

Financial Briefing for the Fiscal Year Ended March 31, 2024 (Fiscal 2023)

**Yasuo Takehana
President and COO**

May 9, 2024

Summary of Financial Results for Fiscal 2023 and the Plan for Fiscal 2024

1. Highlights of the Financial Results for Fiscal 2023

✓ **Consolidated net sales: ¥75,579 million** **Consolidated operating profit: ¥4,017 million**

- Net sales increased 12% year on year, reaching a record high despite revenue from technical fees overseas falling below our full-year forecast.
- SG&A expenses were recorded as planned, and we were able to return to profitability in terms of operating profit, despite not reaching the level of our full-year forecast.
- ROE was 5.4%.

2. Highlights of the Plan for Fiscal 2024 (Last Year of Medium-Term Management Plan)

✓ **Consolidated net sales: ¥83,000 million** **Consolidated operating profit: ¥4,200 million**

- We expect net sales and operating profit to be less than our targets under the medium-term management plan, as we will seek to expand R&D investment amid delays in the overseas commercialization of linzagolix. However, we still expect net sales to increase 9.8% and operating profit to rise 4.6%.
- We expect to launch linzagolix in Europe in the first half.
- ROE is forecast at 5% or higher.

3. Toward Sustainable Growth

- Domestic sales expansion will be driven by Beova[®], TAVNEOS[®], CAROGRA[®], TAVALISSE[®], and KORSUVA[®]
- CG0070 and three original products are in the clinical development stage, and we plan to further introduce new products and commence clinical trials of new original products.
- Over the medium term, we aim for ROE of between 6% to 8% and a dividend payout ratio of 40% or higher.

Consolidated Financial Results for Fiscal 2023

(millions of yen)

	Fiscal 2022		Fiscal 2023			
	Result	Ratio to net sales	Plan	Result	Ratio to net sales	YoY
Net sales	67,493	100.0 %	77,500	75,579	100.0 %	12.0 %
[Pharmaceutical Business]	[56,243]	[83.3 %]	[65,000]	[63,348]	[83.8 %]	[12.6 %]
Pharmaceuticals* ¹	47,077	69.8 %	54,500	54,237	71.8 %	15.2 %
Therapeutic and care foods	3,461	5.1 %	3,600	3,545	4.7 %	2.4 %
Technical fees* ²	1,053	1.6 %	1,900	714	0.9 %	(32.2 %)
Other* ³	4,650	6.9 %	5,000	4,850	6.4 %	4.3 %
Cost of sales	35,118	52.0 %	39,300	38,238	50.6 %	8.9 %
Gross profit	32,374	48.0 %	38,200	37,341	49.4 %	15.3 %
Selling, general and administrative expenses	33,503	49.6 %	33,200	33,324	44.1 %	(0.5 %)
[R&D expenses]	[10,391]	[15.4 %]	[9,400]	[9,474]	[12.5 %]	[(8.8 %)]
Operating profit (loss)	(1,129)	—	5,000	4,017	5.3 %	—
Ordinary profit	598	0.9 %	6,700	6,142	8.1 %	925.9 %
Profit* ⁴	10,528	15.6 %	10,000	11,160	14.8 %	6.0 %

Comprehensive income

(4,229)

36,044

*1 Including active pharmaceutical ingredients (APIs) and bulk exports

*2 Includes revenue contracting fees related to out-licensing, milestone payments, and running royalties

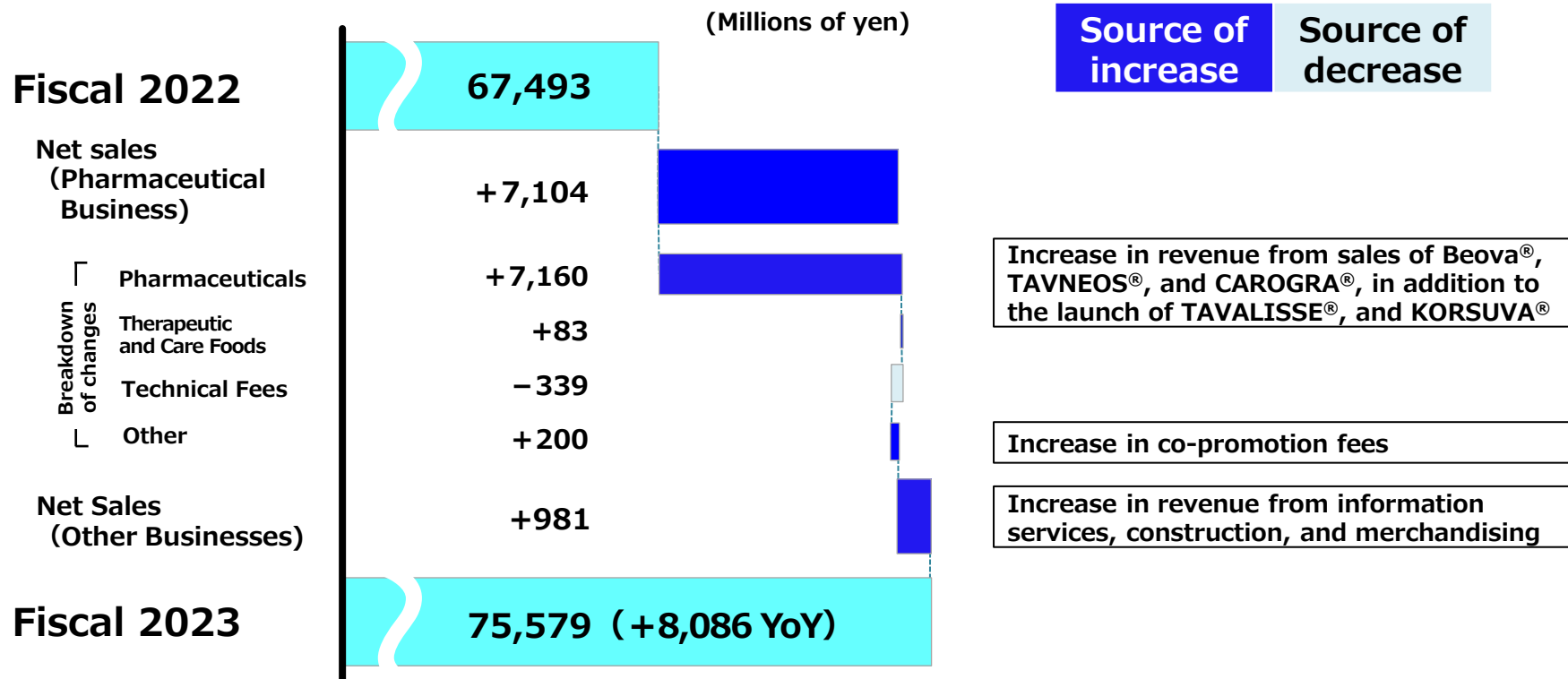
*3 Includes revenue from supply to domestic sales partners and revenue from co-promotion fees

*4 Refers to profit attributable to owners of parent

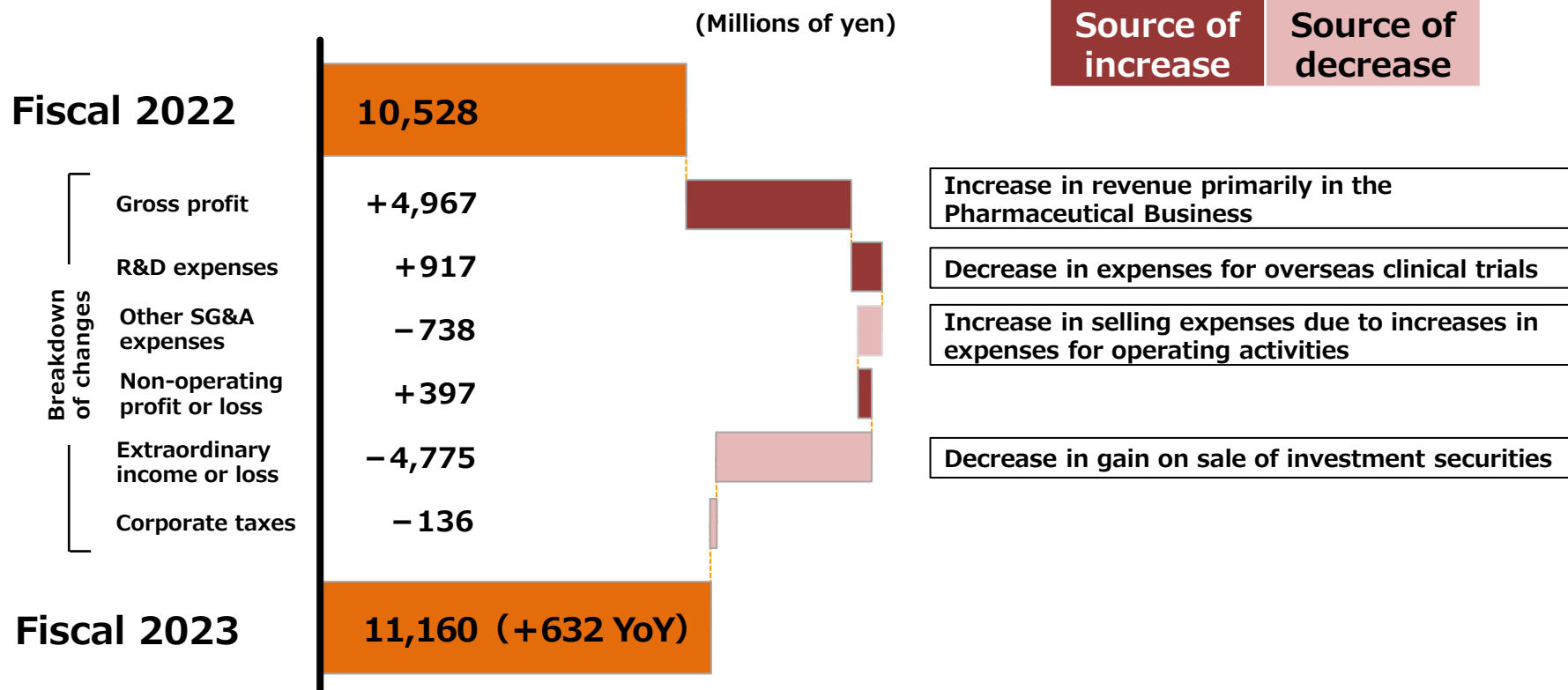
Please refer to pages 2, 3, and 9 of the Supplementary Explanatory Materials on Financial Results

Consolidated Financial Results Compared with Fiscal 2022

KISSEI



Consolidated Profit Attributable to Owners of Parent Compared with Fiscal 2022



Plan for Fiscal 2024 (Consolidated)

KISSEI

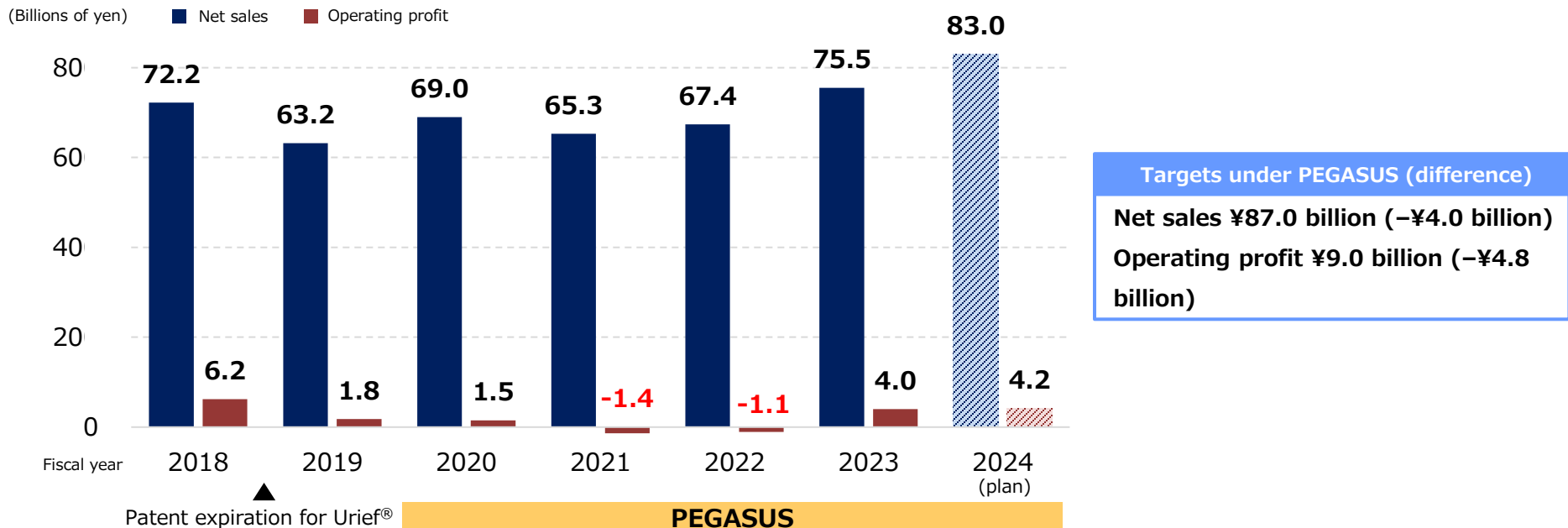
(millions of yen)

	Fiscal 2023		Fiscal 2024 Forecast			
	Result	Ratio to net sales	Full year	Ratio to net sales	YoY	First half
Net sales	75,579	100.0 %	83,000	100.0 %	9.8 %	41,000
[Pharmaceutical Business]	[63,348]	[83.8 %]	[70,500]	[84.9 %]	[11.3 %]	[35,000]
Pharmaceuticals	54,237	71.8 %	60,000	72.3 %	10.6 %	29,000
Therapeutic and care foods	3,545	4.7 %	3,600	4.3 %	1.5 %	1,800
Technical fees	714	0.9 %	2,100	2.5 %	193.9 %	2,000
Other	4,850	6.4 %	4,800	5.8 %	(1.0 %)	2,200
Cost of sales	38,238	50.6 %	42,000	50.6 %	9.8 %	20,500
Gross profit	37,341	49.4 %	41,000	49.4 %	9.8 %	20,500
Selling, general and administrative expenses	33,324	44.1 %	36,800	44.3 %	10.4 %	19,000
[R&D expenses]	[9,474]	[12.5 %]	[12,000]	[14.5 %]	[26.7 %]	[6,600]
Operating profit	4,017	5.3 %	4,200	5.1 %	4.6 %	1,500
Ordinary profit	6,142	8.1 %	5,400	6.5 %	(12.1 %)	2,200
Profit*	11,160	14.8 %	11,300	13.6 %	1.2 %	5,200

* Refers to profit attributable to owners of parent

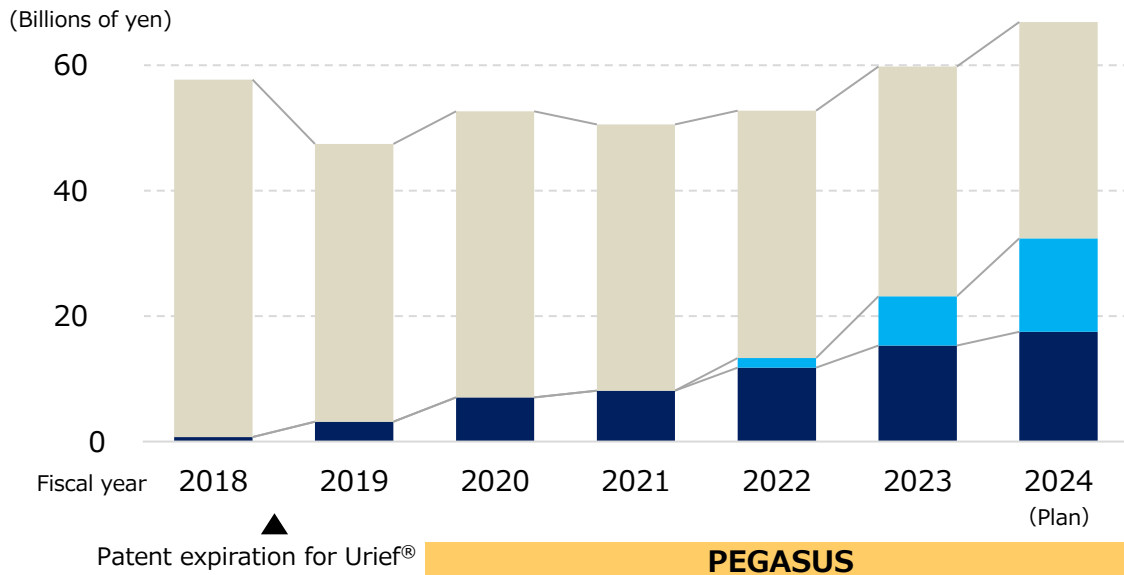
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Progress and Outlook—Net Sales and Operating Profit (Consolidated)

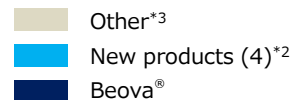


- Increase domestic net sales for the Pharmaceutical Business with plans to break previous records
- Operating profit lower than planned due to delay in overseas development for linzagolix and active investment in R&D

Progress and Outlook—Pharmaceutical Business*1



- Returned to upward growth through the continued launch of new products, including expansion of Beova®, transfer of marketing and distribution operation, and entry into co-promotion agreements
- Sales of Beova® and four new products expected to account for half of net sales in the Pharmaceutical Business in FY2024
- Overseas earnings to be generated by the European launch of linzagolix.



New products (domestic)	● Beova®	○ Darbeipoetin Alfa	○ UPASITA®*5	● CAROGRA®	● TAVNEOS®	● TAVALLISSE®	● KORSUVA®
		○ MARIZEV®*4					
		○ MINIRIN MELT®*4					

Overseas earnings	◇ Launch linzagolix in Europe
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*1 Total net sales from pharmaceutical products, technical fees, supply to domestic sales partners, and co-promotion fees
 *2 Total net sales for CAROGRA®, TAVNEOS®, TAVALLISSE®, and KORSUVA®
 *3 Total net sales covered by *1, excluding net sales from Beova®, and *2
 *4 Marketing and distribution operations transferred from other companies
 *5 Entered into co-promotion agreement

Initiatives Policy for the Final Year of PEGASUS (Fiscal 2024)

Results from the First Four Years

Initiatives Policy for Fiscal 2024

Domestic Sales of Pharmaceutical Products

- Increased sales of Beova®
- Entered the rare diseases field by launching TAVNEOS® and TAVALISSE®
- Launched CAROGRA® and KORSUVA®

- Expand Beova®, aiming for a 50% patient share*2
- Increase sales by positioning our four new products*1 as established treatments

Overseas Earnings

- European launch of linzagolix delayed
- Withdrew U.S. NDA application for linzagolix

- Launch linzagolix in Europe (first half)
- Promote new out-licensing

R&D

- Moved drugs through the pipeline, acquired NDA approval for four new products*1
- Continued annual R&D investment in the range of ¥10 billion

- Initiate clinical trials with new original products
- Acquire new development themes via in-licensing



Sustainable Growth

*1 Total net sales for CAROGRA®, TAVNEOS®, TAVALISSE®, and KORSUVA®

*2 Total for two companies selling products under the same product name

New Drug Development (In-Company)

Generic name / Development code	Expected indications	Development stage					
		Phase			NDA in process	NDA approved	Development classification
		I	II	III			
CG0070	Non-muscle-invasive bladder cancer						In-licensed / CG Oncology Joint global Phase III clinical trial
Linzagolix / KLH-2109	Uterine fibroids						Original product
	Endometriosis						Original product
KDT-3594	Parkinson's disease						Original product
KSP-0243	Ulcerative colitis						Original product

Rovatrirelin (spinocerebellar ataxia) NDA in process --> Discussions into the possibility of additional clinical trials underway

Changes from November 2023

KORSUVA® (uremic pruritus in dialysis patients*) NDA approved → Launched (removed from table)

* Indications: pruritus in hemodialysis patients (limited to the improvement of symptoms when conventional treatments are inadequate)

New Drug Development (Out-Licensing)

Generic name / Development code	Expected indications	Countries and regions	Development stage					Partner company		
			Clinical trials under preparation	Phase			Preparation to submit application		NDA in process	NDA approved
				I	II	III				
Linzagolix / KLH-2109	Uterine fibroids	Europe							Theramex	
		China							Bio Genuine	
	Taiwan							Synmosa Biopharma		
	Endometriosis	Europe							Theramex	
		China							Bio Genuine	
		South Korea							JW Pharmaceutical	
Fostamatinib / R788	Chronic ITP*1	South Korea						JW Pharmaceutical		
Silodosin	Dysuria associated with BPH*2	Vietnam, other countries						Eisai		

■ Changes from November 2023

Linzagolix (uterine fibroids, Taiwan) Preparation to submit application → NDA in process

Fostamatinib (Korea) Preparation to submit application → NDA in process

Fostamatinib (China) Clinical trials under preparation → Sublicensing agreement with Inmagine terminated (removed from table)

KDT-3594 (China, other countries) Phase II clinical trials → Licensing agreement with AffaMed Therapeutics terminated (removed from table)

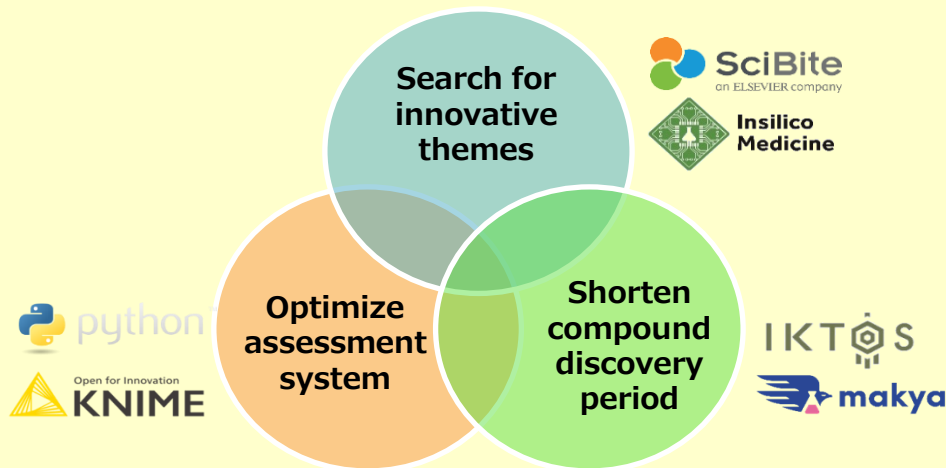
*1 idiopathic thrombocytopenic purpura

*2 benign prostatic hyperplasia

Building Up Our Pipeline Through Drug Discovery Research

KISSEI

Focus on small molecules and promote open innovation with the aim of greater speed, efficiency, and quality in the drug discovery process



Focus on small molecules to create **innovative, game-changing treatments**

Build up pipelines for original Kissei products and in-licensed products

Fiscal 2024 Plan

- Initiate clinical trials with new original products
- Acquire new development themes via in-licensing

Distribution of Profits

◆ Financial Strategy

Achieve an ROE of 5.0% or higher

Actively enhance and conduct investment; including R&D investment; strategic ICT investment (DX, etc.); and capital investment (production facilities, etc.)

◆ Basic Policy on the Distribution of Profits

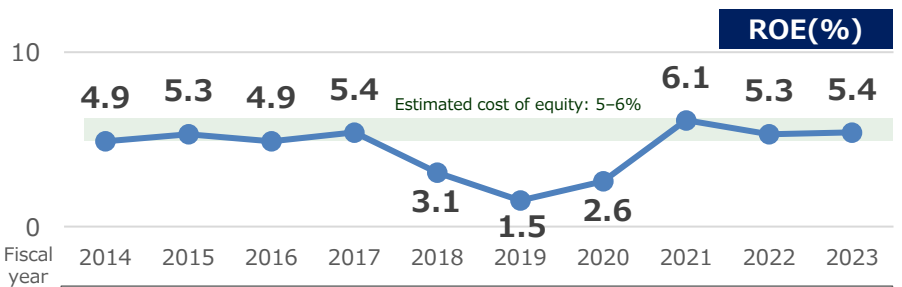
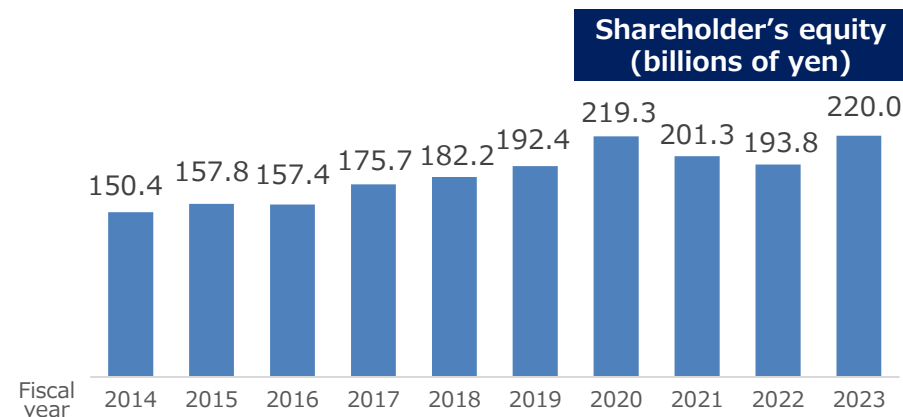
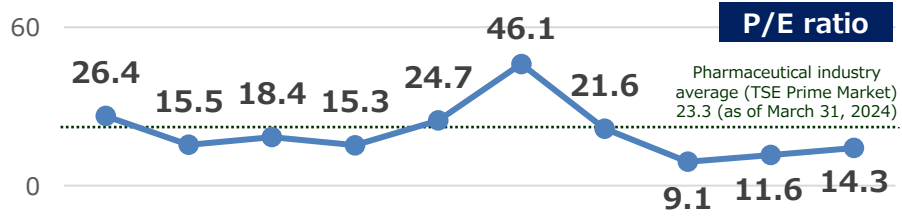
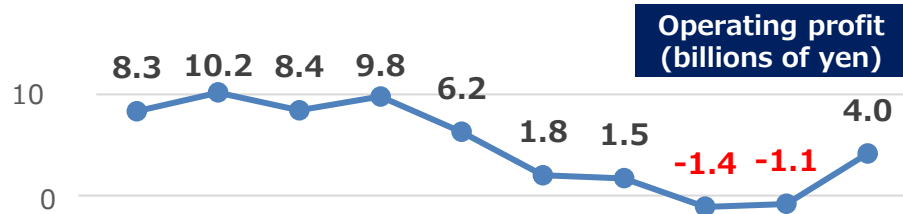
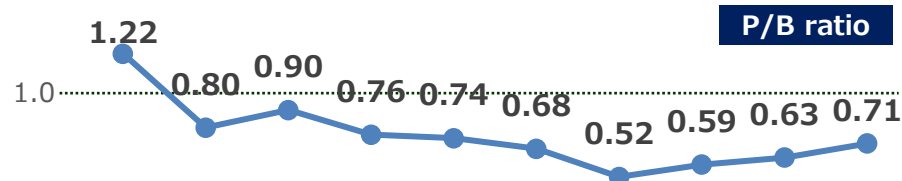
Provide stable, consistent returns to shareholders while aiming for a dividend payout ratio of 40% or higher

◆ Purchase and Disposal of Treasury Stock

Improve capital efficiency and increase shareholder returns

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024 Forecast
Annual dividend per share	¥54	¥56	¥80	¥82	¥90
Dividend payout ratio (consolidated)	47.7%	20.0%	35.0%	33.3%	35.2%
Treasury stock purchased (number of shares)	¥1.3 billion (600,000 shares)			¥6.0 billion (1,910,000 shares)	
Treasury stock canceled (number of shares)				¥57.0 billion (2,500,000 shares)	

Analysis and Assessment of Current State



«CAPM utilized as an objective reference value for estimated cost of equity»

Cost of equity: 5-6%	=	Risk-free rate: Approx. 0.7% (10-year Japanese government bonds)	+	Beta 0.7-0.9 (set by Kissei)	×	Risk premium: Approx. 6%
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Issues

- Providing information to support growth strategy
→ "Asymmetric information"
- Deviation from shareholders' expected return on capital
→ "Profitability of core business"
- Increase in shareholders' equity, stemming mainly from financial assets
→ "Capital Policy"

Vision

- Create sustainable value as an R&D-oriented pharmaceutical company
- ROE of 8% or higher, P/B ratio of 1.0 or higher, ratio of cross-shareholdings to net assets of 10% or lower

<Initiatives for the next 3 to 5 years (fiscal 2025 and beyond)>

Issues	Initiative Policies	Details		
Asymmetric information	<ul style="list-style-type: none"> • Formulate investment policies that support growth strategy • Conduct IR activities to publicize growth strategy 	<ul style="list-style-type: none"> • Clear disclosure of cash allocation • Consideration into and holding of R&D meetings 		Improve P/E ratio
Profitability of core business	<ul style="list-style-type: none"> • Increase medium- to long-term profit levels • Emphasize capital returns target 	<ul style="list-style-type: none"> • Expansion of the market for new drugs and the R&D pipeline • Gradual improvement of ROE (from 6% to 8%) 		Improve ROE
Profitability of core business	<ul style="list-style-type: none"> • Continue to provide stable dividends • Acquire treasury shares with the primary goal of increasing shareholder value • Reduce cross-shareholdings 	<ul style="list-style-type: none"> • Dividend payout ratio of 40% or higher • Flexible share buybacks (ongoing) • 30% decrease in cross-shareholdings compared to market price as of March 31, 2023 (decrease of ¥10,560 million) 		Improve P/B ratio

Cash Allocation Policy

PEGASUS (Fiscal 2020 to Fiscal 2024)

Cash in (source of capital)	Cash out (investment)
Cash flow from operating activities (before R&D expenses) ¥55.0 billion	R&D (drug discovery) ¥33.0 billion R&D (in-licensing) ¥43.0 billion
Financial assets (reduction of cross-shareholdings) ¥65.0 billion	ICT investment ¥13.0 billion Investment in production facilities/other investments ¥12.0 billion
Cash on hand ¥4.0 billion	Stable dividends / Share buyback ¥23.0 billion or higher

Total ¥124.0 billion or higher



Next 3 to 5 Years (After Fiscal 2025)

Cash in (source of capital)	Cash out (investment)
Cash from operating activities (before R&D expenses)	R&D (drug discovery) +++ (Enhance drug discovery lineup)
Cash from operating activities (before R&D expenses)	R&D (in-licensing) +++ (Expand development pipeline)
Financial assets (reduction of cross-shareholdings)	ICT investment + (Promote DX)
Financial assets (reduction of cross-shareholdings)	Investment in production facilities/other investments + (ensure stable supply, maintain high quality)
Utilization of cash on hand	Stable dividends / share buybacks ++ (increase dividends and conduct flexible share buybacks)

The number of "+" symbols indicates the degree of investment

Total ¥124.0 billion or higher



The forward-looking statements in these materials are based on Kissei's analysis of existing information and various trends as of May 2024. Actual results may differ from forecasts due to risks and uncertainties that may affect business. Although drug information, including information pertaining to drugs under development, is reported in these materials, the contents are not intended as marketing or medical advice.