Annual Securities Report

(Pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)
For the 102nd fiscal year (From January 1, 2024 to December 31, 2024)

Kyowa Kirin Co., Ltd.

1-9-2 Otemachi, Chiyoda-ku, Tokyo

This document is a reference translation of the Annual Securities Report submitted to the Prime Minister pursuant to Article 24-1 of the Financial Instruments and Exchange Act. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.
The forward-looking statements contained in this document are based on the information currently available to the Company and on certain assumptions deemed to be reasonable by management. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ materially from these projections for a wide variety of reasons.
The Japanese original Annual Securities Report was submitted to the Director-General of the Kanto Local Finance Bureau on March 11, 2025, with an audit report expressing an unqualified opinion by KPMG AZSA LLC.

(E00816)

Table of Contents

[Cover page]

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Fiscal year:	The 102nd fiscal year (from January 1, 2024 to December 31, 2024)
Company name:	協和キリン株式会社 (Kyowa Kirin Kabushiki Kaisha)
Company name in English:	Kyowa Kirin Co., Ltd.
Title and name of representative:	Masashi Miyamoto Representative Director, President, and Chief Executive Officer
Address of registered head office:	1-9-2 Otemachi, Chiyoda-ku, Tokyo
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Name of contact person:	Naohiko Kubo Global Finance Head
Place for public inspection:	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Company Information

I. Overview of Company

1 Key Financial Data

(1) Key consolidated financial data

Term		98th fiscal year	99th fiscal year	100th fiscal year	101st fiscal year	102nd fiscal year
Fiscal year-end		December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024
Revenue	(Millions of yen)	318,352	352,246	398,371	442,233	495,558
Profit before tax	(Millions of yen)	52,263	60,050	67,572	97,246	83,453
Profit attributable to owners of parent	(Millions of yen)	47,027	52,347	53,573	81,188	59,870
Comprehensive income attributable to owners of parent	(Millions of yen)	43,611	62,751	50,654	102,196	85,314
Equity attributable to owners of parent	(Millions of yen)	698,396	737,162	762,826	836,418	850,811
Total assets	(Millions of yen)	801,290	921,872	939,881	1,025,942	1,067,363
Equity per share attributable to owners of parent	(Yen)	1,300.12	1,371.90	1,419.27	1,555.81	1,625.68
Basic earnings per share	(Yen)	87.56	97.43	99.68	151.03	113.06
Diluted earnings per share	(Yen)	87.50	97.39	99.66	151.01	113.06
Ratio of equity attributable to owners of parent to total assets	(%)	87.2	80.0	81.2	81.5	79.7
Return on equity attributable to owners of parent	(%)	6.8	7.3	7.1	10.2	7.1
Price-earnings ratio	(Times)	32.1	32.2	29.4	15.7	21.0
Net cash provided by (used in) operating activities	(Millions of yen)	39,502	86,548	48,672	115,551	67,884
Net cash provided by (used in) investing activities	(Millions of yen)	252,559	(11,363)	(17,185)	(20,382)	(142,387)
Net cash provided by (used in) financing activities	(Millions of yen)	(26,003)	(28,446)	(29,032)	(32,535)	(84,697)
Cash and cash equivalents at end of period	(Millions of yen)	287,019	335,084	339,194	403,083	244,681
Number of employees	(Persons)	5,423	5,752	5,982	5,974	5,669

Notes: 1. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (“IFRS”).

2. Figures presented above have been rounded to the nearest million yen.

(2) Key financial data of reporting company

Term		98th fiscal year	99th fiscal year	100th fiscal year	101st fiscal year	102nd fiscal year
Fiscal year-end		December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024
Net sales	(Millions of yen)	252,933	237,590	253,790	277,161	286,510
Ordinary profit	(Millions of yen)	49,562	35,228	37,287	67,218	68,606
Profit	(Millions of yen)	31,250	66,366	31,047	50,370	60,670
Share capital	(Millions of yen)	26,745	26,745	26,745	26,745	26,745
Total number of issued shares	(shares)	540,000,000	540,000,000	540,000,000	540,000,000	525,634,500
Net assets	(Millions of yen)	555,730	596,921	601,918	622,709	613,038
Total assets	(Millions of yen)	687,680	794,087	806,058	869,589	797,917
Net assets per share	(Yen)	1,033.43	1,110.13	1,119.48	1,158.10	1,171.30
Dividend per share	(Yen)	44.00	46.00	51.00	56.00	58.00
[Interim dividend paid per share]	(Yen)	[22.00]	[23.00]	[24.00]	[27.00]	[29.00]
Basic earnings per share	(Yen)	58.18	123.52	57.77	93.70	114.57
Diluted earnings per share	(Yen)	58.15	123.47	57.75	93.69	114.57
Equity ratio	(%)	80.7	75.1	74.6	71.6	76.8
Return on equity	(%)	5.7	11.1	5.2	8.2	9.8
Price-earnings ratio	(Times)	48.4	25.4	52.3	25.3	20.7
Dividend payout ratio	(%)	75.6	37.2	88.3	59.8	50.6
Number of employees	(Persons)	3,736	3,857	4,002	4,082	4,013
Total shareholder return	(%)	111.1	125.3	122.9	99.8	102.2
[Comparative indicator: TOPIX including dividends]	(%)	[107.4]	[121.1]	[118.1]	[151.5]	[182.5]
Highest share price	(Yen)	3,060.0	4,240.0	3,515.0	3,150.0	3,350.0
Lowest share price	(Yen)	1,849.0	2,687.0	2,604.0	2,276.5	2,266.5

Notes:
1. The financial statements for the reporting company were prepared in accordance with Japanese GAAP.
2. Figures presented above have been rounded to the nearest million yen.
3. With respect to the year-end dividend of ¥29, which is included in the dividends per share of ¥58 for the 102nd fiscal year, a proposal will be submitted at the Ordinary General Meeting of Shareholders scheduled to be held on March 19, 2025.
4. The highest and lowest share prices were those quoted on the Tokyo Stock Exchange (Prime Market) on and after April 4, 2022, and prior to that, those quoted on the Tokyo Stock Exchange (First Section).

2 History

The Company traces its roots to the establishment of the Kyowa Research Laboratories (1937), headed by Benzaburo Kato, and the formation of its parent organization, the Kyowakai Association (1936). Later, in accordance with commercialization resulting from the research and development by this research laboratory, requests from the government, etc., Kyowa Kagaku Kogyo Co., Ltd. (1939) and Toa Kagaku Kogyo Co., Ltd. (1943) were established. These companies merged (April 1945) and the name of the merged company was changed (October 1945) to Kyowa Sangyo Co., Ltd. after the end of the war.

July 1949	Pursuant to the Enterprise Reorganization Act, dissolved Kyowa Sangyo Co., Ltd. and, as a secondary company, established Kyowa Hakko Kogyo Co., Ltd. (share capital: ¥50 million)
August 1949	Listed the Company's shares on the Tokyo Stock Exchange
April 1951	Introduced manufacturing technology for Streptomycin from the U.S. pharmaceutical company Merck & Co., Inc.
September 1956	Invented and announced commercialization of a manufacturing method for monosodium glutamate using fermentation
September 1959	Launched the anticancer agent Mitomycin C
April 1981	Established Kyowa Medex Co., Ltd.
October 1992	Established Kyowa Pharmaceutical, Inc. (presently Kyowa Kirin, Inc.) in the United States
September 2002	Transferred liquor operations to Asahi Breweries, Ltd.
February 2003	Established BioWa, Inc. in the United States
April 2004	Split off and transferred the Chemicals operations to Kyowa Yuka Co., Ltd., which changed its trade name to Kyowa Hakko Chemical Co., Ltd.
April 2005	Established Kyowa Hakko Food Specialties Co., Ltd. (later known as Kirin Kyowa Foods Company, Limited) through an incorporation-type company split of the Food operations
April 2008	Made Kirin Pharma Company, Limited a wholly owned subsidiary of the Company through a share exchange whereby Kirin Holdings Company, Limited became the parent company of the Company, holding 50.10% of the total number of outstanding shares of the Company In addition, made Kirin Pharma Company, Limited's subsidiaries Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. (later known as Kyowa Kirin China Pharmaceutical Co., Ltd.), JEIL-KIRIN PHARMACEUTICAL INC. (presently Kyowa Kirin Korea Co., Ltd.), Kyowa Kirin Pharmaceuticals (Taiwan) Co., Ltd. (presently Kyowa Kirin (Taiwan) Co., Ltd.), etc. consolidated subsidiaries of the Company
October 2008	Established KYOWA HAKKO BIO CO., LTD. through an incorporation-type company split of the Bio-Chemicals business Conducted an absorption-type merger of Kirin Pharma Company, Limited, and changed its trade name from Kyowa Hakko Kogyo Co., Ltd. to Kyowa Hakko Kirin Co., Ltd.
January 2011	Transferred all shares of Kirin Kyowa Foods Company, Limited to Kirin Holdings Company, Limited
March 2011	Transferred all shares of Kyowa Hakko Chemical Co., Ltd. to KJ Holdings Co., Ltd.
April 2011	Acquired all shares of ProStrakan Group plc (presently Kyowa Kirin International plc) in the UK and made it a wholly owned subsidiary
March 2012	Established FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd. (development, manufacturing, and sales of biosimilars), a joint venture with FUJIFILM Corporation
August 2014	Acquired all shares of Archimedes Pharma Limited in the UK and made it a wholly owned subsidiary
January 2018	Transferred 66.6% of the shares of Kyowa Medex Co., Ltd. to Hitachi Chemical Co., Ltd. (Transferred all the residual interest in April 2021)
April 2018	Released "Crysvita," a treatment for X-linked hypophosphatemia, in the US
April 2019	Transferred 95% of the shares of KYOWA HAKKO BIO CO., LTD. to Kirin Holdings Company, Limited (Transferred all the residual interest in January 2023)
July 2019	Changed its trade name from Kyowa Hakko Kirin Co., Ltd. to Kyowa Kirin Co., Ltd.
April 2022	Transitioned to the Tokyo Stock Exchange Prime Market from the Tokyo Stock Exchange First Section, due to the market restructuring of the Tokyo Stock Exchange
January 2024	Acquired all shares of Orchard Therapeutics plc (presently Orchard Therapeutics Limited) in the UK and made it a wholly owned subsidiary
September 2024	Transferred all shares of Kyowa Kirin China Pharmaceutical Co., Ltd. to Hong Kong WinHealth Pharma

3 Description of Business

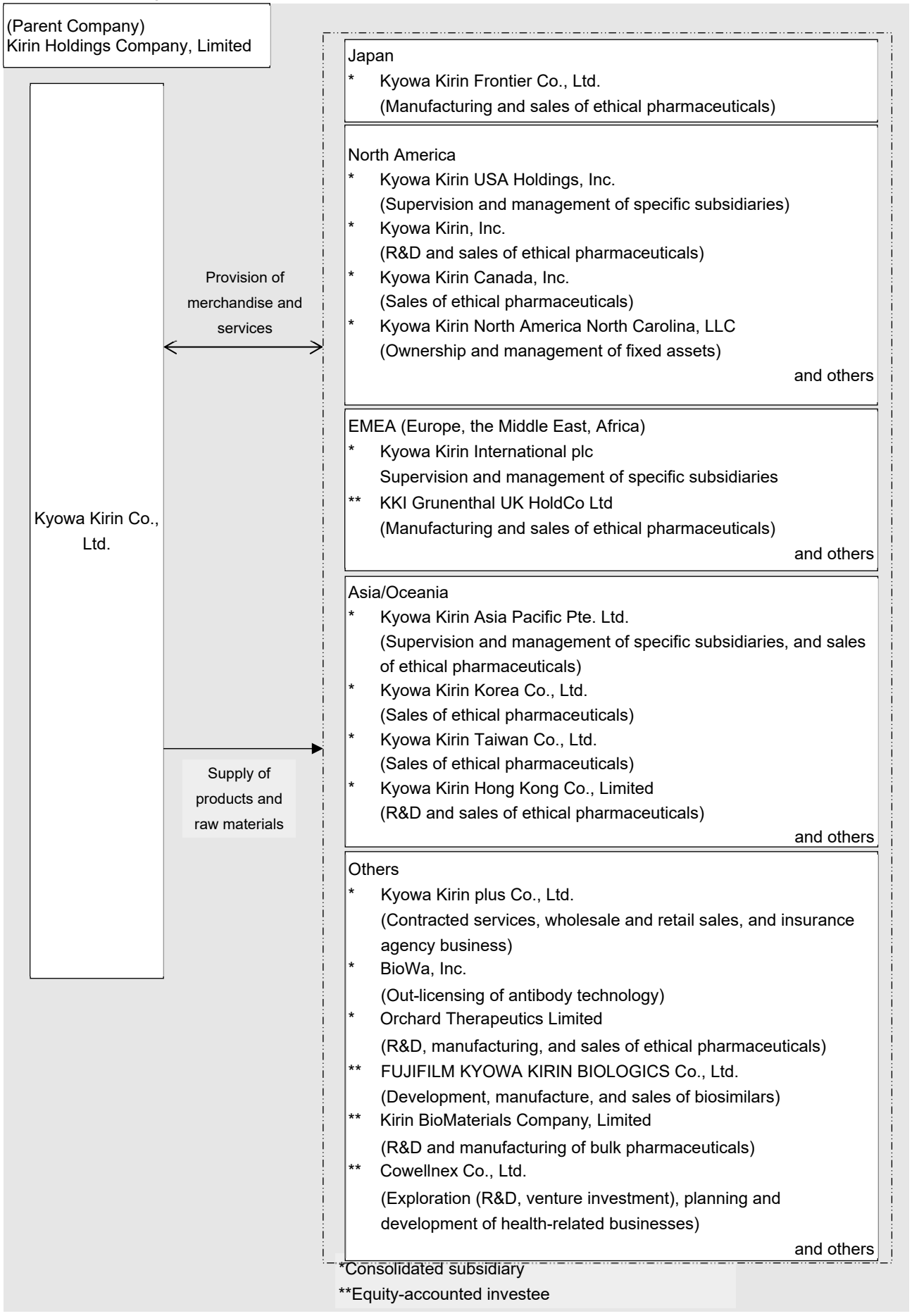
The Company and its subsidiaries and associates comprise the Company, 43 subsidiaries, 14 equity-accounted investees, and one parent company (Kirin Holdings Company, Limited), and operate businesses related to pharmaceuticals. Descriptions of the main businesses and the positions of the Company and major subsidiaries and associates in these businesses are as follows.

<Description of main businesses>

The Company conducts manufacturing and sales of ethical pharmaceuticals. Information regarding subsidiaries and associates is provided in “I. Overview of Company, 4 Subsidiaries and Associates.”

Note: Unless specifically stated otherwise, in this report, the “Group” refers to the Company and its 43 consolidated subsidiaries.

<Business flow diagram>



Note: By the resolution of the Board of Directors held on August 1, 2024, it was determined to dissolve and liquidate Kyowa Kirin Asia Pacific Pte. Ltd. and Kyowa Kirin Hong Kong Co., Limited.

4 Subsidiaries and Associates

(1) Consolidated subsidiaries

Name	Address	Share capital or investments in capital	Main businesses	Percentage of voting rights owned (%)	Relationship			
					Interlocking of officers	Financial assistance	Business relationship	Facility leasing and others
(Note 1) Kyowa Kirin Frontier Co., Ltd.	Chiyoda-ku, Tokyo	(Millions of yen) 100	Manufacturing and sales of ethical pharmaceuticals	100.0	Yes	–	The Company manufactures and provides services for this company under contract	–
Kyowa Kirin plus Co., Ltd.	Nakano-ku, Tokyo	(Millions of yen) 100	Contracted services, wholesale and retail sales, and insurance agency business	100.0	Yes	–	The Company outsources services to this company	–
(Note 1) Kyowa Kirin USA Holdings, Inc.	New Jersey, United States	(Thousands of US dollars) 76,300	Supervision and management of specific subsidiaries	100.0	Yes	–	–	–
(Notes 1 and 6) Kyowa Kirin, Inc.	New Jersey, United States	(Thousands of US dollars) 0	R&D and sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	Lending of funds	The Company sells products to this company	–
Kyowa Kirin Canada, Inc.	British Columbia, Canada	(Canadian dollars) 100	Sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	–	–	–
BioWa, Inc.	New Jersey, United States	(Thousands of US dollars) 10,000	Out-licensing of antibody technology	(Note 2) 100.0 (100.0)	Yes	–	The Company provides technology, etc. to this company	–
Kyowa Kirin North America North Carolina, LLC	North Carolina, United States	(Thousands of US dollars) 1	Ownership and management of fixed assets	(Note 2) 100.0 (100.0)	No	–	–	–
Kyowa Kirin International plc	Galashiels, UK	(Thousands of pounds) 13,849	Supervision and management of specific subsidiaries	100.0	Yes	–	–	–
(Notes 1 and 3) Kyowa Kirin Asia Pacific Pte. Ltd.	Singapore	(Thousands of Singapore dollars) 123,045	Supervision and management of specific subsidiaries Sales of ethical pharmaceuticals	100.0	No	–	The Company sells products to this company	–
Kyowa Kirin Korea Co., Ltd.	Seoul, Korea	(Millions of Korean won) 2,200	Sales of ethical pharmaceuticals	100.0	Yes	Lending of funds	The Company sells products to this company	–
Kyowa Kirin Taiwan Co., Ltd.	Taipei, Taiwan	(Thousands of Taiwan dollars) 262,450	Sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	–	The Company sells products to this company	–
(Note 3) Kyowa Kirin Hong Kong Co., Limited	Hong Kong, China	(Thousands of Hong Kong dollars) 6,000	R&D and sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	Yes	Lending of funds	–	–
(Note 1) Orchard Therapeutics Limited	London, U.K.	(Thousands of US dollars) 29,569	Supervision and management of specific subsidiaries R&D, manufacturing, and sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	–	–	–
30 other companies								

(2) Equity-accounted investee

Name	Address	Share capital or investments in capital	Main businesses	Percentage of voting rights owned (%)	Relationship			
					Interlocking of officers	Financial assistance	Business relationship	Facility leasing and others
(Note 4) FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd.	Chiyoda-ku, Tokyo	(Millions of yen) 100	Development, manufacturing, and sales of biosimilars	50.0	Yes	Underwriting of bonds	The Company provides technology to this company, and manufactures and provides services for this company under contract	–
KKI Grunenthal UK HoldCo Ltd	Maidenhead, U.K.	(Pounds) 100	Manufacturing and sales of ethical pharmaceuticals	49.0	Yes	–	–	–
Kirin BioMaterials Company, Limited	Nakano-ku, Tokyo	(Millions of yen) 15	R&D, and manufacturing of drug Substance	40.0	Yes	Debt guarantee	–	–
Cowellnex Co., Ltd.	Nakano-ku, Tokyo	(Millions of yen) 100	Research, and business development concerning health	50.0	Yes	Debt guarantee	–	–
10 other companies								

(3) Parent company

Name	Address	Share capital or investments in capital	Main businesses	Percentage of voting rights owned (%)	Relationship			
					Interlocking of officers	Financial assistance	Business relationship	Facility leasing and others
(Note 5) Kirin Holdings Company, Limited	Nakano-ku, Tokyo	(Millions of yen) 102,046	Control and management of business activities of operating companies as the holding company	55.2	Yes	Lending of funds	–	–

Notes:
1. These companies are specified subsidiaries.
2. For percentage of voting rights owning, figures in parentheses represent the percentage of indirect ownership of voting rights.
3. By the resolution of the Board of Directors held on August 1, 2024, it was determined that these companies would be dissolved and liquidated.
4. The company indicated has a negative net worth, with liabilities exceeding assets by ¥22,474 million (Japanese GAAP) as of December 31, 2024.
5. The company indicated submits an annual securities report.
6. For Kyowa Kirin, Inc., revenue (excluding intercompany revenue among consolidated companies) exceeds 10% of consolidated revenue.

Key profit and loss information
(1) Revenue ¥183,952 million
(2) Loss before tax ¥12,811 million
(3) Loss ¥9,839 million
(4) Total equity ¥16,844 million
(5) Total assets ¥156,026 million

5 Employees

(1) Information about consolidated companies

(As of December 31, 2024)

Segment name	Number of employees (Persons)
Pharmaceuticals	5,669
Total	5,669

Notes: 1. The Group consists of only one reportable segment, which is the Pharmaceuticals business.
2. The number of employees represents individuals working within the Group (excluding employees seconded outside the Group from the Group, but including employees seconded to the Group from outside the Group). Executive Officers and temporary employees (employees rehired after retiring, contract employees, part-time employees, and others) are excluded.
3. The number of temporary employees is omitted, because the total number of temporary employees is less than 10% of the total number of employees.

(2) Information about reporting company

(As of December 31, 2024)

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
4,013	43.2	16.5	9,935,667

Segment name	Number of employees (Persons)
Pharmaceuticals	4,013
Total	4,013

Notes: 1. The number of employees represents individuals working within the Company (excluding employees seconded outside the Company from the Company, but including employees seconded to the Company from outside the Company). Executive Officers and temporary employees (employees rehired after retiring, contract employees, part-time employees, and others) are excluded.
2. The number of temporary employees is omitted, because the total number of temporary employees is less than 10% of the total number of employees.
3. The average annual salary includes bonuses and surplus wages.

(3) Labor union

The Kyowa Kirin Labor Union is organized in the Group, and there were 2,822 union members as of December 31, 2024.

Labor and management maintain a cooperative relationship based on mutual trust.

(4) Ratio of female workers in managerial positions, rate of childcare leave use by male workers, and wage difference between male and female workers

Given the ongoing decrease in working-age population as a result of declining birthrates and population aging, encouraging women to pursue broader career opportunities is deemed an urgent challenge and one of the growth strategies of the Japanese government. In an effort to respond to social expectations and enhance corporate competitiveness through employee diversification, the Kyowa Kirin Group is striving to empower its female employees as well as to promote male employees' participation in housekeeping and childcare, etc. In recognition of its initiatives, in 2016 Kyowa Kirin received the "Class 3 Eruboshi" accreditation from the Minister of Health, Labour and Welfare based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015). This evaluation has been maintained as of December 31, 2024. In addition, the ratio of female managers and the rate of childcare leave use by men have been increasing.

<Performance in the fiscal year under review related to the Act on Promotion of Women's Participation and Advancement in the Workplace>

The status of the reporting company is as follows.

(Ratio of female managers)

(As of December 31, 2024)

Ratio of female managers
15.5%

Note: Calculated excluding employees seconded outside the Company from the Company, but including employees seconded to the Company from outside the Company.

(Rate of childcare leave use by gender)

(From January 1, 2024 to December 31, 2024)

Rate of childcare leave use by men	Rate of childcare leave use by women
115.4%	97.8%

Notes:
1. Calculated excluding employees seconded outside the Company from the Company and employees seconded to the Company from outside the Company.
2. The childcare leave includes childcare leave at birth.
3. Calculated as the ratio of the number of employees who used childcare leave in the fiscal year under review to the number who gave birth and whose partners gave birth in the fiscal year under review. The leave usage rate may exceed 100%, because it includes childcare leave taken in the fiscal year under review by employees who gave birth or those whose partners gave birth in the prior year.

(Wage difference between men and women)

(From January 1, 2024 to December 31, 2024)

	Women's wages as a proportion of men's
Full-time employees	78.2%
Part-time and fixed-term employees	64.8%
All employees	77.4%

Notes:
1. With respect to full-time employees, part-time, and fixed-term employees alike, the Company does not differentiate between men and women in terms of arrangements such as wage regulations, operational matters such as promotions and salary increases, and hiring criteria.
2. Calculated for full-time employees excluding employees seconded outside the Company from the Company and employees seconded to the Company from outside the Company. The Company establishes wage levels that vary depending on occupational categories and ranks. Variation in wages between men and women arises due to differences in the number of employees in each occupational category and rank.
3. The figure for part-time and fixed-term employees is calculated for temporary employees (employees rehired after retiring, contract employees, part-time employees, and others). Variation in wages hinges on distinctions in terms of employment status such as those pertaining to employees rehired after retiring, contract employees, and part-time employees. There is variation in wages between male and female employees because of a higher proportion of female employees in the relatively lower-wage employment status (contract and part-time employees). Because part-time employees are few in number, their wages have been calculated based on actual wages paid without conversion to full-time equivalents.
4. Wages are calculated including bonuses and surplus wages.

II. Overview of Business

1 Management Policy, Business Environment, and Future Challenges

Forward-looking statements in this document are based on the judgment of the Group at the end of the current fiscal year (as of December 31, 2024).

(1) Basic management policy

The Kyowa Kirin Group companies strive to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies. Its Vision for 2030 is

“ Kyowa Kirin will realize the successful creation and delivery of Life-changing value that ultimately makes people smile, as a Japan-based Global Specialty Pharmaceutical company built on the diverse team of experts with shared passion for innovation.”

We interpret “new value” advocated in the management philosophy as meaning Creating Shared Value (CSV) with society. We practice CSV management that enhances corporate value by use of our initiatives that address social issues to balance “the creation of social value” with “the creation of economic value.”

In addition, our core values, which consist of the core concept of “Commitment to Life” and three key words, are a way of thinking and an attitude that supports all those working in the Kyowa Kirin Group. Our goal is for these to be shared and practiced by everybody, so that we continue to be a corporate group that retains the trust of society.

(2) Priority business and financial challenges

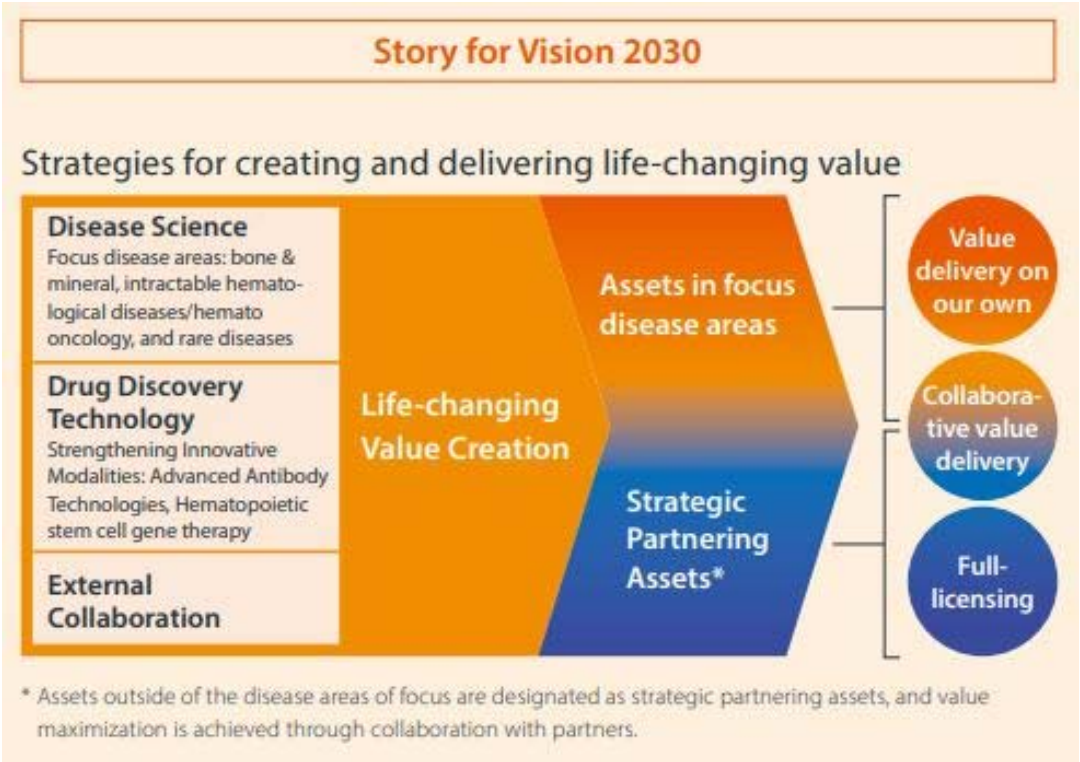
The pharmaceutical industry is surrounded by severe environmental changes such as tighter control of healthcare costs worldwide and increasing difficulty in the development of new drugs. Under such circumstances, we have selected materialities (important management issues) [*1] to realize Vision 2030, and promoted the initiatives with higher resolution as strategies via “Story for Vision 2030” to achieve Vision 2030.

We will aim to create Life-changing value and speed up the process of drug discovery by blending the technological expertise we have accumulated with our in-depth knowledge of disease. To this end, we will set and promote focus disease areas of “bone and minera”, “intractable hematological diseases/hemato oncology”, and “rare diseases”. In the technological aspect, we are gradually building platforms that utilize innovative modalities[*2] such as our next-generation antibody technology and hematopoietic stem cell gene therapy owned by Orchard Therapeutics. In addition to this, we will accelerate and strengthen open innovation, partner collaboration, venture capital, and corporate venture capital fund investments. We will aim at maximizing Life-changing value created by such activities through establishing the best possible business models as “assets in focus disease areas” or “strategic partnering assets” to deliver value faster to many more patients. We will work to achieve growth as a Japan-based global specialty pharmaceutical company in accordance with the strategic story ”Story for Vision 2030“.

*1 Details of materialities (important management issues) are provided in “II. Overview of Business, 2 Concept and Initiatives of Sustainability.”

*2 Modalities:
Classes of drug discovery technologies (methods and means) that facilitate the realization of the envisioned therapeutic concept.

Story for Vision 2030



Assets in the focus disease areas:

In seeking to maximize the value of Crysvita, Poteligeo, OTL-200 (Product name in EU: Libmeldy, in U.S.: Lenmeldy), etc., we will continuously work to expand countries and areas where our drugs are available, as well as to improve access to medicines for patients worldwide. As for development products, we will aim for the provision of new treatment options for acute myeloid leukemia (AML) by promoting strategic collaboration with Kura Oncology in the U.S. for the development and commercialization of ziftomenib[*3]. In addition, we will steadily promote the development of KK8123[*3] which is under development for the same indication as Crysvita, KK2845[*3] which is our first antibody-drug conjugate (ADC), and OTL-203[*3] and OTL-201[*3] of hematopoietic stem cell gene therapy.

Strategic partnering assets:

We also continue to promote multiple clinical studies to develop KHK4083[*3] (generic name: rocatinlimab) through collaboration with Amgen Inc. of the United States. In addition, we will aim at maximizing the value of small molecule KHK4951[*3] (generic name: tivozanib), KK2260[*3] and KK2269[*3] which are created with our proprietary REGULGENT bispecific antibody technology, and POTELLIGENT antibody KK4277[*3], including through collaboration with partners.

*3 Details of the development pipeline are provided in “II. Overview of Business, 6 Research and Development Activities.”

2 Concept and Initiatives of Sustainability

Forward-looking statements in this document are based on the judgment of the Group at the end of the current fiscal year (as of December 31, 2024).

(1) Sustainability

The sustainability of the Kyowa Kirin Group means to co-create Life-changing value with social stakeholders to make people (facing illness) smile. We will achieve both social sustainability and the Group's sustainability through realizing our vision.

The promotion of sustainability in our group is connected to CSV management advocated by us. We will achieve the creation of both of two values; one is social value (the Group solves social issues by providing Life-changing value to make people smile) and the other is economic value (the Group gains profits which can be the source of investment in human capital and intellectual capital to realize Life-changing value).

We consider it sustainable business activities to provide social value and gain profits to create future social value so that we can continue to be needed by people facing illness around the world.

In addition, from the perspective of continuing our business activities in a sustainable manner, we recognize future generations as important stakeholders and will work to reduce our impact on the global environment.

In 2024, we joined PSCI (Pharmaceutical Supply Chain Initiative). By joining PSCI, we hope to make a greater impact while collaborating with global pharmaceutical companies and others, although there are limits to what our group alone can do in terms of third-party management from the perspective of human rights, the environment, and compliance.

(2) Kyowa Kirin's story and materiality (key management issues) for Vision 2030

(i) Kyowa Kirin's Value Creation Story - Story for Vision 2030

The Group formulated Vision 2030 when the medium-term Business Plan (2021–2025) was formulated, clarifying that we create Life-changing value.

We advocate CSV management as a competitive strategy and specify the outcome of our initiative, that is, "make people smile." We will achieve the creation of both of two values; one is social value (the Group solves social issues by providing Life-changing value to make people smile) and the other is economic value (the Group gains profits which can be the source of investment in human capital and intellectual capital to realize Life-changing value). The figure below shows the Group's "Value Creation Story."

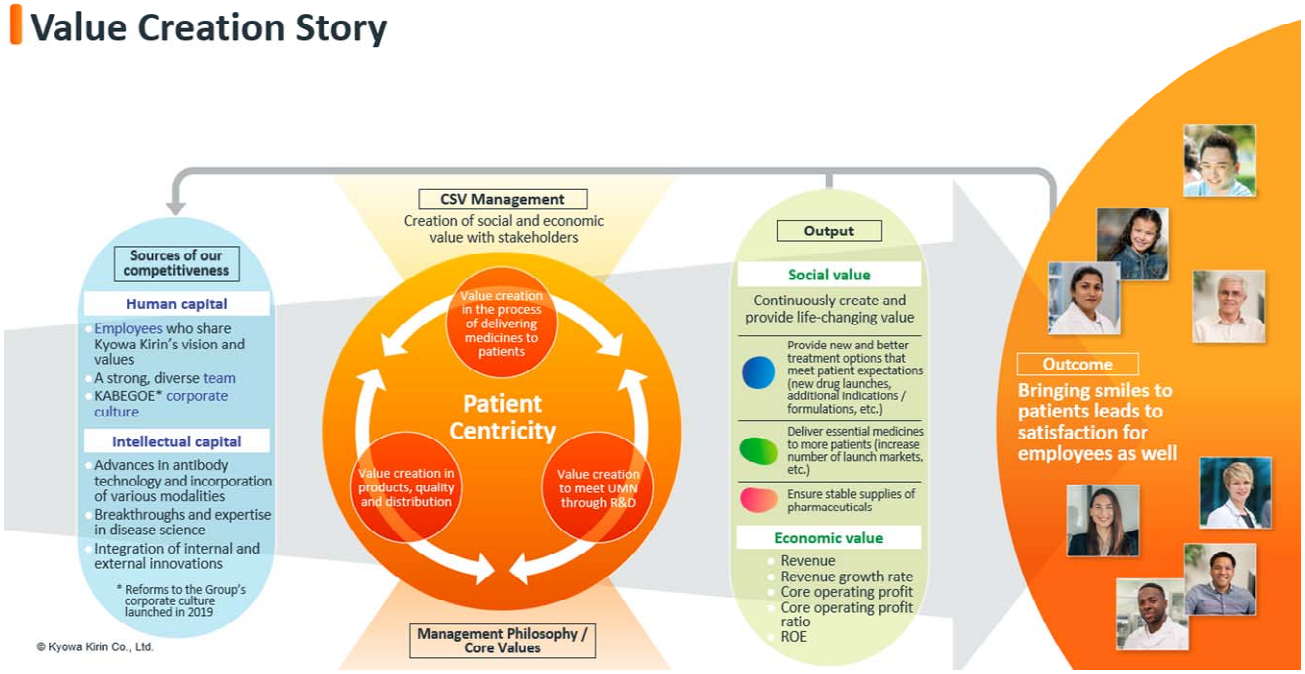
The Group's "Value Creation Story" indicates as "input" that it is essential to take up the challenge of innovation in order to create Life-changing value, which aims to achieve both of social value and economic value, and that human capital and intellectual capital to support the achievement is the source of our competitiveness. With regard to the human capital, "employees who share Kyowa Kirin's vision and values," "strong and diverse team" and "KABEGOE corporate culture" are described later in (3) (iv) " Reinforce human resources and structures that support the creation of Life-changing value." With regard to intellectual capital, "advances in antibody technology and incorporation of various modalities", "breakthroughs and expertise in disease science", and "integration of internal and external innovations" are provided in "II Overview of Business, 1 Management Policy, Business Environment, and Future Challenges."

The business model in the center shows that all employees create value that makes people (facing illness) smile, based on the idea of patient centricity. It means that each employee works on value creation in the process of not only "value creation to meet unmet medical needs through R&D" but also "value creation in product, quality, and distribution" as well as "value creation in delivering medicines to patients," which will lead to greater value creation through mutual collaboration of all value chains.

In this way, the human capital and intellectual capital as the source of our competitiveness will create a larger cycle of value creation, leading to continuous creation and delivery of Life-changing value as outputs. These outputs will lead to the outcome as patients' smiles. Kyowa Kirin works on value creation to make people smile with all stakeholders, including employees.

This value creation story is mutually and strongly related to "Story for Vision 2030" provided in II Overview of Business, 1 Management Policy, Business Environment, and Future Challenges. "Story for Vision 2030" is our strategy to create and delivery Life-changing value to realize our Vision, and our value creation story indicates our whole business models, including the source of our competitiveness.

Value Creation Story



(ii) Materiality and governance

To realize the vision toward 2030, from a perspective of impact on social sustainability as well as on the Group's businesses, we have identified Materiality to which the Group should give priority. In this process, we referred to SASB (Sustainability Accounting Standards Board), Access to Medicine Index, PSCI, etc.

The identification process of materiality is as follows:

STEP 1 List issues	List issues to be discussed ・competitor, sector, expert review ・International guidelines and codes (SASB, Access to Medicine Index, PSCI, etc.)
STEP 2 Assess impact on social sustainability and business	Prioritize listed issues from a social perspective (media surveys, trend surveys) Prioritize listed issues from a business perspective (analysis of internal documents, hearings with management, internal workshops)
STEP 3 Identify materiality (material issues)	Formulate a materiality matrix
STEP 4 Confirm validity and finalize	Conduct dialogue with stakeholders Discuss and confirm materiality in internal meetings attended by management Embed materiality in the Medium Term Business Plan Finalize at Board of Directors meeting

The materiality is incorporated in the FY2021–2025 Medium Term Business Plan and the linked annual business plan. In addition, the progress of the plans is monitored and reported to the Global Executive Committee Meeting and the Board of Directors on a quarterly basis. To promote the solution of medium- to long-term management issues, business indicators from FY2024 will include non-financial targets formulated in the fiscal year business plan, including targets related to materiality.

We review the materiality every year based on changes in environments within and outside the Company, which is approved by the Global Executive Committee Meeting and the Board of Directors.

(iii) Strategy, metrics, and targets

The Group sees materiality as key management issues to realize its Vision for 2030.

The specified materiality of the Group are categorized into "Topics for value creation" and "Topics for value enhancement," which correspond to the strategic pillars to realize Vision 2030: "Provide pharmaceuticals for unmet medical needs," "Address patient-centric healthcare needs," "Retain the trust of society," and "Strengthen human resources and infrastructure to realize Life-changing value." In addition, we set the targets for each materiality and work on it strategically, whereby we can realize our vision, which will lead to the sustainability of both society and the Group.

Opportunities, threats, and metrics (and targets) for each materiality
Topics for value creation

Strategic pillar	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	Metrics*2
Provide pharmaceuticals for unmet medical needs	**Creation of innovative drugs**	Continue to create innovative drugs that create and deliver Life-changing value through proactive investment in research (including open innovation activities) based on a medium- to long-term perspective, while maintaining an appropriate balance with short-term profitability.	・Raison d'etre as a Japan-based Global Specialty Pharmaceutical company. ・Enhance the corporate value by creating new value. ・Expansion of an area of Kyowa Kirin's strengths. ・Increase in collaborative research and opportunities for development.	・Decrease in reason for Kyowa Kirin's existence. ・Unachieved the 2030 Vision. ・Loss of opportunities to create new value. ・Decrease in opportunities for collaborative research.	・Number of creation of innovative drug as Life-changing value (#of approval). ・Sales of each drug.
	Maximize product value	Maximize value by identifying the true value of created medicines, promoting life cycle management(LCM), and utilising partnering opportunities.	・Expanding indications / formulations: Increase drug value by reducing time, improving efficiency in development testing / manufacturing, and addressing medical needs. ・Expanding countries and regions where our drugs are available: Increase impact of value provided with reduced financial burden (insurance reimbursement) for people facing illness.	・Increase in burden on people facing illness due to not maximizing the product value. ・Decrease in economic value.	
	Pipeline enrichment	Based on portfolio analysis, enhance the pipeline around focus disease areas by leveraging increasing development efficiencies and partnering opportunities.	・Increase in raison d'etre in focus areas as Japan-based Global Specialty Pharmaceutical (increase the value provides to patients) ・Increase in the corporate value through efficient and effective use of corporate capital.	・Decrease in raison d'etre in areas of Kyowa Kirin's strengths. ・Decrease in competitiveness against competitors.	
Address patient-centric healthcare needs	**Access to medicine**	Commit to activities in accordance with KKC Group Policy for Access to Medicines*1 (especially improved access to medicines), seeing it as our mission to listen to voice of people living with disease, create medicines that satisfy unmet medical needs, and deliver them to as many patients as possible, as quickly as possible.	・Increase in raison d'être of Kyowa Kirin. ・Increase in corporate recognition and credibility by maintaining and strengthening relationships with patient advocacy groups in each region.	・Decrease in raison d'être of Kyowa Kirin as a company that creates Life-changing value. ・Loss of opportunities for market expansion due to lack of opportunities to listen to voice of people living with disease and lack of public understanding of the disease.	・Number of countries and regions where the focused area drugs are available, and number (or percentage) of patients provided the drugs.
	Create healthcare solutions beyond medicine	Create new value that beyond medicine by promoting initiatives for healthcare solutions that beyond medicine based on insights from patients and leveraging synergies within the Kirin Group.	・Providing new value. ・Expansion into new markets.	・Loss of opportunities to create Life-changing value and innovation.	・Provide new value that beyond medicine.

Strategic pillar	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	Metrics
Reinforce human resources and structures that support the creation of Life-changing value	**Talent portfolio**	Develop an organizations and a portfolio of human resources that promote value creation that leads to the continuous creation of Life-changing value, and promote human resource management that leverages diversity to achieve this goal.	・Strengthen the foundation for creating innovation and global business development ・Securing diverse human resources and strengthening the ability to respond to change.	・Outflow of human resources due to inability to envision growth of business and personal. ・Decrease in labor productivity due to low motivation and deteriorating mental and physical health.	・Strengthen the foundation to realize Life-changing value.
	Corporate culture	Foster a corporate culture of "overcoming barriers / KABEGOE" appropriate for Japan-based Global Specialty Pharmaceutical company to continuously create Life-changing value.	・Realization of the 2030 Vision, sustainable growth and development as a Japan-based Global Specialty Pharmaceutical company.	・Loss of trust from society and decrease in competitiveness due to reverting back to the corporate culture that needs to be changed (lack of dialogue, silo mentality, and mindset of somebody else's problem).	
	Digital transformation	Provide new value by leveraging data obtained from the entire value chain, from research and development to post-marketing, and by promoting co-creation with various stakeholders including people facing illness.	・Expanding business opportunities through process transformation and efficiency improvement by DX.	・Competitive disadvantage due to lower productivity, delayed response to external environment, etc.	

1: For details of the Policy for Access to Medicines, please access the Company's website: https://www.kyowakirin.com/sustainability/patient/access_to_medicine/index.html

*2: For details of strategies and goals regarding topics for value creation, please refer to "II Overview of Business, 1 Management Policy, Business Environment, and Future Challenges, (2) Priority business and financial challenges, and the following (3) Measures to realize Kyowa Kirin's vision (i) Provide pharmaceuticals for unmet medical needs (ii) Address patient-centric healthcare needs."

Topics for value enhancement

Strategic pillar	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	Metrics and targets
Retain the trust of society	**Quality assurance and a supply of products**	Establish and appropriately operate a system and procedures to ensure the continued quality assurance and stable supply of products supplied by the company.	・Gaining the trust as a pharmaceutical manufacturer from stakeholders (medical professionals, patients, and government) ・Ensure global sales expansion/business development.	・Loss of trust in Kyowa Kirin among stakeholders (medical professionals, patients, government) ・Loss of sales opportunities (loss of confidence and transition to other companies' products) ・Decrease in certainty of new approvals due to stricter inspections by the authorities. ・Loss of partnering and licensing opportunities, including manufacturing rights. ・Decrease in health, safety, and motivation and outflow of human resources due to increased workload of employees.	・Zero limited or suspended product supplies due to our own reason.
	Reducing environmental impact	Proactively work to protect the global environment for future generations by taking into consideration the environmental impact of our supply chain throughout the entire life cycle of our products, from the research and development stage through manufacturing, sales, use, and disposal.	・Enhancing trust in Kyowa Kirin through contributions to future generations. ・Maintain business activities through proper management of physical/transitional risks and opportunities.	・New costs arising from stricter regulations (including carbon tax) ・Increase in disasters and health hazards due to extreme weather events and the resulting impact on business activities.	・Net zero GHG emissions for the entire value chain.

Strategic pillar	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	Metrics and targets
Reinforce human resources and structures that support the creation of Life-changing value (management Infrastructure)	**Corporate governance**	Realize a corporate governance structure that enables us to effectively and efficiently achieve sustainable growth and enhance corporate value over the medium to long term through the realization of the 2030 Vision based on our management philosophy and values.	・Gaining the trust of stakeholders and increase corporate value. ・Obtaining a stable business foundation.	・Loss of trust and decrease in corporate value.	・Strengthen our management foundation
	Ethics and transparency	Comply with domestic and international laws and regulations, internal and external rules and regulations, and social norms, and act in a manner that fulfills our legal responsibilities and the ethical responsibilities demanded by society. Also, disclose information to stakeholders in a proper, appropriate, and fair manner. *Including "Ensuring patient safety and appropriate use of medicines“, "Employee health and safety“, "Respecting human rights“, "Responsible marketing and advertising" “Responsible research and development" “Tax compliance" “Anti-bribery and corruption" and “Privacy and information security”.	・Gaining the trust of stakeholders and increase corporate value. ・Obtaining a stable business foundation.	・Restriction or suspension of business activities (research and development, production and sales activities, etc.) ・Loss of trust.	
	Reinforce risk management	Take appropriate risks necessary and take actions to protect the Kyowa Kirin Group and its stakeholders from threats.	・Enhance corporate value through appropriate risk-taking. ・Obtaining a stable business foundation.	・Restriction or suspension of business activities (research and development, production and sales activities, etc.) ・Loss of trust.	

(iv) Risk management

“Opportunities gained by working on materiality” and “threats arising from not working on it” in the Group’s materialities are provided by materiality in table (iii) Strategy, metrics, and targets. To gain trust from its customers and society on a long-term basis and achieve its business goals through continued business activities, the entire Group implements risk management, including sustainability risks, under the Kyowa Kirin Group Risk Management Policy.

Details are provided in “II Overview of Business, 3 Business Risk Factors.”

(3) Measures to realize Kyowa Kirin’s vision

(i) Provide pharmaceuticals for unmet medical needs

(i)-1 Creation of innovative drugs

(i)-2 Maximize product value

(i)-3 Pipeline enrichment

Please refer to “II Overview of Business, 1 Management Policy, Business Environment, and Future Challenges”

(ii) Address patient-centric healthcare needs

(ii)-1 Access to medicine

Kyowa Kirin considers the improvement of access to medicine as an important social issue and is conducting various initiatives. The Kyowa Kirin Group believe that it is our mission to deliver medicines to as many patients as possible and as quickly as possible, we are promoting these initiatives by collaborating with external stakeholders as well.

Medicines typically have to be approved for use and for reimbursement under health insurance schemes in each country before being made available to patients. Thus, the first step we take is to increase the number of countries worldwide where our products are available, in order to improve access to medicine. We have worked

on increasing the number, whereby the number of countries and regions for Crysvita and Poteligeo has surpassed 50. We also work to improve access to medicine for genetic and rare diseases by utilizing a technology platform of hematopoietic stem cell gene therapy (HSC-GT) owned by Orchard Therapeutics that was acquired in January 2024. The number of countries where Libmeldy/Lenmeldy are available has reached 10. In order to treat MLD (Metachromatic Leukodystrophy), one of the target diseases, before it is too late, it is important to identify the disease before its onset, particularly immediately after birth. In order to save as many MLD patients as possible, Orchard Therapeutics. works to promote collaboration with governments and related associations worldwide, so that new born screening test for MLD will be added in each country.
However, due to factors such as different regulatory regimes in each market, launching medicines can take time. This means that even if effective medicines are available, patients may not be able to access because of conditions specific to their country. To address this issue, Kyowa Kirin is working to provide access to medicines upon request from physicians after determining eligibility. In countries where we have no plans to marketing approval, including low- and middle-income countries, we run the Named Patient Program for Crysvita to provide access to medicines for patients.
Kyowa Kirin will deliver Life-changing value to patients by not only increasing the number of launch countries but also adjusting our measures to the characteristics of each country.

(ii)-2 Create healthcare solutions beyond medicine
As new initiatives for healthcare needs beyond pharmaceuticals from a longer-term perspective, we are pursuing the creation of values that go beyond pharmaceuticals, based on patients' insights. We established Cowellnex Co., Ltd. in September 2024. which is a joint venture with Kirin Holdings Company, Limited. Cowellnex Co., Ltd. will solve health-related social issues with innovation combining the parties' strengths.

(iii) Retain the trust of society
(iii)-1 Quality assurance and a supply of products
To ensure stable supply of pharmaceuticals to patients who need them worldwide, we are working to establish a robust production system while strengthening our quality assurance system and supply-chain management. In addition, we will continue to respond appropriately to issues in implementing both in-house and contracted manufacturing.

(iii)-2 Reducing environmental impact
The Group has specified "reducing environmental impact" as a materiality and implements a variety of measures for climate change and water resources management.
Details of measures for climate change are described in "II Overview of Business, 3 Business Risk Factors, Risks related to climate change." We disclose information using the framework recommended by TCFD (Task Force on Climate-related Financial Disclosures).

(iv) Reinforce Human Resources and Structures that Support the Creation of Life-changing Value
(iv)-1 Talent portfolio
(iv)-2 Corporate culture
Initiatives for human capital are stated below.

(a) The Group's concept of human capital
To realize our management philosophy and vision and strengthen the development of our personnel and organizations that continuously create new value, the Group has formulated the Kyowa Kirin Group Talent Management Policy, in which we see human resources as the source of innovation. We see human capital as the source of our competitiveness in the value creation story and clearly prioritize "employees who share Kyowa Kirin's vision and values," "strong and diverse team," and "KABEGOE corporate culture (described later)."
Believing that the vision can be realized when all of the employees combine their abilities and bravely take on challenges to promote value creating activities that lead to Life-changing value, in line with "Story for Vision 2030" that was announced in 2024 for realization of the vision, we work on maximizing the abilities of each of our employees and providing them with opportunities for challenges. In each value chain of research, development, manufacturing, and sales, we aim to develop human resources who will continue to take on the challenge of transformation until they accomplish them with their high level of expertise and a strong sense of responsibility to make people smile. For that purpose we will be developing workplace environments where healthy and diverse talents can play an active role, as well as cultivating an organizational climate and corporate culture.

(b) Human resources development policy and measures

Promotion of value creation activities

In order for the whole company to implement value creation activities that lead to Life-changing value, we are required to take new challenges with a high level of expertise and passion. At the same time, strong leadership is required to boost and support team members to take on challenges. To develop human resources who lead these organizational value creation activities, we provide them with not only growth opportunities through business operations but also specific human development programs commensurate with their positions and purposes within the framework of global One Kyowa Kirin.

Ownership of career

In the Japan Region, we introduced a job-based grading and remuneration system to conform to global grades. In this system, we aim to achieve talent management with the right person in the right position under the One Kyowa Kirin structure. We show employees the importance of taking ownership of their careers to recognize their current and ideal positions and find their career goal through the disclosure of job descriptions for all managerial positions. In addition, we have started training of managers for their self-reliance career support. Going forward, we plan to provide opportunities for individual career consultation for all employees and develop a challenge support system and application-based training in order for them to proactively learn and practice. In this way, the Group supports employees' efforts to achieve their career goals. It plans and implements various related measures based on an equal relationship with them while being committed to both individuals and the company's growth.

For patients' smiles

The Group adopted patient centricity in the value creation story, where it works to make opportunities to enhance their awareness of patient centricity. Specifically, we hold seminars featuring people living with illness in which they are invited to talk with employees, and plan to introduce "Sharing Patient stories" overseas. We expect that employees recognize the importance of listening to patients through these opportunities and that awareness of patient centricity will be reflected in their daily activities.

Development of digital talent

With Digital Vision 2030 as digital transformation to achieve Life-changing value, the Group will continually create new values by realizing operational excellence and strengthening the foundation for promoting digital transformation. With focus on our personnel and data, we are advancing efforts to reinforce the digital talent and build a platform for data use across divisions within the Group. In order to acquire and reinforce the digital talent who will support our transformation to a circular value chain of data, Kyowa Kirin develops digital project planners, data scientists, data stewards, and other talent with the ability to lead each division and sector. At the same time, we raise the general quality of our personnel through digital literacy education targeting all employees in an approach to developing digital talent that is both "top-down" and "bottom-up."

(c) Development of internal environments

Development and promotion of the global talent management system

To develop the One Kyowa Kirin structure, we discover, train, and assign next-generation leader candidates who will lead the future of each region and function. Under the Medium Term Business Plan that started in 2021, to promote the global talent management in a strategic manner, as a global common human resources platform development effort, we have identified global key positions and their talent requirements, developed global common grading, formulated leadership principles, and introduced our global human resource system (HRIS). These initiatives play important roles in talent management, such as hiring, development, evaluation, transfer and appointment, and promotion. We aim to develop global leaders in a sustainable manner by promoting real-time global sharing of HR data in the data-driven talent management system, with the right person in the right position. Initiatives undertaken by the Group include the formulation of individual training programs for each successor (Global Succession Plan), visualization and individual development plans for next-generation leader candidates, and a human resource development program involving short-term assignments on a global basis (Global Exchange Program). While working closely with each function and regional human resources strategy, we have established the Global HR Business Partners System, which enables us to integrate human resources strategies for effective use.

Strong and diverse team: Diversity Equity and Inclusion (DE & I)

The Group considers Diversity, Equity, and Inclusion to be fundamental to its corporate culture in order to create and provide Life-changing value for patients throughout the world. In accordance with “Our DE&I Statement,” our global goals, we have identified priority issues globally and in each region and are proactively promoting measures to create an organization where all employees with various personalities respect each other and can maximize their potential. When it comes to female advancement, which is a global priority issue, we aim to ensure the development of female leaders by setting the goal of 29% of global female leaders as of the end of FY2021 and 40% by the end of FY2030. Our goal is to increase the ratio of female managers to at least 18% in Japan by FY2025, and we implement a mentoring program for female managers. In 2024, an employees resource group was formulated led by female employees in the Sales & Marketing Division. We work to support female employees for their career development and work with child care by establishing in-house nursery schools and providing forums to assist their return to work from childcare leave.

Indicators on other diversity issues are provided in “I Overview of Business 5 Employees.”

Employees who share Kyowa Kirin’s vision and values: engagement

As elements to measure employee engagement, we implement the Global Engagement and Motivation Survey every year, which is used to identify organizational improvement issues and consider measures to revitalize the organization. We pay particular attention to two elements: employee engagement, which is an indicator of willingness to contribute to the company, loyalty, and voluntary efforts; and employee enablement, which is an indicator of the opportunities for them to make full use of their own skills and abilities as well as of a comfortable working environment. In response to survey results, each organization analyzes the results and formulates and implements measures to improve identified issues for each and every employee to work with high engagement.

The 2024 survey results show that the positive response rate of both employee engagement and employee enablement is 70%, in which the former is increased by 0 percentage points and the latter is increased by 1 percentage point from the previous year, remaining at the same level as the previous year*3.

*3: Number of people surveyed/Response rate

	Number of people surveyed: 5,499, Number of respondents: 5,359, Response rate: 97%
Question categories	Employee engagement / Strategy and direction / Leadership / Quality and customer orientation / Respect for the individual / Growth opportunities / Compensation and benefits / Employee enablement / Performance management / Degree of authority and autonomy / Resources / Education and training /Cooperative framework / Business processes and organizational structure / Management philosophy and values / Code of conducts and compliance / Expected work styles / Diversity and inclusion / Company quality culture / KABEGOE
Benchmark data	Global corporate average; global average of high-performing companies, corporate average of pharmaceuticals companies, Japan corporate average, regional and country averages

KABEGOE corporate culture: corporate culture reform

The Group has formulated KABEGOE (overcoming barriers) as key behavior of its employees to realize its vision. To realize an ideal corporate culture suited to a global specialty pharmaceutical company, we have been earnestly working on corporate culture reform since 2020. Corporate culture is shaped by the collective daily judgment and conduct of every employee. Since it requires a strong commitment of the management team and continuous activities in the workplace, we are developing initiatives from both sides. For global top leaders, we hold One Kyowa Kirin Culture Workshop twice every year, where they recognize it essential to practice KABEGOE in order to make people facing illness smile in accordance with Story for Vision 2030 that was announced as a new strategic direction in 2024, and discuss how to instill KABEGOE among employees. In addition, the management team goes to the workplace and holds Meetups in which they have dialogues regardless of role, standpoint, or region, by listening to employees' opinions and talking to them about the Company and its direction from a management point of view for deeper mutual understanding. As initiatives in the workplace, we have appointed a KAGOME leader in the Japan Region and a culture ambassador in the North America Region, promoting thorough understanding of corporate culture reform and KABEGOE at work. The progress of these initiatives is monitored through the Engagement and Motivation Survey and simple surveys related to corporate culture reform, and then shared in the Global Executive Committee Meeting, etc. In addition, by reporting such progress via the dashboard site, it is disclosed to the heads of organizations and reflected in the actions carried out in the various workplaces, thereby strengthening human resources and the infrastructure, which is crucial to realizing Life-changing value. We have formulated "KABEGOE Principles" that outline specific actions of KABEGOE, aiming to further penetrate KABEGOE corporate culture.

Well-being among employees: Health and productivity management/hybrid working model

We have formulated "Kyowa Kirin Group Wellness Action" and are promoting health and productivity management with the aim of "realizing health and well-being" of the Group's employees, as we believe that mental and physical health is essential in order for them to maximize their capabilities to create new value. We advocate a hybrid working model in which each employee proactively considers an optimal work style in each function and region.

<Three basic policies of Kyowa Kirin hybrid working model>

- Nothing that costs our well-being is worth it (well-being is the first criterion of judgment)
- Flexibility within a framework (flexibility within a framework of value creation)
- Employees are the architects of the new Model (proactively create their own work style)

In recognition of these efforts and achievements, for the second consecutive year the Company was included in the 2024 Health and Productivity Stock Selection in the Survey on Health and Productivity Management conducted by the Ministry of Economy, Trade and Industry. The Company was also recognized as a Certified Health & Productivity Management Outstanding Organization 2024 (White 500) for the eighth consecutive year since the program was launched.

(d) Risks management related to human capital

Details are provided in "II Overview of Business, 3 Business Risk Factors, Risks related to human resources."

(iv)-3 Digital transformation

With regard to "Digital Transformation" specified as one of the materialities, we launched "Digital Vision 2030[*4]" in 2021 and have been driving DX activities in line with the three pillars of digital strategy; "Digital for Operation: achieving operational excellence," "Digital for Innovation: transforming to a circular value chain of data," and "Foundation for Digital: reinforcing our DX infrastructure." Story for Vision 2030 clarified assets in focus disease areas and strategic partnering assets. Taking this opportunity, we look back to our DX activities and further accelerate DX activities by increasing the resolution of the three pillars of digital strategy in line with "Story for Vision 2030." We will appoint a Chief Digital Transformation Officer this April to reinforce the structure. Under the Digital Vision 2030 formulated for digital transformation to create and provide Life-changing value, we will further promote the realization of operational excellence and strengthening of operational & digital transformation.

*4: For details of Digital Vision 2030, please access the Company's website:
https://www.kyowakirin.co.jp/sustainability/human_resources_infrastructure/dx/index.html

3 Business risk factors

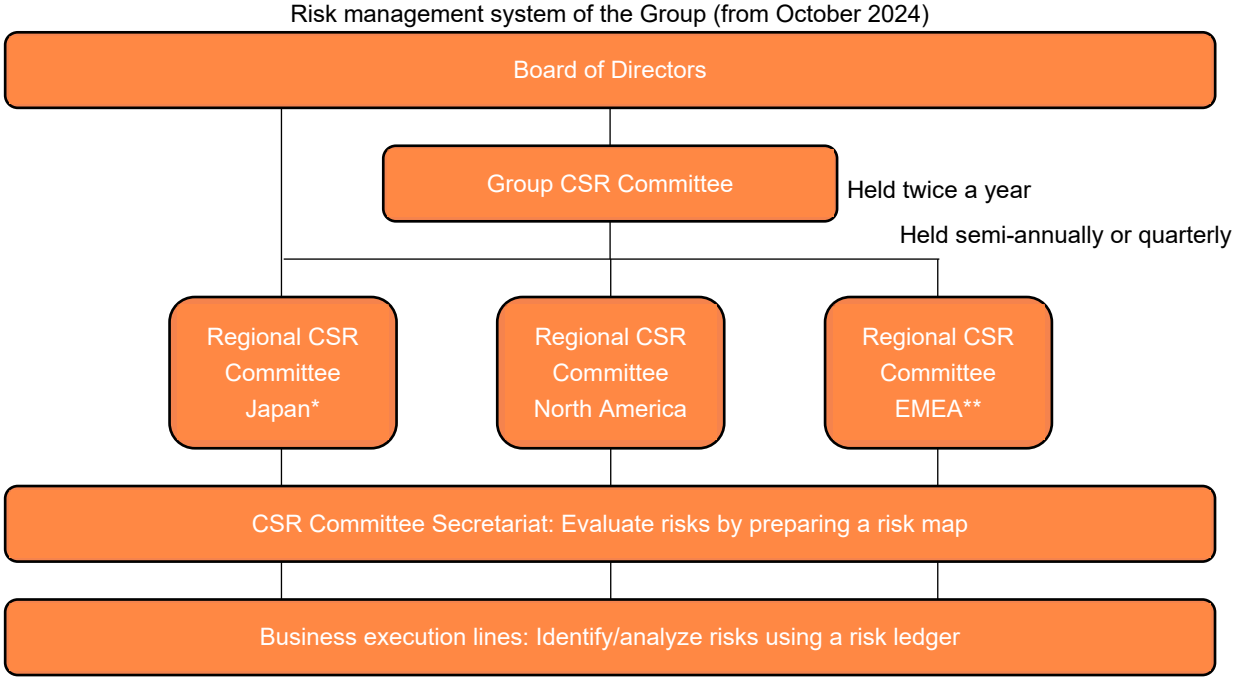
1. Risk management system and process for identifying principal risks

The Group promotes its business activities under its “One Kyowa Kirin” global management system, which combines a regional axis focusing on the three regions of Japan, North America, and EMEA, a trans-regional functional axis, and a product (franchises) axis. Regional CSR Committees were established in each of the three regions to discuss principal risks specific to each region. The Group holds meetings of the Group CSR Committee that is positioned as a place globally opened to stakeholders, mainly CxO, twice a year. The Group deliberates strategies related to Group-wide risk management and activity policies, as well as monitoring activity results for the last six months. Measures to reduce principal risks, as well as the results of monitoring, which are discussed at these committees, are reported to the Board of Directors.

Regarding the process of identifying principal risks, once a quarter, the business execution lines identify risks based on changes in the internal and external environment, and analyze the impact on management and the frequency of occurrence (possibility of occurrence). The CSR Committee Secretariat adjusts the results of the analysis while discussing changes in the internal and external environment and risk trends with the business execution lines, and then organizes risks by category to identify principal risks. The CSR Committee decides whether it is appropriate to identify principal risks, monitors the progress of measures for mitigating the risks, and supports the risk management of the business execution lines.

In addition, to contribute to the realization of a sustainable society, and to achieve sustainable corporate growth, we have identified and reflected in the Medium Term Business Plan important management issues (materialities) that must be resolved from both a social and business perspective in the medium- to long-term as risks and opportunities, and the CSR Committee discusses changes in awareness of risks and opportunities and the progress of initiatives.

Risk management system of the Group (from October 2024)



*Japan collects other regions’ reports to report
**EMEA represents Europe, the Middle East, and Africa

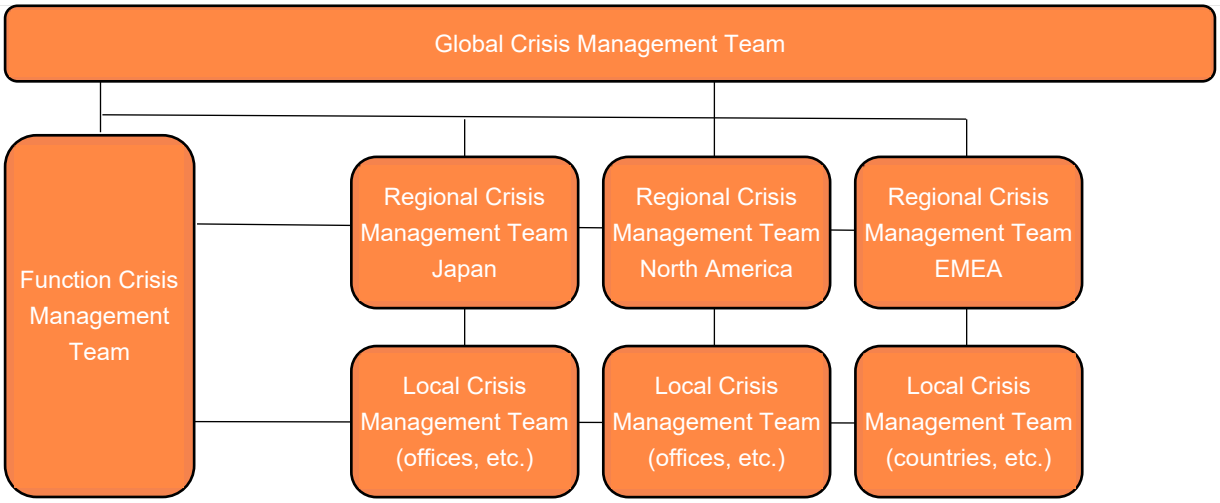
2. Centralized global management of risks by utilizing digital technologies

The Group is promoting digitalization by introducing a system for centrally managing group-wide risks using a database. The Group is working to establish a framework to monitor the status of risks effectively and efficiently. Through the framework, after the business execution lines register the risk ledger and incident information in the database, the information will be shared with divisions that support, advise, and monitor risks from a specialized and company-wide perspective, and principal risks will be visualized on a risk map.

3. Strengthening the crisis management system and exercises

In the Group, the Area Crisis Management Team, which has a three-tier structure of global, regional, and local, and the Function Crisis Management Team, which responds with its expertise, autonomously implement crisis management under the Group Crisis Management Rule. In the event that a global response is required, the two headquarters work together to establish a system for promptly reducing the impact. Moreover, focusing on principal risks, the Group makes efforts to respond to worst-case scenarios and enhances our business continuity framework through conducting cross-regional and cross-functional crisis and Business Continuity Plan (BCP) exercises. Under the rapidly changing environment, we aim to be a resilient organization that adapts flexibly to difficult situations by working together on both risk management on a daily basis and crisis management in emergency in a consistent manner for company-wide issues. Our initiatives include improvements of our response capabilities through exercises, as well as review of risk evaluations and measures for mitigating risks to link them to the monitoring to find signs of risks.

Crisis management system of the Group (from October 2024)



4. Business risk factors

This section describes principal risks identified by the Group as of the end of the current fiscal year (as of December 31, 2024). However, the Group may face other unforeseen risks caused by changes in internal and external conditions, and risks not described here may have a negative impact on the Group's business performance and financial position.

Risks related to maximizing the value of global strategic products
Details of risks and expected main impacts The Group is working to maximize the value of two (and other) drugs that have been positioned as global strategic products – Crysvita, a treatment for X-linked hypophosphatemia, and Poteligeo, an anticancer agent. We launched our own marketing for Crysvita in North America in April 2023 and have steadily increased its market share. However, we need to continue monitoring its future trends as the largest market. Moreover, regarding risks of global strategic products as a whole, the following risks may prevent the Group from attaining its business targets: delays to sales area expansion caused by setbacks in market launch preparations; slow progress with market penetration due to difficulties in identifying potential patients; sharply lower-than-expected sales due to a shortfall in projected product prices in new markets; and impediments to stable supplies caused by quality issues, manufacturing problems, and other issues.
Key mitigation measures In preparation for maximizing the value of global strategic products, we are moving forward with measures for penetrating markets and expanding our business regions, centered on Europe and the U.S. In addition to a global management system that facilitates seamless cooperation between functions (divisions) and regions (affiliates) on a global level, the Group has appointed personnel to take responsibility for each global strategic product. This person leads a cross-function/region team that works together to draft and execute strategies to maximize the value of each product. We have started our own marketing of Crysvita in North America, where we are well-prepared, and continue to identify patients who require treatment, enhance communication with them, monitor field activities, and increase the level of field teams engaged in such activities. Regarding issues with quality and manufacturing, key mitigation measures are outlined in the “Risks related to product quality” and “Risks related to production and stable supply.”

Risks related to healthcare cost-control policies
Details of risks and expected main impacts The trend toward tighter control of healthcare costs is increasing in Japan and elsewhere. Efforts to reform healthcare systems in various countries involve reducing prices of drugs and encouraging wider use of generic drugs. These trends have a significant impact on the Group’s business performance and financial position. In this context, while being innovative and also adequate for unmet medical needs is important to the successful reception from stakeholders, it requires a lot of investment and time to develop further practical, groundbreaking new drugs based on the increasing high level of regulatory requirements. Thus, failure to conduct an appropriate and flexible review of the product strategy may undermine the Group’s growth potential and profitability.
Key mitigation measures The Group closely monitors healthcare policy trends in each country, while also strategically examining measures to evaluate the value of its Life-changing pharmaceuticals from various aspects so as to securely deliver them to patients. Furthermore, in price setting, the Group considers the impact on its business so that it can secure appropriate revenues for continuously creating innovative drugs, while complying with each country’s systems and gaining stakeholders’ understanding.

Risks related to production and stable supply

Details of risks and expected main impacts

In cases where detailed, accurate demand forecasts in various regions are impossible, particularly where market supply and demand fluctuates significantly due to the supply difficulties of other companies; where it is impossible to maintain supply capacity due to compliance violations in the supply chains, such as the Group's proprietary plants, contract manufacturers, or other suppliers of raw materials, or disaster damage, stable supplies of the Group's products could be impeded, resulting in factors such as delays in drug launch schedules or limited shipments of product that could erode trust in Kyowa Kirin as a pharmaceutical company or depress revenues, among other effects

Key mitigation measures

The Group is implementing sales and operations planning (S&OP) to increase the accuracy of demand forecasting by rapidly identifying product sales and trend in needs responding to changes in external environments, and to achieve a supply-demand balance and enable quick adjustments in line with business plans. The Group formulates a BCP, reviews a safety stock holding policy in accordance with risks, implements self-inspection required in the industry, sets and monitors objective stable supply indicators, and visualizes demand using a supply-demand planning system. In addition, the Group is expanding its network of contractors, investing in proprietary plants, rolling out digital technology to enhance manufacturing operational efficiency, and increasing headcount and upgrading training systems in the production and quality assurance divisions.

Risks related to human resources

Details of risks and expected main impacts

The Group is working to embed its global management system to encourage individuals from diverse backgrounds to demonstrate their abilities and engage in business activities in Japan and overseas. However, if the Company is unable to develop and hire personnel who will be responsible for the global management system, this may hinder the continuation of its business activities or sustainable growth.

Key mitigation measures

To realize our management philosophy and vision and strengthen the development of our personnel and organizations that continuously create new value, the Group has formulated the Kyowa Kirin Group Talent Management Policy, in which we see human resources as the source of innovation. In the value creation story, we clearly prioritize "employees who share Kyowa Kirin's vision and values," "strong and diverse team," and "KABEGOE corporate culture," meaning overcoming barriers to achieve our vision. Believing that the vision can be realized when all of the employees combine their abilities and bravely take on challenges to promote value creating activities which lead to Life-changing value, in line with "Story for Vision 2030" that was announced in 2024 for realization of the vision, we work on maximizing the abilities of each of our employees and providing them with opportunities for challenges. In each value chain of research, development, manufacturing, and sales, we aim to develop human resources who will continue to take on the challenge of transformation until they accomplish them with their high level of expertise and a strong sense of responsibility to make people smile. For that purpose we will be developing workplace environments where healthy and diverse talents can play an active role, as well as cultivating an organizational climate and corporate culture.

To develop the One Kyowa Kirin structure in a sustainable manner, we discover, train, and assign next-generation leader candidates who will lead the future of each region and function. Under the Medium Term Business Plan that started in 2021, to promote the global talent management in a strategic manner, as a global common human resources platform development effort, we have identified global key positions and their talent requirements, developed global common grading, formulated leadership principles, and introduced our global human resource system (HRIS). These initiatives play important roles in talent management, such as hiring, development, evaluation, transfer and appointment, and promotion. We aim to develop global leaders in a sustainable manner by promoting real-time global sharing of HR data in the data-driven talent management system, with the right person in the right position. Initiatives undertaken by the Group include the formulation of individual training programs for each successor (Global Succession Plan), visualization and individual development plans for next-generation leader candidates, and a human resource development program involving short-term assignments on a global basis (Global Exchange Program). While working closely with each function and regional human resources strategy, we have established the Global HR Business Partners System, which enables us to integrate human resources strategies for effective use.

The Group monitors the extent to which the above-mentioned initiatives are gaining acceptance and taking root, through the employees' attitude survey (Global Engagement And Motivation Survey) and simple surveys related to corporate culture reform.

Risks related to R&D

Details of risks and expected main impacts

In its R&D, the Group pursues the ongoing creation of groundbreaking pharmaceutical products, and has established the following strategies centered on technology, disease, and open innovation. (i) In addition to its ongoing quest to drive advances in antibody technology, the Group will build a platform for creating breakthrough drugs by making full use of diverse modalities. (ii) The Group will continue to provide “Only-one value drugs” to address diseases that currently have no effective treatment, while taking advantage of disease science that generated global strategic products such as Crysvita and Poteligeo to date. (iii) The Group will continue to proactively incorporate external innovation through advanced open innovation activities, fusing collaborative research activities with academia, startups, and other partners (information gathering in the San Diego area, etc.) with early access to information, by means of venture capital fund investments. However, in the process of developing new drugs over long periods of time, there may be cases where R&D has to be abandoned; for example, if expected efficacy is not confirmed or for safety and other reasons, which may prevent the Group from expanding its drug pipeline, undermining growth potential and profitability.

Key mitigation measures

The Group is actively stepping up investments in R&D (aiming for an R&D expense ratio of 18–20%) to strengthen the pipeline of new drugs that will lead the next generation, such as global candidates. We will prioritize research resources for three treatment fields – bone and mineral, blood cancer and intractable blood diseases, and rare diseases, in which we can expect competitive advantage. In addition, we will create innovation through strategic and efficient research by reducing modalities of small molecules and drastically switching to advanced antibody such as highly potential gene therapy modalities and complex modalities. To complement proprietary research, the Group is also focusing on open innovation activities involving partners from across industry, government, and academia, including active strategic partnering (in-licensing, tie-ups, etc.) to acquire platform technologies and pipeline assets. The Company continues to strengthen alliance with La Jolla Institute for Immunology, a world-leading research institute, through Kyowa Kirin North America’s research institute, and promote Corporate Venture Capital activities. We acquired U.K.-based Orchard Therapeutics, which is specialized in hematopoietic stem cell gene therapy, in January 2024 and started a joint research project in this fiscal year, launching a full-scale research of gene therapy modalities mentioned above. To promote these proprietary research and open innovation activities on a global basis in a prompt and efficient manner, we will reorganize the Research Division in January 2025 to build a new research organization that enables appropriate management and governance on a global basis. We will significantly strengthen our R&D abilities to continuously create Life-changing value as our vision by focusing on disease areas and modalities through a series of transformations for a drastic change in the organization.

Risks related to parent and Group company management

Details of risks and expected main impacts

To achieve its management goals as a Japan-based global pharmaceutical company, in accordance with the Basic Policy on the Internal Control System, the Group has been working to enhance its governance by establishing an appropriate system to secure its compliance, risk management, and the appropriateness of financial reports, as well as reporting their operations to the Board of Directors. In the event that these measures are not fully effective, emerging risks could result in restrictions or suspensions of production, sales, and other business activities, and the loss of trust as a pharmaceutical company.

Key mitigation measures

Risk management aims to achieve group-wide risk management that can anticipate the future and take preventative measures. To this end, the Group has introduced an IT tool to uniformly manage group-wide risks, and stages ongoing crisis and BCP drills not only linking its head office with each region but also across regions in Japan and overseas, and deliberates on material issues (materialities) that are both risks the Group needs to address over the medium- to long-term as well as opportunities. Through these actions, the Group is working to heighten its ability to respond to new and potential risks. Principal risks of the Group as well as regions are monitored by the Group’s CSR Committee and each region’s CSR Committee, and their details are reported to the respective board of directors. Furthermore, the Group conforms to the three-line model advocated by the Institute of Internal Auditors, and has secured a system to take appropriate responses to risks.

Compliance is provided in “Risks related to compliance” and the appropriateness of financial reports in “IV. Information about Reporting Company, 4 Corporate governance.”

Risks related to product quality
Details of risks and expected main impacts Pharmaceutical manufacturing requires facilities (hard assets) and procedures and people (soft assets) that are compatible with good manufacturing practice (GMP). Should a GMP inspection by a national authority or an internal audit find a serious GMP issue, the regulatory authority may issue instructions for suspension of production or shipments. In addition, if for any reason there are any concerns about the safety or quality of a product with regard to raw materials or manufacturing processes used to make the product, these may give rise to a suspension of shipments or product recall. Furthermore, if an inappropriate clinical study is conducted due to an inadequate study method or poor management of the laboratory, there will be a risk of not being able to guarantee the product quality. In such circumstances, there will be a risk of health damage to patients, and decreased confidence in the Company and economic losses due to a suspension of shipments or product recall may have a significant negative impact on the corporate management and business development.
Key mitigation measures The Group's quality assurance functions are centered on the Global QA Head, who collects and shares information about quality assurance activities in each region for prompt decision making. Specifically, the Global Quality Assurance Committee, regular and ad hoc Global Product Councils, and other quality assurance bodies discuss critical quality-related issues reported by regional control functions, evaluate quality performance at newly selected manufacturing sites, regularly assess product quality, review the activities of global taskforces established to address specific issues, and monitor issues identified in audits and progress with related response measures. The Group has also established a global, independent specialist audit unit to reinforce product quality audits within the Group and at contractors. In addition, the Group has completed introducing an electronic Quality Management System to appropriately manage and utilize large volumes of quality assurance information on a global level and to drive continuous improvements in processes and reliability. With eQMS, key quality management processes (education and training, document management, deviation, complaints, corrective and preventative actions, modifications, change control, audits, manufacturing site management, risk management etc.) are all managed electronically. We make efforts to cultivate quality culture to raise all employees' awareness. Quality assurance divisions and safety divisions always work closely and have established a system to prevent health damage to patients by promptly evaluating impacts on patients if quality concerns arise and always consider the effect of quality in product safety monitoring.

Risks related to the management of suppliers and contractors
Details of risks and expected main impacts The Group enters into alliances with other companies, in the form of joint development, joint commercialization, technology partnerships, and establishment of joint ventures, and it also outsources operations related to the supply of raw materials, production, logistics, and marketing for pharmaceuticals to other domestic and overseas suppliers. However, if the alliances and outsourcing contracts fail to deliver the expected results or are dissolved due to issues related to human rights, legal compliance, the environment, or information security at suppliers, or if there are quality issues with contracted deliverables, the Group could face difficulty securing stable supplies of the Company's products or issues in logistics and sales, which may erode trust in Kyowa Kirin as a pharmaceutical company, lower revenues, or lead to delays in new drug applications.
Key mitigation measures The Group is seeking to conduct sustainable procurement in line with the Kyowa Kirin Group Procurement Policy, which states its commitment to pursue sustainable procurement together with suppliers to ensure stable supplies of high-quality products. To ensure that suppliers are familiar with the Group's initiatives for sustainable procurement, the Group holds briefing webinar for suppliers periodically. In addition, the Kyowa Kirin Group Supplier Code of Conduct sums up the seven areas where the Group calls for understanding and cooperation from suppliers: relationships with society, relationships with employees, compliance with rules, respect for human rights, environmental preservation, information management, and risk management. In dealing with suppliers, we have added a clause of compliance with the Kyowa Kirin Group Supplier Code of Conduct to our contracts, and the Group conducts questionnaires to confirm compliance with the Kyowa Kirin Group Supplier Code of Conduct, publishing the results. The Group also obtains risk and credit background data from external organizations and conducts supplier assessments based on objective information. The Group obtains similar information in the course of transactions as needed, and confirms with a supplier when there is any cause for concern. In addition, the Group promptly shares the risk information it obtained with relevant divisions and works together to mitigate risk, including requesting corrective action from suppliers or considering changing suppliers, as needed. Through the procurement functions and systems established in each region, the Group takes measures to reduce risks and monitors the status. Based on Kyowa Kirin Group Human Rights Policy established in December 2022, the Group also promotes human rights due diligence initiatives.

Risks related to information security
Details of risks and expected main impacts As the Group utilizes a variety of networks and information systems, the Group may experience system outages or external leaks of confidential information in the event of unauthorized system access or cyberattacks. A cyberattack on a supplier could result in damages such as the leakage of confidential information of the Group or personal data, suspension of business activities, or damage to the brand. The move to hybrid working is improving productivity, but the number of employees using home communication environments or working alone is rising, which increases the risk of surveillance committed through networks, cyberattacks, email errors, and loss of personal computers, all of which may lead to information leaks. In addition, as cloud-based services are used more frequently, a security accident (including inaccessibility to such a service) occurring at the side of an outside service provider may directly affect the Group's business contingency.
Key mitigation measures The Group is taking steps to upgrade information security, including technical measures to guard against cybersecurity threats that are becoming more diverse and more sophisticated each year, as well as developing playbooks that include information such as the recommended initial response flow and procedural steps in the event of a cyber incident, to establish the system to respond to incidents. Moreover, by periodically conducting an outside evaluation driven by a standard framework for the security industry, the Group continuously improves a responsive plan formulated based on an objective risk evaluation. The Group is also taking measures to mitigate various risks, such as monitoring its business partners to verify their response to the security measures. In addition, to be better prepared to mount a rapid response and minimize damage in the event of an accident, the Group is continuously conducting crisis drills in each region to deal with ransomware and other cyber attacks, as well as global crisis drills for management. Furthermore, the Group is educating employees to raise their level of information security by conducting educational seminars periodically and targeted e-mail attack drills, and raising awareness by disseminating information and precautions on preventing infection by computer viruses in accordance with the characteristics of the latest attack methods, points of attention, etc., through seminars for employees, a dedicated cybersecurity website, etc. BCP system and drills simulating limited use of cloud services are also being organized.

Risks related to compliance
Details of risks and expected main impacts Business activities of a pharmaceutical company are required to comply with a range of laws and regulations governing pharmaceutical R&D, manufacturing, sales, imports, and exports. In addition, in exchange with patient groups for patient-centered activities and the promotion of pharmaceuticals, in addition to the laws and regulations of each country, there are voluntary codes in the industry, and pharmaceutical companies are strongly requested to comply with them. Failure to comply with these laws, regulations, and voluntary codes could result in sanctions that delay or suspend the development of new drugs, or restrict or suspend production, sales, and other business activities, which may erode trust in Kyowa Kirin as a pharmaceutical company or trigger lawsuits, etc.
Key mitigation measures The Group believes that compliance is not only legal compliance, but also involves promptly sensing and properly understanding the needs of society and acting ethically. We have stipulated the overall behavior expected of our officers and employees in the Kyowa Kirin Group Code of Conduct and make efforts to cultivate sound ethics and compliance culture. The Company has established a system to comply with various laws and regulations and voluntary codes, and conducts ongoing education and training and works on ensuring thorough understanding and raising awareness. The status of compliance and the progress of measures to address material issues are discussed at each regional CSR Committee meeting and at the Group CSR Committee meeting, both of which are held periodically, and ongoing improvement is promoted. In addition, the Group has set up a whistleblowing hotline to prevent, quickly detect, and rectify acts that violate the Code of Conduct or significantly damage the brand value of the Group. Furthermore, the Group conducts an annual employee compliance awareness survey to identify potential risks, while working to mitigate risks in the early stages by confirming the facts of survey responses and responding accordingly. Survey results are also reported to the Group CSR Committee and the Board of Directors. The Group compliance enhancement project is improving a framework to monitor the status of efforts by each department in charge based on the various Kyowa Kirin Group Policies that supplement the Code of Conduct as well as the laws and regulations that a global pharmaceutical company must comply with, along with a framework of company-wide monitoring of the compliance program of each region, including the global head office. Based on the monitoring results, the Group implements measures for improvement accordingly, further raising its compliance level.

Risks related to natural disasters
Details of risks and expected main impacts Natural disasters such as earthquakes and typhoons that may occur in various locations could lead to the closure of the Group’s head offices, plants, research laboratories, and business offices or halt business activities, potentially impacting progress in drug discovery research and clinical development, the stable supply of products, the collection of safety information, and the provision of product information, which may have a negative impact on the Group’s business performance and financial position.
Key mitigation measures The Group has developed a coordinated disaster prevention plan with its business sites to ensure the safety of employees and their families in the event of a disaster. Based on the plan, the Group regularly conducts safety confirmation drills and safety equipment upgrades/checks. The Group has also developed a BCP to continue supplies, monitoring, and provision of information of pharmaceuticals in the event of difficulty, thereby ensuring the continuity of normal business activities. The Group conducts BCP drills simulating a range of scenarios, including super typhoons and a massive earthquake directly under the Tokyo metropolitan area. We are working to identify issues through such drills and continuously improve our BCP. Based on the global, all-hazard BCP guidelines established in 2021, the Group is working to enhance the business continuity framework in each region to prepare for various events. For example, the Group is planning to construct a new warehouse building with earthquake-proof construction at its Takasaki Plant (construction started in October 2023, operation start scheduled for January 2026).

Risks related to climate change
Details of risks and expected main impacts The occurrence of floods caused by extreme weather brought about by climate change could affect all of our business activities, including the stable supply of our products and research activities. Furthermore, in the future, the Group's brand value may decline if additional costs are incurred due to the introduction of carbon taxes or measures to comply with tighter environmental regulations, or if greenhouse gas reduction targets cannot be achieved.
Key mitigation measures In addition to the impact on business activities, the Group considers the response to climate change (prevention of global warming) to be critical to bringing about a sustainable society. The Group has created a roadmap for reducing greenhouse gas emissions over the medium- to long-term, and is moving forward with an array of initiatives across the Group. In the medium term, the Group is accelerating the reduction of emissions of greenhouse gases by focusing on energy-saving measures and expanding the use of renewable energy. From 2020, the Group has introduced RE100-certified renewable energy to its Takasaki Plant and Fuji Research Park, Ube Plant and Head Office, switching 100% of their purchased electricity to electricity that emits no greenhouse gases. Tokyo Research Park is promoting renewable energy for its purchased electricity from fiscal 2024 with FIT non-fossil certificate. In 2023, Ube Plant started operation of a large-scale solar power generation system (1.47 MW) based on an onsite PPA (Power Purchase Agreement) model. In addition, the new office building that received a ZEB (net Zero Energy Building) certificate was completed. The greenhouse gas emissions in the Kyowa Kirin Group's value chain (Scope 3) are calculated by dividing them into 15 categories in accordance with the Ministry of the Environment's guidelines, which are consistent with the GHG Protocol. We have developed measures to reduce GHG by setting a medium- to long-term target for GHG reductions (30% reduction by 2030 from 2019 levels) under Scope 3 and also formulated a roadmap for reduction. To reduce GHG from contracted manufacturers in accordance with the roadmap, we have conducted a survey for acquisition of primary data from suppliers and started preparations. Going forward, we will develop measures to reduce GHG by working together with contract manufacturers and suppliers. Among environmental performance data, we see data of climate change and the amount of water consumption as significant indicators so that we have received a third party assurance to secure the data reliability. The Company has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and has determined the risks and opportunities that climate change poses to its businesses and their impacts. Following the recommendations of the TCFD, the Company discloses information on the following four items: governance, strategy, risk management, and metrics and targets.

Disclosure of climate change-related information (Information disclosure based on TCFD recommendations)

<Governance (relating to environmental issues)>

Chief Compliance Officer (CCO) has been appointed as the chief executive officer responsible for overall environmental management, inclusive of climate change issues.

Issues related to risks and opportunities in climate change, as well as environmental activity policies and results, are positioned as important matters in the Group's environmental management. These issues are reported, deliberated upon, and decided by the CSR Committee, which is held regularly and chaired by CCO. The content of these discussions is reported to the Board of Directors.

Since the fiscal year ended December 31, 2020, the TCFD Study Team has been set up within the CSR Management Department, which is responsible for the environmental management control function, and has been identifying and evaluating climate change risks and opportunities and considering countermeasures.

The departments in charge regularly review the risks and opportunities identified, bring them to the CSR Committee, and report the progress of responses so that climate change-related issues can be addressed as part of our management strategy.

<Strategy>

We aim to achieve a world in which the average temperature increase is limited to 1.5°C or less, as outlined in the Paris Agreement. We are reviewing our climate change response based on the results of our scenario analysis of climate change-related risks and opportunities and also in the context of the Kirin Group Environmental Vision 2050. We are incorporating these findings into our business strategy and advancing measures accordingly.

As mitigation measures, to achieve net zero greenhouse gas (GHG) emissions across the entire value chain by 2050, we have upwardly revised our CO_2 reduction targets in line with the Science-Based Target (SBT) 1.5°C target[*1]. In addition, we will create a roadmap to achieve the targets, promote measures such as the early adoption and expansion of renewable energy, energy conservation, and energy transition, and address the risks of the transition to a decarbonized society.

As adaptation measures, we have formulated a BCP for large-scale natural disasters to address the impact on global production activities, such as the long-term suspension of operations caused by flooding of plant and research laboratory premises. We will respond to the physical risk of flooding through flood prevention measures and capital investment (geographically diversifying the storage of important production-related assets, waterproofing buildings, placing important facilities on high floors and in high places, and installing inundation prevention walls). Going forward, we will continue to minimize risks by conducting impact assessments and instituting responses for the entire supply chain.

On the other hand, the number of hay fever sufferers has increased due to the rise in temperatures, and this has led to expectations of an opportunity for the allergy drug market. However, we believe the actual impact on revenue will be limited.

*1 Science-based targets for reducing corporate greenhouse gas emissions that align with the Paris Agreement levels

<Analysis of risks, opportunities, and the financial impact related to climate change>

Pink: Risks Blue: Opportunities

Scenario category		Climate change-related drivers with impact assessment	Potential impacts	Changes through response (resilience)
Transition risk	Policies/ regulations	Carbon pricing (decarbonization, emissions trading schemes)	Small	±0
		Tighter CO_2 emission regulations	Slight	Small
	Demographics/ economics/ geopolitics	Population growth in emerging countries/economic globalization	±0	±0
	Society	Changes in social values	Slight	±0
Physical risk	Rising average temperature and change in rainfall pattern (acute)	Extreme temperature rises	Small	Small
		Increase in torrential rains, typhoons, and floods	Large	Slight
	Rising average temperature and change in rainfall pattern (chronic)	Changes in the number of hay fever patients	Medium	Medium
		Increased energy consumption due to higher air conditioning load	Small	Small

Achieve 2030 targets early and reduce CO_2 emissions

Review of the BCPs for large-scale natural disasters at workplaces Disaster preparedness of facilities

(Analysis conditions)

Periods covered	2020–2050 (short- to medium- term: 2020–2030; long term: 2031–2050)
Scope	Domestic and overseas production and research facilities, manufacturing licensees, and suppliers
Calculation requirements	Analysis based on climate change scenarios (1.5°C, 2°C, 4°C) (IEA*2, IPCC*3, etc.) *2 IEA: International Energy Agency *3 IPCC: Intergovernmental Panel on Climate Change
	Calculate profit or loss at the end of the applicable period for each item

Risk/opportunity management

In identifying risks and opportunities, we comprehensively assess–based on scenario analysis for each risk and opportunity–the expected timing and probability of occurrence, the range and magnitude of impact, and the details of countermeasures to determine priorities. We identify and manage those items that would have a large impact on our business, items for which we have a significant social responsibility, and items with a high probability of occurrence. The CSR Committee obtains reports, deliberates, and gives approvals of the identified risks, including our responses, and monitors the status of responses on a quarterly basis to comprehensively manage risks.

Metrics and targets

In 2021, based on the SBT 1.5°C target, we set a new 2030 CO_2 emissions reduction target of 55% reduction from 2019 levels. In addition to creating a roadmap for achieving the new target, we have incorporated it into our FY2021–2025 Medium Term Business Plan. We set and manage annual targets for each fiscal year, studying and developing measures to achieve them. In 2024, we renewed a short-term FY2025 CO_2 emissions reduction target of 63% reduction from 2019 levels.

Metrics	Targets	2023 results	Activity plans
1. CO_2 (Scope 1*5 + 2) emissions	63% reduction (by 2025 from 2019 levels)	55% reduction (Reference) Emissions: 23,507 t-CO_2	Achieve significant reductions in CO_2 emissions by gradually switching to renewable energy sources (RE100-certified) for the electricity used at major workplaces in Japan.
2. CO_2 (Scope 1 + 2) emissions	55% reduction (by 2030 from 2019 levels)	Same as above	Introduce and expand renewable energy use (RE100-certified) to all the Group's workplaces, including overseas business locations and domestic branch offices.
3. Ratio of renewable energy sources for the electricity used	100% (by 2040)	83.8%	Aim for 100% renewable energy sources (RE100-certified) for the electricity used.
4. Greenhouse gas emissions across the entire value chain	Net zero greenhouse gas emissions (by 2050)	Reduction achieved through the initiatives of metrics 1 to 3	Convert plant facilities, etc. to other energy sources and work to reduce greenhouse gas emissions in the supply chain, aiming for net zero greenhouse gas emissions across the entire value chain.

The Kirin Group, to which the Group belongs, has set a target of "net zero GHG emissions from the entire value chain by 2050*4" based on the Kirin Group Environmental Vision 2050. As medium-term targets, we have set our GHG reduction target to a 50% reduction under Scope 1*5 + Scope 2 and a 30% reduction under Scope 3 from the 2019 level by 2030 (obtained approval for the SBT 1.5°C target), and also have set a target for renewable energy use of 100% by 2040 (joined RE100, both the targets were set in 2020). In the Kirin Group alike, the Group has set a target for net zero GHG emissions across the entire value chain by 2050, and a target for renewable energy use of 100% by 2040. The Group will work together with the Kirin Group to achieve the targets and also continue to work on emission reductions under Scope 3. We have also set a 30% reduction (by 2030 from 2019 levels) under Scope 3.

For details, please access the Company's website (https://www.kyowakirin.com/sustainability/environment/tcfd/index.html).

*4 The Group was certified as "SBT Net Zero" by the SBT Initiative on the grounds that the target was found to be based on a scientifically-based goal that is consistent with the level of GHG emission reductions required by the Paris Agreement.

*5 Scope 1, Scope 2, and Scope 3: Greenhouse gas emissions from organizational activities in the entire supply chain. Those are made up of Scope 1: (direct emissions), Scope 2: (indirect emissions from energy sources), and Scope 3: (other indirect emissions).

Other potential risks to the business activities of the pharmaceutical industries in Japan and overseas include risks related to intellectual property rights, risks related to side effects, risks related to litigation, risks related to product competition and expiration of patent rights, risks related to fluctuations in raw material and fuel prices, risks related to fluctuations in foreign exchange and financial markets, geopolitical risks, pandemic risks, and country risks. Risks that may have a negative impact on the Group's business performance and financial position are not limited to those listed here.

4 Management Analysis of Financial Position, Business Performance, and Cash Flows

< Overview of business >

The pharmaceutical industry is experiencing challenging changes in its business environment, including rising pressure to control medical expenses worldwide and increasing difficulty in new drug development. In such an environment, the Company promoted initiatives to enhance the clarity of strategy with the “Story for Vision 2030” and further clarify the focus toward realizing the 2030 vision. While continuing to strengthen production, quality assurance and logistics with the aim of providing drugs that satisfy unmet medical needs, the Group also conducted research and development activities in order to create new Life-changing value.

For Crysvita*1 and Poteligeo*2, the Group pursued steady growth by working to expand the number of countries and regions where they have been released and penetrate the markets. The Group also completed the process of making Orchard Therapeutics into a subsidiary, and the hematopoietic stem cell gene therapy OTL-200 (Product name in Europe/US: Libmeldy/Lenmeldy), which was developed as a treatment for pediatric metachromatic leukodystrophy, received approval in the United States.

Regarding the development of KHK4083 (rocatinlimab) in the therapeutic areas of immunology and allergy, multiple clinical studies in collaboration with Amgen were proceeded, and the HORIZON study in the ROCKET Program of Phase III clinical studies met its co-primary endpoints and all key secondary endpoints in the topline results. In addition, the Company and Kura Oncology, Inc. entered into an agreement to develop and commercialize ziftomenib, a development product as indication for treatment of acute leukemia. Clinical trials were commenced on KK8123, a treatment currently in development for the same indication as Crysvita, and KK2845*3, the Company’s first antibody-drug conjugate (ADC).

In Japan, sales of PHOZEVEL, which is for the improvement of hyperphosphatemia in chronic kidney disease patients on dialysis, were launched, and the Company and BridgeBio Pharma, Inc. entered into an exclusive license agreement on infigratinib in skeletal dysplasias in Japan.

In addition to the above, in line with the “Story for Vision 2030,” the Group enhanced the initiatives for the global reforms to its R&D structure so as to bolster its drug discovery abilities, commenced the construction of a new bio-pharmaceuticals plant in the United States to accelerate the development of bio-pharmaceuticals, and promoted the reorganization of businesses in the Asia Pacific region.

*1 Therapeutic medicine for the treatment of rare disease that is primarily genetic in origin and causes disorders of bone growth and metabolism.

*2 Therapeutic medicine for the treatment of certain intractable hematological diseases.

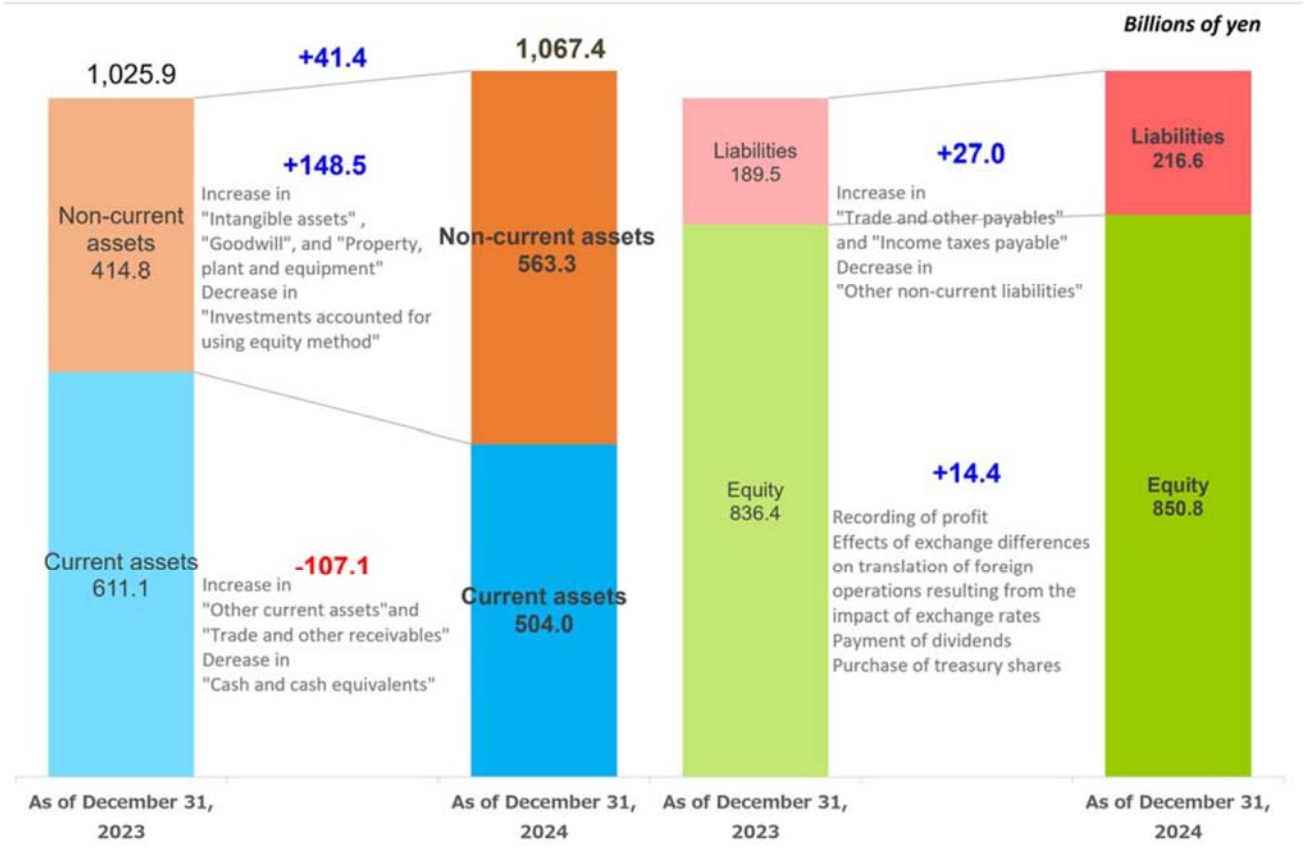
*3 Development product for the treatment of acute myeloid leukemia.

(1) Summary of Consolidated Financial Position for Fiscal 2024

(Billions of yen)

	As of December 31, 2023	As of December 31, 2024	Year-on-year change
Assets	1,025.9	1,067.4	41.4
Non-current assets	414.8	563.3	148.5
Current assets	611.1	504.0	(107.1)
Liabilities	189.5	216.6	27.0
Equity	836.4	850.8	14.4
Ratio of equity attributable to owners of parent to total assets (%)	81.5%	79.7%	(1.8)%

- Assets as of December 31, 2024, were ¥1,067.4 billion, an increase of ¥41.4 billion compared to the end of the previous fiscal year.
  - Non-current assets increased by ¥148.5 billion compared to the end of the previous fiscal year, to ¥563.3 billion, due mainly to an increase in goodwill and intangible assets as a result of the business combination associated with the acquisition of shares of Orchard Therapeutics, in addition to the purchase of intangible assets through the introduction of development products and the purchase of property, plant and equipment, despite factors such as decreases in deferred tax assets and investments accounted for using equity method.
  - Current assets decreased by ¥107.1 billion compared to the end of the previous fiscal year, to ¥504.0 billion, due mainly to a decrease in cash and cash equivalents, despite increases in trade and other receivables and other current assets.
- Liabilities as of December 31, 2024, were ¥216.6 billion, an increase of ¥27.0 billion compared to the end of the previous fiscal year, due mainly to increases in trade and other payables and other financial liabilities (non-current), despite factors such as a decrease in other non-current liabilities due to a decrease in contract liabilities.
- Equity as of December 31, 2024, was ¥850.8 billion, an increase of ¥14.4 billion compared to the end of the previous fiscal year, due mainly to an increase due to the recording of profit attributable to owners of parent as well as an increase in exchange differences on translation of foreign operations resulting from the impact of exchange rates, despite a decrease due to the payment of dividends, in addition to the purchase and cancelation of treasury shares. As a result, the ratio of equity attributable to owners of parent to total assets was 79.7%, a decrease of 1.8 percentage points compared to the end of the previous fiscal year.



(2) Summary of Business Performance in Fiscal 2024

(i) Overview of results

The Group now applies the International Financial Reporting Standards ("IFRS") in line with its policy of expanding business globally, and adopts "core operating profit" as a level of profit that shows the recurring profitability from operating activities. Core operating profit is calculated by deducting "selling, general and administrative expenses" and "research and development expenses" from "gross profit," and adding "share of profit (loss) of investments accounted for using equity method" to the amount.

(Billions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Year-on-year change	Rate of change (%)
Revenue	442.2	495.6	53.3	12.1%
Core operating profit	96.8	95.4	(1.4)	(1.4)%
Profit before tax	97.2	83.5	(13.8)	(14.2)%
Profit attributable to owners of parent	81.2	59.9	(21.3)	(26.3)%

<Average exchange rates for each period>

Currency	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Year-on-year change
USD (USD/¥)	¥140	¥151	Up ¥11
GBP (GBP/¥)	¥174	¥193	Up ¥19
EUR (EUR/¥)	¥151	¥164	Up ¥13

For the fiscal year ended December 31, 2024, revenue was ¥495.6 billion (up 12.1% compared to the previous fiscal year) and core operating profit was ¥95.4 billion (down 1.4%). Profit attributable to owners of parent was ¥59.9 billion (down 26.3%).

- The increase in revenue was the result of growth of global strategic products mainly in North America and EMEA and a rise in revenue from technology out-licensing. The positive effect on revenue from foreign exchange was ¥24.4 billion.
- Core operating profit decreased as a result of significantly higher research and development expenses, despite higher gross profit achieved due to gains in overseas revenue and revenue from technology out-licensing. The positive effect on core operating profit from foreign exchange was ¥8.6 billion.
- Profit attributable to owners of parent decreased due mainly to increases in finance costs and income tax expenses.

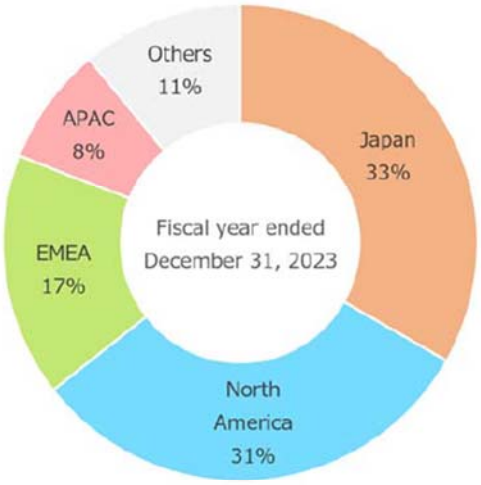
(ii) Revenue by regional control function

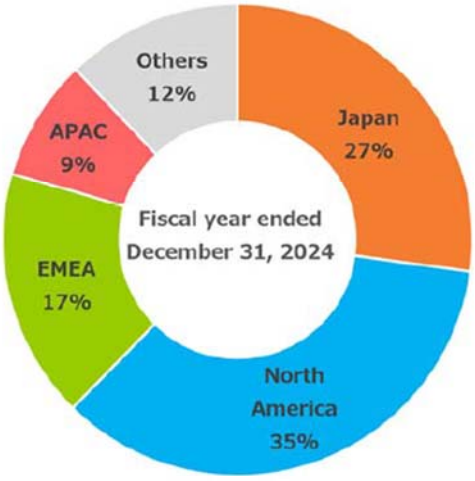
(Billions of yen)

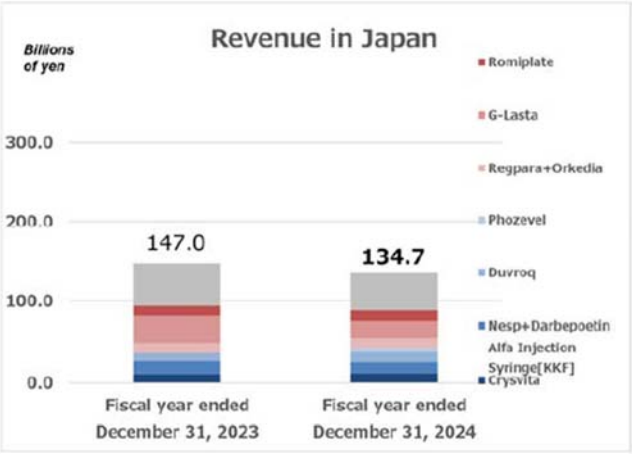
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Year-on-year change	Rate of change (%)
Japan	147.0	134.7	(12.3)	(8.4)%
North America	137.8	174.4	36.6	26.5%
EMEA	73.3	84.9	11.6	15.8%
Asia/Oceania	35.7	41.6	5.9	16.7%
Others	48.4	59.9	11.5	23.8%
Total consolidated revenue	442.2	495.6	53.3	12.1%

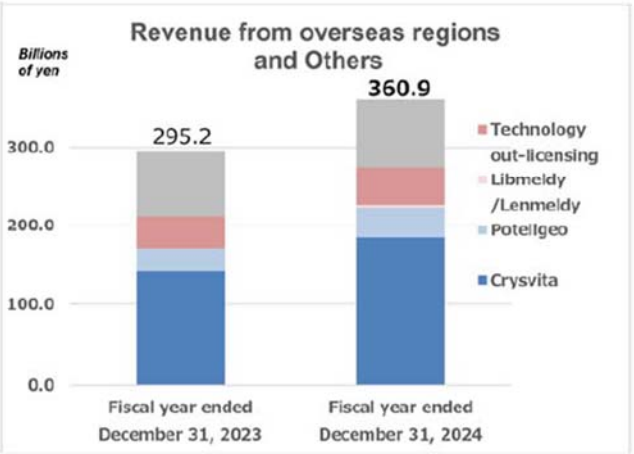
Notes:
1. Revenue by regional control function is classified based on consolidated revenue from products of regional control functions in the One Kyowa Kirin (OKK) matrix global management structure, which combines a regional organization, a functional organization, and a product organization (product franchises).
2. EMEA consists of Europe, the Middle East, Africa, etc.
3. Revenue of APAC includes revenues received for supply of products to local partners of that region in conjunction with the business restructuring.
4. Others consists of revenue from technology out-licensing, hematopoietic stem cell gene therapy (revenue from Orchard Therapeutics), original equipment manufacturing, etc.

Composition of revenue by regional control function









<Revenue in Japan region>

(Billions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Year-on-year change	Rate of change (%)
Crysvita	10.5	11.7	1.2	11.9%
Darbepoetin Alfa Injection Syringe [KKF]	14.0	11.6	(2.4)	(17.3)%
Duvroq	9.9	12.7	2.8	27.8%
PHOZEVEL	–	4.7	4.7	–
G-Lasta	31.9	20.5	(11.4)	(35.7)%

- Revenue in Japan decreased year on year due mainly to the impact of the reductions in drug price standards implemented in April 2023 and April 2024, despite the growth in sales of Duvroq, a treatment for renal anemia, and the launch of PHOZEVEL, a treatment for hyperphosphatemia.
- Revenue from Crysvita, a treatment for FGF23-related diseases, has been growing steadily since its launch in 2019.
- Revenue from Darbepoetin Alfa Injection Syringe [KKF], a treatment for renal anemia, decreased due to the impact of the reductions in drug price standards and the market penetration of rival products.
- Revenue from Duvroq, a treatment for renal anemia, has been growing steadily since its launch in 2020.
- Revenue from PHOZEVEL, a treatment for hyperphosphatemia launched in February 2024, has been growing steadily as a result of penetrating the market.
- Revenue from G-Lasta, an agent for decreasing the incidence of febrile neutropenia, decreased due to the impact of biosimilar products launched in November 2023 and the impact of the reductions in drug price standards.

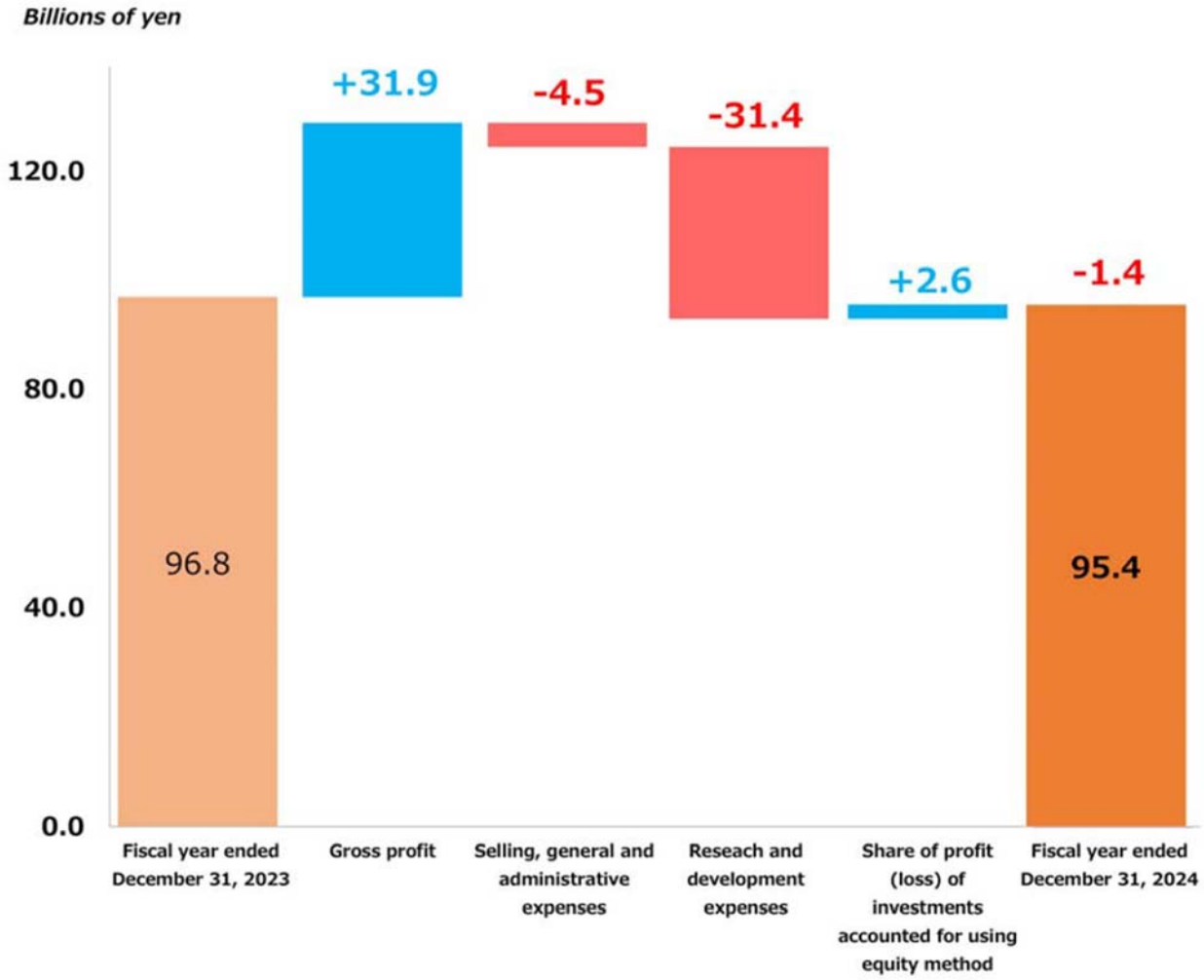
<Overseas regions and other revenue>

(Billions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Year-on-year change	Rate of change (%)
Crysvita	142.0	184.8	42.9	30.2%
Poteligeo	28.4	38.1	9.7	34.3%
Libmeldy/Lenmeldy	–	3.3	3.3	–

- Revenue in North America increased year on year due to the growth of global strategic products.
- Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing steadily since its launch in 2018.
- Revenue from Poteligeo, an anticancer agent, has been growing since its launch in 2018.
- Revenue in EMEA increased year on year due to factors such as growth of global strategic products and proceeds from transfer of rights to three brands (Abstral, Adcal D3 and Sancuso), despite a drop in revenue from the established medicines.
- Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing since its launch in 2018, as the number of countries where it has been released and its indications have expanded.
- Revenue from Poteligeo, an anticancer agent, has been growing as the number of countries where it has been released has been increasing since its launch in 2020.
- Following the shift to a joint venture with Grünenthal GmbH for the established medicines business, revenue from established medicines decreased as revenue for 13 brands shifted from product sales to sales royalties and license fees in August 2023 and also as sales royalties for three of those brands ended in July 2024.
- Revenue of £66.4 million (¥13.1 billion) was recorded in July 2024 due to the transfer of the rights (intellectual property) for three brands of established medicines to the joint venture.
- Revenue in APAC increased year on year.
- Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing steadily.
- In conjunction with the business restructuring in the APAC region, revenue increased due to supplying the licensees with the inventories of established medicines.
- Revenue from Others increased year on year.
- As a result of the new consolidation of Orchard Therapeutics, revenue was recorded for Libmeldy (approval was obtained in the United States in March 2024 under the product name of Lenmeldy), which is sold by that company in Europe for treatment of metachromatic leukodystrophy (MLD).
- Revenue increased due to an increase in royalties revenue from AstraZeneca in relation to benralizumab and the proceeds from an upfront payment from Boehringer Ingelheim.

(iii) Core operating profit



・ Core operating profit decreased year on year due to a significant increase in research and development expenses as a result of progress in development for KHK4083, for which a multiregional phase III clinical trial is ongoing, and the new consolidation of Orchard Therapeutics, despite growth in revenue from global strategic products mainly in North America and a rise in gross profit from revenue from technology out-licensing.

(3) Cash Flow Summary for Fiscal 2024

Information is provided in “II Overview of Business, 4 Management Analysis of Financial Position, Business Performance and Cash Flows, (5) Analysis of business performance and financial position from management’s perspective, (iii) Analysis of cash flows, capital resources, and liquidity of funds.”

(4) Results of production, orders received, and sales

(i) Production

Production in the fiscal year ended December 31, 2024 is as follows.

Segment name	Amount (Millions of yen)	Year-on-year (%)
Pharmaceuticals	138,290	95.1
Total	138,290	95.1

Notes: 1. Amounts are based on selling prices.
2. No elimination or other adjustments have been made to intermediate products used as raw materials, etc. within the Group, because the transaction amount is insignificant.

(ii) Orders received

The Group mainly manufactures products in accordance with sales plans. Although some products are manufactured on a made-to-order basis, the information is omitted because the volume of orders received and the amount of order backlog are immaterial.

(iii) Sales results

Sales results in the fiscal year ended December 31, 2024 are as follows.

Segment name	Amount (Millions of yen)	Year-on-year (%)
Pharmaceuticals	495,558	112.1
Total	495,558	112.1

Note: Sales results by key customer and the corresponding percentage to the total sales are as follows.

Counterparty	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
CVS Caremark	46,923	10.6	58,476	11.8

(5) Analysis of business performance and financial position from management's perspective

Forward-looking statements in this document are based on the judgment of the Group at the end of the current fiscal year (as of December 31, 2024).

(i) Significant accounting estimates and assumptions used in those estimates

The consolidated financial statements of the Group are prepared in accordance with IFRS. Of accounting estimates and assumptions used in those estimates in preparing of these consolidated financial statements, significant estimates and assumptions are provided in "V Financial Information, 1 Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 2. Basis of preparation, (5) Accounting judgments, estimates, and assumptions."

(ii) Analysis of financial position and business performance for fiscal 2024

An analysis of the Group's financial position and business performance for fiscal 2024 is provided in "II Overview of Business, 4 Management Analysis of Financial Position, Business Performance and Cash Flows, (1) Summary of Consolidated Financial Position for Fiscal 2024, (2) Summary of Business Performance in Fiscal 2024."

- Objective KPIs, etc. to assess the achievements of management targets

The management targets for the fiscal year ending December 31, 2025, the final year of the financial KPIs in the FY2021–2025 Medium Term Business Plan, and the results for fiscal 2024 are as follows.

	FY2025 management targets	Consolidated results for FY2024	
ROE	10% or higher	7.1%	Profit / Average beginning and ending equity
Revenue growth ratio (CAGR)	10% or higher	11.7%	Annual average growth rate with fiscal 2020 as base year
R&D expense ratio	Targeting 18–20% to support active investment	20.9%	Research and development expenses / Revenue
Core operating profit ratio	25% or higher	19.3%	Core operating profit / Revenue
Dividend payout ratio (Note)	Targeting sustained dividend hikes with 40%	47.8% Increased dividend for the eighth consecutive fiscal year	

Note: The figure indicates the dividend payout ratio based on core EPS (calculated as an indicator showing recurring profitability by dividing core profit (determined by subtracting "other income," "other expenses" and the related "income tax expense" from "profit") by the average number of shares during the period).

In the FY2021–2025 Medium Term Business Plan, the Group is targeting medium- to long-term improvement in ROE and sustained rises in dividends by continuously enhancing growth potential, capability to create innovation, and profitability, and it aims to establish a stable earnings structure and achieve sustainable growth as a Japan-based

global specialty pharmaceutical company. The Group has set the five financial KPIs of “ROE,” “revenue growth ratio,” “R&D expense ratio,” “core operating profit ratio,” and “dividend payout ratio” as objective KPIs to assess the achievements of management targets.
For Crysvita and Poteligeo, we have promoted their steady growth by working on expanding countries and regions where our drugs are available and penetrating markets. In addition, we completed acquisition of Orchard Therapeutics as a wholly-owned subsidiary and obtained U.S. approval for OTL-200 (product name in Europe: Libmeldy, product name in the U.S.: Lenmeldy), a hematopoietic stem cell gene therapy. R&D expenses exceeded the level of ¥100.0 billion, mainly due to progress in development of KHK4083 (generic name: rocatinlimab) for which multi regional phase III clinical trials are ongoing with Amgen, as well as strengthening of investments in hematopoietic stem cell gene therapy.
In addition to the above, in line with Story for Vision 2030, we have reorganized the global research structure to strengthen our drug discovery capabilities, began construction of a new biomedical factory in the U.S. to accelerate the development of biomedical drugs, and promoted business restructuring regarding the Asia and Pacific region.
As a result, revenue increased by ¥53.3 billion from the previous fiscal year to ¥495.6 billion (revenue growth ratio of 11.7%). Compared with the previous fiscal year, selling, general, and administrative expenses increased by ¥4.5 billion to ¥167.5 billion and research and development expenses also increased by ¥31.4 billion to ¥103.5 billion (R&D expense ratio of 20.9%). Core operating profit decreased by ¥1.4 billion to ¥95.4 billion (a core operating profit ratio of 19.3%), and profit decreased by ¥21.3 billion to ¥59.9 billion. ROE was 7.1% (10.2% in the previous fiscal year).
The Board of Directors has resolved to pay a year-end dividend for fiscal 2024 of ¥29 per share. When approved at the 102nd Ordinary General Meeting of Shareholders scheduled to be held on March 19, 2025, the annual dividend, including the interim dividend of ¥29 per share, will be ¥58, up ¥2 from the previous fiscal year (dividend payout ratio of 47.8%) and an increase for the eighth consecutive fiscal year.

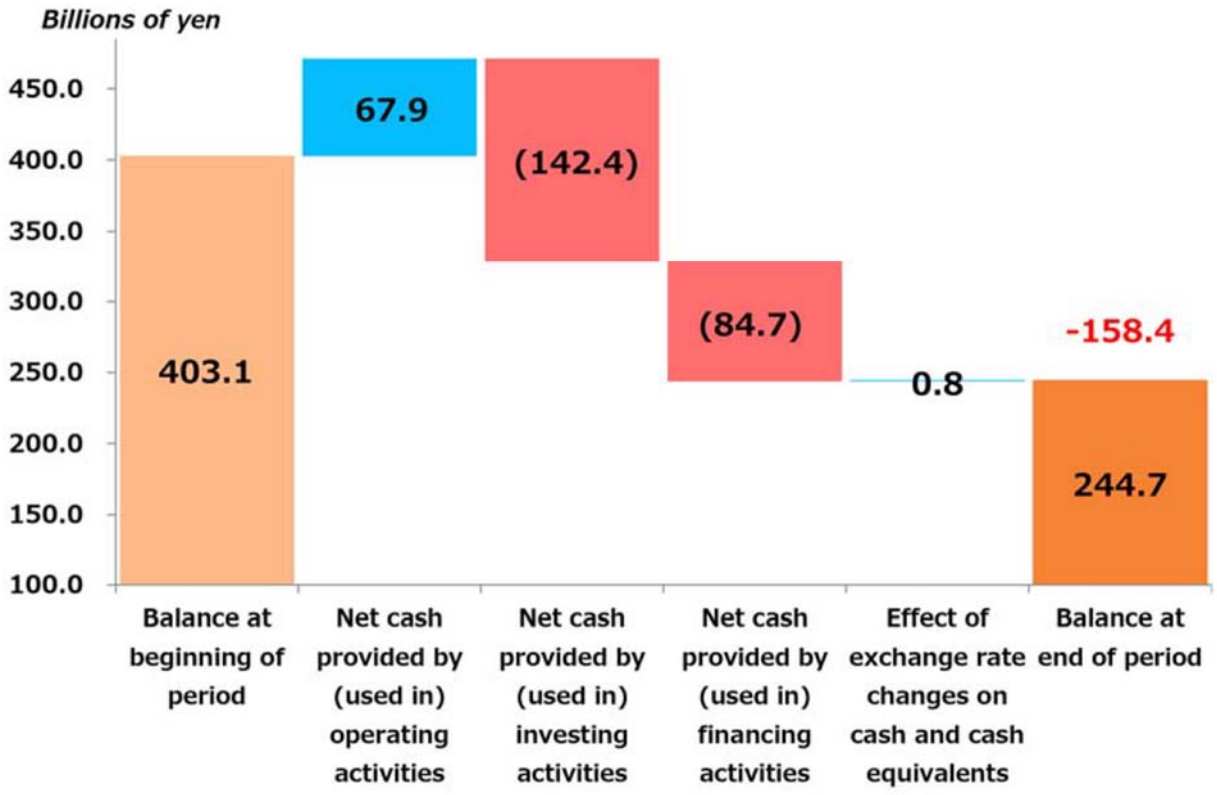
(iii) Analysis of cash flows, capital resources, and liquidity of funds

● Cash Flow Summary for Fiscal 2024

(Billions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Year-on-year change	Rate of change (%)
Net cash provided by (used in) operating activities	115.6	67.9	(47.7)	(41.3)%
Net cash provided by (used in) investing activities	(20.4)	(142.4)	(122.0)	598.6%
Net cash provided by (used in) financing activities	(32.5)	(84.7)	(52.2)	160.3%
Cash and cash equivalents at beginning of period	339.2	403.1	63.9	18.8%
Cash and cash equivalents at end of period	403.1	244.7	(158.4)	(39.3)%

- Cash and cash equivalents as of December 31, 2024 were ¥244.7 billion, a decrease of ¥158.4 billion compared with the balance of ¥403.1 billion as of December 31, 2023.
  The main contributing factors affecting cash flow during the current fiscal year were as follows:
- Net cash provided by operating activities was ¥67.9 billion, compared with net cash provided by operating activities of ¥115.6 billion in the previous fiscal year. Major inflows were depreciation and amortization of ¥24.8 billion and foreign exchange loss (gain) of ¥8.3 billion mainly relating to exchange differences on translation of foreign currency denominated deposits from consolidated subsidiaries as of December 31, 2024, in addition to profit before tax of ¥83.5 billion. Major outflows were an increase in trade receivables of ¥31.5 billion, income taxes paid of ¥17.7 billion, a decrease of contract liabilities of ¥9.9 billion, and gain on sales of share and valuation of remaining share of ¥7.4 billion.
- Net cash used in investing activities was ¥142.4 billion, compared with net cash used in investing activities of ¥20.4 billion in the previous fiscal year. Major outflows were purchase of intangible assets of ¥79.2 billion, ¥48.2 billion for the acquisition of shares of Orchard Therapeutics, and purchase of property, plant and equipment of ¥26.0 billion. The major inflows were collection of loans receivable of ¥4.5 billion and proceeds from sale of property, plant and equipment of ¥3.4 billion.
- Net cash used in financing activities was ¥84.7 billion, compared with net cash used in financing activities of ¥32.5 billion in the previous fiscal year. Major outflows were a purchase of treasury shares of ¥40.0 billion, dividends paid of ¥30.9 billion, redemption of bonds with share acquisition rights issued by Orchard Therapeutics of ¥9.6 billion.



- Basic capital policy

In the FY2021–2025 Medium Term Business Plan, the Group has set return on equity (ROE) as a key performance indicator (KPI) for sustainable growth and medium- to long-term corporate value increase. The Group aims to achieve ROE that stably exceeds cost of capital at 10% or higher at an early stage, and to maintain and increase this level over the medium to long term.

The policies regarding the allocation of management resources, shareholder returns, and financing in order to realize those aims are as follows:

・Policy for allocation of management resources

The Company considers investments for future growth (R&D investments, strategic investments, and capital expenditures) to be a top priority in order to achieve sustainable growth from the fiscal year ending December 31, 2025 and maximize corporate value.

For R&D investment in the FY2021-2025 Medium Term Business Plan, the Group aims to make ongoing proactive investments in research and development expenses equal to around 18-20% of revenue. In terms of investing resources in research and development activities, the Group aims to continually create new drugs with Life-changing value by including bone and mineral, intractable hematological diseases and hemato oncology, and rare disease in the disease science field the Company focuses on, and, with regard to drug discovery technology, strengthening innovative modalities such as advanced antibody technologies and hematopoietic stem cell gene therapy. For development products, we will steadily advance development of ziftomenib (joint development with Kura Oncology, KK8123, KK8398, KK2845, OTL-203 and OTL-201 as assets in the focus disease field of the Company. Moreover, for the development of a strategic partnering asset KHK4083, we will cooperate with Amgen Inc. to continue promoting multiple clinical studies. In addition, regarding KHK4951, KK4277, KK2260 and KK2269, we will maximize their value, via ways including cooperating with partners going forward.

In the fiscal year under review, R&D activities were provided in “II. Overview of Business, 6 Research and Development Activities.”

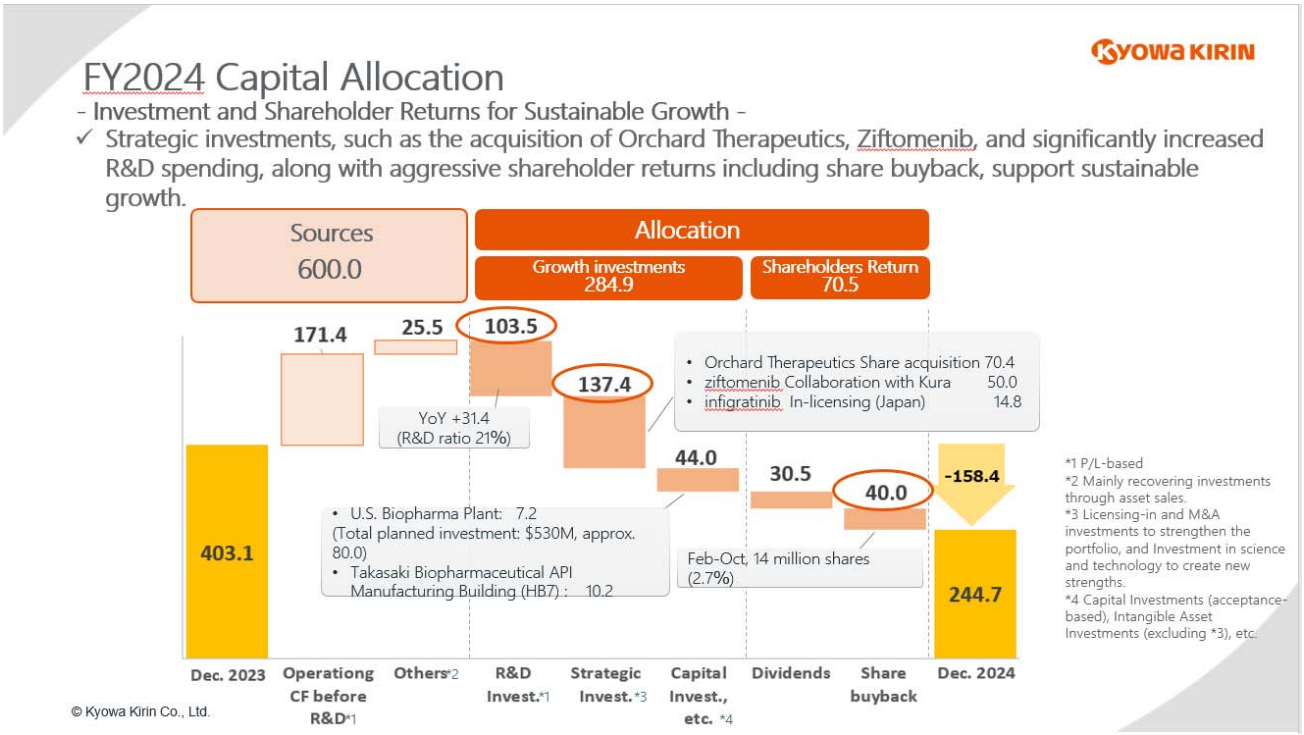
In strategic investments, we will actively utilize external resources such as strategic partnering (in-licensing, tie-ups, etc.) and M&A to tap external innovation, such as drug discovery technologies created through open innovation, and to acquire new pipelines. We will also target faster, sustained growth by expanding our global pipelines over the medium and long term and generating synergies with existing global strategic products. The Strategic Investment Review Committee, which is led by the President and Chief Executive Officer, discusses potential targets for strategic growth investments.

In the fiscal year ended December 31, 2024, we completed the acquisition of Orchard Therapeutics, a global leader in hematopoietic stem cell gene therapy, for $478 million. In addition, we concluded a license agreement with QED Therapeutics to develop and commercialize infigratinib in Japan, targeting bone and mineral areas, for an upfront payment of $100 million. We also signed a license agreement with Kura Oncology to develop and commercialize ziftmenib for treatment of acute myeloid leukemia (AML) and other hematological malignancy for an upfront payment of $330 million. As a result, the total amount of strategic investments were ¥137.4 billion.

With regard to capital expenditures, we will invest heavily to create a more competitive business structure to help us maximize the value of global strategic products. To ensure stable supply of quality-assured pharmaceuticals to patients who need them worldwide, we are working to establish a robust production system while strengthening our quality assurance system and supply-chain management. In addition, by establishing and developing platforms for strategic IT and digital utilization, we will quickly establish a global business foundation that will support sustainable growth as a Japan-based global specialty pharmaceutical company.

In the fiscal year ended December 31, 2024, we conducted capital expenditures (including intangible assets and long-term prepaid expenses) of ¥44.0 billion. We continued to construct a new biopharmaceutical API manufacturing building, “HB7,” with estimated investment of ¥16.8 billion, that will enable us to manufacture more flexibly high-mix and small-lot products in early phase development. We also started construction of a new biopharmaceutical manufacturing building with estimated investment of $530 million in the U.S. to accelerate development of biopharmaceuticals.

In assessing the business viability of these investment and development projects, the main quantitative criteria are net present value (NPV) and expected present value (EPV) using the hurdle rate (by region) that reflects the cost of capital (WACC), which investors expect of the Company. When making investment decisions, we place importance on contributing to medium- to long-term increase in corporate value by generating returns that exceed the cost of capital.



・Shareholder return policy

Regarding its policy on dividends, the Company set its target dividend payout ratio based on core EPS (the “dividend payout ratio”) at 40% in the FY2021-2025 Medium Term Business Plan. The Company aims to ensure a stable and sustained increase in the level of dividend payment (continuous increase of dividend payments) in line with medium- to long-term growth in profits. In accordance with this policy, in the fiscal year under review, we plan to pay a dividend of ¥58 per share (dividend payout ratio of 47.8%), which is an increase of ¥2 per share from fiscal 2023. In addition, we plan to increase the dividend for the ninth consecutive fiscal year by paying ¥60 (dividend payout ratio of 50.3%) in fiscal 2025. With regard to acquisition of treasury shares, we will flexibly consider it taking into account the market price, etc. During a period from February to October 2024, for capital efficiency and shareholder returns, we acquired and canceled treasury shares in the amount of up to ¥40.0 billion (14 million shares, 2.7% of the total number of outstanding shares) and have started acquisition.

To generate sustained growth and maximize corporate value as a Japan-based global specialty pharmaceutical company, we will enhance the Group’s growth potential, capability to innovate, and profitability in order to improve ROE over the medium- to long-term and support sustained increases in the dividend.

・Financing policy

We will continue to maintain our net cash position in principle. In addition to cash on hand, we will secure sufficient borrowing capacity and methods of flexible financing (CPs (commercial papers) and commitment lines) for strategic large-scale investment projects, and maintain sufficient financial flexibility.

5 Material Contracts, etc.

(1) Technology out-licensing agreements

Company name	Counterparty	Country	Details of contract	Contract period	Consideration
The Company	AstraZeneca	Sweden	License to develop, manufacture, and sell an anti-IL-5R antibody (generic name: benralizumab) in Europe, the U.S., and some Asian countries	The longer of a 10-years period after the commencement of sales and a period up to the last day of the patent life, from December 18, 2006	Upfront income Milestone revenue Flat-rate royalty
The Company	AstraZeneca	Sweden	License to develop and sell an anti-IL-5R antibody (generic name: benralizumab) in Japan	Automatic renewal every two years since 10 years after the commencement of sales, from July 1, 2015	Upfront income Milestone revenue Flat-rate royalty
The Company	AstraZeneca	Sweden	License to develop and sell an anti-IL-5R antibody (generic name: benralizumab) in 13 Asian countries	Automatic renewal every two years since 10 years after the commencement of sales, from March 23, 2017	Upfront income Milestone revenue Flat-rate royalty
The Company	Amgen	United States	License to jointly develop and commercialize outside Japan KHK4083	Indefinitely from June 1, 2021	Upfront income Milestone revenue Flat-rate royalty
The Company	AVEO Oncology	United States	License to develop, manufacture, and sell tivozanib in the oncology area in locations outside of Asia but including Japan	From December 21, 2006 until the last royalty payment or the expiration of obligation to pay sublicense royalty	Flat-rate royalty

(2) Technology in-licensing agreements

Development products

Company name	Counterparty	Country	Details of contract	Contract period	Consideration
The Company	AVEO Oncology	United States	Buyback of the rights for non-cancer field of tivozanib (code name: KHK4951)	From August 1, 2019 to the expiration of the period of royalty payment in each country	Upfront payment Milestone expenditure Flat-rate royalty
The Company	QED Therapeutics	United States	License to develop and sell Infigratinib (code name: KK8398) in Japan	The longer of a period up to the expiration of the patent life from February 7, 2024 and 10 years after the commencement of sales	Upfront payment Milestone expenditure Flat-rate royalty
The Company	Kura Oncology, Inc.	United States	Joint development of ziftomenib, license for cooperative sales in the U.S. and exclusive sales in other countries	The longer of a period up to the expiration of the patent life from November 20, 2024 or the expiration of exclusive sales period, and 10 years after the commencement of sales	Upfront payment Milestone expenditure Flat-rate royalty Profit share in the U.S.

Products for sale

Company name	Counterparty	Country	Details of contract	Contract period	Consideration
The Company	Amgen K-A	United States	License to manufacture and sell G-CSF (product name: Gran G-Lasta)	Lifetime of Amgen K-A from July 1, 1986 (indefinite)	Flat-rate royalty
The Company	Amgen K-A	United States	License to manufacture and sell a long-acting erythropoiesis-stimulating agent (product name: Nesp)	Lifetime of Amgen K-A from March 1, 1996 (indefinite)	Flat-rate royalty
The Company	Amgen K-A	United States	License to manufacture and sell a platelet hematopoietic stimulating factor (product name: Romiplate)	Lifetime of Amgen K-A from July 1, 2005 (indefinite)	Flat-rate royalty
The Company	Mitsubishi Tanabe Pharma Corporation	Japan	License for collaborative research on a calcium receptor agonist (product name: Orkedia) and development, manufacturing, and sales of the product in five Asian countries	The longer of a 10-year period after the commencement of sales or a period up to the last day of the patent life, from March 27, 2008 (after that, the Company will have the right to continue the sale)	Upfront payment Milestone revenue and expenditure Flat-rate royalty
The Company	Ardelyx, Inc.	United States	License to develop and sell Tenapanor Hydrochloride (product name: PHOZEVEL) in Japan	From November 27, 2017 to the expiration of the period of royalty payment	Upfront payment Milestone expenditure Flat-rate royalty

Notes: 1. The agreement with Otsuka Pharmaceutical and AstraZeneca for the development and sale of a treatment for diabetes (product name: Onglyza) and the agreement with Amgen K-A for the manufacturing and sale of a human anti-IL-17 receptor A monoclonal antibody formulation (product name: Lumicef) are omitted because they are no longer material.

2. The agreement with Takeda Pharmaceuticals U.S.A., Inc. for the license to develop, manufacture and sell a calcium receptor agonist (product name: Regpara) ended in the current fiscal year. The right of the Company continues to survive even after the end of this agreement, and the Company continues selling Regpara.

(3) Sales agreements

Company name	Counterparty	Country	Details of contract	Contract period
The Company	Sandoz	Japan	Sales agreement for an anticancer agent (product name: Rituximab BS [KHK])	Automatic renewal every two years since 10 years after the commencement of sales, from December 24, 2015, only if both companies agree
The Company	HISAMITSU PHARMACEUTICAL	Japan	Sales agreement for antiparkinsonian agent (patch) (product name: HARUROPI)	From February 5, 2019 to the end of sales
The Company	GlaxoSmithKline	Japan	Cooperative sales agreement for renal anemia treatment drug (oral) (product name: Duvroq)	From the contract date to the expiration of the period agreed with the counterparty

Notes: 1. The agreement with Novartis Pharma for the joint commercialization promotion for anti-allergy eye drops (product name: Patanol) and the agreement with HISAMITSU PHARMACEUTICAL for the joint commercialization for a treatment for transdermal persistent pain (product name: Fentos) are omitted because they are no longer material.

2. The cooperative sales agreement with LEO Pharma for a treatment for psoriasis vulgaris (topical agent) (product name: Dovobet) ended in the current fiscal year.

(4) Collaboration agreements

Company name	Counterparty	Country	Details of contract	Contract period
The Company	Ultragenyx	United States	Agreement for joint development and joint commercialization for an anti-FGF23 fully human monoclonal antibody (product name: Crysvita)	From August 29, 2013 to the end of sales

(5) Joint venture agreements

Company name	Counterparty	Country	Details of contract	Investment amount	Name of the joint venture	Date of establishment
The Company	FUJIFILM Corporation	Japan	Joint venture agreement for development, manufacturing, and sales of biosimilars	The Company: ¥50 million FUJIFILM Corporation: ¥50 million	FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd. (Capital: ¥100 million)	Mar. 2012:

(6) Integration agreement with Kirin Holdings Company, Limited

Company name	Counterparty	Country	Details of contract	Contract date
The Company	Kirin Holdings Company, Limited	Japan	Basic agreement for strategic alliance between the Group and the Kirin Group	October 22, 2007

(7) Other

Company name	Counterparty	Country	Details of contract	Contract date
Kyowa Kirin International plc	Grünenthal	Germany	Cooperative agreement for a joint venture of established medicines (Note)	November 23, 2022
Kyowa Kirin North America North Carolina, LLC	CRB BUILDERS	United States	Construction contract for a new biopharmaceutical drug substance manufacturing building	November 26, 2024

Note: Details are provided in “V Financial Information, 1 Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 28. Transfer of shares of subsidiaries.”

6 Research and Development Activities

The Group continuously and actively invests management resources in research and development activities. The Group aims to continually create new drugs with Life-changing value by including bone and mineral, intractable hematological diseases and hemato oncology, and rare disease in the disease science field in which is the area of focus for its in-house research and development, and, with regard to drug discovery technology, strengthening innovative modalities such as advanced antibody technologies and hematopoietic stem cell gene therapy. As part of the value creating process, the Group will also promote open innovation activities, collaborate with partners, invest in venture capital funds, and utilize corporate venture capital. In research and development, the Group will focus on creating Life-changing value and utilize a business model that not only aims to maximize value through our own global deployment, but also through strategic collaboration with external partners.

For the fiscal year ended December 31, 2024, the Group's research and development expenses totaled ¥103.5 billion.

< Development status of major development products >

As of December 31, 2024

Code, Generic Name	Indication	Development status
KHK4083/AMG 451, rocatinlimab	Moderate and severe atopic dermatitis	Ph III clinical study: in progress
	Prurigo nodularis	Ph III clinical study: in progress
	Moderate and severe asthma	Ph II clinical study: in progress
ziftomenib	Acute Myeloid Leukemia (AML) (monotherapy)	Ph II clinical study: in progress
	Acute Lymphoblastic Leukemia (ALL) (monotherapy)	Ph I clinical study: in progress
	Acute Myeloid Leukemia (AML) (combination)	Ph I clinical study: in progress
OTL-203	Mucopolysaccharidosis type IH (Hurler syndrome)	Pivotal study (Equivalent to Ph III study): in progress
KK8398, infigratinib	Achondroplasia	Ph III clinical study: preparation underway
KHK4951, tivozanib	Neovascular Age-related Macular Degeneration (nAMD)	Ph II clinical study: in progress
	Diabetic Macular Edema (DME)	Ph II clinical study: in progress
OTL-201	Mucopolysaccharidosis type IIIA (Sanfilippo syndrome type A)	PoC study (Equivalent to Ph I/II study): in progress
KK4277	Systemic Erythematosus (SLE)/Cutaneous Lupus Erythematosus (CLE)	Ph I clinical study: in progress
KK2260	Advanced or metastatic solid tumors	Ph I clinical study: in progress
KK2269	Advanced or metastatic solid tumors	Ph I clinical study: in progress
KK2845	Acute Myeloid Leukemia (AML)	Ph I clinical study: in progress
KK8123	X-linked Hypophosphatemia (XLH)	Ph I clinical study: in progress

- KHK4083/AMG 451 (rocatinlimab) is a T cell rebalancing monoclonal antibody that inhibits and reduces pathogenic T cells by targeting the OX40 receptor. One of the major causes of inflammatory diseases including atopic dermatitis is thought to be T cell imbalance, which occurs due to the activation of T cells through OX40 signaling, leading to an increase in pathogenic T cells and induction of their effector functions. Rocatinlimab can be expected to achieve T cell rebalancing by inhibiting the function and reduce the number of pathogenic T cells. The initial antibody was discovered in collaboration between research team of Kyowa Kirin in United States and La Jolla Institute for Immunology. On June 1, 2021, Kyowa Kirin and Amgen entered into an agreement to jointly develop and commercialize rocatinlimab. Under the terms of the agreement, Amgen will lead the development, manufacturing, and commercialization for rocatinlimab for all markets globally, except Japan, where Kyowa Kirin will retain all rights. If approved, the companies will co-promote the asset in the United States and Kyowa Kirin has opt-in rights to co-promote in certain other markets including Europe and Asia. Phase III clinical studies evaluating rocatinlimab in moderate to severe atopic dermatitis (ROCKET Program) is composed of eight studies enrolling adult and adolescent patients. To date, over 3,300 patients have been enrolled in the ROCKET Program with seven studies having completed enrollment. In September, Kyowa Kirin announced that HORIZON, which is the first of phase III trials in the ROCKET Program, met its co-primary endpoints and all key secondary endpoints. In addition to the ROCKET Program, a Phase II clinical study in moderate to severe asthma and a Phase III clinical study in prurigo nodularis are being conducted.

- Ziftomenib is an oral menin inhibitor in development by Kura Oncology, Inc. for the treatment of genetically defined AML patients with high unmet need. In November 2024, Kura and Kyowa Kirin entered into a global strategic collaboration to develop and commercialize ziftomenib in acute leukemias. Under the terms of the agreement, the companies will jointly develop and commercialize ziftomenib. Kura Oncology, Inc.will lead development, regulatory and commercial strategy in the U.S. Outside the U.S., Kyowa Kirin will lead development, regulatory and commercial strategy. Multiple clinical trials are currently in progress for AML. In December 2024, Kura Oncology, Inc. and Kyowa Kirin reported positive data for ziftomenib, in combination with standards of care, including cytarabine/daunorubicin (7+3) and venetoclax/azacitidine (ven/aza), in patients with NPM1-mutated and KMT2A-rearranged AML.

- OTL-203 is an investigational HSC gene therapy in development for the treatment of mucopolysaccharidosis type IH (Hurler syndrome). Orchard Therapeutics is currently implementing a pivotal study (equivalent to a Phase III clinical study) of OTL-203 as a therapy to potentially correct the underlying cause of Hurler syndrome.

- KK8398 (infigratinib) is a small-molecular FGFR3 inhibitor, which has been developed for bone diseases by QED Therapeutics, wholly owned by BrideBio. In February 2024, a partnership wherein QED Therapeutics, grants Kyowa Kirin an exclusive license to develop and commercialize infigratinib for achondroplasia, hypochondroplasia, and other skeletal dysplasias in Japan. The Company is currently preparing for Phase III clinical trial for achondroplasia in Japan.

- Tivozanib, the active ingredient of KHK4951 is a small-molecule vascular endothelial growth factor receptor (VEGFR) -1, -2, and -3 tyrosine kinase inhibitor (TKI) discovered and developed by Kyowa Kirin. KHK4951 is a novel nano-crystalized tivozanib eye drops designed to deliver it efficiently to the posterior ocular tissues and has the potential to provide a novel non-invasive treatment option for patients with neovascular age-related macular degeneration (nAMD) and diabetic macular edema (DME). Phase II clinical studies have been conducted.

- OTL-201 is an investigational HSC gene therapy in development for the treatment of mucopolysaccharidosis type IIIA (Sanfilippo syndrome). A proof-of-concept (Equivalent to Phase I / II study) is ongoing.

- KK4277 is an optimized antibody based on antibodies licensed from SBI Biotech. It has been enhanced with antibody-dependent cell-mediated cytotoxicity (ADCC) activity using our POTELLIGENT technology. Phase I clinical study for the treatment of systemic lupus erythematosus and cutaneous lupus erythematosus has been conducted.

- KK2260 is an EGFR-TfR1 bispecific antibody developed using the Company’s proprietary bispecific antibody technology REGULGENT. It is designed as an antibody that achieves selective iron depletion in cancer cells, and in non-clinical trials it showed high efficacy and tolerability. Phase I clinical trial is ongoing.

- KK2269 is an EpCAM-CD40 bispecific antibody developed using the Company’s proprietary bispecific antibody technology REGULGENT. It is designed as an antibody that activates only antigen-presenting cells near the tumor by cross-linking EpCAM, which is highly expressed in various tumors, with CD40 on antigen-presenting cells. In non-clinical trials, it was found to exhibit the therapeutic effects of anti-tumor immunity while suppressing systemic side effects. Phase I clinical trial is ongoing.

- KK2845 is the Company’s first development product of antibody-drug conjugate (ADC). The target molecule is TIM-3, and the Company started Phase I clinical trial targeting acute myeloid leukemia (AML) in October 2024.

- KK8123 is a potential new treatment for X-linked Hypophosphatemia (XLH) patients which is a human antibody targeting FGF23. Phase I study for XLH started in November 2024.

<Major collaboration and license information>

- In January 2024, Boehringer Ingelheim and Kyowa Kirin have entered into a license agreement. Under the terms of the agreement, Kyowa Kirin license out exclusive rights of a new compound to Boehringer Ingelheim to develop treatments for fibro-inflammatory diseases.
- In February 2024, a partnership wherein BridgeBio’s affiliate, QED Therapeutics, grants Kyowa Kirin an exclusive license to develop and commercialize infigratinib for skeletal dysplasias in Japan, aiming successful portfolio in the therapeutic areas of bone and mineral diseases.
- In November 2024, Kura Oncology and Kyowa Kirin entered into a global strategic collaboration to develop and commercialize ziftomenib in acute leukemias.

R&D pipeline

small molecule　large molecule　antibody　HSC-GT　Updated since Dec. 31, 2023　✓ Updated since Sep. 30, 2024

As of Dec. 31, 2024

Code Name Generic Name Formulation	Mechanism of Action	Indication	Stage PhI / PhII / PhIII	[In-House or Licensed] Remarks
KK8123 Injection	Anti-FGF23 Fully Human Antibody	X-linked Hypophosphatemia	✓	[In-House] Clinical study is being conducted in NA and EU as a global product
KK8398 infigratinib Oral	FGFR3 Inhibitor	Achondroplasia		[QED Therapeutics] Preparation underway for Ph Ⅲ in JP
ziftomenib ※ Oral	Menin Inhibitor	Acute Myeloid Leukemia (AML) (Monotherapy)		[Kura Oncology] Clinical study is being conducted in NA and EU as a global product NPM1-mutant AML
		Acute Lymphoblastic Leukemia (ALL) (Monotherapy)		Clinical study is being conducted in NA and EU as a global product KMT2A-rearranged ALL
		Acute Myeloid Leukemia (AML) (Monotherapy)		Clinical study is being conducted in NA and EU as a global product Non-NPM1-mutant AML/Non-KMT2A-rearranged AML
		Acute Myeloid Leukemia (AML) (Combination)		Clinical study is being conducted in NA as a global product NPM1-mutant AML/KMT2A-rearranged AML Combinations with venetoclax + azacitidine, and cytarabine + daunorubicin
				Clinical study is being conducted in NA and EU as a global product NPM1-mutant AML/KMT2A-rearranged AML Combinations with gilteritinib, FLAG-IDA, LDAC
KK2845	Anti-TIM-3 ADC	Acute Myeloid Leukemia (AML)	✓	[In-House] Antibody-Drug Conjugate Clinical study is being conducted in JP as a global product
OTL-203	Hematopoietic Stem Cell (HSC) Gene Therapy	MPS-IH (Hurler Syndrome)		[In-House] Rare Pediatric Disease (RPD) and Fast Track designations (FDA) Priority Medicines (PRIME) designation (EMA) Area of clinical study: NA and EU
OTL-201	Hematopoietic Stem Cell (HSC) Gene Therapy	MPS-IIIA (Sanfilippo Syndrome type A)	Ph Ⅰ/Ⅱ	[In-House] Rare Pediatric Disease (RPD) designation (FDA) Preparation underway for registrational study (equivalent to PhⅢ study)
KHK4083/AMG 451 rocatinlimab Injection	Anti-OX40 Antibody	Moderate to Severe Atopic Dermatitis		[In-House] POTELLIGENT Human monoclonal antibody production technology Collaboration agreement with Amgen for the development of rocatinlimab in all the countries except for Japan Clinical study is being conducted in JP, NA, EU, UK, Middle East, Asia, Oceania, and other regions as a global product
		Prurigo Nodularis		Clinical study is being conducted in JP, NA, EU, Asia, and Oceania as a global product
		Moderate to Severe Asthma		Clinical study is being conducted in JP, NA, EU, Asia, and Oceania as a global product
KHK4951 tivozanib Ophthalmic	VEGF Receptor Tyrosine Kinase Inhibitor	Diabetic Macular Edema		[In-House] Clinical study is being conducted in JP, NA, Asia, and Oceania as a global product
		Neovascular Age-Related Macular Degeneration		Clinical study is being conducted in JP, NA, Asia, and Oceania as a global product
KK2260 Injection	EGFR-TfR1Bispecific Antibody	Advanced or Metastatic Solid Tumors		[In-House] REGULGENT Fully human antibody production technology Clinical study is being conducted in JP, and a clinical study is prepared under way for PhI in NA as a global product
KK2269 Injection	EpCAM-CD40Bispecific Antibody	Advanced or Metastatic Solid Tumors		[In-House] REGULGENT Fully human antibody production technology Clinical study is being conducted in JP and NA as a global product
KK4277 Injection	Anti-PTPRS Humanized Antibody	Systemic Lupus Erythematosus/Cutaneous Lupus Erythematosus		[SBI Biotech] POTELLIGENT Clinical study is being conducted in JP and Asia

Note: For details on the development status of ziftomenib, please visit the website of Kura Oncology, Inc. (https://kuraoncology.com/).

Major applications and approvals

Code Name, Generic Name, Product Name	Indication	Application/Under Review	Countries/ Regions Received Approval in 2024
KRN125 (pegfilgrastim, Product name in Japan: G-LASTA)	Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Autologous Blood Stem Cell Transplantation	—	JP
OTL-200 (atidarsagene autotemcel, Product name in Europe/US: Libmeldy/Lenmeldy)	Metachromatic Leukodystrophy	—	US
KHK4827 (brodalumab, Product name in Japan and Asia: Lumicef)	Palmoplantar Pustulosis	TW	—
KHK7580 (evocalcet, Product name in Japan: Orkedia)	Secondary Hyperparathyroidism	—	CN, TW
AMG531 (romiplostim, Product name in Japan: Romiplate)	Aplastic Anemia	TW	—
	Severe Aplastic Anemia	—	KR

We withdrew an application for partial change of approved indication of KHK4827 for systemic sclerosis in Japan, and the relevant application information has been removed from this table.

III. Information about Facilities

1 Overview of Capital Expenditures

The Group continuously makes capital investments to expand and streamline production facilities and enhance R&D capabilities.
For the fiscal year ended December 31, 2024, the Group's capital expenditures (excluding right-of-use assets) totaled ¥29,463 million.

2 Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

(As of December 31, 2024)

Office name (Location)	Segment name	Details of facilities	Carrying amount (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery and vehicles	Land [Area in m^2]	Other	Total	
Takasaki Plant (Takasaki-shi, Gunma)	Pharmaceuticals	Manufacturing facilities for pharmaceutical products	23,064	6,260	546 (148,920)	5,800	35,670	573
Ube Plant (Ube-shi, Yamaguchi)	Pharmaceuticals	Manufacturing facilities for pharmaceutical products	4,901	1,641	2,992 (105,968)	973	10,507	219
Bio Process Research and Development Laboratories (Takasaki-shi, Gunma)	Pharmaceuticals	Research facilities for pharmaceutical products	777	2,209	– (–)	1,589	4,576	169
Tokyo Research Park (Machida-shi, Tokyo)	Pharmaceuticals	Research facilities for pharmaceutical products	2,479	8	3,366 (34,707)	1,082	6,934	172
Fuji Research Park (Nagaizumi-cho, Sunto-gun, Shizuoka)	Pharmaceuticals	Research facilities for pharmaceutical products	4,417	23	252 (82,245)	1,371	6,063	260
CMC R&D Center (Nagaizumi-cho, Sunto-gun, Shizuoka)	Pharmaceuticals	Research facilities for pharmaceutical products	2,238	408	– (–)	774	3,419	169
Head Office (Chiyoda-ku, Tokyo)	Pharmaceuticals	Management facilities, etc.	2,089	726	312 (1,164)	411	3,538	1,253

Notes: 1. The carrying amount represents the carrying amount of property, plant, and equipment, excluding construction in progress.
2. The "buildings and structures" and "machinery and vehicles" of the head office, "land" of the Ube Plant, etc. include right-of-use assets.

(2) Domestic subsidiaries

Not applicable.

(3) Foreign subsidiaries

(As of December 31, 2024)

Company name	Office name (Location)	Segment name	Details of facilities	Carrying amount (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Machinery and vehicles	Land [Area in m^2]	Other	Total	
Kyowa Kirin, Inc.	La Jolla Institute for Immunology (California, U.S.)	Pharmaceuticals	Research facilities for pharmaceutical products	3,072	–	4,950 (13,059)	421	8,444	55

Notes: 1. The carrying amount represents the carrying amount of property, plant, and equipment, excluding construction in progress.
2. The "land" of Kyowa Kirin, Inc. is a right-of-use asset.

3 Planned Addition, Retirement, and Other Changes of Facilities

The Group's planned additions, expansion, etc. of major facilities as of December 31, 2024 are as follows.
We have no planned retirements, sales, or other changes of major facilities.

Company name	Office name (Location)	Segment name	Details of facilities	Planned investment amount (Note)		Scheduled start and completion	
				Total amount (Millions of yen)	Amount paid (Millions of yen)	Start	Completion
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki-shi, Gunma)	Pharmaceuticals	Construction of a new biopharmaceutical API manufacturing building	16,760	12,088	November 2022	February 2025
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki-shi, Gunma)	Pharmaceuticals	Construction of a new warehouse building	7,200	1,093	October 2023	October 2025
Kyowa Kirin North America North Carolina, LLC	Plant (name yet decided) North Carolina, United States	Pharmaceuticals	Construction of a new biopharmaceutical API manufacturing building	US$530 million	US$51 million	August 2024	2027

Note: We plan to procure the required funds above from cash on hand.

IV. Information about Reporting Company

1 Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares (Shares)
Ordinary shares	987,900,000
Total	987,900,000

(ii) Issued shares

Class	Number of shares outstanding as of fiscal year end (Shares) (December 31, 2024)	Number of shares outstanding as of filing date (Shares) March 11, 2025	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Ordinary shares	525,634,500	525,634,500	Tokyo Stock Exchange (Prime Market)	Number of shares per share unit is 100.
Total	525,634,500	525,634,500	–	–

(2) Share acquisition rights

(i) Share option plans

Details of share acquisition rights which were issued as share options by 2024 and whose exercise period has not expired are as follows:

Date of resolution	March 20, 2019 (Ordinary General Meeting of Shareholders) and March 20, 2019 (Board of Directors)
Category and number of grantees	Directors of the Company: 4 Executive Officers of the Company: 16 Directors of subsidiaries: 3
Number of share acquisition rights (Unit) (Note 1)	122 [0] (Notes 2 and 3)
Class, description, and number of shares subject to share acquisition rights (Note 1)	Ordinary shares 12,200 [0] (Notes 2 and 4)
Amount to be paid in for exercise of share acquisition rights (Yen) (Note 1)	The amount obtained by multiplying ¥1, which is the amount to be paid in per share to be issued or transferred upon exercise of share acquisition rights, by the number of granted shares
Exercise period of share acquisition rights (Note 1)	From March 23, 2022 to March 21, 2025
Issue price of shares and amount incorporated into capital in case of share issuance upon exercise of share acquisition rights (Yen) (Note 1)	Not applicable. (Note 5)
Conditions for exercise of share acquisition rights (Note 1)	Partial exercise of one share acquisition right is not permitted.
Matters concerning transfer of share acquisition rights (Note 1)	Any transfer of the share acquisition rights shall be subject to the approval of the Board of Directors of the Company.
Matters concerning the granting of share acquisition rights following a corporate reorganization (Note 1)	–

Notes: 1. Information provided is as of the end of the current fiscal year (December 31, 2024). For matters changed in the period from the end of the current fiscal year to the end of the month before the filing date (February 28, 2025), the information as of the end of the month before the filing date is shown in parentheses. For other matters, there is no change from the information as of the end of the current fiscal year.

2. The number of shares subject to one share acquisition right (the “number of granted shares”) shall be 100 shares.
3. All the share acquisition rights were exercised by February 12, 2025.
4. As for the number of shares subject to share acquisition rights, the number of granted shares shall be adjusted by the following formula if the Company conducts a stock split or a reverse split.
   Number of shares after adjustment = Number of shares before adjustment × Split/consolidation ratio
   Any fraction less than one share resulting from the adjustment shall be rounded down.
5. All shares to be issued to the holders of the share acquisition rights upon exercise of the share acquisition rights are treasury shares, and no new shares are issued as a result of the exercise.

(ii) Rights plans
Not applicable.

(iii) Share acquisition rights for other uses
Not applicable.

(3) Exercises of moving strike convertible bonds, etc.
Not applicable.

(4) Changes in total number of issued shares, share capital, and additional paid-in capital

Date	Change in the total number of issued shares (Shares)	Balance of issued shares (Shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
October 31, 2024 (Note)	(14,365,500)	525,634,500	–	26,745	–	103,807

Note: The decrease in the total number of outstanding shares is due to retirement of treasury shares.

(5) Shareholding by shareholder category

(As of December 31, 2024)

Category	Shareholding status (Number of shares constituting one unit: 100)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations and others		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	–	52	53	474	714	89	31,705	33,087	–
Number of shares held (Units)	–	905,453	167,870	2,940,810	869,032	415	367,784	5,251,364	498,100
Shareholding ratio (%)	–	17.24	3.20	56.00	16.55	0.01	7.00	100	–

Notes: 1. As for 2,276,724 treasury shares, 22,767 units are included and presented in “Individuals and others,” and 24 shares in the “Shares less than one unit.”
2. “Other corporations” include 120 units of shares registered in the name of Japan Securities Depository Center, Incorporated.

(6) Major shareholders

(As of December 31, 2024)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
Kirin Holdings Company, Limited	4-10-2 Nakano, Nakano-ku, Tokyo	288,819	55.19
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	53,379	10.20
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	24,942	4.77
State Street Bank West Client Treaty 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	5,904	1.13
JPMorgan Securities Japan Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	5,334	1.02
State Street Bank and Trust Company 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato-ku, Tokyo)	3,593	0.69
JPMorgan Chase Bank 385781 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	3,464	0.66
Goldman Sachs International (Standing proxy: Goldman Sachs Securities Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. (2-6-1 Toranomon, Minato-ku, Tokyo)	3,382	0.65
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A. (1-4-5 Marunouchi, Chiyoda-ku, Tokyo)	3,294	0.63
State Street Bank and Trust Company 505025 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato-ku, Tokyo)	3,280	0.63
	Total	395,391	75.55

(7) Voting rights

(i) Issued shares

(As of December 31, 2024)

Category	Number of shares (Shares)	Number of voting rights	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	Ordinary shares 2,276,700	–	–
Shares with full voting rights (Other)	Ordinary shares 522,859,700	5,228,597	–
Shares less than one unit	Ordinary shares 498,100	–	–
Total number of issued shares	525,634,500	–	–
Voting rights held by all shareholders	–	5,228,597	–

Note: “Shares with full voting rights (Other)” include 12,000 shares registered in the name of Japan Securities Depository Center, Incorporated. In addition, “Number of voting rights” includes voting rights of 120 units pertaining to shares with full voting rights registered in the name of the same organization.

(ii) Treasury shares, etc.

(As of December 31, 2024)

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others’ names (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
Kyowa Kirin Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	2,276,700	–	2,276,700	0.43
Total	–	2,276,700	–	2,276,700	0.43

2 Acquisition and Disposal of Treasury Shares

[Class of shares, etc.] Acquisition of ordinary shares under Article 155, item (iii) and Article 155, item (vii) of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors

Acquisitions pursuant to the provisions of Article 156 of the Companies Act as applied by replacing the terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act

Category	Number of shares (Shares)	Total amount (Yen)
Details of resolution at the Board of Directors (February 7, 2024) (Acquisition period: February 13, 2024 to October 31, 2024)	17,000,000	40,000,000,000
Treasury shares acquired before the fiscal year	–	–
Treasury shares acquired during the fiscal year	14,365,500	39,999,950,750
Total number and value of remaining treasury shares authorized	2,634,500	49,250
Percentage unused as of the last day of the fiscal year (%)	15.5	0.0
Treasury shares acquired during the period	–	–
Percentage unused as of the filing date (%)	15.5	0.0

Notes: 1. At the Board of Directors held on February 7, 2024, the Company resolved to cancel all the acquired treasury shares listed above with November 14, 2024 as the scheduled date of cancellation. As of October 10, 2024, we completed the acquisition of treasury shares, all of which were cancelled on October 31, 2024.

2. “Treasury shares acquired during the period” do not include shares acquired due to purchase of shares less than one unit in the period from March 1, 2025 to the filing date of this annual securities report.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year	5,230	14,261,718
Treasury shares acquired during the period	592	1,349,733

Notes: 1. This is due to the purchase of shares less than one unit.

2. “Treasury shares acquired during the period” do not include shares acquired due to purchase of shares less than one unit in the period from March 1, 2025 to the filing date of this annual securities report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year ended December 31, 2024		From January 1, 2025 until the filing date of this Annual Securities Report	
	Number of shares (Shares)	Total amount of disposal (Yen)	Number of shares (Shares)	Total amount of disposal (Yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were canceled	14,365,500	36,902,398,122	–	–
Acquired treasury shares that were transferred for merger, share exchange, share issuance, and company split	–	–	–	–
Other	119,218	263,419,773	12,238	31,436,496
Number of treasury shares held	2,276,724	–	2,265,078	–

Notes:
1. “Other” for the fiscal year ended December 31, 2024 consisted of exercise of share acquisition rights (number of shares: 34,700 shares, total amount of disposal: ¥72,307,320), disposal of treasury shares as restricted stock compensation (number of shares: 68,399 shares, total amount of disposal: ¥154,664,103), and disposal of treasury shares as performance-linked share-based remuneration (number of shares: 16,119 shares, total amount of disposal: ¥36,448,350). There was no sale of shares less than one unit.
2. “Other” for the period from March 1, 2025 until the filing date of this Annual Securities Report does not include shares transferred due to sale of shares less than one unit in the period from March 1, 2025 to the filing date of this annual securities report.
3. “Number of treasury shares held” for the period from March 1, 2025 until the filing date of this Annual Securities Report does not include shares acquired due to purchase of shares less than one unit or shares transferred due to sale of shares less than one unit in the period from March 1, 2025 to the filing date of this annual securities report.

3 Dividend Policy

The Company regards the return of profits to its shareholders as one of its key management priorities.
The basis of the Company's policy regarding the distribution of profits is to pay dividends stably in light of a comprehensive consideration of factors including consolidated results and dividend payout ratio for each fiscal year, while also increasing its retained earnings for future business development and other purposes. The Company plans to improve its capital efficiency with regards to the purchase of treasury shares by taking a flexible approach while considering the share price in the market and other factors. The Company considers it a top priority to use internal reserve funds for investments for future growth (R&D investments, strategic investments, and capital expenditures) in order to achieve sustainable growth from fiscal 2025 and maximize corporate value.
As the dividend policy, the Company set its target dividend payout ratio based on core EPS at 40% in the FY2021–2025 Medium Term Business Plan. The Company aims to ensure a stable and sustained increase in the level of dividend payment (continuous increase of dividend payments) in line with medium- to long-term growth in profits.
The Company's Articles of Incorporation stipulates that the Company may, by resolution of the Board of Directors, distribute interim dividends as prescribed in Article 454, Paragraph 5 of the Companies Act with a record date of June 30 each year as the record date. The Company's policy is to pay a dividend twice each fiscal year: an interim dividend and a year-end dividend. The payment of interim dividends and year-end dividends is to be resolved by the Board of Directors and the General Meeting of Shareholders, respectively.
In accordance with the above-mentioned policy, the Company plans to pay a year-end dividend of ¥29 per share for the fiscal year ended December 31, 2024, which will result in an annual dividend of ¥58 per share, combined with the interim dividend of ¥29 per share.
Dividends of surplus whose record date falls within the fiscal year ended December 31, 2024 (102nd fiscal year) are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividend per share (Yen)
August 1, 2024 Resolution at the Board of Directors	15,304	29.00
March 19, 2025 (scheduled) Resolution at the Ordinary General Meeting of Shareholders (Note)	15,177	29.00

Note: This is a year-end dividend with a record date of December 31, 2024, and has been proposed as an agenda item (a matter to be resolved) for the Ordinary General Meeting of Shareholders to be held on March 19, 2025.

4 Corporate Governance

(1) Overview of corporate governance

(i) Basic views on corporate governance

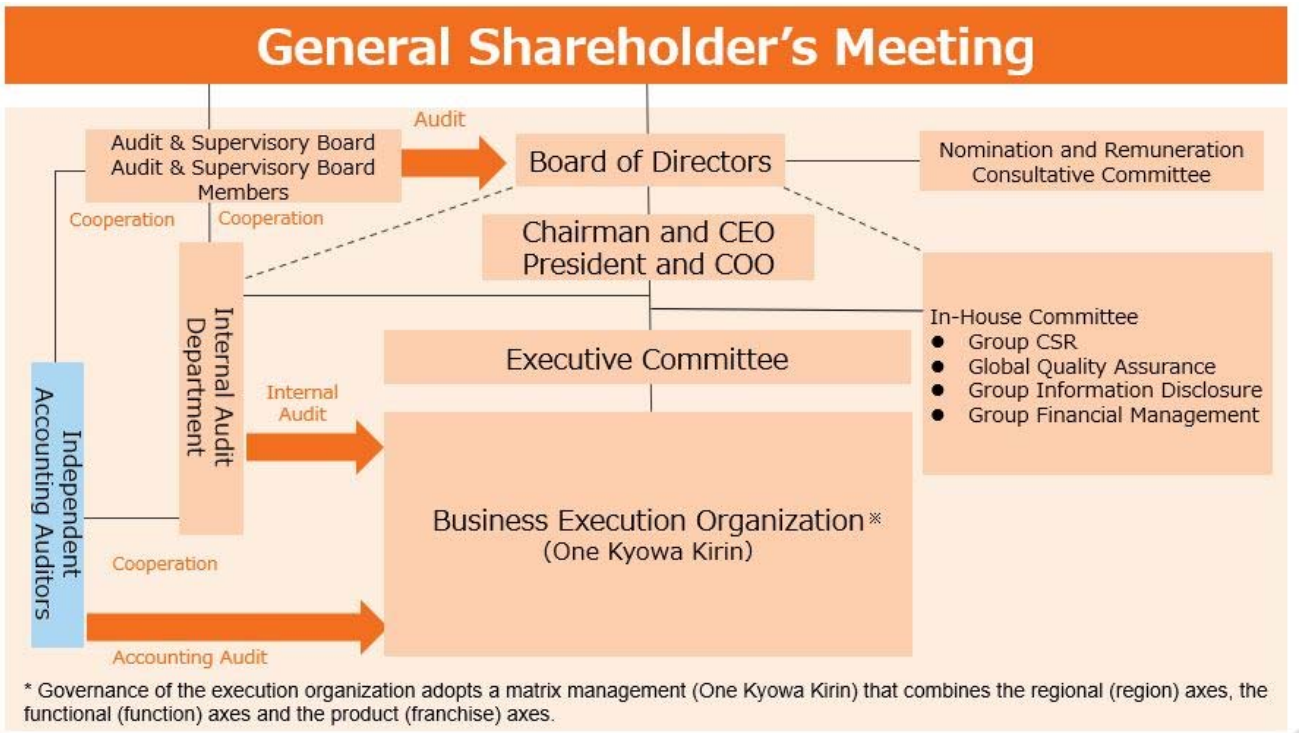
Based on our vision and the Medium Term Business Plan in accordance with our philosophy that “The Kyowa Kirin Group strives to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies” and core values, in order to achieve sustainable growth and increase corporate value over the medium- to long-term, we, as a company responsible for delivering social infrastructure, work on the enhancement of our corporate governance by ensuring transparency and fairness in decision-making, and establishing structures for timely and decisive decision-making and execution of management duties, and for appropriate monitoring and supervisory functions. We believe that cooperation with stakeholders is essential for achieving our medium term business plan, and respect the situation of each stakeholder; and we are committed to making timely disclosures to shareholders and investors in a transparent, fair, and continuous manner, proactively having constructive dialogue with shareholders and investors, and ensuring accountability in a cordial manner.

We are a consolidated subsidiary of Kirin Holdings Company, Limited, and while respecting the Kirin Group’s management policies, we secure independence for our corporate management.

(ii) Overview of corporate governance system and reasons for adoption of the system

The Company has adopted a Company with Audit & Supervisory Board system as its organization form under the Companies Act. The Board of Directors makes final decisions on execution of important operations, and appoints multiple Outside Directors to enhance the transparency and objectivity of management and to fulfill its supervisory function over execution of operations. In addition, the Company endeavors to reinforce its supervisory function over management by establishing the voluntary Nomination & Remuneration Consultative Committee to supplement the functions of the Board of Directors. Furthermore, Audit & Supervisory Board Members, including multiple Outside Audit & Supervisory Board Members independent of the Board of Directors, and the Audit & Supervisory Board monitor and verify the process for making final decisions and the contents of those decisions. In this organizational form, Directors concurrently serve as Executive Officers, thereby promoting a management function that operates through close coordination between decision-making and execution, and the Company has established a hybrid governance system with a balance between business execution and supervisory functions by making the monitoring function work by centering it around independent Outside Directors and Audit & Supervisory Board Members/the Audit & Supervisory Board and by establishing a voluntary committee to enhance management transparency.

The Company’s corporate governance system as of March 11, 2025 is shown in the figure below.



* Governance of the execution organization adopts a matrix management (One Kyowa Kirin) that combines the regional (region) axes, the functional (function) axes and the product (franchise) axes.

Constituent members of the Company's corporate governance system as of March 11, 2025 are shown in the table below.

	Name	Title	Nomination & Remuneration Consultative Committee
Directors of the Board	Masashi Miyamoto	Representative Director, President, and Chief Executive Officer	Committee member
	Yutaka Osawa	Representative Director, Executive Vice President	Committee member
	Takeyoshi Yamashita	Director of the Board, Senior Managing Executive Officer	Committee member
	Akira Morita	Outside Director of the Board, Chairman of the Board of Directors	Committee member
	Yuko Haga	Outside Director of the Board	Committee member
	Takashi Oyamada	Outside Director of the Board	Chairperson
	Yoshihisa Suzuki	Outside Director of the Board	Committee member
	Rumiko Nakata	Outside Director of the Board	Committee member
	Shinjiro Akieda	Director of the Board	–
Audit & Supervisory Board Member	Hiroshi Komatsu	Full-time Audit & Supervisory Board Member, Chairman of the Audit & Supervisory Board	–
	Hajime Kobayashi	Outside Audit & Supervisory Board Member (Full-time)	–
	Tomomi Yatsu	Outside Audit & Supervisory Board Member	Committee member
	Mayumi Tamura	Outside Audit & Supervisory Board Member	Committee member
	Toru Ishikura	Audit & Supervisory Board Member	–

(Directors and Board of Directors)

Taking into account its fiduciary duties and accountability to shareholders, the Board of Directors aims at realizing our management philosophy, and achieving sustainable growth of the Group and increased corporate value over the medium- to long-term, by establishing effective and efficient corporate governance. In addition, the Board of Directors makes decisions on the Group's execution of important operations, including the long-term management visions, and medium-term and annual business plans of the entire Group and key Group companies, as well as statutory matters. The Board of Directors is also mainly responsible for supervising the execution of duties by Directors, formulating basic policies pertaining to sustainability and supervising their efforts, and establishing an adequate internal control system for the entire Group through cooperation with the Internal Audit Department. Matters to be resolved by the Board of Directors are specified in the "Regulations of the Board of Directors" in addition to matters stipulated in laws and regulations as well as the Articles of Incorporation; and authorities pertaining to other business execution are delegated to Executive Officers in charge of relevant businesses.

With respect to the Board composition, the maximum number of Directors is 10, in accordance with the Articles of Incorporation. Upon considering knowledge, experience, skills, and insights appropriate for a global specialty

pharmaceutical company and ensuring diversity, we have established a transparent governance system, which is well-balanced as a whole. In order to ensure the effectiveness of objective oversight of the management, the Company appoints a majority of the Board members as independent Outside Directors, and the position of Board Chair is assumed by Mr. Akira Morita, who is an independent Outside Director. From the perspective of protecting minority shareholders, the Company appoints Outside Directors and Outside Audit & Supervisory Board Members who have no concern about conflicts of interest with general shareholders. The Company has established the Nomination and Remuneration Consultative Committee, which consists of a majority of independent outside officers and is chaired by an independent Outside Director, and conducts an evaluation on the Board's effectiveness by utilizing an external advisor. The policy and procedures to select Director candidates are deliberated by the Nomination and Remuneration Consultative Committee, and decided by the Board of Directors. As of March 11, 2025, the Board of Directors consists of nine Directors (including five independent Outside Directors; seven males and two females). They make decisions on such important matters as business policies, and supervise business execution at the Board of Directors, which are held once a month in principle and are chaired by an independent Outside Director. In the fiscal year under review, the Board of Directors met 14 times, and made decisions on such important matters as business policies of the Company, and supervised business execution by Directors.

・Fiscal year ended December 31, 2024 Attendance at the Board of Directors

Title	Position	Name	Attendance rate
Director of the Board	Representative Director, President, and Chief Executive Officer	Masashi Miyamoto	100% (14/14)
	Representative Director, Executive Vice President	Yutaka Osawa	100% (14/14)
	Director of the Board, Senior Managing Executive Officer	Takeyoshi Yamashita	100% (14/14)
	Outside Director (Chairman)	Akira Morita	100% (14/14)
	Outside Director of the Board	Yuko Haga	100% (14/14)
	Outside Director of the Board	Takashi Oyamada	100% (14/14)
	Outside Director of the Board	Yoshihisa Suzuki	100% (14/14)
	Outside Director of the Board	Rumiko Nakata	100% (14/14)
	Director of the Board	Takeshi Minakata	100% (4/4)
	Director of the Board	Shinjiro Akieda	100% (10/10)
Audit & Supervisory Board Member	Full-time Audit & Supervisory Board Member	Hiroshi Komatsu	100% (14/14)
	Outside Audit & Supervisory Board Member (Full-time)	Masaki Ueno	100% (4/4)
	Outside Audit & Supervisory Board Member (Full-time)	Hajime Kobayashi	100% (10/10)
	Outside Audit & Supervisory Board Member	Tomomi Yatsu	100% (14/14)
	Outside Audit & Supervisory Board Member	Mayumi Tamura	100% (14/14)
	Audit & Supervisory Board Member	Toru Ishikura	100% (14/14)

1) Of the Board of Directors held during the fiscal year under review, attendance of the Board of Directors by Mr. Takeshi Minakata and Mr. Masaki Ueno is only for those held before their retirement on March 22, 2024. The title and position of each member is stated as the title and position at the time of their retirement.
2) Of the Board of Directors held during the fiscal year under review, attendance of the Board of Directors by Mr. Shinjiro Akieda and Mr. Hajime Kobayashi is only for those held after assuming their post on March 22, 2024.

・Fiscal year ended December 31, 2024 Specific items for consideration at the Board of Directors

Management strategy/sustainability	Strategy for achievement of vision Discussions on sustainability and materiality Important individual strategy matters (research, production, human resources, digital, etc.) Determination of annual management plan for fiscal year ending December 31, 2025 Monitoring of quarterly results Approval of financial statements and related matters Status of implementation of business investments
Corporate governance, etc.	Status of development and operation of internal control system Confirmation of audit results of internal audits and determination of the plans Evaluation of effectiveness for the Board of Directors Succession plan for CEO, etc. Appointment and remuneration of officers Report from various committees (the Group CSR Committee, the Group Financial Management Committee, the Group Information Disclosure Committee, the Global Quality Assurance Committee) The global management system and revision of the organization Matters related to the General Meeting of Shareholders (determination of convocation and agenda, etc.)
Investment projects and others	M&A projects The information security management system The survey results of compliance and human right awareness Corporate Venture Capital activities IR activities

(Audit & Supervisory Board Members and Audit & Supervisory Board)

The Audit & Supervisory Board and its members audit the execution of Directors' duties from the standpoint of an independent body mandated by shareholders, and thereby audit and verify the status of ensuring sound management toward achieving sustainable growth of the Group and increasing its corporate value over the medium- to long-term. The Audit & Supervisory Board Members actively express their opinions at the Board of Directors by making use of full-time Members' ability to gather information within the Group as well as their independence, and also strive to improve the framework to ensure the effectiveness of auditing by each Member. Furthermore, in order to better provide information to Outside Directors, they exchange opinions with Outside Directors, and provide information which they obtained from their auditing activities.

The composition of the Audit & Supervisory Board shall include persons with appropriate knowledge of finance and accounting, and the Board have three or more members, and at least half of them shall be Outside Audit & Supervisory Board Members, in accordance with the Articles of Incorporation.

As of March 11 2025, the Audit & Supervisory Board consists of five members (including three outside members; three males and two females).

Mr. Hiroshi Komatsu (full-time Audit & Supervisory Board Member), Mr. Hajime Kobayashi (full-time Outside Audit & Supervisory Board Member), and Ms. Mayumi Tamura (Outside Audit & Supervisory Board Member) have experience in accounting and finance divisions of business corporations, and Ms. Tomomi Yatsu (Outside Audit & Supervisory Board Member) is an attorney-at-law and a certified public accountant. Thus, each of them has considerable knowledge of accounting and finance. In the fiscal year under review, the Audit & Supervisory Board met 13 times, and made discussion and determination of the audit policies, and audited business execution by Directors.

For activities of Audit & Supervisory Board and its Members, please refer to "(3) Audits, (i) Audits by Audit & Supervisory Board Members."

(Nomination & Remuneration Consultative Committee)

The Nomination & Remuneration Consultative Committee assumes responsibility for deliberating and making decisions on the following matters from an objective and impartial viewpoint, and reports the results to the Board of Directors: policies for appointing/removing Directors, Executive Officers, and Audit & Supervisory Board Members of the Company as well as proposals on candidates for such positions; appointment and removal of Executive directors; duties of each Director; policy for selecting a successor to CEO; proposals on candidates for Presidents and key management positions of key Group companies; and remuneration system/level, amounts, etc. for Directors, Executive Officers, and Audit & Supervisory Board Members of the Company as well as Presidents and key management positions of key Group companies.

The Nomination & Remuneration Consultative Committee shall consist of internal Directors and independent Outside Officers, the majority of which shall be independent outside Officers. This committee is chaired by an independent Outside Director. In the fiscal year under review, the Nomination & Remuneration Consultative Committee met 13 times and reported to the Board of Directors on remuneration and nomination of Directors and Audit & Supervisory Board Members.

・Attendance at the Nomination & Remuneration Consultative Committee meetings for the fiscal year ended December 31, 2024

Title	Position	Name	Attendance rate
Internal Director	Representative Director, President, and Chief Executive Officer	Masashi Miyamoto	100% (13/13)
	Representative Director, Executive Vice President	Yutaka Osawa	100% (13/13)
	Director of the Board, Senior Managing Executive Officer	Takeyoshi Yamashita	100% (13/13)
Independent Outside Officers	Outside Director of the Board	Akira Morita	100% (13/13)
	Outside Director of the Board	Yuko Haga	100% (13/13)
	Outside Director (Chairperson)	Takashi Oyamada	100% (13/13)
	Outside Director of the Board	Yoshihisa Suzuki	100% (13/13)
	Outside Director of the Board	Rumiko Nakata	100% (13/13)
	Outside Audit & Supervisory Board Member	Tomomi Yatsu	100% (13/13)
	Outside Audit & Supervisory Board Member	Mayumi Tamura	100% (13/13)

・Fiscal year ended December 31, 2024 Specific items for consideration at the Nomination & Remuneration Consultative Committee

Nomination proposals	Appointments of officers	Appointment of Directors, appointment of Representative Directors, appointment of Executive Directors, appointment of Executive Officers, appointment of Presidents of key Group companies
	Succession plan	Succession plan for CEO, etc.
Remuneration proposals	Executive Directors Executive Officer	Amendment to the performance-linked share-based remuneration regulations Evaluation results of performance-linked share-based remuneration Evaluation results of performance-linked annual bonus and amounts to be paid Evaluation indicators of performance-linked annual bonus Evaluation indicators and standard amounts of performance-linked share-based remuneration (Note) Standard amounts of restricted stock compensation
	Directors Executive Officers	Remuneration amounts of Directors and Executive Officers for the current fiscal year
	Presidents and key management positions of key Group companies	Amounts to be paid for medium- and long-term incentive remuneration Amounts to be paid for short-term incentive remuneration Standard amounts to be paid

Note: Share-based remuneration under which fiscal 2024 is the fiscal year starting the evaluation period and fiscal 2026 is the fiscal year ending the evaluation period.

Other components of the corporate governance system are described below.

(Global Executive Committee/Executive Committee)

The Company established the Global Executive Committee and the Executive Committee, as bodies to help the President & Director make decisions on significant matters pertaining to management policies and business execution. In order to make adequate and efficient management decisions on overall important matters concerning global and domestic management from a strategic perspective, the Global Executive Committee met 17 times and the Executive Committee met 14 times in the fiscal year under review.

(Executing organization)

Under its global management system dubbed “One Kyowa Kirin,” the Company executes business enlisting a matrix management structure consisting of a regional axis, a functional axis, and a product axis. The Company has accordingly adopted its One Kyowa Kirin Leadership team to flexibly operate the matrix management structure.

(Accounting audit and legal compliance)

The Company's financial statements are prepared in conformity with generally accepted accounting principles and practices prevailing in Japan. Audits are conducted by accounting auditors to ensure appropriate presentation, etc. The Company gives the highest priority to legal compliance with regard to problems that arise in the course of operational execution, and when necessary, it receives advice appropriately from third parties, such as attorneys.

(Compliance and risk management system)

In accordance with the "Kyowa Kirin Group Compliance Policy" and the "Kyowa Kirin Group Risk Management Policy," and the three-line model advocated by the Institute of Internal Auditors (IIA), we promote compliance in good faith and secure a system to take appropriate responses to risks. Moreover, to address the variety of risks that may affect management, a number of in-house committees have been established to strengthen risk management and enhance corporate governance. These committees regularly report on their activities to the Board of Directors. An overview of each committee is provided below.

・Group CSR Committee

The Group CSR Committee deliberates such important matters as group-wide strategy and action policy related to CSR, covering risk management (including compliance and information security), environmental conservation, and corporate value creation. In addition, the Group CSR Committee and the Regional CSR Committees in each region, including Japan, report on the status of risk management and compliance.

・Group Information Disclosure Committee

The Group Information Disclosure Committee discusses and makes decisions on basic policy for information disclosure and key information-disclosure issues in a comprehensive manner.

・Global Quality Assurance Committee

The Global Quality Assurance Committee discusses and makes decisions concerning quality assurance policies.

・Group Financial Management Committee

The Group Financial Management Committee discusses important matters including basic policies and plans related to management of capital and financial market risks.

(Internal auditing)

The Company has established the Internal Audit Department as the third line for internal control. The department assesses the performance of various management activities related to governance, risk management, and control processes within the Group in terms of their legality and rationality, from a fair and independent standpoint, and provides advice and recommendations. Audit results are reported to the Representative Director, Executive Vice President when they become available, and also to the Representative Director & President, the Board of Directors, and the Audit & Supervisory Board on a regular basis. To maintain and improve the quality of auditing activities, in addition to efforts of the Internal Audit Department for assessing and improving quality, it continuously conducts such improvement activities as employing external assessments. Furthermore, the Internal Audit Department also assesses the status of developing/implementing internal control to ensure the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.

(iii) Other matters regarding corporate governance

(Status of development of internal control system)

The Company has resolved at the Board of Directors to adopt a policy for developing systems to ensure the appropriate operation (the internal control system) as follows, and is moving forward with the development of systems based on details of the resolution.

* <Basic Policy on the Internal Control System>

The Company has stipulated the following set of systems, based on the fundamental principles of the internal control system of its parent company, Kirin Holdings Company, Limited and in line with the Companies Act, Article 362, Paragraph 4, item (vi): "The development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company."

1. System to ensure compliance of execution of duties by the Directors and employees of the Company and its subsidiaries (the "Kyowa Kirin Group") with laws and regulations and the Articles of Incorporation ("Compliance System")

In order to promote compliance within the Kyowa Kirin Group, the Company shall;

・Establish a basic policy on compliance for the Kyowa Kirin Group and maintain an organization and regulations to materialize the policy.

・Establish an organization to supervise compliance, which undertakes developing awareness of compliance among the Kyowa Kirin Group's officers and employees through educational programs and awareness-raising activities, and also clarifies procedures in case of compliance violations and makes the procedures well-known to any of the Kyowa Kirin Group.

・Ensure that a department dedicated to internal audit shall conduct audits into the design and operation of the compliance system.

・Establish an internal control reporting system to ensure reliability of the financial reports, and conduct and

evaluate its effective and efficient operation.

2. System to ensure the proper preservation and maintenance of information regarding the execution of duties by the Directors of the Company (“System of Information Preservation and Maintenance”)

Regarding information relating to the execution of duties by the Company’s Directors, the Company shall implement appropriate preservation and maintenance based on internal regulations and make them available for inspection by the Directors and Audit & Supervisory Board Members of the Company.

3. Regulations and other systems related to the risk management of the Kyowa Kirin Group in the event of loss and other circumstances (“risk management system”)

In order to appropriately manage risks within the Kyowa Kirin Group, the Company shall;

Establish a basic policy on risk management of the Kyowa Kirin Group, and maintain an organization and regulations to materialize the policy.

Establish an organization to supervise risk management, which ensures the effectiveness of risk management through risk management activities all at each of the Kyowa Kirin Group. Also, clarify procedures in case of disclosure of risk factors and responses to the occurrence of a crisis situation, and make the procedures well-known to any of the Kyowa Kirin Group.

Ensure that the department dedicated to internal audit shall conduct audits into the design and operation of the risk management system.

4. System to ensure the effective and efficient execution of duties by the Directors of the Kyowa Kirin Group (“Effective and Efficient Performance System”)

In order to ensure the effective and efficient execution of duties by the Directors of the Kyowa Kirin Group, the Company shall;

・Establish organizational regulations and standards on allocation of duties, administrative authorities, decision making, and other matters.

・Appoint Executive Officers in charge of the execution of operations by a resolution of the Board of Directors. Also, as necessary, dispatch Director(s) to each Kyowa Kirin Group company to oversee appropriate execution of operations and decision making.

・Establish the Executive Committee and accelerate decision making.

・Ensure, regarding authority and responsibility in the execution of duties by the Directors of the Kyowa Kirin Group subsidiaries, that each Kyowa Kirin Group subsidiary stipulates its own regulations on allocation of duties, administrative authorities, and other matters and executes efficient operations.

・Periodically manage the Kyowa Kirin Group’s business performance in comparison to annual plans made by each Kyowa Kirin Group company through performance monitoring tools.

5. System for reporting to the Company on matters concerning the execution of duties by the Directors of the Kyowa Kirin Group and system to ensure the properness of operations of other duties by the corporate group comprising the Kyowa Kirin Group and the parent company (“System for reporting for execution of operations and other Group internal control system”)

In order to ensure system for reporting to the Company on matters concerning the execution of duties by the Directors of the Kyowa Kirin Group and system to ensure appropriate operations of other duties by the corporate group comprising the Kyowa Kirin Group and the parent company, Kirin Holdings Company, Limited, based on the basic Kyowa Kirin Group management policies of the parent company, the Company shall;

・Establish a relevant department in charge of each Kyowa Kirin Group subsidiary, which receives regular reports concerning the business conditions of such subsidiary, and which provides guidance and advice such as prior consultations for important matters as necessary, while continuing to respect the autonomy of the subsidiaries.

・Determine responsibilities and authority relating to the execution of operations of the Kyowa Kirin Group subsidiaries and make the department dedicated to internal audit conduct audits on operations of each Kyowa Kirin Group subsidiary.

6. Matters related to employees that assist the duties of the Audit & Supervisory Board Members of the Company upon their request for assistance, matters related to the independence of the relevant employees from the Directors of the Company, and matters on securing the effectiveness of directions given to such employees by the Audit & Supervisory Board Members of the Company (collectively “Systems related to Audit & Supervisory Board Members”)

The Company shall assign a small number of employees, as necessary, to assist duties of the Audit & Supervisory Board Members of the Company upon their request for assistance. In order to ensure independence of the relevant employees from the Directors of the Company, the consent of the Audit & Supervisory Board Members of the Company shall be required for any decision related to personnel affairs, such as appointments, transfers, and evaluation of such employees. Such employees shall not concurrently assume any other position related to the business execution and shall only follow instructions of the Audit & Supervisory Board Members of the Company while they are responsible for assisting duties of the Audit & Supervisory Board Members of the Company.

7. System to ensure reporting to the Audit & Supervisory Board Members of the Company by the Directors, Audit & Supervisory Board Members, and employees of the Kyowa Kirin Group

(i) The Directors of the Company shall report to the Audit & Supervisory Board Members of the Company;

・Among matters submitted to the Board of Directors for resolution, the ones which are considered useful for prior reporting to the Audit & Supervisory Board Members of the Company in terms of contents and their audits.

・Any matter that may cause material damage to any of the Kyowa Kirin Group when such a matter is discovered.
・Any occasion in which a Director or an employee of the Kyowa Kirin Group has committed an act in violation of laws and regulations or the Articles of Incorporation or in which there is a risk that such acts may occur.
・Legal matters requiring the consent of the Audit & Supervisory Board Members of the Company.
・Status of development and operation of the internal control system of the Company.

Not limited to the matters listed above, the Audit & Supervisory Board Members of the Company may well request the Directors, Audit & Supervisory Board Members, and employees of each Kyowa Kirin Group company to report other matters at any time as necessary.

(ii) The Directors, Audit & Supervisory Board Members, and employees of each Kyowa Kirin Group company (including those who receive reports from those Directors, Audit & Supervisory Board Members, and employees) may directly report to the Audit & Supervisory Board Members of the Company when matters arise that are considered reasonable to do so, in order to ensure appropriate execution of operations of each Kyowa Kirin Group company. The Audit & Supervisory Board Members of the Company shall regularly receive reports about the operation of the whistleblowing system from relevant departments in charge, and also may well make the status of the operation reported immediately if it is found necessary by themselves.

8. System to ensure that anyone who has made a report as described in the preceding provision to the Audit & Supervisory Board Members of the Company shall not be subjected to any unfair treatment due to the report made

The Company shall set forth common group regulations to ensure that anyone who makes a report as described in the preceding provision shall not be subjected to any unfair treatment for that reason, and shall make the common regulations well-known and in operation to any company of the Kyowa Kirin Group.

9. Matters regarding procedures for advance payment or reimbursement of expenses incurred in connection with the execution of duties of the Audit & Supervisory Board Members of the Company

The Company shall promptly process the relevant expenses or liabilities relating to advance payment or reimbursement of expenses incurred in connection with the execution of duties of the Audit & Supervisory Board Members of the Company.

10. Other systems to ensure the effectiveness of audit by the Audit & Supervisory Board Members of the Company

The Audit & Supervisory Board Members of the Company shall hold a regular meeting with the Representative Director and other Directors of the Company for the exchange of opinions. The Audit & Supervisory Board Members of the Company shall be able to implement audits in cooperation with the department dedicated to internal audit. Also, the Company shall establish systems to ensure effective audits by the Audit & Supervisory Board Members of the Company, for instance, by providing them with opportunities to attend the meetings of the Kyowa Kirin Group upon their request.

(Status of development of risk management system)

As described in “3. Regulations and other systems related to the risk management of the Kyowa Kirin Group in the event of loss and other circumstances (‘risk management system’)” in <Basic Policy on the Internal Control System> above.

(Status of development of system to ensure the properness of operations by subsidiaries of the reporting company)

As described in “5. System for reporting to the Company on matters concerning the execution of duties by the Directors of the Kyowa Kirin Group and system to ensure the properness of operations of other duties by the corporate group comprising the Kyowa Kirin Group and the parent company (‘System for reporting for execution of operations and other Group internal control system’)” in <Basic Policy on the Internal Control System> above.

(Summary of limited liability agreement)

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with non-executive directors, full-time Audit & Supervisory Board Members, and Audit & Supervisory Board Members to limit their liability for damages stipulated in Article 423, Paragraph 1 of the same Act. The maximum amount of liability for damages under such agreements shall be the higher of either ¥5 million, or the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act.

(Summary, etc. of directors and officers liability insurance policy)

The Company has entered into directors and officers liability insurance contracts with an insurance company as provided in Article 430-3, Paragraph 1 of the Companies Act, wherein the insured persons include Directors, Audit & Supervisory Board Members, Executive Officers, etc. of the Company and its subsidiaries. The Company and its subsidiaries bear all insurance premiums. This insurance contract covers compensation for damages, legal, and other such costs in the event that an insured person(s) is liable for damages arising from their conduct. However, the contract has exceptions, such as excluding damages caused by criminal or fraudulent acts, etc. committed by insured persons. In addition, there is a provision for a deductible amount, and damages that do not reach that deductible amount are not covered by this insurance contract.

(Number of Directors)
The Company's Articles of Incorporation stipulates that the Company shall have not more than ten (10) Directors.

(Requirements for a resolution to elect Directors)
The Company's Articles of Incorporation stipulates that a resolution for election of Directors shall be adopted by the presence of holders of one-third or more of the voting rights held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders present, and cumulative voting shall not be used.

(Matters normally requiring adoption of a resolution by the General Meeting of Shareholders, which may be resolved at the Board of Directors)
The Company stipulates in its Articles of Incorporation that the following matters may be resolved at the Board of Directors, not being resolved at the General Meeting of Shareholders.

A. The Company may, by resolution of the Board of Directors, acquire its own shares, pursuant to Article 165, Paragraph 2 of the Companies Act
(To be enable to respond flexibly)

B. The Company may, by resolution of the Board of Directors, distribute interim dividends for which the record date is June 30 of each year
(To provide stable returns of profits to shareholders)

(Requirements for a special resolution of the General Meeting of Shareholders)
The Company's Articles of Incorporation stipulates that a special resolution at a General Meeting of Shareholders provided in Article 309, Paragraph 2 of the Companies Act shall be adopted by the presence of holders of one-third or more of the voting rights held by all shareholders entitled to exercise their voting rights and two-thirds or more of the voting rights of the shareholders present, with an aim to ensure the smooth operation of a General Meeting of Shareholders.

(2) Directors and Audit & Supervisory Board Members

(i) List of Directors and Audit & Supervisory Board Members

1. The status of Directors and Audit & Supervisory Board Members of the Company as of March 11, 2025 (filing date of this annual securities report) is as follows.

Male: 10, Female: 4 (Percentage of female officers: 28.6%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Representative Director, President Chief Executive Officer (CEO)	Masashi Miyamoto	Jul. 16, 1959	Apr. 1985: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2011: Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Mar. 2012: Executive Officer, Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Jul. 2014: Executive Officer, Director, Strategic Product Portfolio Department and Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Director of the Board, Managing Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2017: Director of the Board, Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Executive Director of the Board, President and Chief Operating Officer, Kyowa Hakko Kirin Co., Ltd. Apr. 2024: Executive Director of the Board, President and Chief Executive Officer (CEO), Kyowa Kirin Co., Ltd. (present)	(Note 4)	112.7
Representative Director, Executive Vice President Chief Compliance Officer (CCO)	Yutaka Osawa	Oct. 17, 1959	Apr. 1984: Joined Kyowa Hakko Kogyo Co., Ltd. Apr. 2007: Director, Pharmaceutical Production Development Department, Kyowa Hakko Kogyo Co., Ltd. Oct. 2008: Director, CMC Development Department, Development Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2009: Director, Production Planning Department, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2013: Executive Officer, Director, Production Planning Department, Production Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2014: Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Managing Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Director of the Board, Managing Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2019: Representative Director, Executive Vice President Apr. 2024: Representative Director, Executive Vice President, Chief Compliance Officer (present)	(Note 4)	76.4

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board, Senior Managing Executive Officer Chief Medical Officer (CMO)	Takeyoshi Yamashita	Nov. 30, 1961	Apr. 1987: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2010: Director, Innovative Drug Discovery Laboratories, Research Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2012: Director, Research Planning Department, Research Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2014: Director, Research Core Function Laboratories, Research Functions Unit, R&D Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Executive Officer, Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2019: Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co, Ltd. Mar. 2021: Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Kirin Co., Ltd. Apr. 2022: Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Mar. 2023: Director of the Board, Senior Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Apr. 2023: Director of the Board, Senior Managing Executive Officer, Kyowa Kirin Co., Ltd. Apr. 2024: Director of the Board, Senior Managing Executive Officer, Chief Medical Officer (CMO), Kyowa Kirin Co., Ltd. (present)	(Note 4)	33.1
Director of the Board	Shinjiro Akieda	Jul. 18, 1965	Apr. 1988: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2010: Chairman and President, Taiwan Kirin Company, Limited Mar. 2013: Executive Officer, General Manager, Corporate Planning Department, Mercian Corporation Mar. 2015: Executive Officer, General Manager, Corporate Planning Department, Kirin Beverage Company, Limited Mar. 2017: Managing Executive Officer, General Manager, Corporate Planning Department, Kirin Beverage Company, Limited Mar. 2018: Executive Officer, General Manager, Corporate Planning Department, Kirin Brewery Company, Limited Mar. 2019: Executive Officer, General Manager, Corporate Strategy Department, Kirin Holdings Company, Limited Mar. 2020: Executive Officer, General Manager, Corporate Strategy Department and Manager, DX Strategy Office, Kirin Holdings Company, Limited Jan. 2022: Executive Officer, General Manager, Corporate Strategy Department, Kirin Holdings Company, Limited Mar. 2022: Managing Executive Officer, General Manager, Corporate Strategy Department, Kirin Holdings Company, Limited Mar. 2023: Managing Executive Officer, Kirin Holdings Company, Limited Mar. 2024: Director of the Board, Kyowa Kirin Co., Ltd. (present) Director of the Board, Managing Executive Officer, Kirin Holdings Company, Limited (present)	(Note 4)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Akira Morita	Apr. 22, 1951	Oct. 1993: Professor, Faculty of Law and Economics, Chiba University Apr. 1994: Professor, The University of Tokyo Graduate Schools for Law and Politics Apr. 2004: Dean, Professor, Graduate School of Public Policy, The University of Tokyo Jul. 2008: Director, Policy Alternatives Research Institute, The University of Tokyo Apr. 2011: Chairman, Central Social Insurance Medical Council, Ministry of Health, Labour and Welfare Apr. 2012: Professor, Department of Political Studies, Faculty of Law, Gakushuin University Jun. 2012: Emeritus Professor, The University of Tokyo (present) Apr. 2014: Director-General, National Institute of Population and Social Security Research Aug. 2014: Adjunct Professor, National Graduate Institute for Policy Studies Apr. 2017: Professor, Department of Policy Studies, Tsuda University Visiting Professor, Mie University Graduate School of Medicine Outside Member, Administrative Council, The University of Tokyo (present) Apr. 2018: Director-General, Research Institute of Science and Technology for Society, Japan Science & Technology Agency Mar. 2019: Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) (present) Apr. 2019: Visiting Professor, Kanagawa University of Human Services (present) Jul. 2020: Representative Director, Next Generation Fundamental Policy Research Institute (present) May 2022: Data Health Operations Advisor, Health Insurance Claims Review & Reimbursement Services (present)	(Note 4)	4.0
Director of the Board	Yuko Haga	Dec. 8, 1955	Apr. 1989: Senior Consultant, Tokyo Office, Price Waterhouse Consultants Apr. 1991: Representative, Haga Management Consulting Office (present) Jun. 2000: Director, Linkworld Co., Ltd. Feb. 2010: Director, Social Welfare Corporation Fujikenikukai (present) Apr. 2010: Visiting Professor, Department of Policy Management, Faculty of Policy Management, Shobi University Apr. 2017: Associate Professor, Graduate School of Management, NUCB Business School Mar. 2019: Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) (present) Apr. 2020: Professor, Graduate School of Management, NUCB Business School (present) Jun. 2020: Outside Director, MinebeaMitsumi Inc. (present) Jun. 2024: Outside Director, AIR WATER INC. (present)	(Note 4)	5.6

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Takashi Oyamada	Nov. 2, 1955	Apr. 1979: Joined The Mitsubishi Bank, Limited (presently MUFG Bank, Ltd.) Jan. 2006: Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (presently MUFG Bank, Ltd.) Jun. 2009: Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. May 2012: Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2013: Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2014: Representative Director, Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2015: Member of the Board of Directors, Representative Corporate Executive, Deputy President and Group COO, Mitsubishi UFJ Financial Group, Inc. Apr. 2016: Representative Director, President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. Jun. 2017: Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present) Jun. 2018: Director and Vice Chair, The Japan Institute of International Affairs (present) Jun. 2018 Chairman, The Mitsubishi Economic Research Institute (present) Dec. 2018: Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (present) Jun. 2019: Outside Director, Mitsubishi Electric Corporation Outside Director, Isetan Mitsukoshi Holdings Ltd. Mar. 2021: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	4.4
Director of the Board	Yoshihisa Suzuki	Jun. 21, 1955	Apr. 1979: Joined ITOCHU Corporation Jun. 2003: General Manager, Aerospace, Space and Electronics Division, ITOCHU Corporation Apr. 2006 Managing Executive Officer, ITOCHU Corporation Executive Vice President and CAO, ITOCHU International Inc. Apr. 2007: President and CEO, ITOCHU International Inc. Jun. 2011: Executive Vice President, JAMCO Corporation Jun. 2012: President and CEO, JAMCO Corporation Jun. 2016: Senior Managing Executive Officer, Member of the Board, ITOCHU Corporation Apr. 2018: President and Chief Operating Officer (COO), Member of the Board, ITOCHU Corporation Apr. 2020: President and Chief Operating Officer (COO), Chief Digital Officer (CDO), and Chief Information Officer (CIO), Member of the Board, ITOCHU Corporation Apr. 2021: Vice Chairman, Member of the Board, ITOCHU Corporation Mar. 2022: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present) Apr. 2022: Vice Chairman, ITOCHU Corporation Jun. 2022: Outside Director, OMRON Corporation (present) Apr. 2023: Senior Vice Representative for Business Community Relations, ITOCHU Corporation Apr. 2024: Advisory Member, ITOCHU Corporation, ITOCHU Corporation (present) Nov. 2024: Representative Director, Rolling Hills, Co., Ltd. (present)	(Note 4)	2.2

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Rumiko Nakata	Apr. 6, 1956	Apr. 1979: Joined Esso Sekiyu K.K. Apr. 1996: Center for Socio-Economic Research K.K. Apr. 2000: Joined Pfizer K.K. Dec. 2011: Head of HR and Global Operations, Pfizer K.K. Mar. 2012: Corporate Officer, Pfizer K.K. Jan. 2014: Director of the Board, Corporate Officer, Pfizer K.K. Mar. 2018: Executive Officer, in charge of Diversity & Inclusion, Mitsubishi Chemical Corporation Apr. 2019: Managing Executive Officer, Supervising – Human Resources Department, Mitsubishi Chemical Corporation Apr. 2020: Director of the Board, Managing Executive Officer, Supervising – Administration Department, Public Relations Department, Human Resources Department, Mitsubishi Chemical Corporation Apr. 2022: Director of the Board, Mitsubishi Chemical Corporation Mar. 2023: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present) Jun. 2024: Outside Director, Denka Company Limited (present)	(Note 4)	0.7
Full-time Audit & Supervisory Board Member	Hiroshi Komatsu	Oct. 13, 1962	Apr. 1986: Joined Kyowa Hakko Kogyo Co., Ltd. Feb. 2009: CFO, Hematech, Inc. Apr. 2012: Manager, Corporate Planning Department, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2015: Deputy Director, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2016: Deputy Director, General Affairs Department, and Leader, Corporate Secretariat Group, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Full-time Audit & Supervisory Board Member, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 5)	5.0
Full-time Audit & Supervisory Board Member	Hajime Kobayashi	Jul. 5, 1965	Apr. 1989: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2011: Director, General Manager, Corporate Planning Department, Interfood Shareholding Company (Vietnam) Jan. 2013: Deputy Director, Corporate Strategy, Kirin Holdings Company, Limited Apr. 2018: Head of Global Personnel Section, Personnel & General Affairs, Kirin Holdings Company, Limited Mar. 2020: General Manager, Internal Audit Department, Kirin Holdings Company, Limited Mar. 2022: Executive Officer, General Manager, Internal Audit Department, Kirin Holdings Company, Limited Mar. 2024: Outside Audit & Supervisory Board Member (Full-time), Kyowa Kirin Co., Ltd. (present)	(Note 6)	–
Audit & Supervisory Board Member	Tomomi Yatsu	May 30, 1960	Apr. 1983: Joined Tokyo Electron Ltd. Oct. 1986: Joined Deloitte Touche Tohmatsu LLC Sep. 1990: Registered as a certified public accountant Oct. 2001: Joined New Tokyo International Law Office Admitted to Tokyo Bar Association Jun. 2009: Outside Auditor, Calbee, Inc. Jun. 2010: Outside Audit & Supervisory Board Member, Taiko Pharmaceutical Co., Ltd. Mar. 2012: Outside Audit & Supervisory Board Member, KOKUYO Co., Ltd. Mar. 2015: Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd. Apr. 2015: Partner, TMI Associates Jun. 2016: Outside Director, SMBC Nikko Securities Inc. (present) Jun. 2017: Outside Audit & Supervisory Board Member, IHI Corporation Mar. 2019: Outside Corporate Auditor, Kuraray Co., Ltd. (present) Mar. 2021: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Apr. 2022: Representative, Yatsu Law & Accounting Firm (present)	(Note 7)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Audit & Supervisory Board Member	Mayumi Tamura	May 22, 1960	Apr. 1983: Joined Sony Corporation (presently Sony Group Corporation) Sep. 1991: Joined JOHNSON COMPANY, LIMITED Jul. 2002: Executive Officer, Johnson Diversey Co. Ltd. (presently CxS Corporation) Dec. 2004: CFO, adidas Japan K.K. Jun. 2007: Executive Officer, SVP and CFO, Seiyu Co., Ltd. May 2010: Executive Officer, SVP and CFO, Walmart Japan Holdings GK (presently Seiyu Holdings Co., Ltd.) Executive Officer, Senior Vice President and CFO, Seiyu GK (presently Seiyu Co., Ltd.) Jun. 2015: Outside Corporate Auditor, Honda Motor Co., Ltd. Jun. 2017: Outside Director of the Board, Honda Motor Co., Ltd. Outside Director, Hitachi High-Technologies Corporation (presently Hitachi High-Tech Corporation) Jun. 2019: Outside Director, SHIMIZU CORPORATION (present) Mar. 2022: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Jun. 2022: Outside Director, LIXIL Corporation (present)	(Note 5)	1.1
Audit & Supervisory Board Member	Toru Ishikura	Nov. 30, 1963	Apr. 1989: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2015: General Manager, Technology Management Department, Research & Development Division, Kirin Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2015: General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Mar. 2018: Executive Officer, General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Apr. 2019: Executive Officer, Vice President, Research & Development Division and General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Holdings Company, Limited Mar. 2020: Director of the Board, KYOWA HAKKO BIO CO. LTD. Apr. 2020: Executive Officer, General Manager, Health Business Strategy Office, Corporate Strategy Department, Kirin Holdings Company, Limited Apr. 2022: Executive Officer, General Manager, Health Science Business Department, Health Science Business Division, Kirin Holdings Company, Limited Mar. 2023: Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Company Auditor (Full-time), Kirin Holdings Company, Limited (present)	(Note 8)	–
Total					245.2

Notes: 1. Of the members of Directors of the Board, Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata are Outside Directors.

2. Full-time Audit & Supervisory Board Member, Mr. Hajime Kobayashi, and Audit & Supervisory Board Members, Mses. Tomomi Yatsu and Mayumi Tamura, are Outside Audit & Supervisory Board Members.

3. The Company has introduced the executive officer system. Representative Director and Directors (excluding Mr. Shinjiro Akieda, Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata) concurrently serve as Executive Officers, and there are 18 Executive Officers who are not concurrent officers, as follows.

Managing Executive Officer	Hiroshi Sonekawa	Vice President, Head of Sales & Marketing Division
Managing Executive Officer	Motohiko Kawaguchi	Chief Financial Officer (CFO)
Managing Executive Officer	Abdul Mullick	Chief International Business Officer (CIBO)
Managing Executive Officer	Yasuo Fujii	Chief Strategy Officer (CSO)
Executive Officer	Fumihiko Kanai	Responsible for ERP introduction
Executive Officer	Yoshifumi Torii	Vice President, Head of Research Division
Executive Officer	Hiroki Takamatsu	Vice President, Head of Quality Assurance Division
Executive Officer	Tomohiro Sudo	Director, Global Product Strategy Department
Executive Officer	Kenji Shibata	Director, Internal Audit Department
Executive Officer	Shoko Itagaki	Chief People Officer (CPO)
Executive Officer	Toshiyuki Kurata	Chief Supply Chain Officer (CSCO), Head of Production Division
Executive Officer	Atsushi Matsumoto	Director, Supply Chain Management Department
Executive Officer	Yoshiko Mori	Director, Corporate Social Responsibility Management Department
Executive Officer	Yuichi Kawasaki	Director, Product Strategy Department
Executive Officer	Koichi Nagano	Head of Tokyo Branch, Sales & Marketing Division
Executive Officer	Takefumi Matsushita	Director, Corporate Planning Department
Executive Officer	Katsuyoshi Tsukii	Vice President, Head of Development Division
Executive Officer	Tadashi Yamaguchi	Director, Marketing Department, Sales & Marketing Division

4. From the 101st Ordinary General Meeting of Shareholders held on March 22, 2024 to the conclusion of the 102nd Ordinary General Meeting of Shareholders
5. From the 99th Ordinary General Meeting of Shareholders held on March 25, 2022 to the conclusion of the 103rd Ordinary General Meeting of Shareholders
6. From the 101st Ordinary General Meeting of Shareholders held on March 22, 2024 to the conclusion of the 105th Ordinary General Meeting of Shareholders
7. From the 98th Ordinary General Meeting of Shareholders held on March 24, 2021 to the conclusion of the 102nd Ordinary General Meeting of Shareholders
8. From the 100th Ordinary General Meeting of Shareholders held on March 24, 2023 to the conclusion of the 104th Ordinary General Meeting of Shareholders
9. The number of shares held represents figures as of December 31, 2024.
10. Kirin Company, Limited was merged, by absorption-type merger, into Kirin Holdings Company, Limited, the Company’s parent company, on July 1, 2019.
11. The name of Ms. Yuko Haga, Director, in her family register is Yuko Hayashi.

2. The Company proposes “Election of nine (9) Directors of the Board” and “Election of one (1) Audit & Supervisory Board Member” as agenda (matters to be resolved) to the Ordinary General Meeting of Shareholders to be held on March 19, 2025. If the proposals are approved and adopted, the status of Directors and Audit & Supervisory Board Members will be as follows. The details of matters to be resolved at the Board of Directors scheduled to be held immediately after the Ordinary General Meeting of Shareholders (title, positions, etc.) are also included and shown below.

Male: 10, Female: 4 (Percentage of female officers: 28.6%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Representative Director, Chairman Chief Executive Officer (CEO)	Masashi Miyamoto	Jul. 16, 1959	Apr. 1985: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2011: Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Mar. 2012: Executive Officer, Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Jul. 2014: Executive Officer, Director, Strategic Product Portfolio Department and Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Director of the Board, Managing Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2017: Director of the Board, Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Executive Director of the Board, President and Chief Operating Officer, Kyowa Hakko Kirin Co., Ltd. Apr. 2024: Executive Director of the Board, President and Chief Executive Officer (CEO), Kyowa Kirin Co., Ltd. (present) Mar. 2025: Representative Director Chairman and Chief Executive Officer (), Kyowa Kirin Co., Ltd. (scheduled)	(Note 4)	112.7
Representative Director, President, and Chief Executive Officer Chief Operating Officer (COO)	Abdul Mullick	May 14, 1967	Jan. 1999: Global Marketing Director, Diabetes, Hoechst Marion Roussel Ltd. (presently Sanofi-Aventis Pharma AG) Jan. 2005: Senior Global Brand Director, Diabetes, Novartis Pharma AG Dec. 2007: EMEA Business Unit Head, Genzyme Corp. Jan. 2009: Vice President Commercial Operations – Japan, Asia-Pac, Australia & China, Genzyme Corp. Jan. 2011: Vice President, Head of Global Marketing, Rare Diseases, Genzyme Corp. Jul. 2013: Vice President & General Manager, Endocrinology and Cardiology, Rare Diseases, Genzyme USA Sep. 2014: Executive Vice President, Head of Global Marketing, Vifor Pharma Ltd Mar. 2018: Executive Vice President, Rare Disease Head, Kyowa Kirin International plc Apr. 2019: President, Kyowa Kirin International plc Jan. 2023: Managing Executive Officer, Vice Chief International Business Officer, Kyowa Kirin Co., Ltd. Mar. 2023: Managing Executive Officer, Director, Chief International Business Officer, Kyowa Kirin Co., Ltd. Apr. 2024: Managing Executive Officer, Chief International Business Officer (CIBO), Kyowa Kirin Co., Ltd. (present) Mar. 2025: Representative Director and President, Chief Operating Officer (COO), Kyowa Kirin Co., Ltd. (scheduled)	(Note 4)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board, Executive Vice President Chief Medical Officer (CMO)	Takeyoshi Yamashita	Nov. 30, 1961	Apr. 1987: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2010: Director, Innovative Drug Discovery Laboratories, Research Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2012: Director, Research Planning Department, Research Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2014: Director, Research Core Function Laboratories, Research Functions Unit, R&D Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Executive Officer, Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2019: Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co, Ltd. Mar. 2021: Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Kirin Co., Ltd. Apr. 2022: Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Mar. 2023: Director of the Board, Senior Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Apr. 2023: Director of the Board, Senior Managing Executive Officer, Kyowa Kirin Co., Ltd. Apr. 2024: Director of the Board, Senior Managing Executive Officer, Chief Medical Officer (CMO), Kyowa Kirin Co., Ltd. (present) Mar. 2025: Director of the Board, Executive Vice President, Chief Medical Officer (CMO), Kyowa Kirin Co., Ltd. (scheduled)	(Note 4)	33.1
Director of the Board	Daisuke Fujiwara	Oct. 1, 1970	Apr. 1995: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Nov. 1999: Received Ph.D. (Agriculture) Feb. 2005: Visiting Researcher, RIKEN Research Center for Allergy and Immunology Sep. 2005: Postdoctoral Fellow, David Geffen School of Medicine at UCLA (USA) Nov. 2007: Senior Researcher, Central Laboratories for Key Technologies, Kirin Holdings Company, Limited May 2014: Part-time Lecturer, Graduate School of Agricultural and Life Sciences, The University of Tokyo (present) Mar. 2021: General Manager, Health Science Department, Kirin Holdings Company, Limited Mar. 2023: Executive Officer and General Manager, Institute of Health Sciences, Kirin Holdings Company, Limited (present) Mar. 2025: Director of the Board, Kyowa Kirin Co., Ltd. (scheduled) Senior Executive Officer, Head of Research & Development Division, Kirin Holdings Company, Limited (scheduled)	(Note 4)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Takashi Oyamada	Nov. 2, 1955	Apr. 1979: Joined The Mitsubishi Bank, Limited (presently MUFG Bank, Ltd.) Jan. 2006: Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (presently MUFG Bank, Ltd.) Jun. 2009: Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. May 2012: Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2013: Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2014: Representative Director, Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2015: Member of the Board of Directors, Representative Corporate Executive, Deputy President and Group COO, Mitsubishi UFJ Financial Group, Inc. Apr. 2016: Representative Director, President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. Jun. 2017: Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present) Jun. 2018: Director and Vice Chair, The Japan Institute of International Affairs (present) Jun. 2018 Chairman, The Mitsubishi Economic Research Institute (present) Dec. 2018: Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (present) Jun. 2019: Outside Director, Mitsubishi Electric Corporation Outside Director, Isetan Mitsukoshi Holdings Ltd. Mar. 2021: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	4.4
Director of the Board	Yoshihisa Suzuki	Jun. 21, 1955	Apr. 1979: Joined ITOCHU Corporation Jun. 2003: General Manager, Aerospace, Space and Electronics Division, ITOCHU Corporation Apr. 2006 Managing Executive Officer, ITOCHU Corporation Executive Vice President and CAO, ITOCHU International Inc. Apr. 2007: President and CEO, ITOCHU International Inc. Jun. 2011: Executive Vice President, JAMCO Corporation Jun. 2012: President and CEO, JAMCO Corporation Jun. 2016: Senior Managing Executive Officer, Member of the Board, ITOCHU Corporation Apr. 2018: President and Chief Operating Officer (COO), Member of the Board, ITOCHU Corporation Apr. 2020: President and Chief Operating Officer (COO), Chief Digital Officer (CDO), and Chief Information Officer (CIO), Member of the Board, ITOCHU Corporation Apr. 2021: Vice Chairman, Member of the Board, ITOCHU Corporation Mar. 2022: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present) Apr. 2022: Vice Chairman, ITOCHU Corporation Jun. 2022: Outside Director, OMRON Corporation (present) Apr. 2023: Senior Vice Representative for Business Community Relations, ITOCHU Corporation Apr. 2024: Advisory Member, ITOCHU Corporation (present) Nov. 2024: Representative Director, Rolling Hills, Co., Ltd. (present)	(Note 4)	2.2

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Rumiko Nakata	Apr. 6, 1956	Apr. 1979: Joined Esso Sekiyu K.K. Apr. 1996: Center for Socio-Economic Research K.K. Apr. 2000: Joined Pfizer K.K. Dec. 2011: Head of HR and Global Operations, Pfizer K.K. Mar. 2012: Corporate Officer, Pfizer K.K. Jan. 2014: Director of the Board, Corporate Officer, Pfizer K.K. Mar. 2018: Executive Officer, in charge of Diversity & Inclusion, Mitsubishi Chemical Corporation Apr. 2019: Managing Executive Officer, Supervising – Human Resources Department, Mitsubishi Chemical Corporation Apr. 2020: Director of the Board, Managing Executive Officer, Supervising – Administration Department, Public Relations Department, Human Resources Department, Mitsubishi Chemical Corporation Apr. 2022: Director of the Board, Mitsubishi Chemical Corporation Mar. 2023: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present) Jun. 2024: Outside Director, Denka Company Limited (present)	(Note 4)	0.7
Director of the Board	Hiroshi Kanno	Nov. 14, 1958	Apr. 1983: Joined Nikken Sekkei Ltd. Aug. 1991: Boston Consulting Group, Inc. (presently Boston Consulting Group, LLC) Jan. 2000: Partner & Managing Director, Boston Consulting Group, Inc. Jul. 2008: Professor, Hitotsubashi University Graduate School of International Corporate Strategy Jun. 2011: Outside Director, OMRON Healthcare Co., Ltd. Apr. 2012: Dean, Hitotsubashi University Graduate School of International Corporate Strategy Oct. 2012: Outside Director, Japan Display Inc. Jun. 2014: Outside Director, WOWOW Inc. Jun. 2015: Outside Auditor, STANLEY ELECTRIC Co., Ltd. Mar. 2016: Outside Director, MODEC, Inc. Sep. 2016: Professor, Waseda Business School (Graduate School of Business and Finance) (present) Dec. 2016: Director, Unicharm Kyoshin Foundation (present) Sep. 2017: Outside Director, ERI Holdings Co., Ltd. Sep. 2018: Director, Waseda University Institute for Business and Finance (present) Apr. 2020: Visiting Professor, The Open University of Japan (present) Jul. 2022: Outside Director, Laboro.AI Inc. (present) Feb. 2023: Visiting Professor, School of Business, Aalto University (Finland) Mar. 2025: Outside Director of the Board, Kyowa Kirin Co., Ltd. (scheduled)	(Note 4)	–
Director of the Board	Yukiko Ito	Sep. 16, 1978	Apr. 2006: Assistant Professor, Faculty of Economics, Tokyo Keizai University Apr. 2009: Associate Professor, Department of Economics, Faculty of Humanities and Social Sciences, Tokyo Gakugei University Jul. 2015: Committee member, Committee for the Promotion of Integrated Economic and Fiscal Reforms, Cabinet Office (present) Apr. 2018: Professor, College of Policy Studies, Tsuda University (present) Jul. 2018: Subcommittee Member, Pharmaceuticals and Medical Devices System, Health Sciences Council, Ministry of Health, Labor and Welfare (present) Apr. 2024: Director, Japan Community Healthcare Organization (present) Jun. 2024: Director, Pfizer Health Research Foundation (present) Mar. 2025: Outside Director of the Board, Kyowa Kirin Co., Ltd. (scheduled)	(Note 4)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Full-time Audit & Supervisory Board Member	Hiroshi Komatsu	Oct. 13, 1962	Apr. 1986: Joined Kyowa Hakko Kogyo Co., Ltd. Feb. 2009: CFO, Hematech, Inc. Apr. 2012: Manager, Corporate Planning Department, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2015: Deputy Director, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2016: Deputy Director, General Affairs Department, and Leader, Corporate Secretariat Group, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Full-time Audit & Supervisory Board Member, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 5)	5.0
Full-time Audit & Supervisory Board Member	Hajime Kobayashi	Jul. 5, 1965	Apr. 1989: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2011: Director, General Manager, Corporate Planning Department, Interfood Shareholding Company (Vietnam) Jan. 2013: Deputy Director, Corporate Strategy, Kirin Holdings Company, Limited Apr. 2018: Head of Global Personnel Section, Personnel & General Affairs, Kirin Holdings Company, Limited Mar. 2020: General Manager, Internal Audit Department, Kirin Holdings Company, Limited Mar. 2022: Executive Officer, General Manager, Internal Audit Department, Kirin Holdings Company, Limited Mar. 2024: Outside Audit & Supervisory Board Member (Full-time), Kyowa Kirin Co., Ltd. (present)	(Note 6)	–
Audit & Supervisory Board Member	Mayumi Tamura	May 22, 1960	Apr. 1983: Joined Sony Corporation (presently Sony Group Corporation) Sep. 1991: Joined JOHNSON COMPANY, LIMITED Jul. 2002: Executive Officer, Johnson Diversey Co. Ltd. (presently CxS Corporation) Dec. 2004: CFO, adidas Japan K.K. Jun. 2007: Executive Officer, SVP and CFO, Seiyu GK May 2010: Executive Officer, SVP and CFO, Walmart Japan Holdings GK (presently Seiyu Holdings Co., Ltd.) Executive Officer, Senior Vice President and CFO, Seiyu KK (presently Seiyu GK) Jun. 2015: Outside Corporate Auditor, Honda Motor Co., Ltd. Jun. 2017: Outside Director of the Board, Honda Motor Co., Ltd. Outside Director, Hitachi High-Technologies Corporation (presently Hitachi High-Tech Corporation) Jun. 2019: Outside Director, SHIMIZU CORPORATION (present) Mar. 2022: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Jun. 2022: Outside Director, LIXIL Corporation (present)	(Note 5)	1.1
Audit & Supervisory Board Member	Toru Ishikura	Nov. 30, 1963	Apr. 1989: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2015: General Manager, Technology Management Department, Research & Development Division, Kirin Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2015: General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Mar. 2018: Executive Officer, General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Apr. 2019: Executive Officer, Vice President, Research & Development Division and General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Holdings Company, Limited Mar. 2020: Director of the Board, KYOWA HAKKO BIO CO. LTD. Apr. 2020: Executive Officer, General Manager, Health Business Strategy Office, Corporate Strategy Department, Kirin Holdings Company, Limited Apr. 2022: Executive Officer, General Manager, Health Science Business Department, Health Science Business Division, Kirin Holdings Company, Limited Mar. 2023: Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Company Auditor (Full-time), Kirin Holdings Company, Limited (present)	(Note 7)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Audit & Supervisory Board Member	Yoko Wachi	Apr. 29, 1960	Apr. 1989: Joined Kajitani Law Offices 0 shares Admitted in Japan (Dai-Ichi Tokyo Bar Association) Apr. 2006: Domestic Relations Conciliation Commissioner, Tokyo Family Court (present) Jun. 2015: Outside Audit & Supervisory Board Member, NICHIAS Corporation Mar. 2016: Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. Jan. 2019: Partner, Kajitani Law Offices (present) Apr. 2019: Vice President of the Tokyo Association of Family Conciliations Jun. 2019: Outside Director, NICHIAS Corporation (present) Jun. 2023: Outside Director, S.T. CORPORATION (present) Mar. 2025: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (scheduled)	(Note 8)	–
Total					159.2

Notes:
1. Of the members of Directors of the Board, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, Ms. Rumiko Nakata, Mr. Hiroshi Kanno, and Ms. Yukiko Ito are Outside Directors.
2. Full-time Audit & Supervisory Board Member, Mr. Hajime Kobayashi, and Audit & Supervisory Board Members, Mses. Mayumi Tamura and Yoko Wachi, are Outside Audit & Supervisory Board Members.
3. The Company has introduced the executive officer system. Representative Director and Directors (excluding Mr. Daisuke Fujiwara, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, Ms. Rumiko Nakata, Mr. Hiroshi Kanno and Ms. Yukiko Ito) concurrently serve as Executive Officers, and there will be 20 Executive Officers who are not concurrent officers, as follows.

Managing Executive Officer	Hiroshi Sonekawa	Vice President, Head of Sales & Marketing Division
Managing Executive Officer	Motohiko Kawaguchi	Chief Financial Officer (CFO)
Managing Executive Officer	Yasuo Fujii	Chief Strategy Officer (CSO)
Managing Executive Officer	Tomohiro Sudo	Chief International Business Officer (CIBO)
Managing Executive Officer	Shoko Itagaki	Chief People Officer (CPO)
Managing Executive Officer	Toshiyuki Kurata	Chief Supply Chain Officer (CSCO), Head of Production Division
Managing Executive Officer	Yoshiko Mori	Chief Compliance Officer (CCO)
Executive Officer	Fumihiko Kanai	Responsible for ERP introduction
Executive Officer	Yoshifumi Torii	Vice President, Head of Research Division
Executive Officer	Hiroki Takamatsu	Vice President, Head of Quality Assurance Division
Executive Officer	Kenji Shibata	Director, Internal Audit Department
Executive Officer	Atsushi Matsumoto	Director, Supply Chain Management Department
Executive Officer	Yuichi Kawasaki	Director, Product Strategy Department
Executive Officer	Koichi Nagano	Head of Tokyo Branch, Sales & Marketing Division
Executive Officer	Takefumi Matsushita	Director, Corporate Strategy & Planning Department
Executive Officer	Katsuyoshi Tsukii	Vice President, Head of Development Division
Executive Officer	Tadashi Yamaguchi	Director, Marketing Department, Sales & Marketing Division
Executive Officer	Ikuko Okubo	Director, Intellectual Property Department
Executive Officer	Naohiko Kubo	Director, Finance Department
Executive Officer	Hideaki Matsumoto	Director, Global Product Strategy Department

4. From the 102nd Ordinary General Meeting of Shareholders held on March 19, 2025 to the conclusion of the 103rd Ordinary General Meeting of Shareholders
5. From the 99th Ordinary General Meeting of Shareholders held on March 25, 2022 to the conclusion of the 103rd Ordinary General Meeting of Shareholders
6. From the 101st Ordinary General Meeting of Shareholders held on March 22, 2024 to the conclusion of the 105th Ordinary General Meeting of Shareholders
7. From the 100th Ordinary General Meeting of Shareholders held on March 24, 2023 to the conclusion of the 104th Ordinary General Meeting of Shareholders
8. From the 102nd Ordinary General Meeting of Shareholders held on March 19, 2025 to the conclusion of the 106th Ordinary General Meeting of Shareholders
9. The number of shares held represents figures as of December 31, 2024.

10. Kirin Company, Limited was merged, by absorption-type merger, into Kirin Holdings Company, Limited, the Company's parent company, on July 1, 2019.
11. The name of Ms. Yukiko Ito, Director, in her family register is Yukiko Yasufuku.

(Reference) Skills matrix of the Company's Board of Directors

The Company makes its Board of Directors consist of diverse human resources with various skills (such as knowledge and experience) in light of the direction of management over the medium- to long-term and the business strategy to ensure that the Board of Directors fulfills its decision-making function and management supervisory function appropriately and maintains a more highly transparent governance system.

If proposals (matters to be resolved) "Election of nine (9) Directors of the Board" and "Election of one (1) Audit & Supervisory Board Member" are approved and adopted at the Ordinary General Meeting of Shareholders to be held on March 19, 2025, the composition of the Board of Directors and skills possessed by each Director and Audit & Supervisory Board Member will be as follows:

					Professional skills									
	Name	Independent Outside	Chairman of meetings of the Board of Directors	Nomination & Remuneration Consultative Committee	Corporate management Business strategy	Global business	Finance, accounting, and banking	Legal, governmental affairs and compliance	Human resources and labor	Healthcare	R&D	Production and SCM	IT・DX	Sustainability
Director of the Board	Masashi Miyamoto			○	○	○		○		○	○			
	Abdul Mullick			○	○	○		○		○				
	Takeyoshi Yamashita			○	○	○		○		○	○		○	○
	Daisuke Fujiwara									○	○			○
	Takashi Oyamada	○		Chairperson	○	○	○		○					
	Yoshihisa Suzuki	○	○	○	○	○					○	○	○	
	Rumiko Nakata	○		○					○	○				
	Hiroshi Kanno	○		○	○	○				○	○	○		
	Yukiko Ito	○		○				○		○			○	
Audit & Supervisory Board Member	Hiroshi Komatsu				○	○	○			○				
	Hajime Kobayashi					○	○		○					
	Mayumi Tamura	○		○	○	○	○							
	Toru Ishikura									○	○	○		○
	Yoko Wachi	○		○			○	○		○				

(ii) Outside Directors and Outside Audit & Supervisory Board Members

(Personal, capital, business, or other relationships with the Company)

None of the five Outside Directors of the Company as of March 11, 2025 (Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata) have personal, capital, or business relationships or any other special interests with the Company.

Of the three Outside Audit & Supervisory Board Members of the Company as of March 11, 2025 (Mr. Hajime Kobayashi, Ms. Tomomi Yatsu, and Ms. Mayumi Tamura), Mr. Hajime Kobayashi is a person who formerly executed business at Kirin Holdings Company, Limited. Neither Ms. Tomomi Yatsu nor Ms. Mayumi Tamura have any personal, capital, or business relationships or any other special interests with the Company.

Holdings of shares of the Company by Outside Directors and Outside Audit & Supervisory Board Members are as described in “Number of shares held” of “(2) Directors and Audit & Supervisory Board Members (i) List of Directors and Audit & Supervisory Board Members.”

(Functions and roles performed in corporate governance)

Outside Directors of the Company have diverse backgrounds, expertise, and experience. They make use of their wealth of experience and knowledge for the Company’s management, and perform the function of supervising the Company’s management from an objective and fair standpoint.

Outside Audit & Supervisory Board Members of the Company strive to ensure reliable and sound management by conducting audits of our corporate management, making use of their expertise, insights, experience, etc., from an objective and neutral standpoint.

(Details of criteria or policies regarding the independence)

“Criteria for the Independence of Outside Directors and Outside Audit & Supervisory Board Members” (as amended on December 1, 2020) have the following provisions:

In order for Outside Directors and Outside Audit & Supervisory Board Members of the Company to be judged as being independent, such Outside Directors and Outside Audit & Supervisory Board Members must, in addition to satisfying the requirements of an Outside Director and Outside Audit & Supervisory Board Member provided for under the Companies Act, not fall under any of the following items:

(i) Executive director (gyomushikko torishimariyaku), executive officer (shikkoyakuin), manager (shihainin), or other employee of the Company or a subsidiary of the Company

(ii) Director (torishimariyaku), Audit & Supervisory Board Member (kansayaku), executive officer, manager, or other employee of a parent company or fellow subsidiary of the Company
“Fellow subsidiary” refers to another company that has the same parent company as the Company.

(iii) Director, Audit & Supervisory Board Member, corporate officer (shikkoyaku), executive officer, manager, or other employee of a major shareholder of the Company (excluding a parent company of the Company)
“Major shareholder” refers to a shareholder who holds 10% or more of voting rights.

(iv) Director, Audit & Supervisory Board Member, accounting advisor (kaikeisanyo), corporate officer, executive officer, manager, or other employee of a company of which the Company is a major shareholder (excluding a subsidiary of the Company)

(v) Person whose major business counterparty is the Company or a subsidiary of the Company
“Person whose major business counterparty is the Company or a subsidiary of the Company” refers to a person who receives or makes payments from or to the Company or a subsidiary of the Company of 2% or more of that person’s annual total net sales in the most recent fiscal year.

(vi) Executive director, corporate officer, executive officer, manager, or other employee of a company, or a subsidiary of a company, whose major business counterparty is the Company or a subsidiary of the Company
“Company, or a subsidiary of the Company, whose major business counterparty is the Company or a subsidiary of the Company” refers to a company, or a subsidiary of a company, which receives or makes payments from or to the Company or a subsidiary of the Company of 2% or more of that company’s annual consolidated net sales in the most recent fiscal year.

(vii) Person who is a major business counterparty of the Company or a subsidiary of the Company
“Person who is a major business counterparty of the Company or a subsidiary of the Company” refers to a person who receives or makes payments from or to the Company or a subsidiary of the Company of 2% or more of the Company’s annual consolidated net sales in the most recent fiscal year.

(viii) Executive director, corporate officer, executive officer, manager, or other employee of a company, or a subsidiary of a company, who is a major business counterparty of the Company or a subsidiary of the Company
“Company, or its subsidiary, who is a major business counterparty of the Company or a subsidiary of the Company” refers to a company, or a subsidiary of a company, which receives or makes payments from or to the Company or a subsidiary of the Company of 2% or more of the Company’s annual consolidated net sales in the most recent fiscal year.

(ix) Certified public accountant (or certified public tax accountant), or member, partner, or employee of audit firm (or tax accounting firm), that is the accounting auditor or accounting advisor of the Company or a subsidiary of the Company

(x) Attorney-at-law, certified public accountant, certified public tax accountant, or consultant, etc. who, excluding the remuneration received as a director or Audit & Supervisory Board Member, receives ¥10 million or more per year on average during the past three years of monetary consideration or other property benefits from the Company or a subsidiary of the Company

(xi) Member, partner, or employee of a corporation, association, or other organization such as law firm, audit firm, tax accounting firm, or consulting firm that receives monetary consideration or other property benefits of more than a certain amount from the Company or a subsidiary of the Company

In this item, a corporation, association, or other organization above receives “more than a certain amount” when such organization, etc. receives 2% or more on average of the total net sales (total revenue) of the organization, etc. per year during the past three years.

(xii) Director, Audit & Supervisory Board Member, accounting advisor, corporate officer, executive officer, manager, or other employee of a financial institution or other large creditor that is essential to the financing of the Company, or a subsidiary of the Company, with a level of dependence to the degree that there is no substitute.

(xiii) Director or other person who executes business in a corporation, association, or other organization which receives donations or subsidies from the Company or a subsidiary of the Company exceeding a certain amount
In this item, a corporation, association, or other organization receives “more than a certain amount” when such organization, etc. receives, during the past three years, more than (i) ¥10 million per year on average or (ii) 30% on average of the annual total expenses of the organization, etc., whichever is higher.

(xiv) Director, Audit & Supervisory Board Member, accounting advisor, corporate officer, or executive officer of a company or its subsidiary that has accepted a person from the Company or a subsidiary of the Company as a director (serving at that company on either a full-time or part-time basis)

(xv) Person who has come under a category listed in either of items (i) and (ii) in the past ten years

(xvi) Person who has come under a category listed in item (iii) in the past five years

(xvii) Person who has come under a category listed in any of items (v) through (xiii) in the past three years

(xviii) Spouse or first- to second-degree relative, or other relative sharing the same residence of any person who has come under a category listed in any of items (ii) through (xvii); provided, however, that any mention of “manager or other employee” shall be deemed to be replaced with “manager or other important employee.”

(xix) Spouse, first- to second-degree relative, or other relative sharing same residence of a Director, executive officer, manager, or other important employee of the Company, or a subsidiary of the Company.

(xx) Spouse, first- to second-degree relative, or other relative sharing the same residence of a Director, executive officer, or other important employee of the Company or a subsidiary of the Company in the past five years

(xxi) Other than the above, a person that might cause a conflict of interest with general shareholders and for whom it is reasonably judged that there are circumstances suggesting that the person cannot fulfill the duties as an Outside Director or Outside Audit & Supervisory Board Member.

(The Company’s view on the current status of appointment)

The Company appoints Outside Directors and Outside Audit & Supervisory Board Members with diverse backgrounds, expertise, and experience, and thus secures the system capable of objectively and fairly supervising and auditing the Company’s management from an independent standpoint. We believe that this approach results in increasing transparency of the corporate management and strengthening the function of monitoring the management.

With respect to the requirements for securing independence, we established our own “Criteria for the Independence of Outside Directors and Outside Audit & Supervisory Board Members” to secure the independence from our Group, taking reference from the provision on independent officers stipulated in the “Enforcement Rules for Securities Listing Regulations” of the Tokyo Stock Exchange (TSE), as well as the “Model standards for appointing independent directors in rules of the Board of Directors” developed by the Japan Association of Corporate Directors in 2011. According to the Criteria, as of March 11, 2025, we designated seven persons (five Outside Directors: Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata; two Outside Audit & Supervisory Board Members: Ms. Tomomi Yatsu and Ms. Mayumi Tamura) as independent officers defined in the “Securities Listing Regulations” of the TSE, and notified the TSE of the matter. In addition, the Company has also notified the TSE that it would designate Mr. Hiroshi Kanno and Ms. Yukiko Ito, candidates for Outside Directors, and Ms. Yoko Wachi, a candidate for Outside Audit & Supervisory Board Member, as independent officers defined in the said regulations if they are elected as originally proposed at the Ordinary General Meeting of Shareholders to be held on March 19, 2025.

(iii) Mutual cooperation between supervision or audit by Outside Directors or Outside Audit & Supervisory Board Members, and internal audit, audit by Audit & Supervisory Board Members and the Accounting Auditor, and relationship with internal control departments

Outside Directors receive internal audit reports through the attendance at Board of Directors and provide opinions based on the information exchange with the Audit & Supervisory Board, reports from the Accounting Auditor, and other activities. Thus, they fulfill supervisory functions on the performance of duties by Directors in coordination with these audits. They also strive to ensure appropriate execution of operations through providing opinions and advice as a member of the Board to operate internal control departments.

In accordance with the audit policy developed at the Audit & Supervisory Board, assignment of duties, etc., Outside Audit & Supervisory Board Members audit the execution of duties by Directors through the attendance at the Board of Directors and other important meetings, investigation of the status of operations and assets, and other activities. They also strive for mutual cooperation by exchanging information and consulting with the Accounting Auditor, the Internal Audit Department, and internal control departments to enhance the audit function.

(3) Audits

(i) Audits by Audit & Supervisory Board Members

a. Organization and personnel

As of March 11, 2025, the Audit & Supervisory Board consists of five members (including three outside members; three males and two females).

Mr. Hiroshi Komatsu (full-time Audit & Supervisory Board Member), Mr. Hajime Kobayashi (full-time Outside Audit & Supervisory Board Member), and Ms. Mayumi Tamura (Outside Audit & Supervisory Board Member) have experience in accounting and finance divisions of business corporations, and Ms. Tomomi Yatsu (Outside Audit & Supervisory Board Member) is a certified public accountant. Thus, each of them has considerable knowledge of accounting and finance.

In order to strengthen the audit function of Audit & Supervisory Board Members, the Company has appointed employees dedicated to assisting duties of Audit & Supervisory Board Members independent of the execution of operations.

b. Activities of the Audit & Supervisory Board

In fiscal 2024, the Audit & Supervisory Board met 13 times. Attendance of each Audit & Supervisory Board Member is as follows:

Name	Position	Attendance rate
Hiroshi Komatsu	Full-time Audit & Supervisory Board Member	100% 13/13
Masaki Ueno	Outside Audit & Supervisory Board Member (Full-time)	100% 3/3
Hajime Kobayashi	Outside Audit & Supervisory Board Member (Full-time)	100% 10/10
Tomomi Yatsu	Outside Audit & Supervisory Board Member	100% 13/13
Mayumi Tamura	Outside Audit & Supervisory Board Member	100% 13/13
Toru Ishikura	Audit & Supervisory Board Member	100% 13/13

Notes: 1. The number of meetings held and the attendance for Mr. Masaki Ueno include only the number Audit & Supervisory Board meetings held in the current fiscal year before his retirement on March 22, 2024. Note that his stated title and position refers to his title at the time of his retirement.

2. The number of meetings held and the attendance for Mr. Hajime Kobayashi include only the number of Audit & Supervisory Board meetings held in the current fiscal year after his appointment on March 22, 2024.

Major matters to be examined and reported by the Audit & Supervisory Board are as follows.

	Specific matters
Matters to be resolved or discussed	Audit policy, audit plans, and assignment of duties Adequacy of methods and results of audits by the Accounting Auditor Evaluation, reappointment/non-reappointment of Accounting Auditor Consent to audit remuneration for Accounting Auditor Audit report of the Audit & Supervisory Board Investigation of proposals and documents submitted to the General Meeting of Shareholders Consent to the appointment of Audit & Supervisory Board Member, remuneration of Audit & Supervisory Board Member, etc.
Matters to be reported or shared	Status of development and operation of internal control system Execution of duties of and audit report by each Audit & Supervisory Board Member Matters to be discussed at the Board of Directors, content of important meetings such as Global Executive Committee, Executive Committee, etc. Content of important approval documents Comments in interviews, on-site audits, etc.

c. Activities of Audit & Supervisory Board Members

In compliance with the audit standards established by the Audit & Supervisory Board, the Company's Audit & Supervisory Board Members audit the execution of duties by Directors through the following activities, and strive to enhance the audit function in accordance with the audit policy, audit plans, assignment of duties, etc. Appropriate audits in accordance with the audit plans were ensured by gathering information for analysis and consideration through various methods such as face-to-face meetings, visit to the workplace, and web conference system.

Major activities	
Attendance at the Board of Directors and statement of opinions	
Attendance at important meetings, inspection of meeting materials, minutes, and other documents	The Global Executive Committee, the Executive Committee, the Group CSR Committee, the Group Information Disclosure Committee, the Global Quality Assurance Committee, and the Group Financial Management Committee, etc. (full-time Audit & Supervisory Board Members).
Inspection of important approval documents, etc.	
Regular meetings with Representative Director, etc. (four times a year)	
Listening to reports of execution of their duties	Interview with CxO, Head of each Division, and General Managers of Head Office (full-time Audit & Supervisory Board Members, partly by part-time Audit & Supervisory Board Members)
	Onsite audits with major workplaces (branch offices, plants, research laboratories) and group companies in Japan and overseas ((full-time Audit & Supervisory Board Members, partly by part-time Audit & Supervisory Board Members)
Coordination with the Internal Audit Department	Reports on internal audit plans and results (including reports as Audit & Supervisory Board Members of Group companies), regular information sharing and exchange of opinions (full-time Audit & Supervisory Board Members: monthly, part-time Audit & Supervisory Board Members: quarterly)
Coordination with the Accounting Auditor	Explanations and reports on audit plans, results of audits and interim reviews, internal control audit (J-SOX) results, etc., progress reports for key audit matters (KAM), and information sharing and exchange of opinions
	Sharing of topics on accounting audits and audit information and exchange of opinions

(ii) Internal audits

a. Organization, personnel, and procedures of internal audits

The Company has established the Internal Audit Department as the third line for internal control, and has assigned 19 employees to the department (as of December 31, 2024). The Internal Audit Department assesses the performance of various management activities related to governance, risk management, and control processes within the Group in terms of their legality and rationality, from a fair and independent standpoint, and provides advice and recommendations. Audit results are reported to the Representative Director, Executive Vice President when they become available, and also to the Representative Director & President, the Board of Directors, and the Audit & Supervisory Board on a regular basis. To maintain and improve the quality of auditing activities, in addition to efforts of the Internal Audit Department for assessing and improving quality, it continuously conducts such improvement activities as employing external assessments. Furthermore, the Internal Audit Department also assesses the status of developing/implementing internal control to ensure the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.

b. Mutual cooperation between internal audit, audit by Audit & Supervisory Board Members and accounting audit, and relationship with internal control departments

The Internal Audit Department and Audit & Supervisory Board Members collaborate by mutually sharing their audit plans and audit results, and exchanging opinions as needed. The Department exchanges opinions with the accounting auditor concerning the status of developing/implementing internal control to ensure the reliability of financial reports as needed, make necessary improvements, and regularly exchange information regarding important audit results, etc.

Through these activities, the Internal Audit Department contributes to improving the effectiveness and efficiency of the Group's internal control system.

(iii) Accounting audits

a. Name of the audit firm
KPMG AZSA LLC

b. Consecutive auditing period
Seven years

c. Certified public accountants who executed audit duties
Mr. Isao Kamizuka (two years of continuous auditing)
Mr. Nobuyuki Ishii (seven years of continuous auditing)
Mr. Hiroaki Iwasaki (one year of continuous auditing)

d. Composition of assistants who supported audit duties
Assistants who have supported audit duties consist of 14 certified public accountants, 6 persons who have passed the certified public accountant exam, and 33 others.

e. Policy and reasons for selecting an audit firm
The Audit & Supervisory Board has set the “policy for determining appointment/removal of the Accounting Auditor,” “matters to be confirmed in the resolution on proposals for appointment of the Accounting Auditor,” and “matters to be confirmed in the resolution that there is no need for removal or non-reappointment of the Accounting Auditor.” Based on these policies and matters to be confirmed, the Audit & Supervisory Board and its members have comprehensively examined whether the Accounting Auditor does not fall under each item stipulated in Article 340, Paragraph 1 of the Companies Act, as well as appropriateness and reasonableness of the Accounting Auditor’s independence and expertise, auditing systems, quality control system, and auditing activities, among others, and determined that the Accounting Auditor is qualified for the position.

f. Evaluation of the audit firm by the Audit & Supervisory Board and its members
The Audit & Supervisory Board and its members continuously assess the Accounting Auditor through regular meetings and other cooperation with them. The Audit & Supervisory Board held discussions based on the “matters to be confirmed in the resolution that there is no need for removal or non-reappointment of the Accounting Auditor” after receiving the year-end accounting audit report from the Accounting Auditor, and resolved the reappointment of the Accounting Auditor because it was highly rated by the assessment.

(iv) Audit remuneration, etc.

a. Remuneration for the auditing certified public accountants, etc.

Category	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	102	–	126	28
Consolidated subsidiaries	–	–	–	–
Total	102	–	126	28

・Details of non-audit services performed by the auditing certified public accountants, etc. for the reporting company

Non-audit services for the fiscal year ended December 31,2024 consist of advisory services regarding the disclosure of non-financial information.

b. Remuneration for KPMG member firms belonging to the same network as the auditing certified public accountants, etc. (excluding a.)

Category	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	–	16	–	11
Consolidated subsidiaries	244	8	347	9
Total	244	24	347	21

・Details of non-audit services performed by KPMG member firms belonging to the same network as the auditing certified public accountants, etc. for the Company

Non-audit services for the fiscal year ended December 31, 2023 mainly consisted of advisory services in relation to corporate governance. Non-audit services for the fiscal year ended December 31, 2024 mainly consisted of tax advisory services.

・Details of non-audit services performed by KPMG member firms belonging to the same network as the auditing certified public accountants, etc. for consolidated subsidiaries

Non-audit services for the fiscal years ended December 31, 2023 and 2024 mainly consisted of tax advisory services for foreign subsidiaries.

c. Remuneration for other significant audit and attestation service

Not applicable.

d. Policy for determining audit remuneration

The Company appropriately determines audit remuneration with the consent of the Audit & Supervisory Board after taking into account factors such as the number of days to complete audits, the Company's size, and the special nature of its businesses.

e. Reasons for the consent of the Audit & Supervisory Board to audit remuneration

As a result of obtaining necessary materials and receiving reports from Directors, relevant in-house departments, and the Accounting Auditor, and conducting necessary verifications as to whether the content of the Accounting Auditor's audit plan, performance of duties of accounting audit, basis for calculating estimates for remuneration, and other factors are appropriate, the Audit & Supervisory Board has considered that the Accounting Auditor secured necessary auditing system and audit time and the level is reasonable for implementing appropriate audits, and therefore consented to remuneration, etc. for the Accounting Auditor.

(4) Officers' remuneration, etc.

(i) Policy for determining officers' remuneration, etc.

・ At the Board of Directors held on February 18, 2021, the Company resolved the policy on determining details of individual remuneration, etc. for Directors. This determination policy was approved following deliberation by the Nomination & Remuneration Consultative Committee and upon receiving the Committee's report.
In addition, the Nomination & Remuneration Consultative Committee confirmed and reported that individual remuneration, etc. for Directors for the fiscal year ended December 31, 2024 was in line with the determination policy. Respecting the report from the Nomination & Remuneration Consultative Committee, the Board of Directors concluded that the details of the remuneration, etc. were in line with the determination policy.
Individual remuneration, etc. for Audit & Supervisory Board Members for the fiscal year ended December 31, 2024 was determined in consultation with Audit & Supervisory Board Members with reference to deliberations of the Nomination & Remuneration Consultative Committee.
The determination policy for and overview of remuneration, etc. for Directors and Audit & Supervisory Board Members are as follows:

1. Basic policy

・ Basically, remuneration for the Company's Directors and Audit & Supervisory Board Members is paid for the purposes of raising their awareness of contributing to the Company's sustainable growth and further increase in corporate value, securing human resources appropriate for a global specialty pharmaceutical company, and motivating them to contribute to the Company through execution of their duties; and remuneration should be determined through a transparent and appropriate process by adopting an objective viewpoint.
In order to realize this basic policy, investigations and deliberations regarding officers' remuneration are conducted by the Nomination & Remuneration Consultative Committee, which consists of a majority of outside officers and is chaired by an Outside Director.

2. Remuneration structure, eligible officers, etc.

・ The Company's remuneration for Executive directors consists of basic remuneration, performance-linked remuneration, and non-monetary compensation. Performance-linked remuneration consists of two parts: (1) performance-linked annual bonus as a short-term incentive and (2) performance-linked share-based remuneration as a mid- to long-term incentive. Non-monetary compensation is restricted stock compensation as a mid- to long-term incentive. Non-executive directors and Audit & Supervisory Board Members are provided with only basic remuneration in a fixed amount, or no remuneration, in order to ensure that they fully perform their supervisory function over management from an objective and independent standpoint.

A rough indication for the composition ratio of each type of remuneration is as shown in the table below. The composition ratio of each type of remuneration is deliberated by the Nomination & Remuneration Consultative Committee in light of each Director's position and is determined by the Board of Directors by taking into account the company size, and by using data from an officers' remuneration survey obtained from an external research institution to conduct an objective comparison/examination of remuneration levels or remuneration structures of other companies in industry sectors relevant to the Company.

Type of remuneration, etc.		Overview	Remuneration structure for Executive directors (When considering basic remuneration as 100)
Basic remuneration		・ Fixed remuneration based on position or responsibility ・ The annual amount is divided into 12 equal parts and paid monthly.	100
Performance-linked remuneration	Performance-linked annual bonus	・ Performance-linked cash incentive for increasing willingness to contribute to improving business performance in each fiscal year (short-term incentive) ・ When setting the amount to be paid upon achieving targets for each position or responsibility (standard amount) at 100%, the amount varies within the range of 0% to 200%, depending on the degree of achievement of performance targets. ・ ・Payment is made in a lump sum after the end of the fiscal year (normally in April).	50–60
	Performance-linked share-based remuneration	・ Performance-linked remuneration for providing an incentive for sustainable growth of corporate value (mid- to long-term incentive) ・ Share-based remuneration for enhancing motivation to contribute to increasing share prices and corporate value in the mid- to long-term ・ When setting the number of shares to be delivered upon achieving targets for each position or responsibility at 100%, the number varies within the range of 0% to 150%, depending on the degree of achievement of performance targets. ・ Delivery and payment are made after the end of three fiscal years (normally in April).	25–45
Non-monetary compensation	Restricted stock compensation	・ Share-based remuneration for enhancing motivation to contribute to increasing share prices and corporate value in the mid- to long-term (mid- to long-term incentive) ・ Allotment is made annually at a certain point of time (normally in April) and transfer is restricted for three years.	35

Notes: 1. Among the aforementioned remuneration, etc., performance-linked share-based remuneration corresponds to both performance-linked remuneration and non-monetary compensation, but here it is categorized and described as performance-linked remuneration.

2. The composition ratios of performance-linked remuneration represent the figures when performance targets are achieved at 100%.

3. Overview of each type of remuneration

(i) Basic remuneration

・ Basic remuneration is paid monthly in a fixed amount based on each officer's position or job responsibilities. Amounts are determined by considering the company size, and by using data from an officers' remuneration survey obtained from an external research institution to conduct an objective comparison/examination of remuneration levels or remuneration structures, etc. of other companies in industry sectors relevant to the Company. The final decision is made after deliberations of the Nomination & Remuneration Consultative Committee. Remuneration for Audit & Supervisory Board Members is determined in consultation with Audit & Supervisory Board Members taking reference from deliberations of the Nomination & Remuneration

Consultative Committee, which uses data from an officers' remuneration survey obtained from an external research institution.

(ii) Performance-linked annual bonus

・ Performance-linked annual bonus is monetary compensation, where amounts change according to business performance for the purpose of increasing Executive directors' willingness to contribute to improving business performance in each fiscal year. The amounts are calculated according to the degree of achievement against targets of performance evaluation indicators set for the applicable fiscal year, and paid to Executive directors at a certain point of time, normally in April, every year. We adopt both financial indicators and non-financial indicators for performance evaluation. Amounts of performance-linked annual bonus, which are calculated according to performance evaluation indicators, targets, and the degree of achieving the targets, are determined after deliberations of the Nomination & Remuneration Consultative Committee.

・ For financial performance indicators, we have adopted revenue from the perspective of growth potential, and profit from the perspective of profitability in order to share value with our shareholders and sustainably increase corporate value of the Company. For each of them, the targets are based on business forecasts at the time of the announcement of the financial results. For non-financial indicators, we have set targets for the important management issues formulated each fiscal year, aiming at the realization of Vision 2030. The pay rate (from 0% to 200%) was determined according to the degree of achievement of these indicators.

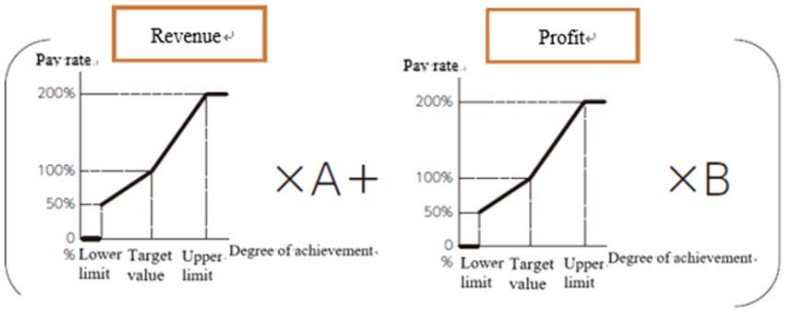
Illustrative image 1: Mechanism of linking bonus to performance

Individual amount of payment = Reference bonus amount × Degree of achievement for annual financial performance indicators × Degree of achievement for annual non-financial performance indicators

Performance evaluation Indicators	Weight	Pay rate
Degree of achievement for revenue	30%	0～200%
Degree of achievement for profit	70%	0～200%

Performance evaluation Indicators	Pay rate
Degree of achievement of targets for important management issues	80～120%

[Achievement rate of annual financial indicators]



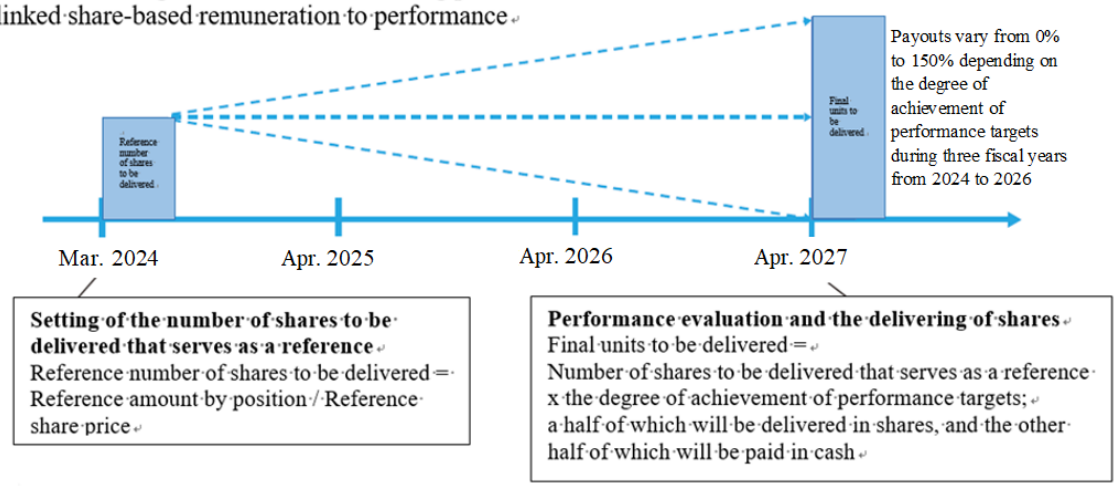
* The weight for executive directors for fiscal 2024 is set at a ratio of A:B = 3:7.

(iii) Performance-linked share-based remuneration (Performance Share Unit)

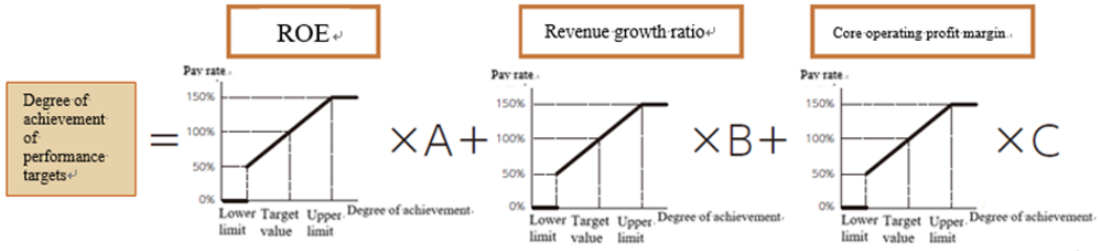
・ The performance-linked share-based remuneration plan (Performance Share Unit) is intended to clarify the linkage between Executive directors' remuneration and the Company's business performance and share price, and thereby provide them with incentives for sustainable growth of corporate value, as well as to facilitate their sense of sharing value with shareholders. The performance evaluation period is three consecutive fiscal years, and pay rates vary depending on the achievement of performance targets. At the beginning of a performance evaluation period, the "standard number of shares to be delivered" is determined by resolution of the Board of Directors. After the end of the performance evaluation period for three fiscal years, the "standard number of shares to be delivered" is multiplied by the level of achievement of performance targets in the range of 0% to 150%, and approximately one-half thereof is delivered as shares and the remaining one-half is paid in cash to the eligible Executive directors at a certain point of time, normally in April, every year. Performance evaluation indicators are ROE, annual average growth rate of revenue, core operating profit margin, etc., which are the indicators used in the Medium Term Business Plan. The degree of achievement of performance targets is calculated in accordance with the degree of achieving each target.

FY2021–2025 Medium Term Business Plan financial performance indicators (numerical guidance)	
ROE	10% or higher (achieve target early/increase over the medium- to long-term)
Revenue growth ratio	CAGR 10% or higher (average growth rate over a five-year period, with fiscal 2020 as the base year)
Core operating profit ratio	25% or higher (fiscal 2025)

Illustrative image 2: Mechanism of linking performance-linked share-based remuneration to performance



Illustrative image 3: Mechanism of calculating the degree of achievement of performance targets for performance-linked share-based remuneration



* The weight for executive directors for fiscal 2024 is set at a ratio of A:B:C = 1:1:1.

(iv) Restricted stock compensation

・ The restricted stock compensation plan is intended for Executive directors to share benefits and risks of share price fluctuations with shareholders, and to become more motivated to contribute to an increase in share price and corporate value. A standard amount determined based on the basic remuneration and shares whose number is based on the share price are allotted to each Executive Director at a certain point of time, normally in April, every year in accordance with a resolution of the Board of Directors. The shares to be delivered are subject to a transfer restriction period of three years.

4. Procedures for determining remuneration, and activities carried out by the Nomination & Remuneration Consultative Committee and the Board of Directors

・ With respect to the remuneration table showing directors' basic remuneration and performance-linked annual bonus by position and other related matters, the Board of Directors makes decisions, based on deliberations and reports of the Nomination and Remuneration Consultative Committee, which consists of a majority of outside officers and is chaired by Mr. Takashi Oyamada, Outside Director. On that basis, the amounts of basic remuneration, performance-linked annual bonus, etc. for individual Directors to be paid are determined by Mr. Masashi Miyamoto, Representative Director, President and Chief Executive Officer, who has been entrusted by the Board of Directors to realize efficient operation of the Board of Directors, within the remuneration limit resolved at the General Meeting of Shareholders, taking into account the deliberation results of the Nomination & Remuneration Consultative Committee. The allocation and delivery of share-based remuneration on an individual basis shall be decided by the Board of Directors based on deliberations and reports of the Nomination & Remuneration Consultative Committee. As for remuneration for Executive directors, the Company has established a clawback provision under which the Company may demand the return of remuneration through deliberations by the Nomination & Remuneration Consultative Committee in a case where there is any illegal conduct or violation of law, etc.

・ Individual remuneration, etc. for Audit & Supervisory Board Members is determined in consultation with Audit & Supervisory Board Members within the remuneration limit resolved at the General Meeting of Shareholders, taking reference from deliberations of the Nomination & Remuneration Consultative Committee, which uses data from an officers' remuneration survey obtained from an external research institution.

・ As at the end of the fiscal year ended December 31, 2024, the Nomination & Remuneration Consultative Committee consisted of three internal Directors and seven independent officers. During the fiscal year ended December 31, 2024, a total of 13 Nomination & Remuneration Consultative Committee meetings were held to review the remuneration levels of Directors, Executive Officers, and major global positions, as well as to deliberate on targets for performance-linked bonuses and performance-linked share-based remuneration, etc.

(ii) Details of resolutions for remuneration, etc. at the General Meeting of Shareholders

・ It was approved at the 98th Ordinary General Meeting of Shareholders held on March 24, 2021 that the total amount of monetary remuneration including basic remuneration and performance-linked annual bonus for Directors shall be within ¥600 million per year (part of which is allotted to Outside Directors within ¥100 million). As of the conclusion of this Ordinary General Meeting of Shareholders, the number of eligible Directors was seven (including four Outside Directors). Furthermore, in addition to the foregoing, it was approved, at the 97th Ordinary General Meeting of Shareholders held on March 19, 2020, that the total amount of monetary remuneration receivables provided as remuneration, etc. linked to restricted shares shall be no more than ¥155 million per year, and at the 98th Ordinary General Meeting of Shareholders held on March 24, 2021, that the amount of remuneration under performance-linked share-based remuneration plan (Performance Share Unit) shall be no more than ¥300 million per each applicable period, and the total number of the Company's shares allotted per each applicable period shall be no more than 200,000 shares. As of the conclusion of the 97th and 98th Ordinary General Meetings of Shareholders, the number of eligible Directors was three each (in each case the three were executive directors).

・ It was approved at the Extraordinary General Meeting of Shareholders held on February 29, 2008 that the upper limit of remuneration for Audit & Supervisory Board Members shall be ¥9 million per month. As of the conclusion of this Extraordinary General Meetings of Shareholders, the number of eligible Audit & Supervisory Board Members was four.

(iii) Results of remuneration, etc. for the fiscal year ended December 31, 2024

1. Total amount of remuneration, etc. for the fiscal year ended December 31, 2024

(i) Total amount of remuneration, etc. for Directors and Audit & Supervisory Board Members by title, total amount of remuneration by type, and number of eligible officers

Title	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of eligible officers (Persons)
		Fixed remuneration	Variable remuneration			
		Basic remuneration	Performance-linked remuneration		Non-monetary compensation	
			Performance-linked annual bonus (Note 2)	Performance-linked share-based remuneration (PSU) (Note 2)	Restricted stock compensation (Notes 2 and 3)	
Directors (excluding Outside Directors)	419	177	150	31	62	3
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	30	30	–	–	–	1
Outside Directors	92	92	–	–	–	5
Outside Audit & Supervisory Board Members	65	65	–	–	–	4

Notes: 1. The above figures include one Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders in the previous fiscal year. In addition, the above figures do not include two Directors and one Audit & Supervisory Board Member to whom no remuneration was paid.

2. All the amounts of performance-linked annual bonus, restricted stock compensation, and performance-linked share-based remuneration are the amounts recorded as expenses during the fiscal year ended December 31, 2024. The amount of performance-linked share-based remuneration is the total amount recorded as expenses during the fiscal year ended December 31, 2024, based on the expected achievement of targets at the end of the fiscal year, for the performance-linked share-based remuneration with the performance evaluation periods starting from fiscal 2023 and fiscal 2024. Performance-linked share-based remuneration is paid and delivered in the form of monetary and non-monetary compensation after the elapse of the performance evaluation period.

3. The number of restricted shares delivered to Executive Directors during the fiscal year ended December 31, 2024 was 21,737 shares (paid-in amount per share was ¥2,845, the closing price on March 21, 2024).

(ii) Targets and results related to evaluation indicators of performance-linked remuneration for Directors

・ Targets and results related to evaluation indicators of performance-linked remuneration finalized for the fiscal year ended December 31, 2024 are as follows.

i) Performance-linked annual bonus

Targets and results of financial performance indicators related to performance-linked annual bonus		
Performance evaluation indicators	Targets (announced on February 7, 2024)	Results
Revenue	¥473.0 billion	¥495.6 billion
Profit	¥63.0 billion	¥59.9 billion
Degree of achievement of targets for important management issues	・ Maximize product value ・ Pipeline enrichment ・ Non-financial targets set at the annual management plan, such as improvement of access to medicine	・ Maximize product value: achieved ・ Pipeline enrichment: achieved ・ Access to medicine: achieved Other: planned activities have been generally conducted

ii) Performance-linked share-based remuneration (PSU) (with the evaluation period from fiscal 2022 to fiscal 2024)

Performance targets and results related to performance-linked share-based remuneration		
Financial performance indicators	Targets in the Medium Term Business Plan	Results
ROE	10%	7.1%
Revenue growth ratio (Note)	10%	12.1%
Core operating profit ratio	25%	19.3%

Note: The target in the Medium Term Business Plan shown for the revenue growth ratio indicates a growth ratio averaged over five years with fiscal 2020 as the base year, and the result shown for the revenue growth ratio indicates the average growth ratio over three years with the preceding fiscal year to the starting fiscal year of the evaluated period as the base year.

2. Total amount of consolidated remuneration, etc. by officer

Name (title)	Company category	Total amount of consolidated remuneration, etc. by type (Millions of yen)				Total amount of consolidated remuneration, etc. (Millions of yen)
		Fixed remuneration	Variable remuneration			
		Basic remuneration	Performance-linked remuneration		Non-monetary compensation	
			Performance-linked annual bonus	Performance-linked share-based remuneration (PSU)	Restricted stock compensation	
Masashi Miyamoto (Representative Director, President and Chief Executive Officer)	Reporting company	83	74	18	29	205
Yutaka Osawa (Representative Director, Executive Vice President)	Reporting company	53	43	7	18	121

Notes: 1. The amount of each type of remuneration is the same as in (Note 2) of “1. Total amount of remuneration, etc. for the fiscal year ended December 31, 2024, (i) Total amount of remuneration, etc. for Directors and Audit & Supervisory Board Members by title, total amount of remuneration by type, and number of eligible officers” above.

2. Only persons for whom the total amount of consolidated remuneration, etc. is ¥100 million or more are shown.

(5) Shareholdings

(i) Standard and policy on classification of investment shares

With respect to investment shares held for pure investment and investment shares held for purposes other than pure investment, the Company classifies investment shares held solely for the purpose of benefitting from the change in share price or dividends on shares as shares held for pure investment, and shares that are considered on a policy-driven basis to contribute to an increase in corporate value over the medium- to long-term as investment shares held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Policy on shareholding, method to verify the reasonableness of shareholding, and the details of verification at the Board of Directors, etc. regarding the propriety of holding individual issues

The Company has stipulated cross-shareholdings in “Kyowa Kirin Co., Ltd. Corporate Governance Policy” as follows:

・In principle, the Group does not hold any cross-shareholdings. However, the Group may hold only those stocks that are deemed to contribute to medium- to long-term improvement in corporate value for the Group.

・The Board of Directors verifies the reasonableness of the individual cross-shareholdings on a yearly basis. If the Board determines that the reasonableness of any cross-shareholding has weakened, the Company will discuss and negotiate with the cross-shareholding partner about reducing or eliminating the cross-shareholding.

・With respect to voting rights of cross-shareholdings, the Company will properly exercise its voting rights, upon making a voting decision on each proposal of the issuing company, considering whether the proposal contributes to increasing the said company’s corporate value, and whether the proposal contributes to the Group’s sustainable growth and an increase in corporate value over the medium- to long-term.

b. Number of issues and balance sheet amount

	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	8	2,172
Shares other than unlisted shares	1	46

(Issues whose number of shares increased during the fiscal year ended December 31, 2024)

	Number of issues	Total acquisition cost for increased shares (Millions of yen)	Reason for increase in number of shares
Unlisted shares	3	1,265	The Company acquired the shares mainly as part of corporate venture capital activities.
Shares other than those not listed	–	–	–

(Issues whose number of shares decreased during the fiscal year ended December 31, 2024)

	Number of issues	Total sale amount for decreased shares (Millions of yen)
Unlisted shares	–	–
Shares other than those not listed	1	2,607

c. Information on number of shares, balance sheet amount, etc. by issue of specified investment shares and deemed holdings of shares

Specified investment shares

Issues	Fiscal year ended December 31, 2024 Number of shares (Shares) Balance sheet amount (Millions of yen)	Fiscal year ended December 31, 2023 Number of shares (Shares) Balance sheet amount (Millions of yen)	Purpose of shareholding, overview of business alliance, etc., quantitative effects of shareholding, and reason for the increase in the number of shares	Whether the investee holds the Company's shares
Ardelyx, Inc.	– –	2,873,563 2,506	The Company had concluded a technology in-licensing agreement and held the shares to strengthen a business partnership, but sold all the shares in the fiscal year ended December 31, 2024	No
HOKUYAKU TAKEYAMA Holdings, Inc.	52,000 46	52,000 41	The Company holds the shares to maintain a smooth business relationship in sales of pharmaceutical products, etc. Although it is difficult to state the quantitative effects of shareholding, the Board of Directors have verified the reasonableness of the shareholdings.	Yes

Deemed holdings of shares

Not applicable.

(iii) Investment shares held for pure investment

Not applicable.

V. Financial Information

1. Methods of preparing consolidated financial statements and financial statements

(1) The consolidated financial statements of the Company have been prepared in accordance with the International Accounting Standards (“IFRS”) pursuant to the provision of Article 312 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).
All yen amounts presented in the consolidated financial statements, etc. have been rounded to the nearest million.

(2) The financial statements of the Company have been prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; the “Regulation on Financial Statements”).
In addition, the Company falls under the category of special companies submitting financial statements and has prepared the financial statements pursuant to Article 127 of the Regulation on Financial Statements.
All yen amounts presented in the financial statements, etc. have been rounded to the nearest million.

2. Note on independent audit

The consolidated financial statements and the financial statements for the fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024) were audited by KPMG AZSA LLC in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc. and establishment of a system under which the consolidated financial statements, etc. can be prepared in an appropriate manner under IFRS

The Company has been making special efforts to ensure the appropriateness of the consolidated financial statements, etc. and establishing a system under which the consolidated financial statements, etc. can be prepared in an appropriate manner under IFRS. The details are as follows:

(1) To establish a system that enables proper understanding of the contents of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has been a member of the Financial Accounting Standards Foundation and has taken training sessions hosted by the Foundation, the Company’s independent auditor, etc.

(2) For the application of IFRS, the Company has timely obtained press releases and standards issued by the International Accounting Standards Board to understand the latest standards. In addition, to prepare appropriate consolidated financial statements under IFRS, the Company has developed the Group’s accounting policies based on IFRS and performs accounting procedures in accordance with the policies.

1 Consolidated Financial Statements, etc.

(1) Consolidated financial statements

(i) Consolidated statement of financial position

(Millions of yen)

	Notes	As of December 31, 2023	As of December 31, 2024
Assets			
Non-current assets			
Property, plant, and equipment	6	94,508	111,477
Goodwill	7	140,450	181,034
Intangible assets	7	62,918	165,297
Investments accounted for using equity method	8	12,357	3,185
Other financial assets	9	33,374	32,800
Retirement benefit asset	17	15,655	19,775
Deferred tax assets	10	49,538	41,258
Other non-current assets		6,018	8,511
Total non-current assets		414,818	563,337
Current assets			
Inventories	11	71,363	72,933
Trade and other receivables	12	119,082	157,015
Other financial assets	9	1,923	1,705
Other current assets		15,673	27,692
Cash and cash equivalents	13,33	403,083	244,681
Total current assets		611,124	504,026
Total assets		1,025,942	1,067,363

(Millions of yen)

	Notes	As of December 31, 2023	As of December 31, 2024
Equity			
Share capital	15	26,745	26,745
Capital surplus	15	464,731	427,733
Treasury shares	15	(2,933)	(5,887)
Retained earnings	15	338,764	371,050
Other components of equity	15	9,112	31,171
Total equity attributable to owners of parent	15	836,418	850,811
Total equity		836,418	850,811
Liabilities			
Non-current liabilities			
Liabilities from application of equity method	8	13,966	11,695
Retirement benefit liability	17	293	272
Provisions	18	8,439	6,470
Deferred tax liabilities	10	428	434
Other financial liabilities	19	16,111	24,119
Other non-current liabilities	21	17,049	8,887
Total non-current liabilities		56,287	51,876
Current liabilities			
Trade and other payables	22	92,983	121,063
Provisions	18	2,379	4,441
Other financial liabilities	19	8,136	4,628
Income taxes payable		4,022	3,384
Other current liabilities	21	25,718	31,159
Total current liabilities		133,237	164,675
Total liabilities		189,524	216,551
Total equity and liabilities		1,025,942	1,067,363

(ii) Consolidated statement of profit or loss

(Millions of yen)

	Notes	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Revenue	5, 23	442,233	495,558
Cost of sales	11	(111,207)	(132,611)
Gross profit		331,026	362,947
Selling, general, and administrative expenses	24	(163,078)	(167,537)
Research and development expenses		(72,106)	(103,544)
Share of profit (loss) of investments accounted for using equity method		943	3,539
Other income	25	16,785	13,102
Other expenses	25	(21,007)	(19,286)
Finance income	26	4,873	1,770
Finance costs	26	(190)	(7,538)
Profit before tax		97,246	83,453
Income tax expense	10	(16,058)	(23,583)
Profit		81,188	59,870
Profit attributable to			
Owners of parent		81,188	59,870
Earnings per share			
Basic earnings per share (Yen)	29	151.03	113.06
Diluted earnings per share (Yen)	29	151.01	113.06

(iii) Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Profit		81,188	59,870
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	30	1,157	(596)
Remeasurements of defined benefit plans	30	579	2,404
Total of items that will not be reclassified to profit or loss		1,735	1,808
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	30	21,017	21,741
Cash flow hedges	30	(1,798)	1,798
Share of other comprehensive income of investments accounted for using equity method	30	53	96
Total of items that may be reclassified to profit or loss		19,272	23,636
Other comprehensive income		21,008	25,444
Comprehensive income		102,196	85,314
Comprehensive income attributable to			
Owners of parent		102,196	85,314

(iv) Consolidated statement of changes in equity

Fiscal year ended December 31, 2023

(Millions of yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of January 1, 2023		26,745	464,434	(3,177)	285,842	219	(12,247)
Profit		–	–	–	81,188	–	–
Other comprehensive income		–	–	–	–	–	21,070
Total comprehensive income		–	–	–	81,188	–	21,070
Dividends of surplus	15	–	–	–	(29,027)	–	–
Purchase of treasury shares	15	–	–	(10)	–	–	–
Disposal of treasury shares	15	–	37	79	–	–	–
Cancellation of treasury shares	15	–	–	–	–	–	–
Share-based remuneration transactions	16	–	259	174	–	(117)	–
Transfer from other components of equity to retained earnings		–	–	–	761	–	–
Total transactions with owners		–	297	243	(28,266)	(117)	–
Balance as of December 31, 2023		26,745	464,731	(2,933)	338,764	102	8,823

	Notes	Equity attributable to owners of parent					Total equity
		Other components of equity				Total	
		Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Total		
Balance as of January 1, 2023		1,010	–	–	(11,018)	762,826	762,826
Profit		–	–	–	–	81,188	81,188
Other comprehensive income		1,157	579	(1,798)	21,008	21,008	21,008
Total comprehensive income		1,157	579	(1,798)	21,008	102,196	102,196
Dividends of surplus	15	–	–	–	–	(29,027)	(29,027)
Purchase of treasury shares	15	–	–	–	–	(10)	(10)
Disposal of treasury shares	15	–	–	–	–	117	117
Cancellation of treasury shares	15	–	–	–	–	–	–
Share-based remuneration transactions	16	–	–	–	(117)	317	317
Transfer from other components of equity to retained earnings		(182)	(579)	–	(761)	–	–
Total transactions with owners		(182)	(579)	–	(878)	(28,604)	(28,604)
Balance as of December 31, 2023		1,984	–	(1,798)	9,112	836,418	836,418

Fiscal year ended December 31, 2024

(Millions of yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of January 1, 2024		26,745	464,731	(2,933)	338,764	102	8,823
Profit		–	–	–	59,870	–	–
Other comprehensive income		–	–	–	–	–	21,837
Total comprehensive income		–	–	–	59,870	–	21,837
Dividends of surplus	15	–	–	–	(30,895)	–	–
Purchase of treasury shares	15	–	–	(40,014)	–	–	–
Disposal of treasury shares	15	–	(140)	109	–	–	–
Cancellation of treasury shares	15	–	(36,902)	36,902	–	–	–
Share-based remuneration transactions	16	–	45	49	–	(75)	–
Transfer from other components of equity to retained earnings		–	–	–	3,310	–	–
Total transactions with owners		–	(36,997)	(2,954)	(27,585)	(75)	–
Balance as of December 31, 2024		26,745	427,733	(5,887)	371,050	27	30,661

	Notes	Equity attributable to owners of parent					Total equity
		Other components of equity				Total	
		Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Total		
Balance as of January 1, 2024		1,984	–	(1,798)	9,112	836,418	836,418
Profit		–	–	–	–	59,870	59,870
Other comprehensive income		(596)	2,404	1,798	25,444	25,444	25,444
Total comprehensive income		(596)	2,404	1,798	25,444	85,314	85,314
Dividends of surplus	15	–	–	–	–	(30,895)	(30,895)
Purchase of treasury shares	15	–	–	–	–	(40,014)	(40,014)
Disposal of treasury shares	15	–	–	–	–	(31)	(31)
Cancellation of treasury shares	15	–	–	–	–	–	–
Share-based remuneration transactions	16	–	–	–	(75)	19	19
Transfer from other components of equity to retained earnings		(906)	(2,404)	–	(3,310)	–	–
Total transactions with owners		(906)	(2,404)	–	(3,385)	(70,921)	(70,921)
Balance as of December 31, 2024		482	–	–	31,171	850,811	850,811

(v) Consolidated statement of cash flows

(Millions of yen)

	Notes	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from operating activities			
Profit before tax		97,246	83,453
Depreciation and amortization		21,096	24,780
Impairment losses (reversal of impairment losses)	6, 7	10,780	2,060
Increase (decrease) in provisions		496	(203)
Share of loss (profit) of investments accounted for using equity method		(943)	(3,539)
Gain on sales of share and valuation of remaining share (gain)	28	(14,799)	(7,372)
Foreign exchange loss (gain)		13,205	8,347
Decrease (increase) in inventories		(3,306)	(1,646)
Decrease (increase) in trade receivables		(2,931)	(31,531)
Increase (decrease) in trade payables		4,839	(694)
Increase (decrease) in contract liabilities		(8,149)	(9,910)
Income taxes paid		(8,610)	(17,663)
Other		6,628	21,802
Net cash provided by (used in) operating activities		115,551	67,884
Cash flows from investing activities			
Purchase of property, plant, and equipment		(17,213)	(26,037)
Proceeds from sale of property, plant, and equipment		328	3,397
Purchase of intangible assets		(15,639)	(79,231)
Purchase of investment securities		(548)	(2,187)
Proceeds from sale of investment securities	14	1	2,892
Proceeds from collection of loans receivable		–	4,503
Purchase of shares of subsidiaries resulting in change in scope of consolidation	27	–	(48,196)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	28	7,780	1,343
Proceeds from redemption of bonds of subsidiaries and associates		5,000	1,000
Other		(90)	127
Net cash provided by (used in) investing activities		(20,382)	(142,387)
Cash flows from financing activities			
Redemption of bonds with share acquisition rights	31	–	(9,621)
Repayments of lease liabilities	31	(3,640)	(4,004)
Purchase of treasury shares		(10)	(40,014)
Dividends paid	15	(29,027)	(30,895)
Other		143	(163)
Net cash provided by (used in) financing activities		(32,535)	(84,697)
Effect of exchange rate changes on cash and cash equivalents		1,255	799
Net increase (decrease) in cash and cash equivalents		63,889	(158,402)
Cash and cash equivalents at beginning of period	13,33	339,194	403,083
Cash and cash equivalents at end of period	13,33	403,083	244,681

Notes to consolidated financial statements

1. Reporting entity

Kyowa Kirin Co., Ltd. (the “Company”) is a stock company incorporated under the Companies Act of Japan and located in Japan. The ultimate parent company of the Company and its subsidiaries (the “Group”) is Kirin Holdings Company, Limited. The address of the Company’s registered corporate headquarters is Chiyoda-ku, Tokyo. The consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2024 comprise the accounts of the Company and its subsidiaries. Investments in associates and joint ventures have been accounted for by the equity method.

A description of the nature of the Group’s operations and its principal activities are disclosed in Note “5. Operating segments.”

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Since the Company satisfies the requirements for a “specified company complying with any designated international accounting standards” as set forth in Article 1-2 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976), the Company has applied the provision of Article 312 of the regulation.

(2) Authorization of financial statements

The consolidated financial statements of the Group were authorized for issue at the Board of Directors held on March 11, 2025.

(3) Basis of measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for specific financial instruments and other assets measured at fair value, as stated in Note “3. Material accounting policies.”

(4) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and all amounts have been rounded to the nearest million.

(5) Accounting judgments, estimates, and assumptions

In preparing consolidated financial statements in accordance with IFRS, the management is required to make judgments, estimates, and assumptions that can affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods.

The following are the management’s judgments and estimates that can significantly affect the amounts in the consolidated financial statements.

(i) Impairment of in-process research and development

In-process research and development mainly represents intangible assets that were acquired as part of in-licensing agreements for products, development products, technologies, etc. and that are in the research and development stage and have not yet been approved for sale by regulatory authorities.

The Group performs an impairment test for in-process research and development on an individual asset basis annually (during the fourth quarter) and whenever there is an indication that the asset may be impaired. The recoverable amount for impairment testing purposes is primarily determined based on value in use. In measuring value in use, estimates are used for the aggregate development costs, the probability of successful development, and future sales projections, etc. of the product under research and development. Changes in these estimates may have significant impacts on the consolidated financial statements for the fiscal year ending December 31, 2025. The Group recorded in-process research and development in the consolidated financial statements of ¥22,191 million as of December 31, 2023, and

¥103,813 million as of December 31, 2024.

(ii) Impairment of marketing rights

The Group performs an impairment test for marketing rights for pharmaceuticals on an individual asset basis whenever there is an indication that the asset may be impaired. The recoverable amount for impairment testing purposes is primarily determined based on value in use. In measuring value in use, estimates are used for future sales projections, etc. of the product. Changes in these estimates may have significant impacts on the consolidated financial statements for the fiscal year ending December 31, 2025. The Group recorded marketing rights in the consolidated financial statements of ¥33,090 million as of December 31, 2023, and ¥53,926 million as of December 31, 2024.

(iii) Impairment of financial assets

The bonds of subsidiaries and associates were issued by FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd., an equity-accounted investee, and under-written by the Company. We considered whether or not the company may have a significant increase in credit risk or credit loss in 12 months based on its future business plan and determined that allowance for doubtful accounts for the fiscal year under review is not necessary. The business plan used an expected sales volume and transaction terms & conditions based on market environments as key assumptions. If these estimates are not realized, our consolidated financial statements for the next fiscal year may be significantly affected. The Group recorded bonds of subsidiaries and associates of ¥23,500 million in the consolidated financial statements as of December 31, 2023, and ¥22,500 million as of December 31, 2024.

(6) Changes in presentation

Consolidated statement of cash flows

“Proceeds from sale of property, plant, and equipment,” “Purchase of investment securities” and “Proceeds from sales of investment securities” which had previously been included in “Other” of “Cash flows from investing activities” in the fiscal year ended December 31, 2023, have been presented separately because their monetary importance has increased. To reflect this change in the presentation method, we have reclassified the amount in our consolidated financial statements for the fiscal year ended December 31, 2023.

As a result, in the consolidated statement of cash flows for the fiscal year ended December 31, 2023, ¥(310) million presented as “Other” in “Cash flows from investing activities” was reclassified as “Proceeds from sale of property, plant, and equipment” of ¥328 million, “Purchase of investment securities” of ¥(548) million, “Proceeds from sale of investment securities” of ¥1 million, and “Other” of ¥(90) million.

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group. The Group considers that it controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of a subsidiary are included in the consolidated financial statements from the date the Group obtains control of the subsidiary until the date the Group loses control of the subsidiary.

If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements where needed. Intercompany balances of receivables and payables, and transactions, and unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Partial disposal of the Group's ownership interest in a subsidiary that does not result in the Group losing control of the subsidiary is accounted for as an equity transaction.

If the Group loses control of a subsidiary, it recognizes the gain or loss associated with the loss of control in profit or loss.

(ii) Associates

An associate is an entity over whose financial and operating policies the Group has significant influence, but not control or joint control. If the Group holds between 20% and 50% of the voting power of another entity, it is presumed that the Group has significant influence over the entity.

Associates are accounted for using the equity method.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee.

(iii) Joint arrangements

A joint arrangement is a contractual arrangement of which two or more parties have joint control.

The Group classifies its involvement with a joint arrangement as a joint operation (when the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement) or a joint venture (when the Group has rights to the net assets of the arrangement), depending upon the rights and obligations of the parties to the arrangement.

Joint ventures are accounted for using the equity method.

Unrealized gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investee.

(iv) Business combinations

Business combinations are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are measured at their acquisition-date fair values. The consideration transferred is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities assumed, and the equity instruments issued by the Company in exchange for control of an acquiree. Any excess of the consideration over the fair value of net identifiable assets and liabilities of the acquiree is recognized as goodwill in the consolidated statement of financial position. If the consideration is below the fair value of net identifiable assets and liabilities, the difference is immediately recognized as income in the consolidated statement of profit or loss.

Costs incurred in connection with business combinations, such as finder's fees, attorney's fees, and due diligence costs, are expensed in the periods in which the costs are incurred.

(2) Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates on the dates of the transactions or an approximation thereof.

Foreign currency monetary assets and liabilities at the end of the fiscal year are translated into the functional currency using the spot exchange rates at the end of the fiscal year. Foreign currency non-monetary assets and liabilities that are measured at fair value are translated into the functional currency

using the spot exchange rates at the date when the fair value was measured.
Exchange differences arising from translation and settlement are recognized in profit or loss. For financial assets measured at fair value through other comprehensive income, however, such differences are recognized in other comprehensive income. Foreign currency non-monetary items that are measured in terms of historical cost continue to be translated using the spot exchange rates on the dates of the transactions or an approximation thereof.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the spot exchange rates at the end of the fiscal year, whereas income and expenses are translated into Japanese yen using the rate that approximates the exchange rates on the dates of the transactions. Exchange differences arising in translating the financial statements of foreign operations are recognized in other comprehensive income. Exchange differences arising from the translation of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

(3) Financial instruments

(i) Financial assets (excluding derivatives)

1) Initial recognition and measurement

The Group classifies its financial assets as measured at fair value through profit or loss, fair value through other comprehensive income, or amortized cost. This classification is determined at the initial recognition.
The Group initially recognizes financial assets measured at amortized cost on the trade date and other financial assets on the settlement date.
All financial assets, except for those classified as measured at fair value through profit or loss, are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. However, trade receivables that do not contain a significant financing component are determined at their transaction price.
Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

・the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.
For equity instruments that are measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or other comprehensive income, and the Group continues to apply the classification.

2) Subsequent measurement

After initial recognition, financial assets are measured in accordance with the classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value.
Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.
For equity instruments that are designated as measured at fair value through other comprehensive income, however, changes in the fair value are recognized in other comprehensive income, and the changes are transferred to retained earnings when the equity instruments are derecognized or the fair value has declined significantly. Dividends on the financial assets are recognized in profit or loss as

part of finance income unless the dividend clearly represents a recovery of part of the cost of the investment.

3) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset.

(ii) Impairment of financial assets

Allowance for doubtful accounts is recognized for expected credit losses on financial assets measured at amortized cost.

The Group assesses, at the end of each fiscal year, whether the credit risk on a financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, 12-month expected credit losses are recognized as allowance for doubtful accounts for the financial asset. If the credit risk on a financial asset has increased significantly since initial recognition, an amount equal to the lifetime expected credit losses is recognized as allowance for doubtful accounts.

The Group determines, on each reporting date, whether credit risk has increased significantly, based on the change in the risk of a default occurring since initial recognition. When determining whether there is any change in the risk of a default occurring since initial recognition, the Group considers past due information, the deterioration of the business performance of the debtor, and other information. For trade receivables, however, allowance for doubtful accounts is always recognized at an amount equal to lifetime expected credit losses, regardless of whether credit risk has increased significantly since initial recognition.

Expected credit losses are measured based on the discounted present value of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The Group estimates expected credit losses of financial assets based on reasonably available and supportable information such as historical default rates. Subsequent changes in estimates of expected credit losses are recognized in profit or loss.

The Group treats any financial asset as a credit-impaired financial asset in cases that are deemed as default, including cases where the asset is significantly past due even after enforcement activity, and cases where the debtor has filed for bankruptcy, corporate reorganization, civil rehabilitation, special liquidation, or other legal proceedings. When the Group has no reasonable expectation of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof, it directly reduces the gross carrying amount of the financial asset.

(iii) Financial liabilities (excluding derivatives)

1) Initial recognition and measurement

Financial liabilities held by the Group are classified as financial liabilities measured at amortized cost. This classification is determined at the initial recognition.

These financial liabilities are initially measured at amounts minus transaction costs that are directly attributable to the issue of the financial liabilities.

2) Subsequent measurement

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

3) Derecognition

The Group derecognizes a financial liability when the financial liability is extinguished; that is, when the obligation specified in the contract is discharged or cancelled or expires.

(iv) Derivatives and hedge accounting

The Group enters into derivatives such as forward foreign exchange contracts, and currency swaps, to manage foreign exchange risk. These derivatives are initially recognized at fair value on the date the

contract is entered into and are also subsequently remeasured at fair value. Changes in the fair value of derivatives are recognized in profit or loss, in principle.
However, the Group applies cash flow hedges to some derivatives that meet the requirements of hedge accounting and are accounted for as described in the following.
The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the non-effective portion is recognized in profit or loss. Amounts of hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities. When forecasted transactions or firm commitments are no longer expected to occur, any related gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss.

(4) Property, plant, and equipment

Items of property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.
The cost of an item of property, plant, and equipment includes any costs directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located.
All assets, other than land and construction in progress, are depreciated using the straight-line method over their estimated useful lives.

The estimated useful lives of major items are as follows:

・Buildings and structures 15 to 50 years
・Machinery and vehicles 4 to 15 years
・Right-of-use assets Shorter of estimated useful life and lease term

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year, and any changes are applied prospectively as changes in accounting estimates.

(5) Leases

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is determined as the amount of the initial measurement of the lease liability, adjusted for any initial direct costs, any lease incentives received, etc., plus restoration and other costs to be incurred under the contract. The right-of-use asset is depreciated using the straight-line method over the shorter of the estimated useful life and the lease term. Furthermore, if applicable, the carrying amount of the right-of-use asset is reduced due to an impairment loss and adjusted for any remeasurement of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. In measuring lease liabilities, the Group elected not to separate non-lease components, and instead to recognize each lease component and any associated non-lease components as a single lease component.
The Group presents, in the consolidated statement of financial position, right-of-use assets in "property, plant, and equipment" and lease liabilities in "other financial liabilities."
For short-term leases with a term of 12 months or less and leases of low-value assets, the Group applied recognition exemptions in IFRS 16 and elected not to recognize right-of-use assets or lease liabilities. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(6) Goodwill

Goodwill arising from a business combination is stated at cost less any accumulated impairment losses.
Goodwill is not amortized and is tested for impairment annually (during the fourth quarter) and whenever there is an indication that the goodwill may be impaired.
Measurement of goodwill on initial recognition is stated in "(1) Basis of consolidation, (iv) Business combinations."

(7) Intangible assets

Separately acquired intangible assets are measured at cost at initial recognition. Intangible assets acquired in business combinations are measured at their acquisition-date fair values. Research expenses are recognized as expenses when incurred, and development expenses are recognized as “in-process research and development” included in intangible assets, when it is considered probable that relevant assets will be approved for sale by regulatory authorities. After initial recognition, intangible assets, except for those that have not yet been amortized, are amortized using the straight-line method over their respective estimated useful lives and carried at cost less accumulated amortization and any accumulated impairment losses. Intangible assets that were acquired through in-licensing agreements for products, development products, technologies, etc. or through business combinations and that are still in the research and development stage or have not yet been approved for sale by regulatory authorities, and internal development expenses that meet asset recognition criteria are recognized as “in-process research and development” included in intangible assets. Because “in-process research and development” falls under intangible assets that have not yet been amortized, it is tested for impairment on an individual asset basis annually (during the fourth quarter) and whenever there is an indication that the asset may be impaired. The Group recognizes intangible assets that have been approved for sale by regulatory authorities as “marketing rights” and begins amortizing them after the start of sales.

The estimated useful lives of major intangible assets are as follows:

・Marketing rights 5 to 19 years

The estimated useful lives, residual values, and amortization methods are reviewed at the end of each fiscal year, and any changes are applied prospectively as changes in accounting estimates.

(8) Impairment of non-financial assets

For the carrying amounts of the Group’s non-financial assets, except for inventories, deferred tax assets, assets held for sale, and retirement benefit assets, the Group assesses whether there is any indication of impairment at the end of each fiscal year. If there is any indication that an asset may be impaired, the Group estimates the recoverable amount of the asset. For goodwill and intangible assets that have not yet been amortized or are not yet available for use, recoverable amounts are estimated at the same time every year. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In measuring the value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Assets that are not tested for impairment on an individual asset basis are integrated into the smallest cash-generating unit that generates cash inflows largely independent of the cash inflows from other assets or groups of assets through continuing use.

An impairment loss is recognized in profit or loss when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed. Impairment losses recognized in prior periods for assets other than goodwill are assessed at the end of each fiscal year for any indication that the impairment loss may have decreased or no longer exists. If there has been a change in the estimates used to determine the recoverable amount, the impairment loss is reversed. An impairment loss is reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized for the asset.

(9) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is principally determined by the weighted average cost method and comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

(10) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments with an original maturity of three months or less which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(11) Assets held for sale and discontinued operations

(i) Non-current assets held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

To classify a non-current asset (or a disposal group) as held for sale, its sale must be highly probable and it must be available for immediate sale in its present condition. In addition, the Group's management must be committed to a plan to sell the asset, and the sale should be expected to be completed within one year from the date of classification in principle.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortized once classified as held for sale.

(ii) Discontinued operations

The Group classifies an operation as a discontinued operation when it includes a component of an entity that either has been disposed of or is classified as held for sale and represents a separate line of business or geographical area of operations of the Group and the Group has a plan to dispose of the separate line of business or geographical area of operations.

(12) Equity

(i) Ordinary shares

Proceeds from the issue of ordinary shares are included in share capital and capital surplus.

(ii) Treasury shares

When the Company reacquires its own shares, the consideration paid is recognized as a deduction in equity. When the Company sells its own shares, the difference between the carrying amount and the consideration received is recognized as capital surplus.

(13) Share-based payments

The Group has implemented a restricted stock compensation plan as an equity-settled share-based payment plan and a performance-linked share-based remuneration plan (Performance Share Unit) as an equity-settled and cash-settled share-based payment plan for Directors and Executive Officers, and a phantom stock plan as a cash-settled share-based payment plan for certain employees.

Restricted stock compensation is recognized as an expense over the period from the grant date to the vesting date with a corresponding increase in equity. The fair value of restricted stock compensation is measured by reference to the fair value of the Company's ordinary shares on the grant date.

Equity-settled performance share units are measured by reference to the fair value of the Company's shares to be granted in the future and recognized as an expense over the vesting period with a corresponding increase in equity. For cash-settled performance share units, the services received and the liability incurred are measured at the fair value of the liability and recognized as an expense over the vesting period with a corresponding increase in liabilities. The fair value of the liability is remeasured at the end of each fiscal year and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

For phantom stock, the fair value of future cash payments is recognized as a liability, and changes in the fair value of the liability are recognized in profit or loss for the period until the liability is settled.

In addition, the Company had a share option plan, which was an equity-settled share-based payment plan for its Directors and Executive Officers, but abolished it, although share options granted remain outstanding. The Company estimated the fair value of the share options granted under the plan at the grant date and recognized it as an expense over the vesting period in the consolidated statement of profit or loss with a corresponding increase in equity in the consolidated statement of financial position, taking into account the number of share options expected to vest eventually. The Company calculated the fair value of the share

options granted by using the Black-Scholes-Merton formula or other option pricing models, taking into account the terms and conditions of the options.

(14) Employee benefits

(i) Post-employment benefits

The Group's employee retirement benefit plans consist of defined benefit plans and defined contribution plans.

The Group determines the present value of its defined benefit obligations and the related current service cost and past service cost using the projected unit credit method.

The discount rate used is determined based on market yields on high quality bonds at the end of the fiscal year.

The net defined benefit liability (asset) is determined by deducting the fair value of any plan assets from the present value of the defined benefit obligations.

Remeasurements of defined benefit plans are recognized in full in other comprehensive income in the period in which they occur and are immediately transferred from other components of equity to retained earnings.

Past service cost is recognized in profit or loss in the period of a plan amendment or a curtailment.

The cost of retirement benefits under defined contribution plans is recognized as an expense when contributions are made.

(ii) Short-term employee benefits

Short-term employee benefits are recognized as expenses when the related service is rendered by employees.

For the cost of paid leave, the amount expected to be paid under the related plans is recognized as a liability when the Group has a legal or constructive obligation for the payment and can make a reliable estimate of the obligation.

(15) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(16) Revenue

(i) Revenue from contracts with customers

The Group identifies performance obligations in contracts with customers and recognizes revenue in the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or services to the customers. Such amount does not include amounts collected on behalf of taxation authorities such as consumption taxes and value-added tax. If the consideration in a contract with a customer includes a variable amount, the variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

1) Revenue from sale of merchandise and finished goods

Revenue under sales contracts for merchandise and finished goods with customers as well as transfer agreements of marketing rights of merchandise and finished goods and license agreements, is recognized when merchandise and finished goods, marketing rights or license ("merchandise and finished goods") are delivered to the customers, since control of the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue from the sale of merchandise and finished goods is measured at the price in the contract after deduction of items such as rebates and discounts to wholesalers, medical institutions, medical insurers, and government agencies. The most important deduction adjustments are rebates to customers, chargeback payments to wholesalers, rebates associated with U.S. public health insurance programs, and a provision for returns of expired products. These adjustments are

determined, taking into account the contents of the contract, historical data, and other factors. Since they are based on estimates, they may not fully reflect the actual deductions and may vary depending on sales mix by purchaser type, by ultimate consumer type, and by product type.
The Group recognizes as refund liabilities the amount of consideration that it expects to refund to customers. The refund liabilities are estimated by using the most likely amount method based on contractual terms, historical data, and other factors.
Consideration under sales contracts for merchandise and finished goods is received mainly within one year from the delivery of the merchandise and finished goods to customers. Such contracts do not contain any significant financing components.

2) Revenue from technology out-licensing

The Group earns as revenue from technology out-licensing upfront income, milestone revenue, and running royalty income under license agreements that grants third parties licenses to develop, manufacture, and sell the Group's development products. Some license agreements do not involve the provision of goods or services by the Group other than the granting of licenses, while others involve the provision of goods or services by the Group on development cooperation such as the provision of manufacturing technologies and drugs, application for regulatory approval, promotion of joint commercialization, etc.
When the Group does not provide any significant goods or services other than granting a license, upfront income is recognized as revenue at the time of granting the license, since all performance obligations are usually satisfied at the time. Milestone revenue, which is mainly received upon successful completion of development activities and regulatory approval, is recognized as revenue when it becomes highly probable that an agreed-upon milestone, such as application for regulatory approval, will be reached, taking into account the probability of a significant revenue reversal in the future.
When the Group provides more than one significant good or service including granting a license, the Group identifies a single or more than one performance obligation, allocates the transaction price consisting of upfront income and milestone revenue to the performance obligation(s), records the upfront consideration as a contract liability, and recognizes revenue over a period of time by measuring the progress towards complete satisfaction of that performance obligation. For development cooperation in relation to license agreements and other performance obligations, the progress is measured using an input method that is appropriate for each license agreement.
Running royalty income and milestone revenue received for the achievement of sales targets, such as when the total sales of a drug product exceed a specified amount, are a sales-based or usage-based royalty and are measured mainly based on the sales recorded by the contract counterparty. The Group recognizes revenue at the later of when the sale or usage occurs and when the performance obligations to which the sales-based or usage-based royalty has been allocated are satisfied.
Consideration of license agreements is received mainly within one year from the time of granting the license and the time agreed upon in the agreement such as the achievement of a specified milestone. Such contracts do not contain any significant financing components.

(ii) Interest income

Interest income is recognized using the effective interest method.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(17) Joint development and joint commercialization

The Group has entered into agreements with partner companies to jointly develop and commercialize development products and products of the Group or the partner companies.
Under the agreements, the Group has rights to receive from partner companies upfront income as well as milestone revenue, running royalty income, and other income as consideration for the agreements, or has obligations to pay them to partner companies.
In addition, with respect to expenses and profits shared between the Group and the partner companies in

joint development and joint commercialization promotion activities, the Group's expenditures to and income received from a partner company are recorded as, or recorded as reversals of, revenue, cost of sales, selling, general and administrative expenses, or research and development expenses in accordance with the details of each agreement and the transaction.

License agreement with Amgen for KHK4083 for atopic dermatitis, etc.

On June 1, 2021, the Company entered into an agreement with Amgen Inc. to jointly develop and commercialize KHK4083, an anti-OX40 fully human monoclonal antibody discovered by the Company, for the treatment of atopic dermatitis, with potential in other autoimmune diseases. This agreement became effective on July 31, 2021, following the expiration of the waiting period under U.S. antitrust law.

In accordance with the agreement, Amgen leads the development, manufacturing, and commercialization of KHK4083 for all markets globally, except Japan, where the Company solely engages in marketing activities. The Company and Amgen have the right to co-promote KHK4083 in the United States, and the Company has the right to co-promote it in certain other markets outside the United States, including in Europe and Asia except Japan. Amgen made a U.S.$400 million upfront payment to the Company and will make future contingent milestone payments potentially worth up to an additional U.S.$850 million, as well as royalty payments on future global sales. The Company and Amgen will share global development costs, except in Japan, and commercialization costs in the United States. Amgen will recognize sales for KHK4083 in all markets globally, except for Japan.

As stated in "3. Material accounting policies, (16) Revenue," the Group recorded upfront income of U.S.$400 million received under the agreement as a contract liability and will reverse the contract liability and recognize revenue as the performance obligations are satisfied over the estimated period for obtaining approval in the United States, in which the Group will complete the transfer of significant goods or services including development cooperation, such as the provision of manufacturing technologies and investigational drugs that are integral to the granting of a license, and assistance to obtain approval for manufacturing and marketing. The Company recognized revenue of ¥8,073 million in the fiscal year ended December 31, 2024.

Expenses incurred in preparation for joint development and joint commercialization activities are recorded in selling, general, and administrative expenses or research and development expenses, depending on the nature of the expense.

(18) Government grants

Government grant income is measured at fair value and recognized when there is reasonable assurance that the Group will comply with the conditions attached to grants and the grants will be received.

Grants for expenses incurred in association with research and development are presented as a deduction from related expenses. Grants for the acquisition of assets are deducted directly from the cost of the assets.

(19) Income taxes

Income taxes consist of current and deferred taxes. These are recognized in profit or loss, except for those arising from business combinations and items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities. The amount of taxes is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in countries where the Group operates and earns taxable income.

(ii) Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for accounting purposes at the end of the fiscal year and their tax bases, unused tax losses, and unused tax credits.

Deferred tax assets or liabilities are not recognized for the following temporary differences:

・temporary differences arising from the initial recognition of goodwill; and

・temporary differences arising from the initial recognition of assets and liabilities in transactions that are

not business combinations and affect neither accounting profit nor taxable profit.

Deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules are not recognized and disclosed by applying the exceptions provided in IAS 12.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. However, for taxable temporary differences related to investments in subsidiaries and associates and interests in joint arrangements, deferred tax liabilities are not recognized if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for deductible temporary differences related to investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are not recognized if it is probable that the temporary differences will not reverse in the foreseeable future or it is unlikely that taxable profits will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed every fiscal year and reduced to the extent that it is probable that sufficient taxable profits will not be available to allow all or part of the asset to be utilized. Unrecognized deferred tax assets are reassessed every fiscal year and recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and in accordance with the tax laws that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

(20) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares issued after adjusting for treasury shares during the period. Diluted earnings per share is calculated by adjusting profit or loss attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. Accounting standards and interpretations issued but not yet applied

Although it is announced that the following standards and interpretations will be established or amended by the approval date of its consolidated financial statements, the Group has not opted for early adoption.

Standard	Name of Standard	Date of mandatory adoption (fiscal year beginning on or after)	Timing of the Group's adoption	Outline of establishment or amendment
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending December 31, 2027	The new standard was established mainly for presentation and disclosure of financial performance in the statement of profit or loss.

IFRS 18 shall replace the previous IAS 1 "Disclosure of Financial Statements" that shall be abolished. IFRS 18 stipulates the new standard mainly for presentation and disclosure of financial performance in the statement of profit or loss in order to improve companies' financial performance and provide investors with better fundamentals for analyzing companies' performance and comparing them across companies. In addition to the announcement of IFRS 18, IAS 7 "Cashflow Statement" was amended. It is uncertain at this time whether or not the adoption of these standards will have impact on the Group's consolidated financial statements.

5. Operating segments

(1) Overview of reportable segments

The Group consists of only the one reportable segment, which is the Pharmaceuticals business. Accordingly, information for each reportable segment is omitted.

(2) Information about products and services

Revenue from external customers by product and service consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Merchandise and finished goods	400,372	446,786
Revenue from technology out-licensing	41,860	48,772
Total	442,233	495,558

(3) Information about geographical areas

(i) Revenue

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Japan	153,462	141,167
Americas	177,296	220,414
(U.S.)	172,242	214,871
Europe	65,745	80,248
Asia	44,759	52,466
Other	972	1,263
Total	442,233	495,558

Note: Revenue is disaggregated by country or region based on the location of the customer.

(ii) Non-current assets

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Japan:	232,661	291,280
Americas	15,229	51,746
Europe	52,469	124,741
Asia	3,535	109
Total	303,894	467,877

Note: Non-current assets are disaggregated by location and do not include investments accounted for using an equity method, financial instruments, retirement benefit assets, or deferred tax assets.

(4) Information about major customers

The Group had the following revenue from transactions with a single external customer amounting to 10% or more of revenue in the consolidated statement of profit or loss.

(Millions of yen)

Customer	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
CVS Caremark	46,923	58,476

6. Property, plant, and equipment

(1) Changes in goodwill and intangible assets

The following are changes in the carrying amounts, costs, and the accumulated depreciation and impairment losses of property, plant, and equipment:

(i) Carrying amount

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Right-of-use assets	Other (Note 1)	Total
Balance as of January 1, 2023	30,195	10,396	5,257	14,608	20,227	8,416	89,099
Acquisitions	226	3	58	15,735	1,270	460	17,752
Sales or disposals	(80)	(22)	–	–	(172)	(35)	(310)
Depreciation (Note 2)	(2,786)	(3,314)	–	–	(3,903)	(3,155)	(13,158)
Impairment losses (Note 3)	(44)	–	–	–	–	–	(44)
Transfers	12,922	3,065	–	(21,087)	–	5,099	–
Exchange differences on translation of foreign operations	265	14	–	106	839	(55)	1,169
Balance as of December 31, 2023	40,698	10,142	5,316	9,361	18,260	10,730	94,508
Acquisitions	204	86	2,573	25,639	1,781	961	31,245
Acquisitions through business combinations	526	394	–	58	1,435	–	2,412
Sales or disposals	(44)	(28)	(935)	(1)	(14)	(249)	(1,271)
Depreciation (Note 2)	(3,244)	(3,543)	–	–	(4,219)	(3,775)	(14,781)
Impairment losses (Note 3)	(65)	(310)	–	–	(51)	(56)	(482)
Change due to exclusion from the scope of consolidated subsidiaries	(1,555)	(831)	–	–	(49)	(65)	(2,500)
Transfers	7,457	5,002	–	(18,086)	–	5,626	(1)
Exchange differences on translation of foreign operations	668	56	78	239	1,171	134	2,346
Balance as of December 31, 2024	44,645	10,968	7,032	17,210	18,313	13,307	111,477

Notes: 1. “Other” mainly represents tools, furniture, and fixtures.

2. Depreciation of property, plant, and equipment is recorded in “cost of sales,” “selling, general, and administrative expenses” and “research and development expenses” in the consolidated statement of profit or loss.
3. Impairment losses are included in “other expenses” in the consolidated statement of profit or loss.

(ii) Cost

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Right-of-use assets	Other	Total
Balance as of January 1, 2023	85,656	60,760	5,258	15,021	39,693	42,231	248,619
Balance as of December 31, 2023	95,738	62,425	5,316	9,773	38,915	44,798	256,964
Balance as of December 31, 2024	101,206	64,757	7,032	17,618	42,885	47,290	280,789

Note: The Group received a government grant of ¥1,136 million for the acquisition of property, plant, and equipment in the fiscal year ended December 31, 2024 (¥1,558 million in 2023) and deducted the amount directly from the cost of property, plant, and equipment. There were no unfulfilled conditions or other contingencies attached to the government grant.

(iii) Accumulated depreciation and impairment losses

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Right-of-use assets	Other	Total
Balance as of January 1, 2023	55,462	50,364	0	413	19,466	33,815	159,520
Balance as of December 31, 2023	55,039	52,283	0	412	20,655	34,068	162,456
Balance as of December 31, 2024	56,561	53,788	0	408	24,572	33,983	169,312

(2) Right-of-use assets

The following table provides the carrying amounts of right-of-use assets included in property, plant, and equipment:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Other	Total
Balance as of January 1, 2023	10,616	1,887	7,722	2	20,227
Balance as of December 31, 2023	9,026	1,505	7,728	1	18,260
Balance as of December 31, 2024	8,982	1,389	7,942	–	18,313

(3) Commitments

Please refer to Note “34. Commitments” for information about commitments for the acquisition of property, plant, and equipment.

7. Goodwill and intangible assets

(1) Changes in goodwill and intangible assets

The following are changes in the carrying amounts, costs, and the accumulated amortization and impairment losses of goodwill and intangible assets:

(i) Carrying amount

(Millions of yen)

	Goodwill	Intangible assets			
		In-process research and development (Note 1)	Marketing rights	Other (Note 2)	Total
Balance as of January 1, 2023	135,761	33,248	24,698	6,840	64,786
Acquisitions	–	1,500	4,380	3,037	8,917
Additions from internal development	–	6,678	–	–	6,678
Sales or disposals	–	–	–	(55)	(55)
Amortization (Note 3)	–	–	(5,571)	(2,368)	(7,939)
Impairment losses	–	(9,403)	(1,240)	(156)	(10,799)
Reversal of impairment losses	–	–	64	–	64
Transfers	–	(9,832)	9,832	–	–
Exchange differences on translation of foreign operations	4,690	–	928	339	1,267
Balance as of December 31, 2023	140,450	22,191	33,090	7,637	62,918
Acquisitions	–	66,689	450	2,472	69,610
Acquisitions through business combinations	34,135	13,201	17,346	60	30,606
Additions from internal development	–	9,664	–	–	9,664
Sales or disposals	–	(190)	(33)	(157)	(379)
Amortization (Note 3)	–	–	(7,584)	(2,415)	(9,999)
Impairment losses	–	–	(1,391)	–	(1,391)
Change due to exclusion from the scope of consolidated subsidiaries	–	–	–	(247)	(247)
Transfers	–	(10,131)	10,131	1	1
Exchange differences on translation of foreign operations	6,449	2,390	1,916	207	4,513
Balance as of December 31, 2024	181,034	103,813	53,926	7,558	165,297

Notes: 1. “In-process research and development” of intangible assets included internally generated intangible assets of ¥14,824 million and ¥14,168 million as of December 31, 2023 and December 31, 2024, respectively. “In-process research and development” excluding internally generated intangible assets of ¥ 7,367 million and ¥89,645 million as of December 31, 2023 and December 31, 2024, respectively.

2. “Other” under intangible assets mainly represents software.

3. Amortization of intangible assets is recorded in “cost of sales,” “selling, general, and administrative expenses,” and “research and development expenses” in the consolidated statement of profit or loss.

(ii) Cost

(Millions of yen)

	Goodwill	Intangible assets			
		In-process research and development	Marketing rights	Other	Total
Balance as of January 1, 2023	135,761	56,035	107,497	12,562	176,094
Balance as of December 31, 2023	140,450	35,607	128,793	15,631	180,031
Balance as of December 31, 2024	181,034	113,946	150,618	17,246	281,811

(iii) Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets			
		In-process research and development	Marketing rights	Other	Total
Balance as of January 1, 2023	–	22,788	82,799	5,721	111,308
Balance as of December 31, 2023	–	13,416	95,704	7,994	117,114
Balance as of December 31, 2024	–	10,133	96,692	9,688	116,514

(2) Testing for impairment

(i) Goodwill

The Group tests goodwill for impairment annually (during the fourth quarter) and whenever there is an indication that it may be impaired. The recoverable amount for impairment testing purposes is determined based on value in use.

Goodwill acquired in a business combination, on the acquisition date, is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

Value in use is determined by discounting the estimated future cash flows based on a three-year business forecast to the present value.

The following are discount rates used in determining value in use.

	Discount rate (post-tax)	Discount rate (pre-tax)
	Weighted average cost of capital (WACC) of groups of cash-generating units	Weighted average cost of capital (WACC) of groups of cash-generating units
Fiscal year ended December 31, 2023	7.6%	10.6%
Fiscal year ended December 31, 2024	7.0%	9.9%

Such business forecast reflected past experience, is consistent with external sources of information, and was developed taking into account new drugs to be launched, competition, etc.

The value in use sufficiently exceeds the carrying amount of the groups of cash-generating units, so the Group does not think the value in use will fall below the carrying amount even if key assumptions used to determine the value in use change within a reasonable range.

(ii) Intangible assets that have not yet been amortized

The Group performs an impairment test for in-process research and development on an individual asset basis annually (during the fourth quarter) and whenever there is an indication that the asset may be impaired. The recoverable amount for impairment testing purposes is determined based on value in use.

In-process research and development represents rights related to research and development acquired

through in-licensing agreements for products in the research and development stage, development products, technologies, etc. or through business combinations, and internal development expenses that meet asset recognition criteria and will not become usable until the final commercialization stage. The amount was ¥103,813 million (¥22,191 million as of December 31, 2023).

(3) Significant intangible assets

Intangible assets in the consolidated statement of financial position include the following significant items:

(Millions of yen)

		As of December 31, 2023	As of December 31, 2024	
	Name	Carrying amount	Carrying amount	Remaining amortization period
In-process research and development	ziftomenib	–	51,353	–
	infigratinib	–	14,800	–
	OTL-203	–	14,543	–
	tivozanib	4,204	4,204	–
Marketing rights	Libmeldy/Lenmeldy	–	17,963	18 years
	PHOZEVEL	13,915	12,671	10 years
	Moventig	2,301	2,144	6 years
	Rituximab BS [KHK]	2,395	1,797	3 years
	HARUROPI	958	630	2 years

(4) Impairment of intangible assets

In the fiscal year ended December 31, 2023, the Group recognized an impairment loss of ¥10,799 million, which was recorded in “other expenses” in the consolidated statement of profit or loss. This is mainly because the carrying amount of in-process research and development for bardoxolone methyl (code name: RTA402) was reduced to their recoverable amount (value in use of 0) due to the decision to discontinue the development.

In the fiscal year ended December 31, 2024, the Group recognized an impairment loss of ¥1,391 million, which was recorded in “other expenses” in the consolidated statement of profit or loss. This is mainly because the carrying amount of marketing rights of some products overseas was reduced to their recoverable amount (value in use of 0) due to a fall in their profitability.

The cash-generating units for intangible assets are individual assets, and the recoverable amount is determined based on its value in use using a pre-tax rate.

(5) Commitments

Please refer to Note “34. Commitments” for information about commitments for the acquisition of intangible assets.

8. Investments accounted for using equity method

Investments accounted for using the equity method consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Joint ventures	(13,322)	(10,412)
Associates	11,713	1,902

(1) Material joint ventures

The Group's material joint venture is FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd., which was established through a joint venture agreement between the Company and FUJIFILM Corporation. It operates in Japan and Europe and engages in the development, manufacture, and marketing of biosimilars. The following table reconciles the company's condensed financial statements under IFRS to the carrying amount of the Group's equity interest:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Percentage ownership interest	50.0%	50.0%
Total non-current assets	10,296	8,324
Total current assets	14,988	17,853
of which: cash and cash equivalents	5,700	6,582
Total non-current liabilities	47,000	45,000
of which: bonds payable	47,000	45,000
Total current liabilities	4,820	2,017
Equity	(26,536)	(20,840)
Equity attributable to the Group	(13,268)	(10,420)
Consolidation adjustments	(54)	(38)
Carrying amount of equity	(13,322)	(10,458)

The amounts of bonds issued by the company that the Company purchased were ¥23,500 million and ¥22,500 million as of December 31, 2023 and 2024, respectively. Adjustments were made to unrealized gains on transactions with the Company.

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Revenue	20,160	14,445
Depreciation and amortization	(1)	(1)
Interest expenses	(245)	(306)
Income tax expense (Note 1)	(7,976)	(1,564)
Profit or loss from continuing operations	2,919	5,504
Other comprehensive income	107	192
Total comprehensive income	3,026	5,697
The Group's share		
Profit or loss from continuing operations	1,460	2,752
Other comprehensive income	53	96
Total comprehensive income	1,513	2,848

Notes: 1. Income tax expense primarily consisted of deferred tax expense.
2. There were no dividends received from FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd.

(2) Individually immaterial joint ventures

The carrying amount of investments in individually immaterial joint ventures was as follows:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Carrying amount	–	46

The following table provides the financial information of individually immaterial joint ventures:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
The Group's share		
Profit or loss from continuing operations	–	(54)
Total comprehensive income	–	(54)

(3) Individually immaterial associates

The carrying amount of investments in individually immaterial associates was as follows:

(Millions of yen)

	Fiscal year ended December 31, 2023 (December 31, 2023)	Fiscal year ended December 31, 2024 (December 31, 2024)
Carrying amount	11,713	1,902

The following table provides the financial information of individually immaterial associates:

(Millions of yen)

	Fiscal year ended December 31, 2023 (December 31, 2023)	Fiscal year ended December 31, 2024 (December 31, 2024)
The Group's share		
Profit or loss from continuing operations	(485)	850
Other comprehensive income	134	55
Total comprehensive income	(351)	905

9. Other financial assets

(1) Breakdown of other financial assets

Other financial assets consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Financial assets measured at amortized cost		
Bonds payable	23,500	22,500
Leasehold deposits	2,288	2,364
Other	527	3,502
Financial assets measured at fair value through profit or loss		
Other	1,697	559
Financial assets measured at fair value through other comprehensive income		
Equity securities and investments in capital	7,285	5,579
Total	35,297	34,505
Non-current assets	33,374	32,800
Current assets	1,923	1,705

(2) Financial assets measured at fair value through other comprehensive income

The Group measures equity securities and investments in capital that are held for the purpose of maintaining smooth business relationships at fair value through other comprehensive income. The following table provides the fair value of each major issue:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Ardelyx, Inc.	2,506	–

Note: For more details, please refer to Note “14. Assets held for sale.”

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The Group disposed of some financial assets measured at fair value through other comprehensive income for the purposes of increasing asset effectiveness, and derecognized them. The following table provides the fair value at the time of disposal and the cumulative gain or loss previously recognized in other comprehensive income (net of tax):

(Millions of yen)

Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
Fair value	Cumulative gain (loss)	Fair value	Cumulative gain (loss)
–	–	2,607	1,557

Note: When a financial asset measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

Dividend income from equity instruments consisted of the following:

(Millions of yen)

Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
Investments derecognized during period	Investments held at fiscal year-end	Investments derecognized during period	Investments held at fiscal year-end
–	5	50	173

(4) Assets pledged as collateral

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Other financial assets (current assets)	300	300

Note: The assets were pledged as collateral in order to utilize the deferred payment system under the Japanese Customs Act and Consumption Tax Act.

10. Income taxes

(1) Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Deferred tax assets	49,538	41,258
Deferred tax liabilities	(428)	(434)
Net amount	49,111	40,824

(2) Changes in the balance of deferred tax

The following table provides the major components of deferred tax and their changes:

Fiscal year ended December 31, 2023

(Millions of yen)

	Balance as of January 1 (Net amount)	Amount recognized in profit or loss (Note 1)	Amount recognized in other comprehen-sive income	Other	Balance as of December 31 (Net amount)
Property, plant, and equipment and intangible assets	(2,579)	(4,253)	–	–	(6,832)
Outsourced research and development	8,496	1,053	–	–	9,549
Other financial assets	453	(92)	(500)	–	(139)
Retirement benefit asset or liability	287	(26)	(255)	–	6
Inventories	21,696	(949)	–	–	20,747
Contract liabilities	10,074	(2,488)	–	–	7,586
Tax loss carryforwards	174	(112)	–	–	62
Other (Note 2)	13,942	3,396	794	–	18,132
Total	52,542	(3,470)	38	–	49,111

Notes: 1. The difference between the total amount recognized in profit or loss and the total deferred tax expense arose from changes in exchange rates.

2. Other mainly includes deferred tax assets related to amortization of research and experimental expenditures in the United States and tax credits.

Fiscal year ended December 31, 2024

(Millions of yen)

	Balance as of January 1 (Net amount)	Amount recognized in profit or loss (Note 1)	Amount recognized in other comprehen-sive income	Acquisitions through business combinations	Other (Note 2)	Balance as of December 31 (Net amount)
Property, plant, and equipment and intangible assets	(6,832)	(4,416)	–	(7,844)	(149)	(19,240)
Outsourced research and development	9,549	(2,334)	–	–	–	7,215
Other financial assets	(139)	813	275	–	–	948
Retirement benefit asset or liability	6	(234)	(1,005)	–	–	(1,234)
Inventories	20,747	(5,584)	–	–	(221)	14,942
Contract liabilities	7,586	(2,472)	–	–	(171)	4,944
Tax loss carryforwards	62	387	–	7,844	–	8,293
Other (Note 3)	18,132	6,963	(794)	814	(159)	24,956
Total	49,111	(6,877)	(1,524)	814	(699)	40,824

Notes: 1. The difference between the total amount recognized in profit or loss and the total deferred tax expense arose from changes in exchange rates.

2. These are increase/decrease due to change in the scope of consolidation.

3. Other mainly includes deferred tax assets related to amortization of research and experimental expenditures in the United States and tax credits.

(3) Unrecognized deferred tax assets

The following table provides the amounts of unused tax losses and deductible temporary differences (including deductible temporary differences associated with investments in subsidiaries, etc.) for which no deferred tax asset was recognized: The deductible temporary differences and unused tax losses are presented on a tax basis.

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Deductible temporary differences	10,578	19,885
Unused tax losses (Note)	5,129	36,358

Note: The following table provides the expiration of the unused tax losses for which no deferred tax asset was recognized:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
In one year or less	–	–
After one year through two years	–	–
After two years through three years	–	–
After three years through four years	–	–
After four years	–	–
With no expiration	5,129	36,358
Total	5,129	36,358

(4) Unrecognized deferred tax liabilities

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of December 31, 2023 and 2024 are ¥72,548 million and ¥97,528 million, respectively. The Group was able to control the timing of the reversal of these temporary differences, and it was probable that these temporary differences would not reverse in the foreseeable future. Accordingly, the Group did not recognize deferred tax liabilities.

(5) Income tax expense

Income tax expense consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Current tax expense	10,051	14,288
Deferred tax expense	6,007	9,295
Total	16,058	23,583

(6) Reconciliation of tax rates

The following table reconciles the statutory tax rate to the effective tax rate:

(In percent)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Statutory tax rate	30.6	30.6
(Adjustments)		
Share of profit (loss) of investments accounted for using equity method	(0.3)	(1.3)
Permanently non-deductible items	0.9	3.4
Permanently non-taxable items	(6.2)	(1.6)
Change in unrecognized deferred tax assets and liabilities	(0.3)	0.6
Tax credits	(5.2)	(1.6)
Different tax rates applied to consolidated subsidiaries	(3.2)	(4.0)
Other	0.2	2.2
Effective tax rate	16.5	28.3

Note: The Company is mainly subject to Japanese corporation tax, inhabitants tax, and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of 30.6% for the fiscal years ended December 31, 2023 and 2024. The Company's foreign subsidiaries are subject to corporation tax and other taxes in their locations.

(7) Global minimum tax

In Japan, where the Company is located, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 3 of 2023), which introduces a global minimum tax system in accordance with the Pillar Two model rules, was enacted on March 28, 2023. This Act will be applicable to the Company from the fiscal year ending December 31, 2025.

Based on the recent tax returns, country-by-country reports, and financial statements of each constituent entity to be subject to the system, the Company evaluated the potential impact of the application of the global minimum tax system. As a result, while there is a possibility that the Company, which is located in Japan, may be subject to top-up taxation to the extent that the tax burden in low-tax jurisdictions where some subsidiaries of the Company are located reaches up to the standard tax rate of 15%, the Company determined that the impact is minimal.

11. Inventories

Inventories consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Raw materials and supplies	13,928	14,244
Work in process	13,564	11,271
Merchandise and finished goods	43,870	47,417
Total	71,363	72,933

Note: The amount that was recognized as expenses and included in "cost of sales" for the fiscal years ended December 31, 2023 and 2024 is ¥78,714 million and ¥84,933 million, respectively. Of those amounts, inventory valuation losses for the fiscal years ended December 31, 2023 and 2024 are ¥5,249 million and ¥8,204 million, respectively.

12. Trade and other receivables

Trade and other receivables consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Trade notes and accounts receivable	112,020	151,856
Other receivables	8,030	6,726
Allowance for doubtful accounts	(273)	(383)
Chargeback payments (Note 2)	(694)	(1,184)
Total	119,082	157,015

Notes: 1. The amounts less allowance for doubtful accounts and chargeback payments are presented in the consolidated statement of financial position. Trade notes and accounts receivable and other receivables are classified as financial assets measured at amortized cost.

2. The Group entered into agreements with certain indirect customers in the United States, under which the customers have the right to purchase products at a discount from wholesalers. Chargeback payments are differences between the amounts billed by the Group to wholesalers and discount prices for the indirect customers under such agreements.

3. Trade and other receivables that are expected to be collected beyond 12 months are ¥20,707 million in the fiscal year ended December 31, 2024.

13. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Cash and deposits	23,053	26,592
Loans receivable from parent due within three months	380,030	218,089
Total	403,083	244,681

Note: Cash and cash equivalents are classified as financial assets measured at amortized cost.

14. Assets held for sale

In the third quarter of the fiscal year ended December 31, 2024, the Company made a decision to sell all the interest in the stock of Ardelyx held by the Company, and classified the asset from “Other financial assets (non-current assets)” to asset held for sale. The sale of shares were completed in the fourth quarter of the fiscal year ended December 31, 2024.

15. Equity

(1) Share capital and capital surplus

The following table provides the authorized number of shares, the number of issued shares, and changes in the balances of share capital and capital surplus.

	Authorized number of shares (Shares)	Number of issued shares (Shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of January 1, 2023	987,900,000	540,000,000	26,745	464,434
Increase (decrease)	–	–	–	297
As of December 31, 2023	987,900,000	540,000,000	26,745	464,731
Increase (decrease) (Note 2)	–	(14,365,500)	–	(36,997)
As of December 31, 2024	987,900,000	525,634,500	26,745	427,733

Notes: 1. All shares issued by the Company are ordinary shares with no par value and do not limit any rights of shareholders. All of the issued shares are fully paid.

2. The decrease in the number of issued shares for the fiscal year ended December 31, 2024 is due to cancellation of treasury shares.

(2) Treasury shares

The following table provides changes in the number of treasury shares and the balance.

	Number of shares (Shares)	Amount (Millions of yen)
As of January 1, 2023	2,521,197	3,177
Increase (decrease)	(130,485)	(243)
As of December 31, 2023	2,390,712	2,933
Increase (decrease)	(113,988)	2,954
As of December 31, 2024	2,276,724	5,887

Note: The increase (decreases) for the previous fiscal year are mainly due to the exercise of share options and the disposal of treasury shares under the restricted stock compensation plan. The increase (decrease) for the fiscal year ended December 31, 2024 are mainly due to the restricted stock compensation, the exercise of share options, the grant under the performance share unit plan, and the acquisition and cancellation of treasury shares based on the resolution of the Board of Directors.

(3) Nature and purposes of other components of equity

(i) Share acquisition rights

The Company had a share option plan and issued share acquisition rights pursuant to the Japanese Companies Act until the fiscal year ended December 31, 2019. The contractual terms, prices, and other information are stated in Note “16. Share-based payments.”

(ii) Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations represent the exchange differences arising from the translation of the financial statements of foreign subsidiaries denominated in foreign currencies for consolidation purposes.

(iii) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income represent net unrealized gains or losses associated with the fair value of financial assets measured at fair value through other comprehensive income.

(iv) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans comprise the effects of differences between actuarial assumptions and actual results at the beginning of the fiscal year and the effects of changes in actuarial assumptions. They are recognized in full in other comprehensive income in the period in which they occur and are immediately transferred from other components of equity to retained earnings.

(v) Cash flow hedges

The Company uses derivatives to hedge the risk of fluctuation in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivatives designated as cash flow hedges.

(4) Dividend

Fiscal year ended December 31, 2023

(i) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 24, 2023 Ordinary General Meeting of Shareholders	Ordinary shares	14,512	27.00	December 31, 2022	March 27, 2023
August 3, 2023 Board of Directors	Ordinary shares	14,515	27.00	June 30, 2023	September 1, 2023

(ii) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year

The following dividends on ordinary shares have been proposed as an agenda item (a matter to be resolved) for the Ordinary General Meeting of Shareholders to be held on March 22, 2024.

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 22, 2024 Ordinary General Meeting of Shareholders	Ordinary shares	15,591	29.00	December 31, 2023	March 25, 2024

Fiscal year ended December 31, 2024

(i) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 22, 2024 Ordinary General Meeting of Shareholders	Ordinary shares	15,591	29.00	December 31, 2023	March 25, 2024
August 1, 2024 Board of Directors	Ordinary shares	15,304	29.00	June 30, 2024	September 2, 2024

(ii) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year

The following dividends on ordinary shares have been proposed as an agenda item (a matter to be resolved) for the Ordinary General Meeting of Shareholders to be held on March 19, 2025.

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 19, 2025 Ordinary General Meeting of Shareholders	Ordinary shares	15,177	29.00	(December 31, 2024)	March 21, 2025

16. Share-based payments

(1) Overview of share-based payment plans

The Group has implemented a restricted stock compensation plan as an equity-settled share-based payment plan and a performance-linked share-based remuneration plan (Performance Share Unit) as an equity-settled and cash-settled share-based payment plan for Directors and Executive Officers, and a phantom stock plan as a cash-settled share-based payment plan for certain employees.

(2) Share options

(i) Overview of the plan

The Group had a share option plan until the fiscal year ended December 31, 2019, and all of the share options are equity-settled share-based payments. In accordance with the details approved at the Company's General Meeting of Shareholders and by resolution at the Company's Board of Directors, share acquisition rights issued as share options are granted to the Company's Directors and Executive Officers and some Directors of the Company's subsidiaries. If a grantee is dismissed from their position as Director or Executive Officer, the relevant share acquisition rights will be extinguished. When the retirement date of a grantee comes before the expiration of their term of office, the number of share acquisition rights is adjusted according to the number of months in office. The exercise period is defined in the allotment agreement, ranging from three to twenty years. If a grantee loses their position or does not exercise the relevant share acquisition rights during the exercise period, said rights will be extinguished.

(ii) Number and weighted average exercise prices of share options

	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Outstanding at beginning of period	110,200	1	46,900	1
Granted	–	–	–	–
Exercised	(63,300)	1	(34,700)	1
Forfeited or expired	–	–	–	–
Outstanding at end of period	46,900	1	12,200	1
of which, exercisable at end of period	46,900	1	12,200	1

Notes: 1. The weighted average share price at the date of exercise for the share options exercised during the fiscal years ended December 31, 2023 and 2024 are ¥2,870 and ¥2,538, respectively.

2. The weighted average remaining contractual lives of the outstanding share options as of December 31, 2023 and 2024 are 0.9 years and 0.2 years, respectively. All the share acquisition rights were exercised by February 12, 2025.

(3) Restricted stock compensation plan

(i) Overview of the plan

Under the plan, the Company's Directors and Executive Officers receive the Company's ordinary shares upon making a contribution in kind of all monetary compensation claims provided by the Company and on condition that they remain in the position of Director or Executive Officer of the Company for a specified period.

The Company's ordinary shares are granted as restricted stock compensation on condition that the Company and the eligible Director or Executive Officer enter into an agreement which contains the following terms: (i) the shares shall not be transferred to any third party, have a security interest created on, or otherwise be disposed of during a specified period, and (ii) the shares will be acquired by the Company without compensation if certain circumstances arise.

(ii) Number and fair value of shares granted during the year

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Grant date	April 13, 2023	April 11, 2024
Number of shares granted (Shares)	70,908	68,399
Fair value (Yen)	2,838	2,845

(4) Performance-linked share-based remuneration plan (Performance Share Unit)

(i) Overview of the plan

The Company has a performance-linked share-based remuneration plan (Performance Share Unit) under which remuneration varies depending on the level of achievement of performance targets in a three-year performance evaluation period.

The plan is for the Company's Directors and Executive Officers. At the beginning of a performance evaluation period, the "standard number of shares to be delivered" is determined by resolution of the Board of Directors. After the end of the performance evaluation period, the "standard number of shares to be delivered" is multiplied by the level of achievement of performance targets in the range of 0% to 150%, and approximately one-half thereof is delivered as shares and the remaining one-half is paid in cash to the eligible Directors and Executive Officers at a certain point of time, normally in April, every year.

The carrying amounts of liabilities related to the plan as of December 31, 2023 and 2024 were ¥83 million and ¥88 million, respectively.

(ii) Performance share units existing during the year

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
	Standard number of shares to be delivered (Shares)	Standard number of shares to be delivered (Shares)
Balance at beginning of period	71,918	112,933
Grant	41,015	39,924
Increase-other	–	2,790
Delivery and payment	–	(32,238)
Decrease-other	–	(6,895)
Balance at end of period	112,933	116,514
Weighted average fair value (Yen)	3,032	2,933

Note: The fair value under the plan is measured based on the market price of the Company's shares as of the business day immediately before the date of resolution by the Company's Board of Directors at the start of the applicable period of the plan and is not adjusted in consideration of expected dividends.

(5) Phantom stock

The Company and some of its consolidated subsidiaries have a phantom stock plan under which compensation is settled in cash based on the Company's share price at the time of vesting.

The plan is for some employees of the Group. The vesting condition is three years of service from the grant date, in principle. Under the plan, there is no exercise price, because compensation is determined and paid based on the Company's share price.

The carrying amounts of liabilities related to the plan as of December 31, 2023 and 2024 were ¥401 million and ¥917 million, respectively.

(6) Amounts recognized in the consolidated statement of profit or loss

Share-based payment expenses recognized in the consolidated statement of profit or loss consisted of the following: They were recorded in "selling, general, and administrative expenses" and "research and development expenses."

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Equity-settled (restricted stock compensation plan)	198	196
Equity-settled and cash-settled (performance-linked share-based remuneration plan)	(7)	121
Cash-settled (phantom stock plan)	174	403
Total	365	720

17. Employee benefits

The Company and some of its consolidated subsidiaries have defined benefit plans and defined contribution plans to fund retirement benefits for their employees. The defined benefit corporate pension plans provide lump sum payments or pensions based on the salary or job grades, the number of years of service, and other factors. However, some of the consolidated subsidiaries of the Company introduced cash balance plans in their defined benefit corporate pension plans.

The lump sum payment plans provide lump sum payments based on the salary or job grades, the number of years of service, and other factors. Some of them are funded on the grounds that a retirement benefit trust was set up. Funded defined benefit plans are managed by corporate pension funds or other institutions that are legally separated from the Company and some of its consolidated subsidiaries in accordance with relevant laws and regulations. Boards of corporate pension funds and pension investment managers are required by laws and regulations to act in the best interest of plan participants and are responsible for managing plan assets in accordance with specified policies. The Company, some of its consolidated subsidiaries, and each corporate pension fund periodically examine the pension finances pursuant to laws and regulations in order to maintain a balanced budget in preparation for the appropriation for future benefits and any deficits in the plans, and recalculate the contributions.

These pension plans are exposed to general investment risk, interest rate risk, and inflation risk. Asset management policies for plan assets of the Company and some of its consolidated subsidiaries are, in accordance with the corporate pension rules, intended to ensure the payment of defined benefit obligations in future years and aim for provision of the required returns in the long term within the tolerable risk range. Specifically, asset management is carried out by taking into account the risks and returns of the investment assets and determining an optimal combination from a long-term perspective.

(1) Defined benefit plans

(i) Reconciliation of defined benefit obligations and plan assets

The following table provides the relationship between defined benefit obligations and plan assets, and net defined benefit asset (liability) in the consolidated statement of financial position:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Present value of defined benefit obligations	(63,132)	(58,308)
Fair value of plan assets	78,494	77,812
Net defined benefit asset (liability)	15,362	19,504
Amounts in the consolidated statement of financial position		
Retirement benefit liability	(293)	(272)
Retirement benefit asset	15,655	19,775
Net defined benefit asset (liability) in the consolidated statement of financial position	15,362	19,504

(ii) Reconciliation of present value of defined benefit obligations

The following table summarizes the reconciliation of the beginning balance of the present value of defined benefit obligations to the ending balance:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Present value of defined benefit obligations at beginning of period	(61,786)	(63,132)
Service cost	(3,354)	(3,331)
Interest expense	(834)	(935)
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	257	229
Actuarial gains and losses arising from changes in financial assumptions	1,751	3,986
Actuarial gains and losses arising from experience adjustments	(3,188)	(936)
Past service cost	(184)	–
Benefits paid	4,254	5,812
Exchange differences on translation of foreign operations	(50)	(2)
Present value of defined benefit obligations at end of period	(63,132)	(58,308)

Note: The weighted average duration of the defined benefit obligations as of December 31, 2023 and 2024 is 10.4 years and 9.9 years, respectively.

(iii) Reconciliation of fair value of plan assets

The following table summarizes the reconciliation of the beginning balance of the fair value of plan assets to the ending balance:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Fair value of plan assets at beginning of period	76,712	78,494
Interest income	1,065	1,181
Remeasurements		
Return on plan assets	2,013	186
Contributions from employer	2,016	1,926
Benefits paid	(3,346)	(3,967)
Exchange differences on translation of foreign operations	34	(9)
Fair value of plan assets at end of period	78,494	77,812

Note: The Group plans to contribute ¥1,604 million to the defined benefit plans in the fiscal year ending December 31, 2025.

(iv) Disaggregation of plan assets

The following table provides the components of plan assets:

(Millions of yen)

	As of December 31, 2023			As of December 31, 2024		
	Assets with a quoted price in an active market	Assets without a quoted price in an active market	Total	Assets with a quoted price in an active market	Assets without a quoted price in an active market	Total
Equity instruments						
Equity securities	7,842	–	7,842	8,111	–	8,111
Debt instruments						
Debt securities	38,156	–	38,156	36,940	–	36,940
Life insurance general accounts	–	25,550	25,550	–	26,054	26,054
Alternatives	6,403	–	6,403	6,195	–	6,195
Other	–	542	542	–	512	512
Total	52,401	26,093	78,494	51,245	26,566	77,812

Notes: 1. For each life insurance general account, the principal and a certain expected interest rate are guaranteed by the life insurance company.

2. “Alternatives” mainly consist of investment in foreign bonds.

(v) Actuarial assumptions

Major actuarial assumptions were as follows:

(In percent)

	As of December 31, 2023	As of December 31, 2024
Discount rate	1.5	1.8

If the discount rate changes by 0.5%, the impact on defined benefit obligations is as follows:

(Millions of yen)

		As of December 31, 2023	As of December 31, 2024
Discount rate	+0.5%	(2,037)	(2,696)
	-0.5%	4,300	2,933

Notes: 1. In these analyses, all other variables are assumed to be constant. In practice, changes in some of the assumptions may occur in a correlated manner.

2. The method used to calculate the defined benefit obligations in the consolidated statement of financial position was used to calculate the defined benefit obligations in the sensitivity analyses.

(2) Defined contribution plans

Expenses associated with defined contribution plans for the fiscal years ended December 31, 2023 and 2024 are ¥6,487 million and ¥7,000 million, respectively.

The above amounts include expenses associated with public plans.

(3) Other employee benefit expenses

The following are expenses related to employee benefits other than post-employment benefits included in the consolidated statement of profit or loss:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Wages and salaries	58,893	67,217
Employees' bonuses	20,873	25,326
Special retirement benefits	738	8,138
Other	9,227	10,920
Total	89,731	111,601

Note: Interest expense and interest income on post-employment benefits are included in "finance costs" on a net basis, and other expenses are included in "cost of sales," "selling, general, and administrative expenses," "research and development expenses," and "other expenses."

18. Provisions

The following table provides the nature of and changes in provisions:

Fiscal year ended December 31, 2024

(Millions of yen)

	Provision for loss on compen-sation (Note 1)	Provision for returns of expired products (Note 2)	Provision for loss on product recalls (Note 3)	Provision for loss on contracts (Note 4)	Asset retirement obligations (Note 5)	Other	Total
Balance at beginning of period	3,400	552	–	2,515	3,812	540	10,819
Increase	–	56	376	3,359	146	602	4,538
Decrease (used)	(1,918)	–	–	(683)	(12)	–	(2,614)
Decrease (reversed)	(1,482)	–	–	(506)	–	–	(1,987)
Exchange differences on translation of foreign operations	–	63	–	–	3	89	155
Balance at end of period	–	671	376	4,684	3,949	1,231	10,911
Non-current liabilities	–	–	–	2,521	3,949	–	6,470
Current liabilities	–	671	376	2,163	–	1,231	4,441

Notes:
1. In order to provide for the payment for the breach of representations and warranties caused by violations of laws and regulations at KYOWA HAKKO BIO CO., LTD. and for any indemnification claim under special indemnity provisions, an amount that can be reasonably estimated is recognized as provision for loss on compensation.
2. In order to provide for returns of expired products, expected returns are recognized as provision for returns of expired products taking into account historical returns and other factors.
3. In order to provide for the payment for returns and other costs in connection with products to be recalled, a reasonably estimable amount is recognized as provision for loss on product recalls.
4. In order to provide for the loss due to the performance of agreements, a reasonably estimable amount is recognized as provision for such loss.
5. The estimated costs for restoring land and other premises with an obligation to restore them at the end of the lease are recognized as asset retirement obligations. Most of these costs are expected to be paid after more

than one year.

19. Other financial liabilities

Other financial liabilities consisted of the following:

	As of December 31, 2023 (Millions of yen)	As of December 31, 2024 (Millions of yen)	Average interest rate (%)	Repayment due (Year)
Financial liabilities measured at amortized cost				
Deposits received	238	452	–	–
Other	1,274	88	–	–
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	842	6,533	–	–
Financial liabilities measured at fair value through other comprehensive income				
Derivative liabilities	2,592	–	–	–
Lease liabilities	19,301	21,675	–	2025 - 2056
Total	24,247	28,747	–	–
Non-current liabilities	16,111	24,119	–	–
Current liabilities	8,136	4,628	–	–

20. Leases

(1) Lease income and lease expense

The following table provides amounts recognized in profit or loss in connection with leases:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Depreciation of right-of-use assets by class of underlying asset		
Buildings and structures	2,959	3,425
Machinery and vehicles	649	488
Land	295	306
Other	1	0
Total depreciation	3,903	4,219
Interest expenses on lease liabilities	392	725
Expense relating to short-term leases for which recognition exemption has been used	492	580
Expense relating to leases of low-value assets for which recognition exemption has been used	999	917
Variable lease payments not included in the measurement of lease liabilities	21	24

(2) Cash outflow for leases

The total cash outflow for leases is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Total cash outflow for leases	5,545	6,250

The components of the carrying amount of right-of-use assets are disclosed in Note “6. Property, plant, and equipment,” and a maturity analysis of lease liabilities is disclosed in Note “32. Financial instruments.”

21. Other liabilities

Other liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Contract liabilities	24,903	16,145
Accrued paid leave	4,212	4,718
Accrued consumption taxes	507	514
Accrued expenses	10,636	16,006
Other	2,509	2,663
Total	42,767	40,045
Non-current liabilities	17,049	8,887
Current liabilities	25,718	31,159

22. Trade and other payables

Trade and other payables consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Trade notes and accounts payable	12,154	12,638
Other payables	56,582	79,502
Refund liabilities	24,247	28,923
Total	92,983	121,063

Note: Trade notes and accounts payable and other payables are classified as financial liabilities measured at amortized cost.

23. Revenue

The Group sells merchandise and finished goods and licenses its technologies to customers.

(1) Disaggregation of revenue

(i) Revenue by regional control function

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Japan	146,995	134,675
North America	137,841	174,422
EMEA	73,344	84,927
Asia/Oceania	35,666	41,615
Others	48,386	59,920
Total	442,233	495,558

Notes:
1. Revenue by regional control function is classified based on consolidated revenue from merchandise and finished goods of regional control functions in the One Kyowa Kirin (OKK) matrix global management structure, which combines a regional axis, a functional axis, and a product (franchises) axis.
2. EMEA consists of Europe, the Middle East, Africa, etc.
3. Revenue in Asia/Oceania includes revenue from sales of products to partners in the same region, which started in line with the business restructuring.
4. Others consist of revenue from technology out-licensing, hematopoietic stem cell gene therapy (sales by Orchard Therapeutics), and original equipment manufacturing, etc.

(ii) Revenue by product or service

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Merchandise and finished goods (Note 1)	400,372	446,786
Main merchandise and finished goods		
Japan:		
Crysvita	10,492	11,739
Poteligeo	1,945	1,839
Nesp	3,157	2,645
Darbepoetin Alfa Injection Syringe [KKF]	13,992	11,577
Duvroq	9,947	12,712
PHOZEVEL	–	4,658
Regpara (Note 2)	1,664	491
Orkedia	10,588	10,432
Rocaltrol	2,867	2,511
Onglyza	4,316	3,380
Coniel	1,500	1,060
G-Lasta	31,915	20,512
Fentos	3,475	3,214
Rituximab BS [KHK]	9,027	7,820
Romiplate	11,964	13,922
Allelock	5,472	4,146
Patanol	2,008	1,258
Dovobet (Note 3)	7,926	7,908
Lumicef	2,809	2,693
Nouriast	7,559	6,943
HARUROPI	4,469	4,590
Depakene	2,758	2,652

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Overseas:		
Crysvita	141,955	184,813
Poteligeo	28,361	38,094
Libmeldy/Lenmeldy	–	3,286
Nourianz	8,244	8,775
Nesp (Note 4)	9,104	9,747
Regpara (Note 4)	4,013	3,241
Neulasta/Peglasta (Note 4)	5,670	3,439
Gran (Note 4)	6,939	5,442
Technology out-licensing (Note 5)	41,860	48,772
Total	442,233	495,558

Notes:
1. Revenue from merchandise and finished goods is classified into Japan or overseas (other than Japan) based on consolidated revenue of regional control functions.
2. As for Regpara, in November 2024, the voluntary recall was announced, and its sale was discontinued.
3. The sale of Dovobet by the Company was terminated on December 31, 2024, in line with the end of the cooperative sales agreement concluded with LEO Pharma.
4. As for Nesp, Regpara, Neulasta/Peglasta and Gran, revenue from products supplied to partners in APAC, which started with business restructuring, is not included.
5. Revenue listed as “Technology out-licensing” represents the upfront income, milestone revenue, and running royalty income that are obtained based on licensing agreements recognizing the granting to third parties of the rights for development, manufacture, and sales of the Group’s pipeline compounds or the use of technology, etc.

(2) Change in contract balances

Receivables from contracts with customers and contract liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Receivables from contracts with customers		
Trade notes and accounts receivable	111,258	149,410
Contract liabilities	24,903	16,145

Note: The beginning balances of contract liabilities recognized as revenue in the fiscal years ended December 31, 2023 and 2024 were ¥8,150 million and ¥8,131 million, respectively. Revenue recognized in the fiscal years ended December 31, 2023 and 2024 from performance obligations satisfied in previous years was ¥34,212 million and ¥41,714 million, respectively. These amounts mainly consist of milestone revenue and running royalties revenue.

The decreased amount of contract liabilities of ¥627 million in the fiscal year ended December 31, 2024 was due to exclusion of Kyowa Kirin China Pharmaceutical Co., Ltd. from our consolidated subsidiaries.

(3) Timing of satisfaction of performance obligations

The following table provides the aggregate amounts of the transaction prices allocated to the remaining performance obligations in contracts associated with revenue from technology out-licensing and when such amounts are expected to be recognized as revenue. Transactions under contracts with an original expected duration of one year or less are excluded, since a practical expedient has been applied.

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Within one year	8,174	8,073
Due after one year through two years	8,172	8,073
After two years through three years	8,172	–
After three years	385	–
Total	24,903	16,145

24. Selling, general, and administrative expenses

Selling, general, and administrative expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Employee benefit expenses	73,674	84,037
Sales promotion expenses	29,845	18,257
Depreciation and amortization	10,405	11,730
Other	49,154	53,513
Total	163,078	167,537

25. Other income and expenses

Other income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Gain on sales of share and valuation of remaining share (Note 1)	14,799	7,372
Gain on sale of non-current assets	211	2,460
Reversal of provision for loss on compensation (Note 2)	–	1,482
Rental income	564	620
Reversal of impairment losses (Note 3)	64	–
Other	1,147	1,168
Total	16,785	13,102

Notes: 1. Please refer to Note “28. Transfer of shares of subsidiaries” for gain on sales of share and valuation of remaining share.

2. The provision had been made in order to provide for the payment for the breach of representations and warranties caused by violations of laws and regulations at KYOWA HAKKO BIO CO., LTD. and for any indemnification claim under special indemnity provisions, and was partially reversed in the fiscal year ended

December 31, 2024.

3. For more details, please refer to Note “7. Goodwill and intangible assets” for reversal of impairment losses.

Other expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Business restructuring expenses (Note 1)	6,245	12,921
Impairment losses (Note 2)	10,843	2,060
Provision for loss on contracts (Note 3)	617	1,555
Loss on contracts (Note 3)	2,371	1,407
Other	931	1,343
Total	21,007	19,286

Notes: 1. These expenditures arise in connection with implementation of restructuring measures.

2. For more details, please refer to Note “6. Property, plant, and equipment” and “7. Goodwill and intangible assets.”

3. “Loss on contracts” states the expenses due to the performance of agreements, and in order to provide for the loss due to the performance of agreements, a reasonably estimable amount is recognized as the “provision for loss on contracts.” Please refer to Note “18. Provisions” for details of “provision for loss on contracts.”

26. Finance income and finance costs

Finance income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Interest income	702	1,543
Dividend income	5	223
Foreign exchange gain	4,166	–
Other	1	5
Total	4,873	1,770

Note: Interest income mainly arises from financial assets measured at amortized cost. Dividend income arises from financial assets measured at fair value through other comprehensive income. Gain on valuation of currency derivatives is included in foreign exchange gain.

Finance costs consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Loss on valuation of derivatives	–	6,046
Foreign exchange losses	–	783
Interest expenses	214	610
Other	(25)	99
Total	190	7,538

Note: Loss on valuation of derivatives represents loss on valuation of options to be exercised in the first quarter of 2026, which are held by Kyowa Kirin International plc, a consolidated subsidiary of the Company, based on the alliance agreement with Grünenthal for a joint venture of established medicines (the agreement took effect in August 2023). The options include the transfer of the 49% interest in the joint venture and residual assets related to the business including intellectual properties to the said company. The measurement of the fair value has incorporated the risk of compensation for lost profits related to changes in general market conditions, stockout and technology transfer. In the fiscal year ended December 31, 2024, loss on valuation of currency derivatives is included in foreign exchange losses. In addition, Interest expenses mainly arise from financial liabilities measured at amortized cost.

27. Business combination

Fiscal year ended December 31, 2023

Not applicable.

Fiscal year ended December 31, 2024

(1) Overview of business combination

At the Board of Directors held on October 5, 2023, the Company resolved to acquire 100% of the issued shares of Orchard Therapeutics plc, a UK biopharmaceutical company (presently Orchard Therapeutics Limited (“Orchard Therapeutics”)). The acquisition of all issued shares of Orchard Therapeutics was completed on January 24, 2024 with the Scheme of Arrangement procedure under the UK Companies Act 2006. With this acquisition, Orchard Therapeutics has become a wholly owned subsidiary of the Company.

(i) Name of the acquired company and business description

Name of the acquired company	Orchard Therapeutics
Business description	Development and commercialization of hematopoietic stem cell gene therapy (HSC-GT)

(ii) Major reasons for the business combination

This acquisition of shares represents an important step towards achieving the materiality (key management issue) of “creation of innovative drugs,” which the Company has identified to realize its vision for 2030. The approach to gene therapy developed by Orchard Therapeutics, which is characterized by the modification and administration of the patient’s own hematopoietic stem cell genes, has the potential to address the fundamental causes of genetic diseases with a single administration. As a leading provider of hematopoietic stem cell gene therapy (“HSC-GT”), Orchard Therapeutics has already launched HSC-GT products for lysosomal diseases in Europe and obtained approval in the United States in March 2024, steadily establishing a track record in this field. By combining the Company’s strengths in biopharmaceuticals with Orchard Therapeutics expertise in cell and gene therapy research, the Company aims to develop pharmaceuticals that meet future unmet medical needs and create Life-changing value.

(iii) Date of the share acquisition

January 24, 2024

(iv) The acquiring company’s method of obtaining control of the acquired company and ratio of acquired equity interest with voting rights

Kyowa Kirin International plc., a consolidated subsidiary, obtained 100 % of voting shares of Orchard Therapeutics for cash consideration.

(v) Fair value of consideration

(Millions of yen)

Item	Amount
Cash	54,093
Contingent consideration	3,043
Total	57,135

Note: With regard to OTL-200 (name in Europe: Libmeldy, name in the U.S.: Lenmeldy) that was developed by Orchard Therapeutics for treatment for children with early-onset metachromatic leukodystrophy (MLD), if it is approved to manufacture and commercialize the drug in the U.S., the shareholders will have right to receive $1.00 per ADS. So we recognized an estimated payment amount of ¥3,043 million as contingent consideration by anticipating the possibility of obtaining of said approval by the time of acquisition. As we obtained approval on March 18, 2024, we posted ¥335 million, the difference between the fair value on the date of acquisition and the estimated payment amount, in “Other expenses” as business restructuring expenses for the fiscal year under review.

(2) Acquired assets and assumed liabilities

The acquired assets and assumed liabilities as of the date of acquisition are as follows:

(Millions of yen)

Item	Amount
Non-current assets	35,606
Current assets	13,230
Total assets	48,836
Non-current liabilities	5,021
Current liabilities	20,815
Total liabilities	25,836
Net assets	23,000

Notes: 1. Of the non-current assets, intangible assets of ¥30,848 million consist of mainly marketing rights of ¥17,483 million and in-progress R& D expenses of ¥13,305 million.

2. Current assets include cash and cash equivalent of ¥9,099 million.

(3) Goodwill arising on the acquisition

(Millions of yen)

Item	Amount
Consideration for the acquisition	57,135
Fair value of identifiable net assets acquired by the Group	23,000
Goodwill arising on the acquisition	34,135

Note: The goodwill is related to HSC-GT held by Orchard Therapeutics, which is a new treatment different from conventional drugs, and we evaluate the value of infrastructure of the whole value chain from research and development, manufacturing, to delivery of HSC-GT to patients through the supply chain, as well as the knowhow platform. The goodwill is not deductible for tax purposes.

(4) Relationship between consideration for the acquisition and the payment amount for acquisition of subsidiary’s shares

(Millions of yen)

Item	Amount
Total consideration for the acquisition	57,135
Cash and cash equivalents held by the acquired company	(9,099)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	48,196

(5) Expenses related to the acquisition

The expenses related to the business combination is ¥1,501 million. Of the amount, ¥624 million was posted as business restructuring expenses in “Other expenses” for the fiscal year ended December 31, 2023 and ¥877 million for the fiscal year ended December 31, 2024.

(6) Impact on the Group’s business performance

Profit or loss arises on or after the date of acquisition and those on the assumption of acquisition on January 1, 2024 (so-called “pro-forma information”) are not disclosed, because they are not significant.

28. Transfer of shares of subsidiaries

Fiscal year ended December 31, 2023

(1) Overview of transactions

In connection with the shift to a joint-venture structure for the established medicines business in Europe, for which a cooperative agreement with Grünenthal GmbH was signed on November 23, 2022, Kyowa Kirin International plc, a consolidated subsidiary of the Company, established a new company, KKI Grunenthal UK HoldCo Ltd. (the “Newly Established Company”) and its eight subsidiaries (together with the Newly Established Company, the “Newly Established Group”). The division related to sales and marketing of established medicines was transferred to the Newly Established Group, and on August 1, 2023, 51% of the shares of the Newly Established Company were transferred to Grünenthal GmbH. As a result, the Group’s ownership interest in the Newly Established Company decreased from 100% to 49%, and the Group lost control over the company. Consequently, the company has become an equity-accounted investee of the Group.

(2) Consideration received, and assets and liabilities with loss of control

(Millions of yen)

	Fiscal year ended December 31, 2023
Consideration received	12,810
Fair value of remaining share	12,240
Components of assets and liabilities at the time of loss of control	
Goodwill	1,963
Inventories	3,691
Trade and other receivables	1,568
Other financial assets	79
Other current assets	195
Cash and cash equivalents	5,003
Non-current liabilities	(5)
Current liabilities	(2,231)
Gain on sales of share and valuation of remaining share	14,799

Note: Gain on sales of share and valuation of remaining share of ¥14,799 million includes the gain of ¥7,252 million resulting from the revaluation of the remaining share in the Newly Established Company at fair value as of the date of loss of control.

(3) Change in cash and cash equivalents associated with transfer of shares of subsidiaries

(Millions of yen)

	Fiscal year ended December 31, 2023
Consideration received in cash	12,810
Cash and cash equivalents held at the time of loss of control	(5,003)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	7,780

Fiscal year ended December 31, 2024

(1) Overview of transactions

In consideration of our future growth strategy based on changes in external business environments, we have determined to promote partners' sales activities in the Asia region, including China, as already done in Europe, by out-licensing our proprietary products, including established medicines. Accordingly, on September 30, 2024, we transferred the equity of Kyowa Kirin China Pharmaceutical Co., Ltd. ("target company"), held by Kyowa Kirin Asia Pacific Pte. Ltd., a consolidated subsidiary, to a newly established special purpose company that sold all the shares to Hong Kong WinHealth Pharma. As a result, we have lost control of the target company.

(2) Consideration received, and assets and liabilities with loss of control

(Millions of yen)

	Fiscal year ended December 31, 2024
Consideration received	10,221
Components of assets and liabilities at the time of loss of control	
Non-current assets	3,244
Cash and cash equivalents	7,416
Other current assets	3,246
Non-current liabilities	(541)
Borrowings from the Company (Note)	(4,503)
Current liabilities	(3,583)
Exchange differences on translation of foreign operations	(2,429)
Gain on sale of shares of subsidiaries and associates	7,372

Note: These were foreign-currency loans to the target company who repaid all of them on December 24, 2024.

(3) Change in cash and cash equivalents associated with transfer of shares of subsidiaries

(Millions of yen)

	Fiscal year ended December 31, 2024
Consideration received	10,221
Of which other receivables	(1,462)
Consideration received in cash	8,760
Cash and cash equivalents held at the time of loss of control	(7,416)
Change in cash and cash equivalents associated with transfer of shares of subsidiaries	1,343

29. Earnings per share

Information about basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Profit attributable to ordinary equity holders of parent		
Profit attributable to owners of parent (Millions of yen)	81,188	59,870
Profit not attributable to ordinary equity holders of parent (Millions of yen)	–	–
Profit used to calculate earnings per share (Millions of yen)	81,188	59,870
Weighted average number of ordinary shares outstanding during year (Shares)	537,575,538	529,528,608
Increase in number of ordinary shares		
Share acquisition rights (Shares) (Note)	58,985	28,335
Weighted average number of dilutive potential ordinary shares during year (Shares)	537,634,523	529,556,943
Earnings per share		
Basic earnings per share (Yen)	151.03	113.06
Diluted earnings per share (Yen)	151.01	113.06

Note: Please refer to Note “16. Share-based payments” for information about share acquisition rights.

30. Other comprehensive income

The following table provides gains or losses during the fiscal year, reclassification adjustments to profit or loss, and a tax effect for each item of other comprehensive income:

Fiscal year ended December 31, 2023

(Millions of yen)

	Gains (losses) during year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	1,657	–	1,657	(500)	1,157
Remeasurements of defined benefit plans	834	–	834	(255)	579
Total of items that will not be reclassified to profit or loss	2,491	–	2,491	(756)	1,735
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	21,017	–	21,017	–	21,017
Cash flow hedges	(2,592)	–	(2,592)	794	(1,798)
Share of other comprehensive income of investments accounted for using equity method	53	–	53	–	53
Total of items that may be reclassified to profit or loss	18,479	–	18,479	794	19,272
Total	20,970	–	20,970	38	21,008

Fiscal year ended December 31, 2024

(Millions of yen)

	Gains (losses) during year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	(871)	–	(871)	275	(596)
Remeasurements of defined benefit plans	3,409	–	3,409	(1,005)	2,404
Total of items that will not be reclassified to profit or loss	2,538	–	2,538	(730)	1,808
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	21,741	–	21,741	–	21,741
Cash flow hedges	2,592	–	2,592	(794)	1,798
Share of other comprehensive income of investments accounted for using equity method	96	–	96	–	96
Total of items that may be reclassified to profit or loss	24,429	–	24,429	(794)	23,636
Total	26,968	–	26,968	(1,524)	25,444

31. Cash flow information

Redemption of bonds with share acquisition rights of ¥9,621 million in the fiscal year ended December 31, 2024 represents payments related to bonds with share acquisition rights that had been issued by Orchard Therapeutics before the business combination.

The following table provides changes in liabilities arising from financing activities:

(Millions of yen)

	Lease liabilities
Balance as of January 1, 2023	21,639
Changes from financing cash flows	(3,640)
Non-cash changes	
Increase due to acquisition of right-of-use assets	1,243
Decrease due to cancellation of right-of-use assets	(1,027)
Foreign currency translation differences	1,086
Balance as of December 31, 2023	19,301
Changes from financing cash flows	(4,004)
Non-cash changes	
Increase due to acquisition of right-of-use assets	1,773
Foreign currency translation differences	1,720
Increase due to change in the scope of consolidation.	2,929
Decrease due to change in the scope of consolidation	(43)
Balance as of December 31, 2024	21,675

32. Financial instruments

(1) Capital Management

The Group's capital management policy is to maintain its health and to ensure a financial foundation with the flexibility to respond to growth investment opportunities according to circumstances in order to realize sustainable growth and increase corporate value in the medium- to long-term. The Group properly monitors return on equity (ROE) attributable to owners of parent for capital efficiency. The return on equity attributable to owners of parent is as disclosed in "I. Overview of Company, 1 Key Financial Data, (1) Key consolidated financial data."

(2) Financial risk management

The Group is exposed to financial risk, such as credit risk, liquidity risk, foreign exchange risk, share price risk, and other risks, in its business activities. The Group practices risk management to reduce such financial risk.

Furthermore, the Group utilizes derivatives to manage foreign currency risk and does not engage in speculative transactions.

(i) Credit risk management

Trade receivables, etc. arising from business activities are exposed to customer credit risk.

Credit risk is the risk that a customer will cause a financial loss for the Group by failing to discharge a contractual obligation.

In accordance with the regulations for collection and management of receivables, the Group's Sales Division monitors the collection status of trade receivables, etc. from its main customers on a periodic basis and manages outstanding balances for each customer. In addition, it strives to identify and mitigate default risk of customers due to the deterioration of financial position or other reasons at an early stage.

To reduce counterparty risk, the Group enters into derivatives only with high credit rated financial institutions in principle.

There is no concentration of credit risk on specific customers and supplies. In addition, maximum exposure on credit risk of financial assets is the carrying amount in the consolidated statement of financial position

The Group always recognizes an allowance for doubtful accounts on trade receivables at an amount equal to the lifetime expected credit losses. The Group measures an allowance for doubtful accounts on financial assets measured at amortized cost other than trade receivables at an amount equal to 12-month expected credit losses but did not recognize it taking into account historical losses, future economic conditions, and other factors, since it expected the amount to be immaterial.

(ii) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities on their due dates. The Group manages its liquidity risk by financially and adequately preparing for repayment and holding an adequate volume of liquid assets. In addition, the Group maintains the size of its commercial paper program and lines of credit provided by financial institutions and monitors planned and actual cash flows on a continual basis.

The following table provides a maturity analysis of financial liabilities including derivative financial instruments:

As of December 31, 2023

(Millions of yen)

	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	92,983	92,983	92,983	–	–	–	–	–
Deposits received	238	238	238	–	–	–	–	–
Lease liabilities	19,301	24,605	3,585	2,902	1,714	1,376	1,240	13,788
Derivative financial liabilities	3,434	3,434	3,434	–	–	–	–	–

As of December 31, 2024

(Millions of yen)

	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	121,063	121,063	121,063	–	–	–	–	–
Deposits received	452	452	45	–	–	–	–	407
Lease liabilities	21,675	28,053	4,551	2,483	2,212	2,096	2,028	14,683
Derivative financial liabilities	6,533	6,533	349	6,184	–	–	–	–

(iii) Foreign exchange risk management

The Group has operations globally. Accordingly, its trade receivables and payables in foreign currencies, loans receivable and deposits received from foreign subsidiaries in foreign currencies, etc. are exposed to foreign exchange risk. The Group's foreign exchange risk arises from fluctuations in exchange rates mainly for the U.S. dollar, Euro, and British pound.

To manage foreign exchange risk, the Group enters into forward foreign exchange contracts and currency swaps when necessary for trade receivables and payables in foreign currencies, loans receivable and deposits received from foreign subsidiaries in foreign currencies, and others.

Derivatives are executed and managed in accordance with internal regulations which prescribe the authority and limits.

Foreign currency sensitivity analyses

The following table provides the impact of a 10% depreciation of the yen against the U.S. dollar, Euro, and British pound on profit before tax in the consolidated statement of profit or loss for the fiscal years ended December 31, 2023 and 2024:

The following figures are after deduction of the amount of foreign currency risk that is hedged with derivatives. In these analyses, all other variable factors, such as balances and interest rates, are assumed to be constant.

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
U.S. dollar	534	118
Euro	(523)	1,186
British pound	(43)	(228)

(iv) Share price risk management

The Group is exposed to share price risk arising from equity instruments (equity securities) held by the Group.

Equity instruments are managed by monitoring market values and the financial position of issuers, entities with business relationships, on a regular basis and reassessing whether to continue to hold the instruments taking into account relationships with such entities, on a continual basis.

If the market price of equity instruments held by the Group as of December 31 changes by 10%, the impacts on other comprehensive income (before tax effect) for the fiscal years ended December 31, 2023 and 2024 are ¥255 million and ¥5 million, respectively.

In these analyses, all other variable factors are assumed to be constant.

(v) Hedge activities

The Group enters into derivatives such as forward foreign exchange contracts, and currency swaps, to manage foreign exchange risk as necessary. These derivatives are initially recognized at fair value on the date the contract is entered into and are also subsequently remeasured at fair value. Changes in the fair value of derivatives are recognized in profit or loss, in principle.

The Group applies cash flow hedges to some derivatives that meet the requirements of hedge accounting.

1) Cash flow hedges

The Company enters into forward foreign exchange contracts to hedge foreign exchange risk associated with foreign currency transactions, and applies cash flow hedges to some of such contracts that meet the requirements of hedge accounting.

The details of the hedging instruments designated as cash flow hedges and the impact of hedge accounting on the financial position and performance are as follows:

As of December 31, 2023

Hedged risk and hedging instrument	Contractual amount (Millions of U.S. dollars)	Of which due after one year	Forward rate	Carrying amount (Millions of yen)	Account presented in the consolidated statement of financial position
Foreign exchange risk					
Foreign exchange contracts	364	–	¥148.17/USD	2,592	Other financial liabilities (current liabilities)

Note: The hedging ratio is 1:1, as the hedged item and the hedging instrument are implemented at equal amounts, and thus no ineffective portion of the hedge exists.

As of December 31, 2024

Not applicable.

The following table provides changes in cash flow hedge reserve:

Fiscal year ended December 31, 2023

(Millions of yen)

Hedged risk	Balance at beginning of period	Amount recognized in other comprehensive income	Balance at end of period
Foreign exchange risk	–	1,798	1,798

Fiscal year ended December 31, 2024

(Millions of yen)

Hedged risk	Balance at beginning of period	Amount recognized in other comprehensive income	Balance at end of period
Foreign exchange risk	1,798	(1,798)	–

2) Derivatives not designated as hedging instruments

The Group utilizes derivatives when economically reasonable, even if the hedge relationships do not meet the requirements for applying hedge accounting.

Derivatives not designated as hedging instruments utilized by the Group include forward foreign exchange contracts and currency swaps aimed at hedging against foreign exchange risk. None of the derivatives are held for speculative purposes.

(3) Fair value of financial instruments

The Group measures the fair values of financial instruments using the following methods:

Financial assets and financial liabilities measured at amortized cost

Since trade and other receivables, cash and cash equivalents, and trade and other payables are settled in a short period of time, their carrying amounts approximate fair values. The fair value of bonds is estimated at the present value of future cash flows discounted at rates that reflect their time to maturity and credit risk. Financial assets measured at amortized cost are not included in the following table, since their carrying amount reasonably approximates fair value.

Other financial assets and financial liabilities

The fair value of listed equity securities, among equity instruments, is estimated based on quoted market prices for the same securities at the end of the fiscal year, and the fair value of unlisted equity securities and investments in capital is estimated using a valuation technique that uses the most recent available information. In estimating the fair value, the Group uses unobservable inputs, such as net asset values, and applies a certain illiquidity discount as necessary.

The fair value of derivatives is estimated based on the prices obtained from counterparty financial institutions.

For financial instruments measured at fair value, the fair value is categorized within Level 1, 2, or 3, depending on the observability and significance of inputs used in the fair value measurement. Transfers between levels of the fair value hierarchy are deemed to have occurred at each quarter end.

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Fair value determined, either directly or indirectly, using observable prices other than those included within Level 1
Level 3: Fair value determined using valuation techniques based on unobservable inputs

As of December 31, 2023

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	1,623	–	1,623
Other financial assets	–	74	–	74
Financial assets measured at fair value through other comprehensive income				
Listed equity securities	2,547	–	–	2,547
Unlisted equity securities and investments in capital	–	–	4,738	4,738
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	(842)	–	(842)
Financial liabilities measured at fair value through other comprehensive income				
Derivative financial liabilities	–	(2,592)	–	(2,592)

Note: There were no transfers between Level 1 and Level 2 of the fair value hierarchy.

As of December 31, 2024

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	480	–	480
Other financial assets	–	79	–	79
Financial assets measured at fair value through other comprehensive income				
Listed equity securities	46	–	–	46
Unlisted equity securities and investments in capital	–	–	5,534	5,534
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	(349)	(6,184)	(6,533)

Note: There were no transfers between Level 1 and Level 2 of the fair value hierarchy.

The following table provides reconciliations from the beginning balances to the ending balances for financial instruments categorized within Level 3.

(i) Other financial assets categorized within Level 3

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Balance at beginning of period	8,214	4,738
Profit or loss (Note 1)	(1)	1
Other comprehensive income (Note 2)	200	(969)
Purchases	553	1,940
Sales	(4,229)	–
Other	0	(175)
Balance at end of period	4,738	5,534

Notes:
1. Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at the end of the fiscal year. These gains and losses are included in “finance costs” in the consolidated statement of profit or loss.
2. Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at the end of the fiscal year. These gains and losses are included in “financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.
3. For financial assets categorized within Level 3, the department in charge determines the valuation techniques and measures the fair value of the assets in accordance with valuation policies and procedures for fair value measurement approved by an appropriate authorized person. The measured fair value is approved by an appropriate responsible person.

(ii) Other financial liabilities categorized within Level 3

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Balance at beginning of period	–	–
Profit or loss	–	(6,184)
Balance at end of period	–	(6,184)

33. Related parties

(1) Related party transactions

Fiscal year ended December 31, 2023

(Millions of yen)

Type	Name	Description of transaction	Transaction amount	Account	Outstanding balance
Parent company	Kirin Holdings Company, Limited	Lending of funds (Note) 1	329,760	Cash and cash equivalents	380,030

Fiscal year ended December 31, 2024

(Millions of yen)

Type	Name	Description of transaction	Transaction amount	Account	Outstanding balance
Parent company	Kirin Holdings Company, Limited	Lending of funds (Note) 1	285,775	Cash and cash equivalents	218,089
		Payment of compensation (Note) 2	1,918		

(Millions of yen)

Type	Name	Description of transaction	Transaction amount	Account	Outstanding balance
Subsidiary of the parent company	Kirin Engineering Company, Limited	Purchase of equipment, construction work, and conservation work (Note) 3	11,618	Accounts payable - other	5,723

Notes: 1. The transaction amount for lending of funds represents the average balance during the fiscal year. Interest rates for loans receivable from the parent company have been reasonably determined taking into account market rates of interest according to the length of time in accordance with the Company's own management policy.

2. On February 5, 2019, the Company and Kirin Holdings Company, Limited ("Kirin Holdings") concluded an agreement to transfer shares ("share transfer agreement") of KYOWA HAKKO BIO CO., LTD, a consolidated subsidiary responsible for the Group's biochemical business, to Kirin Holdings. On April 17, 2020, subject to the share transfer agreement, the Company received a compensation claim from Kirin Holdings on the ground that breach of representations and warranties and special circumstances occurred due to violation of laws and regulations etc. in KYOWA HAKKO BIO CO., LTD. As a result of discussing with Kirin Holdings, we signed an agreement ("the Agreement") on August 1, 2024 and paid a compensation ("the Compensation") to Kirin Holdings. Since payment of the Compensation is a transaction with the Company's parent, from the perspective of protecting minority shareholders, we determined the payment in a fair and appropriate manner through the use of sound judgment after discussing the legitimacy of the purpose of the Agreement signed in an opinion exchange meeting consisting of only independent outside Directors, fairness of the procedures and process of negotiation before signing the Agreement, appropriateness of the terms and conditions,

including the compensation amount, stipulated in the Agreement, and whether or not the Agreement is disadvantageous to minority shareholders.

3. Purchase of equipment, construction work, and conservation work are reasonably determined in consideration with market prices.

(2) Remuneration for key management personnel

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Basic remuneration and bonus	438	514
Share-based payments	73	93
Total	511	607

Note: Remuneration for key management personnel is the remuneration of the Company's Directors and Audit & Supervisory Board Members.

(3) Significant subsidiaries

Significant subsidiaries are as disclosed in "I. Overview of Company, 4 Subsidiaries and Associates."

34. Commitments

The following table provides commitments associated with the acquisition of assets after the end of the fiscal year.

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Acquisition of property, plant, and equipment	12,555	65,642
Acquisition of intangible assets (Note)	157,294	368,514
Total	169,849	434,156

Note: The above amounts mainly comprise the maximum amount of milestone payments for the achievement of development and sales targets relating to in-licensing agreements for development products or products. The actual payments may be significantly different from the above amounts, because it is highly uncertain whether a milestone will be achieved.

35. Contingent liabilities

Contingent liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Debt guarantees for borrowings of associates	2,022	4,421

Note: The above debt guarantees are for borrowings of the guaranteed companies.

36. Subsequent events

Not applicable.

(2) Other

Quarterly information for the fiscal year ended December 31, 2024

Year to quarter end	First quarter	Interim fiscal period	Third quarter	Fiscal year ended December 31, 2024
Revenue (Millions of yen)	105,569	232,974	362,798	495,558
Profit before tax (Millions of yen)	18,101	46,522	71,573	83,453
Profit attributable to owners of parent (Millions of yen)	14,632	37,777	55,901	59,870
Basic earnings per share (Yen)	27.26	70.76	105.20	113.06

Quarter period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	27.26	43.56	34.45	7.58

Notes: 1. As for the first quarter, the quarterly report pursuant to the provisions of Article 24-4-7, Paragraph 1 of the former Financial Instruments and Exchange Act was submitted.

2. As for the third quarter, quarterly financial information was prepared pursuant to the rules established by the financial instruments exchange, but an interim review for this quarterly financial information was not conducted.

2 Financial Statements, etc.

(1) Financial statements

(i) Balance sheet

(Millions of yen)

		As of December 31, 2023		As of December 31, 2024
Assets				
Current assets				
Cash and deposits		12,391		15,715
Accounts receivable - trade		96,569		73,179
Merchandise and finished goods		39,037		46,265
Work in process		13,021		9,591
Raw materials and supplies		13,895		14,201
Short-term loans receivable from subsidiaries and associates	Note 5	384,136	Note 5	301,871
Other	Note 1	22,740	Note 1	21,280
Allowance for doubtful accounts		(129)		–
Total current assets	Note 2	581,659	Note 2	482,103
Non-current assets				
Property, plant, and equipment				
Buildings		33,679		37,842
Structures		2,669		2,947
Machinery and equipment		9,658		10,565
Tools, furniture, and fixtures		7,145		9,275
Land		4,452		4,623
Construction in progress		8,528		11,608
Other		1,861		2,332
Total property, plant, and equipment	Note 4	67,992	Note 4	79,192
Intangible assets				
Marketing rights		12,626		10,506
Other		5,424		5,994
Total intangible assets		18,050		16,500
Investments and other assets				
Investment securities		5,920		4,568
Shares of subsidiaries and associates		122,022		131,002
Bonds of subsidiaries and associates		23,500		22,500
Long-term prepaid expenses		4,929		7,067
Prepaid pension costs		9,848		11,534
Deferred tax assets		33,585		40,964
Other		2,111		2,490
Allowance for doubtful accounts		(27)		(4)
Total investments and other assets	Note 2	201,888	Note 2	220,121
Total non-current assets		287,929		315,814
Total assets		869,589		797,917

(Millions of yen)

		As of December 31, 2023		As of December 31, 2024
Liabilities				
Current liabilities				
Accounts payable - trade		11,445		12,949
Accounts payable - other		51,969		75,250
Income taxes payable		3,660		514
Deposits received from subsidiaries and associates		140,394		67,073
Contract liabilities		24,218		16,145
Provision for loss on product recalls		–		360
Provision for loss on contracts		2,380		6,040
Other		5,452		2,546
Total current liabilities	Note 2	239,518	Note 2	180,878
Non-current liabilities				
Provision for loss on compensation		3,400		–
Provision for loss on contracts		134		134
Asset retirement obligations		3,777		3,777
Other		51		91
Total non-current liabilities		7,362		4,002
Total liabilities		246,880		184,879
Net assets				
Shareholders' equity				
Share capital		26,745		26,745
Capital surplus				
Legal capital surplus		103,807		103,807
Other capital surplus		613		–
Total capital surplus		104,420		103,807
Retained earnings				
Legal retained earnings		6,686		6,686
Other retained earnings				
Reserve for tax purpose reduction entry of non-current assets		1,073		–
General reserve		297,424		297,424
Retained earnings brought forward		189,549		184,160
Total retained earnings		494,732		488,271
Treasury shares		(3,000)		(5,848)
Total shareholders' equity		622,897		612,975
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		1,507		36
Deferred gains or losses on hedges		(1,798)		–
Total valuation and translation adjustments		(291)		36
Share acquisition rights		102		27
Total net assets		622,709		613,038
Total liabilities and net assets		869,589		797,917

(ii) Statement of profit or loss

(Millions of yen)

		Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024
Net sales	Note 1	277,161	Note 1	286,510
Cost of sales	Note 1	92,039	Note 1	105,015
Gross profit		185,122		181,495
Selling, general, and administrative expenses				
Salaries and bonuses		23,664		24,375
Research and development expenses		69,776		124,366
Other		38,255		37,376
Total selling, general, and administrative expenses	Note 1	131,695	Note 1	186,116
Operating profit (loss)		53,427		(4,622)
Non-operating income				
Interest and dividend income		11,787		78,770
Foreign exchange gain		8,527		1,864
Other		565		594
Total non-operating income	Note 1	20,880	Note 1	81,228
Non-operating expenses				
Interest expenses		5,767		5,523
Extraordinary operating loss		–		1,213
Other		1,321		1,264
Total non-operating expenses	Note 1	7,088	Note 1	8,000
Ordinary profit		67,218		68,606
Extraordinary income				
Gain on sale of non-current assets		–		3,310
Gain on sale of investment securities		2,670		2,244
Reversal of provision for loss on compensation		–	Note 2	1,482
Reversal of provision for loss on contracts		–		506
Total extraordinary income		2,670		7,541
Extraordinary losses				
Impairment losses		44		618
Loss on valuation of investment securities		–		939
Transfer pricing taxation adjustment	Note 3	5,159	Note 3	11,848
Business restructuring expenses		–		6,115
Loss on contracts	Note 4	2,577	Note 4	1,407
Provision for loss on contracts	Note 4	617	Note 4	650
Provision for loss on product recalls		–		146
Loss on product recalls		–		48
Total extraordinary losses		8,397		21,771
Profit before income taxes		61,491		54,376
Income taxes - current		6,195		1,229
Income taxes - deferred		4,926		(7,524)
Total income taxes		11,121		(6,295)
Profit		50,370		60,670

(iii) Statement of changes in equity

Fiscal year ended

December 31, 2023

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
						Other retained earnings			Retained earnings Total
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	26,745	103,807	463	104,271	6,686	1,137	297,424	168,142	473,389
Changes during period									
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	(64)	–	64	–
Dividends of surplus	–	–	–	–	–	–	–	(29,027)	(29,027)
Profit	–	–	–	–	–	–	–	50,370	50,370
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	150	150	–	–	–	–	–
Cancellation of treasury shares	–	–	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes during period	–	–	150	150	–	(64)	–	21,407	21,343
Balance at end of period	26,745	103,807	613	104,420	6,686	1,073	297,424	189,549	494,732

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(3,158)	601,247	452	–	452	219	601,918
Changes during period							
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	–	–
Dividends of surplus	–	(29,027)	–	–	–	–	(29,027)
Profit	–	50,370	–	–	–	–	50,370
Purchase of treasury shares	(10)	(10)	–	–	–	–	(10)
Disposal of treasury shares	168	318	–	–	–	–	318
Cancellation of treasury shares	–	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	1,055	(1,798)	(744)	(117)	(860)
Total changes during period	158	21,651	1,055	(1,798)	(744)	(117)	20,791
Balance at end of period	(3,000)	622,897	1,507	(1,798)	(291)	102	622,709

Fiscal year ended
December 31, 2024

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Retained earnings Total
Balance at beginning of period	26,745	103,807	613	104,420	6,686	1,073	297,424	189,549	494,732
Changes during period									
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	(1,073)	–	1,073	–
Dividends of surplus	–	–	–	–	–	–	–	(30,895)	(30,895)
Profit	–	–	–	–	–	–	–	60,670	60,670
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	53	53	–	–	–	(1)	(1)
Cancellation of treasury shares	–	–	(666)	(666)	–	–	–	(36,236)	(36,236)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes during period	–	–	(613)	(613)	–	(1,073)	–	(5,388)	(6,461)
Balance at end of period	26,745	103,807	–	103,807	6,686	–	297,424	184,160	488,271

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjust-ments		
Balance at beginning of period	(3,000)	622,897	1,507	(1,798)	(291)	102	622,709
Changes during period							
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	–	–
Dividends of surplus	–	(30,895)	–	–	–	–	(30,895)
Profit	–	60,670	–	–	–	–	60,670
Purchase of treasury shares	(40,014)	(40,014)	–	–	–	–	(40,014)
Disposal of treasury shares	263	316	–	–	–	–	316
Cancellation of treasury shares	36,902	–	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	(1,471)	1,798	327	(75)	252
Total changes during period	(2,848)	(9,923)	(1,471)	1,798	327	(75)	(9,671)
Balance at end of period	(5,848)	612,975	36	–	36	27	613,038

Notes to financial statements

Significant accounting policies

1. Valuation basis and valuation methods for assets

(1) Valuation basis and valuation methods for securities

Held-to-maturity debt securities: Amortized cost method (straight-line method)

Shares of subsidiaries and associates: Moving-average cost method

Available-for-sale securities

Securities other than equity shares, etc. with no quoted market value:

Market value method (unrealized gains and losses are recorded in net assets, and the cost of securities sold is determined by the moving-average method)

Equity shares, etc. with no quoted market value:

Moving-average cost method

(2) Valuation basis and valuation method for derivatives

Market value method

(3) Valuation basis and valuation method for inventories

Mainly weighted average cost method (carried at the lower of cost and net selling value)

2. Depreciation and amortization method for non-current assets

(1) Property, plant, and equipment (excluding leased assets)

Straight-line method

(2) Intangible assets (excluding leased assets)

Straight-line method

(3) Leased assets

Straight-line method over the lease term with no residual value

3. Bases for recognizing provisions

(1) Allowance for doubtful accounts

To provide for credit losses on trade and other receivables, an allowance for doubtful accounts is provided based on past experience for general receivables and based on the collectability of receivables on an individual basis for specific receivables including doubtful receivables.

(2) Provision for retirement benefits

To provide for employee retirement benefits, a provision for retirement benefits is recognized based on the estimated amounts of retirement benefit obligations and plan assets at the end of the fiscal year.

Past service cost is amortized on a straight-line basis (mainly over five years) within the expected average remaining service period of the employees when incurred.

Actuarial differences are amortized on a straight-line basis (mainly over 10 years) within the expected average remaining service period of the employees when they occur, starting from the fiscal year following the fiscal year in which they occur.

(3) Provision for loss on product recalls

In order to provide for the payment for returns and other costs in connection with products to be recalled, a reasonably estimable amount is recognized as provision for loss on product recalls.

(4) Provision for loss on compensation

In order to provide for the payment for any indemnification claim, a reasonably estimable amount is recognized as provision for loss on compensation.

The final amount of indemnification may differ from the amount recognized as provision.

(5) Provision for loss on contracts

In order to provide for the loss due to the performance of business outsourcing agreements, joint research and development agreements, and the like, a reasonably estimable amount is recognized as provision for such loss.

4. Basis for recognizing revenue and expenses

Revenue from contracts with customers

The Company identifies performance obligations in contracts with customers and recognizes revenue in the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or services to the customers. Such amount does not include amounts collected on behalf of taxation authorities such as consumption taxes and value-added tax. If the consideration in a contract with a customer includes a variable amount, the variable consideration is included in the transaction price only to the extent that it is highly probable

that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(1) Revenue from sale of merchandise and finished goods

Revenue under sales contracts for merchandise and finished goods with customers as well as transfer agreements of marketing rights of merchandise and finished goods and license agreements, is recognized when merchandise and finished goods, marketing rights, or license (“merchandise and finished goods”) are delivered to the customers, since control of the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue from the sale of merchandise and finished goods is measured at the consideration amount under sales contracts after deduction of items such as rebates and discounts based on sales volume or sales amount. The Company recognizes as refund liabilities the amount of consideration that it expects to refund to customers. The refund liabilities are estimated by using the most likely amount method based on contractual terms, historical data, and other factors.

Consideration under sales contracts for merchandise and finished goods is received mainly within one year from the delivery of the merchandise and finished goods to customers. Such contracts do not contain any significant financing components.

(2) Revenue from Technology out-licensing

The Company earns as revenue from technology out-licensing upfront income, milestone revenue, and running royalty income under license agreements that grant third parties licenses to develop, manufacture, and sell development products. Some license agreements do not involve the provision of goods or services by the Company other than the granting of licenses, while others involve the provision of goods or services by the Company on development cooperation such as the provision of manufacturing technologies and drugs, application for regulatory approval, promotion of joint commercialization, etc.

When the Group does not provide any significant goods or services other than granting a license, upfront income is recognized as revenue at the time of granting the license, since all performance obligations are usually satisfied at the time. Milestone revenue, which is mainly received upon successful completion of development activities and regulatory approval, is recognized as revenue when it becomes highly probable that an agreed-upon milestone, such as application for regulatory approval, will be reached, taking into account the probability of a significant revenue reversal in the future.

When the Group provides more than one significant good or service including granting a license, the Group identifies a single or more than one performance obligation, allocates the transaction price consisting of upfront income and milestone revenue to the performance obligation(s), records the upfront consideration as a contract liability, and recognizes revenue over a period of time by measuring the progress towards complete satisfaction of that performance obligation. For development cooperation in relation to license agreements and other performance obligations, the progress is measured using an input method that is appropriate for each license agreement.

Running royalty income and milestone revenue received for the achievement of sales targets, such as when the total sales of a drug product exceed a specified amount, are a sales-based or usage-based royalty and are measured mainly based on the sales recorded by the contract counterparty. The Group recognizes revenue at the later of when the sale or usage occurs and when the performance obligations to which the sales-based or usage-based royalty has been allocated are satisfied.

Consideration of license agreements is received mainly within one year from the time of granting the license and the time agreed upon in the agreement such as the achievement of a specified milestone. Such contracts do not contain any significant financing components.

5. Hedge accounting method

(1) Hedge accounting method

The deferred hedge accounting method is applied.

(2) Hedging instruments and hedged items

Hedging instruments: Foreign exchange contracts

Hedged items: Foreign currency forecasted transactions

(3) Hedging policy

The Company enters into derivatives such as forward foreign exchange contracts, and currency swaps, to manage foreign exchange risk.

None of the derivatives are held for speculative purposes.

(4) Effectiveness of hedging

The effectiveness of hedging is evaluated by ensuring that the hedging instruments correspond to the hedged items.

6. Other significant accounting policies for preparation of financial statements

Accounting for retirement benefits

The accounting methods for unrecognized actuarial differences and unrecognized past service cost associated with retirement benefits differ from the methods for those in the consolidated financial statements.

Significant accounting estimates

1. Impairment of marketing rights

(1) Amount recorded in the financial statements for the current fiscal year

	As of December 31, 2023	As of December 31, 2024
Marketing rights	¥12,626 million	¥10,506 million

(2) Information that assists users in understanding the details of accounting estimates

Please refer to “2. Basis of preparation, (5) Accounting judgments, estimates, and assumptions” in the notes to consolidated financial statements.

2. Impairment of financial assets

(1) Amount recorded in the financial statements for the current fiscal year

	As of December 31, 2023	As of December 31, 2024
Bonds of subsidiaries and associates	¥23,500 million	¥22,500 million

(2) Information that assists users in understanding the details of accounting estimates

For specified accounts receivable, including doubtful accounts, we posted allowance of an estimated uncollectible amount based on the collectability of such accounts on an individual basis. The bonds of subsidiaries and associates were issued by FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd., and underwritten by the Company. We determined the collectability of the bonds based on its future business plan despite its excess of liabilities.

In consideration of its solvency for the current fiscal year based on its future business plan, we have determined all the bonds of subsidiaries and associates are collectible. Its business plan used an expected sales volume and transaction terms & conditions based on market environments as key assumptions. If these estimates are not realized, our consolidated financial statements for the next fiscal year may be significantly affected.

Balance sheet

Note 1. Assets pledged as collateral and collateralized debt

Assets pledged as collateral

	As of December 31, 2023	As of December 31, 2024
Other current assets	¥300 million	¥300 million

Note: The assets were pledged as collateral in order to utilize the deferred payment system under the Japanese Customs Act and Consumption Tax Act.

Note 2. Monetary receivables from and payables to subsidiaries and associates (excluding items presented separately)

	As of December 31, 2023	As of December 31, 2024
Short-term monetary receivables	¥41,418 million	¥11,875 million
Long-term monetary receivables	18	17
Short-term monetary payables	22,297	42,712

Note 3. Contingent liabilities

Guarantee obligations

	As of December 31, 2023	As of December 31, 2024
Debt guarantees for borrowings of associates	¥2,022 million	¥4,421 million

Note 4. The following table provides the reduced amount from the cost of each class of property, plant, and equipment acquired with national subsidies and other grants.

	As of December 31, 2023	As of December 31, 2024
Buildings	¥125 million	¥138 million
Structures	19	19
Machinery and vehicles	967	967
Tools, furniture, and fixtures	12	12

Note 5. Loan commitments (lender)

The Company has entered into either a basic agreement relating to a cash management system or a revolving loan agreement with each of its subsidiaries and associates, and has established a revolving credit line for the Company.

The unused balance and other information under these agreements are as follows:

	As of December 31, 2023	As of December 31, 2024
Total amount of loan commitments	¥110,443 million	¥197,550 million
Outstanding loan balance	4,106	83,782
Unused balance	106,337	113,768

Statement of profit or loss

Note 1. Amounts of transactions with subsidiaries and associates

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Amounts of business transactions		
Net sales	¥87,092 million	¥93,326 million
Purchase	20,761	25,659
Other	25,264	29,114
Amount of other transactions	25,667	98,149

Note 2. Reversal of provision for loss on compensation

Provision for loss on compensation of ¥3,400 million was recorded in order to provide for the payment for the breach of representations and warranties caused by violations of laws and regulations at KYOWA HAKKO BIO CO., LTD. and for any indemnification claim under special indemnity provisions. In the fiscal year ended December 31, 2024, however, all the amount was reversed upon the payment of compensation, and a difference of ¥1,482 million between the provision amount and the payment of ¥1,918 million was recorded in extraordinary income as “Reversal of provision for loss on compensation.”

Note 3. Transfer pricing taxation adjustment

Regarding adjustment money related to transactions during past fiscal years that the Company paid to foreign consolidated subsidiaries, the Company recorded a transfer pricing taxation adjustment of ¥5,159 million under extraordinary losses in the fiscal year ended December 31, 2023 and ¥11,848 million in the fiscal year ended December 31, 2024.

Note. 4. Loss on contracts and provision for loss on contracts

The Company recorded a loss on contracts of ¥2,577 million, which arose due to the performance of agreements, in the fiscal year ended December 31, 2023 and ¥1,407 million in the fiscal year ended December 31, 2024, in order to provide for the loss due to the performance of agreements, the Company recorded, under extraordinary losses, provisions for loss on contracts of ¥617 million and ¥650 million in the fiscal years ended December 31, 2023 and 2024, respectively, based on reasonable estimates.

Securities

As of December 31, 2023

The fair value of shares of subsidiaries and associates (the carrying amounts of the shares of subsidiaries and those of associates were ¥122,010 million and ¥12 million, respectively) has not been disclosed, since they are equity shares, etc. with no quoted market value.

As of December 31, 2024

The fair value of shares of subsidiaries and associates (the carrying amounts of the shares of subsidiaries and those of associates were ¥130,890 million and ¥112 million, respectively) has not been disclosed, since they are equity shares, etc. with no quoted market value.

Deferred tax accounting

1. Significant components of deferred tax assets and deferred tax liabilities

	As of December 31, 2023	As of December 31, 2024
Deferred tax assets		
Excess depreciation for tax purposes	¥5,218 million	¥15,491 million
Prepaid expenses for tax purposes	9,549	7,215
Contract liabilities	7,416	4,944
Retirement benefit trust	4,757	4,781
Inventories for tax purposes	3,138	3,732
Excess amortization of deferred assets for tax purposes	1,609	1,178
Shares of subsidiaries and associates	608	585
Accrued enterprise tax	472	157
Other	8,138	9,676
Gross deferred tax assets	40,905	47,759
Valuation allowance	(2,454)	(2,517)
Total deferred tax assets	38,451	45,241
Deferred tax liabilities		
Prepaid pension costs	(3,016)	(3,532)
Valuation difference on available-for-sale securities	(665)	(16)
Reserve for tax purpose reduction entry of non-current assets	(483)	–
Other	(702)	(730)
Total deferred tax liabilities	(4,866)	(4,277)
Net deferred tax assets	33,585	40,964

2. Reconciliation of significant differences between the statutory tax rate and the effective income tax rate after the application of deferred tax accounting

	As of December 31, 2023	As of December 31, 2024
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Permanently non-deductible items, such as entertainment expenses	0.2	0.3
Change in valuation allowance	(0.4)	0.1
Permanently non-taxable items, such as dividend income	(4.6)	(40.4)
Income tax credits	(6.7)	(2.1)
Other	(1.0)	(0.1)
Effective income tax rate after application of deferred tax accounting	18.1	(11.6)

(Business combination)

Please refer to “27 Business combination” in the notes to the consolidated financial statements.

Significant subsequent events

Not applicable.

(iv) Annexed detailed schedules

Annexed detailed schedule of property, plant, and equipment, etc.

(Millions of yen)

Category	Class of assets	Balance as of January 1, 2024	Increase	Decrease	Depreciation or amortization	Balance as of December 31, 2024	Accumulated depreciation
Property, plant, and equipment	Buildings	33,679	6,772	83 (61)	2,526	37,842	49,649
	Structures	2,669	507	18 (8)	210	2,947	4,459
	Machinery and equipment	9,658	4,511	331 (306)	3,272	10,565	52,376
	Tools, furniture, and fixtures	7,145	5,301	71 (56)	3,100	9,275	27,718
	Land	4,452	172	1	–	4,623	–
	Construction in progress	8,528	20,356	17,276	–	11,608	–
	Other	1,861	809	87	252	2,332	1,349
	Total	67,992	38,428	17,867 (431)	9,360	79,192	135,551
Intangible assets	Marketing rights	12,626	–	–	2,120	10,506	18,219
	Other	5,424	3,484	1,320	1,593	5,994	3,546
	Total	18,050	3,484	1,320	3,713	16,500	21,765

Notes: 1. The increase in construction in progress is due to the acquisition of assets for ongoing projects, and the decrease is due to transfers from construction in progress to other classes of property, plant, and equipment.

2. Of the increase, major increases are as follows:
   Construction in progress
   Construction of a new biopharmaceutical API manufacturing building at Takasaki Plant ¥10,209 million

3. Impairment losses for the fiscal year ended December 31, 2024 are presented in parentheses in the "Decrease" column.

Annexed detailed schedule of provisions

(Millions of yen)

Account	Balance as of January 1, 2024	Increase	Decrease	Balance as of December 31, 2024
Allowance for doubtful accounts	156	–	152	4
Provision for loss on product recalls	–	360	–	360
Provision for loss on contracts	2,515	4,848	1,189	6,174
Provision for loss on compensation	3,400	–	3,400	–

(2) Components of major assets and liabilities

The information is omitted, since the Company prepared the consolidated financial statements.

(3) Other

No special notes.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From January 1 to December 31
Ordinary General Meeting of Shareholders	March
Record date	December 31
Record date for dividends of surplus	June 30 December 31
Number of shares per share unit	100 shares
Purchase and sale of shares less than one unit Location of administrative office Shareholder register administrator Commissions	 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Amount specified separately as the amount equivalent to share brokerage commissions
Method of public notice	The method of public notices of the Company will be electronic public notices. In the event that electronic public notice is unavailable due to an accident or any other unavoidable reason, the public notice will be given in the manner of the publication in the Nikkei (Nihon Keizai Shimbun) newspaper. The Company's website for public notices: https://ir.kyowakirin.com/ja/
Privileges of shareholders	Not applicable.

Note: Under the provisions of the Company's Articles of Incorporation, holders of shares less than one share unit have no rights other than (i) the rights set forth in the items of Article 189, Paragraph 2 of the Companies Act, (ii) the right to make a demand pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act, (iii) the right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder, and (iv) the right to demand that the Company sell to the shareholder a number of shares which will, when combined with the number of shares already held by the shareholder, constitute one share unit.

VII. Reference Information of Reporting Company

1 Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 Other Reference Information

The Company submitted the following documents during the period from the start date of the current fiscal year to the filing date of this annual securities report.

(1) Securities registration statement and attached documents

A securities registration statement and attached documents were submitted to the Director-General of the Kanto Local Finance Bureau on March 22, 2024.

(2) Amendment report of securities registration statement

An amendment report of securities registration statement was submitted to the Director-General of the Kanto Local Finance Bureau on March 25, 2024.

The report is an amendment report in connection with the securities registration statement submitted on March 22, 2024.

(3) Annual securities report and attached documents as well as confirmation letter

An annual securities report and attached documents as well as the relevant confirmation letter for the fiscal year ended December 31, 2023 were submitted to the Director-General of the Kanto Local Finance Bureau on March 12, 2024.

(4) Internal control report and attached documents

An internal control report and attached documents were submitted to the Director-General of the Kanto Local Finance Bureau on March 12, 2024.

(5) Quarterly securities report and confirmation letter

A quarterly securities report and the relevant confirmation letter for the first quarter ended March 31, 2024 were submitted to the Director-General of the Kanto Local Finance Bureau on May 7, 2024.

(6) Semi-annual securities report and confirmation letter

A semi-annual securities report and the relevant confirmation letter for the first half ended June 30, 2024 were submitted to the Director-General of the Kanto Local Finance Bureau on August 1, 2024.

(7) Extraordinary report

An extraordinary report was submitted to the Director-General of the Kanto Local Finance Bureau on March 25, 2024.

The report is an extraordinary report pursuant to the provision in Article 19, Paragraph 2, item (ix)-2 (the result of voting rights exercised at a shareholders meeting) of the Cabinet Office Order on Disclosure of Corporate Affairs of Japan.

An extraordinary report was submitted to the Director-General of the Kanto Local Finance Bureau on August 1, 2024.

The report is an extraordinary report pursuant to the provision in Article 19, Paragraph 2, item (iii) (a change to a specified subsidiary company) of the Cabinet Office Order on Disclosure of Corporate Affairs of Japan.

An extraordinary report was submitted to the Director-General of the Kanto Local Finance Bureau on October 31, 2024.

The report is an extraordinary report pursuant to the provision in Article 19, Paragraph 2, item (ix) (a change to representative Directors) of the Cabinet Office Order on Disclosure of Corporate Affairs of Japan.

(8) Share buyback report

A share buyback report for the period from February 1 to February 29, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on March 14, 2024.

A share buyback report for the period from March 1 to March 31, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on April 12, 2024.

A share buyback report for the period from April 1 to April 30, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on May 14, 2024.

A share buyback report for the period from May 1 to May 31, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on June 13, 2024.

A share buyback report for the period from June 1 to June 30, 2024 was submitted to the Director-General of the

Kanto Local Finance Bureau on July 12, 2024.
A share buyback report for the period from July 1 to July 31, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on August 9, 2024.
A share buyback report for the period from August 1 to August 31, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on September 12, 2024.
A share buyback report for the period from September 1 to September 30, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on October 11, 2024.
A share buyback report for the period from October 1 to October 31, 2024 was submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2024.

Part II. Information about Reporting Company's Guarantor, etc.

Not applicable.