INTEGRATED REPORT 2026

KAKEN PHARMACEUTICAL CO., LTD.

Bringing Smiles to Everyone

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

Corporate Philosophy

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







Business Philosophy

KAKEN “Three Joys”

Joy for patients

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

Joy for society

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

Joy for employees

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

Putting the Business Philosophy into Practice

Our business philosophy of the "Three Joys" is the fundamental concept underpinning our business activities as we work toward realizing "Joy for patients," "Joy for society," and "Joy for employees." What supports the realization of this philosophy is each and every employee embracing it as their own and putting it into practice in their day-to-day work. This page features messages from nine employees who embody the "Three Joys" in their respective workplaces and share the values and attitudes they bring to their work.

Joy for patients



I will continue to develop my skills and knowledge so that I can contribute to healthcare with expertise and compassion, always remembering that patients are ultimately at the heart of what I do.

Daichi Takemoto
Eastern Japan Regional Marketing & Sales Department



I am committed to the collection of safety information and the appropriate provision of information to medical professionals, and will continue seeking better ways to protect patients' health.

Yasushi Inoue
Pharmacovigilance Department



Our mission is to turn patient feedback into concrete outcomes. Providing Joy for patients is the driving force behind our work in pharmaceutical formulations.

Norihiro Yamamoto
Formulation Department, CMC Center

Joy for society

Through DX of procurement functions, I will help to deepen our communication with our suppliers and build relationships of trust, while contributing to the development of a network that supports stable supply.

Mariko Egawa
Global Sourcing & Alliance Department



Through our products that support agricultural production, I want to contribute to a stable food supply and reduced environmental impact as we work toward realizing sustainable agriculture and creating new value.

Shota Urao
Agribusiness Planning Department



We apply testing methods established through research and development to support regulatory approval applications in Japan and overseas. I wish to help continue supporting the stable supply of high-quality pharmaceuticals even after launch.

Makoto Asechi
Analysis Department, CMC Center



Joy for employees



We all care deeply about patients, and as employees, we support one another. We are working to create a workplace where everyone can feel confident in making the most of their abilities, regardless of nationality or location.

Masahiko Tsutsumi
Global Planning & Coordination Department



Through our work in pharmaceutical manufacturing, we will continually pursue improvements and aim to create a workplace where we can experience personal growth and fulfillment in our work.

Koudai Masui
Shizuoka Factory



By improving how we handle disclosure and by moving projects forward, I want to help support an environment where employees can take on challenges with confidence and contribute to making the accounting function more valuable.

Suguru Mori
Accounting & Finance Department

Contents and Editorial Note

We publish this Integrated Report to foster meaningful dialogue with all our stakeholders, including shareholders and investors, regarding our progress and initiatives toward sustainably enhancing value. This year, we have renamed the Corporate Report the Integrated Report to present financial and non-financial information in a more integrated manner and to deepen stakeholders' understanding of how we create value over the medium to long term.

Integrated Report 2026 Highlights

❶ "The Best Company, Even if Not the Biggest"

President and Representative Director Hiroyuki Horiuchi shares his vision for making KAKEN indispensable to patients and medical professionals, and outlines the growth strategies driven by Long-Term Business Plan 2031.

President's Message ▶P5

❷ Implementing Long-Term Business Plan 2031

Executive Director of the Corporate Planning & Coordination Department, Masashi Suzudo discusses the initiatives underway to achieve Long-Term Business Plan 2031 and KAKEN's determination to pursue further growth.

Message from the Executive Director of the Corporate Planning & Coordination Department ▶P17

❸ Research and Development to Create Future Value

Mitsuru Watanuki, Executive Director of the R&D Division, and KAKEN researchers describe how KAKEN is tackling pipeline expansion and reflect on their work in drug discovery.

Message from the Executive Director of the R&D Division ▶P26
Special Feature: Pioneering the Future of Drug Discovery ▶P29

❹ Toward a New Stage of Global Expansion

An overview of the business and key products of Aadi Bioscience, a U.S.-based company that became part of the KAKEN Group in 2025, together with perspectives from local employees on the potential for global expansion

Special Feature: Aadi Bioscience, Inc. ▶P33

❺ Sustainability Management to Support Sustained Value Creation

Messages from the Sustainability Committee Chair and the Director, Head of the Human Resources Department explain KAKEN's approach to pursuing its corporate philosophy and sustainable growth in an integrated manner.

Message from the Sustainability Committee Chair ▶P40
Message from the Director, Head of the Human Resources Department ▶P57

Report Structure

Management Strategies	Research and Development	Financial Information	Sustainability
• Management Strategy Website • Long-Term Business Plan 2031	• R&D Website	• Annual Securities Report (in Japanese only) • Consolidated financial results • Presentation Materials	• Sustainability section of the Company website • ESG data (in Japanese only) • Corporate Governance Report (in Japanese only)

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Editorial Policy

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

Reporting Period

FY2025 (April 1, 2025 to March 31, 2026)
Note: Some information from before and after the period above is included.

Scope of This Report

Kaken Pharmaceutical Co., Ltd. (parent company) and the KAKEN Group

Cautionary Statement

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

KAKEN At a Glance (Year Ended March 31, 2026)

Year Founded

1948

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

With prescription pharmaceuticals as the core business, KAKEN also sells crop protection products as it pursues sustainable growth.

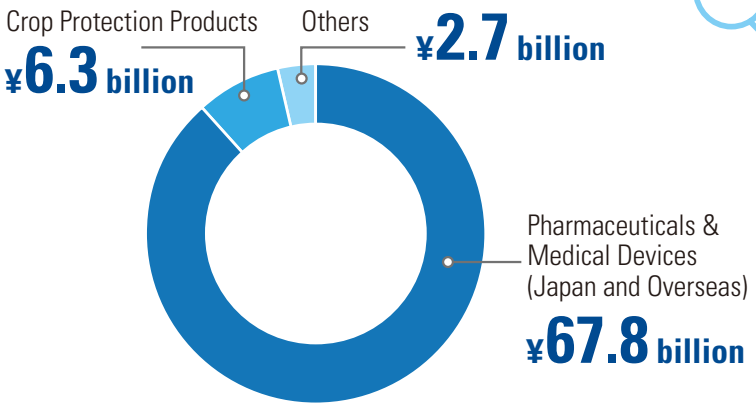
Net Sales

¥76.8 billion

Overseas Sales Ratio

16.7%

Breakdown of Segment Sales



Diverse talents come together as a unified team to contribute to healthcare and achieve sustainable growth.

Number of Employees (As of April 1, 2026)

1,138 (Kaken Pharmaceutical)

Number of New Graduates Recruited (FY2026)

55 (Kaken Pharmaceutical)

Number of Mid-Career Professionals Recruited (FY2025)

34 (Kaken Pharmaceutical)

Responding to healthcare needs through a wide range of products, including pharmaceuticals that are first of their kind in Japan or the world

Number of Pharmaceutical and Medical Device Products Handled (As of September 1, 2026)

87 (Kaken Pharmaceutical)

First in Class*

- **Onychomycosis treatment Clenafin**
- **Primary axillary hyperhidrosis treatment Ecclock**
- **Wound-healing agent Fiblast**
- **Anti-osteoarthritis agent Artz**
- **Hereditary angioedema (HAE) treatment Ekterly**

* Breakthrough drugs; new drugs that are the first in their categories to be approved

KAKEN continues to actively invest in pipeline expansion and R&D to support future growth.

Pipeline

12

(At the time of formulating Long-Term Business Plan 2031: 7)

R&D-to-Sales Ratio

26.8%

Research Sites

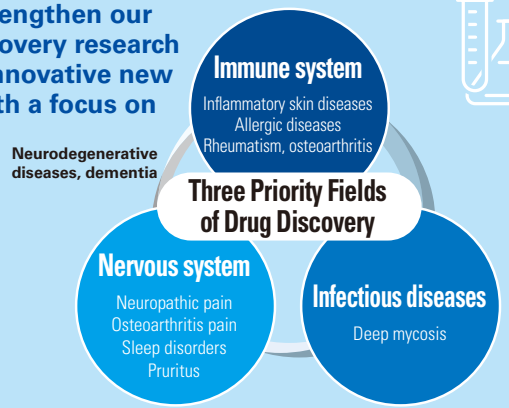
Drug Research Center

- **Kyoto City, Kyoto**
- **Fujieda City, Shizuoka**

CMC Center

- **Fujieda City, Shizuoka**

We continue to strengthen our in-house drug discovery research base and pursue innovative new drug discovery, with a focus on our three priority fields of drug discovery.



President's Message



President and
Representative Director

Key Messages

1 **Accelerate transformation in this challenging moment of facing the patent cliff* by continuing to invest for future growth.**

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

2 **Advance the "Three Transformations" to build a business portfolio and management base capable of responding flexibly to change.**

3 **Maximize the value of our development pipeline by enhancing our in-house drug discovery capabilities and expanding co-creation with external partners.**

4 **Accelerate our overseas expansion with Aadi Bioscience as a foothold and deliver value to patients around the world.**

5 **Foster a corporate culture that encourages employees to take on challenges and nurture professional talent.**

6 **Embody the belief of being "the best company, even if not the biggest" and aspire to be indispensable to society.**

Continuing to Invest for Growth Under Long-Term Business Plan 2031: Strengthening Our In-House Drug Discovery Capabilities and Expanding Co-Creation with External Partners as the Twin Pillars

While our pipeline is currently progressing ahead of plan, we are facing a difficult period in terms of our performance due to the patent cliff for Clenafin, an onychomycosis treatment. Against this backdrop, we will continue to invest for growth, strengthen co-creation with external partners, and steadily advance the "3Xs" (Three Transformations) in Long-Term Business Plan 2031 (the "Plan").

Advancing the 3Xs to Build a Business Portfolio and Management Base Capable of Responding Flexibly to Change

Four years have passed since we launched the Plan in FY2022. Under the original Plan, we set a target of at least one in-licensing or marketing alliance project every year, and to date we have in-licensed a cumulative total of 10 projects, putting us ahead of schedule. As a result, R&D investment has exceeded the initially planned level as the number of development projects has increased. However, we have yet to secure sufficient new products to offset the Clenafin patent cliff, and this remains a major management challenge.

The next few years will be the most challenging period to realize our Vision, but continuing investment is essential to achieve sustainable growth over the long term, even if it has a short-term impact on profits. Once the development projects are launched and begin contributing to earnings, we believe this will create a virtuous cycle of investment, returns, and reinvestment, enabling KAKEN to move into a new stage of growth. To overcome this difficult period, we are stepping up our efforts to advance the 3Xs of R&D, overseas expansion, and management base.

In managing the Company, I make decisions not only by envisioning the ideal future, but also by asking myself, "Can the Company remain viable even under the most severe scenario?" Managing a pharmaceutical company entails many risks involving a high degree of uncertainty. We strive to mitigate business risks, including development failures, launch delays, and sales falling short of expectations, as much as possible, but cannot eliminate them entirely. There are also changes in the external environment beyond our control, including revisions to drug pricing and social insurance systems, changes in U.S. drug pricing policies, and the impact of geopolitical risks on supply and development. To address these risks, it is important to accurately assess changes and enhance

Long-Term Business Plan 2031

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

Strategy for Achieving the Vision "3Xs" Three Transformations

1st X	R&D Transformation	1. Utilize KAKEN's own research base 2. Expand into new therapeutic areas 3. Take on the challenge of new modalities 4. Actively invest in research and development
2nd X	Overseas Expansion Transformation	1. Enhance line-up of global products from in-house drug discovery and in-licensing of products already commercialized or under development 2. Maximize the value of global products through our own development and commercialization overseas
3rd X	Management Base Transformation	1. Develop human resources capable of pursuing transformation as professionals and improve the working environment 2. Create a corporate culture capable of continuous transformation by utilizing data and digital technologies 3. Maximize product value and establish reliable and high-quality manufacturing capabilities from the viewpoint of "patients first"

management flexibility while keeping multiple options open. We will further strengthen our business portfolio and management base so that we can respond quickly to unexpected changes.

Enhancing Our In-House Drug Discovery Capabilities While Strengthening an "In-House + External" Hybrid Model

Research and development is the foundation of a pharmaceutical company and is positioned as the most important theme in the Plan. In FY2025, multiple development projects progressed and in-house drug discovery, in-licensing, and out-licensing have steadily advanced. Our Phase III projects also gained depth, making FY2025 a year in which the path toward future growth became clearer. However, we must not become complacent and must continue generating candidates that will support our next phase of growth, taking into account uncertainties surrounding the probability of success of development projects, launch timing, and changes to the drug pricing system. We will further strengthen our in-house drug discovery capabilities, actively utilize new technologies such as AI drug discovery, and increase the speed and probability of success in drug discovery, with our Drug Research Center at the core.

Our pipeline is managed at the senior management level, considering the future product portfolio while maintaining a balance among development stages and launch timing. From a backcasting perspective based on the future market environment, we are building an optimal portfolio by comprehensively considering our development and in-licensing strategies, investment allocation, and conditions on the front lines. We also make flexible decisions regarding in-licensing opportunities, as they can be influenced by the market environment and the opportunities at the time.

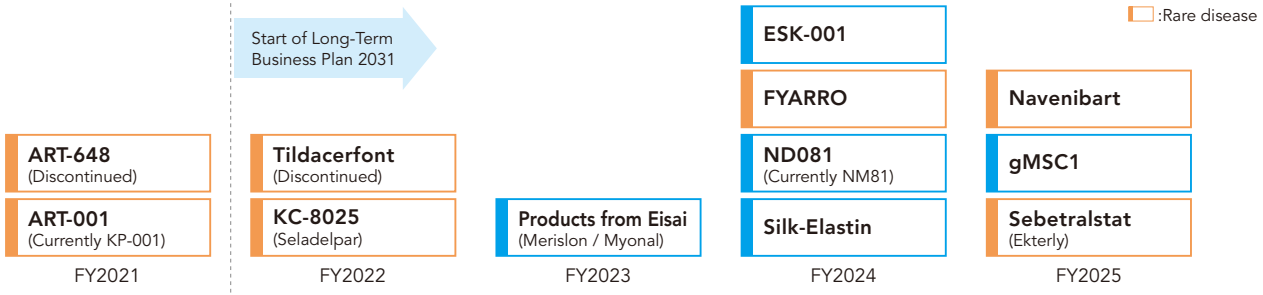
In drug discovery, KAKEN traditionally followed an approach of developing and commercializing products on its own. However, as research and development becomes increasingly sophisticated and globalized, it is no longer possible for a single company to do everything on its own, so leveraging external capabilities has become essential for growth. Over the past few years, we have combined development projects that originated in areas where KAKEN has strengths with the development capabilities and global reach of companies such as U.S.-based Johnson & Johnson (J&J), thereby maximizing value and creating greater opportunities to deliver solutions to patients around the world.

Major turning points came in 2024 when we transferred the intellectual property rights for the first-in-class multi-specific antibody NM26, under development for atopic dermatitis, to J&J affiliate Cilag GmbH International, and out-licensed to J&J a STAT6 inhibitor program under development as a next-generation oral treatment for type 2 inflammatory diseases, including atopic dermatitis and asthma. As a result, KAKEN's drug discovery capabilities in immunology have gained recognition from overseas pharmaceutical and biopharmaceutical companies, and we see this as a major opportunity for KAKEN.

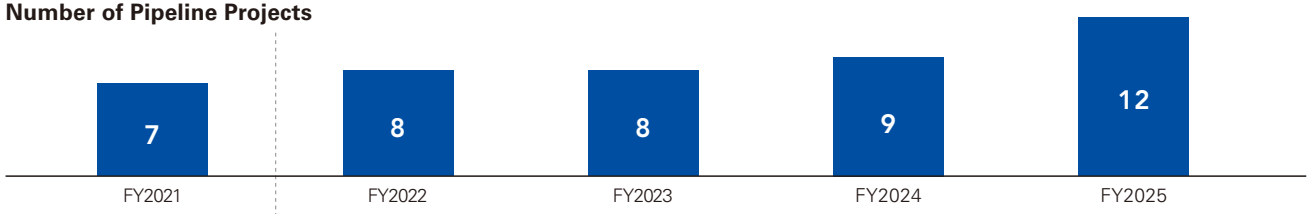
KAKEN has cultivated high levels of expertise and distinctive drug discovery capabilities in specific therapeutic areas. We will continue strengthening our in-house drug discovery capabilities and take on the challenge of creating new development projects. For such projects expected to create significant value in global markets, we will maximize their value by leveraging the development capabilities, sales networks, and global reach of overseas

Evolution of the Pipeline and In-Licensed Projects

As of March 31, 2026, 10 products have been in-licensed since the announcement of the Plan



Number of Pipeline Projects



companies. To further expand our pipeline under the Plan, we will continue in-licensing promising development projects based on KAKEN's distinctive perspective. With in-house drug discovery as our foundation, we will strengthen our hybrid model by combining in-licensing and out-licensing and integrating the respective strengths of KAKEN and external partners. A major direction of our R&D strategy will be to identify the areas where KAKEN can best leverage its strengths and work with external partners to increase the speed and probability of success from research and development through launch.

When making decisions on research and development, I keep in mind not to "get in the way." This reflects the teaching of Konosuke Matsushita, founder of Panasonic Corporation, who said that one key to enabling subordinates to perform at their best is not to get in their way when they are trying to work. My approach is not to stand in the way of initiatives that employees wish to pursue, but first to listen to their ideas and proposals, assess the risks the Company can accept, encourage them to take on the challenge if it will not impede business operations or management, and ultimately reach a decision together. I believe that encouraging each employee to take on challenges while the Company carefully assesses risks and advances research and development has led to the expansion of our pipeline today.

For details of research and development, see page 26, Long-Term Business Plan 2031: R&D.

Accelerating Overseas Expansion with Aadi Bioscience as a Foothold

Our overseas expansion has moved from the conceptual stage into the execution stage. Aadi Subsidiary, Inc. (currently Aadi Bioscience, Inc.; "Aadi"), a U.S. company acquired in March 2025, will play a central role in the KAKEN Group's global strategy as we expand products discovered in-house, including KP-001 for refractory vascular malformations, into overseas markets. FYARRO, a rare cancer treatment marketed by Aadi Bioscience, has achieved a certain level of sales in the U.S. Looking ahead, we believe that exploring expansion into European markets will further broaden our business opportunities overseas.

When I visited Aadi Bioscience, I felt aligned with its organizational culture and saw a strong fit with KAKEN. Despite its small workforce, each employee was deeply passionate about rare diseases, firmly committed to fulfilling their mission, and approached their work with a strong sense of urgency. The addition of a company with this kind of organizational culture to the KAKEN Group has greatly inspired our employees and brought fresh energy to the organization.

Increasing our speed is critical to KAKEN's growth. This does not simply mean completing tasks faster; I believe it means transforming the way we think. For example, when formulating a plan, rather than building up the necessary steps in sequence, we can work more quickly by first defining the goal, using backcasting to determine how to achieve it, and then formulating and executing the Plan accordingly. I believe that advancing these changes in mindset and thinking is essential to our future growth. Aadi's addition to the KAKEN Group has made the presence of an overseas subsidiary more immediate to employees and has begun to change their awareness. In the R&D Division, some employees have even volunteered for assignments at Aadi, reflecting the growing willingness of employees to take on challenges on their own initiative. More employees are also studying English, which we expect will become a significant strength as we advance our overseas expansion.

Our efforts to expand overseas are inseparable from our R&D strategy. We will maximize the value of the pipeline created through the 1st X (R&D Transformation) by expanding it globally through the 2nd X (Overseas Expansion Transformation). By fully leveraging the



strengths of Aadi and our external partners, as well as our own capabilities, we will deliver KAKEN's technologies and products to more patients.

For details of overseas expansion, see page 32, Long-Term Business Plan 2031: Overseas Expansion

Developing Professional Talent and Fostering a Culture of Taking on Challenges

To strengthen the organization, we must first strengthen each individual. The professional talent I seek are people who do not wait for instructions, but think for themselves, take on challenges, and hone their expertise. We are also working to enhance our training programs as part of our talent development efforts. Still, I believe the most important priority is to provide an environment and opportunities that enable each employee to remain motivated to grow and proactively take on challenges. When I was a child, my mother repeatedly told me, "Even if you fail, it won't cost you your life." I want our employees to face challenges positively and confront issues without being overly afraid of failure. Without taking on challenges, we cannot create new value.

Furthermore, as we advance our "in-house + external" hybrid model in R&D and overseas expansion, employees will increasingly need to deepen their connections with external parties and strengthen their ability to learn from and co-create with them. I want to develop more people who not only hone their expertise but also draw on external expertise and technologies, combine them with KAKEN's strengths, and create new value.

The Outstanding Talent Recognition Program, introduced to transform our corporate culture, is now in its third year. By awarding outstanding contributors from divisions across the Company, we communicate to recipients our expectation that they will lead KAKEN into the future and nurture talent who will drive transformation by connecting the organization across divisional boundaries. Award recipients are also given opportunities to broaden their perspectives through experiences such as visits to Aadi Bioscience. We look forward to their continued growth.

I also want to establish a culture in which KAKEN works as one team and boldly takes on challenges. Since FY2024, we have held in-person officer briefings for all departments, explaining matters including the progress of the Plan and engaging employees in ongoing dialogue and exchanges of views. Through these efforts, I have seen a gradual increase in the number of employees who speak up proactively. This change is beginning to appear in the employee engagement survey results, and I feel that our sustained dialogue is beginning to drive organizational change. We revised the format of these briefings and are holding town hall meetings with around 50 participants at each site from FY2026. By speaking directly with employees face to face, we are working to deepen their understanding of the Company's policies and initiatives, and to encourage them to view these matters as personally relevant. We will continue to value dialogue with employees as we foster a corporate culture that embraces challenges.

The Employee Stock Ownership Plan (J-ESOP), introduced in FY2025, is also a program designed to encourage employees to take a greater interest in share price and business performance improvement and to work as one team toward KAKEN's growth. I want to create a virtuous cycle in which each employee's challenges and efforts contribute to achieving the Company's targets and enhancing corporate value, with the resulting benefits shared with employees.

Advancing digital transformation (DX) is also positioned as an important theme in strengthening our management base. In research and development, the use of AI-driven drug discovery is accelerating across the pharmaceutical industry, and KAKEN is also actively using it to increase the speed and probability of success in drug discovery. In addition, by incorporating digital technologies, including generative AI, into our business processes, we are working to improve operational efficiency and productivity. Rather than viewing DX simply as a means of improving efficiency, we will create an environment in which each employee can focus on higher-value-added work and thereby enhance KAKEN's



Visiting Aadi Bioscience with Recipients of the Outstanding Talent Recognition Program

overall competitiveness.

Furthermore, strengthening our production strategy is an important foundation for our competitiveness. No matter how outstanding the results of our research and development may be, we cannot fulfill our mission as a pharmaceutical company unless we can reliably deliver the drugs to patients while ensuring their quality and stable supply. In production and quality assurance, we do more than simply follow procedures: we constantly keep in mind that patients depend on our work, and we work to maintain the reliable quality of our pharmaceuticals and ensure a stable supply. Going forward, we will continue strengthening our quality assurance and improving productivity as we strive to ensure a stable supply of safe, high-quality pharmaceuticals.

For details of our management base, see page 34, Long-Term Business Plan 2031: Management Base.

To Our Stakeholders

Early in my career, there was a phrase displayed at the sales office that I still cherish. It was "Be the best company, even if not the biggest," a phrase frequently used by the president at the time. KAKEN does not aspire to become the world's biggest company in terms of scale. However, we want to remain the "best" company for society. To me, being the "best" is not simply a matter of sales or corporate scale, but of remaining indispensable to patients and healthcare professionals and earning society's trust as a company whose very presence enables people to lead healthy lives.

To realize this, we aim to be a company that continually delivers products addressing unmet medical needs and contributes to improving patients' quality of life (QOL). The most recent example of KAKEN's approach is Ekterly, which we launched in March 2026 for use during acute attacks of hereditary angioedema (HAE). Major pharmaceutical companies may not necessarily prioritize diseases like HAE because they are rare and patient numbers are limited, but we want to remain trusted and needed by society by fulfilling our mission to deliver products to the patients who need them, even in areas like these.

KAKEN also operates an agrochemicals business, whose mainstay polyoxin fungicide was discovered during the Riken era and is derived through microbial fermentation of natural raw materials, making it an important product connected to KAKEN's roots. Polyoxins are very safe for humans and animals, and are also eco-friendly, so they contribute to global food security and sustainable farming. We believe it is our responsibility to deliver this value broadly to society as a product that embodies KAKEN's corporate philosophy.

It is our belief that steadily building initiatives for society will ultimately lead to the KAKEN Group's sustainable growth. We will steadily execute initiatives to realize the targets set out in our 12 material issues and create "Joy for patients," "Joy for society," and "Joy for employees."

Looking beyond the Plan, I envision a future in which KAKEN has firmly established the business base and corporate culture to continue addressing unmet medical needs. To realize this vision, we will steadily execute the "3Xs" in R&D, overseas expansion, and the management base; refine our own technologies while expanding co-creation with external partners; and evolve into a company capable of responding flexibly to change. We are currently facing a challenging period due to the impact of the Clenafin patent cliff, but I hope our stakeholders will look forward to the growth that lies beyond it. We deeply appreciate your continuing support.



A History of Value Creation

For 78 years, since our founding, we have contributed to people's health by providing pharmaceutical products that meet the needs of the times. With our dedication to meeting the needs of patients, we have conducted in-house drug discovery and collaborated with companies in Japan and overseas to create new value including pharmaceuticals that were first of their kind in Japan or the world.

Founding Ideas



The first president
Yoshio Nishina

With its origins in the Institute of Physical and Chemical Research (Riken), which was established in 1917, the Company started its business in 1948 as Kagaku-Kenkyusho. Yoshio Nishina, known as the father of modern physics in Japan, was appointed as the Company's first president and set out the mission of applying basic scientific research and its findings to industry. The Company began manufacturing and selling pharmaceuticals as a commercial activity to support the pursuit of theoretical research.

Net Sales Trends (Billions of yen)

From 1948 to the 1970s

Technological development at Riken: Forming the roots of KAKEN

Building on Riken's technological development capabilities as a base, the Company laid its business foundations by launching penicillin, a drug used to treat pneumonia, and streptomycin, which opened the way for the treatment of tuberculosis. The Company then continued to launch other pharmaceuticals to meet the needs of the times. In 1952, it established a reputation as "the athlete's foot company KAKEN" following the launch of the antifungal agent Athletan. In 1971, the Company launched Brufen as an anti-inflammatory, antipyretic, and analgesic drug.

1980s to 1990s

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

With a firm belief in the goal of striving to be "the best company, even if not the biggest," KAKEN expanded its business foundations by in-licensing products from other companies, starting with the mainstay product Artz for osteoarthritis. The Company expanded its R&D investment and successfully originated and developed butenafine hydrochloride as a new athlete's foot treatment. This product was launched in 1992 under the brand name Mentax. Mentax became a product that exemplified KAKEN's research and development capabilities. Its technological excellence and manufacturing achievements were highly recognized, and it was awarded the Okochi Memorial Grand Production Prize.

2000s and beyond

Advancing priority research themes through organizational improvements and concentration of resources

Launched Long-Term Business Plan 2031 in 2022

As an R&D-driven pharmaceutical company, KAKEN strengthened its in-house research base mainly in the three priority fields of drug discovery (immune system, nervous system, and infectious diseases). In 2014, the Company launched the core product Clenafin. The following year, net sales broke through the ¥100 billion mark for the first time. KAKEN acquired ARTham Therapeutics in 2021 in order to strengthen its R&D capabilities and expand the pipeline. From 2022, the Company began implementing Long-Term Business Plan 2031. The Company has made steady progress with initiatives under this plan, including the acquisition of Aadi with a view to overseas expansion. Moreover, as a result of global recognition of our strong R&D capabilities, KAKEN achieved two major out-licensing agreements in 2024, as evidence of how its efforts are steadily bearing fruit.

Dermatology



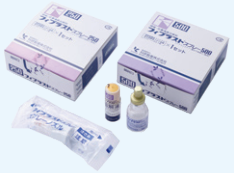
1953 Athletan

Developed following KAKEN's creation of Japan's first animal testing method for topical antifungal agents. Athletan laid the foundation for the development of today's antifungal drugs. As KAKEN's first drug discovered in-house, it also made a significant contribution to enhancing the Company's image.



1992 Mentax

An antifungal agent originated in-house for athlete's foot, an area of expertise for KAKEN. Mentax is formulated with the active ingredient butenafine hydrochloride and was the first drug in the world to use a benzylamine-based structure. This was KAKEN's first product to undergo full-scale overseas development. It was out-licensed in North America, South Korea, and other markets.



2001 Fiblast

A pioneering regenerative medicine product and the world's first formulation containing a cell growth factor as the active ingredient. Fiblast promotes tissue regeneration in the treatment of pressure ulcers and skin ulcers, helping improve patient QOL through wound healing.



2014 Clenafin

Japan's first topical treatment for onychomycosis. Clenafin provides patients with a new option of a topical medication for nail fungus. Discovered in-house, it has been out-licensed to local companies in North America, Asia, Europe, and other regions as KAKEN pushes forward with overseas expansion.



2020 Ecclock

Topical agent for primary axillary hyperhidrosis, the first NHI-listed treatment for this condition. Ecclock uses a proprietary applicator designed with patient convenience and safety in mind, helping to alleviate concerns associated with underarm sweating and contributing to improvements in patients' QOL. Through disease awareness activities, KAKEN is working to create an environment in which people troubled by sweating can access appropriate treatment more easily.

Orthopedics



1971 Brufen

An anti-inflammatory, antipyretic, and analgesic drug containing ibuprofen as the active ingredient. Brufen is now widely recognized as an OTC medicine with a wide range of uses, and has contributed significantly to strengthening KAKEN's presence, particularly in the field of orthopedics.



1987 Artz (ampoule)

World's first hyaluronic acid intra-articular injection. Today, nearly 40 years after launch, Artz is still widely used for knee osteoarthritis, shoulder periarthritis, and other joint diseases. Artz is one of the products that significantly raised KAKEN's profile in the field of orthopedics.



1988 Adofeed

A transdermal analgesic and anti-inflammatory plaster containing flurbiprofen as its active ingredient. The non-steroidal anti-inflammatory drug (NSAID) in Adofeed is absorbed through the skin and acts directly on the affected area, providing excellent analgesic and anti-inflammatory effects.



1992 Procylin

An oral prostaglandin I2 analogue indicated for chronic arterial occlusion and other conditions. Procylin exhibits both potent vasodilatory and antiplatelet effects. Together with Artz, Procylin has helped to strengthen KAKEN's presence, particularly in the orthopedics field.



2018 Hernicore

Japan's first intradiscal enzyme injection for lumbar disc herniation. Injection of Hernicore reduces the size of the hernia. The product provides a new treatment option that bridges the gap between conservative treatment and surgery, helping to reduce the physical burden on the patient.

Other



1989 Ebrantil

A treatment for dysuria with α1-receptor antagonist activity. Ebrantil is indicated for benign prostatic hyperplasia and is also the only α1-receptor antagonist indicated for neurogenic bladder, providing a new treatment option for urinary disorders.



1995 Pronase MS

A pharmaceutical preparation containing pronase, developed using fermentation technology, one of KAKEN's strengths. During gastroscopy, Pronase MS is used to dissolve and remove gastric mucus, improving visualization of lesions and contributing to the early detection of gastric cancer and other conditions.



1998 Seprafilm

An absorbable adhesion barrier used to reduce post-operative tissue adhesion. Post-operative adhesions can cause complications such as intestinal obstruction and infertility, and can prolong the duration of subsequent surgical procedures. Seprafilm helps improve patient prognoses by reducing the risk of complications from post-operative adhesions.



2016 Regroth

The world's first periodontal regenerative agent containing the same cell growth factor as Fiblast as its active ingredient. Regroth regenerates periodontal tissue lost due to periodontitis and helps preserve natural teeth. As an innovative treatment method using regenerative medicine, Regroth also creates new value by contributing to longer healthy life expectancy.



2026 Ekterly

The world's first oral treatment for acute attacks of the rare disease hereditary angioedema (HAE). Ekterly is expected to provide a new treatment option that reduces the burden on patients compared with conventional injectable therapies and enables earlier treatment during attacks.

Value Creation Process

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

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

INPUT

Financial Capital
Sound financial position balanced with growth investments

Manufacturing Capital
Operating base that ensures stable supply

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

Intellectual Capital
The source of new treatment options for patients

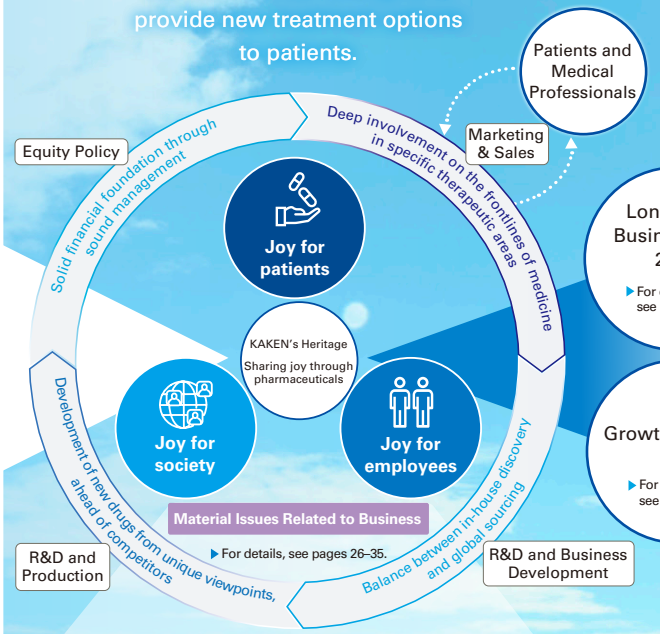
Social Capital
Building strong relationships with stakeholders

Natural Capital
Eco-conscious business activities

▶ For details, see page 14.

BUSINESS MODEL

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



Material Issues Related to Business
▶ For details, see pages 26–35.

Material Issues Related to the Business Foundation
▶ For details, see pages 42–61.

Long-Term Business Plan 2031
▶ For details, see pages 24–25.

Growth Strategy
▶ For details, see pages 36–38.

OUTPUT

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

Dermatology



Clenafin ● Fiblast 🌐



Ecclock ●

Orthopedics



Artz 🌐 Hernicore ●

Other Areas



Seprafilm Regroth 🌐

🌐 : First in the world ● : First in Japan

OUTCOMES

Joy for patients

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

Joy for society

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

Joy for employees

- Job satisfaction as professionals who meet patient needs





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





KAKEN's Management Capital

	Financial Capital	Manufacturing Capital	Human Capital	Intellectual Capital	Social Capital	Natural Capital
	Equity ratio **82.8%**	Capital expenditures **¥3.6 billion**	Number of employees (consolidated) **1,114**	R&D expenses **¥20.5 billion**	Number of MRs **Approx. 400**	CO_2 emissions (Scope 1 and 2) **18,559 t-CO_2**
Current Position (Summary, Features)	The drug discovery journey, from the initial research stage through clinical trials and, finally, commercialization, takes at least 10 years and requires substantial financial capital. Therefore, it is vital that we maintain a sound financial position in order to continue developing new drugs and preserve our competitive advantage.	Delivering stable and continuous supplies of high-quality pharmaceuticals to patients is our responsibility as a pharmaceutical company. The Shizuoka Factory is our core manufacturing site for that purpose. At the Shizuoka Factory, we are continuing to invest in expanding or upgrading pharmaceutical manufacturing facilities, and are working to strengthen our stable supply systems and improve quality.	To realize our business philosophy of "Joy for employees", we are working to create an environment that enables every employee to find fulfillment in their work over the long term. From the perspective of fostering a corporate culture that encourages employees to take on challenges, we are developing human resources with the ability to adapt to the times and are building an organization where diverse talent collaborate as one team. This is the foundation for innovative pharmaceutical discovery and sustained value creation.	We deliver new treatment options for patients primarily through products in the areas of dermatology and orthopedics. We are working to address the issues of "drug lag" and "drug loss," which are key challenges for the pharmaceutical industry. In line with Long-Term Business Plan 2031, we have expanded into new therapeutic areas by in-licensing development candidates in the rare diseases area and are advancing development in Japan.	In Japan, medical representatives (MRs) work across the country to promote the proper use of pharmaceuticals and collect safety information, building on relationships of trust with healthcare professionals. Overseas, we are creating value globally by collaborating with partners, centered on Clenafin, and by building our own sales infrastructure through the acquisition of the U.S. company Aadi Bioscience.	Promotion of environmental management is one of our material issues. We are reducing our environmental burden in all aspects of our business activities. We have set long-term targets for reducing CO_2 emissions and water consumption. We continue to work to achieve these targets through initiatives to save energy and use water resources more efficiently.
Strengths	• Sound financial position with equity ratio of over 80% • Robust capital base to support ongoing R&D investment • Financial flexibility that balances financial stability with flexible investment for growth	• Systems for stable and continuous supplies through ongoing investment in the Shizuoka Factory • Rigorous quality control systems based on a corporate culture that prioritizes quality	• Corporate culture that supports taking on challenges and personal growth • Systematic framework for human resource development through level-based training, reskilling, and other initiatives • Workplace environment that supports the empowerment of diverse talent and high levels of engagement	• Expertise and R&D capabilities backed by our track record of developing new drugs in dermatology and orthopedics that are first of their kind in Japan or the world • Strong pipeline through our in-house drug discovery capabilities and in-licensing of development candidates from outside	• Strong relationships of trust with healthcare professionals through our nationwide sales network • Experience and expertise in disease awareness activities developed through efforts to create markets for first-in-class products • Track record of overseas expansion through collaboration with overseas partners for Clenafin	• Foundation for environmental management that promotes reduced CO_2 emissions and efficient use of water resources • Contributing to sustainable agriculture through the provision of eco-conscious crop protection products • Achievements in environmental conservation through ongoing collaboration with local communities
Future Initiatives	• Allocate cash flow generated to date to strategic investment in research and development and other areas as further investment in growth. • Maintain a sound financial position and strengthen financial risk management in light of the uncertainties associated with research and development. • Drive balance sheet management while maintaining financial discipline.	• Use digital technologies to further improve production efficiency and develop systems for the stable and continuous supply of pharmaceuticals. • Continuously work to strengthen quality control systems during manufacturing and enhance quality assurance systems given the critical importance of product quality in the pharmaceutical industry.	• Improve employee retention and increase staff motivation in the highly competitive pharmaceutical industry. • Promote the development of professionals who can flexibly respond to changes in the business environment and who pursue challenges and transformation.	• Accelerate pipeline development in the rare diseases area, where we are actively in-licensing and developing candidates, in addition to our areas of strength in dermatology and orthopedics. • Innovate R&D processes, including shortening research and development timelines, through AI-enabled drug discovery and more efficient clinical trials.	• Further strengthen relationships of trust with healthcare professionals and promote provision of information based on medical needs. • Promote overseas out-licensing for products where we hold global rights and pursue overseas development of the in-house development product KP-001 for refractory vascular malformations. • Conduct market research and develop the sales infrastructure needed to maximize the value of development products, including KP-001.	• Gradually increase the percentage of green electricity purchased at the Head Office and Shizuoka Site, and achieve further reductions in CO_2 emissions. • Make progress with introducing an off-site solar PPA and increase the use of renewable energy. • Continuously manage water intake and wastewater amounts and conserve water so that we make effective use of limited water resources.
Closely Related Material Issues	Creation of innovative new drugs that satisfy unmet medical needs Expansion of access to healthcare and pharmaceuticals Stable and continuous supply of pharmaceuticals	Stable and continuous supply of pharmaceuticals	Creation of fulfilling workplaces Strengthening development of human resources	Creation of innovative new drugs that satisfy unmet medical needs Expansion of access to healthcare and pharmaceuticals	Expansion of access to healthcare and pharmaceuticals Stable and continuous supply of pharmaceuticals Appropriate provision of pharmaceutical information Contribution to sustainable agriculture Strengthening relationships with stakeholders to achieve sustainability Respect for human rights	Contribution to sustainable agriculture Promotion of environmental management

Value Chain

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

Research

The key responsibility of basic research at a pharmaceutical company is to discover candidate compounds that can serve as starting points for the development of new drugs that satisfy unmet medical needs for patients. By focusing on specific therapeutic areas, particularly dermatology and orthopedics, KAKEN seeks to gain an accurate understanding of the challenges faced by patients and healthcare professionals and to develop innovative new drugs that can contribute to improving QOL. In addition, to strengthen our in-house research platform centered on the three priority drug discovery areas of the immune system, the nervous system, and infectious diseases, we are accelerating the generation of original ideas and innovative candidate compounds through collaboration with academic institutions, startups, and external organizations, as well as the use of AI technologies.

Ability to Meet Needs (Ability to Find Solutions)



Akira Matsumoto
Pharmacology Department
Drug Research Center

The main mission of the Pharmacology Department is to plan new drug discovery projects and evaluate pharmacological efficacy to investigate and select new drug candidates. When planning a drug discovery project, I define drug concepts based on clinical needs and aim to originate new drugs that patients truly require. However, drug target molecules are not always present in non-human animals, which can make evaluation at the pre-clinical stage challenging. To address such issues, we turn to translational research methods that utilize genetically modified animals or human iPS cell technologies in order to select innovative disease target molecules to improve the likelihood of successful drug discovery.

Quality Assurance

In line with our corporate philosophy of supplying superior pharmaceuticals, the Quality Assurance Department makes quality its highest priority to deliver pharmaceuticals that patients can use with confidence. We build quality into products by design from the R&D stages, and have established an integrated quality assurance system, covering everything from manufacturing to shipment and distribution, through which we work to maintain and improve quality. After product launch, we monitor manufacturing control and quality control status at our factories and ensure that products are shipped appropriately. We also collect and analyze information on quality from the market and use it to drive continuous improvement throughout the pharmaceutical lifecycle.

Ability to Meet Needs (Ability to Find Solutions)



Akihiro Sawada
Quality Assurance
Department

To supply patients with safe and reliable pharmaceuticals, I always keep the patient's perspective in mind and make a point of reviewing and assessing matters with a critical eye. To ensure we can deliver superior pharmaceuticals to patients as quickly as possible, we are actively involved from the early stages of development as the Company works toward launch. This ensures we comply with strict regulations and standards and meet the quality levels expected by the market. Our role is to maintain compliance with laws and regulations, while also collaborating with manufacturing sites to promote continuous improvement based on scientific evidence and appropriate risk assessment. With a strong sense of responsibility and fulfillment, I approach my work to support a stable supply of pharmaceuticals to patients.





Sales & Marketing

MRs (medical representatives) provide medical professionals with efficacy, safety and other information needed for proper use of our pharmaceuticals, and support the entire process through which pharmaceuticals are appropriately delivered to patients. One of KAKEN's strengths is our ability to discover and deliver original pharmaceuticals to address significant unmet medical needs in various disease areas. These areas can also be challenging in terms of improving disease awareness and access to medical care. Building on their relationships of trust with medical professionals, our MRs understand patient needs and the challenges faced in the clinical setting, and work to raise disease awareness and provide appropriate information. The MRs play a bridging role to connect patients who have struggled alone to appropriate treatment, helping to return smiles of happiness to their faces.

Quality Control

To ensure the stable supply of safe and high-quality pharmaceuticals, we need to manage manufacturing and quality control using procedures designed and validated during the research stages. To achieve this, it is essential to improve the reliability (data integrity) and traceability of the vast volume of records generated during manufacturing and quality control processes. Our department is building a data-driven digital transformation (DX) platform in collaboration with relevant departments to simultaneously strengthen regulatory compliance and improve operational efficiency. We are also promoting continuous improvement through the visualization and effective use of electronic data. These initiatives underpin our production system that delivers stable supplies of safe, high-quality pharmaceuticals to patients.

Ability to Perceive Needs (Ability to Identify Issues)



Miho Isono
Western Japan Regional Marketing & Sales Department

I am responsible for hospitals and clinics, and I place great importance on building relationships of trust with medical professionals while always putting patients first. Guided by the principle that "what I take for granted may not be taken for granted by medical professionals," I always try to understand the other person's perspective and circumstances, prepare thoroughly in advance, and strive to respond sincerely to the needs of the medical professionals. I continuously strive to provide information in this way, and a doctor once told me, "You are the person I trust most." I feel that this was a reflection of how I approach my work every day. Going forward, I will work to contribute even more to the medical front line, with continued appreciation for medical professionals.

Ability to Meet Needs (Ability to Find Solutions)



Shohei Nabeshima
Quality Management Department

We are working on two key initiatives: maintaining and managing the core systems that underpin production activities, and developing a data-driven DX platform to enable more advanced production operations. To ensure that innovative new drugs are reliably delivered to patients, we are promoting the visualization and sharing of quality information through digitalization, and working to reduce human error through computerized control of manufacturing processes.
In addition, by linking our various systems and making comprehensive use of electronic data from the Production Division, we are establishing a framework for continuous improvement aimed at enhancing operational efficiency and further improving our systems to provide patients with a stable supply of high-quality pharmaceuticals.

Message from the Executive Director of the Corporate Planning & Coordination Department

Under Long-Term Business Plan 2031 (the "Plan"), which KAKEN launched in FY2022, we have invested in future growth and steadily built up our pipeline over the past four years. We are now entering a critical phase in which we will work toward achieving our Vision by bringing these products to market and turning them into sources of earnings.



Masashi Suzudo
Senior Managing Director,
Member of the Board

Long-Term Business Plan 2031 Enters a New Phase Optimizing Management Resource Allocation to Drive the Sustainable Enhancement of Corporate Value

The Plan Moves into the Phase of Delivering Results

Compared with major pharmaceutical companies, we operate on a smaller scale and with limited management resources. How we optimally allocate those limited management resources is a critical issue that will determine the extent to which we can enhance corporate value. As the Director in charge of the Corporate Planning & Coordination Department, I provide direction so that the entire organization can work toward shared goals. Further, I am building a management foundation that organically connects initiatives across the organization and delivers maximum results.

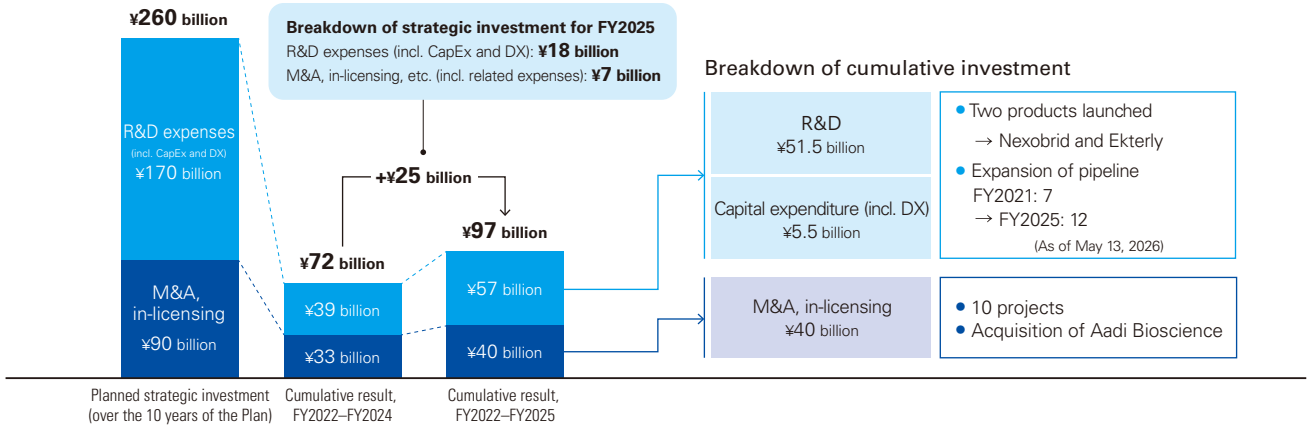
The Plan sets challenging targets. Recognizing that it takes time to expand the pipeline through in-house drug discovery alone, we have actively used in-licensing and M&A and made focused growth investments over the past four years. These efforts have steadily delivered results, including an expanded pipeline and late-stage development projects. Over the next two to three years, we will steadily develop these in-licensed candidates into products and bring them to market, shifting into a phase of strengthening our earnings base and generating cash.

The total amount of strategic investment over the 10-year period of the Plan was increased in 2025 from the initial ¥200 billion to ¥260 billion, reflecting the fact that in-licensing transactions and development projects have progressed at a faster pace than initially planned, as well as changes in the external environment, including greater yen depreciation, higher R&D expenses, and increased global competition to in-license projects. Of this amount, investment through FY2025 totaled ¥97 billion, resulting in an expanded pipeline and late-stage development projects. Strategic investment is progressing as planned, and we believe we are making steady progress in building a foundation for future growth.

We will move the late-stage development projects currently in Phase III trials into a phase focused on obtaining approval and bringing them to market. We will work to accelerate development and proactively pursue collaboration with external partners in addition to our own efforts to reliably bring the value of the pipeline into business results. With a view to expanding the business after launch, we will also strengthen our sales and marketing capabilities and internal management systems. Overseas

Progress on Strategic Investment

Executed strategic investments of approximately ¥97 billion over the past four years.



in particular, both advancing Phase III trials and conducting our own sales operations are new challenges for us. We will therefore establish the systems needed to carry them out reliably and strengthen an integrated business foundation from development through sales.

Our vision under the Plan is to become an R&D-driven pharmaceutical company that builds a balanced pipeline across development stages and creates a virtuous cycle of product launches, cash generation, and reinvestment. Now that the Plan has reached its midpoint, early-stage development projects that will support growth from FY2032 onward are becoming increasingly important, in addition to progress with our current late-stage development projects. We will continue building a pipeline that supports sustainable growth while maintaining an appropriate balance between late-stage development projects and projects that will drive future growth. To achieve this, we will rigorously optimize the allocation of management resources and achieve the Plan.

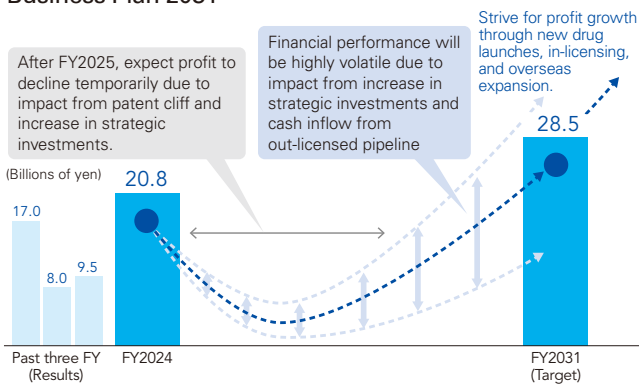
Steadily Strengthening the Foundation for Future Growth amid Challenging Near-Term Performance

Net sales declined in FY2025 due to factors including the impact of the patent cliff for the onychomycosis treatment Clenafin, the absence of one-time revenue from out-licensing agreements recorded in FY2025, and the postponement to FY2026 of the recognition of milestone revenue related to out-licensed products. Additionally, as a result of steadily executing strategic investment in accordance with the Plan, R&D expenses, including in-licensing expenses, increased, and we recorded an operating loss.

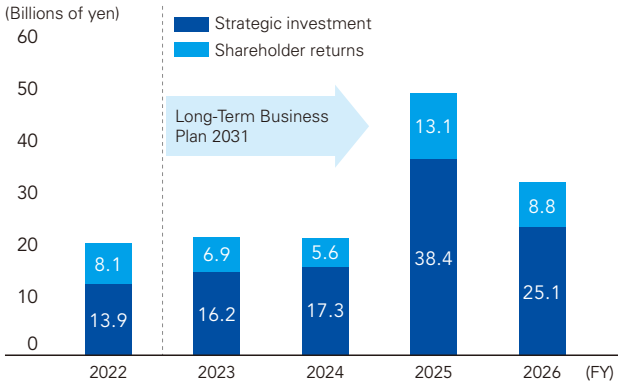
As shown in the image of financial performance presented in Long-Term Business Plan 2031, over the next two to three years, we expect profits to come under temporary pressure from a revenue decline due to the patent cliff coupled with higher expenses associated with strategic investment. Although near-term performance remains challenging, the pipeline has expanded significantly as a result of the investments made to date, and each initiative is making steady progress. We are strengthening our foundations for future growth and believe we are now at a critical juncture in translating these initiatives into the next phase of earnings growth.

As we apply Japanese GAAP, upfront in-licensing fees and R&D investments are recognized as expenses in the fiscal year in which they are incurred, thereby impacting profit. By contrast, under International Financial Reporting Standards (IFRS), upfront in-licensing fees and similar payments that are expected to generate future profits may be capitalized, allowing the associated costs to be allocated in line with the benefits generated by the investments. As a result, the relationship between investments for growth and future earnings is reflected more clearly in the financial statements. To appropriately communicate our business and progress in creating corporate value over the medium to long term to shareholders and investors, we are currently considering a transition to IFRS.

Image of Financial Performance During Long-Term Business Plan 2031



Trends in Strategic Investment and Shareholder Returns



Balancing Growth Investment and Shareholder Returns While Maintaining Financial Soundness

Under our financial strategy, we prioritize cash on hand and operating cash flows as funding sources for strategic investment, maintaining the cash position required for business continuity. If opportunities arise for large-scale in-licensing or M&A transactions, we will consider external financing as an option and make decisions with due regard for maintaining financial soundness, using indicators such as the debt-to-equity (D/E) ratio. We are also working to improve capital efficiency through balance sheet management by reducing cross-shareholdings, reviewing our holdings of assets, including real estate and other assets. Regarding cross-shareholdings, we are steadily reducing our holdings in accordance with the policy announced in May 2024 of reducing cross-shareholdings by 30% within five years compared with the amount held on March 31, 2024, while the Board of Directors continually reviews the rationale for holding. As of March 31, 2026, implementation of the reduction policy was approximately 56% complete, and the ratio of cross-shareholdings to net assets had fallen to 12.7%. We will continue working to fully implement the reduction policy while taking market conditions into account.

KAKEN has a high equity ratio of 82.8%. We recognize that how best to deploy this strong equity base and improve capital efficiency is a critical management issue in achieving the Plan's target of ROE of 10% or higher. At the same time, we are currently in an important phase for strategic investment for future growth, so our first priority is to strengthen our underlying earnings capacity rather than pursue improvements in efficiency. We aim to enhance corporate value and improve ROE by steadily making growth investments in research and development, in-licensing, and M&A that will generate future earnings.

Although performance is expected to fluctuate significantly due to factors such as the recognition of milestone revenue under out-licensing agreements and the execution of strategic investments, we are maintaining our policy of a dividend payout ratio of at least 30% and a total payout ratio of at least 50%. Furthermore, from FY2025 onward, we have set a minimum dividend of ¥190 per share for the duration of the Plan, enabling us to provide stable and continuous shareholder returns and to meet shareholder expectations.

Strengthen Communications to Enhance Growth Predictability and Improve the P/E Ratio

Currently, KAKEN's price-to-book value (P/B) ratio is hovering around 1.0x. To maintain and improve this level, it is important to prioritize allocating cash to strategic investments for growth and achieve higher ROE by strengthening profitability. We also aim to improve our price-to-earnings (P/E) ratio by appropriately communicating KAKEN's growth potential to the capital markets and enhancing our market valuation. To help shareholders and investors understand our growth potential, we actively engage in dialogue regarding pipeline progress and future contributions to earnings. In FY2025, we held our first R&D briefing, where we explained our R&D strategy, the status of our pipeline, and related matters. We will continue working to deepen understanding of KAKEN's corporate value through transparent disclosure that supports investment decisions and constructive dialogue.

We also share with the Board of Directors the

opinions and suggestions we receive through dialogue with shareholders and investors as they arise, which provide useful perspectives when making decisions on enhancing corporate value.

Going forward, we will further improve both the quality and quantity of information disclosed to shareholders and investors, enhance constructive dialogue, and work to deepen their understanding of our growth strategy and corporate value creation.

Building an Organization That Takes on Challenges Through Investment in Human Capital

Human capital is the most important element of our management base for advancing research and development, in-licensing, sales, and overseas expansion and an important driver to enhance corporate value.

Our achievements in out-licensing and the expansion of our pipeline to date have fostered a more positive attitude and greater confidence in taking on challenges, particularly within the R&D Division. To achieve the targets of the Plan, I believe it is essential to transform our culture into one in which each individual's willingness to take on challenges drives the growth of the entire organization.

We will put in place appropriate evaluation, training, and workplace arrangements to create a supportive environment in which our employees can maximize their professional capabilities in their respective roles. By creating an environment in which every employee can grow and demonstrate their abilities, we will enhance employee engagement and corporate value. We will foster a culture that encourages bold challenges to connect the Company's growth with employees' efforts and achievements through the Employee Stock Ownership Plan (J-ESOP) and the Outstanding Talent Recognition Program. In addition, the annual officer briefings held by the president and me at each business office were conducted this year to deepen dialogue with employees. Through these meetings, we have directly communicated progress on our management strategies and the challenges facing the Company and continued dialogue to encourage proactive action to deepen employees' understanding of how each person's efforts contribute to the Company's growth and financial performance.

We also acquired the U.S. company Aadi Bioscience, as part of our efforts to strengthen overseas expansion. Developing global human resources will become even more important as we establish development and sales operations in global markets, beginning with the U.S. At present, only a limited number of departments in Japan are involved in global operations, including work related to

Communication with Shareholders and Investors

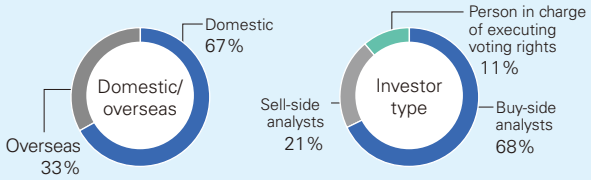
Dialogue and meetings with institutional investors*

FY2025: 81 times (44 companies)

(For reference) FY2024: 80 times (47 companies)

* Including sell-side investors

Types of institutional investors



Main attendees

Investor meetings	Individual meetings	Shareholder meeting
All internal directors	Director in charge of investor relations Director, Head of Corporate Communications Department	All directors and Audit & Supervisory Board members

Topics and themes in the meeting

Current business situation
- Earnings outlook and trends in the external/business environment
- Trends in existing products
- Market penetration of Clenafin AG (authorized generic)
- Business performance of Aadi Bioscience

Medium- to long-term management principles
- Progress under Long-Term Business Plan 2031
- Partial revision to Long-Term Business Plan 2031
- Pipeline overview (target diseases, etc.), development progress, and sales outlook
- Progress in overseas expansion

Financial strategy
- Progress with strategic investment
- Thoughts about financial discipline and cash allocation policy
- Shareholder returns policy
- Progress in disposal of strategic shareholdings

Topics related to ESG, sustainability, and disclosure
- Initiatives related to materiality and progress for each key performance indicator (KPI)
- Status of initiatives regarding the Nomination and Compensation Committee and Board effectiveness evaluation
- Status of the employee engagement survey
- Expectations for enhancement of IR activities and information disclosure

Aadi Bioscience, but going forward, we will build Companywide capabilities for global operations. The R&D Division, Global Business Division, and other divisions are recruiting more mid-career professionals with specialized expertise while actively incorporating external knowledge and diverse perspectives. Through these initiatives, we will embed a global perspective and adaptability to change throughout the organization and strengthen the human capital foundation that supports the achievement of the Plan.

For DX, we have initially focused on its use in drug discovery and R&D. The introduction of AI drug discovery has improved R&D efficiency and enhanced our drug discovery capabilities. Going forward, we will extend these efforts to the administrative, marketing & sales, and production divisions and promote the Companywide use of digital technologies. Through DX, we will not only improve operational efficiency and productivity but also promote data-driven decision-making, helping to build a robust management base that supports sustainable growth.



Continue to Be a Trusted Company by Strengthening Quality, Governance, and Risk Management

Drugs have a direct impact on patients' lives and health, and pharmaceutical companies therefore bear an extremely serious social responsibility for quality and safety. While we accelerate strategic investment for growth, we cannot neglect investment in our management base, including quality control, compliance, and risk management.

In recent years, quality issues have occurred at several companies in the pharmaceutical and healthcare industries, making it more important to maintain and enhance public trust in the industry as a whole. Against this backdrop, we are working to further enhance our quality assurance systems by continuously verifying the extent to which a quality culture has taken root at production and quality control sites and by using self-inspections to understand and address potential risks at the early stages.
In administrative divisions, including those at Head Office, we are also working to further improve management standards by strengthening the effectiveness of monitoring functions and internal controls, rather than assuming that everything is being done properly.

In FY2025, we also established the Sustainability & Risk Management Group within the General Affairs Department, creating a cross-functional framework for advancing risk management, BCP, and sustainability initiatives. Even as we invest in growth, we will sustainably enhance our corporate value by strengthening quality and governance and continue to be a company trusted by our stakeholders.

Turning Strategic Investment into Results and Achieving the Plan

KAKEN's financial performance is expected to fluctuate considerably in the short term due to increases in R&D expenses and the timing of milestone revenue related to out-licensed products. At the same time, we are making progress with, and generating results from, our growth initiatives, including research and development centered on pipeline expansion, overseas expansion undertaken independently and in collaboration with overseas partners, and the strengthening of human capital. To continue these initiatives, we will maintain financial discipline, carefully assess the risks to growth, and invest in research and development, overseas expansion, and human capital. Going forward, we will enter a critical phase in which we must navigate a challenging earnings environment and turn our strategic investments to date into results in order to achieve the Plan. As the Director in charge of the Corporate Planning & Coordination Department, I will advance research and development, overseas expansion, and the strengthening of our management base in an integrated manner. I will also aim to further increase the likelihood of achieving the Plan and sustainably enhance corporate value by appropriately controlling costs and optimally allocating management resources under continued financial discipline.

We will strive to provide transparent disclosure and engage in constructive dialogue so that our stakeholders understand not only the short-term business environment and financial performance but also the medium- to long-term growth and enhancement of corporate value that we seek to achieve. We deeply appreciate your continuing support.

Material Issues

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

Check our website for the process of identifying material issues.

Business philosophy		Material issues	What we aim for		KPIs	Targets	Results FY2023	Results FY2024	Results FY2025
Material issues related to business	Joy for patients	1 Creation of innovative new drugs that satisfy unmet medical needs	As an R&D-driven company, contribute to longer healthy life expectancy by creating innovative drugs that satisfy unmet medical needs.	▶Pages 26–28	Number of projects in Phase I or later	8 or more at all times	8	9	12
		2 Expansion of access to healthcare and pharmaceuticals	In addition to overseas expansion of pharmaceuticals, focus on eliminating drug lag and loss by in-licensing pharmaceuticals marketed in Europe and the U.S. To improve the quality of life of patients, expand access to medical care and pharmaceuticals through disease awareness activities.	▶Pages 26–28, 32–33	Number of countries and regions where Clenafin, Ecclock, and KP-001, etc., are marketed	(Disclose results)	Clenafin: 6 countries and regions (Japan, U.S., Canada, South Korea, Hong Kong, and Macao)	Clenafin: 6 countries and regions (Japan, U.S., Canada, South Korea, Hong Kong, and Macao)	Clenafin: 6 countries and regions (Japan, U.S., Canada, South Korea, Hong Kong, and Macao) Ecclock: 2 countries and regions (Japan, South Korea)
					Number of drugs for overseas expansion	3–5 at all times	3 (Fiblast, Clenafin, Ecclock)	4 (Fiblast, Clenafin, Ecclock, FYARRO)	4 (Fiblast, Clenafin, Ecclock, FYARRO)
					Projects under development in Japan to eliminate drug lag and drug loss	(Disclose results)	3 (KAR, KC-8025, Tildacerfont)	4 (KAR, KC-8025, Tildacerfont, ESK-001)	4 (KAR, KC-8025, Tildacerfont, ESK-001)
					Number of public lectures held for disease awareness	(Disclose results)	5	9	7
		3 Stable and sustainable supply of pharmaceuticals	In order to be trusted by patients and medical professionals, strengthen production and quality assurance systems to provide a stable and sustainable supply of high-quality pharmaceuticals.	▶Page 35	Number of supply outages	0 per year	3	1	1
					Number of product recalls	0 per year	1	1	0
		4 Appropriate provision of pharmaceutical information	In order to maximize the value of pharmaceuticals, promote sales information provision activities based on high ethical standards and scientific evidence.	▶Page 35	Number of Audit & Supervisory Committee meetings held	4 per year	4	4	4
					Evaluation of information provision activities by medical professionals (priority clinical departments)	(Disclose results)	Dermatology: Ranked 5th Orthopedics: Ranked 7th[1]	Dermatology: Ranked 5th Orthopedics: Ranked 8th[2]	Dermatology: Ranked 7th Orthopedics: Ranked 8th[3]
	Joy for society	5 Contribution to sustainable agriculture	Contribute to food safety and security and the development of sustainable agriculture in harmony with the environment by promoting the use of natural pesticides.	▶Page 34	Authorized countries and regions for registration of polyoxins as pesticides	(Disclose results)	21 countries and regions	21 countries and regions	22 countries and regions
					Countries and regions where polyoxins have obtained certification as organic farming materials, and applicable crops	(Disclose results)	Countries and regions where certified: 3 (U.S., Australia, and New Zealand) Applicable crops: 25 in total	Countries and regions where certified: 3 (U.S., Australia, and New Zealand) Applicable crops: 27 in total	Countries and regions where certified: 3 (U.S., Australia, and New Zealand) Applicable crops: 27 in total
Material issues related to the business foundation		6 Promotion of environmental management	Promote measures for environmental issues such as climate change, environmental pollution, and resource depletion to realize a sustainable society.	▶Pages 42–44	CO_2 emissions (Scope 1 and 2)	51% reduction by 2030 compared with FY2016 (Net zero by 2050)	21,408 t–CO_2	20,136 t–CO_2	18,559 t–CO_2
					Percentage of carbon-free electricity	At least 80% by 2030	18%	26%	35%
					Amount of waste generated	(Disclose results)	977.4 t	1,169.5 t	925.7 t
					Recycling rate	At least 90%	97.3%	97.0%	98.1%
					Final landfill disposal rate	5% or less	1.9%	1.9%	1.9%
					Amount of Class I designated chemical substances (PRTR) handled	(Disclose results)	23.4 t	21.8 t	20.3 t
					Amount of volatile organic compound (VOC) substances handled	(Disclose results)	151.4 t	134.5 t	120.0 t
					Total biological oxygen demand (BOD) of wastewater	(Disclose results)	3.33 t	3.52 t	2.96 t
					Water consumption	10% reduction by 2030 compared with FY2016	2,959 thousand m^3	3,044 thousand m^3	2,633 thousand m^3

1. From "Survey on what doctors seek in MRs: 2024 edition," Monthly MIX: Feb. 2024 issue, p. 37
2. From "Survey on what doctors seek in MRs: 2025 edition," Monthly MIX: Feb. 2025 issue, p. 32–33
3. From "Survey on what doctors seek in MRs: 2026 edition," Monthly MIX: Feb. 2026 issue, p. 37

Material issues related to the business foundation

Business philosophy	Material issues	What we aim for		KPIs	Targets	Results FY2023	Results FY2024	Results FY2025
Joy for society	⑦ Strengthening corporate governance	Strengthen governance by listening to the expectations of stakeholders for conducting fair and transparent management.	▶Pages 45–48	Number of effectiveness evaluations of the Board of Directors	Once per year	Once	Once	Once
				Corporate Governance Code compliance rate	100%	98.8%	100.0%	100.0%
	⑧ Promotion of compliance	Establish and improve our position as a company that is trusted by society by promoting business activities with high ethical standards.	▶Page 53	Participation rate for compliance training (including harassment training)	100%	—	Approx. 62%	100.0%
				Increase awareness of compliance hotline (whistleblowing system)	100%	—	—	97.0%
				Number of serious compliance violations	0 per year	0	0	0
	⑨ Strengthening relationships with stakeholders to achieve sustainability	Establish trust with stakeholders through direct communications to increase corporate value and realize a sustainable society.	▶Page 55	Periodical questionnaire surveys of suppliers	—	—	—	Conducted
				Number of meetings with investors	(Disclose results)	IR meetings: 34 SR meetings: 9	IR meetings: 66 SR meetings: 14	IR meetings: 71 SR meetings: 10
Joy for patients / Joy for society / Joy for employees	⑩ Respect for human rights	Contribute to the sustainable development of society through the pursuit of KAKEN's "Three Joys" business philosophy and respect for human rights.	▶Page 56	Training on human rights	—	Training focused on business and human rights: 1 session Other: Notification through compliance report	Training run for employees at Head Office (all departments, subsidiaries) and at the Kyoto and Shizuoka Sites	Training run for all officers and employees
				• Periodic questionnaire surveys of suppliers • Communication with suppliers based on the human rights policy and questionnaires	—	—	—	Conducted
				Making the corporate website multilingual	—	—	—	English-language disclosure on the corporate website of information on Compliance Hotline usage
Joy for employees	⑪ Creation of fulfilling workplaces	Increase employee engagement by promoting a personnel system that provides job satisfaction and improving the working environment.	▶Pages 58–60	Percentage of annual paid holidays taken	70% (FY2028)	58.6%	62.5%	64.5%
				Number of days and percentage of childcare leave taken	(Disclose results)	Female: 100% Male: 83.3%, 11.5 days	Female: 100% Male: 93.8%, 14.7 days	Female: 100% Male: 82.9%, 33.4 days
				Percentage of women in management positions	10% (FY2028)	4.1%	5.6%	7.2%
				Average raw score and positive response rate in engagement survey	(Disclose results)	Job satisfaction of individual employees Average raw score: 2.7 Positive response rate: 64.5% Sense of belonging to the company Average raw score: 2.7 Positive response rate: 66.7%[4]	Job satisfaction of individual employees Average raw score: 2.73 Positive response rate: 65.7% Sense of belonging to the company Average raw score: 2.76 Positive response rate: 69.7%[4]	Job satisfaction of individual employees Average raw score: 2.74 Positive response rate: 66.3% Sense of belonging to the company Average raw score: 2.84 Positive response rate: 74.6%[4]
	⑫ Strengthening development of human resources	Develop professionals who can pursue changes and tackle challenges through personal development and reskilling.	▶Page 61	Total hours of training led by the Human Resources Department	(Disclose results)	4,197 hours	4,764 hours	4,639 hours

4. Of the four response options, scores are calculated as follows: Strongly agree = 4 pts., Agree = 3 pts., Disagree = 2 pts., Strongly disagree = 1 pt. Average raw score = Average score of responses. Positive response rate = Percentage of people whose responses were 3 or 4 points.

Long-Term Business Plan 2031

Healthcare needs are expanding as the population ages and interest in extending healthy life expectancy grows. Meanwhile, the business environment surrounding KAKEN is becoming increasingly challenging due to drug price revisions and the government-led promotion of generic drug use. Drug discovery needs are also expanding beyond lifestyle-related diseases to encompass unmet medical needs, while biopharmaceuticals, regenerative medicine, and other new modalities are emerging as options, making R&D increasingly challenging. Anticipating these medium- to long-term changes in the business environment, KAKEN reviewed its previous three-year plan and launched a 10-year long-term business plan in FY2022.

VISION

1 A company that contributes to longer healthy life expectancy by developing and supplying innovative new drugs in a speedy manner

2 A research-based pharmaceutical company with a global presence, primarily in the areas of dermatology and orthopedics

"3Xs" Strategy for Achieving the VISION: Three Transformations

1st X R&D Transformation

2nd X Overseas Expansion Transformation

3rd X Management Base Transformation

FY2021 Results

Net Sales	¥76.0 billion
Operating Profit	¥17.0 billion
ROE	7.0%
Overseas Sales Ratio	9.1%

Start of Long-Term Business Plan

FY2022	FY2023	FY2024	FY2025
2 in-licensed projects	1 in-licensed product 1 product launched	1 M&A transaction 3 in-licensed projects 2 out-licensed projects	3 in-licensed projects 1 product launched

■ in-licensed projects or M&A transaction ■ out-licensed projects ■ product launched

GOAL: FY2031 Results

Net Sales	¥100.0 billion
Operating Profit	¥28.5 billion
ROE	10% or higher
Overseas Sales Ratio	30% or higher

Partial Revisions to Long-Term Business Plan 2031

Four years have passed since Long-Term Business Plan 2031 was formulated, and KAKEN has steadily advanced growth initiatives, including pipeline expansion through in-licensing and the establishment of a business base in the United States. As a result, strategic investment and the expansion of the development pipeline have progressed beyond the levels originally planned. Meanwhile, the business environment has changed significantly since the Plan was formulated, amid soaring R&D costs and intensifying competition in the in-licensing and M&A market. In light of these changes, KAKEN partially revised the Plan in April 2025 to further accelerate sustainable growth and the enhancement of corporate value.

From April 2025: Partial Revisions

1st X R&D Transformation — **Revision**

- Secure a pipeline capable of launching eight new products over the 10 years of the Plan (**maintain at least eight projects** in Phase I or later at any given time)
  Note: Changed from the initial target of at least six projects in Phase I or later at any given time
- Secure at least one new licensed product or new marketing alliance every year, expanding the targets to include **global products**

2nd X Overseas Expansion Transformation — **Added**

- Take over the **FYARRO business** and operate it stably.
- Consideration of European expansion policy
- Secure products to provide synergies with Aadi Bioscience

3rd X Management Base Transformation — **Added/Specified**

- Actively recruit mid-career professionals with advanced expertise
- Introduce the Employee Stock Ownership Plan (J-ESOP)
- Maximize product value by optimizing medical information provision activities using Customer Relationship Management*

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

Progress and Achievements (Overview)

Our targets in the Plan include making strategic investments of ¥260 billion or more by FY2031 (total over the 10 years of the Plan). During the first four years, we have invested some ¥97 billion. In FY2025, we in-licensed three new products to enhance our pipeline, bringing the total to 10 over the four years. As a result, the number of projects in the pipeline has steadily increased since the start of the Plan, reaching 12 as of the end of FY2025. At Aadi Bioscience, Inc., which we acquired in FY2024, we are advancing in-house development in the United States and considering expanding our own sales and marketing operations. As the Plan approaches its midpoint, we will build on the results achieved over the first four years, including expansion of the pipeline and the establishment of foundations for overseas expansion, and continue advancing strategies and initiatives to realize the Plan's VISION as we work to achieve our FY2031 targets.

	1st X R&D	2nd X Overseas Expansion	3rd X Management Base
VISION	Continuously launch innovative, world-class drugs in our three priority fields of drug discovery	Increase the overseas sales ratio and consolidate our position as an R&D-driven company with mainstay products in the areas of dermatology and orthopedics	Increase corporate value by establishing a strong organizational base that can flexibly respond to changes and by improving operational efficiency
Strategy	• Improve Launch Probability • Expand Pipelines • Address New Needs and Overseas Expansion • Take on Challenges in New Fields	• Expand Global Products • Establish Our Own Overseas Development Capabilities • Establish Global Manufacturing and Commercialization Structure	• Human Resource Strategy • DX Strategy • Production Strategy
FY2025 Achievements	1: Improve Launch Probability • Improved the lead compound hit rate through the implementation of AI-driven drug discovery • Expanded the portfolio of development candidates scheduled for regulatory submission by FY2031 2: Expand Pipelines • Products added through in-licensing and other arrangements: 3 (Ekterly, navenibart, and gMSC1) • Pipeline: 12 products 3: Address New Needs and Overseas Expansion • Advancing the exploration of unique targets using bioinformatics • Initiated a U.S. Phase III trial of KP-001 4: Take on Challenges in New Fields • Commenced joint development of gMSC1, a regenerative medicine product	1: Expand Global Products • Clenafin: Launched in Germany in May 2026 • Ecclock: Launched in South Korea 2: Establish Our Own Overseas Development Capabilities • Restructured Aadi Bioscience's clinical development organization and advanced the in-house development of KP-001 in the United States 3: Establish Global Manufacturing and Commercialization Structure • Evaluating expansion of Aadi Bioscience's U.S. commercialization structure in preparation for the launch of KP-001	1: Human Resource Strategy • Appointed professionals with advanced expertise • Actively recruited mid-career professionals • Introduced the Employee Stock Ownership Plan (J-ESOP) • Introduced a talent management system 2: DX Strategy • Expanded the digital functionality of the information provision platform • Rebuilt the operational platform for procurement and purchasing • Established an information security management framework 3: Production Strategy • Established a global supply system for KP-001 • Expanded the global supply of Clenafin and other products • Renovated the fermentation API production facility
Future Initiatives	• Utilize omics analysis and bioinformatics • Replenish the pipeline with pre-PoC development projects (through in-licensing and investment) • Expand indications for development candidates and other products	• Consider European expansion of in-house products • Expand KAKEN's overseas development pipeline and development activities • Expand the portfolio of products marketed in the United States	• Consider a fundamental shift to a job-based human resource system • Transform operations and enhance value creation capabilities through the use of AI • Optimize capital investments and production strategies (in-house and contract manufacturing)

1st X

R&D Transformation

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

The 1st X Driving Our Evolution into a Research-Based Pharmaceutical Company with a Global Presence



Mitsuru Watanuki

Executive Director, Member of the Board in Charge of R&D Division, Business Development Department, and Medical Affairs Department

Under Long-Term Business Plan 2031, we have positioned R&D Transformation (the 1st X) as the first theme for transformation. This is because we believe that R&D underpins KAKEN's sustainable growth and is the starting point for all corporate value creation. Building on our strengths in dermatology and orthopedics, we are also taking on challenges in rare diseases and seeking to evolve into a research-based pharmaceutical company with a global presence by creating innovative new drugs.

Central to achieving this vision is the creation and expansion of a valuable pipeline. We are strengthening our long-standing in-house drug discovery research while proactively collaborating with external partners and pursuing in-licensing activities. This gives us a balanced development portfolio that combines products discovered in-house and in-licensed products. By balancing the results from late-stage development projects with launch potential and continued investment in early-stage development projects that will drive future growth, we are appropriately managing development risk and working to increase the probability of success.

In FY2025, our strategy delivered clear results. KP-001 (for refractory vascular malformations) and KAR (for head lice) both met their primary endpoints in domestic Phase III trials, marking significant progress toward the next stage. In addition, we saw positive results from ESK-001, an in-licensed next-generation oral selective TYK2 inhibitor, in the global Phase III trial conducted by Alumis Inc. At the same time, R&D is inherently uncertain. We apply the insights gained from discontinued development projects to subsequent decision-making and resource allocation, further improving the quality of our pipeline while also expanding future growth opportunities through new in-licensing agreements.

To deepen understanding of these initiatives among capital market participants, we held KAKEN's first R&D briefing in December 2025. For an R&D-driven pharmaceutical company, the pipeline is the very foundation of future earnings. At the briefing, we explained not only development progress but also the rationale for selecting disease areas, market potential, and our approach to development risk, as we worked to enhance transparent disclosure and constructive dialogue.

While R&D investment is accounted for as an expense in the short term, it essentially represents an upfront investment to establish our future earnings base. By steadily increasing the value of our pipeline and delivering new drugs to patients, we aim to create both social and economic value and achieve sustainable growth. With the 1st X as our driving force, we will spearhead the further evolution of KAKEN into a global research-based pharmaceutical company, striving to consistently enhance corporate value over the medium to long term.

Progress of Priority Measures

The priority measures set out in Long-Term Business Plan 2031 are progressing steadily.

In our efforts to improve launch probability, our in-house development project KP-001 met the primary endpoint in a domestic Phase III trial, and we filed for approval in May 2026. We are also making steady progress toward obtaining approval for other late-stage development projects. We are also introducing and utilizing an AI-driven drug discovery platform and promoting the use of real-world data in clinical trials. By accelerating data-driven R&D, we aim to improve R&D productivity and increase the probability of development success across the pipeline.

To expand the pipeline, we stepped up in-licensing activities focused on rare diseases in addition to our priority fields of dermatology and orthopedics, securing three new in-licensing transactions in FY2025. We are building a balanced portfolio combining products discovered in-house and in-licensed products, thereby strengthening our foundation for medium- to long-term growth.

Alongside developing new drugs that address unmet medical needs, we are pursuing overseas expansion. In parallel with development in Japan, we are advancing the U.S. development of KP-001 in collaboration with Aadi Bioscience. We also entered into a licensing agreement with TWOCELLS COMPANY, LIMITED ("TWOCELLS") for the regenerative medicine product gMSC1 and commenced KAKEN's first joint development program in regenerative medicine. Through these initiatives, we are creating and expanding a valuable pipeline that will support future growth.

Projects under Development

The pipeline is progressing steadily across all stages, from early-stage development through to marketing authorization applications. In Japan, several late-stage development projects are advancing to the marketing authorization application stage, while overseas we are advancing a U.S. Phase III trial of KP-001. We are also expanding the indications for ESK-001, including by initiating a domestic Phase III trial for generalized pustular psoriasis and erythrodermic psoriasis.

Under the licensing agreement with J&J on the STAT6 inhibitor KP-723, KAKEN will be responsible for development up to the completion of Phase I trials.

To maximize the value of our entire pipeline, we comprehensively assess development status and commercial viability and optimize resource allocation. As part of this process, we decided to discontinue the development of tildacerfont, a treatment for congenital adrenal hyperplasia. In FY2025, we in-licensed three projects: sebetralstat, a treatment for acute attacks of hereditary angioedema; navenibart, a long-term prophylactic treatment for the same disease; and gMSC1, a regenerative medicine product. By expanding our pipeline in rare diseases and advancing into new modalities, we have further strengthened our R&D base.

Projects under Development (As of August 2026)
In-house Discovery and In-licensed Projects

1 The development stage includes the preparatory period for clinical trials.
2 "In-house" is defined as pipeline assets acquired before proof of concept (PoC) was established and for which KAKEN holds development rights.

Development Code	Planned Indication	Development Stage[1]	In-house[2] Discovery and In-licensed Projects	Remarks
		Phase I / Phase II / Phase III / Application		
KAR	Head lice	Filed	Arbor Pharmaceuticals, Inc. (currently Azurity Pharmaceuticals, Inc.)	Filed for marketing authorization in June 2026 Overseas product name: Sklice
KP-001	Refractory vascular malformations	Filed	In-house	Filed for marketing authorization in May 2026 Long-term trial ongoing Generic name: serabelisib
KC-8025	Primary biliary cholangitis	Phase III	CymaBay Therapeutics, Inc. (currently Gilead Sciences, Inc.)	Overseas product name: Livdelz® (U.S., U.K.) and Lyvdelzi® (EU, Canada) Generic name: seladelpar
ESK-001	Plaque psoriasis	Phase III	Alumis Inc.	Alumis Inc. is continuing the long-term trial Generic name: envudeucitinib
	Generalized pustular psoriasis / Erythrodermic psoriasis	Phase III		Generic name: envudeucitinib
navenibart	Hereditary angioedema	Phase III	Astria Therapeutics, Inc. (currently BioCryst Pharmaceuticals, Inc.)	A global Phase III trial including Japan is underway
KP-483	Solid tumors (immuno-oncology)	Phase I	In-house	—
KP-910	Peripheral neuropathic pain	Phase I	In-house	—
KP-001 (U.S.)	Refractory vascular malformations	Phase III	In-house	Clinical trial countries: U.S., Canada, Taiwan, and South Korea Generic name: serabelisib

Note: KP-723 is an oral STAT6 inhibitor and the subject of a license agreement with J&J. KAKEN will advance development through the completion of Phase I clinical trials.
* Development of tildacerfont, a treatment for congenital adrenal hyperplasia in-licensed from Spruce Biosciences, Inc., has been discontinued.

Partner Development Projects

Development Code	Planned Indication	Development Stage	Remarks
		Phase I / Phase II / Phase III / Application	
gMSC1	Knee osteoarthritis with focal defect	Preparations underway for Phase III	• Regenerative medicine product (three-dimensional artificial tissue derived from allogeneic [donor-derived] synovial mesenchymal stem cells) • The licensor, TWOCELLS COMPANY, LIMITED is conducting development toward obtaining marketing authorization
NM26	Atopic dermatitis	Phase II	• J&J is conducting clinical trials following the transfer of intellectual property rights • KAKEN holds an option to negotiate a sales partnership agreement covering all indications for which J&J obtains approval in Japan • Phase IIb trial discontinued (J&J press release dated December 26, 2025)

* The medical device "Silk-Elastin Wound Healing Sheet" has been covered by health insurance since June 2026 for the treatment of wounds, including refractory wounds, and preparations are underway for its launch.
* KAKEN launched EKTERLY® Tablets 300 mg (generic name: sebetralstat) on March 18, 2026, following the receipt of marketing authorization by the licensor, KalVista Pharmaceuticals, Inc.

FOCUS

Aug. 2025

Licensing agreement signed for navenibart, a long-term prophylactic treatment for hereditary angioedema (HAE)

Navenibart is a monoclonal antibody targeting plasma kallikrein that is being developed for the long-term prophylaxis of HAE. Its extended dosing interval is expected to reduce the treatment burden on patients with HAE.
By adding navenibart, a long-term prophylactic treatment, to EKTERLY, a treatment for acute attacks launched in March 2026, we aim to offer patients with HAE a continuum of treatment options extending from the treatment of acute attacks through long-term attack prevention. Astria Therapeutics, Inc. is currently conducting a global Phase III trial that includes Japan.

Nov. 2025

Licensing and co-development agreement signed for NM81, a treatment for inflammatory bowel disease (IBD)

We entered into a licensing and co-development agreement with Switzerland-based Numab Therapeutics AG ("Numab") for NM81 (formerly development code ND081), a first-in-class multispecific antibody for IBD. By simultaneously inhibiting multiple targets involved in the pathogenesis of IBD, NM81 has the potential to become a first-in-class biologic offering strong induction and maintenance of remission, including for patients who have not achieved an adequate response with conventional single-target therapies. This partnership marks KAKEN's entry into a new therapeutic modality. We are working with Numab to advance NM81's development as a pillar of medium- to long-term growth.

May 2026

Sales collaboration agreement signed in Japan for KC-8025, a treatment for primary biliary cholangitis

We entered into a sales collaboration agreement in Japan with Gilead Sciences K.K. ("Gilead"), the Japanese subsidiary of Gilead Sciences, Inc., for KC-8025, a treatment for primary biliary cholangitis currently undergoing a Phase III trial conducted by KAKEN in Japan. KC-8025 has been shown to have anticholestatic, anti-inflammatory, antipruritic, and anti-fibrotic effects and is already marketed in the United States, the United Kingdom, the EU, and Canada. By leveraging our knowledge of the Japanese market with Gilead's expertise and extensive experience in liver disease, we will collaborate toward the launch of KC-8025 in Japan to deliver a new treatment option to patients as quickly as possible.

Jun. 2026

Nonclinical and Phase I trial results for KP-483 presented at the 2026 American Society of Clinical Oncology Annual Meeting (ASCO 2026)

KP-483 is an orally available EP4 antagonist discovered by KAKEN and is expected to have synergistic effects with existing cancer immunotherapies. We presented the results of nonclinical studies of KP-483 and a Phase I trial in patients with solid tumors at ASCO 2026. In considering the future development of KP-483, we will take into account the characteristics of the oncology field and explore options including out-licensing.

Jun. 2026

Novel wound healing material "Silk-Elastin Wound Healing Sheet" covered by health insurance

The Silk-Elastin Wound Healing Sheet has been covered by health insurance since June 2026 for the treatment of wounds, including refractory wounds. The product is a sheet-form wound healing material whose main component is Silk-Elastin, a genetically engineered protein, and was developed through joint research between Sanyo Chemical Industries, Ltd. and Kyoto University Hospital. KAKEN holds exclusive marketing rights in Japan and is currently preparing for the product's launch. By delivering this product to clinical practice as a new option for wound treatment, we will contribute to improving the quality of life (QOL) of as many patients as possible.



Winner of Two Awards at the Citeline Japan Awards 2025

- Licensing Deal of the Year
- Pharma Company of the Year



Yo Sonoda
General Manager of the Business Development Department



I am deeply honored that KAKEN received two awards at the Citeline Japan Awards 2025. I view these awards as recognition of our strategic licensing activities, including the STAT6 program, and initiatives such as our acquisition of Aadi Bioscience, through which we secured an overseas sales platform. The awards ceremony made me realize that KAKEN's presence has grown further not only in Japan but also internationally.

I have been involved in every step, from opportunity sourcing and partner selection to contract negotiations. I focused on designing partnership structures and optimizing deal terms to maximize value for KAKEN. Reaching agreement on each project required extensive discussion and involved many challenges, but I believe the process itself also strengthened our organizational capabilities.

I believe the partnership recognized by the awards represents an important milestone in strengthening KAKEN's presence in Japan and accelerating its global expansion, and it has contributed to building a foundation for sustained growth. We will continue to pursue business development activities that earn recognition globally and contribute to the sustainable enhancement of corporate value.

Citeline Japan Awards: One of Japan's largest award events, the Citeline Japan Awards are organized by U.K. company Citeline to recognize exceptional achievements and innovation in Japan's pharmaceutical and biotechnology industries.



Joined KAKEN in 1989. He has been engaged in drug discovery research and clinical development for many years and has served as Director, Head of Clinical Development Department, Director, Head of R&D Planning & Project Management Department, and Senior Director, Head of R&D Division. As the director in charge, he currently oversees KAKEN's R&D operations. He has extensive experience in pharmaceutical development and deep knowledge of R&D. He leads the KAKEN Group's drug discovery and development activities while contributing to the strengthening of its R&D organization and the advancement of its R&D strategy.

Mitsuru Watanuki
Executive Director, Member of the Board
In Charge of R&D Division, Business Development Department, and Medical Affairs Department



Joined KAKEN in 2002. As a medicinal chemist, he contributed to the discovery of several clinical candidates. He has a distinctive background, having worked in pharmacokinetics research in addition to medicinal chemistry. He had served as Associate Director, Head of In Silico Analysis Group, established in 2022, where he has been developing the Company's internal data infrastructure and IT infrastructure for drug discovery and has been leading AI- and data-driven drug discovery.

Atsushi Watanabe
Director, Head of In Silico Drug Discovery Department
Drug Research Center



Joined KAKEN in 2010. As a medicinal chemist, he has primarily conducted medicinal chemistry research in the fields of immunological and neurological diseases and has discovered several clinical candidates. As the medicinal chemistry project leader, he launched the STAT6 inhibitor project and contributed to the discovery of KP-723 and its out-licensing to Johnson & Johnson. He currently serves as Associate Director, Head of Medicinal Chemistry Group, working to advance drug discovery research projects and strengthen the research platform.

Yoshitake Sumikawa
Associate Director
Chemistry Department
Drug Research Center

Special Feature

Pioneering the Future of Drug Discovery

KAKEN's R&D Strategy and Challenges

KAKEN is advancing R&D under Long-Term Business Plan 2031. As KAKEN steadily expands its pipeline, what challenges are being taken on at the front lines of R&D? Mitsuru Watanuki, the director in charge of R&D, and two scientists working at the forefront of R&D discussed the future that KAKEN seeks to create and the strategies for realizing it.

KAKEN's Distinctive Drug Discovery Capabilities Recognized through Out-Licensing to a Global Company

Watanuki Over our long history of R&D, we have built a distinctive position, primarily in dermatology and orthopedics. Building on these strengths, under Medium-Term Business Plan 2021, which began in FY2019, we designated the immune system, nervous system, and infectious diseases as priority drug discovery fields and worked to clarify our R&D themes and strengthen our research base. Under Long-Term Business Plan 2031, which began in FY2022, we have further advanced our R&D strategy by setting out initiatives that include utilizing our in-house research base, taking on new modalities, and expanding into new therapeutic areas.

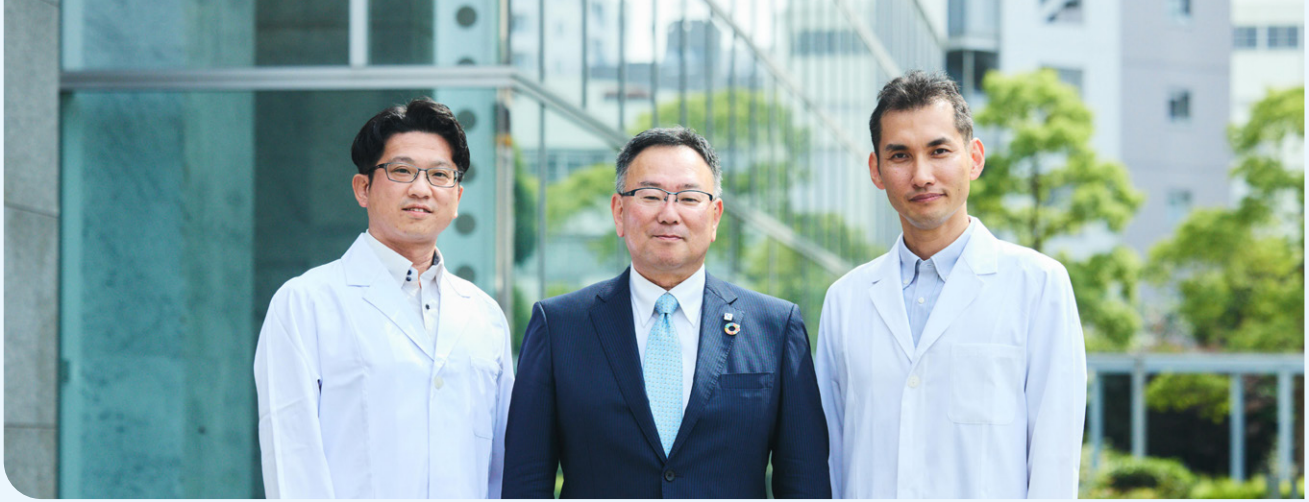
In the past, we advanced R&D primarily through in-house drug discovery, but in recent years, collaboration with external partners has become even more important. By actively incorporating external expertise and technologies while keeping our in-house research base at the core, we aim to broaden R&D possibilities and create greater value.

One symbolic outcome of these initiatives was the licensing agreement we entered into in 2024 with the U.S.-based Johnson & Johnson (J&J) for our STAT6 inhibitor, which was under development as a next-generation oral treatment. STAT6 is a drug discovery target that I have followed closely since I was personally involved in R&D as a researcher. However, it has long been regarded as an undruggable target, and developing a small-molecule drug was considered extremely difficult. I am wondering how the team overturned this conventional wisdom and would love to know more the ideas and ingenuity that made this drug discovery possible.

Sumikawa At KAKEN, researchers have formed several study groups on their own initiative to foster new drug discovery projects. The STAT6 inhibitor project also emerged from one of these initiatives. At the time, several pharmacologists and medicinal chemists who shared a desire to deliver a new treatment for atopic dermatitis, which affects many patients, came together to discuss what kind of drug could meet unmet medical needs.

We concluded that an orally available STAT6 inhibitor was the best way to create a drug with high efficacy that would be safe, easy to use, and suitable for a broad range of patients, and launched the project. However, drug discovery targeting STAT6 presented three hurdles. First, no drug-binding site suitable for a small molecule had been identified on STAT6. Second, despite this challenge, the project needed to pursue a small-molecule drug. Since antibodies and peptides have low cell membrane permeability, making it difficult for them to reach STAT6 inside cells, and because these modalities are also unsuitable for oral administration, we set out to create an unprecedented small-molecule inhibitor. Third, the drug had to selectively inhibit STAT6 without inhibiting the structurally similar STAT1 through STAT5. To overcome these challenges, we combined the technologies and expertise we had cultivated through many years of small-molecule drug discovery with pioneering new technologies introduced through collaboration with external partners. As a result, we succeeded in discovering a compound that matched the target product profile we had envisioned. Of course, the research did not progress smoothly throughout.

For more than a year, no matter what we tried, we were unable to obtain promising data, and the project remained in a very difficult position. However, our pharmacology and pharmacokinetics researchers persistently accumulated data, including negative results, and based on the resulting



insights, we medicinal chemists repeatedly designed and optimized compounds. Looking back, I believe this result was possible only because three elements came together: the technologies and expertise in small-molecule drug discovery that KAKEN has cultivated over many years, our willingness to flexibly adopt new technologies, and the persistence of researchers who refused to give up until the end.

Watanuki I was most impressed by how each member of the project team brought strong conviction and expertise while demonstrating mutual respect. Watching them engage in vigorous discussions while working toward the same goal reaffirmed for me the strength of teamwork in KAKEN's R&D. I was deeply impressed that their refusal to give up and their determination to continue tackling difficult challenges ultimately produced this result.

Watanabe To take on highly challenging drug discovery in an area with no established benchmark, technical capabilities and knowledge are not enough; a genuine determination to "break through no matter what" is essential. When confronting unprecedented challenges, there are times when people may want to stop, but teams with more members willing to take one step further and keep trying are the ones that ultimately achieve results. I believe the discovery of the STAT6 inhibitor was also made possible by the accumulation of precisely this kind of willingness to take on challenges.

Sumikawa We had passionate discussions and sometimes clashed, but each time we were able to deepen the discussion and move forward. It was also valuable that members not only fulfilled their own roles but also took an interest in one another's work and collaborated closely while sharing the intent and challenges behind their respective efforts. We also frequently received ideas and advice from researchers outside the project team, including suggestions to try particular approaches. I feel that our culture, in which many people work across departmental and functional boundaries to solve problems and pool their ideas, is one of our major strengths.

Watanabe KAKEN brings together people from a wide range of backgrounds, including both new graduates and mid-career hires. We also have an environment in which people can readily seek advice and collaborate across departments and fields of expertise. I believe this diversity of talent and these strong cross-functional connections lead to new perspectives and innovative ideas.

Sumikawa Since KAKEN has all the functions required from drug discovery and development through to launch in-house, we can maintain a consistent view from the research stage through subsequent development and commercialization. One distinctive feature is that working in this environment instills in our researchers, from an early stage in their careers, an awareness of the need to conduct research strategically and systematically with subsequent development in mind.

Watanabe Precisely because KAKEN is a mid-sized company, everyone has opportunities to engage in a broad range of work. This environment is conducive to developing people who not only deepen their expertise in a particular field but also take a broad view of R&D as a whole and approach their work with an awareness of what is best for the Company overall. I also tell my team members not simply to complete the tasks assigned to them, but to act after considering their purpose and the next steps. I believe the accumulation of such experiences helps develop our future research leaders and project leaders.

Watanuki As we have discussed, KAKEN's strength lies not only in the capabilities of its individual researchers but also in the R&D environment that brings out those capabilities. Since the organization is relatively compact, each member can take on challenges with considerable autonomy, and collaboration across departmental boundaries is encouraged. As a result, our researchers can draw on diverse knowledge and perspectives as they advance their work. I believe that this open corporate culture, which is distinctive to a mid-sized company, generates innovation and leads to the creation of new value.

I wonder what aspects of the STAT6 inhibitor program were particularly valued and ultimately led to its out-licensing to J&J.

Sumikawa As global interest in STAT6 inhibitors increased, KAKEN succeeded in discovering a promising compound ahead of others worldwide and forming a partnership with a global pharmaceutical company at the early preclinical stage. During the due diligence process for the out-licensing agreement, J&J's researchers asked us numerous highly technical and probing questions. However, our scientists responded to each question with integrity, using data grounded in scientific evidence, and thereby earned J&J's confidence in our research findings. When I later spoke with colleagues at J&J after the out-licensing decision, they told me, "There were no gaps in KAKEN's data." Those words have stayed with me. This recognition reflected the rigorous research approach and scientific validation processes that we follow every day to steadily build high-quality data, and it gave me tremendous confidence as a researcher.

Watanuki J&J also told us that "KAKEN's data are highly reproducible." We did not treat this project as a special exception. Across every research program, we place great importance on steadily accumulating high-quality data grounded in scientific evidence. In that sense, I see J&J's evaluation of the STAT6 inhibitor as recognition not merely of the success of a single project, but of the R&D capabilities that KAKEN has cultivated over many years and our fundamental approach to drug discovery.

Turning AI-Driven Drug Discovery into a Competitive Advantage to Deliver Further Results

Watanabe At KAKEN, we began gathering information on AI-driven drug discovery around 2016 and participated in a consortium developing AI models. At the time, we remained cautious about providing our proprietary data to external parties, and the initiative did not progress to full-scale implementation. Against this backdrop, Director Watanuki's enthusiastic encouragement to "go for it" marked a major turning point. As we began using our proprietary data in AI-driven drug discovery, discussions with researchers in academia provided us with many valuable insights.

The In Silico Analysis Group was then established in 2022, marking the full-scale launch of our AI-driven drug discovery initiatives. Through collaboration with external partners such as Elix, Inc. and Axcelead Drug Discovery Partners, Inc., we have brought expertise in AI-driven drug discovery and bioinformatics* into KAKEN and implemented it for practical use in our laboratories. Today, our medicinal chemists primarily use AI tools for molecular structure generation and activity and ADMET prediction to design compounds and predict various parameters.

Our goal is not to compete with major pharmaceutical companies in terms of sheer data volume or algorithm development, but to accumulate high-quality data generated by assay systems that we have built in-house in areas where KAKEN has strengths and make the fullest possible use of that data. By combining this data with our researchers' expertise, experience, and creativity, we aim to establish an approach to AI-driven drug discovery that is distinctive to KAKEN.

I see AI not as a substitute for researchers, but as a "partner by their side." When researchers work through problems on their own, their ideas inevitably tend to be shaped by past experience, whereas AI can propose unexpected chemical structures. In practice, the use of AI has created more opportunities for new ideas, and we have also seen noticeable improvements in research speed and efficiency. However, researchers still need expert judgment grounded in experience and knowledge to determine how to narrow down the many candidates proposed by AI and move them forward in the drug discovery process. I believe it is precisely this judgment that differentiates KAKEN's approach to drug discovery. AI can efficiently propose candidates based on vast amounts of data, but human creativity and insight continue to play an essential role in generating genuinely novel ideas. When using AI, we must also consider the limits of its applicability, which depend on the training data, and it is essential that researchers scientifically validate and evaluate its outputs rather than accepting them uncritically.

Accordingly, advancing AI-driven drug discovery will require not only the technical ability to use AI effectively, but also experience and knowledge in specialized fields and increasingly strong expert judgment to identify what truly matters.

* Bioinformatics: A field of study that combines life sciences and information science to analyze biological phenomena using computers

Sumikawa To promote the adoption of AI at the research front lines, we have introduced a Key User Program to help researchers develop the ability to use AI tools in practice. Each team appoints a person responsible for AI utilization as its key user, who first learns how to use AI. The key user then presents examples of AI use to the other team members, lowering the psychological barrier to adoption. By rotating the role so that every member serves as a key user, we have raised AI literacy throughout the organization, and many researchers now use AI tools in their daily work.

Watanabe AI-driven drug discovery is beginning to produce tangible results across the lengthy process from hit identification to lead generation and lead optimization. As we advance, we aim to further develop these technologies and expertise and build an end-to-end framework that supports the process from early drug discovery through candidate compound generation, thereby generating candidates capable of advancing into clinical development. Although we have established a small-molecule drug discovery platform, expanding the application of AI-driven drug discovery to new modalities and other fields will be both a key task and a major challenge as we seek to further strengthen KAKEN's drug discovery capabilities.

Watanuki AI-driven drug discovery is one of our key strategic investments supporting KAKEN's future growth. Accordingly, we must go beyond simply introducing new technologies and steadily translate them into value for drug discovery through tangible R&D results. By maximizing the respective strengths of AI and our researchers, we will enhance KAKEN's distinctive drug discovery capabilities and use them to create innovative pharmaceuticals.

Toward KAKEN's Distinctive Value Creation

Sumikawa Recently out-licensed development programs, including the "STAT6 inhibitor," have attracted considerable attention, but many of the drug discovery projects currently being pursued by our research division also have the potential to be innovative and address unmet medical needs. We will proactively take on the challenge of applying new technologies to accelerate new drug discovery and work hard to deliver new drugs as quickly as possible to bring smiles to patients' faces.

Watanabe Alongside expanding our pool of human resources capable of making effective use of AI tools to advance drug discovery, I would like us to look beyond the confines of AI-driven drug discovery, learn from developments around us, and propose new initiatives. We will work to sustain a virtuous cycle in which the success of the "STAT6 inhibitor" inspires the launch of many projects seeking to follow in its footsteps, leading in turn to further successes.

Watanuki Seeing our people at work on the research front lines fills me with great optimism about KAKEN's future. I feel that everyone, not only the members involved in developing the "STAT6 inhibitor," has gained a renewed appreciation of KAKEN's drug discovery capabilities and greater confidence in taking on the next challenge.

The sources of value in KAKEN's R&D are its human resources, data, teamwork, and ability to promote co-creation with external partners. Building on the momentum generated by our global out-licensing achievements and advances in AI-driven drug discovery, we will remain committed to tackling challenges to increase the probability of success in R&D and deliver truly needed medicines to patients around the world, bringing smiles to their faces.



2nd X

Overseas Expansion **Transformation**

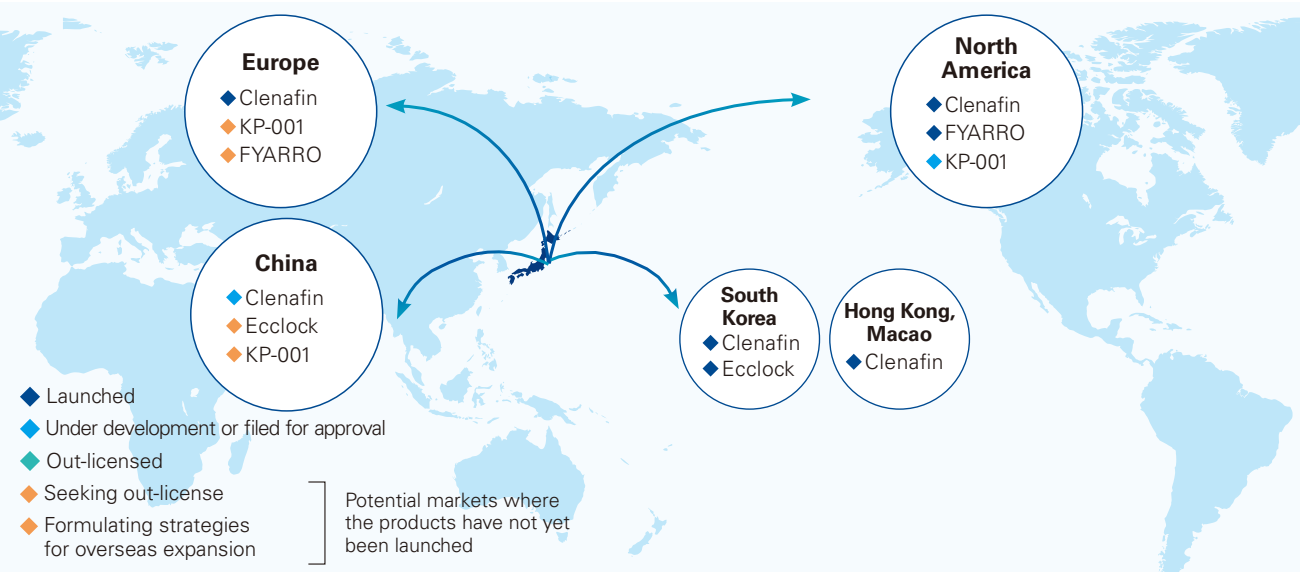
Overview

Under the Long-Term Business Plan 2031, KAKEN is transforming its business structure from one centered on the domestic market into that of a research-based pharmaceutical company with a global presence. Previously, we pursued overseas expansion by out-licensing products to overseas partners and supplying raw materials. However, our acquisition of U.S.-based Aadi Bioscience and its conversion into a subsidiary in FY2024 marked our first step into the new area of direct overseas sales. As we advance, we will strengthen our foundation for overseas expansion with the U.S. as our starting point and pursue further growth as a research-based pharmaceutical company that delivers valuable medicines to patients around the world.

Out-licensed products overseas (as of August 2026)

Generic Name (Domestic Sales Name)	Planned Indication	Development Stage				Licensee (Country of Development)
		Phase I	Phase II	Phase III	Application	
Efinaconazole (Clenafin)	Onychomycosis	Filed				AIM (China)

Progress of Overseas Expansion by Product



Status of Products for Overseas Expansion

To maximize the value of existing products through overseas expansion, Almirall S.A., the European licensee for Clenafin, obtained approval in Germany and began sales in May 2026. This marked the first European launch of a product discovered in-house by KAKEN. In China, we have also collaborated with AIM to file a marketing authorization application with the Chinese authorities and are making preparations for approval. In addition, DONG WHA Pharm Co., Ltd. began sales of Ecclock in South Korea in January 2026, marking the product's first out-licensing and launch in Asia. Furthermore, we will continue to explore out-licensing in other major countries in Asia.

Establishment of an In-House Overseas Sales Structure

In March 2025, KAKEN made Aadi Bioscience, Inc. a wholly owned subsidiary, thereby acquiring an important foundation for establishing the in-house overseas sales structure set out in the Long-Term Business Plan 2031. During the first year, as we advanced the integration process, we worked to establish governance structures, support the advancement of our U.S. business, and strengthen operational collaboration, while also holding an inaugural event and town hall meetings locally to promote the integration of the two organizations and their corporate cultures, as well as mutual understanding. Going forward, we will pursue seamless integration with Aadi Bioscience and the creation of synergies, while strengthening our business foundation through our U.S. base with a view to the U.S. expansion of KP-001, which is under development, as we work to achieve global growth.

Special Feature on Aadi Bioscience, Inc.: Entering a New Stage of Global Expansion

President's Message



Combining Expertise from Japan and the U.S. to Create New Value for Patients

Shin Teradaira
President,
Aadi Bioscience, Inc.

The addition of Aadi Bioscience to the KAKEN Group in 2025 has opened up new possibilities. Guided by our commitment to patients, we aim to create new business opportunities while supporting the further growth of FYARRO and the global development and commercialization of KAKEN's pipeline. The driving force behind these efforts lies in bringing together the knowledge, experience, and expertise cultivated in Japan and the U.S. and channeling diverse perspectives into new possibilities. I believe that "combining different strengths and turning possibilities into reality" is precisely the role that Aadi should play and will lead to the creation of new value for patients and a stronger future for the KAKEN Group.

Business Overview

Aadi Bioscience, Inc. joined the KAKEN Group in 2025 and plays an important role in strengthening the Group's overseas business base. Based in New Jersey, Aadi Bioscience markets FYARRO, a rare cancer treatment, in the U.S. and has sales infrastructure and expertise in the rare diseases area. As we advance, we will work to establish FYARRO as the standard of care for advanced malignant PEComa. Drawing on the expertise developed through these efforts, we will advance the U.S. development and commercialization of KAKEN's pipeline, including KP-001, a treatment for refractory vascular malformations under development in the U.S., thereby contributing to the Group's global expansion.

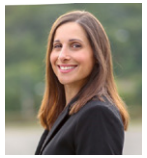
Aadi Bioscience's Main Product and Its Target Disease

FYARRO (sirolimus protein-bound particles for injectable suspension) is the first and only FDA-approved therapy in the U.S. for the treatment of adult patients with locally advanced unresectable or metastatic malignant perivascular epithelioid cell tumor (PEComa), an ultra-rare, aggressive soft tissue sarcoma with a poor prognosis. FYARRO® is the only mTOR inhibitor that leverages nab technology* to deliver high levels of drug to tumors and gives physicians an important option for treating patients with this ultra-rare disease.

* Nab technology (nanoparticle albumin-bound technology): Technology designed to deliver the drug efficiently to tumors by binding it to albumin.

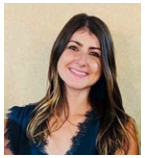


Messages from Aadi Bioscience Employees



Christa Perlaza
Vice President, Commercial

Becoming part of the KAKEN Group has created an exciting opportunity to leverage Aadi Bioscience's established U.S. commercial infrastructure and the deep expertise of our cross-functional teams to support the continued success of FYARRO while strengthening the foundation for future pipeline commercialization. Through close collaboration between our colleagues in the U.S. and Japan, we are sharing knowledge, combining our strengths, and supporting KAKEN's global strategy. Together, we are creating a stronger global organization that is well positioned to support future innovation and commercialization. I look forward to contributing to this shared vision as we continue to advance innovative therapies for more patients.



Allyssa Olexion
HR Director

As a proud member of the Aadi Bioscience team, being part of the KAKEN Group brings a great sense of purpose and shared value to our operations. The collaboration unites each company's greatest strengths and leverages each employee's expertise. This synergy creates an environment where innovation is actively encouraged and deeply supported. From a Human Resources standpoint, I feel strongly about building a culture at Aadi Bioscience that honors and recognizes KAKEN's history, while also focusing on how we grow and change to fit the future landscape of the company. My efforts are dedicated to driving future growth by fostering cross-functional collaboration, and building strong teams rooted in a shared mission. Together, we are uniquely positioned to expand our global footprint, deliver transformative treatments to patients worldwide, and secure long-term success for the entire KAKEN Group.

3rd X

Management Base **Transformation**

Human Resource Strategy

To improve employee engagement, we aim to make KAKEN a great place to work for all employees by shaping a corporate culture that creates opportunities to take on new challenges and establishing an internal environment that supports professional development. In FY2025, to support Overseas Expansion, one of the 3Xs, we fundamentally reviewed the employment arrangements and assignment process for employees posted overseas and established a framework that enables them to take up overseas assignments with confidence. At the same time, by visualizing each employee's individual attributes and capabilities and promoting talent management that assigns personnel to roles according to aptitude, we are creating an environment in which employees can fully demonstrate their abilities. Moreover, in addition to actively promoting individuals who demonstrate advanced skills and professional expertise, we are expanding opportunities for personal development and reskilling by enhancing training programs and introducing online learning tools.

DX Strategy

Our DX strategy sets out "optimization of R&D and the value chain" and "fostering a corporate culture of continual transformation." Based on a DX roadmap centered on the R&D, Marketing & Sales, and Production divisions and our Companywide shared platform, we are promoting productivity improvements and the creation of added value through operational transformation.

Specifically, we are focusing on rebuilding the drug discovery platform system in the R&D Division, updating the digital information provision platform in the Marketing & Sales Division, and establishing a data integration platform in the Production Division. For our Companywide shared platform, we have upgraded the procurement system and strengthened spending and risk management, thereby reinforcing our management base. In addition, in light of advances in digital technologies, we are working to improve operational efficiency and make effective use of information assets by establishing a cloud environment and a Companywide generative AI environment as the foundation for transformation built around the use of AI. For cybersecurity, with reference to the Cybersecurity Management Guidelines formulated by the Ministry of Economy, Trade and Industry (METI) and other relevant guidance, we are fostering a security culture through the introduction of educational tools, in addition to strengthening governance and technical measures.

Digital Transformation Certification

The DX Promotion Group within the Information System Department serves as the hub of our DX promotion structure, working with DX leaders in each division to drive initiatives across the organization. The Management Meeting also regularly monitors the progress of individual DX initiatives, which are managed under Companywide governance.

At the same time, to foster a corporate culture of continual transformation, we are focusing on identifying and developing business architects* who will lead digital transformation through the implementation of DX initiatives.

* Business architect: A professional who, in DX initiatives, defines new business objectives and assumes responsibility for achieving them

Production Strategy

Our basic production strategy is to maximize product value from a patient-first perspective and build a production system that ensures the stable and sustainable supply of high-quality pharmaceuticals.

To maximize product value, we established an in-house manufacturing system for our existing product, Clenafin AG (authorized generic), and developed global supply systems for Clenafin for Europe and Ecclock for South Korea. To build our production system, for KP-001, a treatment for refractory vascular malformations currently undergoing clinical trials in Japan and overseas, we are producing the investigational drug for U.S. trials in-house and preparing for future commercial production. We also renewed our fermentation API facility as a strategic investment, promoting high-efficiency manufacturing through automation and labor-saving technologies while maintaining and enhancing quality.

Agrochemicals Business

In the Agrochemicals business, we have positioned the following as pillars of our growth strategy under the Plan: strengthening the overseas expansion of polyoxin, a fungicide produced through microbial fermentation of natural raw materials; expanding the range of applicable crops and target plant diseases to meet domestic market needs; and developing and promoting the wider adoption of combination products. As part of our overseas expansion, regulatory review is underway in Europe to establish an import tolerance (IT), the pesticide residue limit applied to imported crops, while we are simultaneously preparing to obtain registration for the crop protection product. In April 2026, polyoxin was listed in Canada as an organic input and recognized as compliant with the Canada Organic Standards. Through these initiatives, we will provide environmentally harmonious crop protection solutions in Japan and overseas, thereby contributing to the development of sustainable agriculture while growing our Agrochemicals business.



Stable and Continuous Supply of Pharmaceuticals

We are continuously strengthening our supply framework to ensure the stable and continuous supply of pharmaceuticals.

In procuring raw materials, we reduce the risk of supply disruptions by sourcing from multiple suppliers.

In manufacturing, we are enhancing our patient-first production and quality assurance systems by building a robust production system through ongoing investment in manufacturing facilities and using computerized systems for manufacturing management, quality management, and document management to comprehensively manage processes from the receipt of raw materials through manufacturing and quality testing.

In production planning and inventory management, we optimize production plans in light of demand trends and market changes and maintain appropriate inventories of raw materials and products so that a stable supply of pharmaceuticals can be sustained even during emergencies such as natural disasters.

We report information related to these initiatives, including our stable supply framework, to the relevant regulatory authorities in a timely and appropriate manner and also publish it on our website.

In addition, as part of our emergency response framework, we have appointed a Stable Supply System Manager and established manuals defining the roles of relevant departments and response procedures in preparation for the risk of suspended shipments or other supply disruptions. We will continue to further strengthen our supply chain framework, including relationships with suppliers in Japan and overseas, and strive to deliver high-quality pharmaceuticals trusted by patients and healthcare professionals on a stable and continuing basis.

Pharmaceutical Quality Assurance

Supplying superior pharmaceuticals is the fundamental principle of our quality assurance activities. To achieve this, at every stage from research and development through manufacturing and post-marketing, we act with a high level of ethical awareness as a company engaged in the pharmaceutical industry and place primary and constant emphasis on quality. The pharmaceutical marketing authorization holder (Head Office) and pharmaceutical manufacturer (manufacturing sites) clearly define their respective responsibilities and work closely together within an integrated quality assurance system spanning development, manufacturing, quality control, and sales to maintain and enhance quality.

The Quality Assurance Department of the Head Office emphasizes building quality into products from the R&D stage. It works to ensure pharmaceutical quality by continuously collecting and analyzing quality information throughout the entire lifecycle from development through post-marketing. Quality assurance does not end at the development stage; to deliver safe and effective pharmaceuticals to patients, we practice continuous quality assurance throughout the entire product lifecycle.

At our manufacturing sites, in addition to ensuring proper manufacturing control and quality control, we foster a quality-focused culture through various educational initiatives centered on embedding our corporate philosophy. The Quality Assurance Department at the Head Office also regularly audits and evaluates initiatives at manufacturing sites and promotes continual improvement by using the results of quality information analyses. We have established a Quality Assurance Policy to achieve a stable supply of high-quality pharmaceuticals. Please refer to our website for details.

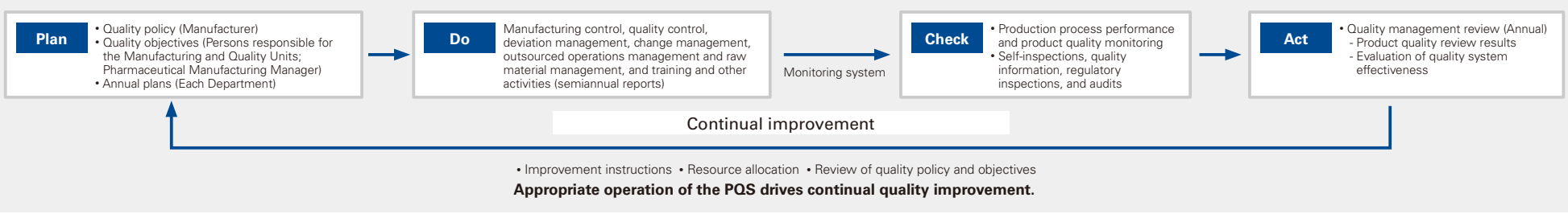
Quality Assurance Policy: Check our website for details.

Promoting Proper Use of Pharmaceuticals

In order to ensure proper use of prescription pharmaceuticals and medical devices, providing appropriate sales information based on high ethical standards and scientific evidence is essential. To this end, we have established the Drug Information & Marketing Supervision Department to review materials used in sales information provision activities, monitor those activities, and serve as a point of contact for reports from inside and outside the Company. To ensure appropriate sales information provision activities, the Drug Information & Marketing Supervision Department provides education, supervision, and guidance to all employees, including MRs. It also reports regularly to the Audit & Supervisory Committee and the Board of Directors for improving sales information provision activities.

In addition to centering our sales information provision activities on MRs, we actively provide information on proper use and collect opinions and requests concerning our products through the Pharmaceuticals Information Service Office, our pharmaceutical consultation desk, KAKEN Medical Pro, a website for healthcare professionals, and KAKEN Health Note, a website for patients and the general public. In addition to telephone support, the Pharmaceuticals Information Service Office has an inquiry form on its website, and accepts inquiries outside office hours. The office promptly and accurately provides information on proper use of pharmaceuticals in response to inquiries from medical professionals and patients, shares their valuable feedback on our products with relevant departments in the Company, and uses it to improve pharmaceutical formulations and further enhance and optimize product information, thereby contributing to healthcare delivery and enhancing customer value.

Overview of KAKEN's Pharmaceutical Quality System (PQS)



Appropriate operation of the PQS drives continual quality improvement.

Pharmaceuticals and Medical Devices

Business Overview

We operate our pharmaceutical business with a focus on dermatology and orthopedics. We address medical needs by providing treatments for diseases with limited treatment options and by supplying pharmaceuticals in new dosage forms. Recently, we have also expanded into rare diseases. By working closely with patients for whom existing therapies are limited, we aim to provide them with new treatment options. In dermatology, our product lineup includes Clenafin for onychomycosis, Ecclock for primary axillary hyperhidrosis, and Fiblast for wound healing. In orthopedics, we offer Artz for osteoarthritis, Hernicore for lumbar disc herniation, and other products to support the treatment of a wide range of patients. In the medical devices category, we supply Seprafilm, an absorbable adhesion barrier that helps reduce the risk of complications from post-operative adhesions.

Through this portfolio, we are working to address unmet medical needs while creating value that contributes to improving patients' QOL.

FOCUS

Launch of Clenafin AG (Authorized Generic)

We launched an authorized generic (AG) of Clenafin for onychomycosis in September 2025. We have been working to reduce the financial burden on patients to improve access for those who previously had insufficient opportunities to receive treatment, and in FY2025, we increased sales volumes and expanded the market.

In addition, by leveraging the expertise and sales platform that we have built through the original Clenafin, we aim to establish a strong position for Clenafin AG in the onychomycosis market over the medium to long term.

Growth Strategy of Marketing & Sales Division

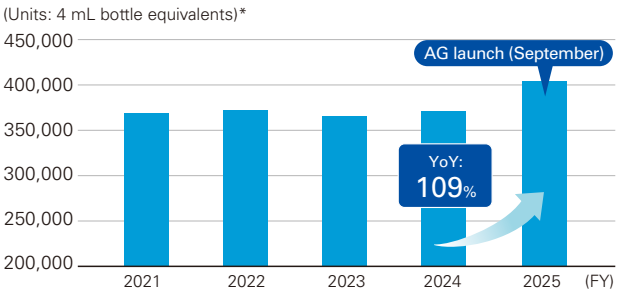
We Will Deliver Value That Contributes to Community Healthcare Through Our Commitment to Patients



Makoto Nakazawa
Corporate Officer
Senior Director, Deputy Head of Marketing & Sales Division
Senior Director, Head of Marketing & Sales Department

Through our highly distinctive products, particularly in dermatology and orthopedics, KAKEN has come to play a leading role in the treatment of specific diseases. These products offer important value that can contribute to the extension of healthy life expectancy in an aging society. At the same time, many patients with these diseases remain untreated, and we recognize the importance of creating an environment where patients can receive appropriate treatment. We are therefore working through medical professionals to better understand the needs and challenges faced by patients, and to promote disease and treatment awareness and improve access to healthcare.

Trends in Sales Units of Clenafin Products



* Units are expressed as 4 mL bottle equivalents and are the total for Clenafin (originator product) + authorized generic (AG)

In 2025, we collaborated with Rakuten Mobile, Inc. to launch the Manzoku Project: Supporting Foot Health. The project promotes awareness of foot health and walking. Through this project, we will continue to strive for a society where people enjoy going for healthy walks at any age.

We are also leveraging our extensive lineup of products related to the feet to strengthen our presence in existing therapeutic areas, while expanding into rare diseases and creating new opportunities for growth. These initiatives are aimed at realizing our business philosophy of "Joy for patients" and sustained growth in corporate value.

To achieve this, we provide timely information on appropriate use and safety tailored to the needs of medical professionals, while also using feedback from the clinical setting to improve our products and information provision activities. We strive to cultivate human resources who can communicate on the same wavelength as medical professionals, while also stepping up our information provision efforts using an omnichannel strategy that combines real-world and digital approaches in order to respond flexibly to the diverse needs and work styles of medical professionals and to contribute to community healthcare.

Domestic Net Sales of Main Pharmaceuticals and Medical Devices

Product	Launched (Billions of yen)		
	2023	2024	2025
Clenafin products	17.1	16.9	13.2
Artz	18.0	19.0	18.5
Seprafilm	7.0	7.0	7.0
Ecclock	1.8	2.0	2.3
Fiblast	2.6	2.4	2.3
Regroth	0.9	0.9	0.9
Hernicore	0.4	0.4	0.3

Rare Disease Initiatives

New Organizational Structure to Strengthen Presence in Rare Diseases

Thus far, KAKEN has focused its business on the areas of dermatology and orthopedics, but we are now working to strengthen our presence in rare diseases as set out in Long-Term Business Plan 2031. In March 2026, we launched Ekterly for hereditary angioedema (HAE) and established the Rare Diseases Group to provide better treatment opportunities to patients with rare diseases. Through the provision of information by representatives with a high level of specialist expertise, we aim to create a healthcare environment in which each patient can receive appropriate treatment, while also contributing to further advances in rare disease care.

Getting Appropriate Treatment to the Patients Who Need It



Senichiro Watanabe
Marketing & Sales Department

In the field of rare diseases, information on diagnosis and treatment is not always readily available, and patients can take a long time to find appropriate treatment. Against this background, pharmaceutical companies are expected to support the frontlines of medicine not only by providing product information, but also through disease awareness initiatives, the provision of the latest evidence, and support for diagnosis and treatment. Rare diseases represent a new challenge for KAKEN. Building on the experience we have gained through dialogue with those in clinical practice, we will continue to deepen our expertise in this field, contribute to the advancement of rare disease care in collaboration with medical professionals, and work closely with patients and their families. By delivering new value to patients who need additional treatment options, we will continue taking on challenges to create a better future.

Hereditary Angioedema (HAE)

HAE is a rare disease characterized by repeated episodes of temporary swelling and pain in areas such as the hands and feet, face, lips, abdomen, and throat.

Sites of swelling	Symptoms
Skin: Lips, hands, feet, arms, eyelids, torso, etc.	**Swelling, puffiness in the hands, feet, etc.**
Abdomen: Intestines and other parts of the digestive tract	**Abdominal pain, bloating, nausea, diarrhea, vomiting**
Inside the throat (airways): The airway inside the neck, rather than the skin of the neck	**Inability to breathe, shortness of breath, difficulty swallowing, and other symptoms**

Estimates show that there are approximately 2,500 patients with HAE in Japan, but in practice only around 500 patients have been diagnosed and are receiving treatment. It is therefore important to raise awareness of the disease and promote earlier diagnosis and treatment.

Providing New Treatment Options to Improve QOL of Patients with HAE



Tomokatsu Kagami
Marketing & Sales Department

HAE clinical guidelines recommend that patients seek treatment as early as possible when they experience an attack. However, the environment needed to fully realize “early treatment anytime, anywhere” had not yet been established.

To address this issue, KAKEN is offering Ekterly, an oral treatment, as a new option that enables rapid intervention. We also provide support tools, such as a dedicated app and pill case, and collaborate with medical professionals to create an environment in which patients can treat attacks without hesitation. Through these efforts, we strive for a society in which patients and their families can go about their daily lives with confidence.



A New Challenge in Disease Awareness

Overview

In February 2026, KAKEN launched KAKEN Health Note, a website (in Japanese only) dedicated to disease awareness. In April 2026, we also established the Product Strategy and Value Management Department as a specialist department focused on improving customer satisfaction and customer experience. To respect each patient as an individual and help realize patient-centered healthcare, we will collaborate with universities, academic societies, companies, and local governments and contribute to extending healthy life expectancy through evidence generation, seminars and public lectures, and a broad range of high-quality information provision and disease awareness activities.

Launch of a Collaborative Disease Awareness Project



Momoko Kinoshita
Product Strategy & Value Promotion Management Department

Many people who are troubled by sweating tend to keep their concerns to themselves because of misconceptions or embarrassment. This can significantly impair QOL, for example by making people reluctant to appear in public or reducing their ability to concentrate at school or work. A major challenge is that, despite the availability of appropriate diagnosis and treatment, seeking a consultation at a medical facility has yet to become the normal choice.

Against this backdrop, KAKEN, Hisamitsu Pharmaceutical, and Maruho have launched a collaborative disease awareness project. The project disseminates information to help create a social environment in which it is normal to talk openly about concerns related to sweating and to seek advice.

By working together, the three companies aim to increase the impact of their disease awareness activities and create an environment in which people with concerns about sweating can more readily access medical care.

汗で病院あたりまえに委員会

KAKEN Hisamitsu maruho (in Japanese only)

Crop Protection and Animal Health Products Business

Business Overview

KAKEN's Agribusiness Division works to contribute to sustainable food production systems by supplying safe and eco-friendly crop protection products, feed additives, and veterinary medicines to farmers and other food producers. Polyoxins derived from microbial fermentation processes using natural raw materials are fungicidal products that are safe for humans and animals and have less impact on the environment. They are marketed for the control of crop diseases in 22 countries and regions as of June 2026. Polyoxins are certified as materials for organic crops in the U.S., New Zealand, Australia, and Canada, and we expect their use to spread further. In Japan, we promote their use particularly for leaf and stem vegetables like cabbage and broccoli.

Pentoxazone has been used as an important ingredient for controlling weeds in the early growth stages of paddy rice fields for more than 20 years. The herbicide Metamifop is a mid- to late-season weed control agent for weeds of the Gramineae family, including barnyard grass of high leaf age. Demand has been increasing in recent years as more weeds are left uncontrolled due to the effects of climate change, and we are therefore working to promote its wider use. We support livestock farmers by supplying Salinomycin, an anticoccidial feed additive for chickens, and Uroston, a veterinary medicine for the ureteral calculus of cattle.



Growth Strategy of Agribusiness Planning Department

Responsible for Building a Business Strategy for Sustainable Agriculture and Next-Generation Research and Manufacturing

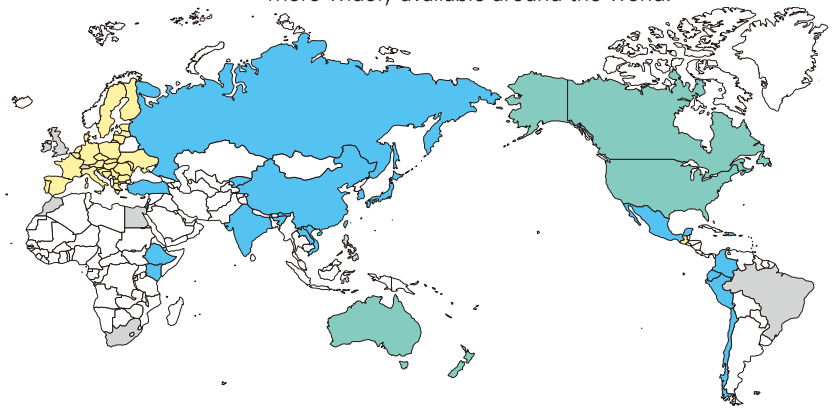


Yukimoto Iwasa
General Manager of Agribusiness Planning Department

Meeting food demand resulting from global population growth while also achieving sustainable agriculture is a challenge for all of mankind. The Agribusiness Planning Department is responsible for this area of KAKEN's business from end to end, spanning everything from business strategy formulation to research, manufacturing, supply chain management, and sales support. With our proprietary fermentation technology at the core, we are advancing research into crop protection products that are in harmony with the environment and building a highly efficient manufacturing system to achieve a stable supply of polyoxins produced by microbial fermentation and sustainable manufacturing. These efforts underpin our growth strategy. We will contribute to sustainable food production by raising broader awareness of these initiatives.

Polyoxin Crop Protection Product Registration Status

- Certified for use in organic production + crop protection product registration: 4 countries
- Crop protection product registration: 18 countries
- New crop protection product registration filed/ planned: 2 countries + EU
- Under consideration for development: 8 countries



Growth Strategy of Agribusiness Department

Taking on Global Regulatory and Market Challenges to Deliver the Value of Crop Protection Products That Are in Harmony with the Environment



Teruyuki Morikyu
General Manager of Agribusiness Department

As the part of KAKEN unit closest to producers, our department is responsible for bringing excellent crop protection products to producers in Japan and overseas. We handle everything from product development and registration to regulatory affairs and domestic and overseas sales. For our core polyoxin fungicides, we are working to expand the number of countries and regions where they have been certified for use in organic production, while accelerating the establishment of import tolerances (the maximum level of residue permitted on imported crops) in Europe and obtaining registration for the crop protection products in countries and regions where they are not yet registered. We will secure sustainable growth in our agrochemical business by responding swiftly and appropriately to regulations in each country, developing and expanding global markets, and making environmentally friendly crop protection options more widely available around the world.

Sustainability Strategy

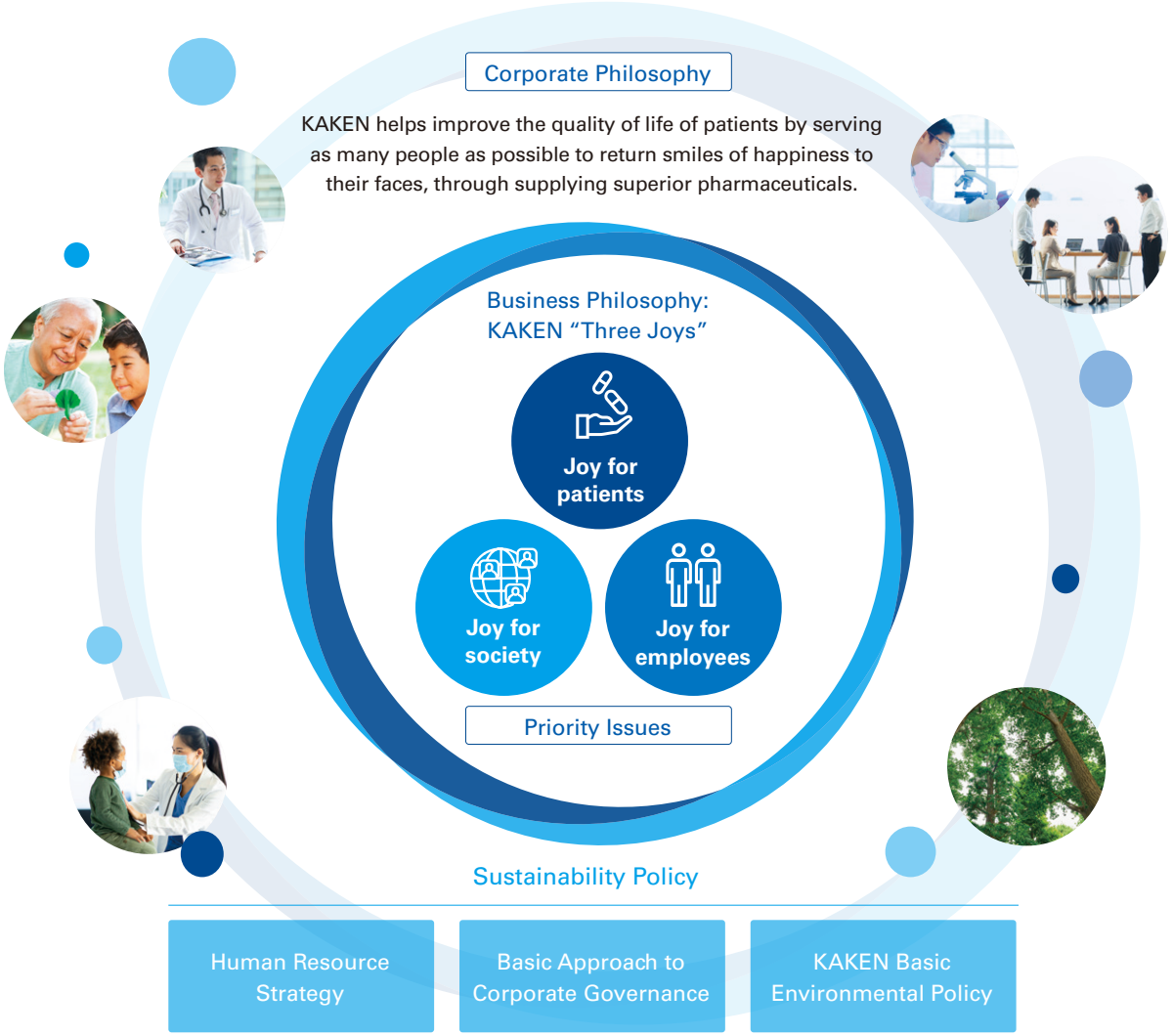
In a rapidly changing business environment, KAKEN formulated a sustainability policy in 2022 to speed up initiatives for realizing a sustainable society together with its stakeholders.
Based on this policy, we aim to enhance KAKEN's corporate value and to create a sustainable society.

Sustainability Policy

KAKEN will work to achieve sustainable growth and contribute to the sustainable development of society by providing pharmaceutical products that address unmet medical needs and eco-friendly agrochemicals. To accomplish these goals, KAKEN will pursue the "Three Joys" in its business philosophy to create many smiles together with its stakeholders.

Pursuit of the "Three Joys"

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





KAKEN's Sustainability Management: Balancing the Sustainable Development of Society with the Company's Growth

Akemi Okuyama
Sustainability Committee Chair
Director

To realize our corporate philosophy of "serving as many people as possible to return smiles of happiness to their faces," we conduct our business activities with the mission of supplying superior pharmaceuticals. Our approach to sustainability management is to contribute to the sustainable development of society through the supply of pharmaceuticals and thereby achieve KAKEN's sustainable growth. Accordingly, we advance sustainability management as an integral part of realizing our corporate philosophy.

To balance the sustainable development of society with KAKEN's sustainable growth, we have identified 12 material issues to be addressed as priorities and organized them into "Material Issues Related to Business" and "Material Issues Related to the Business Foundation." We have also clarified how each material issue relates to our "Three Joys" business philosophy, reflecting our desire for employees to take personal ownership of each issue and for external stakeholders to recognize what makes KAKEN distinctive.

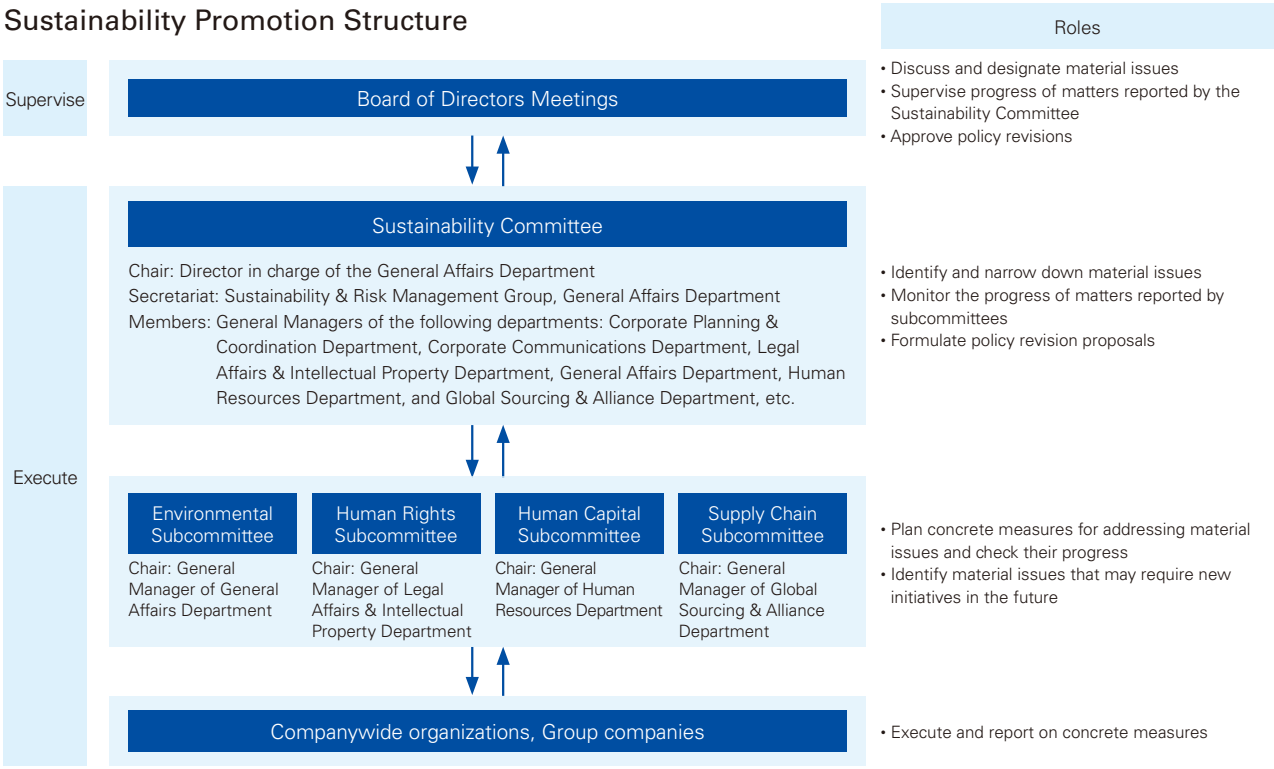
Among the Material Issues Related to Business, "Creation of innovative new drugs that satisfy unmet medical needs" is a key issue closely related to R&D Transformation, a business strategy under the Long-Term Business Plan 2031. In addition, some of our initiatives under "Expansion of access to healthcare and pharmaceuticals" align with Overseas Expansion Transformation, and we are giving them priority from both sustainability management and business strategy perspectives. We also recognize that delivering medicines to patients, in other words, ensuring the "Stable and sustainable supply of pharmaceuticals," is a responsibility of pharmaceutical companies. With regard to the Material Issues Related to the Business Foundation, meanwhile, we have established specialist subcommittees under the Sustainability Committee. We are working to promote environmental management, respect for human rights, and the enhancement of human capital. In 2025, we established a new Supply Chain Subcommittee to promote sustainable procurement, thereby steadily building a robust business foundation to support KAKEN's sustainable growth.

KAKEN has long addressed these material issues, but I feel that our efforts previously tended to remain confined to individual divisions. Today, however, the Sustainability Committee's activities have fostered active cross-divisional discussions, aligning initiatives for each material issue with both the sustainable development of society and the achievement of the Long-Term Business Plan 2031, and enabling those initiatives to work in concert. As Chair of the Sustainability Committee, I will continue to build on this momentum and work to enhance corporate value over the medium to long term by advancing sustainability management.

Sustainability Promotion Structure

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

Sustainability Promotion Structure



Activities

The KAKEN Group revised its material issues in April 2024. The Sustainability Committee identified social issues, taking into account the Company's business, business plans, and various frameworks (including GRI standards, SASB standards, S&P Global, and ISO 26000), and ESG evaluation items (from FTSE, MSCI, and others). These issues were then narrowed down on two axes—"Relevance to KAKEN's business" and "Impact on stakeholders." To address these material issues, the Sustainability Committee meeting is held in principle twice a year to monitor performance against KPIs and progress with concrete measures reported by each subcommittee, as well as to formulate policies for sustainability activities. In FY2025, the Sustainability Committee meeting was held twice, and the results of the committee's discussions were placed on the agenda of and reported to the Board of Directors. Our aim continues to be the sustainable growth of the Company based on the Sustainability Policy. At the same time, we will contribute to the sustainable development of society by carrying out specific initiatives for addressing material issues related to governance, the environment (including climate change), human rights, human capital, supply chains, and other subjects.

Main Topics of Discussion in FY2025

1 Sixth Meeting (September 2025)

- Deliberate on changes to the sustainability promotion structure
- Deliberate on progress toward achieving the KPIs for each material issue
- Report on CDP scores, FTSE Russell ESG Scores, and other related matters

2 Seventh Meeting (February 2026)

- Deliberate on progress toward achieving the KPIs for each material issue
- Deliberate on embedding sustainability throughout the Company
- Deliberate on enhancing sustainability disclosures

Environmental Management

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

Joy for society

KAKEN Basic Environmental Philosophy

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

KAKEN Basic Environmental Policy

Check our website for details

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

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

Materials Balance of Business Activities

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

Chemical Substances

(Substances subject to the PRTR system)

Normal hexane	1.6 tons
Chloroform	1.8 tons
Zinc compounds	0.0 tons
Toluene	2.9 tons
Dichloromethane	13.7 tons

Energy

Electric power	26,067,976 kWh
LPG	2.9 tons
City gas	4,338,313 Nm^3

Water 2,633 thousand m^3

Office Paper 0.75 million sheets

Other Packaging Materials

Plastics

Paper

Raw Materials

Glucose

Yeast, etc.

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

Discharge into the Water System

Amount of wastewater 1,822 thousand m^3

Emissions into the Atmosphere

CO_2 16,134 t-CO_2

(Excludes 3,868 t-CO_2 from carbon-free electricity)

Waste

Amount of waste generated 926 tons

Amount of final disposal 18 tons

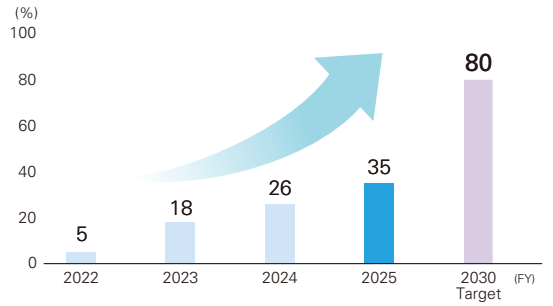
Reduction of CO_2 Emissions and Energy Saving

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

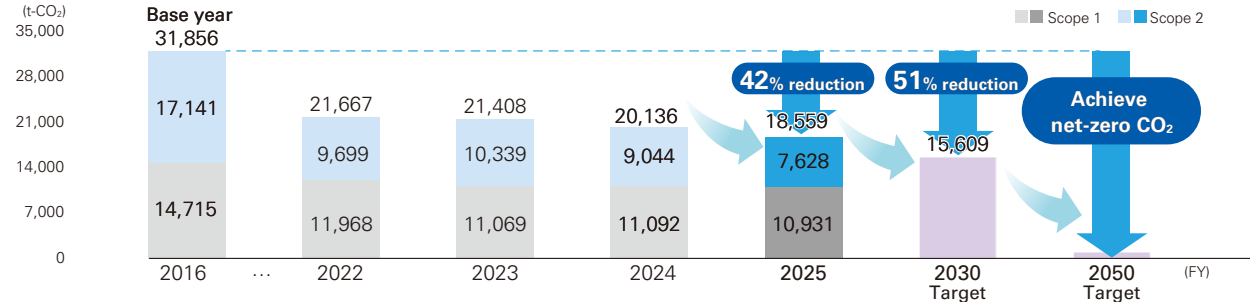
To achieve this goal, at the Shizuoka Site and the Kyoto Site, which account for more than 90% of the entire Company's energy consumption, we are proactively installing high-efficiency equipment and conducting ongoing energy-saving activities. At the Head Office, we are replacing fluorescent lights with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

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

Percentage of Carbon-Free Electricity



CO_2 Emissions



Proper Management of Waste and Wastewater

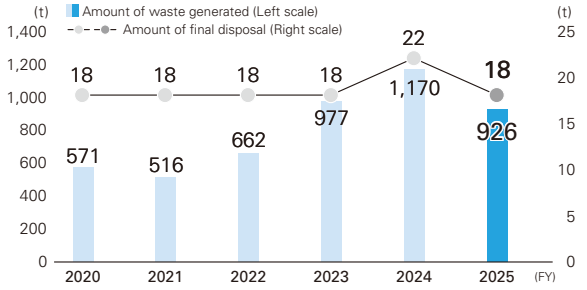
Resource depletion, waste disposal, and other issues that impact the environment are closely related to corporate activities, and addressing them has become a challenge for society. To help realize a sustainable society, we have set KPIs for reducing the total amount of waste that we generate, increasing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

In FY2025, the total amount of waste generated by the Shizuoka Site and the Kyoto Site was 926 tons. At the Shizuoka Site, 52.0% was sludge produced during the treatment of wastewater and residues from fermentation processes (animal and plant residues). The entire amount of sludge and residues generated is being used as composting and related materials. We also recycled other wastes and recovered 115.6 tons of valuable materials (accounting for 13.0% of total waste).

As a result of these activities, the recycling rate reached 98.1%, and the final amount of disposal in landfills was 18 tons (a final disposal rate of 1.9%). The total amount of waste generated decreased compared with the previous fiscal year, and we met our KPI targets for recycling and final disposal rates. We will continue to expand activities with a focus on waste reduction and recycling.

For wastewater, the Shizuoka Site separates wastewater from production activities into organic and other wastewater. Organic wastewater undergoes treatment using activated sludge, after which it is mixed with other wastewater until the mixture is diluted to within domestic wastewater standards. It is subsequently discharged into rivers. These wastewater standards are based on an agreement made in 1976 with Fujieda City, Shizuoka Prefecture, regarding pollution prevention.

Amount of Waste Generated/Amount of Final Disposal



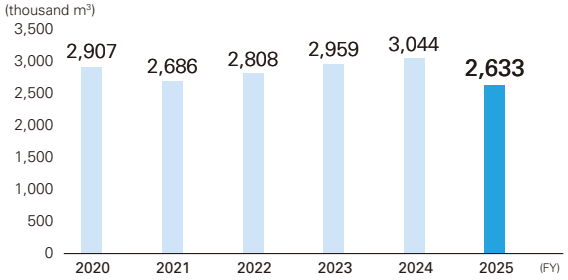
Efficient Use of Water Resources

We regard water as a valuable resource for our business activities and are promoting its efficient and proper use. We recognize that reducing our environmental impact is not only a corporate social responsibility but also an important initiative for ensuring stable business operations in the future.

As the problem of water resources becomes increasingly serious, we have set a medium- to long-term goal of reducing water consumption by 10% by FY2030 compared with FY2016 levels. We are carefully managing water intake and wastewater amounts and conserving water so that we make effective use of limited water resources.

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

Water Consumption



Climate-Related Disclosure Based on TCFD Recommendations

In line with our basic environmental philosophy, KAKEN recognizes addressing climate change as an important initiative with implications for our business activities and medium- to long-term corporate value. Accordingly, we adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in February 2023. We analyzed the risks and opportunities that climate change will bring to our business and, in accordance with the TCFD recommendations, organized them into four categories—governance, strategy, risk management, and metrics and targets.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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

Main Risks and Opportunities, and KAKEN's Strategies

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

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

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

Analysis of multiple scenarios revealed that no climate-related risks with a significant financial impact on our business activities are expected. In contrast, the analysis showed that demand for our pharmaceutical products and crop protection products may increase as a result of business opportunities arising from climate change-related social changes, heightened environmental awareness, and progress in our own initiatives, and also confirmed the resilience of our strategy. As a pharmaceutical company that endeavors to improve the QOL of patients through the supply of superior pharmaceuticals, KAKEN recognizes its social responsibility and mission. In order to contribute to the realization of a sustainable, prosperous society, we will continue to regularly review our response to climate change, and will work to protect, maintain, and enhance the global environment in all aspects of our business activities.

Check our website for details (in Japanese only)

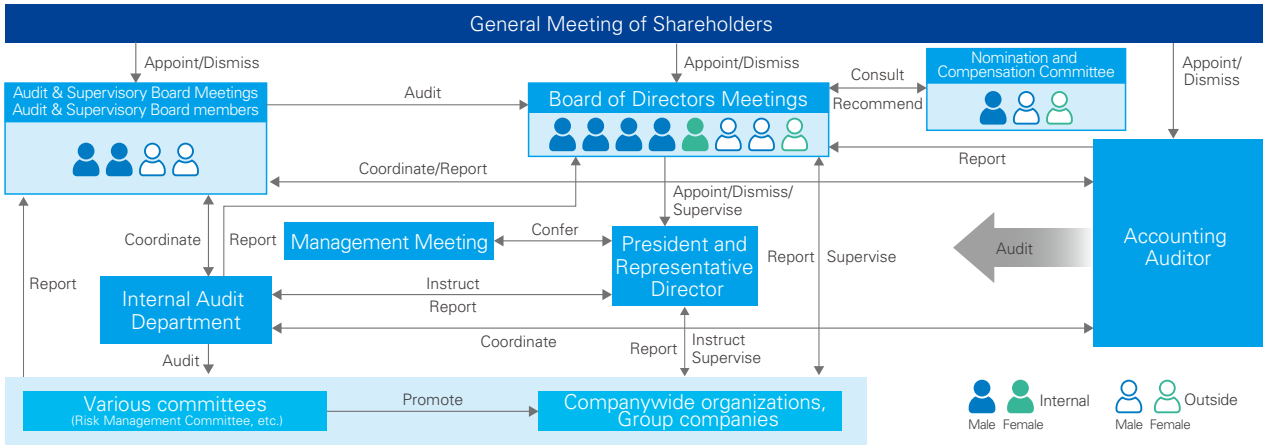
Basic Approach to Corporate Governance

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

Corporate Governance Structure

KAKEN has adopted an Audit & Supervisory Board system, taking into consideration the scale of its business, management oversight functions, and other factors. The four Audit & Supervisory Board members, including two outside members, attend important meetings, including Board of Directors meetings, to help ensure the fairness and transparency of management decision-making and execution by auditing the execution of duties. In addition, KAKEN has introduced the corporate officer system to speed up decision-making and to clarify the division between supervisory functions and business execution.

Corporate Governance Structure (As of June 26, 2026)



Overview of Board of Directors Meetings, Audit & Supervisory Board Meetings, Nomination and Compensation Committee, and the Number of Meetings in FY2025

	Board of Directors Meetings	Audit & Supervisory Board	Nomination and Compensation Committee
Overview	Board of Directors meetings are regularly held once a month, and extraordinary meetings are held when necessary. As the management decision-making body, the Board of Directors adopts resolutions on matters deliberated at Board of Directors meetings as stipulated by laws and regulations and the Articles of Incorporation. It also discusses management strategies, business plans, and other important management issues, and receives reports on the status of business execution, as necessary. Audit & Supervisory Board members attend Board of Directors meetings to express their opinions, and corporate officers also participate to ensure thorough implementation of management policies.	Regular Audit & Supervisory Board meetings are held once a month, and extraordinary meetings are held when necessary. Audit & Supervisory Board members conduct audits of the Head Office, branch offices, Drug Research Center, CMC Center, and factories, and also attend important meetings including Board of Directors meetings, Management Meetings, and Corporate Planning Meetings. Audit & Supervisory Board members liaise with outside directors, Accounting Auditors, and the Internal Audit Department and endeavor to enhance audit effectiveness.	Nomination and Compensation Committee meetings are held two to four times a year, and further meetings are held as needed, to deliberate important matters related to the nomination and compensation of officers and other members. The Nomination and Compensation Committee is structured so that outside directors comprise a majority of its three members, thereby enhancing transparency. The Committee serves as an advisory body to the Board of Directors, deliberating on the nomination of directors, Audit & Supervisory Board members, and other members, as well as the compensation of directors and other members, and provides advice and recommendations to the Board of Directors.
Number of Meetings in FY2025	19	13	5

Strengthening Governance

To achieve sustainable growth and enhance corporate value over the medium to long term, KAKEN aims to realize efficient, fair, and highly transparent management by fulfilling our accountability and building good relationships with all stakeholders. One initiative to strengthen governance is the review of the Board of Directors structure with a focus on effectiveness.

In FY2022, we streamlined the Board of Directors by reducing the total number of members from nine to eight while retaining three outside directors and two outside Audit & Supervisory Board members. This has helped enable more agile decision-making without compromising the supervisory function.

Regarding officer compensation as well, we have gradually reviewed and revised the system to better align medium- to long-term corporate value enhancement with shareholder interests. We are developing mechanisms that allow the management team to commit to enhancing corporate value from a shareholder perspective. We are also making steady progress in diversifying the Board of Directors. In FY2025, we appointed our first female director from within the Company. With regard to the Corporate Governance Code, we comply in principle with all of its provisions and will continue working to build an effective corporate governance framework.

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Total number of members of the Board of Directors	9	9	8	8	8	8
Outside directors incl. in the above	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)	3 (incl. 1 female member)
Female directors incl. in the above	1 (outside)	1 (outside)	1 (outside)	1 (outside)	1 (outside)	2 (1 internal, 1 outside)
Total number of Audit & Supervisory Board members	4	4	4	4	4	4
Outside members incl. in the above	2	2	2	2	2	2
Committee (Advisory body to the Board of Directors)	● Establishment of Nomination and Compensation Committee					
Officer Compensation	● Introduction of performance-linked stock compensation plan		● Increase in nonmonetary compensation ratio		● Implementation of the revised officer compensation plan	
Chairperson of the Board of Directors	Tetsuo Onuma		Hiroyuki Horiuchi			
Diversity of the Board of Directors	● Appointment of female directors		● Disclosure of skill matrix	● Revision of skills		First female director appointed from within the Company
Corporate Governance Code	Fully complied	Fully complied (Code prior to revision)	Explanation: 2 items (Revised code)	Explanation: 1 item	Fully complied	Fully complied

Outside Directors and Outside Audit & Supervisory Board Members

The role of outside directors is to provide advice and oversight based on their knowledge and experience, and to appropriately reflect the opinions of stakeholders, including minority shareholders, at Board of Directors meetings from a neutral and independent standpoint.

The role of outside Audit & Supervisory Board members is to audit the execution of duties by directors from a neutral and independent standpoint and ensure the transparency and objectivity of management.

The Company has not established specific criteria for the appointment of outside directors and outside Audit & Supervisory Board members. However, the Company gives due consideration to their independence and appoints individuals who meet the independence criteria stipulated by the Tokyo Stock Exchange. There are no special interests between the Company and any outside director or outside Audit & Supervisory Board member.

To effectively fulfill these roles, the three outside directors and two outside Audit & Supervisory Board members attended all 19 meetings of the Board of Directors held in FY2025 and fulfilled their responsibilities by offering opinions as appropriate from their respective areas of expertise and independent standpoints. The two outside Audit & Supervisory Board members also attended all 13 of the Audit & Supervisory Board meetings held in FY2025.

The outside directors and the Audit & Supervisory Board also exchange information on a regular basis, and outside Audit & Supervisory Board members attend regular reporting meetings held for the Audit & Supervisory Board by the Accounting Auditor and the Internal Audit Department.

Check our Corporate Governance Report for details. (in Japanese only)

Training for Directors and Audit & Supervisory Board Members

We provide directors and Audit & Supervisory Board members with opportunities to participate in external seminars and other opportunities to enhance their understanding of the roles and responsibilities expected of them and support them in acquiring the knowledge they need. In particular, for outside directors and outside Audit & Supervisory Board members, we strive to provide opportunities tailored to their needs, including interaction with senior management, exchanges of views on the evaluation of the effectiveness of the Board of Directors, and visits to business sites. We also arrange training sessions with external lecturers as needed on topics that should be shared across the Company, including issues that the Company must newly address.

Effectiveness Evaluation of the Board of Directors

KAKEN conducts an evaluation of the effectiveness of the Board of Directors once a year through a questionnaire survey completed by internal directors and in-person interviews with outside directors conducted by the Board Chair. In FY2025, the survey was expanded to allow a more multifaceted understanding of how the Board of Directors functions. Previously, the questionnaire primarily consisted of comprehensive questions about the overall operation of the Board. This year, more detailed questions were included for each individual topic, enabling us to identify specific issues more clearly. In interviews with outside directors, the outside directors positively evaluated the advance briefings that ensure a sufficient understanding of agenda items before discussions take place, and the lively discussions that draw on each director's respective expertise. Having taken into consideration the situation described above, the Board of Directors concluded that its effectiveness is sufficiently ensured.

Process to Evaluate the Effectiveness of the Board of Directors

(1) Questionnaire survey of internal directors
(2) Interviews with outside directors conducted by the Board Chair
(3) Evaluation, analysis
(4) Reporting and discussion at a Board of Directors meeting

Main Topics Discussed at the FY2025 Board of Directors Meetings

Governance

- Effectiveness evaluation of the Board of Directors
- Reports from the Risk Management Committee
- Operation of the compliance hotline
- Updates to the skill matrix
- Cross-shareholdings
- Reports on meetings with institutional investors

Finance

- Updates on initiatives to enhance management with awareness of cost of capital and stock price
- Financial results-related matters

Long-Term Business Plan and Sustainability

- Partial revision to Long-Term Business Plan 2031, progress reports
- Pipeline and in-licensing projects
- Introduction of J-ESOP
- Employee engagement reports
- Sustainability Committee reports
- Actions related to the basic policy on information security

Measures to Enhance the Effectiveness of the Board of Directors

Issues Identified in FY2024	• Promote personnel appointments based on ability and performance while also taking into account diversity • Consider incorporating effectiveness evaluation by third parties
Measures in FY2025	• The questionnaire survey of internal directors for the Board effectiveness evaluation was expanded with more detailed and additional questions • Appointed a female director from within the Company, taking diversity into consideration and drawing on her extensive knowledge of pharmaceutical regulatory affairs • For important agenda items, provided additional information on the key points for discussion and the process leading to decision-making to improve understanding
Issues Identified in FY2025	• As a medium- to long-term issue, review and organize matters for deliberation, particularly those relating to business execution, with a view to strengthening the Board's supervisory function • Provide more detailed supplementary explanations of the process leading up to discussions when matters considered at the Management Meeting and other committees are submitted to the Board • Introduce an objective effectiveness evaluation using an external organization, in addition to questionnaires and interviews

Policy on Cross-Shareholdings

KAKEN owns stocks as cross-shareholdings only when it has determined that they will contribute to the improvement of the corporate value of the KAKEN Group from a medium- to long-term perspective, taking into consideration factors such as necessity for business strategy and the maintaining and strengthening of business relationships. As appropriate, the Company reduces holdings of stocks that it determines have low significance.

Each year, the Board of Directors comprehensively examines the significance, purpose, circumstances of acquisition, and the benefits and risks associated with holding each of its cross-shareholdings from both qualitative and quantitative perspectives, including capital cost, trading conditions, and economic rationality based on changes in share value, dividends, and other factors, to determine whether to continue holding each share.

Based on this approach, the Company has announced a policy of reducing its cross-shareholdings by 30% on a market value basis at March 31, 2024, within five years from April 2024, compared with the amount held on March 31, 2024.

In FY2025, this examination was conducted at the Board of Directors meeting in December 2025, and the Company sold all of its holdings in one company and a portion of its holdings in four companies. As a result, over two years, we have achieved 56.0% of the reduction target under this policy.

Cross-Shareholdings Sold in FY2025

Number of companies whose cross-shareholdings were sold	Total value of shares sold
5	¥3,115 million

Amount Reported on the Balance Sheet and the Ratio to Net Assets as of March 31, 2026

Amount reported on balance sheet	Ratio to net assets
¥18,730 million	12.7%

Officer Compensation

1. Basic policy

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

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

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

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

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

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

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

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

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

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

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

The Nomination and Compensation Committee examines the ratio of directors' compensation by type, using similarly sized companies in related industries and lines of business as benchmarks and considering factors such as past compensation levels. The Board of Directors (the President and Representative Director, delegated by the Board as specified in 5., below) takes into account the Nomination and Compensation Committee's recommendations and uses them as a reference point when determining the ratios of compensation by type for individual directors.

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

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

5. Determination of specific details of compensation for individual directors

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

Total Amount of Compensation, Total Amount of Compensation by Type, and Number of Eligible Officers by Category in FY2025

Position	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)			Number of Eligible Officers
		Basic Compensation	Bonuses	Stock Compensation	
Directors (excluding outside directors)	278	187	55	35	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	48	48	–	–	2
Outside officers	37	37	–	–	5

* Stock compensation represents a provision for share awards in FY2025.

Management Team

Directors



Hiroyuki Horiuchi

President and Representative Director



Masashi Suzudo

Senior Managing Director, Member of the Board



Mitsuru Watanuki

Executive Director, Member of the Board



Yasuhiro Umeda

Executive Director, Member of the Board



Akemi Okuyama

Executive Director, Member of the Board



Shoichiro Takagi

Outside Director, Member of the Board



Yasutomo Inoue

Outside Director, Member of the Board



Satoko Ishikawa

Outside Director, Member of the Board

Audit & Supervisory Board Members



Kazumori Ishiguro

Audit & Supervisory Board Member (Standing)



Naoyuki Ishida

Audit & Supervisory Board Member (Standing)



Masahiro Koyama

Outside Audit & Supervisory Board Member



Masahiko Enomoto

Outside Audit & Supervisory Board Member

Corporate Officers

Tatsuhiro Harada
Head of Drug Research Center and CMC Center

Masaru Ogawa
Senior Director, Head of QA Division, Director, Head of Regulatory Affairs Department

Tomoyuki Koseki
Senior Director, Head of Marketing & Sales Division

Keizo Kimura
Senior Director, Head of Production Division, Chief of Shizuoka Factory

Tomohiro Takaya
General Manager of Legal Affairs & Intellectual Property Department

Makoto Nakazawa
Senior Director, Deputy Head of Marketing & Sales Division Director, Head of Marketing & Sales Department

Check our website for details

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

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

Skills and Definitions

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

Skill Matrix

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

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

Roundtable Discussion
with Outside Directors

We Will Provide Oversight and Advice on Appropriate Risk and Business Management to Deliver Results Under Long-Term Business Plan 2031.



Yasutomo Inoue
Outside Director

Shoichiro Takagi
Outside Director

Satoko Ishikawa
Outside Director

Effectiveness of the Board of Directors

Takagi In Long-Term Business Plan 2031, KAKEN lays out plans for medium- to long-term capital allocation and aggressive strategic investments for growth. The Company is now in the fifth year of the Plan. Ongoing discussions and validation of growth investments and management resource allocation have resulted in further evolution of the Plan contents and the thoughts behind it. I particularly value how KAKEN has established the concept of "active governance," with discussions centered on medium- to long-term enhancement of corporate value and sustainable growth.

Inoue Because briefings are made in advance, we can spend more time on essential discussions at the Board of Directors meetings. In terms of the quality of discussion, although the prior briefings do cover the background of an agenda item and its risks, there are still issues with a lack of visibility in the decision-making process, such as the reasons behind the choices made from multiple options or the discussions and issues addressed when making the decision.

Ishikawa The Board of Directors is well prepared for its meetings and fully takes into account the opinions of the outside directors. I would like to have more opportunities to engage with the persons in charge and their supervisors so that I can bring a better understanding of the actual business conditions and frontline perspectives to Board discussions, making them more substantive.

Takagi I recognize that the effectiveness of the Board of Directors is very much affected by the quality of the opinions and questions raised by outside directors. As spelled out in the Corporate Governance Code, I think I need to apply my own specialist skills and give advice that helps drive constructive discussion. To achieve this, I need to enhance the quality of my oversight through proactive information gathering and discussion among the outside directors. In the future, the outside directors will consider creating opportunities for us to have discussions among ourselves.

Evaluation of Long-Term Business Plan 2031

Takagi During the first half of Long-Term Business Plan 2031, KAKEN made better-than-expected progress in expanding development projects, advancing strategic investments, and other areas. The authorized generic (AG) of the onychomycosis treatment Clenafin has also performed extremely well. I think KAKEN's comprehensive strength was demonstrated through the efforts of the marketing & sales team and the Company's success in differentiating itself through patent and product portfolio strategies. The Company is now in an investment phase where profits will fluctuate significantly according to the timing of when one-time in-licensing and out-licensing fees are booked. In FY2025, KAKEN reported an operating loss after a one-time receivable was deferred into the next fiscal year but still secured a net profit. I believe the Company did everything it could and fulfilled its responsibilities. To ensure KAKEN is not vulnerable to temporary earnings fluctuations, it needs to steadily advance development through ongoing

strategic investments and to quickly build a stable profit-generating platform through product launches.

Ishikawa Given the changes in the external environment and progress with development, I feel quite positive about the revisions to Long-Term Business Plan 2031 following substantial discussions. In the remaining years of the Plan, I think I need to assess the current development projects more closely than before. I will also keep in mind progress with basic research and in-house drug discovery for product development to support growth from 2031 onwards.

Inoue I think Long-Term Business Plan 2031 struck a good balance between R&D investment and shareholder returns. The Company has pursued in- and out-licensing and M&A, but this is just the start. Helping patients through clinical trials, marketing authorizations, and launches will lead to sustained profit creation and enhanced corporate value. The test of KAKEN's true value as a pharmaceutical company still lies ahead. I would like to further our discussions on how the Company can leverage its strengths and generate synergies. We should not approach M&A as a series of individual projects, but position it as part of a strategy for sustainable growth, with an awareness of the organic connections among individual projects while considering appropriate capital allocation and risk diversification.

Takagi When relying on external specialists such as consultants for M&A, companies risk losing their sense of ownership of the project, overpaying for an acquisition, or not achieving post-merger integration (PMI)* as expected. I have been monitoring such risks closely, but, for the acquisition of Aadi Biosciences in the U.S., I feel the size was just right for KAKEN and progress to date has been smooth. Even if there appear to be no major risks, I think the Company needs to watch whether it has any blind spots and how we would respond in the event of a problem arising.



In the second half of Long-Term Business Plan 2031, KAKEN should move into a phase of successive launches of pipeline projects. For such projects, the Company needs to make sound judgments and take a flexible approach to portfolio management. Looking ahead, I expect KAKEN will need to make quick decisions on go or no-go in development projects. I will provide oversight and advice from an objective perspective in my role as an outside director. The key factors are to establish seamless target product profiles (TPPs) that cover the early stages of basic research through to the post-marketing and drug fostering and evolution (DFE) stages, and to use them as a Companywide, cross-functional framework.

* Post-merger integration (PMI): The process of integrating two companies after M&A, covering organizations, systems, human resources, operations, and culture, etc.

Challenges When Working Toward Sustainable Growth

Inoue I think that it will be increasingly important in the future to improve speed and efficiency at all stages, from research and development through filing, approval, and launch. It is vital for the Company to recruit and train highly specialized human resources with management skills who are capable of handling overseas business and multiple projects. Thus far, the Company has created growth potential by pursuing research and development, in- and out-licensing, M&A, and global expansion. However, this has meant the risks it faces have also become more diverse. I will contribute by closely monitoring potential delays in development or lack of human resources as KAKEN moves forward with various projects.

Takagi As development projects increase in number, the allocation of limited financial and human resources becomes more important. As well as sound management of the development portfolio, the Company needs to leverage open innovation to strengthen drug discovery through initiatives such as identifying and in-licensing external assets, maintaining and strengthening partnerships, and building a drug discovery ecosystem.

Ishikawa To make steady progress in global expansion, companies need to remain highly attuned to new information; closely track changes in regulations, policies, and business practices in each country; and be ready to respond to risks. In developing human resources, creating an environment in which young researchers can take on challenges and strengthening the foundations of both talent and research are essential for the next stage of growth.

KAKEN's Distinctive Value Creation

Inoue When I speak with people from across the Company, I am struck by how many are highly motivated to learn and think deeply about their respective fields. This raises my expectations for future growth at KAKEN. I intend to provide oversight and advice to help the Company achieve sustainable growth and improve capital efficiency by leveraging distinctive strengths and strategies that set it apart from larger pharmaceutical companies, including advanced expertise in dermatology and orthopedics, committed efforts and willingness to take on challenges in rare diseases, and a safe and eco-friendly crop protection business.

Ishikawa One of KAKEN's distinctive strengths is the way it tackles unmet medical needs, puts patients first, and expands its research and development from there. I particularly commend the Company for making sound investment decisions in development and further building on areas of strength, and I hope it will be able to make meaningful contributions by staying close to patients and their needs. I would also like KAKEN to actively communicate that it offers an environment where people can take on new challenges, so that it attracts the next generation of talent who identify with its Corporate Philosophy.

Takagi The initiatives in Long-Term Business Plan 2031 are gradually beginning to bear fruit. Alongside the talent and efforts of its employees, KAKEN excels at bringing out and harnessing their capabilities, as well as drawing on external strengths. I hope that the Company will be able to use these capabilities fully to solve difficult challenges in the forthcoming period of transformation and to drive future growth. I will support KAKEN's efforts toward sustainable growth, looking beyond 2031 while ensuring that one-time earnings booked from out-licensing and other sources do not diminish a healthy sense of urgency.

Compliance and Risk Management

Joy for society

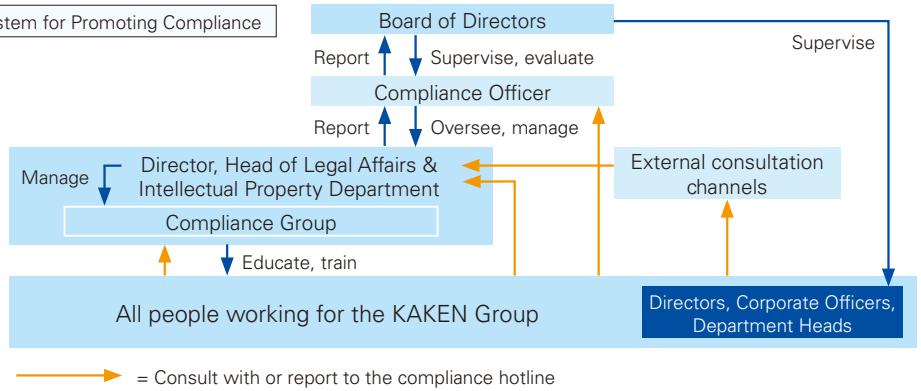
Basic Approach to Compliance

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

System for Promoting Compliance

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

Structure of the System for Promoting Compliance



Activities to Promote Compliance

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

- **Improvement of compliance awareness**

We regularly conduct compliance training and work to increase awareness of compliance throughout the Company. Training themes such as corporate ethics, prevention of corrupt practices, personal information protection, and prevention of harassment are chosen based on the needs of the participants, so that they can be put to use in the workplace. In FY2025, we provided training based on level (officers, newly hired employees, mid-career professionals, newly appointed sales office managers, and sales office team leaders) and department/site (Head Office, Shizuoka Site, and Kyoto Site). We had a 100% participation rate for those eligible for training (excluding people taking a leave of absence, on childcare leave, etc.). We also share information on compliance-related matters on the Company intranet as necessary.

- **Operation of whistleblowing system**

As part of the compliance training, a staff member responsible for operating the compliance hotline from the Compliance Group explains the operational procedures in place. The operational results of the compliance hotline are also made available internally every six months to raise awareness and promote the use of this system. Since FY2025, we have surveyed employee awareness of the compliance hotline; 97% of those surveyed responded they were aware of this system.

- **Early detection and resolution of compliance issues**

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

Number of Reports on the Compliance Hotline (Whistleblowing System)

FY2022	FY2023	FY2024	FY2025
11	7	17	19

Ethical Considerations in Animal Testing

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

Check our website for details

Basic Approach to and System for Promoting Risk Management

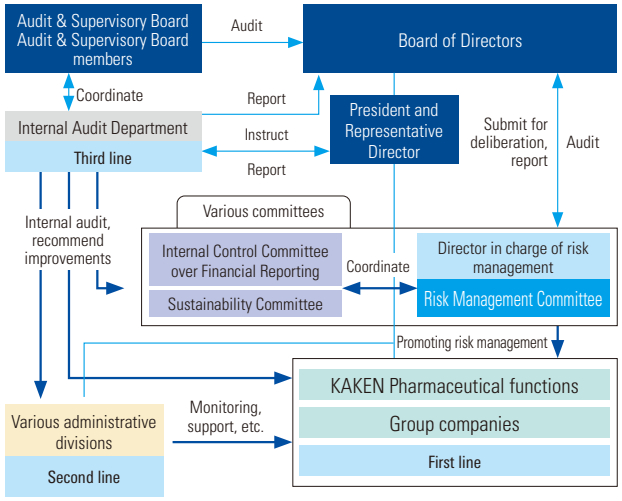
KAKEN engages in Enterprise Risk Management (ERM) to appropriately manage risks that could hinder the realization of the corporate philosophy and the achievement of the business plan, with the objective of fulfilling its social responsibility and contributing to sustainable improvement of corporate value.

Overview of the Risk Management System

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

We have adopted the Three Lines Model for risk management, under which each division and department fully understands its role and how it should coordinate with other functions, thereby enhancing the effectiveness of ERM. The first line is responsible for appropriate control activities to prevent risks from materializing; the second line for cross-functional risk management through monitoring, support for divisions and departments, and other activities; and the third line for promoting improvements in risk management through internal auditing.

Structure of the Risk Management System



Principal Risks

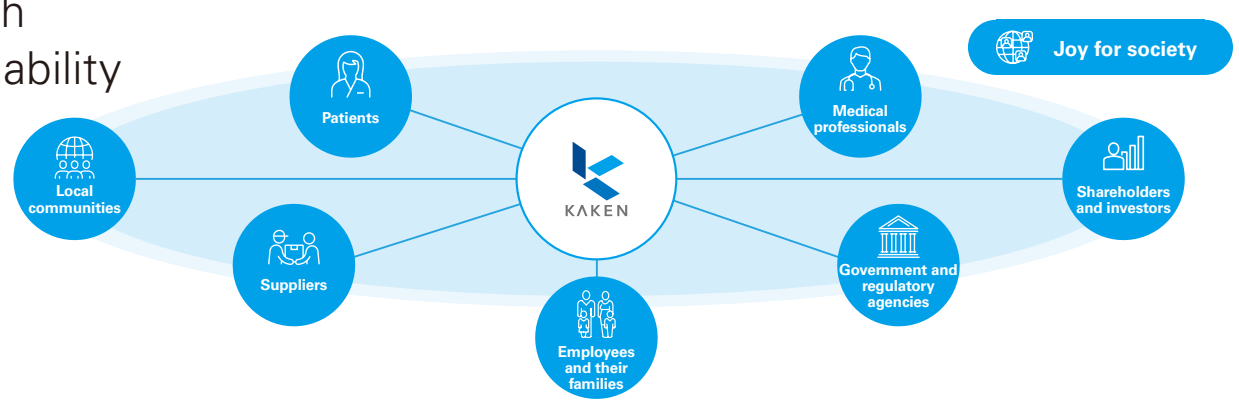
Major risks recognized as having the potential to materially affect KAKEN's financial position, business performance, and cash flows, and their countermeasures, are as shown to the right.

The forward-looking statements contained herein reflect the judgment of the KAKEN Group as of March 31, 2026.

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

Strengthening Relationships with Stakeholders to Achieve Sustainability

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



Local communities Environmental Beautification Activities

The Shizuoka Site benefits from the waters of the Oi River, a Class A river in Japan. The site works to protect the environment of the Oi River through river beautification activities conducted every April. While these activities are carried out as part of the site's efforts to contribute to society, they are also an opportunity to deepen relationships with new employees. In 2026, 96 employees participated in these beautification activities.

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


Beautification activities (Shizuoka Site)

Local communities Creating Environmental Value Through Sustainable Tea Beverage Procurement

At the Shizuoka Site, we entered into an agreement in July 2025 with Blue Farm Inc. for its subscription tea beverage program, Cha-batake (tea fields) As A Service (ChaaS). By replacing the beverages used in our business activities with sustainable tea beverages made from organically grown tea leaves, we will support the continued activities of tea producers while also promoting decarbonization and biodiversity conservation.


Environmentally friendly tea fields (Shizuoka Prefecture)

Suppliers Supply Chain Initiatives

We have formulated a Sustainable Procurement Policy and are promoting responsible procurement that complies with laws and regulations while taking into consideration social issues such as the environment and human rights. In FY2025, we set up the Supply Chain Subcommittee under the Sustainability Committee and began sending out CSR questionnaires to our suppliers in stages, covering governance, human rights, the environment, quality, and safety. Through this dialogue with our suppliers, we are building relationships of trust and advancing initiatives aimed at realizing a sustainable supply chain.

Employees Town Hall Meetings by Officers

Starting in FY2024, KAKEN held briefings at all our business offices and sites, giving employees the opportunity to hear directly from the officers on topics such as progress with Long-Term Business Plan 2031 and the strengthening of our management foundation. In FY2026, we evolved this initiative into Town Hall Meetings, placing even greater emphasis on two-way communication with employees. We are working to foster a stronger sense of unity across the organization through candid exchanges of views on the future vision KAKEN aims to pursue and our management policies. We believe that this type of dialogue with employees can increase engagement and lead to sustainable growth for KAKEN.


Town Hall Meeting

Shareholders and investors Enhancing Dialogue with Investors and Disclosure

We are working to maintain and strengthen relationships of trust with shareholders and investors through proactive dialogue and enhanced information disclosure. When we have opportunities for dialogue, we exchange views on a broad range of topics, including the current business environment; progress under our long-term vision, "Long-Term Business Plan 2031;" our ESG and sustainability initiatives; and other relevant information disclosure.

Following requests from investors, we have also introduced R&D briefings as a new initiative. These briefings give investors the opportunity to deepen their understanding of our R&D strategy and pipeline progress. Looking ahead, we will continue to improve the quality and quantity of disclosures and work to build relationships of trust with shareholders and investors through constructive dialogue.

Respecting Human Rights

Joy for patients | Joy for society | Joy for employees

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

• Policy commitment: Formulating our Human Rights Policy

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

• Conducting human rights due diligence for the supply chain

Based on our Sustainable Procurement Policy, which aims to build a responsible supply chain, we expect our suppliers to respect human rights and we seek to develop together with our business partners. Since FY2025, we have included questions on respect for human rights in our CSR procurement questionnaire, alongside questions on corporate governance, the environment, quality, and safety. We send this questionnaire to our major suppliers and are progressively collecting responses and engaging in dialogue. Through this questionnaire, dialogue, and other human rights due diligence initiatives, we will ensure respect for the human rights of all stakeholders and identify emerging human rights issues, with the aim of preventing and rectifying any negative impacts on human rights that may result from our business activities.

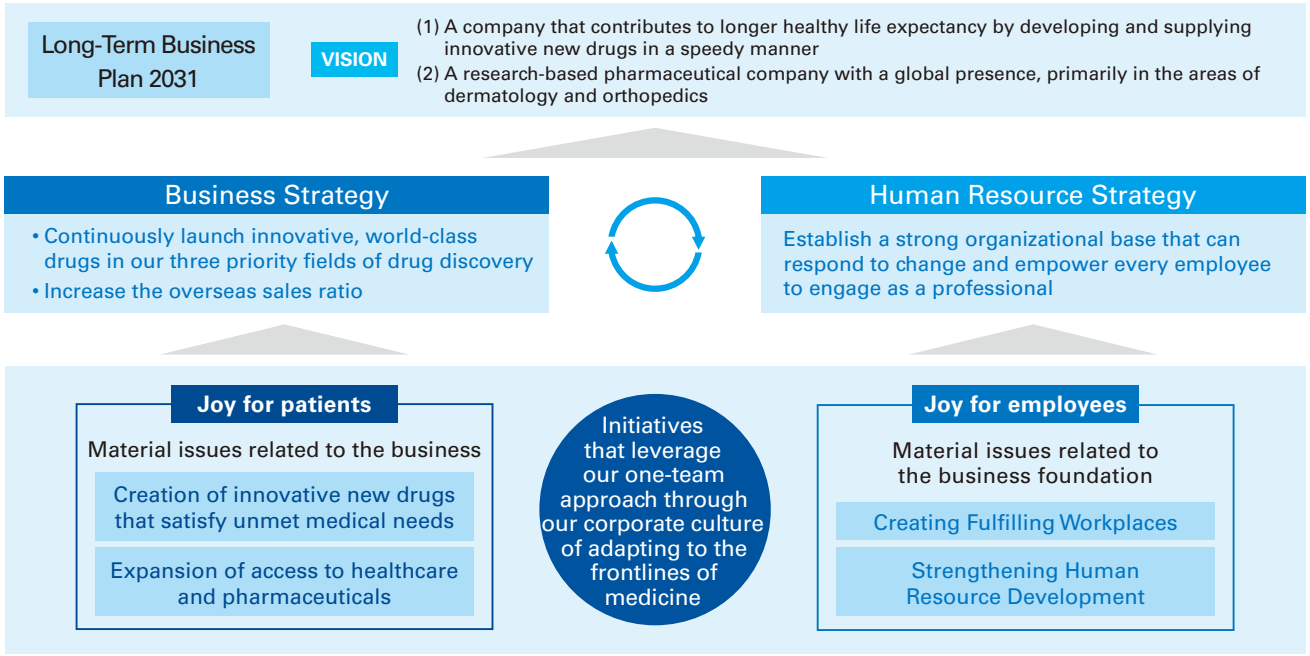
• Remedial measures for negative human rights impacts

We recognize that if negative human rights impacts emerge from our business activities, prompt remedial measures are necessary and information from stakeholders is essential. Accordingly, we have expanded the scope of the compliance hotline, both in terms of those eligible to use it and the matters that may be reported through it. This internal whistleblowing channel now also accepts reports concerning negative human rights impacts affecting internal and external stakeholders. By operating the compliance hotline in this way, we will identify negative impacts on human rights, and consider and implement remedial measures. Details on the compliance hotline, including reporting channels, are available on our corporate website.

Check our website for details

Human Resource Strategy

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



Message from the Head of Human Resources Department



We Will Foster Talent Who Turn Challenges into Strengths and Continue to Pursue Transformation, Thereby Supporting Future Growth.

Seiji Itoh
Director, Head of Human Resources Department

I believe KAKEN is currently at a major turning point in its history. Clenafin has underpinned KAKEN's earnings since its launch in 2014, but the Company reached a patent cliff in February 2025. We have been urgently seeking a new sales strategy in Japan in the rare diseases area and building the foundation for our own business expansion overseas. KAKEN is now in the position where approaches that have brought us success no longer apply and we need to generate results in areas where we have no previous experience. Part of the Human Resource Strategy in Long-Term Business Plan 2031 is to "Develop talent who challenge themselves as professionals and pursue transformation." This is exactly the type of talent we need now. In fact, individuals like this are already playing active roles across a range of fields.

The Human Resources Department believes it is essential to create an environment in which each employee can continue to learn beyond the scope of their own role and take on challenges without fear of failure. In addition to enhancing opportunities for skills development, including tiered training programs, we aim to build an organization in which growth and challenge circulate through the organization by promoting diverse career paths and placing the right people in the right positions. The Human Resource Strategy that drives these initiatives is included in the 3rd X Management Base Transformation with the "3Xs" (Three Transformations) of Long-Term Business Plan 2031. However, human resources also provide the foundation for us to pursue the 1st X (R&D Transformation) and 2nd X (Overseas Expansion Transformation) as well. As a result of stepping up recruitment activities to strengthen our R&D capabilities, the number of employees in the R&D Division increased by more than 60 compared with 2022, when Long-Term Business Plan 2031 was formulated. We have also hired external talent to address our lack of experience in overseas expansion, while also providing existing employees with opportunities to take on new challenges and develop their own skills.

On the other hand, I feel that we do not yet have enough talent with the drive to proactively take on challenges in new areas, such as overseas expansion. We will continue to change our corporate culture so that our Human Resource Strategy is better understood internally.

The business environment we are operating in has changed significantly since Long-Term Business Plan 2031 was formulated, and we expect such change to continue. "Talent who challenge themselves as professionals and pursue transformation" will remain essential, regardless of how the business environment changes. Looking forward, we will focus on developing this type of talent and continue to develop measures to maintain high levels of motivation.

Creating Fulfilling Workplaces

Joy for employees

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

Diversity and Inclusion

We believe that to foster a corporate climate that encourages employees to take on innovative challenges, it is essential to respect diverse values and ensure a working environment in which every employee can excel, regardless of their race, nationality, creed, gender, age, sexual orientation, or disability. Furthermore, to create an environment in which employees can do their jobs with a high level of motivation, in addition to empowering women, we are striving to make KAKEN a fulfilling place to work for employees at different life stages, such as those dealing with childcare or nursing care, and senior employees.

Employment of Senior Staff

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

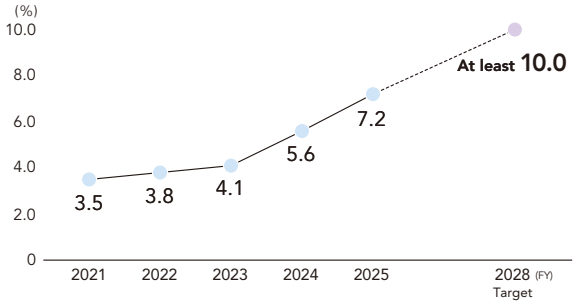
Promotion of Women's Empowerment

For the sustained success of female employees, we actively promote outstanding talent and offer workplace environments in which employees can do their jobs with peace of mind, regardless of gender. We have achieved our goal of raising the percentage of women in management positions to 7% or higher in our action plan for FY2022–FY2025 based on the Act on the Promotion of Women's Active Engagement in Professional Life. To achieve this, we established systems such as reduced working hours for childcare, flextime, and use of special paid time off, in order to flexibly accommodate employee needs such as childcare and nursing care. Building on this success and to further promote women's empowerment, we have set a new goal of raising the percentage of women in management positions to 10% or higher in our action plan for FY2026–FY2028.

Since 2024, we have run seminars on women's health themes in conjunction with Women's Health Week (March 1–8) and International Women's Day (March 8). These efforts are part of our health and productivity management initiatives aimed at improving the health literacy* of female KAKEN employees. In 2026, we utilized an online study service to deliver seminars by a certified nutritionist on the subject of diet and exercise for working women.

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

Percentage of Women in Management Positions



Employment of Persons with Disabilities

As one of our corporate responsibilities, we take a proactive approach to hiring persons with disabilities. At the Shizuoka Site, we have a support team that provides employment support for persons with disabilities, and we have established an environment to ensure that such workers can work with peace of mind while receiving appropriate assistance in the workplace. Across the Company as a whole, we maintain employment levels that exceed the statutory employment rate. In recognition of these efforts, we received the Shizuoka Prefecture Governor's Commendation for Excellence in the Employment of Persons with Disabilities in September 2025.



Commendation for Excellence in the Employment of Persons with Disabilities

Creation of a Workplace Free from Discrimination and Harassment

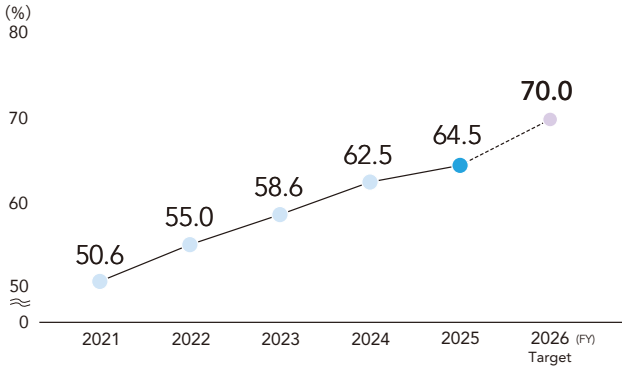
We are working to prevent discrimination and harassment in our workplaces as part of our efforts to realize our business philosophy of "Joy for employees." Our corporate stance of zero tolerance for discrimination or harassment is clearly set out in the KAKEN Corporate Code of Conduct, the related Guidelines for Conduct, and the Rules of Employment. We also send out regular reminders on the Company intranet to build management and employee awareness and ensure everyone is informed about the compliance hotline and our consultation and reporting channels. Furthermore, we conduct training approximately once a year for managers, including department managers, group managers, and sales office managers, that includes training on the prevention of workplace bullying and harassment. We maintain participation rates of 100% for this training. Through these efforts, managers work to prevent harassment throughout the workplace.

Diverse Work Styles

Work-Life Balance

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

Percentage of Annual Paid Holidays Taken

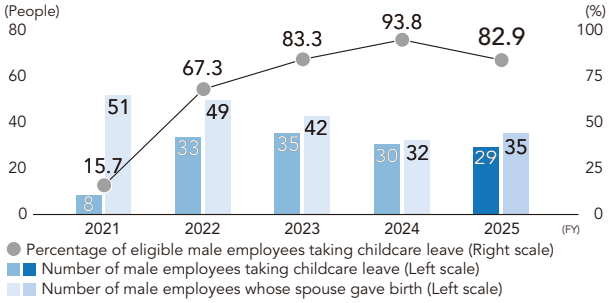


Support for Childcare and Nursing Care

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

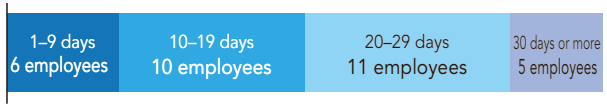
1) We have put in place systems that allow employees to take special paid time off, for the purpose of caring for a family member, settling a child into nursery school, or to undergo fertility treatment, and that also allow employees with shorter working hours to use the flextime system.
2) To make it easier for male employees to take childcare leave, we have modified the system to make childcare leave partially paid (up to five days), and we are conducting in-house training and education for managers.
3) We have extended the eligibility for child nursing care leave to children up to the end of sixth grade of elementary school.
4) We have expanded our reduced working hours system so that employees with children aged three through the end of third grade of elementary school can reduce their daily working hours by up to two hours, compared with one hour previously.

Percentage of Eligible Male Employees Taking Childcare Leave



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

Childcare Leave Taken by Male Employees (FY2025)



Health and Productivity Management and Occupational Safety and Health

Promotion of Health and Productivity Management

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

We formulated the KAKEN Health and Productivity Management Declaration in 2023 to proactively help employees maintain and improve their health. Under a health and productivity management promotion structure, we are promoting health management in collaboration with the employee health insurance association, the Safety and Health Committee, and industrial health staff. In addition, these health management initiatives are reported at a Board of Directors meeting once a year. In 2026, we were recognized as a Certified Health and Productivity Management Outstanding Organization for the third consecutive year since 2024.



Employee Health Management

To maintain and promote employee health, we conduct regular health checkups every spring and lifestyle disease-related examinations every fall. In cooperation with industrial physicians and medical examination centers, we follow up with employees whose checkup results indicate findings.

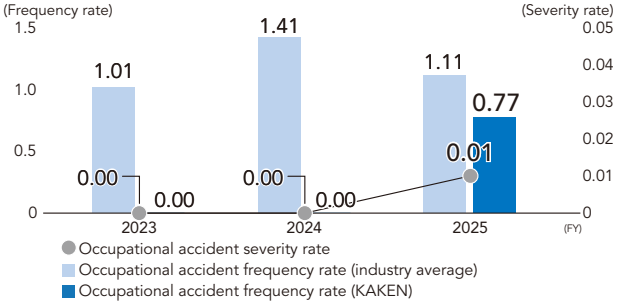
In addition to conducting annual stress checks required by law, we support measures for employees' mental health by offering simple stress checks that employees can perform voluntarily and by providing a wide range of learning materials including a variety of e-learning programs.

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

Safety and Health Measures at Facilities and Workplaces

We are pursuing a number of measures based on the Regulations for Safety and Health Management, with the goal of preventing occupational accidents and illnesses and creating a comfortable working environment. We hold Safety and Health Committee meetings on a monthly basis at each site. The committee is made up of the General Safety and Health Manager (Shizuoka Site), safety officers, health officers, and an industrial physician, as well as members selected from the Company and the labor union. The committee conducts ongoing safety inspections and implements remedial measures at each facility and workplace in an effort to eliminate occupational accidents. We also actively work to improve the working environment by conducting regular employee surveys.

Occupational Accident Frequency Rate (lost-time accidents) and Severity Rate



Notes:

1. The pharmaceutical manufacturing industry average is based on data from January–December 2025
2. Frequency rate = $\frac{\text{Number of workers killed or injured in workplace accidents}}{\text{total hours worked}} \times 1{,}000{,}000$
3. Severity rate = $\frac{\text{Number of workdays lost}}{\text{total hours worked}} \times 1{,}000$
4. Figures are shown to two decimal places

Employee Engagement Level

Initiatives to Monitor and Increase Employee Engagement Levels

In the intensely competitive environment of the pharmaceutical industry, increasing employee motivation is crucial for boosting retention. Therefore, since FY2023 we have been conducting engagement surveys as a metric to gauge our employees' sense of purpose and fulfillment at work. For the question "Sense of belonging to the Company," the engagement surveys have shown increases in raw scores and positive response rates between FY2023 and FY2025. Since FY2024, we have created opportunities for executives to visit all business sites and communicate directly with employees. This has helped foster a deeper understanding of company policies and future direction. For the question "Proactive behavior and work fulfillment of individual employees," the questionnaires have shown only a gradual improvement. This suggests a future challenge for KAKEN is to make the company a more fulfilling place to work, and we are working to address this.

Reflecting on the results from the regular engagement surveys, we aim to make ongoing improvements by pursuing the Human Resource Strategy set out in Long-Term Business Plan 2031.

In addition, in FY2025, we introduced our Employee Stock Ownership Plan (J-ESOP), an employee benefits program that grants company shares as an employee incentive. We expect to increase employee engagement through employees sharing in the Company's growth as shareholders and by fostering a sense of employee participation in the enhancement of corporate value.

Trends in the Employee Engagement Survey

Item	Question Contents	FY2023 Average Raw Score (Minimum 1, maximum 4)	FY2023 Positive Response Rate (Response 3 or 4)	FY2024 Average Raw Score (Minimum 1, maximum 4)	FY2024 Positive Response Rate (Response 3 or 4)	FY2025 Average Raw Score (Minimum 1, maximum 4)	FY2025 Positive Response Rate (Response 3 or 4)
Proactive behavior and job satisfaction of individual employees	I proactively study and gather information related to my job.	2.79	70.3%	2.82	71.1%	2.85	73.0%
	I feel energized and motivated while doing my current job.	2.53	53.4%	2.55	54.2%	2.55	53.9%
	I am able to fully utilize my strengths (abilities, knowledge, skills, etc.) in my work.	2.73	66.1%	2.75	69.2%	2.76	69.0%
	I find my work fulfilling.	2.77	67.9%	2.80	68.3%	2.81	69.2%
	Sub-total (Average)	2.70	64.5%	2.73	65.7%	2.74	66.3%
Sense of belonging to the Company	I feel at ease with and have a close attachment to the Company.	2.68	64.7%	2.74	67.1%	2.74	68.3%
	I have benefited from working at the Company.	2.81	72.7%	2.88	76.3%	2.89	77.5%
	I think that the Company's medium- to long-term policies and intended direction are clear.	2.50	53.9%	2.57	57.8%	2.81	72.5%
	I can relate to the Company's corporate philosophy.	2.81	75.6%	2.85	77.5%	2.92	80.2%
	Sub-total (Average)	2.70	66.7%	2.76	69.7%	2.84	74.6%
Employee engagement	Total (Average)	2.70	65.6%	2.75	67.7%	2.79	70.5%

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

Strengthening Human Resource Development

Joy for employees

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

Engaging and Empowering Talent

Recruitment of New Graduates and Mid-Career Recruitment

When recruiting new graduates, we actively conduct open company events and presentations to give students a better understanding of KAKEN's corporate stance and the rewards of working in various roles. Through these activities, we focus on attracting promising talent who aspire to join the Company.

Moreover, when hiring people with experience, we look for candidates who have advanced and specialized skills or extensive career backgrounds that we lack within the Company, with the aim of strengthening our organization.

Providing Motivation and Proactive Promotion

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

Training and Professional Skill Development

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

Education and Training

In order for an organization to develop sustainably, all employees must develop an awareness of issues, think and act on their own initiative, and continue to grow. We have established a structured training system for employees at all levels to acquire the necessary skills, and are working to further enhance the quality and quantity of our education and training programs.



Third-year training



Training for new managers

Training Program Lineup

Companywide Training	
Management training	Manager upskilling training
	Training for new managers
	Training for new team leaders
Training for the next generation of leaders	Training for management candidates
Training by employment year	Sixth-year training
	Third-year training
Basic training for working adults	General training for newly hired employees

Department Training

- Introductory training for MRs and Scientific Information staff
- Open stage training (for second-, third-, and fourth-year MRs and Scientific Information staff)
- Intermediate stage training (for fifth-, sixth-, and seventh-year MRs and Scientific Information staff)
- Advanced stage training (for eighth-, ninth-, and 10th-year MRs)
- Language training

Feedback from Training Program Participants

I don't often find the time during my daily work to reflect on past experiences and consider my future career, so I think it was really beneficial to be able to attend this type of training. It was a very rewarding training session that allowed me to reaffirm my core values and to discover new aspects of myself of which I was previously unaware. I have also set targets for the next two years and will be working hard every day to achieve these targets.

Sixth-year training participant, 20s

The training helped confirm that I was on the right track in my approach to management, which was a boost to my confidence. At the same time, it gave me new insights and helped me identify things that I want to put into practice. Interacting with people from other departments meant I could build relationships and also had the opportunity to consider our company's challenges and possible solutions from a variety of perspectives. As a result, I was reminded of the significance of my work and what I should accomplish, which made the training very worthwhile.

New managers training participant, 40s

Upskilling/Reskilling

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

11-Year Financial and Non-Financial Highlights

		FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Operating Results												
Consolidated net sales	(Millions of yen)	109,730	101,479	98,430	94,165	89,232	74,979	76,034	72,984	72,044	94,035	**76,871**
Consolidated operating profit	(Millions of yen)	35,146	30,707	27,496	24,592	26,512	17,788	17,064	7,998	9,513	21,034	**(899)**
Operating profit margin	(%)	32.0	30.3	27.9	26.1	29.7	23.7	22.4	11.0	13.2	22.4	**–**
Profit attributable to owners of the Company	(Millions of yen)	21,143	22,017	19,043	17,775	19,370	13,405	9,549	5,440	8,025	13,945	**2,144**
Net profit margin	(%)	19.3	21.7	19.3	18.9	21.7	17.9	12.6	7.5	11.1	14.8	**2.8**
Financial Conditions												
Total assets	(Millions of yen)	132,991	135,060	152,417	155,985	157,875	163,332	165,181	166,328	171,623	193,377	**178,217**
Net assets	(Millions of yen)	89,875	102,655	113,874	121,131	128,468	136,257	138,325	136,836	143,755	152,635	**147,619**
Equity ratio	(%)	67.6	76.0	74.7	77.7	81.4	83.4	83.4	81.9	83.8	78.9	**82.8**
Return on assets (ROA)	(%)	17.0	16.4	13.2	11.5	12.3	8.3	5.8	3.3	4.7	7.6	**1.2**
Return on equity (ROE)	(%)	25.3	22.9	17.6	15.1	15.5	10.1	7.0	4.0	5.7	9.4	**1.4**
Total asset turnover	(%)	88.4	75.7	68.5	61.1	56.9	46.7	46.3	44.0	42.6	51.5	**41.4**
Financial leverage	(Times)	1.5	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.3	**1.2**
Price earnings ratio (PER)	(Times)	13.3	11.7	13.3	11.3	10.2	12.5	15.5	25.5	16.3	12.3	**73.2**
Price book-value ratio (PBR)	(Times)	3.1	2.5	2.2	1.6	1.5	1.2	1.1	1.0	0.9	1.1	**1.1**
Cash Flows												
Cash flows from operating activities	(Millions of yen)	27,067	15,327	21,703	21,129	27,468	14,380	13,336	9,253	2,577	29,780	**(11,079)**
Cash flows from investing activities	(Millions of yen)	(4,105)	(3,503)	(3,245)	(5,744)	(2,528)	(1,644)	(7,888)	(2,627)	(5,854)	(19,650)	**315**
Cash flows from financing activities	(Millions of yen)	(5,984)	(9,800)	(9,530)	(9,524)	(10,173)	(8,752)	(8,129)	(6,990)	(5,658)	(5,369)	**(8,841)**
Per-share Information												
Earnings per share	(Yen)	510.54	536.70	470.54	445.78	494.89	347.37	251.43	144.80	212.67	365.42	**56.57**
Book value per share	(Yen)	2,170.60	2,511.68	2,824.32	3,049.78	3,301.09	3,555.93	3,642.34	3,636.17	3,796.05	3,974.47	**3,898.24**
Dividends per share	(Yen)	112.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	190.0	**190.0**
Dividend payout ratio	(%)	28.6	27.9	31.9	33.6	30.3	43.2	59.7	103.6	70.5	52.0	**335.9**
Other												
Capital expenditures	(Millions of yen)	2,923	1,415	1,907	2,305	1,377	2,136	3,510	1,968	2,304	3,418	**3,684**
Depreciation and amortization	(Millions of yen)	2,242	1,937	2,124	2,153	2,312	2,318	2,481	2,546	2,596	2,475	**3,057**
R&D expenses	(Millions of yen)	5,883	6,450	8,152	10,261	6,418	6,736	8,420	15,789	12,543	18,725	**20,585**
R&D expenses to sales ratio	(%)	5.4	6.4	8.3	10.9	7.2	9.0	11.1	21.6	17.4	19.9	**26.8**
Non-Financial Indicators												
Scope 1 and 2 CO_2 emissions	(t-CO_2)	31,439	31,856	29,927	25,594	23,834	22,670	21,870	21,667	21,408	20,136	**18,559**
Water consumption	(Thousand tons)	–	4,163	4,202	3,553	3,314	2,907	2,686	2,808	2,959	3,044	**2,633**
Percentage of annual paid holidays taken	(%)	32.3	37.4	32.9	41.3	51.2	47.4	50.6	55.1	58.6	62.5	**64.5**
Percentage of women in management positions	(%)	1.1	1.5	1.6	2.1	2.1	2.5	3.5	3.8	4.1	5.6	**7.2**
Percentage of eligible male employees taking childcare leave	(%)	–	–	–	–	–	9.4	15.7	67.3	83.3	93.8	**82.9**

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

Corporate Information (As of March 31, 2026)

Company Overview

Company Name	KAKEN PHARMACEUTICAL CO., LTD.
Incorporated	March 1, 1948
Paid-in Capital	¥23,853 million
Number of Employees	1,114 (consolidated)
Representative	Hiroyuki Horiuchi, President and Representative Director
Head Office Location	28-8, Honkomagome 2-chome, Bunkyo-ku, Tokyo
Business	Manufacturing and marketing of pharmaceuticals, medical devices, crop protection products, feed additives and drugs for animals, as well as real estate leasing

Main Offices

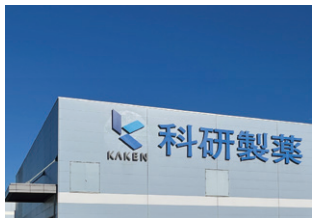
• Head Office	Bunkyo-ku, Tokyo
• Branch Offices	Sapporo (Sapporo City, Hokkaido)
	Sendai (Sendai City, Miyagi)
	Tokyo (Bunkyo-ku, Tokyo)
	Nagoya (Nagoya City, Aichi)
	Osaka (Osaka City, Osaka)
	Hiroshima (Hiroshima City, Hiroshima)
	Fukuoka (Fukuoka City, Fukuoka)
Sales Offices	33 across Japan
• Drug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

Group Companies

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


Head Office (Tokyo)


Drug Research Center (Kyoto)



Shizuoka Factory (Shizuoka)



External ESG Recognition

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2026 健康経営優良法人 KENKO Investment for Health 大規模法人部門

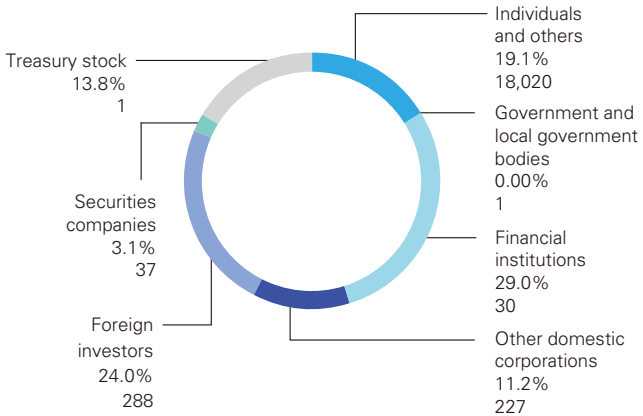
Digital Transformation Certification

Share Information (As of March 31, 2026)

Share Information

Authorized	193,000,000 shares
Issued	44,139,730 shares
Number of Shareholders	18,604
Listing	Tokyo Stock Exchange, Prime Market
Securities Code	4521
Shareholder Register Administrator	Sumitomo Mitsui Trust Bank, Limited

Shareholdings by Shareholder Type

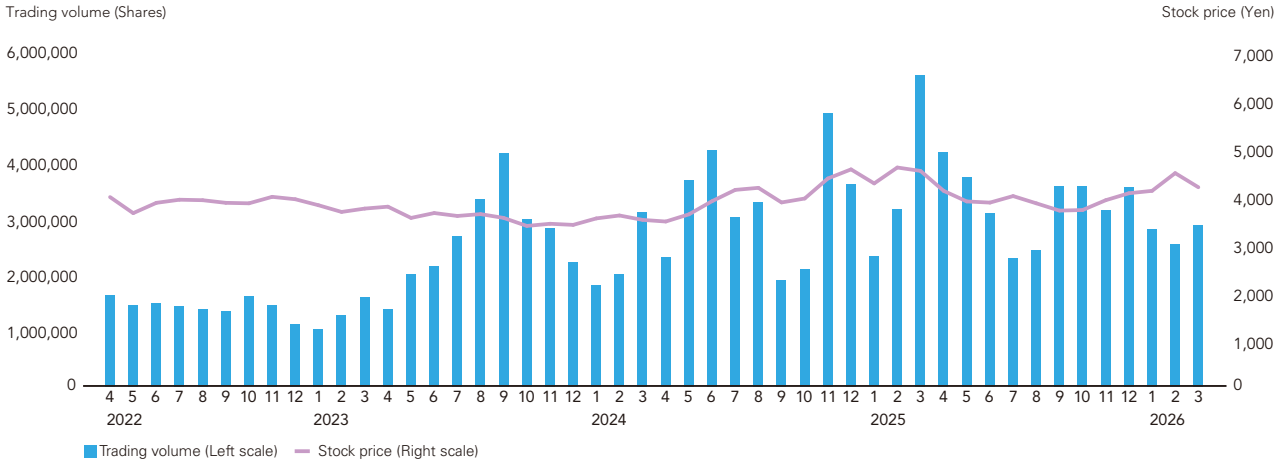


Major Shareholders (Top 10)

Shareholder	Number of shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,891	10.2
Custody Bank of Japan, Ltd. (Trust Account)	2,170	5.7
The Norinchukin Bank	1,843	4.8
Goldman Sachs & Company Regular Account	1,809	4.8
Mizuho Bank, Ltd.	1,474	3.9
Toray Industries, Inc.	1,147	3.0
STATE STREET BANK AND TRUST COMPANY 505103	955	2.5
STATE STREET BANK AND TRUST COMPANY 505001	864	2.3
KYORIN Pharmaceutical Co., Ltd.	852	2.2
Employee Shareholding Association	603	1.6

Note: The shareholding ratios are calculated after subtracting the number of shares of treasury stock (6,071,715) from the total number of shares issued.

Stock Price and Trading Volume



Total Shareholder Return

FY	2021	2022	2023	2024	2025
(%)	93.2	92.2	90.2	118.1	114.6
(Comparison index: TOPIX Total Return Index)	102.0	107.9	152.5	150.2	202.2

KAKEN PHARMACEUTICAL CO., LTD.

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Tokyo 113-8650, Japan
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https://www.kaken.co.jp/english

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