drive innovation. From this perspective, we are focusing on developing human resources with a sense of mission as pharmaceutical professionals, who take on challenges to pursue our mission, and who work toward their goals with a sense of urgency.

In terms of employee motivation, the FY2023 engagement survey revealed low scores regarding the medium- and long-term Company policies and strategic direction. In response, in FY2024, my fellow officers and I traveled to our branches and sites across Japan to talk directly with employees, sharing our policies and the vision we are striving toward. At these briefings, we fielded many questions and comments from our employees, and I felt that we took the first steps to move away from our conservative and restrained culture and toward a new culture that empowers employees to think and act on their own. The engagement scores were higher in FY2024 after these briefings and also because we have made substantial progress that employees can actually perceive, such as the overseas M&A and major progress in research and development. We have run these briefings in FY2025 as well.

To transform our organizational culture to one that generates results, we introduced the Outstanding Talent Recognition Program in FY2024 as a program to recognize employees making exceptional contributions. We have expanded an award program previously run in the Marketing & Sales Division to make it a Company-wide program. All officers review candidates recommended by their divisions, and those considered to be outstanding talent are given an award. The program recognizes initiatives that lead to sustained growth for the Company, contributions in pursuing strategies in the plan, or innovative action. By communicating Companywide standards for recognizing top talent, we hope to foster a culture of taking on challenges and achieving growth across the organization.

On top of this, we have introduced the Employee Stock Ownership Plan (J-ESOP) as an incentive program that provides company shares to employees. Our expectation is that when employees own company shares, they take a greater interest in share price and business performance improvement. This fosters a sense of working together as one team to achieve the Company targets and increases motivation to pursue these goals.

For talent recruitment, we will make even greater efforts to actively secure human resources with high-level specialist expertise in research and development or digital transformation (DX). Our research and development is moving into new fields, such as rare diseases, and is exploring new treatment methods and different modalities to conventional approaches. We will therefore step up the development of human resources with the relevant expertise to tackle these challenges.

In terms of efforts with our DX strategy, in March 2025 we updated our website for medical professionals and launched KAKEN Medical Pro. This is an information delivery platform that will allow us to deliver product information, disease and diagnostic information, or medical care tips and to create solutions that satisfy the needs of all healthcare professionals.

Message to Our Stakeholders

In FY2024, we revised our materiality (material issues) for sustainable growth, consolidating them into 12 issues and working steadily to address each one. Guided by our business philosophy of the "Three Joys," namely "Joy for patients," "Joy for society" and "Joy for employees," we will continue to keep sight of what we aim to achieve in each materiality, steadily achieve our KPIs, and work toward realizing our 2031 Vision.

We are currently expanding into rare diseases, including the KP-001 project as well as KC-8025, which we are developing as a treatment for primary biliary cholangitis. One of the main challenges in the rare diseases area is low disease awareness. New drug development in this field not only helps satisfy medical needs and contributes to society, but also represents an important initiative for our Company to maintain and further strengthen our competitiveness. New treatment options are essential for patients with rare diseases. KAKEN is pushing forward with the development of innovative drugs, and we are committed to fulfilling our responsibility to deliver treatments.

To achieve our FY2031 targets, we will work to grow profits by steadily executing strategic investments that allow us to launch new drugs and expand overseas. We will continue to address unmet medical needs around the world, not just in Japan, and contribute to improved QOL for patients. We deeply appreciate your continuing support.



A History of Value Creation

With a deep dedication to meeting the needs of patients, KAKEN conducts collaborative research and development and clinical development with companies in Japan and overseas, in addition to in-house drug discovery, to provide products that are the first of their kind in Japan or the world.

Founding Ideas

With its origins in the Institute of Physical and Chemical Research (Riken), which was established in 1917, the Company started its business in 1948 as Kagaku Kenkyusho. Its first president, Yoshio Nishina, who has been called the father of modern physics in Japan, said that his mission was to apply basic scientific research and its findings to industry, and began manufacturing and selling pharmaceuticals as a way of implementing theoretical research in business.



The first president
Yoshio Nishina

1940s

Technologies developed by Riken form the roots of KAKEN

With Riken's technological development capabilities as a base, the Company laid its business foundations by launching pharmaceuticals to meet the needs of the times, such as penicillin, which had been attracting interest as a treatment specifically for pneumonia, and streptomycin, which was effective against tuberculosis.



Riken's first building



Founding of Kagaku Kenkyusho

1960s

Growth driven by the establishment of new research facilities and a strengthened sales structure

KAKEN developed products from new viewpoints, including the world's first oral anti-inflammatory enzyme preparation. The Company also synthesized a new antifungal agent and developed a strong reputation as "the athlete's foot company KAKEN." In the 1970s, the Company established new research facilities in Kyoto and built systems capable of adapting to increasingly stringent laws and regulations.



Kyoto Research Institute
(established in1975)

1980s

Dermatology

1953 Athletan



Orthopedics

1987 Artz (ampoule)



1988 Adofeed



Other Areas

1971 Brufen



1989 Ebrantil



1992 Mentax



1992 Procylin



1993 Artz Dispo (syringe)



1995 Pronase MS



1998 Seprafilm



1999 Lipantil (capsules) (now Lipidil [tablets])

2001 Fiblast



2011 Lipidil (tablets)



2014 Clenafin



2016 Regroth



2018 Hernicore



2020 Ecclock



2023 NexoBrid



1990s

Provision of medicines of excellent quality in a drive to be "the best"

In the 1990s, KAKEN expanded its R&D investment and became the first in the world to successfully synthesize and develop butenafine hydrochloride. The Company in-licensed more products from other companies, including the mainstay product Artz from Seikagaku Corporation. With a firm belief in the goal of striving to be "the best company, even if not the biggest," KAKEN strengthened its business foundations.



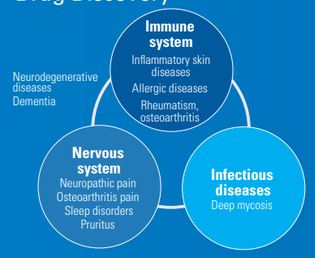
Mentax, which was awarded the Okochi Memorial Grand Production Prize

2000s and beyond

Advancing priority research themes through organizational improvements and concentration of resources Launched Long-Term Business Plan 2031 in FY2022

As an R&D-driven pharmaceutical company, KAKEN has defined the immune system, the nervous system, and infectious diseases as R&D fields where it can leverage its strengths. The Company is pursuing in-house drug discovery research in these areas. Long-Term Business Plan 2031 was launched in FY2022, and the Company is working to achieve the Plan's business targets over the next 10 years. KAKEN is making strategic investments in R&D, expanding projects through in-licensing and M&A, and conducting overseas expansion with the aim of increasing corporate value over the medium and long term.

Three Priority Fields of Drug Discovery



Value Creation Process

With the aim of fulfilling its corporate philosophy of "helps improve the quality of life of patients by serving as many people as possible to return smiles of happiness to their faces, through supplying superior pharmaceuticals," the KAKEN Group provides drugs and information that contribute to the quality of life of patients from a distinctive viewpoint.
We will continue striving to create value based on our unique strengths.

Corporate Philosophy	KAKEN helps improve the quality of life of patients by serving as many people as possible to return smiles of happiness to their faces, through supplying superior pharmaceuticals.

INPUT

Financial Capital
Sound financial position balanced with growth investments

Manufacturing Capital
Operating base that ensures stable supply

Human Capital
A team of professionals who help to achieve the "Three Joys"

Intellectual Capital
The source of new treatment options for patients

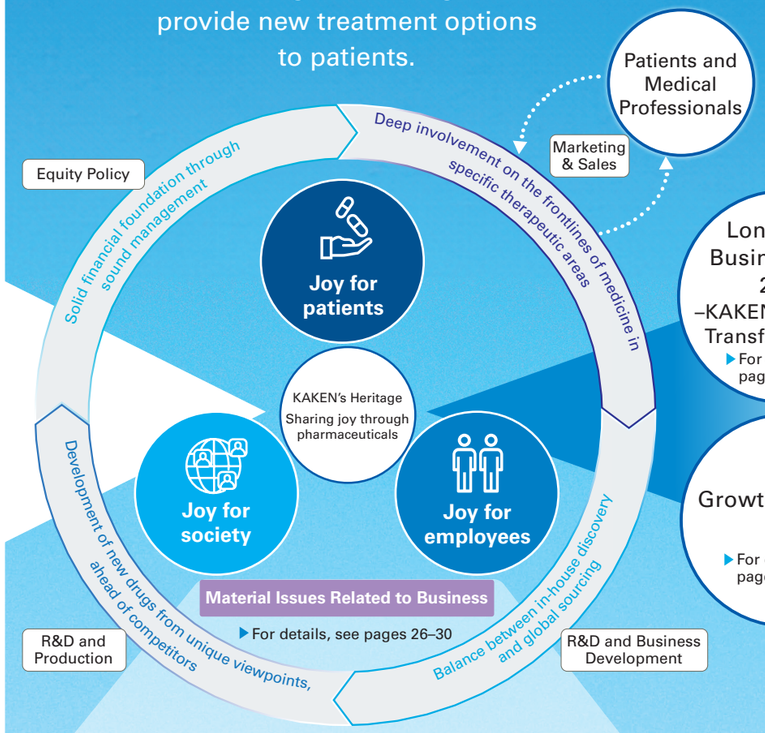
Social Capital
Building strong relationships with stakeholders

Natural Capital
Eco-conscious business activities

▶ For details, see pages 12–13

BUSINESS MODEL

We leverage our strengths to provide new treatment options to patients.



Long-Term Business Plan 2031 –KAKEN Vision for Transformation–
▶ For details, see pages 24–25

Growth Strategy
▶ For details, see pages 31–33

OUTPUT

Innovative drugs, including products that are the first of their kind in Japan or the world

Dermatology



Clenafin Fiblast



Ecclock

Orthopedics



Artz Hernicore

Other Areas



Seprafilm Regroth

: First in the world : First in Japan

OUTCOMES

Joy for patients

- Longer healthy life expectancy
- Treatments that improve quality of life of patients and their family members
- Meeting medical needs for adequate treatments
- Addressing global needs
- Provision of proper pharmaceutical and medical-related information

Joy for society

- Development of sustainable supply chains
- Consideration for local communities and the environment based on high ethical standards
- Stable and continuous returns to shareholders

Joy for employees

- Job satisfaction as professionals who meet patient needs





Contributing to people's well-being through better quality of life





KAKEN's Six Types of Capital

We have continued to provide new treatment options to patients using the capital we have accumulated since the Company was founded.
To continue to understand and meet needs on the frontlines of medicine, we will further build up that capital in pursuit of greater value creation.



Financial Capital

Sound financial position balanced with growth investments

Operating cash flow
¥29,780 million

Equity ratio
80.2%

Features
The drug discovery journey, from the initial research stage through clinical trials and, finally, commercialization, takes at least 10 years and substantial financial capital. Therefore, it is vital that we maintain a sound financial position in order to continue developing new drugs and preserve our competitive advantage.

Future Initiatives
- Allocate cash flow generated to date to strategic investment in research and development and other areas as further investment in growth.
- Maintain a sound financial position and strengthen financial risk management in light of the uncertainties associated with research and development.
- Drive balance sheet management while maintaining financial discipline.



Manufacturing Capital

Operating base that ensures stable supply

Capital expenditures
¥3,418 million

Manufacturing base
Shizuoka Factory

Features
Delivering stable, continuous supplies of high-quality pharmaceuticals to patients is our responsibility as a pharmaceutical company. The Shizuoka Factory is our manufacturing site for that purpose. At the Shizuoka Factory, we are proactively investing to expand or upgrade pharmaceutical manufacturing facilities.

Future Initiatives
- Use digital technologies to improve production efficiency, ensure a stable supply of pharmaceuticals, and build more efficient production systems.
- Continuously work to strengthen quality control systems during manufacturing and enhance quality assurance systems given the critical importance of product quality in the pharmaceutical industry.



Human Capital

A team of professionals who help to achieve the "Three Joys"

Number of employees (Kaken Pharmaceutical)
1,103

Average tenure (Kaken Pharmaceutical)
Male 18.0 years
Female 15.6 years

Features
To achieve the "Joy for employees" in our business philosophy, we are working to create an environment that enables employees to find fulfillment in their work over the long term. From the perspective of fostering a corporate culture that encourages employees to take on challenges, we are developing human capital with the ability to adapt to the times and are building an organization where diverse people collaborate as one team.

Future Initiatives
- Improve employee retention and increase staff motivation in the highly competitive pharmaceutical industry.
- Promote the development of professionals who can flexibly respond to changes in the business environment and who pursue challenges and transformation.



Intellectual Capital

The source of new treatment options for patients

R&D investment
¥18,725 million

Number of projects in the development pipeline
11
(As of June 2025)

Features
We deliver new treatment options for patients primarily through products in the areas of dermatology and orthopedics. We are working to address the issues of drug lag and drug loss, which are key challenges for the pharmaceutical industry. In line with Long-Term Business Plan 2031, we have expanded into new therapeutic areas by in-licensing candidates for rare diseases and beginning development in Japan.

Future Initiatives
- Strengthen R&D efforts by building on existing core therapeutic areas and expanding into new therapeutic areas where we have advantages, based on future unmet medical needs.
- Continue to utilize process innovation and achieve higher efficiencies to shorten the R&D period, including AI-driven drug discovery and improved efficiency in clinical studies.



Social Capital

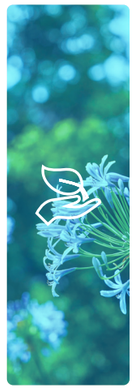
Building strong relationships with stakeholders

Sales offices
33
(As of April 2025)

Number of countries/regions where efinaconazole has been launched
6

Features
To ensure that KAKEN's pharmaceutical products are used properly, we have sales offices nationwide and have established a system for providing appropriate product information. We are also out-licensing our products overseas, primarily Clenafin (INN: efinaconazole), a drug from in-house drug discovery, for overseas development.

Future Initiatives
- Maintain and strengthen relationships of trust with medical professionals.
- Promote overseas out-licensing for products where we hold global rights and pursue overseas development of KP-001, which was discovered in-house.



Natural Capital

Eco-conscious business activities

CO_2 emissions
20,136 t-CO_2

Water consumption
3,044 thousand m^3

Features
Promotion of environmental management is one of our material issues. We are taking steps to reduce our environmental burden in all aspects of our business activities. We have set long-term targets for reducing CO_2 emissions and water consumption. We continue to work to achieve these targets through initiatives to save energy and use water resources more efficiently.

Future Initiatives
- Gradually increase the percentage of green electricity purchased at the Head Office and Shizuoka Site.
- Promote the adoption of an off-site solar PPA.
- Continue to manage water intake and wastewater amounts, and conserve water so that we make effective use of limited water resources.

Value Chain

FOCUS Research

Ability to Meet Needs (Ability to Find Solutions)

We collaborate closely with the department responsible for evaluating drug candidates and work to obtain new compounds with better profiles. In the various stages of compound search, design, and synthesis, we make active use of the latest technologies and partnerships with external organizations with the goal of discovering innovative new drugs.



Yusuke Endo
Chemistry Department
Drug Research Center

Our mission at the Chemistry Department is to discover compounds with the potential to become innovative new drugs. We move through a cycle of designing, synthesizing, evaluating/analyzing, and redesigning the compound with the goal of obtaining new drug candidates. We use various in silico drug discovery technologies,* such as AI, machine learning, and simulations, to improve success rates in new drug development.

*Digital technologies such as computer simulations or artificial intelligence (AI) that are used in the design and discovery of new pharmaceuticals.

FOCUS From Clinical Trials to Filing

Ability to Meet Needs (Ability to Find Solutions)

When liaising with the regulatory authorities, we make a conscious effort to consider the authorities' point of view as well as presenting our perspectives from the applicant's side and maintain a mindset that we are working together to bring better drugs to market. With this in mind, I think the approval review process proceeds smoothly and allows us to provide patients with appropriate new treatment options as early as possible.



Kazuko Ojima
Regulatory Affairs Department

The mission of the Regulatory Affairs Department is to respond promptly and without delay to the approval review processes that are the final stages of new drug development. To achieve this, we act as a liaison between the Company and the regulatory authorities, from the development stages. Specifically, we confirm the data required for approval application or engage in discussions over the clinical study design and other matters.

Basic research → **Pre-clinical research** → **Clinical trials** → **Filing** → **Manufacturing** → **Marketing** → **To patients**

Post-marketing surveillance

KAKEN focuses on specific therapeutic areas to deliver new treatment options to patients. This is made possible with a value chain driven by our ability to perceive needs (our ability to identify issues) based on our corporate culture of adapting to the frontlines of medicine, and our ability to meet those needs (our ability to find solutions) with a flexible approach.

Medical Representatives (MRs) provide information on a company's pharmaceutical products to medical professionals. To promote appropriate use of our drugs, we provide accurate and up-to-date information on treatment methods and pharmaceutical use. We also play an important role in gathering information on efficacy, safety, and other issues from clinical practice. It is important to understand the needs of those working in the frontlines of medicine and earn their trust through appropriate information-sharing and follow-up.

FOCUS Sales & Marketing

Ability to Perceive Needs (Ability to Identify Issues)

We make a conscious effort to continually develop our disease knowledge and make the best recommendations for patients, sharing a "patient-first" approach with doctors and building relationships of trust. Many of our products are treatments for foot conditions. We work every day helping as many people as possible to keep their feet healthy.



Risa Otsuka
Regional Marketing & Sales Department 1

At the Production Technology Department, we are working on initiatives such as transferring technology from the R&D Division and resolving issues in production technology aimed at improving productivity, in order to ensure the stable supply of high-quality drugs to patients. To optimize production processes, we need to work not only by the Production Division itself but also in collaboration with various other divisions, including R&D, Regulatory Affairs, and Marketing & Sales.

FOCUS Manufacturing

Ability to Meet Needs (Ability to Find Solutions)

When setting up pharmaceutical manufacturing systems, it is vital to optimize equipment design and manufacturing conditions based on a thorough understanding of the drug's quality characteristics and of how manufacturing conditions affect quality, as well as the various regulatory requirements. We constantly keep patient perspectives in mind and try to propose the best science-based solutions that balance quality, cost, and delivery (QCD).



Noboru Momose
Production Technology Department

Collaboration with Rakuten Mobile

Overview of the Manzoku Project: Supporting Foot Health

KAKEN and Rakuten Mobile have started the Manzoku Project: Supporting Foot Health. The project focuses on foot health and aims to help people improve lifestyle habits around walking. Through this project, we aim to strengthen the dissemination of information on foot health and realize a society where people enjoy going for healthy walks at any age.

満足プロジェクト Supporting Foot Health

KAKEN's View

KAKEN provides numerous patients with products to treat the feet. Previously, we ran specific awareness activities for each of the diseases treated by our products, but we found it difficult to ascertain whether these activities actually helped patients experience the joy of being able to walk, which is the ultimate goal for patients undergoing treatment. We then connected with Rakuten Mobile, which provides Rakuten Senior, a support service to help extend healthy lifespans. We decided to work together to promote foot health awareness through wellness articles published in the Rakuten Senior app.

"Joy for patients" is one of the "Three Joys" in KAKEN's business philosophy. Thus far, we have strived to create and supply efficacious drugs that satisfy the needs of patients and medical professionals. We will continue with these efforts, but will also work to help patients experience "the joy of good foot health and being able to walk freely again." This represents new everyday moments of joy, such as wanting to enjoy a trip with their grandchildren. Our collaboration with Rakuten Mobile to launch the Manzoku Project has allowed KAKEN to create "Joy for patients" in a way not possible before.



Tomoyuki Koseki
Chief Officer of Marketing & Sales Division

Our Expectations of KAKEN

Rakuten Mobile and KAKEN are working together on various disease awareness activities on the theme of walking for health, including co-hosting seminars for the media and publishing wellness articles on the Rakuten Senior app. Both companies recognize that keeping the feet in good health is a vital element in extending healthy lifespans. It was this shared understanding that led to our business alliance.

I believe our collaboration on the theme of walking for health allows us to implement more robust programs.

Going forward, through the Manzoku Project, we would like to strengthen the dissemination of information on foot and leg health and also explore collaborative pilot projects to extend healthy lifespans.



Miki Honda
Senior Manager, Business Incubation Department, Rakuten Mobile, Inc.

FOCUS

Collaborating with Stakeholders

KAKEN is actively pursuing collaboration and joint research with other companies. These collaborations allow us to continue providing new value to patients through the development of innovative new drugs and increased access to healthcare and pharmaceuticals.

NM26 ND081

Collaboration with Numab through Joint Research

Our Expectations of KAKEN

We started collaborating with KAKEN in 2017 on the development of NM26, a first-in-class multi-specific antibody, and then successfully spun off this project for acquisition by J&J. The collaboration between our two companies, built on mutual trust and research integrity, is shaping a shared strategic vision for new possibilities in pharmaceutical development and meaningful innovation.

We are collaborating again on the development of ND081 for inflammatory bowel disease (IBD), an area with significant unmet medical needs. I believe this program may overcome the limits of current treatments for IBD and allow us to achieve our goal of providing patients with a new treatment option.



Daniel Snell,
Senior Vice President
Research and Preclinical Development
Numab Therapeutics AG

The relationship we built with KAKEN during the development of NM26 is being leveraged for the development of ND081, and our collaboration increases the chances of success in this fiercely competitive therapeutic area. I look forward to exploring new possibilities for further progress.



Stefan Warmuth,
Chief Technology Officer
Numab Therapeutics AG

KAKEN's View

Numab owns proprietary technologies for multi-specific antibodies and has extensive expertise and experience in this field. Our joint research on NM26 led to the development of a promising bi-specific antibody. Numab is a trusted partner with whom we can have open and lively discussions while respecting each other, which results in the development of better pharmaceuticals. Based on the collaborative partnership developed thus far, we would like to deepen the connections between the two companies and advance the development of innovative antibody drugs that satisfy unmet medical needs for patients. KAKEN aims to link our in-house drug discovery skills with technological capabilities at other organizations so that we can continue to tackle the challenge of creating superior pharmaceuticals that help improve patient QOL.



Nobuaki Takahashi
Research Planning and Collaboration Department
Drug Research Center

Overview of NM26

Atopic dermatitis is an inflammatory skin condition characterized by strong itching that severely impacts patient QOL. NM26 is a bispecific antibody that is expected to simultaneously suppress inflammation and itching in atopic dermatitis. The intellectual property rights for NM26 were transferred to J&J in May 2024, and Phase II studies are underway overseas.

Overview of ND081

ND081 is a new multi-specific antibody for IBD, which causes inflammation in the digestive tract and symptoms of diarrhea and abdominal pain. KAKEN entered into a joint research contract with Numab in November 2024 whereby both companies will make full use of their technologies and resources to develop an innovative new drug.



Message from the Director of the Corporate Planning & Coordination Department

To achieve our 2031 Vision, we will increase strategic investment, and strengthen research and development, and expand overseas.

Masashi Suzudo Managing Director

Implementing Long-Term Business Plan 2031 for Sustainable Enhancement of our Corporate Value

As well as being the Director in Charge of the Corporate Planning & Coordination Department, my role also includes managing various other departments, including the Corporate Communications Department, the Human Resources Department, and the Global Business Division that was newly set up in March 2025. I am taking a lead role in Long-Term Business Plan 2031 (the "Plan") that began in FY2022. My focus is to share the views of the management team with our employees and enhance awareness across the organization to align everyone in the same direction as we work to achieve challenging targets. To ensure the Plan is well understood and advanced, I joined KAKEN President Hiroyuki Horiuchi on a tour of all our sites nationwide to give detailed explanations of our progress with the Plan and the Company's future direction. At business reporting sessions that provide a platform for discussions between Company officers and department managers and at in-house meetings of department managers, we share each department's initiatives, hear about the following fiscal year's strategies and goals, and thereby confirm progress.

In FY2024, our efforts generated significant results, particularly in research and development and overseas expansion. I feel that we have fostered a culture that tackles new challenges without fear of failure and the Company has become more agile. We will continue to proactively allocate cash to growth investments as we work to achieve our 2031 Vision.

Progress with the Plan and Rationale Behind the Partial Revision to the Plan

Our initial targets in the Plan included making strategic investments of ¥200 billion or more by FY2031 (total over the 10 years of the plan). During the first three years, we have steadily invested some ¥72 billion. In FY2024, we made a number of aggressive investment decisions to enhance our pipeline, including the in-licensing of four new projects and the acquisition of Aadi Bioscience, Inc. ("Aadi") to start building our own sales and marketing operations in the U.S. Since the start of the Plan, we have in-licensed seven projects over the three years to March 31, 2025 and then a further three projects to bring our pipeline total to 10 projects as of May 2025. As a result, we are tracking ahead of the original schedule. Moreover, KP-001, which is currently under development to treat refractory vascular malformations, will become the first project that we will develop in-house in the U.S. We are currently planning the Phase III trials. We have now increased the target amount of strategic investment to ¥260 billion or more, an increase of ¥60 billion versus the initial target, because our various initiatives have all progressed at a faster pace than initially planned and the business environment has changed significantly compared to when the Plan was formulated, including greater yen depreciation, much higher R&D expenses, and increased global competition to in-license projects.

In addition, we will consider in-licensing products for overseas expansion in order to offset the impact of the "patent cliff"* for Clenafin and because we now have our own sales and marketing capabilities in the U.S. following the Aadi acquisition. Thus far, we have mostly targeted projects under development overseas for in-licensing into the Japanese market. Moving forward, we will enhance our pipeline with projects that can be expanded overseas as well as in Japan.

* A steep decline in sales following the expiration of a patent

Analysis of the Current Status

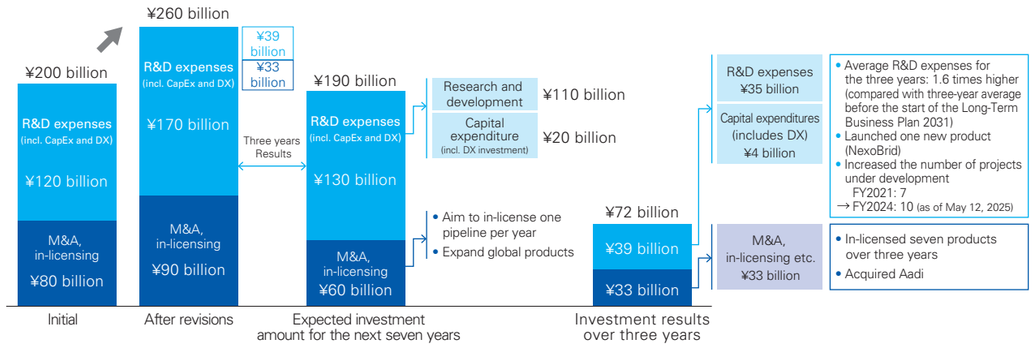
Three years have passed since the formulation of Long-Term Business Plan 2031. Need to respond to internal and external changes in the business environment.

Changes in the business environment[1]

- ↗ Increase in number of in-licensed products and projects under development
- ↗ Early realization of out-licensing agreements
- ↗ Progress in overseas expansion
- ↘ Progress on covering the patent cliff of Clenafin
- ↘ Impact of the "Elective Medical Care[2]" system on long-term listed drugs
- ↘ Soaring R&D costs
- ↘ Intensifying competition in the in-licensing and M&A market

1. Positive impact ↗ and negative impact ↘ for the achievement of Long-Term Business Plan 2031
2. A system where if a patient chooses the original brand-name drug but there is a generic equivalent available, the patient makes an additional copayment to cover part of the price difference

Revision of Amounts of Strategic Investments (by FY2031)

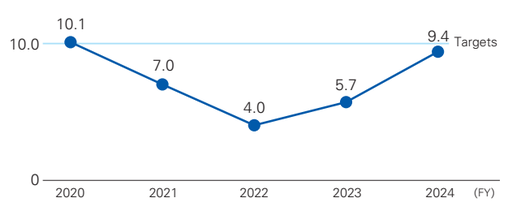


Improving capital efficiency

ROE improved significantly in FY2024 after we booked one-time revenue from an out-licensing projects. We will work to strengthen our financial position in order to sustain high capital efficiency. One of our performance targets for FY2031 is ROE of 10% or higher. Our goal is to achieve sustained growth and higher profit margins by prioritizing the allocation of cash to strategic investments so that we can pursue research and development and by continuously launching new, innovative, world-class drugs.

Furthermore, we are analyzing business profitability and making investment decisions to improve capital efficiency, taking into account business risks, capital costs, and expected market returns.

Five-year ROE trends

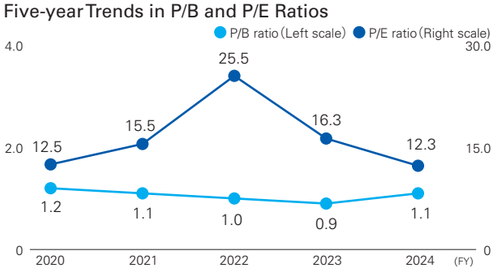


Policy on shareholder returns and initiatives to improve PB and P/E ratios

To achieve a long-term increase in corporate value, we will continue to invest in growth initiatives using cash flows generated to date, while also stepping up shareholder returns to satisfy the expectations of shareholders. We increased the annual dividend per share in FY2024 to ¥190, including a bonus dividend of ¥40. For FY2025 and beyond, our new policy in the Plan is to set a minimum dividend of ¥190. Regarding cross-shareholdings, we are working to steadily implement our policy of reducing cross-shareholdings by 30% (on a market value basis), within a period of five years from April 2024, compared with the amount held on March 31, 2024.

KAKEN's price-to-book (P/B) ratio exceeded 1.0x as of March 31, 2025, and we will continue to focus on keeping the P/B ratio in excess of 1.0x moving forward. In FY2024, ROE improved after we booked one-time revenue from out-licensing projects. However, we see the slower-than-expected rise in our price-to-earnings (P/E) ratio as a challenge that we are currently facing. To improve our P/E ratio, we will focus on measures to increase profitability while also stepping up disclosure of information. Specifically, we will work to increase our valuation in the stock market by providing updates on our pipeline—a key growth indicator for pharmaceutical companies—and improving the appeal and reliability of our development projects. When engaging in IR meetings with investors, there are times when we feel that investors do not understand our initiatives, due to a lack of sufficient explanation on our side. However, we also think that institutional investors may take a positive view on the increase in strategic investments from a long-term perspective. We are therefore prioritizing ongoing dialogue with all shareholders and investors, reflecting the feedback gained in our management practices, and striving to achieve further progress.

Five-year Trends in P/B and P/E Ratios



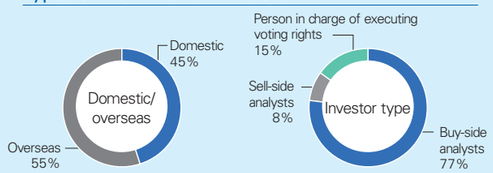
Communication with Shareholders and Investors

Dialogue and meetings with institutional investors*

FY2024: 80 times (47 companies)

(For reference) FY2023: 38 times (28 companies)

Types of institutional investors*



Main attendees

Investor meetings	Individual meetings	Shareholder's meeting
All internal directors	Director in charge of investor relations General Manager of the Corporate Communications Department	All directors and Audit & Supervisory Board members

Topics and themes in the meeting

Current business situation
- Financial performance, external and market
- Progress on development of pipelines
- Countermeasures for Clenafin patent cliff

Corporate actions in FY2024
- Acquisition of Aadi, third-party allotment of treasury shares
- Out-licensing and IP transfer of development projects (NM26, STAT6)

Medium- to long-term management principles
- Progress under Long-Term Business Plan 2031
- Growth and R&D strategies
- Progress with strategic investment and cash spending including shareholder returns
- Thoughts about financial discipline

Themes on disclosure
- Expectations for expansion of disclosure and IR activities
- Status of ESG activities

* Including sell-side investors

Strengthening our human capital and changing the corporate culture

Human capital is the source of innovation. We need to update our employees' skills and awareness to align with the changing times. We place great importance on making the most of our employees' abilities. We have worked to expand our internal and external training programs to support employee growth and development. In FY2024, we introduced a new Outstanding Talent Recognition Program by expanding a recognition program used by the Marketing & Sales Division to be a Companywide program. This scheme recognizes employees from any department who have consistently made exceptional contributions when tackling various challenges. The purpose of the scheme is to increase employee motivation and promote the development of outstanding talent. The Employee Stock Ownership Plan (J-ESOP), also introduced in FY2025, is another part of our human capital strategy. Through initiatives like the recognition scheme and stock ownership plan, we are working to foster an enterprising spirit that drives the revitalization of the entire organization.



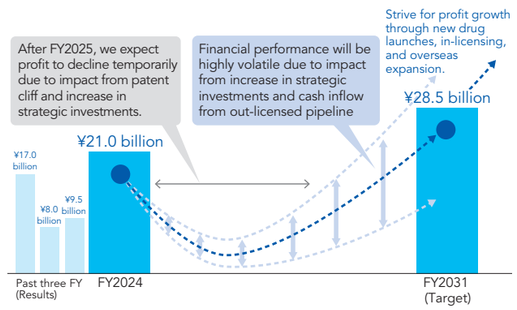
Going forward, we look to step up the recruitment of experienced people with advanced and specialized skills in order to establish an even stronger organizational base. In particular, as we work to open up new areas of business, we are increasing recruitment of human resources with career experience in overseas expansion, DX, research and development, business development, or quality control. We hired three mid-career professionals in FY2021, but increased this number significantly to 21 in FY2024. By bringing in people with expertise, experience, perspectives, and a sense of urgency that we currently lack, we aim to accelerate our various initiatives and change our corporate culture.

Future outlook and the path to achieving our Vision

Although FY2025 and FY2026 are likely to be adverse times for earnings, we are committed to our goals in the Plan and future growth. By carefully controlling costs while sustaining strategic investment in research and development and in-licensing, M&A, etc., we will accelerate the "Three Transformations" (3Xs) of research and development, overseas expansion, and management base.

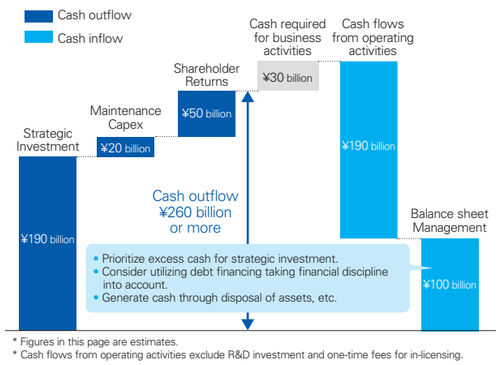
Under the Plan, our goal is to build a positive cycle in which cash flows from operating activities, together with balance sheet management, are allocated to growth investment, bolstering the projects under development and delivering results. We will continue to provide detailed explanations, both on where we are currently at with the Plan and where we ultimately want to be, so that our stakeholders have a better understanding of our initiatives. We appreciate your continuing support.

Image of Financial Performance During Long-Term Business Plan 2031
- Expect profit to decline temporarily due to impact from Clenafin patent cliff.
- Financial performance will be highly volatile due to impact from patent cliff, increase in strategic investments and cash-inflow from out-licensed pipeline.
- Realize profit growth through execution of strategic investments in the "Three Transformations"



Revised Cash Flow Allocation (FY2025 to FY2031)

Generate sources for strategic investment and shareholder returns through operating cash flows and balance sheet management.



* Figures in this page are estimates.
* Cash flows from operating activities exclude R&D investment and one-time fees for in-licensing.

Material Issues

The KAKEN Group delivers value to society and contributes to achieving a sustainable society by practicing its corporate philosophy: "KAKEN helps improve the quality of life of patients by serving as many people as possible to return smiles of happiness to their faces, through supplying superior pharmaceuticals." We believe that this will lead to the sustainable growth of the Group. In order to set out the challenges and initiatives for achieving this objective, we have identified material issues related to the KAKEN Group's future value creation.

Check our website for details

Material Issues

Business philosophy	Material issues	What we aim for	Check these pages for major initiatives	KPIs	Targets	Results FY2023	Results FY2024
Material issues related to business / Joy for patients	1 Creation of innovative new drugs that satisfy unmet medical needs	As an R&D-driven company, contribute to longer healthy life expectancy by creating innovative drugs that satisfy unmet medical needs.	▶ Page 26	Number of projects in Phase I or later	8 or more at all times	8	9
	2 Expansion of access to healthcare and pharmaceuticals	In addition to overseas expansion of pharmaceuticals, focus on eliminating drug lag and loss by in-licensing pharmaceuticals marketed in Europe and the U.S.. To improve the quality of life of patients, expand access to medical care and pharmaceuticals through disease awareness activities.	▶ Page 27–28	Number of countries and regions where Clenafin, Ecclock, and KP-001, etc., are marketed	(Disclose results)	Clenafin: 6 countries and regions (Japan, U.S., Canada, South Korea, Hong Kong and Macao)	Clenafin: 6 countries and regions (Japan, U.S., Canada, South Korea, Hong Kong, Macao)
				Number of drugs for overseas expansion	3–5 at all times	3 (Fiblast, Clenafin, Ecclock)	4 (Fiblast, Clenafin, Ecclock, FYARRO)
				Projects under development in Japan to eliminate drug lag and drug loss	(Disclose results)	3 (KAR, KC-8025, Tildacerfont)	4 (KAR, KC-8025, Tildacerfont, ESK-001)
				Number of public lectures held for disease awareness	(Disclose results)	5	9
	3 Stable and sustainable supply of pharmaceuticals	In order to be trusted by patients and medical professionals, strengthen production and quality assurance systems to provide a stable and sustainable supply of high-quality pharmaceuticals.	▶ Page 30	Number of supply outages	0 per year	3	1
				Number of product recalls	0 per year	1	1
	4 Appropriate provision of pharmaceutical information	In order to maximize the value of pharmaceuticals, promote sales information provision activities based on high ethical standards and scientific evidence.	▶ Page 30	Number of Audit & Supervisory Committee meetings held	4 per year	4	4
				Evaluation of information provision activities by medical professionals (priority clinical departments)	(Disclose results)	Dermatology: Ranked 5th Orthopedics: Ranked 7th[1]	Dermatology: Ranked 5th Orthopedics: Ranked 8th[2]
Material issues related to business / Joy for society	5 Contribution to sustainable agriculture	Contribute to food safety and security and the development of sustainable agriculture in harmony with the environment by promoting the use of natural pesticides.	▶ Page 30	Authorized countries and regions for registration of polyoxins as pesticides	(Disclose results)	21 countries and regions	21 countries and regions
				Countries and regions where polyoxins have obtained certification as organic farming materials, and applicable crops	(Disclose results)	Countries and regions where certified: 3 (U.S., Australia and New Zealand) Applicable crops: 25 in total	Countries and regions where certified: 3 (U.S., Australia and New Zealand) Applicable crops: 27 in total
	6 Promotion of environmental management	Promote measures for environmental issues such as climate change, environmental pollution, and resource depletion to realize a sustainable society.	▶ Page 36–38	CO_2 emissions (Scope 1 and 2)	51% reduction by FY2030 compared with FY2016 (Net zero by 2050)	21,408 t–CO_2	20,136 t–CO_2
				Percentage of carbon-free electricity	At least 80% by FY2030	18%	26%
				Amount of waste generated	(Disclose results)	977.4 t	1,169.5 t
				Recycling rate	At least 90%	97.3%	97.0%
				Final landfill disposal rate	5% or less	1.9%	1.9%
				Amount of Class I designated chemical substances (PRTR) handled	(Disclose results)	23.4 t	21.8 t
				Amount of volatile organic compound (VOC) substances handled	(Disclose results)	151.4 t	134.5 t
				Total biological oxygen demand (BOD) of wastewater	(Disclose results)	3.33 t	3.52 t
				Water consumption	10% reduction by FY2030 compared with FY2016	2,959 thousand m^3	3,044 thousand m^3
	7 Strengthening corporate governance	Strengthen governance by listening to the expectations of stakeholders for conducting fair and transparent management.	▶ Page 40–43	Number of effectiveness evaluations of the Board of Directors	Once per year	Once	Once
				Corporate Governance Code compliance rate	100%	98.8%	100%
	8 Promotion of compliance	Establish and improve our position as a company that is trusted by society by promoting business activities with high ethical standards.	▶ Page 48	Participation rate for compliance training (including harassment training)	100%	–	Approx. 62%
				Increase awareness of compliance hotline (whistleblowing system)	100%	–	–
				Number of serious compliance violations	0 per year	0	0
	9 Strengthening relationships with stakeholders to achieve sustainability	Establish trust with stakeholders through direct communications to increase corporate value and realize a sustainable society.	▶ Page 39	Questionnaire surveys of suppliers	–	–	–
				Number of meetings with investors	(Disclose results)	IR meetings: 34 SR meetings: 9	IR meetings: 66 SR meetings: 14
	10 Respect for human rights	Contribute to the sustainable development of society through pursuit of KAKEN's "Three Joys" business philosophy and respect for human rights.	▶ Page 50	Training on human rights	–	Training focused on business and human rights: 1 session Other: Notification through compliance report	Training run for employees at Head Office (all departments, subsidiaries) and at the Kyoto and Shizuoka Sites
				• Conduct questionnaire surveys of suppliers • Communication with suppliers based on the human rights policy and questionnaires	–	–	–
				Make the corporate website multilingual	–	–	–
Material issues related to the business foundation / Joy for employees	11 Creation of fulfilling workplaces	Increase employee engagement by promoting a personnel system that provides job satisfaction and improving the working environment.	▶ Page 51–53	Percentage of annual paid holidays taken	70% (FY2025)	58.6%	62.5%
				Number of days and percentage of childcare leave taken	Female: 100% Male: 80%, at least 9 days (FY2025)	Female: 100% Men: 83.3%, 11.5 days	Female: 100% Men: 93.8%, 14.7 days
				Percentage of women in management positions	7% or higher (FY2025)	4.1%	5.6%
				Average raw score and positive response rate in engagement survey	(Disclose results)	Job satisfaction of individual employees Average raw score: 2.7 Positive response rate: 64.5% Sense of belonging to the company Average raw score: 2.7 Positive response rate: 66.7%[3]	Job satisfaction of individual employees Average raw score: 2.73 Positive response rate: 65.7% Sense of belonging to the company Average raw score: 2.76 Positive response rate: 69.7%[3]
	12 Strengthening development of human resources	Develop professionals who can pursue changes and tackle challenges through personal development and reskilling.	▶ Page 54–55	Total hours of training led by the Human Resources Department	(Disclose results)	4,197 hours	4,764 hours

1. From "Survey on what doctors seek in MRs: 2024 edition," Monthly Mix: Feb. 2024 issue, p. 37
2. From "Survey on what doctors seek in MRs: 2025 edition," Monthly Mix: Feb. 2025 issue, p. 32–33
3. Of the four response options, scores are calculated as follows: Strongly agree = 4 pts., Agree = 3 pts., Disagree = 2 pts., Strongly disagree = 1 pt. Average raw score = Average score of responses. Positive response rate = Percentage of people whose responses were 3 or 4 points.

Long-Term Business Plan 2031—KAKEN Vision for Transformation— Progress and Achievements

The prescription pharmaceutical industry environment is changing, so to respond to these anticipated long-term challenges, in May 2022 KAKEN formulated Long-Term Business Plan 2031 (the "Plan"), created a vision for the next 10 years, and set out the "Three Transformations" (3Xs) as its strategy for achieving the vision. The Company partially revised the Plan in April 2025 to respond to changes in the internal and external business environment over the three years since the Plan was formulated.

For details on the partial changes to the Plan, see pages 18–19

From 2022

3Xs Strategy for Achieving the Vision

2031 VISION

1. **A company that contributes to longer healthy life expectancy by developing and supplying innovative new drugs in a speedy manner**
2. **A research-based pharmaceutical company with a global presence, primarily in the areas of dermatology and orthopedics**

1st X R&D **Transformation** For details, see page 26

2nd X Overseas Expansion **Transformation** For details, see page 28

3rd X Management Base **Transformation** For details, see page 29

Strategy for Achieving the Vision

Vision
Continuously launch innovative, world-class drugs in our three priority fields of drug discovery

Vision
Increase the overseas sales ratio and consolidate our position as an R&D-driven company with mainstay products in the areas of dermatology and orthopedics

Vision
Increase corporate value by establishing a strong organizational base that can flexibly respond to changes and by improving operational efficiency

From April 2025:

Analysis of the Curent Status

Responding to various changes in the internal and external business environment over the three years since the formulation of the Long-Term Business Plan 2031

Changes in the business environment

- Increase in number of in-licensed projects and projects under development
- Early realization of out-licensing agreements
- Progress in overseas expansion
- Slow progress in measures to offset the Clenafin patent cliff
- Impact of the "Selected Medical Care" system on long-listed drugs
- Soaring R&D costs
- Intensifying competition in the in-licensing and M&A marker.

Note: Positive impact / Negative impact for the achievement of realizing Long-term business plan

Summary of Partial Revisions

Revision
- Secure a pipeline capable of launching eight new products over the 10 years of the plan (maintain at least eight projects in Phase I or later at any given time)
- Secure at least one new licensed products or new marketing alliance every year, expanding the targets to include global products

Added
- Take over and stable operation of FYARRO business
- Consideration of European expansion policy
- Procurement of products for overseas expansion in anticipation of synergies with Aadi

Added/Specified
- Actively recruit mid-career professionals with advanced expertise
- Introduce Employee Stock Ownership Plan (J-ESOP)
- Maximize products value by optimizing medical information provision activities using Customer Relationship Management[1]

KPIs and Targets

	FY2024	FY2031
Net Sales	¥94.0 billion	¥100.0 billion
Operating Profit	¥21.0 billion	¥28.5 billion
ROE	9.4%	10% or higher
Overseas Sales Ratio[2]	28.3%	30% or higher

2. Total for pharmaceuticals and crop protection products

1. Customer Relationship Management (CRM): An approach to managing relationships and communication with customers that maintains and strengthens those relationships by providing the most suitable response to each customer.

Reflecting on the 3Xs and Future Initiatives

1st X R&D Transformation

For progress, see pages 26–27

2031 Targets	Issues	Future Initiatives
1 Improve Launch Probability	• Mature in-house project systems, improve operational efficiency further • Improve both development success probability and speed • Diversify projects, overseas approach for CMC operations	• Explore clinical biomarkers, utilize translational research • Consider decentralized clinical trials, create clinical trial plans using real-world data (RWD) • Pursue open innovation, make greater use of external resources
2 Expand Pipelines	• Optimize resources in line with increased number of in-licensed projects • Expand pre-PoC[1] development projects and overseas expansion products	• Continue securing at least one in-licensed product every year • Acquire development products with potential for overseas expansion
3 Address New Needs and Overseas Expansion	• Explore unique targets in-house and develop human resources capable of using in-house bioinformatics[2] systems • Optimize use of CROs and expand beyond U.S.	• Build in-house bioinformatics analysis systems, conduct phenotype screening[3] using iPS cells • Utilize Aadi infrastructure to build overseas development capabilities, consider expanding development beyond U.S.
4 Take on Challenges in New Fields	• Increase development success probabilities and shorten development periods for regenerative medicine products • Faster progress to clinical stages for digital therapeutics	• Pursue joint development with TWOCELLS COMPANY, LIMITED, explore possibilities for development of other modalities • Support development at CrossMED, consider new collaborations with other ventures

2nd X Overseas Expansion Transformation

For progress, see pages 28–29

2031 Targets	Issues	Future Initiatives
1 Expand Global Products	• Understand actual healthcare needs by region • Acquire rights to Asia territories with a view to out-licensing in multiple countries	• Clenafin: Consider out-licensing in the Middle East • Ecclock: Consider out-licensing in China • Increase exploration of opportunities and methods for potential global products
2 Establish Our Own Overseas Development Capabilities	• Optimize FDA engagement, communication and progress management with local CRO • Manage pharmaceutical regulatory affairs in Europe • Consider policy on European expansion	• Continue preparations for the U.S. launch of KP-001 (orphan drug application, Phase III trials, various consultations with FDA) • Outsource tasks for the U.S. development of KP-001 to Aadi • Consult with Aadi on European expansion to, maximize the value of KP-001
3 Establish Global Manufacturing and Commercialization Structure	• Build commercial production structure for KP-001 (Japan, U.S., Europe) • Secure products to provide synergies with Aadi	• Continue PMI[4] of Aadi • Increase exploration of opportunities and methods for development products suitable for the U.S. market

3rd X Management Base Transformation

For progress, see page 29

2031 Targets	Issues	Future Initiatives
Human Resource Strategy 1 Develop Talent Who Challenge Themselves as Professionals and Pursue Transformation 2 Increase Employee Engagement by Establishing an Optimal Human Resource Management System and Working Environment	• Develop professional skills and reskill employees (develop global-minded talent) • Assign the right employee to the right role for best use of specific skill sets • Develop systems that support diverse work and lifestyles • Increase employee engagement level	• Introduce programs to improve English language skills • Introduce and roll out talent management system • Expand work style flexibility • Analyze the engagement survey to identify challenges and implement findings for actionable measures
DX Strategy 1 Optimize Research and Development and the Value Chain 2 Foster a Corporate Culture of Continual Transformation Using Data and Digital Technologies	• Develop a Companywide information-sharing platform • Raise digital literacy standards and foster a transformation mindset • Promote a culture of digital security	• Develop platforms to use untapped data and content resources through leveraging cloud and AI technologies • Continuously update cybersecurity risk management framework
Production Strategy 1 Maximize Product Value from a Patient-First Perspective 2 Establish a Manufacturing System for Stable and Continuous Supply of High-Quality Pharmaceuticals	• Increase in manufacturing costs due to high prices for bulk drugs, raw materials, etc. • Significant increase in capital expenditure costs due to high manufacturing equipment and construction costs • Modify product strategies in response to systemic revision	• Make well-timed capital investments and formulation improvements in line with product strategies • Increase reliability of data through linkage of manufacturing-related management systems • Introduce continuous production methods for new product

1. An early-stage clinical trial in drug development aimed at demonstrating the safety and efficacy potential of a new drug candidate in humans
2. Scientific discipline that combines life sciences and information technology
3. A type of screening used in biological research and drug discovery to identify compounds that induce desired changes in the phenotype of cells or organisms
4. Post-merger integration (PMI): The process after M&A where the two companies integrate their organizations, systems, human resources, operations, and culture, etc.

1st X R&D Transformation

Message from the Director in Charge of the R&D Division



Mitsuru Watanuki
Director
Chief Officer of R&D Division

We will continue to create innovative new drugs that address unmet medical needs.

Achieving Long-Term Business Plan 2031 will be challenging because of the increasing difficulties of drug discovery as well as longer development timelines and higher costs. KAKEN is transforming R&D processes, for example, by utilizing AI drug discovery methods and collaborating with partners. We are working to maximize our drug discovery capabilities while also incorporating external expertise and technologies. In 2024, we entered into a licensing agreement with Johnson & Johnson ("J&J") for our STAT6 program under development as a next-generation oral treatment for type 2 inflammatory diseases. We believe the successful signing of this agreement is a testament to our strong in-house drug discovery capabilities. We are also focused on in-licensing development projects to expand our pipeline. We currently have 11 projects in the pipeline (as of June 2025). Looking ahead, we will continue our research and development while also making use of our U.S. subsidiary, Aadi Bioscience, Inc., with the goal of steadily launching new drugs that help extend the healthy life expectancies of patients around the world.

Progress of Priority Measures

We are making our in-house drug discovery processes more efficient by leveraging AI for drug discovery and utilizing external resources. We continue to strengthen our drug discovery research base, particularly in the three priority fields of the immune system, the nervous system, and infectious diseases. In 2024, we successfully out-licensed our STAT6 program. To expand our pipeline, we are focusing on the identification and evaluation of in-licensing candidates. As of June 30, 2025, we have enhanced our pipeline by in-licensing ESK-001, sebetralstat, and gMSC1.

Projects under Development

To expand the pipeline, in parallel with our in-house drug discovery, we are also proactively engaged in joint research and co-development, in-licensing of development projects and products, and M&A. Recent progress with development projects includes the start of Phase III trials on KC-8025 for primary biliary cholangitis. We have also in-licensed ESK-001, currently undergoing Phase III trials for psoriasis vulgaris, from Alumis Inc. In addition, we have signed a licensing agreement with TWOCELLS COMPANY, LIMITED, "TWOCELLS " on gMSC1, the first regenerative medicine product for KAKEN. Under the licensing agreement with J&J on the STAT6 inhibitor KP-723, KAKEN will be responsible for development up to the completion of Phase I trials.

Projects under Development (As of June 2025)

In-house discovery and in-licensing projects

* The development stage includes the preparatory period for clinical trials.

Development Code	Planned Indication	Development Stage*				Remarks
		Phase I	Phase II	Phase III	Application	
KAR	Head lice	Phase III				In-licensed from Arbor Pharmaceuticals, LLC Product name in the United States: Sklice
KP-001	Refractory vascular malformations	Phase III				Product discovered in-house
KC-8025	Primary biliary cholangitis	Phase III				In-licensed from CymaBay Therapeutics, Inc. (currently, Gilead Sciences, Inc.)
ESK-001	Plaque psoriasis	Phase III				In-licensed from Alumis Inc. Alumis is conducting joint international Phase III trials, including in Japan
KP-483	Solid tumors (immuno oncology)	Phase I				Product discovered in-house
KP-910	Peripheral neuropathic pain	Phase I				Product discovered in-house
Tildacerfont	Congenital adrenal hyperplasia	Phase I				In-licensed from Spruce Biosciences, Inc.
KP-001 (U.S.)	Refractory vascular malformations	Phase I				Product discovered in-house Consulting with the FDA on Phase III plan

Note: KP-723 is an oral STAT6 inhibitor in preclinical development and is the subject of a license agreement with J&J. Kaken will advance development to the completion of Phase I clinical trials.

Other development projects

Development Code	Planned Indication	Development Stage				Remarks
		Phase I	Phase II	Phase III	Application	
Sebetralstat	Hereditary angioedema	Filed				• The licensor, KalVista Pharmaceuticals, has submitted an application for marketing authorization approval • Holds exclusive marketing rights in Japan; FDA approval granted in the U.S. (overseas brand name: Ekterly)
gMSC1	Knee osteoarthritis with focal defect	Preparations underway for Phase III				• KAKEN's first in-licensed regenerative medicine product • Joint development and exclusive sales rights in the field of orthopedics in Japan
NM26	Atopic dermatitis	Phase II				• J&J is conducting clinical trials following the IP transfer • Under the commercial option agreement, KAKEN has the option to negotiate a marketing partnership for all indications that are approved in Japan

Note: The medical device "Silk-Elastin Wound Healing Sheet," for which a marketing authorization application had been submitted by the licensor, Sanyo Chemical Industries, Ltd., was approved on April 21, 2025.

FOCUS

Licensing agreement signed for the TYK2 inhibitor ESK-001

ESK-001 inhibits TYK2, a member of the JAK family of proteins that play a role in inflammatory signaling in autoimmune diseases. It is therefore expected to be effective against various diseases, including psoriasis, while avoiding the side effects produced by JAK inhibitors. Phase II trials overseas have already demonstrated Long-term efficacy and safety of ESK-001 in psoriasis patients, and similar results are expected from the Phase III trials currently underway including in Japan.

Licensing agreement signed for gMSC1, a three-dimensional artificial tissue derived from allogeneic synovial mesenchymal stem cells

gMSC1 is a three-dimensional artificial tissue derived from allogeneic synovial mesenchymal stem cells (MSCs). It has potential as a regenerative medicine product that can be used as a cell therapy to regenerate cartilage defects. This is expected to be KAKEN's first-ever regenerative medicine product. We are developing this product jointly with TWOCELLS and aim to deliver it as quickly as possible to patients suffering from orthopedic conditions.

Domestic Phase III trials started on KC-8025 for primary biliary cholangitis

KC-8025 is a selective peroxisome proliferator-activated receptor delta (PPARδ) agonist. It has been shown to regulate important metabolic and disease-progression pathways in liver disease, an area where there are substantial unmet medical needs. In 2024, this product was approved by the FDA in the U.S. for the treatment of primary biliary cholangitis and launched under the brand name of Livdelzi by Gilead Sciences, Inc. In 2025, it was also approved in Europe and the U.K. KAKEN is making steady progress with Phase III trials in Japan in order to provide patients with a new treatment option.

Comment from a Staff Member

Licensing agreement signed on the STAT6 program

STAT6 is a transcription factor involved in type 2 inflammation. It has come under the spotlight as a promising drug discovery target, but is also known as a challenging molecule for small molecule drug discovery. After persisting with our research for many years, we finally succeeded in identifying a promising drug candidate that targets STAT6. Given the potential for this drug candidate to be effective in a wide range of diseases, we aimed to form a partnership with a major pharmaceutical company as soon as possible because competition with global players has been intense in this field. After discussions with a number of different companies, we ultimately signed a licensing agreement with J&J. During the contract negotiations, our research was highly valued by J&J, resulting in the largest contract amount since KAKEN was founded. Through this partnership, we expect to quickly deliver this drug to patients around the world, and we think that the knowledge and experience gained will serve as a valuable asset for KAKEN's future drug discovery research and global expansion.



Yo Sonoda
General Manager of the Business Development Department

2nd X Overseas Expansion **Transformation**

Overseas Expansion of Clenafin and Ecclock

With the aim of further expanding the overseas development of products already marketed abroad, Almirall S.A. has filed for marketing authorization approval for Clenafin in Europe, obtained approval in Italy, and is currently awaiting approval in Germany. In China, we are collaborating with AIM and preparing to submit a marketing approval application with the Chinese regulatory authorities. We are also preparing to market Ecclock in partnership with South Korean company Dong-Wha Pharm Co., Ltd. Furthermore, we will continue to explore out-licensing in other major countries in Asia.

Out-licensed products overseas (as of June 2025)

Product	Planned Indication	Development Stage				Licensee
		Phase I	Phase II	Phase III	Application	
Efinaconazole (Clenafin)	Onychomycosis	Filed				Almirall S.A. (Germany) *marketing authorization approval granted in Italy in March 2025
Efinaconazole (Clenafin)	Onychomycosis	Phase III				AIM (China)
Sofpironium bromide (Ecclock)	Primary axillary hyperhidrosis	Filed				Dong-Wha Pharm Co., Ltd. (South Korea)

Progress of Overseas Expansion by Product



Aadi Subsidiary, Inc. (currently Aadi Bioscience, Inc.,) Acquisition overview

KAKEN acquired U.S. company Aadi as a wholly owned subsidiary on March 26, 2025. This acquisition has given KAKEN know-how and a U.S. sales platform in the rare diseases area through the marketing of FYARRO for malignant perivascular epithelioid cell tumor. In addition, to prepare for U.S. expansion of the in-house development project KP-001, the acquisition has accelerated the establishment of global commercialization structures, which is one of the targets for the 2nd X, Overseas Expansion Transformation, in the Plan.

We have positioned Aadi as our own marketing and sales base for the U.S. market and will now actively work on overseas expansion to respond to global medical needs.

Comment from a Staff Member

To address the evolving medical needs of the world, we are boldly advancing our global expansion and embracing new frontiers of challenge.



Akio Suzuki
General Manager of Global Planning & Coordination Department

The Global Planning & Coordination Department spearheaded KAKEN's first-ever cross-border M&A,* serving as the driving force in both design and execution. At the negotiation stage, we navigated a complex and shifting landscape by partnering with international legal and financial advisors, while aligning closely with management and valuation teams. With a steady view of the big picture, we successfully led the negotiations to closing within just six months—laying the foundation for our first step into overseas markets.

Post-acquisition, we are leading the establishment of Aadi's operational framework and management platform in close collaboration with the local team, working tirelessly to accelerate the growth of KAKEN Group.

Yet, the acquisition is only the beginning. True value creation lies in seamless integration and the generation of synergies. Looking ahead, we are committed not only to strengthening corporate value, but also to fostering cross-organizational knowledge sharing and talent development—so that more of our colleagues can flourish on the global stage.

* Cross-border M&A: Mergers and acquisitions conducted across national borders.

3rd X Management Base **Transformation**

Human Resource Strategy

We aim to make KAKEN a great place to work for all employees by shaping a corporate culture that creates opportunities to take on new challenges and establishing an internal environment for professional development. We are working to develop systems to support diverse work styles and to promote health and productivity management, and we have also introduced an Employee Stock Ownership Plan (J-ESOP) as a system to help improve engagement. In human resource development, we will actively promote individuals who demonstrate advanced professional skills and assign personnel to jobs according to aptitude. Moreover, by expanding training programs and introducing online learning tools, we are enhancing opportunities for personal development and reskilling.

DX Strategy

Our basic policy for digital transformation (DX) strategy is to optimize research and development and the value chain, and foster a corporate culture of continual transformation. With the goal of improving companywide productivity and strengthening our ability to create added value, we are driving operational transformation by placing DX initiatives, implemented across research and development, production, and marketing & sales, to serve as the operational foundation. We are also focusing on developing platforms to use untapped data and content resources by leveraging cloud and AI technologies. In parallel with this, we are implementing programs aligned with Japan's DX certification requirements through DX talent development and cybersecurity measures.

Digital Transformation Certification

Production Strategy

The basic policy of our production strategy is to maximize product value from a patient-first perspective and build a production system that ensures a stable and continuous supply of high-quality pharmaceuticals. For KP-001, which is undergoing clinical trials in Japan and overseas, we will be responsible for producing the investigational drug for U.S. trials and are developing the necessary systems for future commercial production in Japan and overseas. To augment our pharmaceutical production capacity, we have upgraded our facilities with greater automation and labor-saving technologies.

Crop Protection and Animal Health Products Business

Stepping up the overseas expansion of polyoxin fungicides derived from microbial fermentation of natural raw materials, and promoting their use in Japan, is the pillar of the Plan for our crop protection business. In Europe, regulatory review is underway to set an import tolerance (IT) level for residue of a crop protection product in imported crops, and we are working in parallel to obtain registration of our crop protection products.



FOCUS

Certified as a Foundation Establishment Implementation Plan entity under the Green Food System Strategy

Amongst the various global initiatives aimed at sustainable food production, Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) has formulated the MIDORI Strategy for Sustainable Food Systems and is implementing programs aimed at increasing production capacity and ensuring sustainability in the food and agriculture, forestry, and fishing industries. Through our work to promote the uptake of polyoxins, in January 2025 MAFF certified KAKEN as an entity to introduce environmentally-friendly technologies for farmers under the MIDORI Strategy for Sustainable Food Systems.

Check our website for details

Stable and Continued Supply of Pharmaceuticals, and Appropriate Provision of Pharmaceutical Information

Stable Supply of Pharmaceuticals

We are taking various measures to ensure the stable supply of pharmaceuticals. In sourcing pharmaceutical raw materials, we are increasing supply stability by diversifying suppliers to spread risk. In manufacturing processes, we have introduced manufacturing management, quality management, and document management systems, and strive to maintain and enhance quality through rigorous management of bulk drugs, manufacturing processes, and quality testing. We also optimize production plans based on demand forecasts and market trends, and secure appropriate stockpiles of raw materials and products to ensure that a stable supply of medicines is maintained even during emergencies. In addition, we are strengthening partnerships with suppliers in and outside Japan, and establishing a framework for information-sharing and cooperation.

Pharmaceutical Quality Assurance

KAKEN serves as both the pharmaceutical marketing authorization holder (Head Office) and a pharmaceutical manufacturer (manufacturing sites). We strive to maintain and improve quality by ensuring that these two functions fulfill their respective responsibilities while maintaining close cooperation. At our manufacturing sites, we ensure proper manufacturing control and quality control, while also fostering a culture of quality, through various educational programs that focus on instilling our corporate philosophy. Moreover, the Quality Assurance Department of the Head Office conducts regular reviews and checks of quality-related activities at our manufacturing sites, which results in a more robust quality assurance system. We have established a Quality Assurance Policy to achieve a stable supply of high-quality pharmaceuticals. Please refer to our website for details.

Quality Assurance Policy:
Check our website for details

Promoting Proper Usage of Pharmaceuticals

In order to ensure proper usage of prescription pharmaceuticals and medical devices, providing appropriate sales information based on high ethical standards and scientific evidence is essential. To that end, we have organized systems that ensure that sales information provision activities are appropriate. In addition, we have established the Drug Information & Marketing Supervision Department to handle supervision and guidance, including monitoring of sales information provision activities and screening of materials used in them. This department provides education and guidance to all employees, including MRs, about information provision activities.

In providing and collecting information pertaining to the proper usage of our pharmaceuticals and medical devices, we primarily focus on MR activities, while also providing and collecting such information through the Pharmaceuticals Information Service Office, a consultation desk for pharmaceutical-related matters, and via our website. The office promptly and accurately provides information on proper usage of pharmaceuticals in response to inquiries from medical professionals and patients, and reports their valuable feedback on our products to relevant departments in the Company, thereby contributing to improved pharmaceutical formulations.

Growth Strategy

Pharmaceuticals and Medical Devices

Business Overview

KAKEN's pharmaceutical business centers on drugs addressing diseases that still have no adequate treatments and drugs with novel dosage forms not previously available, primarily in the areas of dermatology and orthopedics. We have launched onychomycosis treatment Clenafin, primary axillary hyperhidrosis treatment Ecclock, and wound-healing agent Fiblast in the area of dermatology, and anti-osteoarthritis agent Artz and lumbar disc herniation treatment Hernicore in the area of orthopedics. These products are used by many patients. In the medical devices category, we supply Seprafilm, an absorbable adhesion barrier used to reduce the risk of complications from post-operative adhesions. In this way, we deliver innovative drugs that help to improve patients' QOL.



Main Pharmaceuticals and Medical Devices

Product	Therapeutic Area	Efficacy/Indication	Year Launched	Net Sales (FY2024; Billions of yen)
Clenafin	Onychomycosis treatment	• Onychomycosis	2014	16.9
Artz	Anti-osteoarthritis agent	• Knee osteoarthritis • Shoulder periarthritis, etc.	1987	19.0
Seprafilm	Post-operative adhesion barrier	• Reduction of post-operative adhesion	1998	7.0
Fiblast	Wound-healing agent	• Bedsores • Skin ulcers (burns and leg ulcers)	2001	2.4
Ecclock	Primary axillary hyperhidrosis treatment	• Primary axillary hyperhidrosis	2020	2.0
Regroth	Periodontal regenerative agent	• Alveolar bone loss due to periodontitis	2016	0.9
Hernicore	Lumbar disc herniation treatment	• Lumbar disc hernia (subligamentous extrusion)	2018	0.4

FOCUS

Acquired exclusive marketing rights in Japan for sebetralstat to treat hereditary angioedema

KAKEN has acquired exclusive marketing rights in Japan for sebetralstat, for which a marketing outhorization application has been filed in Japan as a treatment for hereditary angioedema by KalVista Pharmaceuticals, Inc. Hereditary angioedema is a rare disease causing sudden attacks of swelling (edema) accompanied by pain and fatigue. It can be life-threatening depending on where the edema occurs in the body. We are stepping up our efforts in rare diseases that still have no adequate treatments, for example by in-licensing development projects. We are working to get this product to as many patients and as quickly as possible.

Growth Strategy of Marketing & Sales Division

We Will Deliver Value That Contributes to Community Healthcare Through Our Commitment to Patients



Makoto Nakazawa
General Manager of Marketing & Sales Department

Our products have unique characteristics and have become leaders in the treatment of their respective disease areas, mainly dermatology and orthopedics. Because of their characteristics, our products offer value that can contribute to the extension of healthy life expectancy, a challenge as Japan's population ages. However, in the disease areas targeted by our products, one key issue is that many patients remain untreated. To improve patient access to care, we listen to feedback from medical professionals on what their patients say, while also working to raise awareness among medical professionals, in order to shape an environment in which patients can engage with their treatment with confidence. To increase the value of our products, we believe it is important to provide timely information on proper usage that aligns with the needs of medical professionals, collect safety information, and also gather information on needs at the frontlines of medicine to make our products even better. We strive to cultivate human resources who can communicate on the same wavelength as medical professionals, while also stepping up our information provision efforts using an omnichannel strategy that combines real-world and digital approaches in order to respond to diverse medical professional needs and work styles.

Digital Initiatives For Medical Collaboration

We are contributing to the extension of healthy life expectancy through the pharmaceuticals that we provide, and to improving the QOL of patients and their families. As a pharmaceutical company, we aim to help build healthy societies, so we are using digital platforms to connect with medical professionals and provide higher-quality healthcare information.

Comment from a Staff Member



Senichiro Watanabe
Marketing & Sales Department

Using digital initiatives to help build healthy societies in the era of 100-year lifespans

At KAKEN, we provide information and run support activities to meet needs at the frontlines of medicine, with the goal of helping all patients live longer healthy lifespans. As part of these efforts, we have launched the KAKEN Medical Pro website for healthcare professionals that goes beyond providing basic product information. We are utilizing it as a platform for delivering comprehensive primary care information, fostering digital connections with healthcare professionals, and providing content tailored to young doctors.

For specialized disciplines like orthopedics and dermatology, we are delivering content based on needs in the clinical setting or the latest treatment advances and useful information to support the clinical practice of young doctors. In addition, we are actively providing cross-disciplinary information that contributes to better connectivity in healthcare, such as interview-format articles on themes beyond the boundaries of individual clinical departments and professions, spanning multiple specialties and medical professionals. To continue acting as a good partner to medical professionals, we will use this platform as a hub for healthcare connectivity and help improve the quality of community healthcare to build a healthier society.



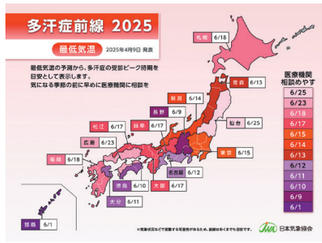
KAKEN Medical Pro website

Disease Awareness Initiatives

KAKEN implements disease awareness initiatives for conditions such as onychomycosis and primary axillary hyperhidrosis that affect patients' quality of life but remain under-recognized as diseases. In collaboration with universities, medical societies, and industry partners, we are working to generate evidence and organize seminars. We have signed partnership agreements with the cities of Yamagata (Yamagata Prefecture) and Fujieda (Shizuoka Prefecture) and are working together with the local governments to provide public lectures and other grassroots initiatives that are closely aligned with the needs of local communities. Through these activities, we are helping people living in local communities to live longer healthy lives.



Public lecture
(Fujieda City)



Evidence generating session
(At the Frontlines of Hyperhidrosis, 2025)

Crop Protection and Animal Health Products Business

Business Overview

KAKEN's Agribusiness Division works to contribute to sustainable food production systems by supplying safe and eco-friendly crop protection products, feed additives, and veterinary medicines to farmers and other food producers. Polyoxins derived from microbial fermentation processes using natural raw materials are fungicidal products that are safe for humans and animals and have less impact on the environment. They are marketed for the control of crop diseases in 22 countries and regions as of May 2025. Polyoxins are certified as materials for organic crops in the U.S., New Zealand, and Australia, and we expect their use to spread further. Pentoxazone has been used as an important ingredient for controlling weeds in the early growth stages of paddy rice fields for more than 20 years. Metamifop has been increasingly used as a post-emergence herbicide to control grasses such as barnyard grass. We support livestock farmers by supplying Salinomycin, an anticoccidial feed additive for chickens, and Uroston, a veterinary medicine for ureteral calculus of cattle.



Growth Strategy of Crop Protection & Animal Health Products Division

Contributing to Sustainable Food Production Systems by Providing Eco-Friendly Crop Protection Products



Takuya Ueda
General Manager of Crop Protection & Animal Health Products Division

Demand for food continues to rise with the growing global population, making safe and sustainable food production a challenge for the sustainable growth of the world. One of the key questions therefore is how agrochemicals can play a role in protecting crops and contribute to sustainable farming. The Agribusiness Division bases its growth strategy on contributing to sustainable food production through the research, development, manufacture, and supply of crop protection products based around our core fermentation technology. Polyoxins are derived from microbial fermentation processes using natural materials, and we are working to increase the number of countries that certify polyoxins as organic materials in line with the trend for increased cultivation of organic crops. We will secure sustainable growth through strategies to expand our business on overseas markets, such as applying for import tolerance levels to be set in Europe and obtaining pesticide registration in countries where this product is not yet authorized.

Sustainability Strategy

In a rapidly changing business environment, KAKEN formulated a sustainability policy in 2022 to speed up initiatives for realizing a sustainable society together with its stakeholders.

Based on this policy, we aim to enhance KAKEN's corporate value and to create a sustainable society.

Sustainability Policy

KAKEN will work to achieve sustainable growth and contribute to the sustainable development of society by providing pharmaceutical products that address unmet medical needs and eco-friendly agrochemicals.

To accomplish these goals, KAKEN will pursue the "Three Joys" in its business philosophy to create many smiles together with its stakeholders.

Pursuit of the "Three Joys"

- We will pursue "Joy for patients" by identifying needs on the frontlines of medicine and working to provide new treatment options from unique viewpoints.
- We will pursue "Joy for society" by practicing flexible and sustainable management that is also responsive to the needs of society through the supply of pharmaceutical products.
- We will pursue "Joy for employees" by ensuring our employees take pride in their work of bringing smiles to many people and creating new value.

Corporate Philosophy

KAKEN helps improve the quality of life of patients by serving as many people as possible to return smiles of happiness to their faces, through supplying superior pharmaceuticals.








Business Philosophy: KAKEN "Three Joys"

- Joy for patients
- Joy for society
- Joy for employees

Priority Issues

Sustainability Policy

- Human Resource Strategy
- Basic Approach to Corporate Governance
- KAKEN Basic Environmental Policy

Sustainability Promotion Structure

The KAKEN Group is promoting sustainability management with the mission of delivering value to society and contributing to the achievement of a sustainable society by putting its corporate philosophy into practice. The Sustainability Committee, chaired by the Director in charge of the General Affairs Department, has been established to advance that effort. The committee is made up of members from the Corporate Planning & Coordination Department, Corporate Communications Department, Legal Affairs & Intellectual Property Department, General Affairs Department, Human Resources Department, and Global Sourcing & Alliance Department. They identify and narrow down the list of material issues, deliberate and review concrete measures for addressing these issues, and report the results to the Board of Directors. The Board of Directors deliberates on and formalizes the list of material issues based on those identified by the Sustainability Committee, and supervises the progress of matters reported by the Sustainability Committee. In addition, Environmental, Human Rights, Human Capital, and Supply Chain subcommittees have been set up as subordinate organizations of the Sustainability Committee to conduct specialized reviews of material issues.

Sustainability Promotion Structure

		Roles
Supervise	Board of Directors Meetings	• Discuss and designate material issues • Supervise progress of matters reported by the Sustainability Committee • Approve policy revisions
Execute	Sustainability Committee Chair: Director in charge of the General Affairs Department Secretariat: Sustainability & Risk Management Group, General Affairs Department Members: General Managers of the following departments: Corporate Planning & Coordination Department, Corporate Communications Department, Legal Affairs & Intellectual Property Department, General Affairs Department, Human Resources Department, and Global Sourcing & Alliance Department, etc.	• Identify and narrow down material issues • Monitor progress of matters reported by subcommittees • Formulate policy revision proposals
	Environmental Subcommittee Chair: General Manager of General Affairs Department Human Rights Subcommittee Chair: General Manager of Legal Affairs & Intellectual Property Department Human Capital Subcommittee Chair: General Manager of Human Resources Department Supply Chain Subcommittee Chair: General Manager of Global Sourcing & Alliance Department	• Plan concrete measures for addressing material issues and check their progress • Identify material issues that may require new initiatives in the future
	Companywide organizations, Group companies	• Execute and report on concrete measures

Activities

The KAKEN Group revised its material issues in April 2024. The Sustainability Committee identified social issues, taking into account the Company's business, business plans, and various frameworks (including GRI standards, SASB standards, S&P Global and ISO 26000), and ESG evaluation items (from FTSE, MSCI and others). These issues were then narrowed down on two axes—"Relevance to KAKEN's business" and "Impact on stakeholders." To address these material issues, the Sustainability Committee meeting is held in principle twice a year to monitor performance against KPIs and progress with concrete measures reported by each subcommittee, as well as to formulate policies for sustainability activities. Our aim continues to be the sustainable growth of the company based on the Sustainability Policy. At the same time, we will contribute to the sustainable development of society by carrying out specific initiatives for addressing material issues related to governance, the environment (including climate change), human rights, human capital, supply chains, and other subjects.

In FY2024, the Sustainability Committee meeting was held twice, and the results of the committee's discussions were put on the agenda of and reported to the Board of Directors. The main topics of discussion were as follows.

1 Fourth Meeting (April 2024)

- Deliberate on revisions to material issues
- Deliberate on holding sustainability meetings

2 Fifth Meeting (January 2025)

- Report on activities of the Sustainability Committee
- Deliberate on a roadmap to achieve the KPIs for each material issue

Environmental Management

Joy for society

KAKEN is taking measures to address climate change, environmental pollution, resource depletion, and other environmental issues to realize a sustainable society.

KAKEN Basic Environmental Philosophy

As a pharmaceutical company that endeavors to improve the quality of life of patients through the supply of superior pharmaceuticals, and based on the idea of "Joy for society," KAKEN shall recognize its social responsibility and work to protect, maintain and enhance the global environment in all aspects of its business activities.

KAKEN Basic Environmental Policy

Check our website for details

In line with its basic environmental philosophy, KAKEN shall take measures to address climate change and other environmental issues, and contribute to the realization of a sustainable, prosperous society.

1. Establish and maintain an environmental management system
2. Comply with environmental laws and regulations
3. Reduce environmental burden
4. Develop eco-friendly products and technologies
5. Cooperate with local communities
6. Raise environmental awareness

Materials Balance of Business Activities

Each and every employee at the Shizuoka Site and the Drug Research Center in Kyoto recognizes input and output that place burden on the environment during the course of business, ranging from research and development to production and office activities, and is working to reduce environmental pollution.

Chemical Substances (Substances subject to the PRTR system)

Normal hexane	1.7 tons
Chloroform	2.0 tons
Zinc compounds	0.0 tons
Toluene	3.8 tons
Dichloromethane	14.0 tons

Energy

Electric power	26,869,448 kWh
LPG	3.7 tons
City gas	4,452,287 Nm³

Water 3,044 thousand m³

Office Paper 1.10 million sheets

Other Packaging Materials
- Plastics
- Paper

Raw Materials
- Glucose
- Yeast, etc.

INPUT → **Business Activities**: R&D activities / Production activities / Office activities → OUTPUT

Discharge into the Water System
Amount of wastewater 2,303 thousand m³

Emissions into the Atmosphere
CO_2 17,595 t-CO_2
(Excludes 3,066 t-CO_2 from carbon-free electricity)

Waste
Amount of waste generated 1,170 tons
Amount of final disposal 22 tons

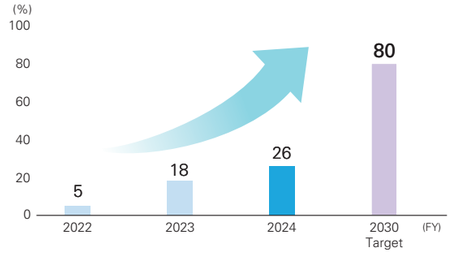
Reduction of CO_2 Emissions and Energy Saving

We participate in the Carbon Neutrality Action Plan that the Federation of Pharmaceutical Manufacturers' Associations of Japan (FPMAJ) helped to create, and we agree with the FPMAJ's long-term vision of net zero CO_2 emissions in 2050 and a 46% reduction of CO_2 emissions by FY2030 compared with FY2013. In addition, the KAKEN Group is curbing CO_2 emissions to achieve a more ambitious in-house goal of a 51% reduction by FY2030 compared with FY2016 levels.

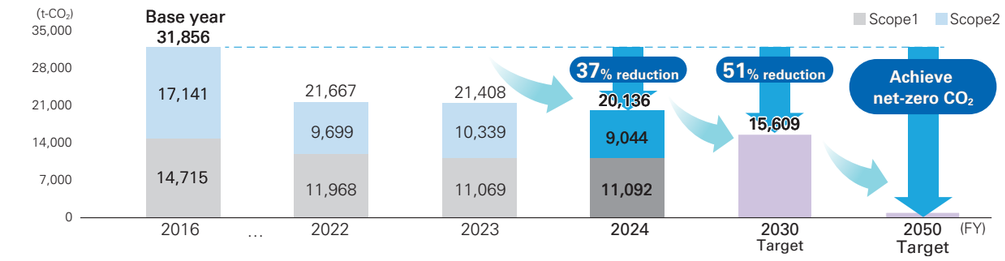
To achieve this goal, at the Shizuoka Site and the Drug Research Center in Kyoto, which account for more than 90% of the entire Company's energy consumption, we are proactively installing high-efficiency equipment and conducting ongoing energy-saving activities. At the Head Office, we are replacing fluorescent lights with LED lights and optimizing air conditioner temperature settings to reduce electricity consumption. At the Drug Research Center in Kyoto, in addition to the aforementioned initiatives, we participate in Kyoto City's "Lights Down" campaign, turning off outdoor and other lighting on the 16th of each month.

To reduce emissions further, in January 2023 we began purchasing carbon-free electricity at the Head Office and Shizuoka Site. Moving forward, we plan to increase the percentage of carbon-free electricity in a step-wise fashion and enter into an off-site solar power generation PPA with plans to start generating electricity from FY2027. We have set a target for carbon-free electricity to account for at least 80% of the power used Companywide by FY2030.

Percentage of carbon-free electricity



CO_2 emissions



Proper Management of Waste and Wastewater

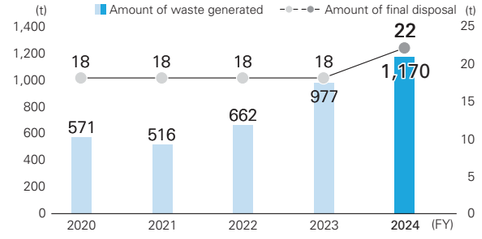
Resource depletion, waste disposal, and other issues that impact the environment are closely related to corporate activities, and addressing them has become a challenge for society. To help realize a sustainable society, we have set KPIs for reducing the total amount of waste that we generate, increasing our recycling rate (to 90% or higher), and reducing the final landfill disposal rate (to 5% or less).

In FY2024, the total amount of waste generated by the Shizuoka Site and the Drug Research Center in Kyoto was 1,170 tons. At the Shizuoka Site, 47.9% was sludge produced during the treatment of wastewater and residues from fermentation processes (animal and plant residues). The entire amount of sludge and residues generated is being used as composting and related materials. We also worked to recycle other wastes and recovered 44.5 tons of valuable materials (accounting for 3.9% of total waste). At the Drug Research Center in Kyoto, we worked to reuse refurbished research equipment, and we recovered 2.1 tons as valuable materials, or 5.1% of the total amount of waste generated.

As a result of these activities, the recycling rate reached 97.0%, and the final amount of disposal in landfills was 22 tons (a final disposal rate of 1.9%). The total amount of waste generated increased compared with the previous fiscal year, but we met our KPI targets for the recycling rate and for the rate of final disposal in landfills. We will continue to expand activities with a focus on waste reduction and recycling.

For wastewater, the Shizuoka Site separates wastewater from production activities into organic and other wastewater. Organic wastewater undergoes treatment using activated sludge, after which it is mixed with other wastewater until the mixture is diluted to within domestic wastewater standards. It is subsequently discharged into rivers. When these wastewater standards were established in 1976, the site entered into an agreement with Fujieda City, Shizuoka Prefecture, regarding pollution prevention. At the Drug Research Center in Kyoto, organic wastewater and wastewater from other systems undergo activated sludge treatment after being collected in combined treatment tanks, before being discharged into the public sewer system. When discharging such wastewater, the Drug Research Center adheres to its own internal standards, which are stricter than those of the city of Kyoto, and periodically reports the results of its measurements.

Amount of Waste Generated/Amount of Final Disposal



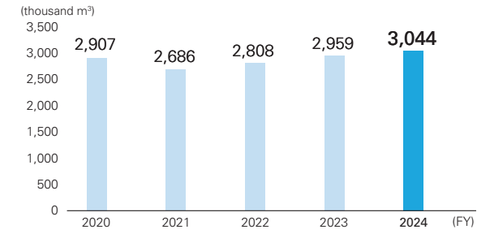
Efficient Use of Water Resources

As the worldwide problem of water resources becomes increasingly serious, we understand that water is a limited and valuable resource, and have set the medium- to long-term goal of reducing water consumption by 10% by FY2030 compared with FY2016 levels. To realize a sustainable society, we will manage the amount of water intake and amount of wastewater, and use limited water resources effectively by conserving water to support the creation of a sustainable society.

The Shizuoka Site benefits from a plentiful supply of water from the Oi River. However, due to concerns that climate change, environmental changes around the site, and other factors could lead to a shortage of water resources in the future, we are striving to reduce our water usage. One of the initiatives being implemented by the site is switching its water pump to an inverter type to enable fine adjustments in the amount of groundwater drawn, and circulating and reusing the cooling water in the factory.

We will continue to promote efficient use of water resources from the standpoint of business sustainability.

Water consumption



Climate-Related Disclosure Based on TCFD Recommendations

KAKEN adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in February 2023. We analyzed the risks and opportunities that climate change will bring to our business and, in accordance with the TCFD recommendations, organized them into four categories—governance, strategy, risk management, and metrics and targets.

We recognize that climate change is a risk category related to the priority issues that we need to address for sustainable growth, so we analyzed the risks and opportunities that climate change will bring. We then analyzed these climate change risks and opportunities from the perspectives of impact on KAKEN's business, time frame until these impacts materialize, and financial impact. We summarize our assessments below.

Main Risks and Opportunities, and KAKEN's Strategies

Maximum Rise in Average Annual Temperature by Scenario	Issue	Risks/ Opportunities	Description	Expected Time Frame*	Expected Financial Impact (Millions of yen)*	KAKEN's Strategy
4℃	Intensification of climate change	Risks	• Damage to the Company's operating sites due to intensification of climate change • Raw material delivery delays and price increases due to logistical disruptions	Short to long term	Between –570 and –280[1]	• Formulate a business continuity plan that includes determining flooding of sites/facilities based on hazard maps. • Consider decentralized procurement.
		Opportunities	• Growing requests for stable pharmaceutical supply capability in the event of a disaster, and an increase in customers and sales if KAKEN is able to respond adequately		Small	
	Changes in climate patterns	Risks	• Increase in pharmaceutical quality control costs during manufacturing, storage, and distribution as a result of rising temperatures	Medium to long term	Between –30 and –20[2]	• Install high-efficiency equipment in factories and research centers. • Adopt third-party logistics[5] to improve logistical efficiency, and conduct joint transportation. • Conduct related research and product development.
		Opportunities	• Increase in demand for pharmaceuticals due to increased specific disease risks or infectious diseases resulting from rising temperatures • Increase in demand for crop protection products due to switching crops and increasing damage from plant disease caused by climate change		Small	
	Decrease in biodiversity	Opportunities	• Expectations for eco-friendly materials will increase, and demand for fermentation-derived crop protection products will increase	Medium to long term	Small	• Maximizing value based on growth strategy of polyoxin fungicides derived through microbial fermentation.
	Change in energy costs	Risks/ Opportunities	• Change in operating costs due to fluctuating prices for electricity used at each site	Medium to long term	Between –30 and –20[3]	• Set greenhouse gas reduction targets, with carbon neutrality in 2050 as a long-term vision. • Switched to carbon-free electricity for 20% of the electricity used at the Shizuoka Site in January 2023. Planning a gradual increase. • Switching from fluorescent lights to LED lighting and optimizing temperature settings of air conditioning to reduce energy consumption at the Head Office.
1.5℃	Introduction of carbon tax	Risks	• Increase in cost of each activity at business sites and transportation due to introduction of carbon tax	Medium to long term	Between –600 and 0[4]	

* "Short term" is defined as 0–1 year, "medium term" as 1–5 years, and "long term" as 5–30 years. Under expected financial impact, "Large" means that the financial impact on the Group's businesses is expected to increase significantly, and "Small" means that the financial impact on the Group's businesses is expected to increase slightly. For the 1.5℃ scenario (with partial reference to the 2℃ scenario), we referred to International Energy Agency (IEA) World Energy Outlook (WEO) 2022 Net Zero Emissions (NZE) and Announced Pledges Scenario (APS), as well as the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5) Representative Concentration Pathway (RCP) 2.6. For the 4℃ scenario, we referred to IEA WEO 2022 Stated Policies Scenario (STEPS) and IPCC AR5 RCP 8.5.

1. The cost of damage from disasters at each location is estimated based on *Manual for Economic Evaluation of Flood Control Investment* (Ministry of Land, Infrastructure, Transport and Tourism). Damage information (damage rate, number of days business disrupted/suspended) is specified for each location on the flood hazard map.
2. Estimated from the Company's electricity consumption, future electricity prices and the rate of increase in air conditioning usage (referring to figures in *World Energy Outlook 2019* and *The Future of Cooling*, both publications of the International Energy Agency)
3. Estimated from the Company's electricity consumption and future electricity prices (referring to figures in *World Energy Outlook 2019* of the International Energy Agency)
4. Estimated from the Company's greenhouse gas emissions and future carbon tax prices (referring to figures in *World Energy Outlook 2021* of the International Energy Agency)
5. Third-party logistics (3PL): An arrangement whereby logistics operations are outsourced to a specialized external company.

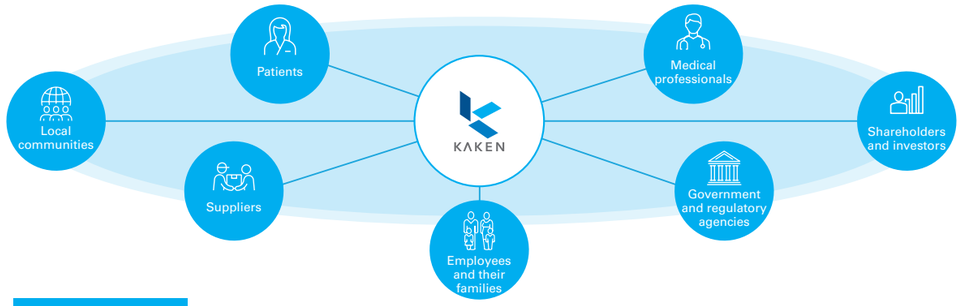
Scenario analyses revealed that no climate-related risks with a significant financial impact on our business activities are expected, and that as an opportunity, demand for our pharmaceutical products and crop protection products may increase. As a pharmaceutical company that endeavors to improve the QOL of patients through the supply of superior pharmaceuticals, KAKEN recognizes its social responsibility and will work to protect, maintain, and enhance the global environment in all aspects of its business activities.

Check our website for details

Strengthening Relationships with Stakeholders to Achieve Sustainability

Joy for society

We are building trust with stakeholders through direct communications to increase corporate value and realize a sustainable society.



Local communities

Environmental Beautification Activities

The Shizuoka Site benefits from the waters of the Oi River, a Class A river in Japan. The site works to protect the environment of the Oi River through river beautification activities conducted every April. While these activities are carried out as part of the site's efforts to contribute to society, they are also an opportunity to foster friendly relationships with newly hired employees. In 2025, 92 employees participated in these beautification activities.

The Kyoto Site is a member of the Yamashina Beautification Promotion Corporate Council, which helps foster collaboration with the local community. Every spring and fall, we organize clean-up activities along the Shinomiya River, which flows near the Kyoto Site. Our employees work together with staff from the Rakuwakai Otowa Hospital to beautify the area and preserve the environment. Through these activities, we are contributing to the creation of a more livable community in the Yamashina district.


Newly hired employees participating in beautification activities (Shizuoka Site)


Clean-up activities (Kyoto Site)

Local communities

Community Engagement

In March 2025, KAKEN entered into a comprehensive agreement with Fujieda City, Shizuoka aimed at promoting health and disease prevention and fostering local industries. By deepening our collaboration with local communities, we work together to address a variety of regional challenges and, by promoting community revitalization and public health, contribute to the sustainable development of the region.



Right: Shohei Kitamura, Mayor of Fujieda City
Left: Keizo Kimura, Corporate Officer, Chief of Shizuoka Factory

Shareholders and investors

Enhancing Dialogue with Investors and Disclosure

To maintain and strengthen relationships of trust with shareholders and investors, we are enhancing dialogue and disclosure. The content of such dialogue is regularly shared with the Board of Directors and used to inform decision-making on improving corporate value. To enhance our information disclosure, we hold earnings briefings twice a year, where we present not only our financial results, but also business strategies, initiatives in response to changes in market conditions, and progress in our pipeline. We aim to ensure fair and transparent information disclosure and began streaming investor meetings online from FY2024 and providing meeting transcripts from FY2025. Through these initiatives, we are increasing both the quality and quantity of information that we disclose to investors, thereby enhancing dialogue and building relationships of trust.

Employees

Briefings by Officers

Since FY2024, KAKEN has held briefings at all our business offices and sites, where employees have the opportunity to hear directly from the officers on topics such as progress with Long-Term Business Plan 2031 and the strengthening of our management foundation. We are promoting direct communication between management and employees and are working to share a clear vision of our future direction in order to foster a sense of unity across the entire organization. We believe that this type of dialogue can increase employee engagement, which in turn leads to sustainable growth for KAKEN.


Briefing session

Strengthening Corporate Governance

Joy for society

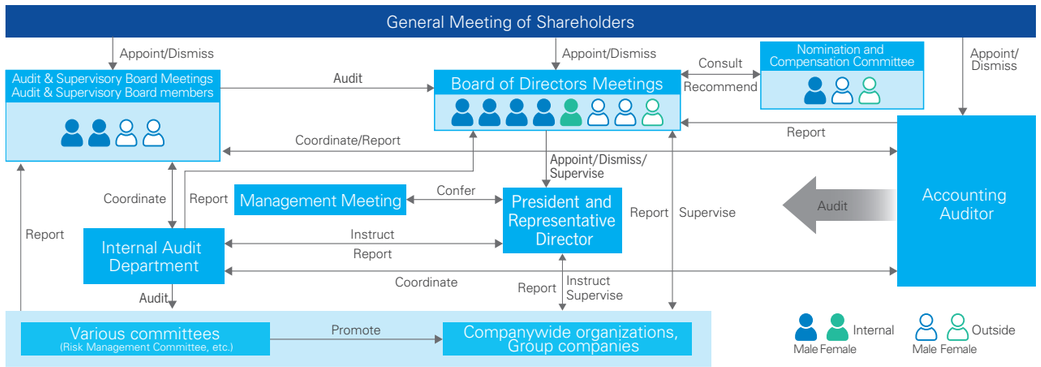
Basic Approach to Corporate Governance

KAKEN's business philosophy is centered on what we call the "Three Joys"—"Joy for patients," "Joy for society" and "Joy for employees." "Joy for society" is based on the principle that KAKEN recognizes its social responsibility as a pharmaceutical company, engages in all activities with high ethical standards, and aspires to earn society's trust. Accordingly, the tasks of enhancing corporate governance, ensuring the transparency of management, and providing our stakeholders with proper explanations of the Company's activities are among our top management priorities.

Corporate Governance Structure

KAKEN has adopted an Audit & Supervisory Board system, taking into consideration the scale of its business, management monitoring functions, and other circumstances. Audit & Supervisory Board members attend important meetings, including Board of Directors meetings, to ensure the fairness and transparency of management decision-making and execution by auditing the execution of duties. In addition, KAKEN has adopted the corporate officer system to speed up decision-making and to clarify responsibility for the functions of supervision and execution of business.

Corporate Governance Structure (As of June 27, 2025)



Overview of Board of Directors Meetings, Audit & Supervisory Board Meetings, Nomination and Compensation Committee, and Number of Meetings in FY2024

	Board of Directors Meetings	Audit & Supervisory Board Meetings	Nomination and Compensation Committee
Overview	Board of Directors meetings are regularly held once a month, and extraordinary meetings are held when necessary. As the management decision-making body, the Board of Directors adopts resolutions on matters deliberated at Board of Directors meetings as stipulated by laws and regulations and the Articles of Incorporation. It also discusses management strategies, business plans, and other important management issues, and receives reports on the status of business execution, as necessary. Audit & Supervisory Board members attend meetings of the Board of Directors and express their opinions. Corporate officers also participate to ensure that management policies are implemented thoroughly.	Audit & Supervisory Board meetings are regularly held once a month. The Audit & Supervisory Board also holds scheduled meetings with the Accounting Auditor for proactive discussions and information exchange, as part of a system where fair audits are implemented.	Comprised of a majority of outside directors, the Nomination and Compensation Committee serves as an advisory body to the Board of Directors, deliberating on the nomination of directors, Audit & Supervisory Board members and other members, and on the compensation of directors and other members, as well as providing advice and recommendations to the Board of Directors. Nomination and Compensation Committee meetings are held two to four times a year, and further meetings are held when necessary.
Number of Meetings in FY2024	26	13	4

Outside Directors and Outside Audit & Supervisory Board Members

The role of outside directors is to provide advice and supervision, based on their expertise. They contribute to the Company's sustainable growth by directly engaging in decision-making at meetings of the Board of Directors, and appropriately reflecting the opinions of stakeholders, including minority shareholders, at Board of Directors meetings from a neutral and independent standpoint.

The role of outside Audit & Supervisory Board members is to strengthen the auditing function and ensure the transparency and objectivity of management by auditing the execution of duties by directors, based on their expertise and from a neutral and independent standpoint.

The Company has not set criteria, etc., for appointing outside directors and outside Audit & Supervisory Board members. However, in making appointments, the Company pays due consideration to their independence from the Company so that the neutrality of their role will not be impaired. There is no special interest between the Company and any outside director or outside Audit & Supervisory Board member.

Reasons for Selection of Outside Directors and Outside Audit & Supervisory Board Members

Name	Attendance: Board of Directors Meetings	Attendance: Audit & Supervisory Board Meetings	Reason for Selection
Shoichiro Takagi	100% (26/26)	—	Mr. Takagi has experience, insight, and a record of achievements from corporate management at several companies including one in the pharmaceutical industry. The Company believes that based on his knowledge cultivated as a corporate manager, Mr. Takagi will provide advice that contributes to the medium- to long-term growth of the Company and will supervise business execution from an independent standpoint.
Yasutomo Inoue	96% (25/26)	—	As an attorney at law, Mr. Inoue has acquired experience and professional expertise in corporate legal work. The Company believes that based on his knowledge as an attorney, Mr. Inoue will provide advice that contributes to the medium- to long-term growth of the Company and will supervise business execution from an independent standpoint.
Satoko Ishikawa	100% (21/21)※	—	Ms. Ishikawa has extensive expertise based on her experience as a Doctor of Pharmacy and a university professor. The Company believes that based on her knowledge cultivated in her work at a university and other organizations, Ms. Ishikawa will provide advice that contributes to the medium- to long-term growth of the Company and will supervise business execution from an independent standpoint.
Hiroaki Matsumoto	96% (25/26)	100% (13/13)	In addition to being a certified tax accountant, Mr. Matsumoto has extensive experience and a record of achievements at the National Tax Agency, as well as abundant knowledge and insight in the field of finance and accounting. The Company believes that Mr. Matsumoto will apply this expertise to the Company's audit system.
Masahiro Koyama	100% (26/26)	100% (13/13)	Mr. Koyama has extensive experience in the financial industry, achievements as an executive, and the insight that he has cultivated through his experience. The Company believes that Mr. Koyama will apply this expertise to the Company's audit system.

* Appointed on June 27, 2024

Effectiveness Evaluation of the Board of Directors

Directors and Audit & Supervisory Board members attend the extraordinary Board of Directors meetings, while corporate officers also join the regular Board of Directors meetings. All participants contribute to multifaceted deliberations based on their expertise and experience, and make management decisions in a timely and appropriate manner. The outside directors and outside Audit & Supervisory Board members in particular contribute a wide range of opinions and suggestions without being constrained by Company norms, and play an important role in the proper functioning of the Board of Directors. Furthermore, the Board of Directors has judged that its effectiveness is secured, having taken into consideration the situation described above and referring to the self-evaluation results based on questionnaire surveys conducted for each director as well as interviews with the Chairperson of the Board of Directors.

- Method of Evaluation
  Internal directors: Questionnaire survey
  Outside directors: Interview with the chairman of the Board of Directors
- Main Evaluation Items
  Is the Board of Directors functioning properly (Board composition, operation, content of proposals, status of discussions and deliberations, provision of information to outside directors, roles and supervision, etc.)

Issues in FY2023	Measures in FY2024	Future Issues
• Advance briefings on agenda items for outside directors have improved understanding, but explanations, including the progress of internal discussions and points at issue, should be further enhanced • Discussion on future measures, including long-term strategy and overseas expansion, should be further deepened • Measures for optimization of Board of Directors composition, including appointment of female directors, should be further considered	• The level of discussion was deepened and discussion content was enhanced, including deliberations over long-term strategy and overseas expansion • Advance briefings for outside directors created a mechanism that supported effectiveness • Board of Directors meetings were conducted efficiently • Sufficient time was allocated for advance briefings on major agenda items	• Prepare materials that highlight important points, such as target achievement rates, and devise ways to make the information easy to understand • Promote personnel appointments based on ability and performance while also taking into account diversity • Consider incorporating effectiveness evaluation by third parties

Strengthening Governance

To achieve sustainable growth and increase corporate value over the midium to long term, KAKEN aims to realize efficient, fair, and highly transparent management by being accountable and building good relationships with all stakeholders. The Company will continue working to evolve and strengthen corporate governance.

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Total number of members of the Board of Directors	8	9	9	8	8	8
Outside directors incl. in the above	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)
Total number of Audit & Supervisory Board members	4	4	4	4	4	4
Outside members incl. in the above	2	2	2	2	2	2
Committee (Advisory body to the Board of Directors)	○ Establishment of Nomination and Compensation Committee					
Officer Compensation	○ Introduction of performance-linked stock compensation plan			○ Increase in nonmonetary compensation ratio		○ Implementation of the revised officer compensation plan
Chairperson of the Board of Directors	Tetsuo Onuma			Hiroyuki Horiuchi		
Diversity of the Board of Directors	○ Appointment of female directors			○ Disclosure of skill matrix	○ Revision of skills	
Corporate Governance Code	Fully complied	Fully complied	Fully complied (Code prior to revision)	Explanation: 2 items (Revised code)	Explanation: 1 item	Fully complied

Officer Compensation

1. Basic policy

In an effort to provide an incentive to contribute to the sustainable growth of KAKEN, the compensation for the Company's directors comprises basic compensation, bonuses, and stock compensation, which are determined by comprehensively taking into consideration the Company's medium- to long-term performance as well as past payment amounts, in addition to the responsibilities of the directors. The Company started implementing the revised system of bonuses and stock compensation for directors (excluding outside directors) in FY2024.

2. Policy regarding determination of the amount of individual basic compensation (monetary compensation), including the policy regarding determination of the timing and requirements for granting compensation, etc.

Basic compensation is fixed monthly compensation, which is determined comprehensively by taking into consideration the director's position and responsibilities, compensation levels at other companies, the Company's performance, and employee salary levels, within the scope approved at the General Meeting of Shareholders.

3. Policy regarding the content of and the calculation method for the monetary amount paid or number of shares granted as performance-linked compensation and nonmonetary compensation, including the policy regarding determination of the timing and requirements for granting compensation, etc.

Performance-linked compensation is cash compensation that reflects key performance indicators (KPIs). The amount is calculated based on a coefficient obtained by prorating the degree of achievement of KPI targets (for consolidated net sales, consolidated adjusted operating profit, the number of in-licensed projects and M&As, and the number of projects under development for each fiscal year). It is paid as a bonus following approval at the General Meeting of Shareholders.

Factors used to calculate director bonuses (excluding outside directors)		Weight
KPIs	1) Consolidated net sales	30%
	2) Consolidated adjusted operating profit*	30%
	3) Number of in-licensed projects and M&A	20%
	4) Number of projects under development	20%

* Excluding the impact of one-time in-licensing fees etc., on operating profit.

Nonmonetary compensation is paid in the form of stock compensation through a Board Benefit Trust, which is a stock compensation plan linked to business performance that provides stock and other benefits upon retirement. Linked to medium- and long-term performance and paid out as stock or equivalent benefits upon retirement, stock compensation is calculated based on coefficients obtained by prorating the degree of achievement of business plan KPI targets for relative TSR,* adjusted ROE, number of projects under development that obtained PoC, and employee engagement, in accordance with the Officer Stock Benefit Regulations. The total amount of stock compensation is set within the limits approved at the General Meeting of Shareholders.

* Total Shareholder Return: The total investment return for shareholders, including capital gains and dividends

KPIs for Board Benefit Trust	Weight
Relative TSR (3 years) Compared with TOPIX-17 Pharmaceutical Index	25%
Adjusted ROE Calculated by adding back 70% of one-time in-licensing fees (after tax considerations) to consolidated net profit	25%
Number of projects under development that obtained PoC PoC obtained: Validity of a new drug has been demonstrated under clinical trials	25%
Percentage of responses from employees regarding engagement The percentage of positive responses to items measured is used as an indicator for understanding the job satisfaction of employees	25%

4. Policy regarding determination of the proportions of monetary compensation, performance-linked compensation, and nonmonetary compensation within the total compensation for each director

The Nomination and Compensation Committee examines the ratio of directors' compensation by type, using similarly sized companies in related industries and lines of business as benchmarks and considering factors such as past compensation levels.

The Board of Directors (the President and Representative Director, delegated by the Board as specified in 5., below) takes into account the Nomination and Committee's recommendations and uses them as a reference point when determining the ratios of compensation by type for individual directors.

Benchmark Ratios of Compensation by Type (Assuming 100% Achievement of KPI Targets)

Position	Basic Compensation	Performance-linked Compensation	Nonmonetary Compensation
Representative director	60%	25%	15%
Managing director	60%	25%	15%
Directors	60%	25%	15%

5. Determination of specific details of compensation for individual directors

Based on a resolution of the Board of Directors, authority to determine the specific details of compensation for individual directors has been delegated to President and Representative Director Hiroyuki Horiuchi. The scope of his authority includes determining the amount of basic compensation for each director, as well as the evaluation and allocation of bonuses and stock compensation based on the performance of each director's respective business area. To ensure that this authority is exercised properly, the Board of Directors will consult with and receive recommendations on the draft proposal for compensation from the Nomination and Compensation Committee, of which outside directors comprise a majority. The President and Representative Director will then take these recommendations into account when exercising his delegated authority in making decisions.

Total Amount of Compensation, Total Amount of Compensation by Type, and Number of Eligible Officers by Category in FY2024

Position	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)			Number of Eligible Officers
		Basic Compensation	Bonuses	Stock Compensation	
Directors (excluding outside directors)	322	184	86	51	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	48	48	–	–	2
Outside officers	37	37	–	–	6

*Stock compensation represents a provision for share awards in FY2024.

Policy on Cross-Shareholdings

KAKEN owns stocks as cross-shareholdings only when it has determined that they will contribute to the improvement of the corporate value of the KAKEN Group from a medium- to long-term perspective, taking into consideration factors such as their necessity for business strategy and maintaining and strengthening business relationships. As appropriate, the Company reduces holdings of stocks for which it judges ownership to have low significance. Based on this approach, the Company has announced a policy of reducing its cross-shareholdings by 30% (on a market value basis), within five years from April 2024, compared with the amount held on March 31, 2024.

Each year, the Board of Directors comprehensively examines the significance, purpose, circumstances of acquisition, and the benefits and risks associated with each of its cross-held stocks in both qualitative and quantitative terms, including capital costs, trading conditions, and cost performance in terms of changes in share value, dividends, and other factors, to determine the benefits and risks of continuing to hold them. In FY2024, this examination was conducted at the Board of Directors meeting held in February 2025, and a portion of our cross-shareholdings in one company was sold.
(Total sales value: ¥520 million)

Number of Issues and Amount on Balance Sheet

	Number of Issues			Total Amount Reported on Balance Sheet (Millions of yen)		
	FY2022	FY2023	FY2024	FY2022	FY2023	FY2024
Unlisted stocks	3	3	3	30	30	14
Other stocks	24	22	22	17,261	20,304	18,295

Management Team

Directors



Hiroyuki Horiuchi
President and Representative Director



Masashi Suzudo
Managing Director



Mitsuru Watanuki
Director



Yasuhiro Umeda
Director



Akemi Okuyama
Director



Shoichiro Takagi
Outside Director



Yasutomo Inoue
Outside Director



Satoko Ishikawa
Outside Director

Audit & Supervisory Board Members



Kazumori Ishiguro
Audit & Supervisory Board Member (Standing)



Naoyuki Ishida
Audit & Supervisory Board Member (Standing)



Hiroaki Matsumoto
Outside Audit & Supervisory Board Member



Masahiro Koyama
Outside Audit & Supervisory Board Member

Check our website for details

Corporate Officers

Tatsuhiro Harada
Deputy Chief Officer of R&D Division, Chief of Drug Research Center

Masaru Ogawa
Chief Officer of Regulatory Affairs Division
General Manager of Regulatory Affairs Department

Tomoyuki Koseki
Chief Officer of Marketing & Sales Division

Keizo Kimura
Chief Officer of Production Division, Chief of Shizuoka Factory

Tomohiro Takaya
General Manager of Legal Affairs & Intellectual Property Department

Expertise of Directors and Audit & Supervisory Board Members (Skill Matrix)

We provide value to society by fulfilling our corporate philosophy, and have formulated Long-Term Business Plan 2031 and set out the "Three Transformations" (R&D Transformation, Overseas Expansion Transformation, and Management Base Transformation) in order to grow sustainably. We have identified the knowledge, experience, and abilities necessary for achieving the plan, as well as for the proper functioning of the Board of Directors.

Skills	Definition
Corporate management	Skills and experience necessary for corporate management, such as strategic thinking, leadership, financial management, and the ability to innovate
R&D and life sciences	Skills and experience necessary to promote research and development in the Plan, such as medical and pharmaceutical knowledge, as well as abilities to formulate R&D plans and strategies
International experience	Skills and experience necessary for overseas expansion in the Plan, such as knowledge of global expansion, overseas work experience, and understanding of international business
Sales and marketing	Skills and experience necessary to execute the Plan, such as knowledge of pharmaceuticals, sales experience, and an ability to formulate marketing strategies
Pharmaceutical administration and regulations	Skills and experience necessary for pharmaceutical administration and regulations, such as dealing with regulatory authorities in Japan and overseas, planning and executing strategies for obtaining approval, and post-marketing safety management
Accounting and finance	Skills and experience necessary to execute the Plan, such as financial analysis, cash flow management, and investment analysis
Legal affairs, compliance, and risk management	Skills and experience necessary to ensure stable management, such as internal controls and identifying, evaluating, monitoring, and formulating countermeasures for principal risks
ESG and sustainability	Skills and experience necessary for sustainable enhancement of corporate value, such as environmental management, human capital management, and management abilities to carry out corporate governance

Skill Matrix

Position	Name	Gender	Corporate Management	R&D and Life Sciences	International Experience	Sales and Marketing	Pharmaceutical Administration and Regulations	Accounting and Finance	Legal Affairs, Compliance, and Risk Management	ESG and Sustainability
President and Representative Director	Hiroyuki Horiuchi	Male	●			●				●
Managing Director	Masashi Suzudo	Male			●			●		●
Director	Mitsuru Watanuki	Male		●			●			
Director	Yasuhiro Umeda	Male			●			●		
Director	Akemi Okuyama	Female					●			
Outside Director	Shoichiro Takagi	Male	●					●		
Outside Director	Yasutomo Inoue	Male							● (Attorney at law)	
Outside Director	Satoko Ishikawa	Female		● (Pharmaceutical sciences)						
Audit & Supervisory Board Member (Standing)	Kazumori Ishiguro	Male				●				●
Audit & Supervisory Board Member (Standing)	Naoyuki Ishida	Male				●				●
Outside Audit & Supervisory Board Member	Hiroaki Matsumoto	Male						● (Certified tax accountant)		
Outside Audit & Supervisory Board Member	Masahiro Koyama	Male	●							

Note: The above table shows the areas in which directors and Audit & Supervisory Board members demonstrate their primary expertise or other skills based on their experience and other factors. It does not show all the knowledge they possess.

Roundtable Discussion with Outside Directors



We will provide objective and constructive advice and proposals, leveraging our external perspectives to help progress strategies in Long-Term Business Plan 2031 and enhance corporate value.

Yasutomo Inoue
Outside Director

Shoichiro Takagi
Outside Director

Satoko Ishikawa
Outside Director

KAKEN's Governance and the Distinctive Features of Board of Directors Meetings

Takagi I think one of the key features of KAKEN's Board of Directors is that the meetings are not mere formalities for reporting on the main agenda items. Instead, they feature lively discussions that address the core issues. In the discussions on the approach to cash allocation in the partial revision of the Plan, as well as on the review of KPIs for bonuses and the stock compensation plan for directors (excluding outside directors), the Board meetings and the prior briefing stages gave us the opportunity to provide objective advice to management.

Inoue KAKEN has three outside directors, and we each bring different specialties to the table as a former corporate executive, a university professor of pharmacy, and an attorney at law. At the Board of Directors meetings, we draw on this wide-ranging experience to engage in in-depth discussions from multifaceted perspectives. I believe that each one of us is aware of our specific role, and we actively contribute to discussions with a high level of participation.

Ishikawa I have long been involved in education and research as a member of the Faculty of Pharmacy. Precisely because I do not have experience within a corporate organization, I try to provide well-considered, responsible input from an external perspective. I also do not hold back from asking questions, even on matters that may seem obvious to internal members, and I endeavor to make Board of Directors deliberations more multifaceted. The atmosphere at the Board of Directors meetings makes it easy for everyone to share their views. It is evident that the directors communicate well with each other on a day-to-day basis, and I feel that the Board makes it easy for all the outside directors to participate in constructive discussions.

Inoue The governance at KAKEN has been strengthened overall, but one issue that needs to be addressed is the lack of visibility on internal discussion processes before something is presented as an agenda item at Board of Directors meetings.
A better understanding of the process up to the point of submission as an agenda item, in terms of any opposing views or proposed changes, might help in the development of different views or opinions expressed at the Board of Directors meetings or the prior briefings.

Takagi To deepen our understanding of KAKEN as outside directors, there are regular exchanges of opinions with Audit & Supervisory Board members and workshops with various departments. We also receive and discuss on-the-ground perspectives and issues shared by managers from each department.

Ishikawa The briefings prior to Board of Directors meetings provide opportunities for us to receive detailed materials and get explanations directly from the actual person working on each project. We can also ask candid questions on everything from basic matters to specialist perspectives. I believe we can get a more concrete picture of the issue under discussion if we have insight into what is happening on the ground. If the opportunity arises, I would like to visit the actual work sites to further my understanding. I intend to fulfill my responsibilities as an Outside Director by maintaining this mindset.

Changes at KAKEN from the Perspective of an Outside Director

Takagi KAKEN expects to be in an extremely difficult position with the forthcoming Clenafin patent cliff and is facing the urgent challenge of how to expand and strengthen its pipeline. To solve this challenge, I sense unprecedented strength and enthusiasm from the middle-management employees in the R&D Division who play a central role in executing the strategic investment projects. I was actually surprised in FY2024, when an in-licensed development project progressed at a much faster pace than expected, as well as by the M&A and the out-licensing of a project earlier than planned. I am really impressed by KAKEN's abilities in executing each strategy.

Ishikawa With the patent cliff approaching, KAKEN continues to actively pursue in-licensing and out-licensing projects, as well as M&A opportunities. I feel that KAKEN is making steady progress with each strategy. What I have found both impressive and memorable is how KAKEN proactively conveys its commitment to caring for its employees, in addition to its contribution to patients and society as a pharmaceutical company.

Inoue I think it is important for KAKEN to bear in mind its position and approach as a company, to progress initiatives without wavering from its core principles, and to appropriately communicate the results to all external stakeholders. KAKEN is steadily advancing step by step under Long-Term Business Plan 2031, and I feel that the Board of Directors is becoming even more effective. During the effectiveness evaluation process, outside directors do not complete a questionnaire but are interviewed in person by the Board Chair, which allows us to communicate any issues directly to the Chair and also to share views with the Board of Directors, sparking in-depth discussions. In my experience, KAKEN is the only company to use these methods.

Challenges in Enhancing Corporate Value

Takagi Looking ahead, in parallel with accelerating research and development, KAKEN is moving into a stage of clarifying how its projects under development will reach the market and converting those efforts into concrete business results. As the Production Division and Marketing & Sales Division gradually play a more important role, KAKEN is facing the challenge of strengthening the foundations of the entire organization. The urgent priority now is to strengthen the human resources responsible for driving cross-organizational business functions, with a focus on managing the pipeline strategically and preparing for product launches. KAKEN also needs to accelerate the Management Base Transformation set out in Long-Term Business Plan 2031.

Ishikawa To achieve the growth strategy, KAKEN needs human resources with diverse expertise, and it is also important to adopt a more global perspective in order to promote overseas expansion. Over the past year, KAKEN has made significant progress in global expansion, through M&A and out-licensing. However, trends in overseas markets are constantly evolving, and it is important for each department to understand exactly what is happening and to respond quickly. As an outside director, looking to 2031 and beyond, I need to analyze and develop an accurate understanding of the progress in each project, identifying which project is tracking ahead of plan and which is behind. If there are strategies that need to be revised, I will provide appropriate input and feedback.

Inoue KAKEN started Long-Term Business Plan 2031 three years ago, and now the Company has partially revised the plan. Good progress has been made with some initiatives, including the increase in the number of in-licensed development projects and projects under development, as well as the early agreement on an out-licensing project, but others have lagged behind, including slow progress with measures to counter the patent cliff, and this could have a negative impact on KAKEN achieving its targets. I commend KAKEN for increasing the amount of strategic investment and taking other steps to respond to changes in the internal and external business environments and to increase corporate value over the medium and long term. Going forward, in addition to pursuing its growth strategy, it is essential for KAKEN to generate stable profits to ensure the Company's long-term sustainability. This is an important step to meet shareholder expectations.

To Our Stakeholders

Inoue KAKEN is making steady progress in the focus areas of dermatology and orthopedics, as well as in rare diseases, where the Company's work is of great social value. In addition to its role as a pharmaceutical company, KAKEN is also working on environmentally friendly crop protection products by promoting their use in Japan, stepping up business expansion overseas, and contributing to sustainable food production. KAKEN is steadily advancing measures for growth and investment plans, while also working to enhance shareholder returns in a bid to respond to the views of its shareholders, investors, and other stakeholders.
Looking ahead, I am committed to fully discussing the feedback received from the shareholders and investors at Board of Directors meetings and reflecting this in efforts to increase corporate value.

Ishikawa When I look back over the licensing and M&A initiatives thus far, it is clear to me that KAKEN is skilled in planting various seeds and nurturing them until they come to fruition as tangible results. Looking ahead, KAKEN will steadily advance initiatives based on Long-Term Business Plan 2031 so that it can continue creating innovative drugs that contribute to society. I hope stakeholders will place their trust in KAKEN's approach and achievements.

Takagi Now that just over three years have passed since the start of Long-Term Business Plan 2031, we can see that KAKEN's multifaceted approach to the "Three Transformations," and particularly to strategic investment, has functioned well thus far. As an outside director, I will support these efforts through supervision and advice to management in promoting and strengthening current activities and refining them to fit changing internal and external environments. In this way, I hope the Company can achieve sustainable growth in the future with greater certainty.

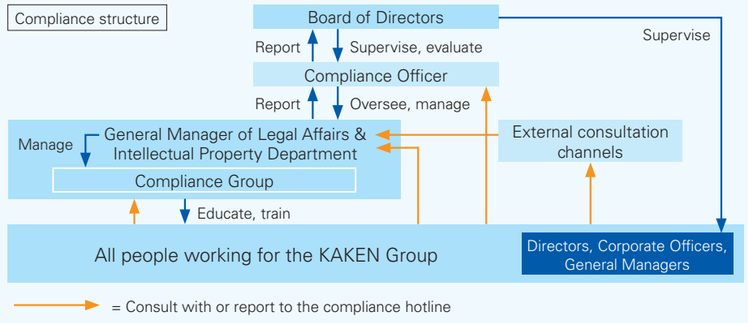
Compliance and Risk Management

Joy for society

Basic Approach to and System for Promoting Compliance

By conducting business based on high ethical standards, KAKEN is striving to establish and further enhance its position as a company that is trusted by society.

The Board of Directors has built a compliance promotion system for executing compliance-oriented business activities, and is supervising and evaluating its implementation. The Company has appointed a compliance officer responsible for implementing the compliance promotion system, and the Compliance Group of the Legal Affairs & Intellectual Property Department conducts concrete compliance promotion activities.



Activities to Promote Compliance

By conducting corporate activities with integrity based on high ethical standards, KAKEN can maintain the trust of society. In our efforts to do so, we are focusing on three key points.

• Improvement of compliance awareness

We regularly conduct compliance training and work to increase awareness of compliance throughout the Company. Training themes such as corporate ethics, prevention of corrupt practices, personal information protection, and prevention of harassment are chosen based on the needs of the participants, so that they can be put to use in the workplace. In FY2024, we provided training based on level (newly hired employees, mid-career professionals, newly appointed sales office managers, and sales office team leaders) and department/site (Head Office, Shizuoka Site, and Kyoto Site). We had a 100% participation rate for those eligible for training (excluding people taking a leave of absence, on childcare leave, etc.). The training based on department/site included the core themes of bribery and human rights in business.

• Operation of whistleblowing system

Even if employees become aware of internal compliance-related issues, they still need to know who to consult with or report to, and they must feel comfortable using the system. As part of the compliance training, a staff member responsible for operating the compliance hotline from the Legal Affairs & Intellectual Property Department explains the operational procedures in place. The operational results of the compliance hotline are also made available internally every six months to raise awareness and promote the use of this system.

• Early detection and resolution of compliance issues

Responding to consultations and reports made via the Compliance Hotline, as well as investigations and other actions by the Compliance Group of the Legal Affairs & Intellectual Property Department, will help to resolve and prevent recurrence of compliance violations. Through efforts like these, we are working to prevent serious compliance violations.

Number of reports on the compliance hotline (whistleblowing system)

FY2021	FY2022	FY2023	FY2024
9	11	7	17

Ethical Considerations in Animal Testing

KAKEN performs animal testing with due consideration for animal welfare and scientific validity, based on internal regulations that reflect relevant national laws and ordinances, such as the Act on Welfare and Management of Animals and the 3Rs* principles for animal research ethics. The Company monitors the status of animal testing through reviews by the Animal Testing Committee and self inspections, and continues to be recognized as an Accredited Animal Experimentation Facility by the Japan Pharmaceutical Information Center.

* Replacement, Reduction, Refinement

Check our website for details

Basic Approach to and System for Promoting Risk Management

KAKEN engages in enterprise-wide risk management, appropriately managing risks that could hinder the realization of the corporate philosophy and the achievement of the business plan, with the objective of fulfilling its social responsibility and contributing to sustainable corporate value improvement.

Overview of the Risk Management System

The Company has formulated Regulations for Risk Management and carries out risk management activities such as identifying risks, taking countermeasures, and providing education for each division and department. We have also established the Risk Management Committee, chaired by the director in charge of risk management designated by the Board of Directors. In such ways, the Company has established a system capable of managing risks on a Companywide basis. Important matters deliberated at Risk Management Committee meetings are submitted for approval or reported to the Board of Directors. In addition, the Internal Audit Department audits the status of risk management at the KAKEN Group and reports its findings to the president, the Board of Directors, and the Audit & Supervisory Board.

Principal Risks

Major risks recognized as having the potential to materially affect KAKEN's financial position, business performance, and cash flows, and their countermeasures, are as shown below.

The forward-looking statements contained herein reflect the judgment of the KAKEN Group as of March 31, 2025.

Item	Details	Countermeasures
(1) Legal regulations and administrative developments	• Impact of various medical system reforms to curtail public healthcare expenditures, such as revisions of NHI drug price standards, revisions of related laws and regulations, and developments in administrative policies related to the medical system and health insurance	• Implementation of sales strategies taking administrative policies into account • Timely and appropriate understanding of and response to related laws and regulations, the medical system, and administrative policies
(2) New drug development	• Substantial R&D expenses and long development periods for new drugs • Discontinuation of development due to failure to achieve expected efficacy or safety	• Strengthening of the earnings structure by developing new drugs with high added value • Innovation and streamlining of processes to shorten the R&D period • Diversification of approaches to improve the probability of success • Strengthening of cooperation with external parties in early-stage development, and proactive and effective utilization of external resources
(3) Adverse drug reactions	• Occurrence of unexpected adverse drug reactions after product launch, and associated product recalls and discontinuation of sales	• Strengthening and thorough implementation of safety monitoring activities • Strengthening provision of safety information to promote proper use
(4) Competition	• Competition with rival products of similar efficacy and effects, and with generic products	• Gathering of scientific data to increase product value • Improvement of containers to increase convenience, such as ease of use
(5) Intellectual property rights	• Impact of legal proceedings in the event of infringement of intellectual property rights by a third party • Disputes, payment of damages, or discontinuation of business in the event of infringement of a third party's intellectual property rights	• Appropriately managing and monitoring intellectual property rights • Taking preemptive measures to investigate, identify, and avoid the risk of infringing the intellectual property rights of third parties • Establishment of a system for dealing with intellectual property disputes when they arise
(6) Litigation	• Impact of legal proceedings instituted in connection with adverse drug reactions, product liability, labor, environment or fair trade, or other matters	• Strengthening of collaboration with lawyers and other experts • Improvement of compliance awareness among executives and employees • Executing contracts minimizing various risks
(7) Delay or interruption of product supply	• Delay or interruption of product supply due to problems with production equipment or delays in raw material procurement • Product recalls due to quality problems	• Securing of appropriate inventory and diversification of raw material suppliers • Thorough quality control system in compliance with good quality practice (GQP) and good manufacturing practice (GMP)
(8) Risks relating to overseas expansion	• Impact on operating results and financial position from changes in regulations and systems in other countries, changes in the political and economic situation, or deteriorating diplomatic relations	• Investment decisions that reflect geopolitical risk • Diversification of risks when pursuing overseas expansion in multiple regions (North America, Europe, Asia, etc.)
(9) IT security and information management	• Business interruptions due to system failures, cyberattacks, or other factors • Payment of damages, administrative action, or loss of public trust due to leaks of confidential information	• Implementation of robust multi-stage security measures for internal systems • Regular security education for executives and employees • Development of a security system with detection and response capabilities against cyberattacks, virus infection, etc.
(10) Large-scale disasters	• Suspension of business activities due to natural disasters, fires and other accidents, pandemics, or other events • Substantial expenses for repair of facilities or other property damaged by disasters or other causes	• Formulation of a business continuity plan (BCP) and implementation of emergency drills • Development and operation of measures to prevent the spread of infection in the event of a pandemic • Purchase of insurance to mitigate financial impact

Respecting Human Rights

Joy for patients | Joy for society | Joy for employees

KAKEN respects the human rights of all stakeholders as we pursue our business philosophy and contribute to the sustainable development of society.

In December 2023, we established our Human Rights Policy, which conforms to the UN's *Guiding Principles on Business and Human Rights* and Japan's *Guidelines on Respecting Human Rights in Responsible Supply Chains*. In the Human Rights Policy, we identify the human rights issues related to people at high risk of being negatively impacted by the KAKEN Group's business activities, such as clinical trial subjects and patients, suppliers, neighboring residents of business sites, and employees. We will work to address these issues and mitigate risks. In addition, through training focused on business and human rights and other informational initiatives, we provide opportunities for employees to learn about the importance of respecting human rights in corporate activities.

Going forward, we plan to conduct human rights due diligence targeting both internal and external stakeholders. Through this initiative, we will ensure respect for the human rights of all stakeholders and identify emerging human rights issues, with the aim of preventing and rectifying any negative impacts on human rights that may result from our business activities.

Check our website for details of our Human Rights Policy.

Creation of a Workplace Free from Discrimination and Harassment

Prevention of discrimination and harassment is outlined in the Rules of Employment, Regulations for Rewards and Punishments, and Compliance Guidebook.

We also send out regular reminders on the Company intranet to build employee awareness and ensure everyone is informed about the compliance hotline. Furthermore, we conduct annual training for managers, including department managers, group managers, and sales office managers, that includes training on the prevention of workplace bullying and harassment (100% participation rate in FY2024).

Human Resource Strategy

"Joy for employees" is a key component of our business philosophy. We place great importance on employees' human rights, health, safety, and hygiene, and we strive to create a working environment in which every employee can work with peace of mind and a sense of fulfillment. We believe that this will lead to the development of professionals who find their jobs meaningful and satisfying. By implementing the human resource strategy in Long-Term Business Plan 2031, we will foster a corporate culture that increases employee engagement.

Long-Term Business Plan 2031

VISION

(1) A company that contributes to longer healthy life expectancy by developing and supplying innovative new drugs in a speedy manner
(2) A research-based pharmaceutical company with a global presence, primarily in the areas of dermatology and orthopedics

Business Strategy

- Continuously launch innovative, world-class drugs in our priority fields of drug discovery
- Increase the overseas sales ratio

Human Resource Strategy

Establish a strong organizational base that can respond to change and empower every employee to engage as a professional

Joy for patients

Material issues related to the business

- Creation of innovative new drugs that satisfy unmet medical needs
- Expansion of access to healthcare and pharmaceuticals

Initiatives that leverage our one-team approach through our corporate culture of adapting to the frontlines of medicine

Joy for employees

Material issues related to the business foundation

- Creating Fulfilling Workplaces
- Strengthening Human Resource Development

Creating Fulfilling Workplaces

Joy for employees

We believe that increasing the engagement of all employees and creating a fulfilling workplace environment will lead to sustainable growth. To foster a corporate culture that encourages employees to take on innovative challenges, we aim to create an internal environment in which diversity is embraced and employees are highly motivated.

Diversity and Inclusion

We believe that fostering a corporate culture that generates innovative challenges means respecting diverse values and having a working environment in which every employee can excel, regardless of their race, nationality, creed, gender, age, sexual orientation, or disability. Furthermore, to create an environment in which employees can do their jobs with a high level of motivation, in addition to empowering women, we are striving to make KAKEN a fulfilling place to work for employees at different life stages, such as those dealing with childcare or nursing care, and older employees.

Employment of Seniors

We have introduced the Senior Staff Program for the reemployment of employees who retired upon reaching the mandatory retirement age of 60, allowing them to work up until the month of their 65th birthday. This system enables them to continue playing an active role in their respective workplaces after reaching retirement age, effectively utilizing the experience, expertise, and skills that they have accumulated over many years.

Employment of Persons with Disabilities

As one of our corporate responsibilities, we take a proactive approach to hiring persons with disabilities. At the Shizuoka Site, we have a support team that provides employment support for people with disabilities, and we have established an environment to ensure that such workers can work with peace of mind while receiving appropriate assistance in the workplace. Across the Company as a whole, we maintain employment levels that exceed the statutory rate.

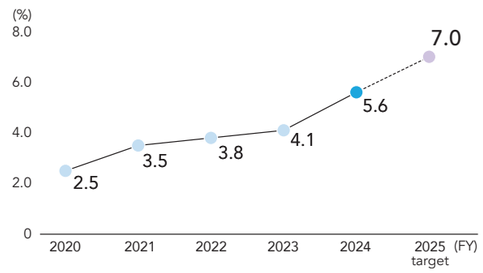
Promotion of Women's Empowerment

We actively promote capable women and are establishing workplace environments in which employees can do their jobs with peace of mind, regardless of gender. Such conditions pave the way for the sustained success of female employees. We have set the goal of raising the percentage of women in management positions to 7% or higher in our action plan for FY2022–FY2025 based on the Act on the Promotion of Women's Active Engagement in Professional Life. In maintaining supportive workplace environments for female employees, we have established reduced working hour and flextime systems and a system that allows employees to use special paid time off in order to flexibly accommodate needs such as childcare and nursing care.

Since 2024, we have run seminars on women's health themes in conjunction with Women's Health Week (March 1–8) and International Women's Day (March 8).
The seminars are part of our health management initiatives and are aimed at improving the health literacy* of female KAKEN employees. In 2025, we invited a gynecologist with extensive clinical experience to give a session on often-overlooked gynecological conditions and key points for their prevention and early detection.

* The ability to obtain, understand, and utilize accurate information on health and medical care

Percentage of Women in Management Positions





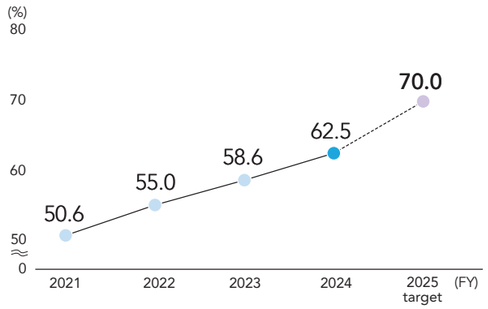
Seminar on women's health conducted in March 2025

Diverse Work Styles

Work-Life Balance

1) To support flexible work styles for employees, we have introduced a flextime system (except for some of the Production Division and for MRs) and a work-from-home system.
2) To promote healthy, well-balanced work styles, both physically and mentally, for all employees, we are creating a corporate culture that makes it easier to take annual paid holidays and anniversary time off (paid time off for special occasions). We actively encourage employees to take their annual paid holidays through measures such as setting annual Companywide targets and proposing recommended days to use such leave.
3) We provide Company housing and operate a solo transfer system to ensure that employees who are transferred to a different location can work in conditions that accommodate their family circumstances as much as possible.

Percentage of Annual Paid Holidays Taken

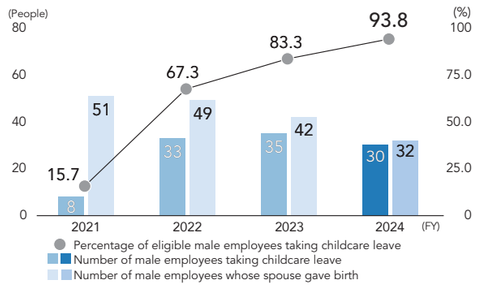


Support for Childcare and Nursing Care

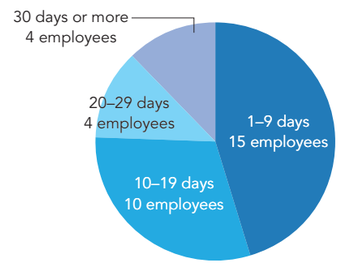
We have established various systems such as leave and shorter working hours for childcare leave and nursing care, so that employees with childcare or nursing care commitments can balance those obligations with their jobs and continue to work with peace of mind.

1) We have put in place systems that allow employees to take special paid time off, for the purpose of caring for a family member, for a child's gradual entry into a nursery school, or to undergo fertility treatment, and that also allow employees with shorter working hours to use the flextime system.
2) To make it easier for male employees to also take childcare leave, we have modified the system to make childcare leave partially paid (up to five days), and we are conducting in-house training and education for managers.
3) We have extended the eligibility for child nursing care leave to children up to the end of sixth grade of elementary school.

Percentage of Eligible Male Employees Taking Childcare Leave



Childcare Leave Taken By Male Employees (FY2024)



* When calculating the number of male employees taking childcare leave, if an employee splits the leave into a number of periods across a number of fiscal years, the employee is only included in the count once at the time of the first leave.

Health and Productivity Management and Occupational Safety and Health

Promotion of Health and Productivity Management

The KAKEN Group believes that human resources are fundamental to company management. Accordingly, we consider the physical and mental health of employees to be essential to achieving the "Three Joys" of our business philosophy.

We formulated the KAKEN Health and Productivity Management Declaration in 2023 to proactively create environments that help employees maintain and improve their health. Under a health management promotion structure, we are promoting health management in collaboration with the employee health insurance association, the Safety and Health Committee, and industrial health staff. In addition, the health management initiatives are reported at a Board of Directors meeting once a year. We were recognized as a Certified Health and Productivity Management Outstanding Organization in both 2024 and 2025.

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

Employee Health Management

To manage employee health, we provide access to health checkups every spring and lifestyle disease-related examinations every fall. In cooperation with industrial physicians and medical examination centers, we conduct follow-ups for employees whose checkups reveal health problems.

In addition to conducting annual stress checks required by law, we support measures for employees' mental health by offering simple stress checks that employees can perform voluntarily and by providing a wide range of learning materials including a variety of e-learning programs.

The Company remains committed to the promotion of employees' physical and mental health, one aspect of which is the provision of the external consultation desk at the health insurance association and counseling services.

Safety and Health Measures at Facilities and Workplaces

Based on the Regulations for Safety and Health Management, which are aimed at preventing occupational accidents and illnesses and creating a comfortable working environment, we hold Safety and Health Committee meetings on a monthly basis at all offices and other workplaces. This committee is made up of the General Safety and Health Manager (Shizuoka Site), safety officers, health officers, and an industrial physician, as well as members selected from the Company and the labor union. Safety inspections and remedial measures are implemented at each facility and workplace in an effort to eliminate occupational accidents. We also actively work to improve the working environment by conducting regular questionnaire surveys of employees.

Employee Engagement Level

Initiatives to Monitor and Increase Employee Engagement Levels

In the intensely competitive environment of the pharmaceutical industry, increasing employee motivation is crucial for boosting retention. Therefore, since FY2023 we have been conducting engagement surveys as a metric to gauge our employees' sense of purpose and fulfillment at work. By regularly monitoring employee engagement, we are identifying current issues and working to implement the human resource strategy in Long-Term Business Plan 2031.

One initiative started in FY2024 is the officer briefings held at all sites to provide opportunities for employees to hear directly from the management team on the company's policies and intended direction. In FY2025, we introduced our Employee Stock Ownership Plan (J-ESOP), an employee benefits program that grants company shares as an employee incentive. We expect to increase employee engagement through employees sharing in the Company's growth as shareholders and to enhance corporate value.

Trends in the employee engagement survey

Item	Question Contents	FY2023 Average Raw Score (Minimum 1, maximum 4)	FY2023 Positive Response Rate (Response 3 or 4)	FY2024 Average Raw Score (Minimum 1, maximum 4)	FY2024 Positive Response Rate (Response 3 or 4)
Proactive behavior and job satisfaction of individual employees	I proactively study and gather information related to my job.	2.79	70.3%	2.82	71.1%
	I feel energized and motivated while doing my current job.	2.53	53.4%	2.55	54.2%
	I am able to fully utilize my strengths (abilities, knowledge, skills, etc.) in my work.	2.73	66.1%	2.75	69.2%
	I find my work fulfilling.	2.77	67.9%	2.80	68.3%
	Sub-total (Average)	2.70	64.5%	2.73	65.7%
Sense of belonging to the Company	I feel at ease with and have a close attachment to the Company.	2.68	64.7%	2.74	67.1%
	I have benefited from working at the Company.	2.81	72.7%	2.88	76.3%
	I think that the Company's medium- and long-term policies and intended direction are clear.	2.50	53.9%	2.57	57.8%
	I can relate to the Company's corporate philosophy.	2.81	75.6%	2.85	77.5%
	Sub-total (Average)	2.70	66.7%	2.76	69.7%
Employee engagement	Total (Average)	2.70	65.6%	2.75	67.7%

Note: Engagement level is measured on a 4-point scale.
Strongly agree: 4 points Somewhat agree: 3 points Somewhat disagree: 2 points Strongly disagree: 1 point

Strengthening Human Resource Development

Joy for employees

Believing that human resources are fundamental to corporate management, we are committed to developing employees' skills and reskilling them to cultivate professionals who pursue challenges and transformation with creativity.

Engaging and Empowering Talent

Recruitment of New Graduates and Mid-Career Professionals

When recruiting new graduates, we actively conduct Company tours and presentations to give students a better understanding of KAKEN's corporate stance and the rewards of working in various roles. In determining who to select from the tour and presentation participants, we focus on hiring fresh talent who are full of potential and interested in working at KAKEN.

Moreover, when hiring people with experience, we look for candidates who have advanced and specialized skills or extensive career backgrounds that we lack within the Company, with the aim of supporting the organizational development of the relevant departments.

Providing Motivation and Proactive Promotion

From the perspective of fostering a corporate culture that encourages taking on challenges, we assign individuals with advanced skills and expertise—or those capable of actively developing such skills and delivering strong results—to roles suited to their abilities. At the same time, we proactively promote and advance individuals based on fair performance evaluations.

Training and Professional Skill Development

We position human resource development as a fundamental part of corporate management and strive to enhance the abilities of all employees. Based on the policy of the human resource strategy in Long-Term Business Plan 2031, we are developing employees with distinctive capabilities as professionals. In professional skill development, we are using internal and external training programs to enhance the content of management training and training by position, and provide personal development and reskilling opportunities for every employee. We need employees who can think and act on their own and globally minded talent who can serve as the core of our operations going forward. We seek to develop people who can respond flexibly to the changes in our business environment and creatively tackle new challenges.

Education and Training

In order for an organization to develop sustainably, all employees must develop an awareness of issues, think and act on their own initiative, and continue to grow. Accordingly, we have a full range of training programs to equip employees with the skills they need at each level. We provide general training on basic business skills for newly hired young employees, management candidate training to develop employees who will lead the next generation, and training for new team leaders and new managers to learn about management and the mindset required of leaders and managers. In FY2024, we introduced manager upskilling training as part of management training and sixth-year training as part of training by employment year. In addition to these new initiatives, we are continuously reviewing the content of ongoing programs to further enhance both quality and quantity.



General training for newly hired employees conducted in April 2025



New managers training

Training Program Lineup

Companywide Training		Department Training
Management training	Manager upskilling training	• Introductory training for MRs and Scientific Information staff • Open stage training (for 2nd, 3rd, and 4th year MRs and Scientific Information staff) • Intermediate stage training (for 5th, 6th, and 7th year MRs and Scientific Information staff) • Advanced stage training (for 8th, 9th, and 10th year MRs) • Language training
	Training for new managers	
	Training for new team leaders	
Training for the next generation of leaders	Training for management candidate	
Training by employment year	6th year training	
	3rd year training	
Basic training for working adults	General training for newly hired employees	

Feedback from Training Program Participants

General training for newly hired employees 20s

As the start to my working life, I got to spend five days that were full of learning. I was particularly glad to take the training on subjects like business etiquette and developing a personal mission, as it changed my mindset. The experience also helped me to develop closer relationships with the other new recruits, and we got to tour the workspace at Head Office, so I took away an impression of the actual atmosphere at KAKEN.

3rd year training participant 20s

There was a lot of group work in the training this time, so I was able to communicate with other people who joined the company around the same time as me but who I do not usually see at work. The training mostly focused on communicating with people in research roles. It gave me a better understanding of what clinical development, MR, and medical affairs staff actually do and made me interested in other job roles that are different from mine.

6th year training participant 20s

By the time you have worked at KAKEN for 6 years, you are entrusted with more work, but this puts you under pressure in your day-to-day tasks, and everything is extremely busy. This training gave me the time and opportunity to reflect and rethink why I am working and what my goals are and allowed me to refocus. I also feel that it was really important to attend the sessions with external lecturers and participate in training away from the department where I work, as it allowed me to think more broadly about my career beyond the confines of the Company and my department.

New managers training participant, 40s

This training was a good opportunity to consolidate my thinking on what it means to be a manager. I was reminded of the importance of clearly articulating and carefully communicating the various Company measures so that team members can fully understand and accept them. It also helped me understand evaluation bias and my own personal characteristics, so I want to use this new awareness to analyze myself objectively and apply it to better assess team members and communicate well.

Upskilling/Reskilling

In order for all employees to grow into professionals, it is important to focus on developing their individual strengths. We have developed an online study service that enables employees to learn on their own, providing upskilling and reskilling that cannot be accomplished through tiered training programs alone. The self-study programs for all employees include compulsory sessions on DX skills, information security, and cyberattacks and compliance, which we are using to increase digital literacy within the Company. In addition, these programs foster self-directed learning by supporting the development of proactive learners. Besides support for reskilling, we will continue to provide opportunities for employees to develop diverse skills.

FY2024 Operating Results, Financial Condition and Cash Flows

Analysis of Operating Results

In FY2024, the year ended March 31, 2025, the KAKEN Group (the "Group") increased its consolidated net sales and profits. Net sales increased 30.5% year on year to ¥94,035 million, operating profit increased 121.1% to ¥21,034 million, ordinary profit increased 113.8% to ¥21,279 million, and profit attributable to owners of the Company increased 73.8% to ¥13,945 million.

Research and development expenses increased 49.3% to ¥18,725 million.

KAKEN has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020) from the beginning of FY2021. FY2020 and prior fiscal years use figures calculated using a different accounting standard.

FY	2020	2021	2022	2023	2024
Net sales (Millions of yen)	74,979	76,034	72,984	72,044	94,035
Operating profit (Millions of yen)	17,788	17,064	7,998	9,513	21,034
Profit attributable to owners of the Company (Millions of yen)	13,405	9,549	5,440	8,025	13,945
Net assets (Millions of yen)	136,257	138,325	136,836	143,755	152,634
Total assets (Millions of yen)	163,332	165,181	166,328	171,623	190,422
Cash flows from operating activities (Millions of yen)	14,380	13,336	9,253	2,577	29,780
Cash flows from investing activities (Millions of yen)	(1,644)	(7,888)	(2,627)	(5,854)	(19,650)
Cash flows from financing activities (Millions of yen)	(8,752)	(8,129)	(6,990)	(5,658)	(5,369)
Cash and cash equivalents at end of year (Millions of yen)	77,305	74,625	74,260	65,325	70,085
Profit per share (Yen)	347.37	251.43	144.80	212.67	365.42
Dividends per share (Yen)	150.00	150.00	150.00	150.00	190.00
Equity-to-asset ratio (%)	83.4	83.4	81.9	83.8	80.2
Return on equity (%)	10.1	7.0	4.0	5.7	9.4

Segment Sales and Profit

Pharmaceuticals, Medical Devices & Agrochemicals

Segment sales totaled ¥91,553 million, a year-on-year increase of 31.5%. Segment profit (operating profit) increased 141.5% to ¥19,659 million.

Overseas sales were ¥26,609 million, an increase of 311.0%.

Real Estate

The main source of revenue in the Real Estate segment is rental income from Bunkyo Green Court. Segment revenue increased 2.1% year on year to ¥2,481 million and segment profit (operating profit) increased 0.1% to ¥1,375 million.

Total assets as of March 31, 2025 increased ¥18,799 million from a year earlier to ¥190,422 million, due mainly to an increase in goodwill from the acquisition of Ardi.

Total liabilities as of March 31, 2025 increased ¥9,919 million to ¥37,787 million, due mainly to an increase in unpaid corporate taxes.

The Group maintained its financial soundness, with a net working capital (current assets minus current liabilities) of ¥81,023 million, and a current ratio of 366.9%.

Total net assets as of March 31, 2025 increased ¥8,879 million to ¥152,634 million, due mainly to an increase in retained earnings.

The equity ratio was 80.2%.

Cash Flows

Net cash provided by operating activities was ¥29,780 million, an increase in cash inflow of ¥27,203 million compared with the previous fiscal year. The main factor was an increase in profit before income taxes. Net cash used in investing activities was ¥19,650 million, an increase in cash outflow of ¥13,795 million compared with the previous fiscal year. The main factor was the purchase of shares of subsidiaries. Net cash used in financing activities was ¥5,369 million, a decrease in cash outflow of ¥288 million compared with the previous fiscal year. The main factors were an increase in purchase of treasury stock, an increase in proceeds from disposal of treasury stock, and an increase in cash dividends paid. As a result, cash and cash equivalents as of March 31, 2025 totaled ¥70,085 million, an increase of ¥4,760 million from a year earlier.

Consolidated Balance Sheets

Kaken Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries
As of March 31, 2025 and 2024

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 3 and 10)	¥ 54,093	¥ 50,625	$ 363,040
Marketable securities (Notes 3, 4 and 10)	15,992	14,699	107,329
Receivables:			
Notes and accounts receivable–trade, and contract assets (Notes 8 and 10)	21,178	23,744	142,134
Accounts receivable–other	95	131	638
Accrued revenue	7	0	47
	21,281	23,875	142,826
Inventories (Note 5)	19,021	17,168	127,658
Other	988	605	6,631
Allowance for doubtful accounts	(0)	(0)	(0)
Total current assets	111,377	106,974	747,497
PROPERTY, PLANT AND EQUIPMENT (Notes 6, 7 and 9):			
Buildings and structures	44,001	43,180	295,309
Machinery, equipment and vehicles	17,181	17,075	115,309
Tools, furniture and fixtures	8,760	8,483	58,792
	69,944	68,739	469,423
Accumulated depreciation	(50,210)	(48,584)	(336,980)
	19,734	20,155	132,443
Land	3,867	3,867	25,953
Construction in progress	4,027	1,332	27,027
Total property, plant and equipment	27,629	25,355	185,430
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 10)	18,875	20,532	126,678
Intangible assets			
In-process research and development (Note 2)	4,400	5,800	29,530
Goodwill	14,035	937	94,195
Other intangible assets	854	724	5,732
	19,289	7,462	129,456
Deferred tax assets (Note 17)	4,065	2,590	27,282
Long-term prepaid expenses	4,352	4,991	29,208
Retirement benefit assets	4,159	3,102	27,913
Other	674	614	4,523
Total investments and other assets	51,415	39,293	345,067
TOTAL ASSETS	¥ 190,422	¥ 171,623	$ 1,278,000

See accompanying Notes to the Consolidated Financial Statements.

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 10)	¥ 3,850	¥ 3,850	$ 25,839
Payables:			
Notes and accounts payable–trade (Note 10)	8,186	6,976	54,940
Accounts payable–other	6,311	4,146	42,356
Electronically recorded obligations–operating (Note 10)	136	123	913
	14,634	11,246	98,215
Accrued expenses	1,145	662	7,685
Provision for bonuses	1,240	978	8,322
Income taxes payable (Note 17)	7,285	76	48,893
Other (Note 8)	2,198	2,209	14,752
Total current liabilities	30,354	19,024	203,718
NON-CURRENT LIABILITIES:			
Provision for share awards	163	137	1,094
Net defined benefit liability (Note 11)	4,954	6,393	33,248
Deferred tax liabilities (Note 17)	1,514	1,947	10,161
Other	800	365	5,369
Total non-current liabilities	7,433	8,843	49,886
NET ASSETS:			
Shareholders' equity (Note 12):			
Common stock			
Authorized: 193,000,000 shares as of March 31, 2025 and 2024			
Issued: 45,939,730 shares as of March 31, 2025 and 2024	23,853	23,853	160,087
Capital surplus	12,932	11,462	86,792
Retained earnings	135,242	128,506	907,664
Treasury stock, at cost: 7,535,854 shares as of March 31, 2025 and 8,070,003 shares as of March 31, 2024	(28,233)	(28,613)	(189,483)
Total shareholders' equity	143,794	135,207	965,060
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	6,257	7,184	41,993
Foreign currency translation adjustment	(57)	—	(383)
Remeasurements of defined benefit plans	2,640	1,363	17,718
Total accumulated other comprehensive income	8,840	8,547	59,329
Total net assets	152,634	143,755	1,024,389
TOTAL LIABILITIES AND NET ASSETS	¥ 190,422	¥ 171,623	$ 1,278,000

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

Kaken Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
NET SALES	¥ 94,035	¥ 72,044	$ 631,107
COST OF SALES (Note 14)	35,502	33,505	238,268
Gross profit	58,532	38,539	392,832
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	37,497	29,025	251,658
OPERATING PROFIT	21,034	9,513	141,168
OTHER INCOME (EXPENSES):			
Interest and dividends income	613	479	4,114
Interest expenses	(28)	(17)	(188)
Foreign exchange losses	(370)	(59)	(2,483)
Loss on investment in investment partnership	(33)	(21)	(221)
Loss on retirement of non-current assets (Note 15)	(68)	(148)	(456)
Gain on sale of investment securities	250	13	1,678
Impairment losses (Note 16)	(1,488)	(19)	(9,987)
Loss on valuation of investment securities	(537)	—	(3,604)
Other, net	62	56	416
	(1,598)	283	(10,725)
PROFIT BEFORE INCOME TAXES	19,435	9,796	130,436
INCOME TAXES (Note 17):			
Current	7,718	1,926	51,799
Deferred	(2,228)	(155)	(14,953)
	5,490	1,770	36,846
PROFIT	13,945	8,025	93,591
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	¥ 13,945	¥ 8,025	$ 93,591

	YEN		U.S. DOLLARS (NOTE 1)
	2025	2024	2025
PER SHARE DATA:			
Profit (Note 21):			
Basic	¥ 365.42	¥ 212.67	$ 2.45
Diluted	—	—	—
Cash dividends applicable to the year (Note 12)	¥ 190.00	¥ 150.00	$ 1.28

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Kaken Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
PROFIT	¥ 13,945	¥ 8,025	$ 93,591
OTHER COMPREHENSIVE INCOME (LOSS) (Note 22):			
Net unrealized holding gain (loss) on securities	(926)	2,460	(6,215)
Foreign currency translation adjustment	(57)	—	(383)
Remeasurements of defined benefit plans	1,277	1,198	8,570
Total other comprehensive income (loss)	292	3,658	1,960
COMPREHENSIVE INCOME	¥ 14,237	¥ 11,684	$ 95,550
Total comprehensive income attributable to:			
Owners of the Company	¥ 14,237	¥ 11,684	$ 95,550

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Kaken Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

MILLIONS OF YEN

	SHAREHOLDERS' EQUITY					ACCUMULATED OTHER COMPREHENSIVE INCOME					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized holding gain on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non-controlling Interests	TOTAL NET ASSETS
BALANCE—March 31, 2023	¥23,853	¥11,406	¥126,135	¥(30,026)	¥131,368	¥4,724	—	¥165	¥4,889	¥ 578	¥136,836
Changes during the year:											
Cash dividends			(5,655)		(5,655)						(5,655)
Profit attributable to owners of the Company			8,025		8,025						8,025
Purchase of treasury stock				(2)	(2)						(2)
Disposal of treasury stock		55		1,415	1,470						1,470
Other, net						2,460		1,198	3,658	(578)	3,080
Total changes during the year	—	55	2,370	1,413	3,838	2,460	—	1,198	3,658	(578)	6,918
BALANCE—March 31, 2024	¥23,853	¥11,462	¥128,506	¥(28,613)	¥135,207	¥7,184	—	¥1,363	¥8,547	—	¥ 143,755
Changes during the year:											
Cash dividends			(7,208)		(7,208)						(7,208)
Profit attributable to owners of the Company			13,945		13,945						13,945
Purchase of treasury stock				(5,935)	(5,935)						(5,935)
Disposal of treasury stock		1,470		6,316	7,786						7,786
Other, net						(926)	(57)	1,277	292		292
Total changes during the year	—	1,470	6,736	380	8,586	(926)	(57)	1,277	292	—	8,879
BALANCE—March 31, 2025	¥23,853	¥12,932	¥135,242	¥(28,233)	¥143,794	¥6,257	¥ (57)	¥2,640	¥8,840	—	¥152,634

THOUSANDS OF U.S. DOLLARS (NOTE 1)

	SHAREHOLDERS' EQUITY					ACCUMULATED OTHER COMPREHENSIVE INCOME					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized holding gain on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non-controlling Interests	TOTAL NET ASSETS
BALANCE—March 31, 2024	$160,087	$76,926	$862,456	$(192,034)	$907,430	$48,215	—	$9,148	$57,362	—	$964,799
Changes during the year:											
Cash dividends			(48,376)		(48,376)						(48,376)
Profit attributable to owners of the Company			93,591		93,591						93,591
Purchase of treasury stock				(39,832)	(39,832)						(39,832)
Disposal of treasury stock		9,866		42,389	52,255						52,255
Other, net						(6,215)	(383)	8,570	1,960		1,960
Total changes during the year	—	9,866	45,208	2,550	57,624	(6,215)	(383)	8,570	1,960	—	59,591
BALANCE—March 31, 2025	$160,087	$86,792	$907,664	$(189,483)	$965,060	$41,993	$(383)	$17,718	$59,329	—	$1,024,389

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Kaken Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥ 19,435	¥ 9,796	$ 130,436
Adjustments for:			
Depreciation	2,475	2,596	16,611
Impairment losses	1,488	19	9,987
Amortization of goodwill	79	157	530
Increase (decrease) in retirement benefit assets and liabilities	(606)	(141)	(4,067)
Interest and dividend income	(613)	(479)	(4,114)
Interest expenses	28	17	188
Loss (gain) on valuation of investment securities	537	—	3,604
Loss (gain) on investment in investment partnership	33	21	221
Loss (gain) on sale of investment securities	(250)	(13)	(1,678)
Loss on retirement of non-current assets	67	148	450
Decrease (increase) in notes and accounts receivable–trade	3,577	(4,559)	24,007
Decrease (increase) in inventories	(1,084)	(1,603)	(7,275)
Increase (decrease) in trade payables	1,100	880	7,383
Other, net	3,771	(936)	25,309
Subtotal	30,039	5,903	201,604
Interest and dividend income received	606	479	4,067
Interest expenses paid	(28)	(17)	(188)
Income taxes (paid) refund, net	(836)	(3,788)	(5,611)
Net cash provided by (used in) operating activities	29,780	2,577	199,866
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(4,138)	(1,861)	(27,772)
Purchase of intangible assets	(254)	(306)	(1,705)
Purchase of investment securities	(400)	—	(2,685)
Proceeds from sale of investment securities	520	516	3,490
Purchase of long-term prepaid expenses	(268)	(4,182)	(1,799)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(15,378)	—	(103,208)
Other, net	269	(21)	1,805
Net cash provided by (used in) investing activities	(19,650)	(5,854)	(131,879)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of treasury stock	(5,935)	(2)	(39,832)
Proceeds from disposal of treasury stock	7,764	1	52,107
Cash dividends paid	(7,198)	(5,657)	(48,309)
Net cash provided by (used in) financing activities	(5,369)	(5,658)	(36,034)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,760	(8,935)	31,946
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	65,325	74,260	438,423
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	¥ 70,085	¥ 65,325	$ 470,369

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of KAKEN PHARMACEUTICAL CO., LTD. (the "Company") and its consolidated subsidiaries (collectively the "Group") are prepared on the basis of the accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of the 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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen amounts solely for convenience of readers outside of Japan at ¥149 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2025. This translation should not be construed as a representation that Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. For the year ended March 31, 2025, the Company had four consolidated subsidiaries as follows:

KAKEN PHARMA CO., LTD.
ARTham Therapeutics Inc.
KAKEN INVESTMENTS INC.
Aadi Bioscience, Inc.

We acquired 100% of the shares of Aadi Bioscience on March 26, 2025, and it became a consolidated subsidiary during the year ended March 31, 2025. Only the balance sheets of Aadi Bioscience are included in the scope of consolidation for the year ended March 31, 2025.

KAKEN INVESTMENTS INC. is a special purpose company established to acquire a 100% stake in Aadi Bioscience as its parent company. Only the balance sheets of KAKEN INVESTMENTS are included in the scope of consolidation for the year ended March 31, 2025.

For the years ended March 31, 2025 and 2024, there were no affiliates accounted for using the equity method.

All significant intercompany transactions, account balances and unrealized profits or losses among the Group have been eliminated in consolidation.

Aadi Bioscience and one other consolidated subsidiary have fiscal years ending December 31, which is used in preparing their financial statements. Material transactions between January 1 and March 31 are included in the consolidated financial statements pursuant to necessary adjustments for consolidation. The financial statements of Aadi Bioscience as of March 26, 2025, the date of the business combination, are used for the consolidated financial statements for the year ended March 31, 2025.

(b) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash on hand, bank deposits which are able to be withdrawn within three months, and short-term investments with original maturity of three months or less and are considered to have minimal risk from market fluctuations.

(c) Marketable and Investment Securities

Securities are classified into one of the following three categories: (1) Trading, (2) Held-to-maturity debt securities, and (3) Available-for-sale securities. Trading securities are recorded at market value with unrealized gains or losses recognized in the current year's earnings. Held-to-maturity debt securities are carried at amortized cost. Available-for-sale securities are expected to be sold in future and those whose fair values are readily determinable are carried at fair value and the related unrealized gains or losses, net of taxes, are included as a component of "Accumulated other comprehensive income" under net assets. Available-for-sale securities without market quotations are generally stated at cost determined by the moving average method.

Investments in investment limited partnerships and other similar partnerships (deemed to be marketable securities under Article 2(2) of the Financial Instruments and Exchange Act), are recorded at the net amount equivalent to the Company's equity interest based on the most recent financial statements available as of the financial reporting date stipulated in the partnership agreement.

(d) Inventories

Inventories are stated at the lower of cost determined by the gross average method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

(e) Property, Plant and Equipment

Depreciation is computed mainly using the straight-line method.

The range of useful lives is 3 to 60 years for buildings and structures, and 2 to 8 years for machinery, equipment and vehicles.

(f) Intangible Assets

Software for internal use is amortized over the estimated useful life for internal use (5 years) using the straight-line method.

In-process research and development is amortized using the straight-line method over the estimated useful life of the product being developed, once the product can be used.

(g) Long-Term Prepaid Expenses

Depreciation is computed using the straight-line method.

(h) Allowance for Doubtful Accounts

To cover losses due to bad debt in accounts receivable, etc., allowance for doubtful accounts is provided according to individual analysis of recoverability for specific doubtful receivables such as debt with a possibility of default, based on the historical write-off rate for ordinary receivables.

(i) Provision for Bonuses

Provision for bonuses to directors and employees is provided at the amount estimated as of the balance sheet date.

(j) Provision for Share Awards
In order to prepare for the granting of the Company's stock to directors and corporate officers pursuant to the rules on share distribution to officers, provision for share awards is recorded at an estimated amount of share award obligations as of the balance sheet date.

(k) Retirement and Pension Plan
The Company applies the benefit formula basis in attributing estimated retirement benefits to periods up to the end of the fiscal year under review.
Unrecognized actuarial gain or loss is amortized from the year following the year in which it arises on a straight-line basis over a period within the average remaining years of service of the employees (10 years) as of the year in which it arises.

(l) Income Taxes
Income taxes–deferred are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the consolidated financial statements.

(m) Accounting Standards for Significant Revenue and Expenses
The main performance obligations in significant businesses related to revenue from contracts with customers of the Group, and the point in time when said performance obligations are normally satisfied (the point when revenue is normally recognized), are as follows.

(1) Sale of merchandise and finished products
For Pharmaceuticals, the Group conducts sales primarily by manufacturing or wholesale distribution. When selling such merchandise and finished products, the Group has an obligation to deliver based on the sales contract with the customer. This performance obligation is deemed to be satisfied when the merchandise or finished product is delivered to the customer and the customer acquires control of the merchandise or finished product, and revenue is recognized at the time of delivery. For domestic sales of merchandise and finished products, alternative accounting methods are applied based on considerations such as materiality, and revenue is recognized at the time of shipment if the period from shipment until transfer of control of the merchandise or finished product to the customer is a normal period of time.
For transactions in which the Group is involved in the sale of merchandise as an agent, the net amount is recognized as revenue.

(2) License agreements for sale, etc., of finished products
For Pharmaceuticals, the Group enters into contracts for the transfer of intellectual property rights or for technology out-licensing, etc., and for royalties. For contracts for the transfer of intellectual property rights or technology out-licensing, etc., the Group has a performance obligation based on the contract with the customer, and revenue is recognized when the performance obligation is satisfied by granting the rights to the customer. For royalty contracts, a calculation is performed based on customer sales, etc., and revenue is recognized after taking into consideration the timing of the sales.

(n) Derivative Financial Instruments and Hedge Accounting
Derivative instruments, which include forward foreign exchange contracts, are used as a part of the Company's management of the foreign currency risk exposure of its financial assets and liabilities.

The assets and liabilities of consolidated subsidiaries outside Japan are translated into Japanese yen at the spot exchange rate on the balance sheet date, and income and expenses are translated into Japanese yen at the average exchange rate during the period. Exchange differences arising from translation are recognized in foreign currency translation adjustment as a component of net assets.

Forward foreign exchange contracts:
The Company enters into forward foreign exchange contracts to limit risk exposure, affected by changes in foreign currency exchange rates, on trade receivables and trade payables and cash flows generated from forecasted transactions denominated in foreign currencies. For forward foreign exchange contracts which are designated and are effective as hedges of such foreign currency risk on existing assets and liabilities, the Company adopted the accounting method whereby foreign currency denominated assets and liabilities are measured at the contract rate of the respective forward foreign exchange contract. With respect to such contracts for forecasted transactions, the contracts are marked-to-market and the unrealized gains/losses are deferred in the balance sheet to be released to income when the exchange gains/losses on the hedged items or transactions are recognized.

Hedge accounting:
Hedging instruments and hedged items, hedging policy, method for assessment of hedge effectiveness, and other matters related to hedge accounting are as follows:

(1) Hedging instruments and hedged items
Hedging instrument: Forward foreign exchange contracts
Hedged items: Foreign currency denominated receivables and payables, and forecasted foreign currency denominated transactions

(2) Hedging policy
Hedging instruments are used within the amounts of foreign currency denominated transactions, and the Company makes it a policy not to use derivatives for speculative purposes.

(3) Methods of assessing hedge effectiveness
Since material terms related to hedged items and hedging instruments are substantially identical, and market fluctuations are expected to be completely offset continuously at the time of and after the inception of the related hedge, assessment of hedge effectiveness is omitted.
Assessment of effectiveness is omitted also for forward foreign exchange contracts, under which the hedged items are translated using the forward contract rates.

(o) Amortization Method and Amortization Period of Goodwill
Goodwill is amortized by the straight-line method over 14 years.

(p) Significant Accounting Estimates
In-Process Research and Development and Valuation of Goodwill

(1) Amounts recorded in the consolidated financial statements for the years ended March 31, 2025 and 2024 are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
In-process research and development	¥ 4,400	¥ 5,800	$ 29,530
Goodwill	14,035	937	94,195

(2) Details of significant accounting estimates related to identified items

a. Method of calculating amounts recorded in the consolidated financial statements for the year ended March 31, 2025
Measurement of in-process research and development and goodwill is done mainly using the excess earnings method. Decisions on recognition of impairment losses on in-process research and development and goodwill are based on whether the total amount of undiscounted future cash flows of each development program has fallen below the carrying amount. In the year ended March 31, 2025, some development programs fell below the carrying amount due to a change in development policy, so book value was reduced to the recoverable amount and an impairment loss was recognized. The recoverable amount is as stated in the table above.

b. Key assumptions used in calculating amounts recorded in the consolidated financial statements for the year ended March 31, 2025
Key assumptions used in estimating future cash flows and the discount rate are based on business plans, etc. that the Group has formulated.

c. Impact on consolidated financial statements for the following fiscal year
Any changes in these estimates and assumptions necessitated by changes in the business environment could have a significant impact on the valuation of in-process research and development and goodwill.

(q) Appropriations of Retained Earnings

Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements for the following year upon shareholders' approval.

(r) Shareholders' Equity

Japanese companies are subject to the Companies Act of Japan (the "Act"). The Act provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the stated capital. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The above-mentioned legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

(s) Dividends per Share

Cash dividends per share shown for each year in the accompanying consolidated statements of income represent dividends approved or declared as applicable to the respective years.

(t) Changes in Accounting Policies

Application of Accounting Standards for Income Taxes, etc.

The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, revised October 28, 2022; the "Revised Accounting Standard 2022" and others have been applied for the year ended March 31, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, revised October 28, 2022; the "Revised Guidance 2022"). The change in accounting policies had no impact on the consolidated financial statements for the year ended March 31, 2025.

The Group has applied the Revised Guidance 2022 starting from the beginning of the year ended March 31, 2025 concerning revisions related to changes in the accounting treatment for consolidated financial statements when gains or losses on sale of shares, etc., in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes. The change in accounting policies was applied retrospectively to the consolidated financial statements for the previous fiscal year. The change in accounting policies had no impact on the consolidated financial statements for the previous fiscal year.

(u)New Accounting Standard Not Yet Adopted

Accounting Standard for Leases, etc.

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

(1) Overview

As part of efforts to make the Japanese GAAP internationally consistent, the Accounting Standards Board of Japan (ASBJ) has been taking into account international accounting standards as it considers the development of accounting standards for leases in which assets and liabilities are recognized for all leases of lessees. The fundamental policy is to base the accounting standards on the single accounting model of IFRS 16, not by adopting all the provisions of IFRS 16, but by adopting only the main provisions, which will result in simple and convenient accounting standards that will basically not require any amendments even if a company that voluntarily adopts IFRS for its consolidated financial statements uses the provisions of IFRS 16 for its non-consolidated financial statements.

As for the accounting treatment of lessees, the single accounting model will be applied to the method of allocating lease expenses to lessees in which depreciation expenses for right-of-use assets and interest expenses for lease liabilities are recorded for all leases. This is regardless of whether the lease is a finance lease or an operating lease, which is the same as in IFRS 16.

(2) Scheduled date of application

The above standards and guidance are scheduled to be applied from the beginning of the year ending March 31, 2028.

(3) Effects of application of the standards

The effects of the application were under assessment when these consolidated financial statements were being prepared.

(v) Changes in Presentation

Consolidated Balance Sheets

"Goodwill," which was included in "Other assets" in "Intangible assets" for the year ended March 31, 2024, is presented as a discrete line item for the year ended March 31, 2025 because of an increase in its monetary significance. The consolidated financial

statements for the year ended March 31, 2024 have been restated to reflect this change in presentation.

As a result, ¥1,662 million that was presented in "Other assets" in "Intangible assets" in the consolidated balance sheets for the year ended March 31, 2024 has been restated as "Goodwill" of ¥937 million and "Other intangible assets" of ¥724 million.

Consolidated Statements of Income

"Gain on sale of non-current assets," which was presented as a discrete line item under "Extraordinary income" for the year ended March 31, 2024, has been reclassified in "Other, net" for the year ended March 31, 2025 for clarity. The consolidated financial statements for the year ended March 31, 2024 have been restated to reflect this change in presentation.

As a result, "Gain on sale of non-current assets" totaling ¥0 million as a discrete line item under "Extraordinary income" for the year ended March 31, 2024, is included in "Other, net" for the year ended March 31, 2024.

"Loss on sale of non-current assets," which was presented as a discrete line item under "Extraordinary loss" for the year ended March 31, 2024, has been reclassified in "Other, net" for the year ended March 31, 2025 for clarity. The consolidated financial statements for the year ended March 31, 2024 have been restated to reflect this change in presentation.

As a result, "Loss on sale of non-current assets" totaling ¥0 million as a discrete line item under "Extraordinary loss" for the year ended March 31, 2024, is included in "Other, net" for the year ended March 31, 2024.

Consolidated Statements of Cash Flows

"Loss (gain) on sale of property, plant and equipment," which was presented as a discrete line item in "Cash flows from operating activities" for the year ended March 31, 2024, has been reclassified in "Other, net" for the year ended March 31, 2025 for clarity. The consolidated financial statements for the year ended March 31, 2024 have been restated to reflect this change in presentation.

As a result, "Loss (gain) on sale of property, plant and equipment" totaling ¥0 million as a discrete line item in "Cash flows from operating activities" for the year ended March 31, 2024, has been reclassified to "Other, net" totaling ¥936 million for the year ended March 31, 2024.

"Proceeds from sale of property, plant and equipment," which was presented as a discrete line item in "Cash flows from investing activities" for the year ended March 31, 2024, has been reclassified in "Other, net" for the year ended March 31, 2025 for clarity. The consolidated financial statements for the year ended March 31, 2024 have been restated to reflect this change in presentation.

As a result, "Proceeds from sale of property, plant and equipment" totaling ¥1 million as a discrete line item in "Cash flows from investing activities" for the year ended March 31, 2024 has been reclassified to "Other, net" totaling ¥21 million for the year ended March 31, 2024.

"Purchase of treasury stock" and "Proceeds from disposal of treasury stock" were included in "Net decrease (increase) in treasury stock" under "Cash flows from financing activities" for the year ended March 31, 2024. They are presented separately for the year ended March 31, 2025 because of an increase in their monetary significance. The consolidated financial statements for the year ended March 31, 2024 have been restated to reflect this change in presentation.

As a result, "Net decrease (increase) in treasury stock" under "Cash flows from financing activities" for the year ended March 31, 2024 has been reclassified as "Purchase of treasury stock" of ¥2 million and "Proceeds from disposal of treasury stock" of ¥1 million for the year ended March 31, 2024.

(w) Additional Information

Introduction of the Board Benefit Trust ("BBT")

Based on the resolution of the 99th Ordinary General Meeting of Shareholders held on June 27, 2019, the Company has newly introduced a Performance-Linked Share Awards Plan (Board Benefit Trust (BBT)) (hereinafter "the Plan") for the directors (excluding outside directors) and corporate officers (hereinafter collectively "directors, etc.") with the aim of enhancing their awareness of improving medium- to long-term performance and contributing to an increase in corporate value.

The Company adopted the gross method to account for the Plan, in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ Practical Issue Task Force (PITF) No. 30, issued on March 26, 2015).

In connection with the continuation of the Plan, the Board of Directors resolved at its meeting held on August 23, 2024, to make an additional contribution, and the Company disposed of its treasury shares through a third-party allotment.

(1) Overview of the transaction

The Plan is a share awards plan whereby shares in the Company are acquired through a trust using funds contributed by the Company (the trust established pursuant to the Plan hereinafter referred to as the "Trust"), and the Company's shares and cash equivalents of such shares at their market value (hereinafter "the Company's shares, etc.") are granted through the Trust to the directors, etc., pursuant to the rules on share distribution to officers established by the Company.

The directors, etc., will receive the Company's shares, etc., in principle, upon their retirement.

(2) Company shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as "Treasury stock" under net assets at the carrying amount in the Trust (except for incidental costs). As of March 31, 2025, the carrying amount and the number of shares of treasury stock were ¥416 million ($2,792 thousand) and 93,600 shares, respectively. As of March 31, 2024, the carrying amount and the number of shares of treasury stock were ¥154 million and 28,200 shares, respectively.

3. Cash and Cash Equivalents

Cash and deposits and marketable securities are reconciled to cash and cash equivalents on the consolidated statements of cash flows as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Cash and deposits	¥ 54,093	¥ 50,625	$ 363,040
Marketable securities	15,992	14,699	107,329
Subtotal	¥ 70,085	¥ 65,325	$ 470,369
Time deposits due after three months	—	—	—
Marketable securities due after three months	—	—	—

Cash and cash equivalents	¥ 70,085	¥ 65,325	$ 470,369

Summary of assets and liabilities of the companies that became a consolidated subsidiary pursuant to the acquisition of shares
Year ended March 31, 2024: Not applicable
Year ended March 31, 2025: A summary of assets and liabilities at the time of consolidation due to the acquisition of shares, as well as the relationship between the share acquisition cost and net payment for the acquisition is as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Current assets	¥ 2,085	¥ —	$ 13,993
Non-current assets	1,137	—	7,631
Goodwill	13,223	—	88,745
Current liabilities	(897)	—	(6,020)
Non-current liabilities	(80)	—	(537)
Foreign exchange translation adjustments	69	—	463
Share acquisition cost	¥ 15,538	¥ —	$ 104,282
Cash and cash equivalents	(160)	—	(1,074)
Payment for share acquisition, net	¥ 15,378	¥ —	$ 103,208

Details of significant non-cash transactions

Details of significant non-cash transactions are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Disposal of treasury stock as contingent consideration			
Increase in capital surplus	¥ —	¥ 56	$ —
Decrease in treasury stock	—	1,387	—

4. Marketable and Investment Securities

The carrying amounts and fair values of held-to-maturity debt securities are as follows:

	MILLIONS OF YEN					
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
	2025			2024		
Fair values exceeding carrying amounts	¥ —	¥ —	¥—	¥ —	¥ —	¥—
Fair values not exceeding carrying amounts	15,992	15,992	—	11,999	11,999	—
Total	¥15,992	¥15,992	¥—	¥11,999	¥11,999	¥—

	THOUSANDS OF U.S. DOLLARS (NOTE 1)		
	Carrying amount	Fair value	Unrealized gain (loss)
	2025		
Fair values exceeding carrying amounts	$ —	$ —	$—
Fair values not exceeding carrying amounts	107,329	107,329	—
Total	$ 107,329	$ 107,329	$—

The aggregate fair values (carrying amounts) and acquisition costs of available-for-sale securities are as follows:

	MILLIONS OF YEN					
	Fair value	Acquisition cost	Unrealized gain (loss)	Fair value	Acquisition cost	Unrealized gain (loss)
	2025			2024		
Carrying amounts exceeding acquisition costs						
Equity securities	¥ 15,410	¥ 5,681	¥ 9,728	¥ 16,838	¥ 5,951	¥ 10,887
Other	—	—	—	—	—	—
Subtotal	15,410	5,681	9,728	16,838	5,951	10,887
Carrying amounts not exceeding acquisition costs						
Equity securities	2,884	3,475	(590)	3,465	3,997	(532)
Other	—	—	—	2,700	2,700	—
Subtotal	2,884	3,475	(590)	6,165	6,697	(532)
Total	¥ 18,295	¥ 9,157	¥ 9,137	¥ 23,004	¥ 12,649	¥ 10,355

	THOUSANDS OF U.S. DOLLARS (NOTE 1)		
	Fair value	Acquisition cost	Unrealized gain (loss)
	2025		
Carrying amounts exceeding acquisition costs			
Equity securities	$ 103,423	$ 38,128	$ 65,289
Other	—	—	—
Subtotal	103,423	38,128	65,289
Carrying amounts not exceeding acquisition costs			
Equity securities	19,356	23,322	(3,960)
Other	—	—	—
Subtotal	19,356	23,322	(3,960)
Total	$ 122,785	$ 61,456	$ 61,322

Available-for-sale securities sold for the years ended March 31, 2025 and 2024 are summarized as follows:

	MILLIONS OF YEN					
	Proceeds	Gain	Loss	Proceeds	Gain	Loss
	2025			2024		
Equity securities	¥ 520	¥ 250	¥—	¥ 516	¥ 13	¥—
Total	¥ 520	¥ 250	¥—	¥ 516	¥ 13	¥—

	THOUSANDS OF U.S. DOLLARS (NOTE 1)		
	Proceeds	Gain	Loss
	2025		
Equity securities	$ 3,490	$ 1,678	$—

Total	$ 3,490	$ 1,678	$—

The Group recognized impairment losses on available-for-sale securities of ¥537 million ($3,604 thousand) and ¥0 million for the years ended March 31, 2025 and 2024, respectively.

The Group recognizes impairment losses on available-for-sale securities with market price when the fair value declines by more than 50%. When the fair value declines by more than 30% but less than 50%, the Group recognizes necessary impairment losses after considering the possibility of recovery. The Group recognizes impairment losses on securities without market price up to their net asset value when the value declines significantly with no possibility of recovery due to the issuer's financial condition.

5. Inventories

Inventories as of March 31, 2025 and 2024 comprised the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Merchandise and finished products	¥ 8,805	¥ 8,062	$ 59,094
Work in process	2,311	2,786	15,510
Raw materials and supplies	7,904	6,319	53,047
Total	¥ 19,021	¥ 17,168	$ 127,658

6. Short-term Bank Loans and Pledged Assets

(a) Short-term bank loans

Short-term bank loans outstanding as of March 31, 2025 and 2024, amounting to ¥3,850 million ($25,839 thousand) and ¥3,850 million, respectively, consisted mainly of bank overdrafts. The weighted-average interest rate applicable to short-term bank loans as of March 31, 2025 and 2024 was 1.14% and 0.60%, respectively.

(b) Pledged assets

As of March 31, 2025 and 2024, assets pledged as collateral for certain short-term bank loans were as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Assets pledged:			
Buildings and structures	¥ 5,875	¥ 5,843	$ 39,430
Machinery, equipment and vehicles	2,463	2,740	16,530
Tools, furniture and fixtures	1,100	954	7,383
Land	117	117	785
Total	¥ 9,556	¥ 9,655	$ 64,134
Liabilities secured:			
Short-term bank loans	¥ 1,400	¥ 1,400	$ 9,396
Total	¥ 1,400	¥ 1,400	$ 9,396

7. Accounting for Leases

Operating leases

(As a lessor)

Future minimum lease payments receivable under non-cancellable operating leases subsequent to March 31, 2025 and 2024 are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Due within 1 year	¥ 957	¥ 953	$ 6,423
Due after 1 year	1,642	2,459	11,020
Total	¥2,599	¥3,413	$17,443

8. Contract Assets and Liabilities

(a) Among "Notes receivable–trade," "Accounts receivable–trade," and "Contract assets," the amounts of credits and contract assets arising from contracts with customers are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Notes receivable–trade	¥ 194	¥ 297	$ 1,302
Accounts receivable–trade	20,519	23,029	137,711
Contract assets	464	417	3,114

(b) Among "Other," the amounts of contract liabilities are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Contract liabilities	¥ 22	¥ 43	$ 148

9. Investment Properties

The Company owns rental office buildings (including land) mainly in Tokyo. Operating profit from these rental properties for the years ended March 31, 2025 and 2024 was ¥1,375 million ($9,228 thousand) and ¥1,373 million, respectively. Revenue from rental properties and related expenses are reported as net sales and cost of sales, respectively.

Carrying amount changes during the years ended March 31, 2025 and 2024, and fair value of these properties as of those dates are stated as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Carrying amount:			
Balance at the beginning of the year	¥ 9,742	¥ 10,047	$ 65,383
Changes during the year	1,502	(304)	10,081
Balance at the end of the year	11,245	9,742	75,470
Fair value at the end of the year	¥ 59,804	¥ 52,903	$ 401,369

Notes: 1. The carrying amount represents the acquisition costs less accumulated depreciation.
2. A positive change of ¥1,785 million ($11,980 thousand), resulting from a change in use from Company to rental real estate, was the primary change during the year ended March 31, 2025.
3. Fair value at the end of the year is calculated based on real estate appraisal reports issued by external real estate appraisers. If there have been no material changes in an appraisal value and applicable indices that are considered to appropriately reflect market values since the time of acquisition or the most recent valuation, the fair value at the end of the year is adjusted using such an appraisal value and applicable indices.

10. Financial Instruments

(a) Outline of Financial Instruments

(1) Policy for using financial instruments

The Group is managing its cash surplus in the form of low-risk financial instruments

with high liquidity, while raising short-term working capital through loans from financial institutions, including banks. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described below.

(2) Nature and extent of risks arising from financial instruments
Trade receivables such as "Notes and accounts receivable–trade" are exposed to customer credit risk. Trade receivables denominated in foreign currencies are exposed to foreign exchange fluctuation risk. Marketable and investment securities are mainly held-to-maturity debt securities and equity securities, which are exposed to the risk of market price fluctuations.

Payment terms of trade payables, such as "Notes and accounts payable–trade" and "Electronically recorded obligations–operating," are mostly one year or less. Trade payables in foreign currencies in connection with the import transactions of raw materials are exposed to foreign exchange fluctuation risk. Bank loans are used for short-term working capital.

The only derivative transactions used by the Company are forward foreign exchange contracts for the purpose of hedging the foreign exchange fluctuation risk of trade receivables and trade payables denominated in foreign currencies. Please see "2. Summary of Significant Accounting Policies" for details regarding hedging instruments, hedged items, hedging policy and methods of assessing hedge effectiveness.

(3) Risk management for financial instruments

a. Credit risk management (customers' default risk)
For the purpose of managing credit risk of trade receivables within the Group, each relevant department, according to the credit management rules, manages payment terms and balances of each major customer by regularly monitoring their status, in an effort to achieve early identification and mitigation of customer default risk arising from the deterioration of their financial condition and other factors.

Held-to-maturity debt securities held by the Company are, under the short-term investment rules, restricted to those with superior ratings only, involving minimal credit risk.

The Company enters into derivative transactions only with high-credit-rating banks and other financial institutions to mitigate the counterparty risk.

The maximum credit risk exposure of financial assets as of March 31, 2025 is limited to the carrying amounts of the financial assets on the consolidated balance sheets.

b. Market risk management (foreign exchange and interest rate fluctuation risks)
The Company uses forward foreign exchange contracts and foreign currency deposits as appropriate to hedge the foreign exchange fluctuation risk associated with trade receivables and trade payables denominated in foreign currencies.

With respect to marketable and investment securities, the Company periodically monitors fair values and financial positions of the related issuers (business counterparties), etc. For securities other than held-to-maturity debt securities, the Company continuously reviews its holdings status by taking into account its relationships with the business counterparties.

Derivative transactions are conducted under the authority of the general manager at each relevant department, in accordance with the forward foreign exchange contracts management rules, and the execution result of derivative transactions is reported to the Accounting Department and other relevant departments, as each transaction takes place. At the end of each month, the outstanding balance of forward foreign exchange contracts is reported to the directors in charge, as well as to other relevant departments. The consolidated subsidiaries are not engaged in derivative transactions.

c. Liquidity risk management on fund-raising (risk of delinquency)
The Company manages its liquidity risk by having the Accounting Department prepare and update the cash management plan as appropriate based on reports from each relevant department.

(4) Supplementary explanation concerning fair values of financial instruments
Since variable factors are incorporated in computing the fair values of financial instruments, such fair values may vary depending on the initial premises.

(5) Concentration of credit risks
As of March 31, 2025, 53% of all trade receivables were with specific major accounts.

(b) Fair Values of Financial Instruments
The carrying amount, fair value and net unrealized gains/losses of financial instruments are as follows:

MILLIONS OF YEN

	Carrying amount	Fair value	Unrealized gain (loss)
March 31, 2025	2025		
Marketable and investment securities and other available-for-sale securities	¥ 18,295	¥ 18,295	¥—
Asset total	¥ 18,295	¥ 18,295	¥—

Notes: 1. Cash and deposits, marketable securities (held-to-maturity debt securities), notes and accounts receivable–trade, notes and accounts payable–trade, electronically recorded obligations–operating, and short-term bank loans are excluded from the table above as their carrying amounts approximate fair value because they are cash or have short maturities.
2. Investments in investment limited partnerships and other similar entities, where securities have no quoted market price and are recorded in the consolidated balance sheets at the net amount corresponding to the equity interest, are not included in "Marketable and investment securities and other available-for-sale securities." The carrying amounts of such financial instruments are as follows.

MILLIONS OF YEN

	2025
Unlisted equity securities	¥ 62
Investment in investment limited partnership	517

THOUSANDS OF U.S. DOLLARS (NOTE 1)

	Carrying amount	Fair value	Unrealized gain (loss)
March 31, 2025	2025		
Marketable and investment securities and other available-for-sale securities	$ 122,785	$ 122,785	$—
Asset total	$ 122,785	$ 122,785	$—

THOUSANDS OF U.S. DOLLARS (NOTE 1)

	2025
Unlisted equity securities	$ 416
Investment in investment limited partnership	3,470

MILLIONS OF YEN

	Carrying amount	Fair value	Unrealized gain (loss)
March 31, 2024		2024	
Marketable and investment securities and other available-for-sale securities	¥23,004	¥23,004	¥—
Asset total	¥23,004	¥23,004	¥—

Notes: 1. Cash and deposits, marketable securities (held-to-maturity debt securities), notes and accounts receivable–trade, notes and accounts payable–trade, electronically recorded obligations–operating, and short-term bank loans are excluded from the table above as their carrying amounts approximate fair value because they are cash or have short maturities.
2. Investments in investment limited partnerships and other similar entities, where securities have no quoted market price and are recorded in the consolidated balance sheets at the net amount corresponding to the equity interest, are not included in "Marketable and investment securities and other available-for-sale securities." The carrying amounts of such financial instruments are as follows.

MILLIONS OF YEN

	2024
Unlisted equity securities	¥77
Investment in investment limited partnership	150

Redemption schedules of monetary assets and securities with contractual maturities subsequent to March 31, 2025 and 2024 are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	Due within one year		
	2025	2024	2025
Cash and deposits	¥ 54,093	¥ 50,625	$ 363,040
Notes receivable–trade	194	297	1,302
Accounts receivable–trade	20,519	23,029	137,711
Marketable and investment securities			
Held-to-maturity debt securities	15,992	11,999	107,329
Available-for-sale securities with contractual maturities	—	2,700	—
Total	¥ 90,800	¥ 88,652	$ 609,396

Redemption schedules for bonds, long-term borrowings, lease obligations and other interest-bearing debt are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	Due within one year		
	2025	2024	2025
Short-term bank loans	¥ 3,850	¥ 3,850	$ 25,839
Total	¥ 3,850	¥ 3,850	$ 25,839

(c) Fair Values of Financial Instruments by Level

The fair values of financial instruments are categorized into the following three levels according to the observability and significance of the inputs used in the fair value measurement.

Level 1: Fair value measured using observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets

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

Level 3: Fair value measured using unobservable inputs

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

Financial Instruments Reported on the Consolidated Balance Sheets at Fair Value

MILLIONS OF YEN

	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities and other available-for-sale securities				
Equity securities	¥18,295	¥—	¥—	¥18,295
Other securities	—	—	—	—
Asset total	¥18,295	¥—	¥—	¥18,295

MILLIONS OF YEN

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities and other available-for-sale securities				
Equity securities	¥ 20,304	¥—	¥—	¥20,304
Other securities	—	2,700	—	2,700
Asset total	¥ 20,304	¥2,700	¥—	¥23,004

THOUSANDS OF U.S. DOLLARS (NOTE 1)

	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities and other available-for-sale securities				
Equity securities	$122,785	$—	$—	$122,785
Other securities	—	—	—	—
Asset total	$122,785	$—	$—	$122,785

Note: Description of valuation methods and inputs used in the fair value measurement

Marketable and investment securities

Listed equity securities are valued using quoted market prices. As listed equity securities are traded in active markets, their fair value is categorized as Level 1. However, the fair values of other available-for-sale securities held by the Company (negotiable certificates of deposit) are categorized as Level 2 as they are not considered to be quoted market prices in active markets due to the low frequency of trading.

11. Retirement Benefits

The Company has defined benefit plans, namely, a lump-sum retirement plan and a defined benefit corporate pension plan. A retirement benefit trust has been established for the lump-sum retirement plan. The Company may make additional payments at the time of employees' retirement in addition to the lump-sum retirement benefits. The simplified method is used to calculate KAKEN PHARMA CO., LTD.'s retirement benefit obligation. Consolidated subsidiaries other than KAKEN PHARMA do not have retirement benefit plans.

Defined benefit plans

(a) Changes in the retirement benefit obligation for the years ended March 31, 2025 and 2024 are as follows (excluding plans in which the simplified method is applied):

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Retirement benefit obligation–Beginning balance	¥ 17,696	¥ 18,045	$ 118,765
Service cost	657	655	4,409
Interest cost	53	54	356
Actuarial gain or loss	(2,277)	69	(15,282)
Retirement benefit paid	(1,452)	(1,129)	(9,745)
Retirement benefit obligation–Ending balance	¥ 14,677	¥ 17,696	$ 98,503

(b) Changes in the plan assets for the years ended March 31, 2025 and 2024 are as follows (excluding plans in which the simplified method is applied):

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Plan assets–Beginning balance	¥ 14,406	¥ 12,886	$ 96,685
Expected return on plan assets	341	303	2,289
Actuarial gain or loss	(270)	1,802	(1,812)
Employer's contributions	157	157	1,054
Retirement benefit paid	(752)	(744)	(5,047)
Plan assets–Ending balance	¥ 13,882	¥ 14,406	$ 93,168

(c) Changes in the net defined benefit liability for the years ended March 31, 2025 and 2024 in which the simplified method is applied are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Net defined benefit liability–Beginning balance	¥ 0	¥ 0	$ 0
Retirement benefit cost	0	0	0
Net defined benefit liability–Ending balance	¥ 0	¥ 0	$ 0

(d) Reconciliation between the net liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Retirement benefit obligation under funded plan	¥ 14,677	¥ 17,696	$ 98,503
Plan assets	(13,882)	(14,406)	(93,168)
	795	3,290	5,336
Retirement benefit obligation under unfunded plan	0	0	0
Net liability recorded in the consolidated balance sheets	795	3,290	5,336
Retirement benefit liabilities	4,954	6,393	33,248
Retirement benefit assets	4,159	3,102	27,913
Net liability recorded on the consolidated balance sheets	¥ 795	¥ 3,290	$ 5,336

Notes: 1. Retirement benefit obligation and plan assets under the Company's funded plan include those for the lump-sum retirement plan.
2. Plans in which the simplified method is applied are included.

(e) Net periodic pension cost and its components are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Service cost	¥ 657	¥ 655	$ 4,409
Interest cost	53	54	356
Expected return on plan assets	(341)	(303)	(2,289)
Amortization of actuarial gain or loss	(117)	(5)	(785)
Net periodic pension cost under simplified method	0	0	0
Net periodic pension cost for defined benefit plans	¥ 251	¥ 400	$ 1,685

(f) The components of remeasurements of defined benefit plans in other comprehensive income (before tax effect) for the years ended March 31, 2025 and 2024 are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Actuarial gain or loss	¥ 1,888	¥1,727	$ 12,671

(g) The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effect) as of March 31, 2025 and 2024 are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Unrecognized actuarial gain or loss	¥ (3,853)	¥ (1,964)	$ (25,859)

(h) Plan assets

(1) Plan assets consist of the following:

	2025	2024
Debt securities	44%	33%
Equity securities	41	52
General account	10	10
Other	5	5
Total	100%	100%

Note: Plan assets include the retirement benefit trust, which accounted for 7% and 5% of the total plan assets as of March 31, 2025 and 2024, respectively.

(2) Long-term expected rate of return on plan assets is determined based on current and expected allocation of plan assets and long-term rates of return expected currently and in the future from the various components of the plan assets.

(i) Major assumptions used for actuarial calculation are as follows (weighted average):

	2025	2024
Discount rate	1.8%	0.3%
Long-term expected rate of return	2.5%	2.5%

12. Shareholders' Equity

(a) Class and number of shares outstanding and treasury stock

	Class of shares outstanding	Class of treasury stock
	Common stock	Common stock
Number of shares as of April 1, 2024	45,939,730	8,070,003
Increase	—	1,261,851
Decrease	—	(1,796,000)
Number of shares as of March 31, 2025	45,939,730	7,535,854

Notes:
1. Increase in treasury stock (1,261,851 shares) is due to an increase of 1,261,200 shares resulting from market purchases pursuant to a resolution of the Board of Directors, and an increase of 651 shares due to the purchase of shares of less than one unit.
2. Decrease in treasury stock (1,796,000 shares) is due to the conclusion of a license agreement with Janssen Pharmaceutica NV for the derivation of a STAT6 inhibitor at the Board of Directors meeting held on December 26, 2024, and to the disposal of treasury stock (1,791,400 shares) by third-party allotment to Johnson & Johnson Innovation - JJDC, Inc., the corporate venture capital organization of Johnson & Johnson, the parent company of Janssen Pharmaceutica NV. It is also due to the placement of Company stock (4,000 shares) in the Board Benefit Trust (BBT) and the sale of Company stock (600 shares) in the BBT.
3. The number of shares of treasury stock includes Company shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the BBT (93,600 shares as of March 31, 2025 and 28,200 shares as of April 1, 2024).
4. At a meeting on February 26, 2025, the Board of Directors resolved to cancel a portion of the Company's treasury stock in accordance with Article 178 of the Companies Act. However, as of March 31, 2025, the Company had not yet completed the cancellation procedures for the following treasury stock:
   Book value: ¥6,787 million ($45,550 thousand)
   Class of shares: Common stock
   Number of shares: 1,800,000 shares
   The Company has completed the cancellation procedures for the above treasury stock as of May 30, 2025.

(b) Matters related to dividends

(1) Dividend payment

The following payment was approved at the general meeting of shareholders held on June 27, 2024:

Dividends on common stock	
Total amount of dividends	¥2,842 million ($19,074 thousand)
Dividends per share	¥75.00 ($0.50)
Record date	March 31, 2024
Effective date	June 28, 2024

The following payment was approved at the Board of Directors meeting held on November 8, 2024:

Dividends on common stock	
Total amount of dividends	¥4,366 million ($29,302 thousand)
Dividends per share	¥115.00 ($0.77)
Record date	September 30, 2024
Effective date	November 29, 2024

Notes:
1. Total amount of dividends approved at the ordinary general meeting of shareholders on June 27, 2024 includes ¥2 million ($13 thousand) of dividends payable for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the BBT.
2. Total amount of dividends approved at the Board of Directors' meeting on November 8, 2024 includes ¥10 million ($67 thousand) of dividends payable for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the BBT.
3. The total amount of dividends per share pursuant to the resolution of the Board of Directors meeting held on November 8, 2024 includes a special dividend of ¥40.00 ($0.27).

(2) Dividends whose record date is attributed to the year ended March 31, 2025 but which become effective after March 31, 2025

Approval at the ordinary general meeting of shareholders held on June 27, 2025 was as follows:

Dividends on common stock	
Total amount of dividends	¥2,887 million ($19,376 thousand)
Source of dividends	Retained earnings
Dividends per share	¥75.00 ($0.50)
Record date	March 31, 2025
Effective date	June 30, 2025

Note:
1. Total amount of dividends includes ¥7 million ($47 thousand) of dividends payable for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the BBT.
2. The above was submitted as an agenda item for the ordinary general meeting of shareholders held on June 27, 2025.

13. Research and Development Costs

Research and development costs included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2025 and 2024 amounted to ¥18,725 million ($125,671 thousand) and ¥12,543 million, respectively.

14. Loss on Revaluation of Inventories

The ending balance of inventories is the amount after writing down book values based on decreased profitability, and the following loss on revaluation of inventories is included in cost of sales. The amounts on March 31, 2024 and 2023 are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
	¥(94)	¥28	$(631)

15. Loss on Retirement of Non-Current Assets

Loss on retirement of non-current assets for the years ended March 31, 2025 and 2024 consists of the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Buildings and structures	¥ 4	¥ 34	$ 27
Other	63	114	423
Total	¥ 68	¥148	$ 456

16. Impairment Losses

The Group recognized impairment losses for the following asset groups for the year ended March 31, 2025:

			MILLIONS OF YEN
Location	Use	Type	Impairment loss
Fujieda, Shizuoka Pref.	Production facilities	Buildings and structures	¥ 41
Bunkyo-ku, Tokyo	Business assets	In-process research and development	1,446

			THOUSANDS OF U.S. DOLLARS (NOTE 1)
Location	Use	Type	Impairment loss
Fujieda, Shizuoka Pref.	Production facilities	Buildings and structures	$ 275
Bunkyo-ku, Tokyo	Business assets	In-process research and development	9,705

The Group categorizes its business assets based principally on the segment by business type, and rental properties, idle assets, etc. are grouped on an individual basis.

The buildings and structures have no foreseeable future use, so the carrying amount is reduced to the recoverable amount, and the ¥13 million ($87 thousand) decrease in

buildings and structures and ¥28 million ($188 thousand) in dismantlement costs are accounted for as impairment losses in "Other income (expenses)."

The recoverable amount is the residual value.

For in-process research and development, the carrying amount is reduced to the recoverable amount based on the resolution to change the development policy approved by the Board of Directors on April 25, 2025. The resulting decrease of ¥1,400 million ($9,396 thousand) in in-process research and development and decrease of ¥46 million ($309 thousand) in goodwill are accounted for as impairment losses in "Other income (expenses)."

The recoverable amount is measured using value in use. However, the value in use of asset groups with no expected future cash flows is estimated to be zero.

The Group recognized impairment losses for the following asset groups for the year ended March 31, 2024:

			MILLIONS OF YEN
Location	Use	Type	Impairment loss
Fujieda, Shizuoka Pref.	Production facilities	Buildings and structures	¥ 19

The Group categorizes its business assets based principally on the segment by types of business, and rental properties, idle assets, etc. are grouped on an individual basis.

For buildings and structures, the carrying amount is reduced to the recoverable amount based on the resolution on reconstruction approved by the Board of Directors on March 28, 2024, and the ¥12 million decrease in buildings and structures and ¥6 million in dismantlement costs are accounted for as impairment losses in "Other income (expenses)."

The recoverable amount is measured using the utility value and calculated as the depreciation expense equivalent for the period of expected use.

17. Income Taxes

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

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Deferred tax assets:			
Tax loss carryforwards	¥ 351	¥ 337	$ 2,356
Loss on valuation of inventories	12	31	81
Disallowed expensed supplies	483	422	3,242
Loss on valuation of investment securities	171	0	1,148
Contract loss	149	158	1,000
Adjustment of gain on sale of land	2,716	2,638	18,228
Amortization of research & development expenses	5,407	3,167	36,289
Amortization of long-term prepaid expenses	345	465	2,315
Provision for bonuses	352	291	2,362
Net defined benefit liability	1,559	1,957	10,463
Impairment losses	111	99	745
Other	1,376	452	9,235
Total	13,038	10,023	87,503
Valuation allowance for tax loss carryforwards	(351)	(337)	(2,356)
Valuation allowance	(4,259)	(2,800)	(28,584)
Total	(4,610)	(3,138)	(30,940)
Deferred tax assets	8,428	6,885	56,564
Deferred tax liabilities:			
Retirement benefit assets	(1,313)	(950)	(8,812)
Reserve for advanced depreciation of non-current assets	(169)	(173)	(1,134)
Net unrealized holding gain on securities	(2,880)	(3,170)	(19,329)
In-process research and development	(1,514)	(1,947)	(10,161)
Deferred tax liabilities	(5,877)	(6,241)	(39,443)
Deferred tax assets, net	¥ 2,550	¥ 643	$ 17,114

Notes:
1. "Loss on valuation of investment securities," which was included in "Other" for the year ended March 31, 2024, is presented as a discrete line item for the year ended March 31, 2025 because of an increase in its monetary significance. The consolidated financial statements for the year ended March 31, 2024 have been restated to reflect this change in presentation.
   As a result, ¥452 million that was presented in "Other" under "Deferred tax assets" in the consolidated balance sheets for the year ended March 31, 2024 has been restated as a "Loss on valuation of investment securities" of ¥0 million ($0 thousand) and "Other" of ¥452 million.
2. The valuation allowance increased by ¥1,471 million ($9,872 thousand). The main factor in this increase was a ¥699 million ($4,691 thousand) increase in the valuation allowance for research & development expenses.
3. Tax loss carryforwards, valuation allowance and deferred tax assets by expiration of carryforwards as of March 31, 2025 and 2024 are as follows:

	MILLIONS OF YEN						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years	Total
	2025						
Tax loss carryforwards	¥—	¥—	¥—	¥—	¥—	¥ 351	¥ 351
Valuation allowance	—	—	—	—	—	(351)	(351)
Deferred tax assets	—	—	—	—	—	—	—

Note: Tax loss carryforwards are measured using the effective statutory tax rates.

	MILLIONS OF YEN						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years	Total
	2024						
Tax loss carryforwards	¥—	¥—	¥—	¥—	¥—	¥ 337	¥ 337
Valuation allowance	—	—	—	—	—	(337)	(337)
Deferred tax assets	—	—	—	—	—	—	—

Note: Tax loss carryforwards are measured using the effective statutory tax rates.

	THOUSANDS OF U.S. DOLLARS (NOTE 1)						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years	Total
	2025						
Tax loss carryforwards	$—	$—	$—	$—	$—	$ 2,356	$ 2,356
Valuation allowance	—	—	—	—	—	(2,356)	(2,356)
Deferred tax assets	—	—	—	—	—	—	—

The Group is subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 30.62% for the years ended March 31, 2025 and 2024. Reconciliation of the differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2025 and 2024 is as follows:

	2025	2024
Statutory tax rate	30.62%	30.62%
Increase (decrease) in taxes resulting from:		
Expenses not deductible for income tax purpose (e.g., entertainment expenses)	0.22	0.35
Income not included for income tax purpose (e.g., dividend income)	(0.19)	(0.31)
Inhabitant per capita taxes	0.34	0.68
Tax credit for research expenses	(6.91)	(5.72)
Change in valuation allowance	6.55	(8.96)
Impact from change in tax rate	(1.47)	1.80
Other	(0.91)	(0.38)

Effective tax rate	28.25%	18.08%

The Act for Partial Amendment of the Income Tax Act (Act No. 13 of 2025) was enacted by Japan's Diet on March 31, 2025, and the Defense Special Corporate Tax will be imposed for consolidated fiscal years beginning on or after April 1, 2026.

Accordingly, the statutory effective tax rate was changed from 30.62% to 31.52% for the calculation of deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in or after fiscal years beginning on or after April 1, 2026.

As a result of this change, deferred tax assets net of deferred tax liabilities for the year ended March 31, 2025 increased by ¥300 million ($2,013 thousand), income taxes–deferred decreased by ¥169 million ($1,134 thousand), and net unrealized holding gain on securities decreased by ¥82 million ($550 thousand).

18. Business Combination

Business Combination through Acquisition

1. Overview of Business Combination
(a) Name and business activities of acquired company
Name: Aadi Subsidiary, Inc. (Aadi)
Business: Research and development of pharmaceuticals and sales of FYARRO®
(b) Rationale for the business combination
The Company is taking specific action to implement its strategy for expansion outside Japan in accordance with its Long-Term Business Plan 2031, and has already begun in-house development in the United States. At the same time, the Company is structuring its own sales system in the U.S. market, and acquired Aadi to be the core of this system and significantly accelerate the construction of a base for meeting global medical needs. Aadi sells the drug FYARRO to treat the rare disease of metastatic or locally advanced, unresectable perivascular epithelioid cell tumors. FYARRO uses nanoparticle albumin-bound technology and has been designated an orphan drug by the U.S. Food and Drug Administration (FDA). The acquisition gives the Company FYARRO, a U.S. sales base, as well as Aadi's sales platform and expertise in selling drugs for rare diseases. The Company is currently developing KP-001, a treatment for refractory vascular malformations, in the United States and will deploy the knowledge gained from sales of FYARRO to promote U.S. sales of other in-house products.
(c) Date of business combination: March 26, 2025
(d) Legal form of business combination: Acquisition of shares in exchange for cash
(e) Name of company after combination: Aadi Bioscience, Inc.
Aadi Subsidiary, Inc. changed its name after the acquisition was completed.
(f) Percentage of voting rights acquired: 100%
(g) Main grounds to determine the acquiring company: A consolidated subsidiary had acquired shares in exchange for cash.

2. Post-acquisition period included in the consolidated financial statements
For the year ended, and as of, March 31, 2025, the Company only consolidated Aadi's balance sheets and did not include the performance of the acquired company in its consolidated statements of income.

3. Acquisition cost and type of consideration
Acquisition cost: ¥15,538 million ($104,282 thousand)
Acquisition consideration: Cash totaling ¥15,538 million ($104,282 thousand)

4. Major acquisition-related expenses
Advisory fees, etc.: ¥1,390 million ($9,329 thousand)

5. Goodwill amount, origin, amortization method and period
(a) Goodwill: ¥13,223 million ($88,745 thousand)
This figure is provisional because allocation of acquisition cost had not been completed as of March 31, 2025.
(b) Origin
The value of net assets when the shares were acquired was less than the acquisition cost, so the difference is recognized as goodwill.
(c) Amortization method and period
Goodwill will be amortized using the straight-line method over the period in which the effect is realized. The amortization period will be determined based on the results of the allocation of acquisition cost.

6. Summary of assets acquired and liabilities assumed on the business combination date
Current assets: ¥2,085 million ($13,993 thousand)
Non-current assets: ¥1,137 million ($7,631 thousand)
Total assets: ¥3,223 million ($21,631 thousand)
Current liabilities: ¥897 million ($6,020 thousand)
Non-current liabilities: ¥80 million ($537 thousand)
Total liabilities: ¥977 million ($6,557 thousand)

7. Calculation of estimated impact on the consolidated statements of income for the year ended March 31, 2025 if the business combination had been completed on April 1, 2024
Estimates are difficult to calculate reasonably and are not presented.

19. Revenue Recognition

1. Revenue from Contracts with Customers
The breakdown of revenue from contracts with customers is presented in "23. Segment Information".

2. Basis for Understanding Revenue from Contracts with Customers
The Group recognizes revenue based on the following five-step approach.
Step 1: Identify the contract with a customer.
Step 2: Identify the separate performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate portions of the transaction price to the separate performance obligations in the contract.
Step 5: Recognize revenue when (or as) each performance obligation is satisfied.
(a) Sale of merchandise and finished goods
Revenue from sale of merchandise and finished goods is primarily a result of sales from manufacturing or wholesaling, and where performance obligations to deliver such goods are based on the sales contract with the customer. These performance obligations are deemed to be satisfied when control of the goods is transferred to the customer, whereupon the revenue is recognized. When goods are sold in Japan, revenue is recognized upon shipment if the time from shipment to the transfer of control of the goods to the customer is a normal period of time.
For transactions in which the Group is involved in the sale of goods as an agent, revenue is recognized on a net basis.
The transaction price is calculated by subtracting any discounts or rebates from the consideration promised in the contract with the customer.
Consideration for the sale of goods is generally received within one year after the performance obligation is satisfied, in accordance with payment terms that have been separately determined, and does not include a significant financing component.

(b) Revenue from license agreements related to the sale of goods

Revenue from license agreements related to the sale of goods consists of intellectual property transfers or technology licensing agreements and royalties. Intellectual property transfers or technology licensing agreements have performance obligations based on contracts with customers, and these performance obligations are recognized as revenue when the rights are granted to the customer. Royalties are calculated based on customer sales and other factors, and are recognized as revenue with reference to when the sales occur.

Consideration for licenses related to the sale of goods is generally received within one year after the performance obligation is satisfied, in accordance with the payment terms that have been separately determined, and does not include a significant financing component.

3. Relationship between Satisfaction of Performance Obligations Based on the Contract with the Customer and Cash Flows Arising from That Contract, and the Amount and Timing of Revenue Expected to be Recognized in the Following Fiscal Year or Later from Contracts Existing at the End of the Fiscal Year under Review

(a) Balance of contract assets and contract liabilities

The Group's contract assets and contract liabilities are not disclosed as their balances are immaterial and there are no significant changes. In addition, the amount of revenue (mainly changes in transaction price) recognized in the fiscal year under review from performance obligations that were satisfied (or partially satisfied) in previous fiscal years is immaterial.

(b) Transaction price allocated to remaining performance obligations

In the Group, the transaction price allocated to remaining performance obligations is not disclosed as there are no significant contracts that were initially expected to last more than one year. In addition, there are no significant variable considerations in the amount of consideration received from contracts with customers that are not included in the transaction price.

20. Related Party Transactions

There are no related party transactions to be disclosed for the years ended March 31, 2025 and 2024.

21. Per Share Information

Per share information as of March 31, 2025 and 2024 and for the years then ended is as follows:

	YEN		U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Net assets per share	¥ 3,974.47	¥ 3,796.05	$ 26.67
Profit per share	365.42	212.67	2.45

Notes:

1. Diluted profit per share is not presented due to the absence of dilutive shares.
2. The Company has introduced the Board Benefit Trust (BBT). The Company's shares held by the BBT, which are recorded as treasury stock in shareholders' equity, are included in the treasury stock to be deducted from the total number of shares outstanding at the end of the year for computation of net assets per share, and are also included in the treasury stock to be deducted when calculating the weighted average number of shares of common stock for computation of profit per share.

   The number of shares of treasury stock deducted for computation of net assets per share is 93,600 as of March 31, 2025 and 28,200 as of March 31, 2024. The weighted average number of shares of treasury stock deducted for computation of profit per share is 64,055 for the year ended March 31, 2025 and 29,898 for the year ended March 31, 2024.
3. The basis of calculation for profit per share for the years ended March 31, 2025 and 2024 is as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Profit	¥13,945	¥ 8,025	$ 93,591
Profit attributable to common stock owners of the Company	13,945	8,025	93,591
Profit not attributable to common stock owners	—	—	—
Weighted average number of shares of common stock (thousands of shares)	38,162	37,737	256,121

4. The basis of calculation for net assets per share for the years ended March 31, 2025 and 2024 is as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Total net assets	¥ 152,634	¥ 143,755	$ 1,024,389
Amount subtracted from total net assets	—	—	—
Net assets attributable to common stock at end of period	152,634	143,755	1,024,389
Number of shares of common stock used in calculation of net assets per share at end of period (thousands of shares)	38,403	37,869	257,738

22. Comprehensive Income

Reclassification adjustments and income tax effects for each component of other comprehensive income for the years ended March 31, 2025 and 2024 are as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	2024	2025
Net unrealized holding gain (loss) on securities:			
Increase (decrease) during the year	¥ (1,488)	¥ 3,559	$ (9,987)
Reclassification adjustments	271	(13)	1,819
Before income tax effect	(1,217)	3,546	(8,168)
Income tax effect	290	(1,085)	1,946
Net unrealized holding gain (loss) on securities	¥ (926)	¥ 2,460	$ (6,215)
Foreign currency translation adjustment			
Amount arising during the year	¥ (57)	¥—	$ (383)
Remeasurements of defined benefit plans:			
Increase during the year	¥ 2,006	¥ 1,732	$ 13,463
Reclassification adjustments	(117)	(5)	(785)
Before income tax effect	1,888	1,727	12,671
Income tax effect	(611)	(528)	(4,101)
Remeasurements of defined benefit plans	¥ 1,277	¥ 1,198	$ 8,570
Total other comprehensive income	¥ 292	¥ 3,658	$ 1,960

23. Segment Information

(a) Overview of reportable segments

The Group's reportable segments are constituent units of the Group for which separate financial information is available, and which the Board of Directors regularly evaluates in order to decide how to allocate resources within the Group and evaluate business performance.

The Group produces and sells medical products, medical devices and agrochemicals and rents real estate, operating each business with a different management style appropriate for the industry category. Each business operates on its own initiative and creates comprehensive business strategies in conducting its business activities.

The Group consists of segments by category of industry based on the operation of each business; therefore, it consists of two reportable segments: "Pharmaceuticals" and "Real estate."

"Pharmaceuticals" mainly encompasses the production and sale of medical products, medical devices, and agrochemicals.

"Real estate" mainly encompasses the renting out of Bunkyo Green Court.

(b) Method of calculating net sales, profit, assets, and other items by reportable segment

Accounting policies for the reportable segments are consistent with those described in "2. Summary of Significant Accounting Policies." Profit by reportable segment is based on operating profit.

Corporate assets are not allocated to each reportable segment. However, related expenses are allocated to each reportable segment using reasonable criteria.

(c) Information about reportable segments

MILLIONS OF YEN

	Reportable Segment				
	Pharmaceuticals	Real estate	Total	Adjustments	Consolidated
	2025				
Net sales:					
Sales of merchandise and finished goods	¥71,137	¥ —	¥71,137	¥ —	¥ 71,137
License agreements for sale, etc. of finished products	20,416	—	20,416	—	20,416
Revenue from contracts with customers	91,553	—	91,553	—	91,553
Other revenue	—	2,481	2,481	—	2,481
Net sales to external customers	91,553	2,481	94,035	—	94,035
Intersegment sales or transfers	—	—	—	—	—
Total	¥91,553	¥ 2,481	¥94,035	¥ —	¥ 94,035
Segment profit	¥19,659	¥ 1,375	¥21,034	¥ —	¥ 21,034
Segment assets	¥100,220	¥ 11,285	¥111,505	¥ 78,916	¥190,422
Other items:					
Depreciation and amortization	¥ 3,086	¥ 340	¥ 3,426	¥ —	¥ 3,426
Amortization of goodwill	79	—	79	—	79
Increase in property, plant and equipment and intangible assets	17,214	56	17,270	—	17,270

MILLIONS OF YEN

	Reportable Segment				
	Pharmaceuticals	Real estate	Total	Adjustments	Consolidated
	2024				
Net sales:					
Sales of merchandise and finished goods	¥ 67,958	¥ —	¥67,958	¥ —	¥ 67,958
License agreements for sale, etc. of finished products	1,654	—	1,654	—	1,654
Revenue from contracts with customers	69,613	—	69,613	—	69,613
Other revenue	—	2,430	2,430	—	2,430
Net sales to external customers	69,613	2,430	72,044	—	72,044
Intersegment sales or transfers	—	—	—	—	—
Total	¥69,613	¥ 2,430	¥72,044	¥ —	¥ 72,044
Segment profit	¥ 8,140	¥ 1,373	¥ 9,513	¥ —	¥ 9,513
Segment assets	¥86,015	¥ 9,777	¥95,792	¥ 75,830	¥171,623
Other items:					
Depreciation and amortization	¥ 2,853	¥ 321	¥ 3,174	¥ —	¥ 3,174
Amortization of goodwill	157	—	157	—	157
Increase in property, plant and equipment and intangible assets	7,937	8	7,946	—	7,946

THOUSANDS OF U.S. DOLLARS (NOTE 1)

	Reportable Segment				
	Pharmaceuticals	Real estate	Total	Adjustments	Consolidated
	2025				
Net sales:					
Sales of merchandise and finished goods	$477,430	$ —	$477,430	$ —	$ 477,430
License agreements for sale, etc., of finished products	137,020	—	137,020	—	137,020
Revenue from contracts with customers	614,450	—	614,450	—	614,450
Other revenue	—	16,651	16,651	—	16,651
Net sales to external customers	614,450	16,651	631,107	—	631,107
Intersegment sales or transfers	—	—	—	—	—
Total	$614,450	$16,651	$631,107	$ —	$631,107
Segment profit	$131,940	$ 9,228	$141,168	$ —	$141,168
Segment assets	$ 672,617	$ 75,738	$ 748,356	$ 529,638	$ 1,278,000
Other items:					
Depreciation and amortization	$ 20,711	$ 2,282	$ 22,993	$ —	$ 22,993
Amortization of goodwill	530	—	530	—	530
Increase in property, plant and equipment and intangible assets	115,530	376	115,906	—	115,906

Notes:
1. The adjustments to segment assets of ¥78,916 million ($529,638 thousand) and ¥75,830 million as of March 31, 2025 and 2024, respectively, represent corporate assets which are not allocated to each reportable segment. The amounts mainly consist of surplus funds which do not belong to reportable segments.
2. Depreciation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses.

(d) Information by product and service

Information by product and service is not disclosed since the classification by product and service is the same as the reportable segments.

(e) Information by geographical area

(1) Sales

Information on sales by geographical area is as follows.

	MILLIONS OF YEN Net sales	THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2025	
Japan	¥67,426	$ 452,523
North America	¥ 4,133	$ 27,738
Europe	¥18,148	$121,799
Asia	¥3,808	$ 25,557
Other	¥ 518	$ 3,477

Notes :
1. Net sales are based on the location of each customer, and categorised by country and region.
2. Switzerland accounted for ¥13,379 million($89,792 thousand) of our income for Europe.

(2) Property, plant and equipment

Information on property, plant and equipment by geographical area has not been disclosed since all property, plant and equipment are located in Japan.

(f) Information about major customers

	MILLIONS OF YEN Net sales		THOUSANDS OF U.S. DOLLARS (NOTE 1) Net sales	Name of the related segment
	2025	2024	2025	
Alfresa Corporation	¥13,348	¥13,313	$89,584	Pharmaceuticals
MEDICEO CORPORATION	10,666	9,952	71,584	Pharmaceuticals
Numab Therapeutics AG	10,285	—	69,027	Pharmaceuticals
SUZUKEN CO., LTD.	10,109	10,234	67,846	Pharmaceuticals

(g) Information about impairment loss on non-current assets by reportable segment
The Group recognized impairment losses for the following asset groups for the years ended March 31, 2025 and 2024:

MILLIONS OF YEN

	Reportable Segment					
	Pharmaceuticals	Real estate	Total	Other	Adjustments	Consolidated
	2025					
Impairment loss	¥ 1,488	¥—	¥ 1,488	¥—	¥—	¥ 1,488

MILLIONS OF YEN

	Reportable Segment					
	Pharmaceuticals	Real estate	Total	Other	Adjustments	Consolidated
	2024					
Impairment loss	¥ 19	¥—	¥ 19	¥—	¥—	¥ 19

THOUSANDS OF U.S. DOLLARS

	Reportable Segment					
	Pharmaceuticals	Real estate	Total	Other	Adjustments	Consolidated
	2025					
Impairment loss	$ 9,987	$—	$ 9,987	$—	$—	$ 9,987

(h) Amortization of goodwill and unamortized balance by reportable segment for the years ended March 31, 2025 and 2024 are as follows:
Year ended March 31, 2025

MILLIONS OF YEN

	Reportable Segment					
	Pharmaceuticals	Real estate	Total	Other	Corporate and eliminations	Total
	2025					
Amount amortized during the year	¥ 79	¥—	¥ 79	¥—	¥—	¥ 79
Unamortized balance at end of the year	¥14,035	¥—	¥14,035	¥—	¥—	¥14,035

Note: In the Pharmaceuticals segment, the Company recognized an impairment loss on goodwill of ¥46 million ($309 thousand) . In addition, as described in "17. Business Combination," the Company acquired all shares of Aadi Subsidiary, Inc. on March 26, 2025, and included this company in the scope of consolidation. As a result, goodwill as of March 31, 2025 increased by ¥13,223 million ($88,745 thousand) from a year earlier.

Year ended March 31, 2024

MILLIONS OF YEN

	Reportable Segment					
	Pharmaceuticals	Real estate	Total	Other	Corporate and eliminations	Total
	2024					
Amount amortized during the year	¥157	¥—	¥157	¥—	¥—	¥157
Unamortized balance at end of the year	¥937	¥—	¥937	¥—	¥—	¥937

Note: In the Pharmaceuticals segment, the Company recorded additional goodwill in connection with the payment of conditional compensation for the milestone reached on July 7, 2023, concerning the KP-001 treatment agent for refractory vascular malformations. This has been done in accordance with the share transfer agreement concluded with the purchase of ARTham Therapeutics announced on November 30, 2021. The amount of additional goodwill due to the event in question is ¥864 million for the current consolidated fiscal year.

THOUSANDS OF U.S. DOLLARS (NOTE 1)

	Reportable Segment					
	Pharmaceuticals	Real estate	Total	Other	Corporate and eliminations	Total
	2025					
Amount amortized during the year	$ 530	$ —	$ 530	$ —	$ —	$ 530
Unamortized balance at end of the year	$ 94,195	$ —	$ 94,195	$ —	$ —	$ 94,195

24. Subsequent Events

Cancellation of Treasury Shares

The Board of Directors resolved at a meeting held on February 26, 2025 to cancel a portion of the Company's treasury shares pursuant to Article 178 of the Companies Act of Japan. The treasury shares were canceled on May 30, 2025.

1. Reason for the cancellation of treasury shares
The objective is a flexible capital policy for responding to changes in the business environment.

2. Summary of the cancellation of treasury shares
(a) Class of cancelled shares: Common stock of the Company
(b) Total number of cancelled shares: 1,800,000 shares
Percentage of total number of issued shares (including treasury shares) before cancellation: 3.91%
(c) Cancellation date: May 30, 2025
(d) Total number of issued shares after cancellation: 44,139,730 shares

Disposal of Treasury Stock through Third-Party Allotment

The Board of Directors resolved at a meeting held on May 30, 2025 to dispose of treasury shares in conjunction with the introduction of a Japan Employee Stock Purchase Plan (J-ESOP), as follows:

1. Disposal rationale and objective
The objective is to increase the linkage between employee benefits and the Company's stock price and performance, and to increase the motivation and morale of employees to improve the Company's share price and performance by sharing in the positive economic outcomes with other shareholders.

2. Overview of disposal
(a) Date of disposal: June 17, 2025
(b) Class and number of shares subject to disposition: 110,000 shares of the Company's common stock
(c) Price of disposition: ¥3,811 ($26) per share
(d) Total amount of disposition: ¥419 million ($2,812 thousand)
(e) Intended recipients: 1,127 Company employees (as of April 30, 2025)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KAKEN PHARMACEUTICAL CO., LTD:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of KAKEN PHARMACEUTICAL CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheet as at March 31, 2025 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of in-process research and development and goodwill related to ARTham Therapeutics Inc.	
Key audit matter and the basis of our determination	How the matter was addressed in the audit
As described in *2. Summary of Significant Accounting Policies, (p) Significant Accounting Estimates*, the Group recorded 4,400 million yen of in-process research and development and 14,035 million yen of goodwill as intangible assets in the consolidated balance sheets as of March 31, 2025. Of these, 4,400 million yen in in-process research and development and 811 million yen in goodwill arose from the acquisition of ARTham Therapeutics Inc., a consolidated subsidiary. For some development programs, changes have been made to the development policy, and an impairment loss of 1,446 million yen was recognized in the consolidated statements of income. The Company evaluates in-process research and development and goodwill mainly based on the excess earnings method. Decisions on recognition of impairment losses on in-process research and development and goodwill are based on whether the total amount of undiscounted future cash flows for each development program has fallen below the carrying amount. Undiscounted future cash flows are calculated based on the business plan for each development program formulated by the Company, which includes important assumptions such as future sales forecasts (number of patients and drug prices) and the probability of success of R&D. These important assumptions are subject to uncertainty as they can fluctuate primarily depending on the pharmaceutical market and the R&D landscape. In addition, the Company makes investment decisions based on its evaluation of business value at the time of the acquisition of ARTham Therapeutics Inc., but if a competing new drug is subsequently launched on the market, or if the expected efficacy is not recognized as expected in the research and development process, the economic rationale for continuing research and development will no longer be expected and the Company will decide to discontinue the program. For this reason, management's subjective judgment regarding the continuation of the development program has an important impact on the valuation of the intangible assets. Based on the above, the audit firm judged that the evaluation of intangible assets falls under key audit matters because the evaluation of the intangible assets is particularly important in the audit of the consolidated financial statements for the fiscal year under review, as there is uncertainty in the business plan and the subjective judgment of management.	In considering the evaluation of in-process R&D and goodwill related to ARTham Therapeutics Inc., the audit firm mainly implemented the following audit procedures. □ The effectiveness of the development and operation of the Company's internal controls related to the valuation of the intangible assets was evaluated. □ We confirmed whether the progress in the R&D business plan and the status of development programs that required impairment due to changes in development policy related to the intangible assets is consistent with the details confirmed through the minutes of Board of Directors meetings, etc., and interviews with management and R&D manager. □ We examined the rationality of the business plan and the reasonableness of the management's judgment on whether or not to continue the research and development by viewing basic materials, comparing them with available external information, and questioning the management and R&D manager regarding important assumptions such as the number of patients and drug prices, as well as the probability of success of R&D, which are the basis for future sales forecasts in the business plan for each development program. □ We examined the process of calculating undiscounted future cash flows and confirmed that the evaluation of in-process R&D and goodwill was appropriate. □We verified through recalculation that the amounts of in-process research and development and goodwill subject to impairment for certain development programs where impairment losses were recorded are appropriately calculated.

Reasonableness of acquisition cost of Aadi Subsidiary, Inc.	
Key audit matter and the basis of our determination	How the matter was addressed in the audit
As described in *2. Summary of Significant Accounting Policies*, the Company acquired Aadi Subsidiary, Inc., with March 26, 2025 as the date of business combination, and included it in the scope of consolidation. The acquisition cost of Aadi Subsidiary, Inc., amounts to 15,538	In order to verify the reasonableness of acquisition cost as of the date of the business combination, we performed mainly the following audit procedures. ・ Examined due diligence and evaluation materials related to the acquisition of Aadi

million yen, and as a provisional accounting treatment for the allocation of acquisition costs related to the business combination, goodwill of 13,223 million yen was recorded in the consolidated balance sheet for this fiscal year. The acquisition cost of a company acquired through a business combination must be allocated to the identifiable assets acquired and liabilities assumed at their fair values on the acquisition date within one year after the acquisition date. However, since the allocation of acquisition costs had not been completed by the end of this consolidated fiscal year, provisional accounting treatment for the allocation of acquisition costs related to the business combination has been carried out, and the difference between the acquisition cost and the net amount allocated to the assets acquired and liabilities assumed is accounted for as goodwill. When determining the acquisition cost of the shares of Aadi Subsidiary, Inc., the Company referred to the evaluation results provided by external appraisal experts to estimate the share value. Also, in evaluating the share value, the Company uses a valuation technique that discounts estimated future cash flows, based on its business plan, to their present value. This valuation includes significant assumptions such as future sales forecasts and discount rates. These key assumptions are mainly subject to change depending on the conditions in the pharmaceutical market, which introduces uncertainty. Based on the above, the reasonableness of the acquisition cost of Aadi Subsidiary, Inc. was particularly important in the audit of the consolidated financial statements for the fiscal year ended March 31, 2025. Therefore, the matter was judged as a key audit matter.	Subsidiary, Inc., as well as related minutes of meetings of the Board of Directors, etc., and confirmed consistency with the business plan. ・Considered the reasonableness of the business plan by viewing data regarding material assumptions, such as future sales forecasts in the business plan (number of patients, drug prices), probability of R&D success, and discount rates, asking questions to the person in charge of creating the business plan, and comparing with available external data. ・By reviewing the evaluation results from external appraisal experts used by the Company, we understood the evaluation methods employed and the assumptions used in the evaluation, and examined whether they were reasonable in light of the purpose of stock valuation. We also considered the suitability, competence, and objectivity of the external appraisal experts used by the Company. ・Verified the calculation process and confirmed whether stock valuation was performed accurately. In addition, we reviewed the contracts related to the acquisition of shares and the supporting documents for acquisition-related expenses, and verified the accuracy of the acquisition price.

Other Information

Other information comprises the information contained in the disclosure documents including the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have not performed any work on other information as we have determined that there is no other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 appropriateness of using the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan as applicable.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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 misstatements, 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.

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 risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, select and perform audit procedures based on the auditor's judgment and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- 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 material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation as well as whether the overall presentation and disclosures of the consolidated financial statements are 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's audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore 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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 41 million yen, and there is no remuneration for non-audit services.

Convenience Translation

Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in *1. Basis of Presenting Consolidated Financial Statements.* Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

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 that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Norihito Uryu
Designated Engagement Partner
Certified Public Accountant

Daiki Matsuura
Designated Engagement Partner
Certified Public Accountant

ARK LLC
Tokyo Office, Japan
December 9, 2025

11-Year Financial and Non-Financial Highlights

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Operating Results												
Consolidated net sales	(Millions of yen)	93,889	109,730	101,479	98,430	94,165	89,232	74,979	76,034	72,984	72,044	**94,035**
Consolidated operating profit	(Millions of yen)	20,631	35,146	30,707	27,496	24,592	26,512	17,788	17,064	7,998	9,513	**21,034**
Operating profit margin	(%)	22.0	32.0	30.3	27.9	26.1	29.7	23.7	22.4	11.0	13.2	**22.4**
Profit attributable to owners of the Company	(Millions of yen)	12,122	21,143	22,017	19,043	17,775	19,370	13,405	9,549	5,440	8,025	**13,945**
Net profit margin	(%)	12.9	19.3	21.7	19.3	18.9	21.7	17.9	12.6	7.5	11.1	**14.8**
Financial Conditions												
Total assets	(Millions of yen)	115,135	132,991	135,060	152,417	155,985	157,875	163,332	165,181	166,328	171,623	**190,422**
Net assets	(Millions of yen)	77,100	89,875	102,655	113,874	121,131	128,468	136,257	138,325	136,836	143,755	**152,634**
Equity ratio	(%)	67.0	67.6	76.0	74.7	77.7	81.4	83.4	83.4	81.9	83.8	**80.2**
Return on assets (ROA)	(%)	10.9	17.0	16.4	13.2	11.5	12.3	8.3	5.8	3.3	4.7	**7.7**
Return on equity (ROE)	(%)	16.7	25.3	22.9	17.6	15.1	15.5	10.1	7.0	4.0	5.7	**9.4**
Total asset turnover	(%)	84.8	88.4	75.7	68.5	61.1	56.9	46.7	46.3	44.0	42.6	**51.9**
Financial leverage	(Times)	1.5	1.5	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.2	**1.2**
Price earnings ratio (PER)	(Times)	23.9	13.3	11.7	13.3	11.3	10.2	12.5	15.5	25.5	16.3	**12.3**
Price book-value ratio (PBR)	(Times)	3.7	3.1	2.5	2.2	1.6	1.5	1.2	1.1	1.0	0.9	**1.1**
Cash Flows												
Cash flows from operating activities	(Millions of yen)	14,737	27,067	15,327	21,703	21,129	27,468	14,380	13,336	9,253	2,577	**29,780**
Cash flows from investing activities	(Millions of yen)	473	(4,105)	(3,503)	(3,245)	(5,744)	(2,528)	(1,644)	(7,888)	(2,627)	(5,854)	**(19,650)**
Cash flows from financing activities	(Millions of yen)	(7,900)	(5,984)	(9,800)	(9,530)	(9,524)	(10,173)	(8,752)	(8,129)	(6,990)	(5,658)	**(5,369)**
Per-share Information												
Earnings per share	(Yen)	290.90	510.54	536.70	470.54	445.78	494.89	347.37	251.43	144.80	212.67	**365.42**
Book value per share	(Yen)	1,861.12	2,170.60	2,511.68	2,824.32	3,049.78	3,301.09	3,555.93	3,642.34	3,636.17	3,796.05	**3,974.47**
Dividends per share	(Yen)	59.0	112.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	**190.0**
Dividend payout ratio	(%)	40.6	28.6	27.9	31.9	33.6	30.3	43.2	59.7	103.6	70.5	**52.0**
Other												
Capital expenditures	(Millions of yen)	2,806	2,923	1,415	1,907	2,305	1,377	2,136	3,510	1,968	2,304	**3,418**
Depreciation and amortization	(Millions of yen)	2,400	2,242	1,937	2,124	2,153	2,312	2,318	2,481	2,546	2,596	**2,475**
R&D expenses	(Millions of yen)	7,615	5,883	6,450	8,152	10,261	6,418	6,736	8,420	15,789	12,543	**18,725**
R&D expenses to sales ratio	(%)	8.1	5.4	6.4	8.3	10.9	7.2	9.0	11.1	21.6	17.4	**19.9**
Non-Financial Indicators												
Scope 1 and 2 CO_2 emissions	(t-CO_2)	31,601	31,439	31,856	29,927	25,594	23,834	22,670	21,870	21,667	21,408	**20,136**
Water consumption	(Thousand m^3)	–	–	4,163	4,202	3,553	3,314	2,907	2,686	2,808	2,959	**3,044**
Percentage of annual paid holidays taken	(%)	32.8	32.3	37.4	32.9	41.3	51.2	47.4	50.6	55.1	58.6	**62.5**
Percentage of women in management positions	(%)	1.0	1.1	1.5	1.6	2.1	2.1	2.5	3.5	3.8	4.1	**5.6**
Percentage of eligible male employees taking childcare leave	(%)	–	–	–	–	–	–	9.4	15.7	67.3	83.3	**93.8**

Note: Breakdown of interim dividend per share for FY2024 Ordinary dividend ¥75.00 Bonus dividend ¥40.00

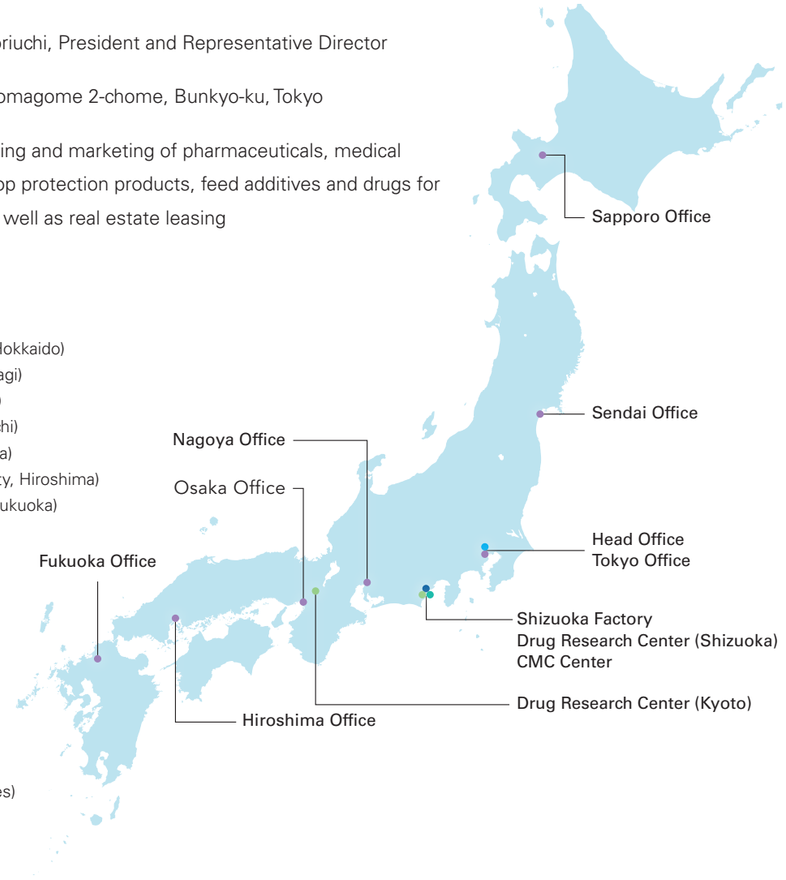
Corporate and Share Information (As of March 31, 2025)

Company Overview

Company Name	KAKEN PHARMACEUTICAL CO., LTD.
Incorporated	March 1, 1948
Paid-in Capital	¥23,853 million
Number of Employees	1,126 (consolidated)
Representative	Hiroyuki Horiuchi, President and Representative Director
Head Office Location	28-8, Honkomagome 2-chome, Bunkyo-ku, Tokyo
Business	Manufacturing and marketing of pharmaceuticals, medical devices, crop protection products, feed additives and drugs for animals, as well as real estate leasing

Main Offices (As of August 1, 2025)

- Head Office: Bunkyo-ku, Tokyo
- Branch Offices: Sapporo (Sapporo City, Hokkaido)
  Sendai (Sendai City, Miyagi)
  Tokyo (Bunkyo-ku, Tokyo)
  Nagoya (Nagoya City, Aichi)
  Osaka (Osaka City, Osaka)
  Hiroshima (Hiroshima City, Hiroshima)
  Fukuoka (Fukuoka City, Fukuoka)
- Sales Offices: 33 across Japan
- Drug Research Center: Kyoto City, Kyoto
  Fujieda City, Shizuoka
- CMC Center: Fujieda City, Shizuoka
- Factory: Fujieda City, Shizuoka



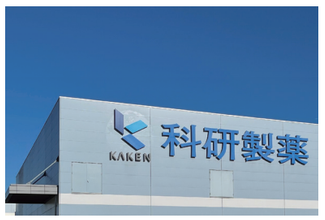
Consolidated Subsidiaries

- KAKEN PHARMA CO., LTD.
- ARTham Therapeutics Inc.
- KAKEN INVESTMENTS INC. (United States)
- Aadi Bioscience, Inc. (United States)


Head Office (Tokyo)



Drug Research Center (Kyoto)



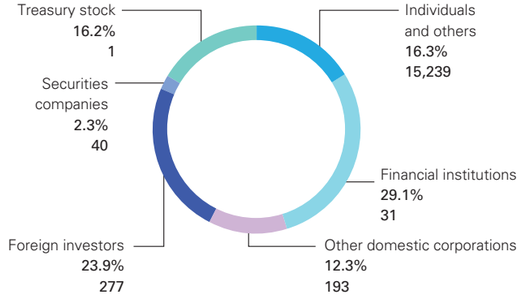
Shizuoka Factory (Shizuoka)

Share Information

Authorized	193,000,000 shares
Issued	45,939,730 shares
Number of Shareholders	15,781
Listing	Tokyo Stock Exchange, Prime Market
Securities Code	4521
Shareholder Register Administrator	Sumitomo Mitsui Trust Bank, Limited

Note: The total number of shares issued was reduced by 1,800,000 to 44,139,730, following the cancellation of treasury stock on May 30, 2025.

Shareholdings by Shareholder Type



Major Shareholders (Top 10)

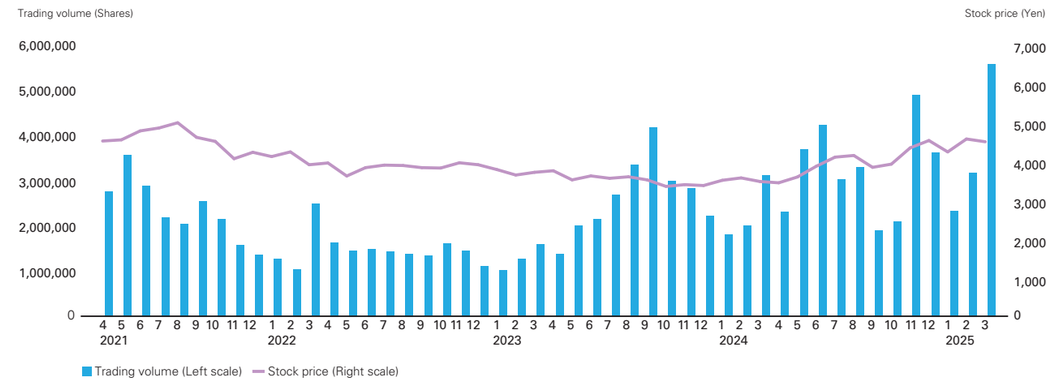
Shareholder	Number of shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,155	13.39
Toray Industries, Inc.	1,912	4.97
The Norinchukin Bank	1,843	4.79
Goldman Sachs & Company Regular Account	1,794	4.66
Custody Bank of Japan, Ltd. (Trust Account)	1,711	4.44
Mizuho Bank, Ltd.	1,474	3.83
STATE STREET BANK AND TRUST COMPANY 505103	1,023	2.66
KYORIN Pharmaceutical Co., Ltd.	852	2.21
BNYM AS AGT/CLTS 10 PERCENT	652	1.70
Employee Shareholding Association	596	1.55

Notes: 1. The shareholding ratios are calculated after subtracting the number of treasury stock (7,442,254) from the total number of shares issued.
2. The 93,600 Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the Board Benefit Trust (BBT) are not included in the number of treasury shares.

Total Shareholder Return

FY	2020	2021	2022	2023	2024
(%)	89.2	83.3	82.4	80.7	104.8
(Comparison index: TOPIX Total Return Index)	142.1	145.0	153.4	216.8	213.4

Stock Price and Trading Volume



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