Kyowa Kirin Co., Ltd.

Consolidated Financial Summary (IFRS)
Fiscal 2023

(January 1, 2023 – December 31, 2023)

This document is an English translation of the Japanese-language original.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
for Fiscal Year Ended December 31, 2023
(The twelve-month period from January 1, 2023 to December 31, 2023)

February 7, 2024

Company Name: Kyowa Kirin Co., Ltd.
Listed Exchanges: Tokyo Stock Exchange
Stock Code: 4151
President & Chief Executive Officer: Masashi Miyamoto
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Scheduled date of Ordinary General Meeting of Shareholders: March 22, 2024
Scheduled start date of dividend payment: March 25, 2024
Scheduled date of submission of Annual Securities Report: March 12, 2024
Appendix materials to accompany the annual financial report: Yes
FY2023 earnings presentation meeting: Yes (for institutional investors and securities analysts)

(Millions of yen rounded off)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Profit before tax		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	442,233	11.0	96,785	11.6	97,246	43.9	81,188	51.5
December 31, 2022	398,371	13.1	86,697	32.0	67,572	12.5	53,573	2.3

Total comprehensive income: Fiscal year ended December 31, 2023: ¥102,196 million; 101.8%
Fiscal year ended December 31, 2022: ¥50,654 million; (19.3)%

Note: Core operating profit was calculated by deducting “selling, general and administrative expenses” and “research and development expenses” from “gross profit,” and adding “share of profit (loss) of investments accounted for using equity method” to the amount.

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Profit before tax to total assets ratio
Fiscal year ended	Millions of yen	%	Yen	Yen	%	%
December 31, 2023	81,188	51.5	151.03	151.01	10.2	9.9
December 31, 2022	53,573	2.3	99.68	99.66	7.1	7.3

(Reference) Share of profit (loss) of investments accounted for using equity method:
Fiscal year ended December 31, 2023: ¥943 million;
Fiscal year ended December 31, 2022: ¥4,323 million

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2023	1,025,942	836,418	836,418	81.5	1,555.81
December 31, 2022	939,881	762,826	762,826	81.2	1,419.27

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	115,551	(20,382)	(32,535)	403,083
December 31, 2022	48,672	(17,185)	(29,032)	339,194

2. Dividends

	Dividends per share					Total dividend amount	Dividend payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2022	–	24.00	–	27.00	51.00	25,799	38.9	3.7
Fiscal year ended December 31, 2023	–	27.00	–	29.00	56.00	30,106	35.5	3.8
Fiscal year ending December 31, 2024 (Forecast)	–	29.00	–	29.00	58.00		47.6	

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	473,000	7.0	85,000	(12.2)	85,000	(12.6)	63,000	(22.4)	63,000	(22.4)	119.07

*** Notes**

(1) Changes to significant subsidiaries during the period (Changes of specified subsidiaries resulting in changes in the scope of consolidation during the period under review): No

(2) Changes in accounting policies, and accounting estimates:

a. Changes in accounting policies required by IFRS: Yes

b. Changes in accounting policies other than a. above: No

c. Changes in accounting estimates: No

Note: See page 28, "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to Consolidated Financial Statements, *Material accounting policies*."

(3) Number of shares issued (ordinary shares)

a. Number of shares issued (including treasury shares)

As of December 31, 2023	540,000,000 shares
As of December 31, 2022	540,000,000 shares

b. Number of treasury shares

As of December 31, 2023	2,390,712 shares
As of December 31, 2022	2,521,197 shares

c. Average number of shares during the period

FY ended December 31, 2023	537,575,538 shares
FY ended December 31, 2022	537,431,734 shares

(Reference)
Non-Consolidated Results for the Fiscal Year Ended December 31, 2023 (Japanese GAAP)
(from January 1, 2023 to December 31, 2023)

(1) Non-consolidated operating results *(Percentages indicate year-on-year changes.)*

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	277,161	9.2	53,427	31.5	67,218	80.3	50,370	62.2
December 31, 2022	253,790	6.8	40,634	63.8	37,287	5.8	31,047	(53.2)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2023	93.70	93.69
December 31, 2022	57.77	57.75

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	869,589	622,709	71.6	1,158.10
December 31, 2022	806,058	601,918	74.6	1,119.48

(Reference) Equity: As of December 31, 2023: ¥622,606 million; As of December 31, 2022: ¥601,699 million

* These financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Notice regarding the appropriate use of the earnings forecasts and other special comments
The forward-looking statements, including earnings forecasts, contained in these materials are based on the information currently available to the Company and on certain assumptions deemed to be reasonable by management. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ materially from these projections for a wide variety of reasons.
For more information regarding our suppositions that form the assumptions for the earnings forecasts, please see page 17 of the attachment, “(5) Outlook for Fiscal 2024” in “1. Summary of Business Performance and Financial Position.”

Attachment Index

1. Summary of Business Performance and Financial Position

< Overview of business >

Amid enormous and complex changes in the business environment, including increasing geopolitical risks and soaring prices of raw materials and energy, among other factors, the Group carried out activities such as strengthening research and development, production, and logistics, and collecting and providing information with the aim of providing drugs that satisfy unmet medical needs.

In 2023, the Group continued to promote initiatives aimed at realizing the Group's vision for 2030: Kyowa Kirin will realize the successful creation and delivery of life-changing value that ultimately makes people smile, as a Japan-based Global Specialty Pharmaceutical company built on the diverse team of experts with shared passion for innovation.

In seeking to maximize the value of its global strategic products such as Crysvita and Poteligeo, the Group has worked to improve access to medicines for patients worldwide while launching its own marketing for Crysvita in the United States and concentrating on Crysvita and Poteligeo through the joint venture partnership in the established medicines business*1 in Europe.

Regarding the next-generation strategic products, the Group continued to promote developing KHK4083 for the therapeutic areas of immunology/allergy through multiple clinical studies in collaboration with Amgen Inc. of the United States. In Japan, although the Group decided to discontinue the development of RTA402 in the nephrology field, it received an approval for manufacturing and marketing of PHOZEVEL for the improvement of hyperphosphatemia in chronic kidney disease patients on dialysis. The Group has also started a clinical study for KK2260, which incorporates the Company's proprietary bispecific antibody technology REGULGENT, and is preparing for a clinical study for KK2269. As a key step in the creation of innovative drugs, the Company entered into an acquisition agreement*2 with Orchard Therapeutics plc, a UK company that serves as a global leader in hematopoietic stem cell gene therapy (HSC-GT*3). At the Takasaki Plant, the Group completed construction of a new quality assurance-related multipurpose facility (Q-TOWER) incorporating cutting-edge equipment, and started construction of a new biopharmaceutical API manufacturing building, in seeking to ensure stable supply of quality-assured pharmaceuticals.

For initiatives aimed at the realization of a sustainable society, the Group has reduced CO_2 emissions by approximately 54% from the 2019 level by introducing renewable energy*4 and other actions.

*1 This type of business mainly handles patent-expired branded drugs and generics.

*2 The Company completed the acquisition of the shares of Orchard Therapeutics plc (making it into a subsidiary) on January 24, 2024. See page 30, "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to Consolidated Financial Statements, *Significant subsequent events*."

*3 Hematopoietic stem cell gene therapy

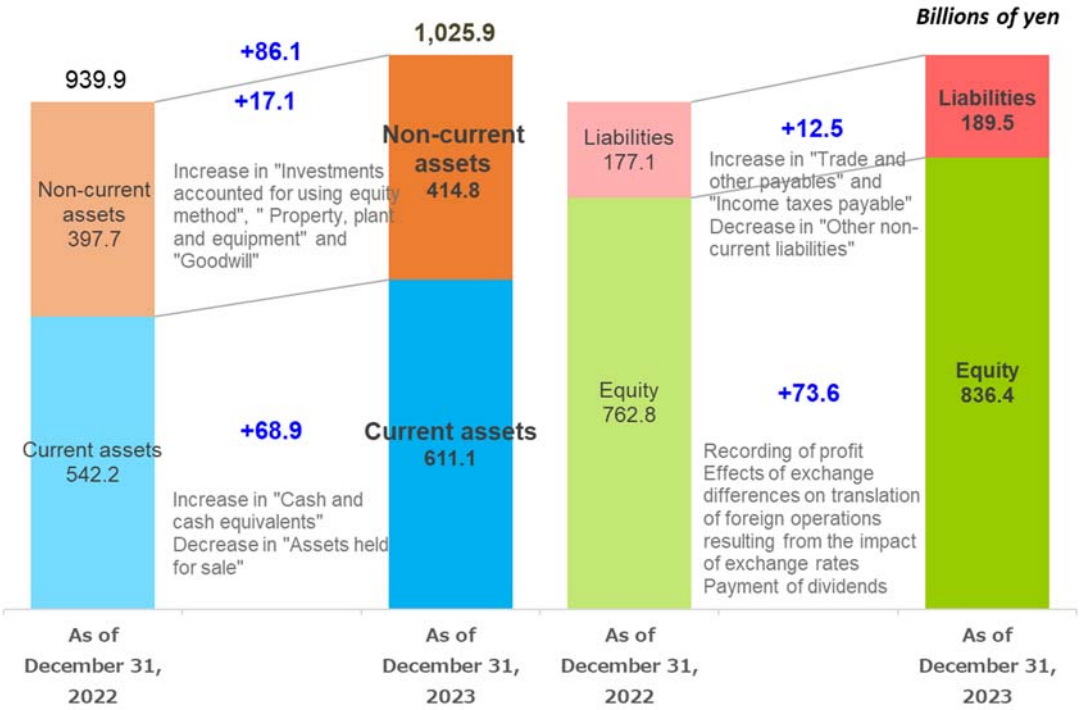
*4 Renewable energy aligned with RE100 criteria has been adopted with respect to all purchased electricity at the two plant and three laboratory locations.

(1) Summary of Consolidated Financial Position for Fiscal 2023

(Billions of yen)

	As of December 31, 2022	As of December 31, 2023	Year-on-year change
Assets	939.9	1,025.9	86.1
Non-current assets	397.7	414.8	17.1
Current assets	542.2	611.1	68.9
Liabilities	177.1	189.5	12.5
Equity	762.8	836.4	73.6
Ratio of equity attributable to owners of parent to total assets (%)	81.2%	81.5%	0.3%

- Assets as of December 31, 2023, were ¥1,025.9 billion, an increase of ¥86.1 billion compared to the end of the previous fiscal year.
  - Non-current assets increased by ¥17.1 billion compared to the end of the previous fiscal year, to ¥414.8 billion, due mainly to an increase in property, plant and equipment and an increase in goodwill due to the effect of yen depreciation in foreign exchange, in addition to an increase in investments accounted for using equity method following the shift to a joint-venture structure for the established medicines business in Europe.
  - Current assets increased by ¥68.9 billion compared to the end of the previous fiscal year, to ¥611.1 billion, due mainly to an increase in cash and cash equivalents, despite a decrease in assets held for sale.
- Liabilities as of December 31, 2023, were ¥189.5 billion, an increase of ¥12.5 billion compared to the end of the previous fiscal year, due mainly to an increase in trade and other payables, despite a decrease in other non-current liabilities caused by a decrease in contract liabilities.
- Equity as of December 31, 2023, was ¥836.4 billion, an increase of ¥73.6 billion compared to the end of the previous fiscal year, due mainly to an increase due to the recording of profit attributable to owners of parent as well as an increase in exchange differences on translation of foreign operations resulting from the impact of exchange rates, despite a decrease due to the payment of dividends, etc. As a result, the ratio of equity attributable to owners of parent to total assets was 81.5%, an increase of 0.3 percentage points compared to the end of the previous fiscal year.



(2) Summary of Business Performance in Fiscal 2023

1) Overview of results

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

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Revenue	398.4	442.2	43.9	11.0%
Core operating profit	86.7	96.8	10.1	11.6%
Profit before tax	67.6	97.2	29.7	43.9%
Profit attributable to owners of parent	53.6	81.2	27.6	51.5%

< Average exchange rates for each period >

Currency	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change
USD (USD/¥)	¥130	¥140	Up ¥10
GBP (GBP/¥)	¥161	¥174	Up ¥13
EUR (EUR/¥)	¥137	¥151	Up ¥14

For the fiscal year ended December 31, 2023, revenue was ¥442.2 billion (up 11.0% compared to the previous fiscal year) and core operating profit was ¥96.8 billion (up 11.6%). Profit attributable to owners of parent was ¥81.2 billion (up 51.5%).

- The increase in revenue was the result of growth of global strategic products mainly in North America and a rise in revenue from technology out-licensing. The positive effect on revenue from foreign exchange was ¥18.9 billion.
- Core operating profit increased as a result of higher gross profit achieved due to gains in overseas revenue and revenue from technology out-licensing, despite higher research and development expenses and a decrease in share of profit (loss) of investments accounted for using equity method. The positive effect on core operating profit from foreign exchange was ¥6.5 billion.
- Profit attributable to owners of parent increased as a result of an increase in other income due mainly to the gain on sales of share and valuation of remaining share following the shift to a joint-venture structure for the established medicines business in Europe, in addition to an increase in core operating profit, and a decrease in other expenses due mainly to a decrease in impairment losses.

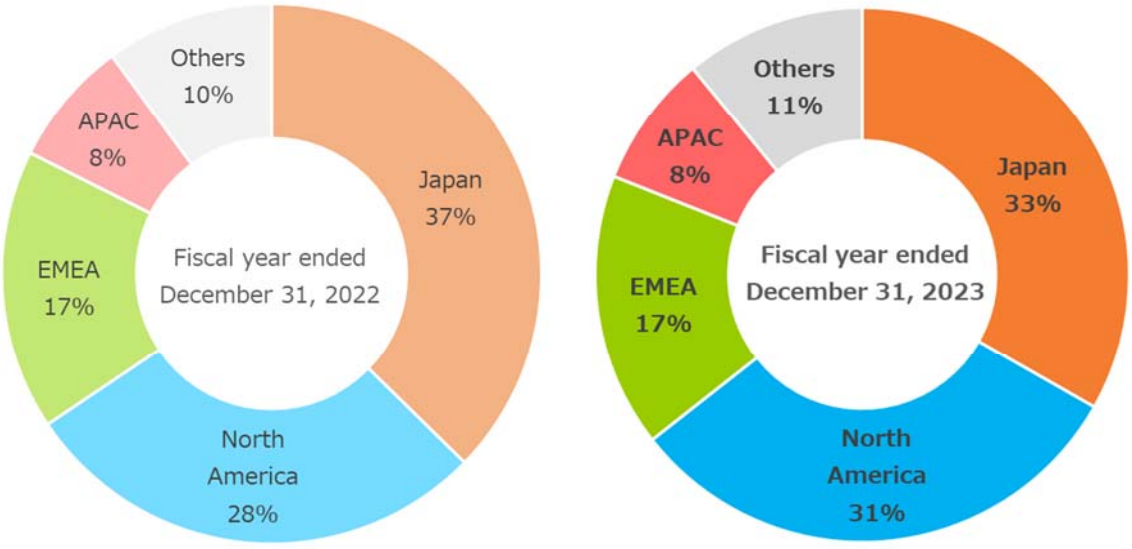
2) Revenue by regional control function

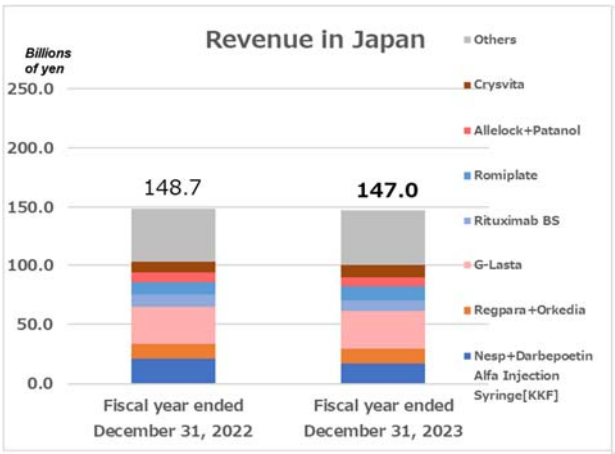
(Billions of yen)

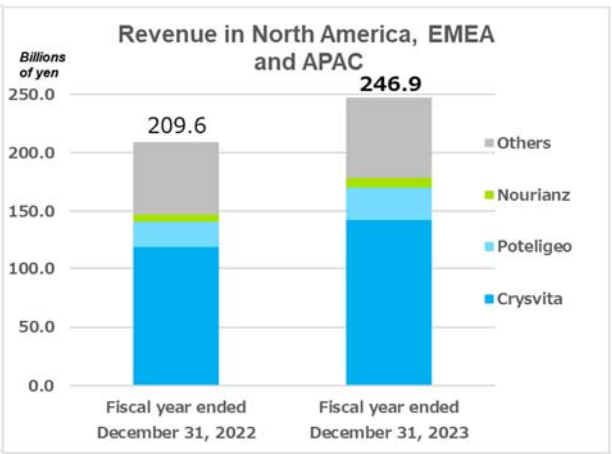
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Japan	148.7	147.0	(1.7)	(1.1)%
North America	112.6	137.8	25.2	22.4%
EMEA	66.9	73.3	6.5	9.7%
APAC	30.1	35.7	5.5	18.3%
Others	40.1	48.4	8.3	20.7%
Total consolidated revenue	398.4	442.2	43.9	11.0%

Notes:
1. Revenue by regional control function is classified based on consolidated revenue from products of regional control functions in the One Kyowa Kirin (OKK) matrix global management structure, which combines a regional organization based on four regions of Japan, North America, EMEA and APAC, a functional organization, and a product organization (product franchises).
2. EMEA consists of Europe, the Middle East, Africa, etc.
3. Others consists of revenue from technology out-licensing, original equipment manufacturing, etc.

Composition of revenue by regional control function







< Revenue of major products (Japan) >

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Darbepoetin Alfa Injection Syringe [KKF]	17.6	14.0	(3.6)	(20.6)%
Duvroq	6.6	9.9	3.4	51.5%
G-Lasta	31.1	31.9	0.9	2.8%
Romiplate	10.4	12.0	1.5	14.6%
Crysvita	8.9	10.5	1.6	18.4%

- Revenue in Japan decreased year on year due mainly to the impact of the reductions in drug price standards implemented in April 2022 and April 2023, despite the growth in sales of Duvroq, a treatment for renal anemia, and other products.

・ Revenue from Darbepoetin Alfa Injection Syringe [KKF] decreased due to the impact of the reductions in drug price standards and the market penetration of rival products.

・ Revenue from Duvroq, a treatment for renal anemia, has been growing steadily since its launch in 2020.

・ Revenue from G-Lasta, an agent for decreasing the incidence of febrile neutropenia, increased due to the launch of the automated injection device Bodypod in December 2022.

・ Revenue from ROMIPLATE, a treatment for chronic idiopathic thrombocytopenic purpura, increased as a result of receiving approval for a partial change to the approved indication from “aplastic anemia in patients who had an inadequate response to conventional therapy” to “aplastic anemia” in September 2023, in addition to receiving approval of its indication for treatment of patients with aplastic anemia who have had an inadequate response to conventional therapy, in 2019, and as a result of penetrating the market.

・ Revenue from Crysvita, a treatment for FGF23-related diseases, has been growing steadily since its launch in 2019.

< Revenue of major products (overseas) >

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Crysvita	118.2	142.0	23.7	20.1%
Poteligeo	22.3	28.4	6.1	27.3%
Nourianz	6.5	8.2	1.8	27.4%
Gran	8.2	6.9	(1.3)	(15.4)%

- Revenue in North America increased year on year due to the growth of global strategic products.
  - Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing steadily since its launch in 2018.
  - Revenue from Poteligeo, an anticancer agent, has been growing since its launch in 2018.
  - Revenue from Nourianz (product name in Japan: NOURIAST), an antiparkinsonian agent, has been growing since its launch in 2019.

- Revenue in EMEA increased year on year due to factors such as growth of global strategic products and proceeds from transfer of rights to Tostran, despite a drop in revenue from the established medicines.
  - Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing as the number of countries where it has been released has been increasing since its launch in 2018.
  - Revenue from Poteligeo, an anticancer agent, has been growing as the number of countries where it has been released has been increasing since its launch in 2020.
  - Following the shift to a joint venture with Grünenthal for the established medicines business, in August 2023, revenue for 13 brands shifted from product sales to sales royalties and license fees, which led to a decrease in revenue from established medicines such as Abstral.
  - Revenue of £62.5 million (¥11.5 billion) was recorded in October 2023 due to the transfer of the rights for Tostran, an established medicine, to ADVANZ PHARMA.

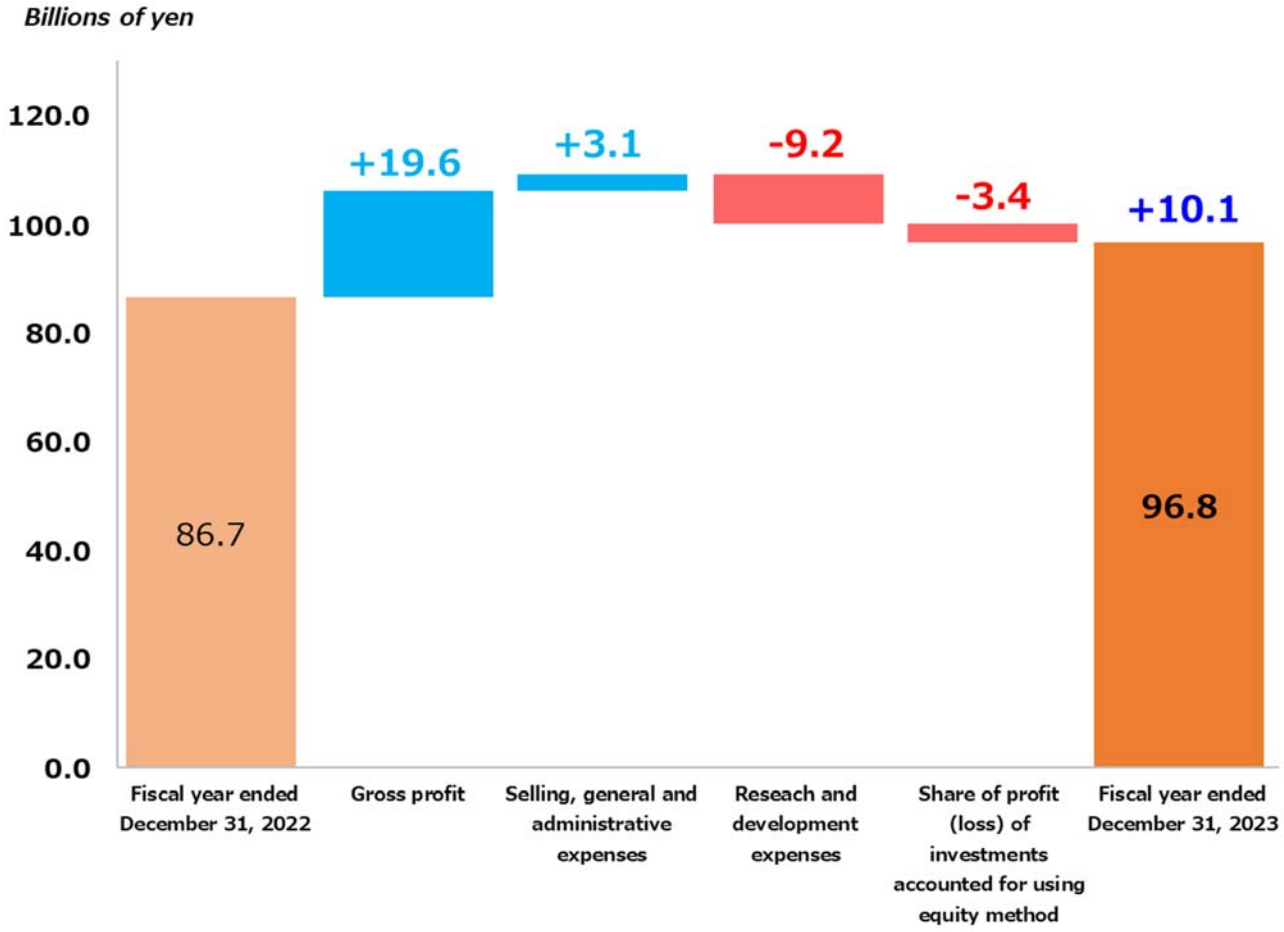
- Revenue in APAC increased year on year.
  - Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing particularly in Australia where sales were launched in November 2022.
  - Revenue from Gran, a neutropenia treatment drug, declined due to the impact of the centralized governmental purchasing system* that started in some regions in China.

    * Volume-Based Procurement (VBP) program that was introduced in 2018 for reducing healthcare cost in China. Even though only 2 to 5 companies are selected as suppliers through a tender, drug prices are dramatically dropped down.

< Revenue from Others >

- Revenue from Others increased year on year.
  - Royalties revenue from AstraZeneca in relation to benralizumab increased.

3) Core operating profit



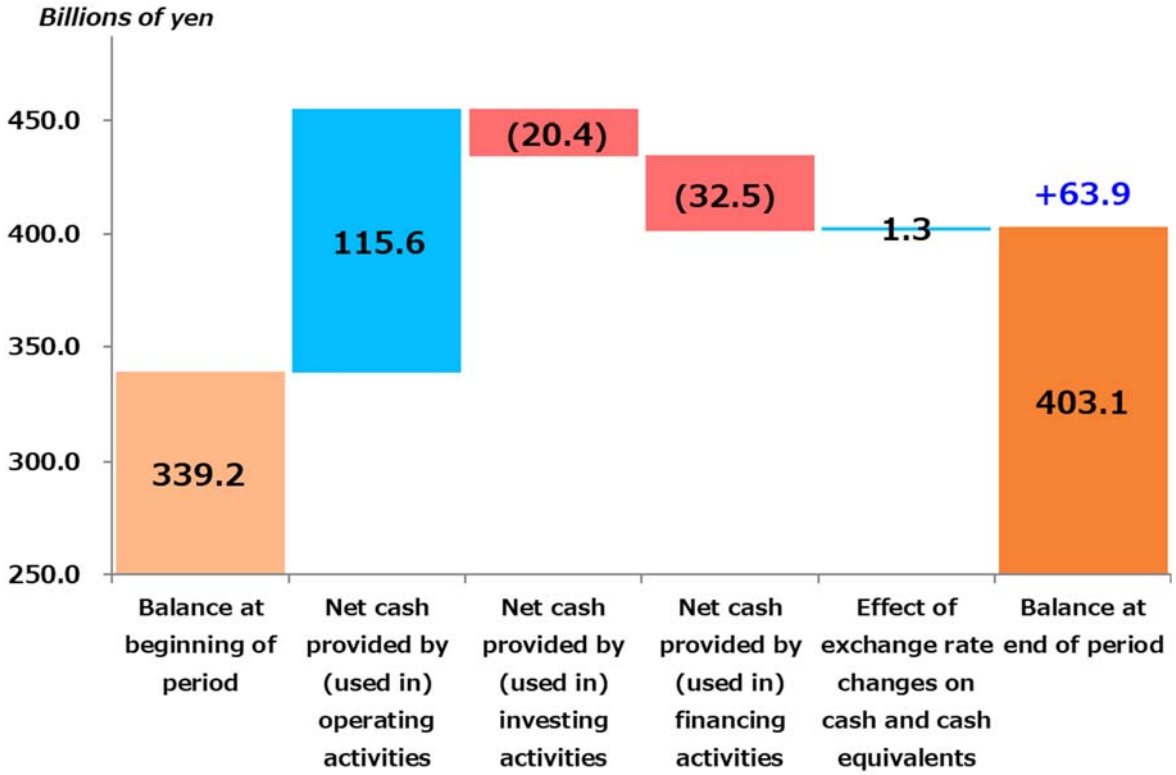
- Core operating profit increased from the previous fiscal year due to growth in revenue from global strategic products mainly in North America and a rise in gross profit from revenue from technology out-licensing, despite an increase mainly in personnel expenses for starting the Group's own marketing of Crysvita in North America on April 27, 2023 and a decrease in share of profit (loss) of investments accounted for using equity method, in addition to an increase in research and development expenses as a result of progress in development for KHK4083, for which a multi-regional phase III clinical trial is ongoing, and other factors.

(3) Cash Flow Summary for Fiscal 2023

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Net cash provided by (used in) operating activities	48.7	115.6	66.9	137.4%
Net cash provided by (used in) investing activities	(17.2)	(20.4)	(3.2)	18.6%
Net cash provided by (used in) financing activities	(29.0)	(32.5)	(3.5)	12.1%
Cash and cash equivalents at beginning of period	335.1	339.2	4.1	1.2%
Cash and cash equivalents at end of period	339.2	403.1	63.9	18.8%

- Cash and cash equivalents as of December 31, 2023 were ¥403.1 billion, an increase of ¥63.9 billion compared to the balance of ¥339.2 billion as of December 31, 2022.
  The main contributing factors affecting cash flow during the current fiscal year were as follows:
- Net cash provided by operating activities was ¥115.6 billion, compared with net cash provided by operating activities of ¥48.7 billion in the previous fiscal year. Major inflows were depreciation and amortization of ¥21.1 billion, foreign exchange loss (gain) of ¥13.2 billion mainly relating to exchange differences on translation of foreign currency denominated deposits from consolidated subsidiaries as of December 31, 2023, and impairment losses (reversal of impairment losses) of ¥10.8 billion, in addition to profit before tax of ¥97.2 billion. Major outflows included gain on sales of share and valuation of remaining share of ¥14.8 billion and income taxes paid of ¥8.6 billion.
- Net cash used in investing activities was ¥20.4 billion, compared with net cash used in investing activities of ¥17.2 billion in the previous fiscal year. Major outflows were purchase of property, plant and equipment of ¥17.2 billion and purchase of intangible assets of ¥15.6 billion. Major inflows were proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation of ¥7.8 billion and proceeds from redemption of bonds of subsidiaries and associates of ¥5.0 billion.
- Net cash used in financing activities was ¥32.5 billion, compared with net cash used in financing activities of ¥29.0 billion in the previous fiscal year. A major outflow was dividends paid of ¥29.0 billion.



(4) Research and Development Activities

The Group continuously and actively invests resources in research and development activities. The Group aims to advance both a technological pillar that can build a platform for applying various modalities and discovering innovative drugs and a disease pillar that continues to provide “only-one value drugs” for diseases for which there are no effective treatments while utilizing the disease science accumulated by the Group thus far, build a highly competitive pipeline, and provide new drugs with life-changing value worldwide.

For the fiscal year ended December 31, 2023, the Group’s research and development expenses totaled ¥72.1 billion, and its progress in the respective disease fields of its main late-stage development products is as follows. (“◆” indicates the progress made during the fourth quarter of fiscal 2023.)

Nephrology

KHK7580 (product name in Japan: ORKEDIA)

- An application for approval has been submitted for marketing as its indication for treatment of secondary hyperparathyroidism in China (application filed in July 2022).
- ◆ In November 2023, the Group received an approval for marketing as its indication for treatment of secondary hyperparathyroidism in South Korea.

KW-3357 (product name in Japan: Acoalan)

- ◆ The Group conducted a Phase III clinical study for the treatment of preeclampsia in Japan, but decided to discontinue its development upon taking into account results of the clinical study.

KHK7791 (product name in Japan: PHOZEVEL)

- In September 2023, the Group received an approval for manufacturing and marketing in Japan for the improvement of hyperphosphatemia in chronic kidney disease patients on dialysis.

Oncology

KRN125 (product name in Japan: G-Lasta)

- In July 2023, the Group applied for partial change of approved indication in the oncology field for the mobilization of hematopoietic stem cells into peripheral blood for autologous blood stem cell transplantation in Japan.

Immunology and allergy

KHK4827 (product name in Japan: LUMICEF)

- An application for a partial change for approval has been submitted for its planned indication for treatment for systemic sclerosis in Japan (application filed in December 2021).
- In August 2023, approval was acquired in Japan for a partial change for approval of its indication for treatment of palmoplantar pustulosis.

Other

AMG531 (product name in Japan: Romiplate)

- In September 2023, approval was acquired in Japan for a partial change to the approved indication from “aplastic anemia in patients who had an inadequate response to conventional therapy” to “aplastic anemia.”

R&D pipeline

antibody　protein　small molecule　◎ New Molecular Entity　Updated since Dec. 31, 2022　Updated since Sep. 30, 2023

Nephrology　As of Dec 31, 2023

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph Ⅰ	Ph Ⅱ	Ph Ⅲ	Filed	Approved	[In-House or Licensed] Remarks
KHK7580 Evocalcet Oral	Calcimimetic	Secondary Hyperparathyroidism	KR					▶	[Mitsubishi Tanabe Pharma] product name in Japan: Orkedia
			CN TW				▶		
KHK7791 Tenapanor Hydrochloride Oral	NHE3 Inhibitor	Hyperphosphatemia in Patients on Dialysis	JP				▶	▶	[Ardelyx] product name in Japan: Phozevel
KRN1493 Cinacalcet Hydrochloride Oral	Calcimimetic	Primary Hyperparathyroidism	HK				▶	▶	[NPS Pharmaceuticals] product name in Japan: Regpara

Since the development of KW-3357 for preeclampsia was discontinued in Japan, the relevant information was deleted from this table.

Oncology

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph Ⅰ	Ph Ⅱ	Ph Ⅲ	Filed	Approved	[In-House or Licensed] Remarks
KW-0761 Mogamulizumab Injection	Anti-CCR4 Humanized Antibody	Mycosis Fungoides and Sézary Syndrome	KW IL					▶	[In-House] POTELLIGENT product name in Japan, US and Europe: Poteligeo
			ME				▶		
			RS				▶		
			TW SG				▶		
KRN125 Pegfilgrastim Injection	Long-Acting Granulocyte Colony-Stimulating Factor	Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Autologous Blood Stem Cell Transplantation	JP				▶		[Amgen K-A] product name in Japan: G-Lasta
KK2260 Injection	EGFR-TfR1Bispecific Antibody	Solid Tumor	JP	▶					[In-House] Bispecific antibody utilized REGULGENT Fully human antibody production technology

Immunology/Allergy

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph Ⅰ	Ph Ⅱ	Ph Ⅲ	Filed	Approved	[In-House or Licensed] Remarks
KHK4827 Brodalumab Injection	Anti-IL-17 Receptor A Fully Human Antibody	Ankylosing Spondylitis	TH					▶	[Amgen K-A] product name in Japan and Asia: Lumicef
		Non-radiographic Axial Spondyloarthritis	TH					▶	
		Palmoplantar Pustulosis	JP					▶	
		Systemic Sclerosis	JP				▶		
◎KHK4083/AMG 451 Rocatinlimab Injection	Anti-OX40 Fully Human Antibody	Atopic Dermatitis	JP NA Europe Middle East CN Asia Oceania others			▶			[In-House] POTELLIGENT Fully human antibody production technology Collaboration agreement with Amgen for the development of KHK4083/AMG 451 in all the countries except for Japan.
◎KK4277 Injection	Anti-PTPRS Humanized Antibody	Systemic Lupus Erythematosus/Cutaneous Lupus Erythematosus	JP Asia	▶					[SBI Biotech] POTELLIGENT

Other

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	Stage Ph Ⅰ / Ph Ⅱ / Ph Ⅲ / Filed / Approved	[In-House or Licensed] Remarks
KRN23 Burosumab Injection	Anti-FGF23 Fully Human Antibody	Tumor Induced Osteomalacia (TIO)	OM QA UAE	Approved	[In-House] Fully human antibody production technology Jointly Developed with Ultragenyx in US and Europe product name in Japan, US and Europe: Crysvita
			KW BH	Filed	
			RS	Filed / Approved	
			ME MK	Filed	
			BA	Filed	
		X-linked Hypophosphatemia (XLH)	MO	Filed / Approved	
			RS	Filed / Approved	
			MK ME	Filed	
			BA	Filed	
AMG531 Romiplostim Injection	Thrombopoietin Receptor Agonist	Aplastic Anemia Previously Untreated with Immunosuppressive Therapy	JP	Approved	[Amgen K-A] product name in Japan: Romiplate
			Asia	Ph Ⅱ / Ph Ⅲ	
		Treatment of Aplastic Anemia (AA) Which Is Refractory to Immunosuppressive Therapy or Immunosuppressive Therapy Being Not Suitable	HK	Filed	
KW-3357 Antithrombin Gamma Injection	Recombinant Human Antithrombin	Disseminated Intravascular Coagulation, Congenital Antithrombin Deficiency	Europe	Ph Ⅰ	[In-House] product name in Japan: Acoalan
KHK4951 Tivozanib Ophthalmic	VEGF Receptor Tyrosine Kinase Inhibitor	Neovascular (wet) Age-Related Macular Degeneration	JP	Ph Ⅰ	[In-House]

Notes: Our main progress from December 31, 2023 are as follows.

- In January 2024, we started phase I clinical trial of KK2269 for treatment for solid tumor in the oncology field in Japan and North America.
- In January 2024, we started phase II clinical trial of KHK4951 (generic name : tivozanib) for treatment for diabetic macular edema in the other field in Japan, North America, South Korea, and Australia.

(5) Outlook for Fiscal 2024

(Billions of yen)

	Fiscal year ended December 31, 2023	**Outlook for fiscal 2024**	Year-on-year change	Rate of change (%)
Revenue	442.2	**473.0**	30.8	7.0%
Core operating profit	96.8	**85.0**	(11.8)	(12.2)%
Profit before tax	97.2	**85.0**	(12.2)	(12.6)%
Profit attributable to owners of parent	81.2	**63.0**	(18.2)	(22.4)%

Note: These forecasts assume average exchange rates of ¥140/US$, ¥180/British pound and ¥155/Euro.

Financial performance indicators

	Fiscal year ended December 31, 2023	**Outlook for fiscal 2024**	
ROE	10.2%	**7.6%**	Profit / Average beginning and ending equity
Revenue growth ratio (CAGR)	11.6%	**10.4%**	Annual average growth rate with fiscal 2020 as base year
R&D expense ratio	16.3%	**21.1%**	Research and development expenses / Revenue
Core operating profit ratio	21.9%	**18.0%**	Core operating profit / Revenue
Dividend payout ratio (Note)	35.5%	**47.6%**	

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

- Consolidated financial earnings forecasts for fiscal 2024 are for revenue of ¥473.0 billion (up 7.0% compared to the current fiscal year), core operating profit of ¥85.0 billion (down 12.2%), profit before tax of ¥85.0 billion (down 12.6%), and profit attributable to owners of parent of ¥63.0 billion (down 22.4%).
- Revenue is expected to increase compared to the current fiscal year given the likelihood of growth in global strategic products centered on Crysvita and an increase in revenue from technology out-licensing, despite the prospect of a decrease in G-Lasta due to effects of biosimilar products in Japan.
- A year-on-year decrease is forecasted for core operating profit, despite an expected increase in gross profit attributable to higher revenue, given the prospect of higher research and development expenses and selling, general and administrative expenses associated with having completed the acquisition of Orchard Therapeutics plc on January 24, 2024, in addition to a substantial increase in research and development expenses accompanying progress in development projects particularly for KHK4083.
- A year-on-year decrease is forecasted for profit before tax due to the downturn in core operating profit.
- A year-on-year decrease is forecasted for profit attributable to owners of parent due to the prospects of an increase in income tax expense, in addition to lower profit before tax.
- Concerning cash flows from operating activities, the Company expects a decrease in net cash provided relative to that of the current fiscal year due to the prospects of higher income taxes paid, in addition to lower profit before tax.
- Concerning cash flows from investing activities, the Company expects an increase in net cash used relative to that of the current fiscal year given the likelihood of an increase in cash used in purchase of property, plant and equipment and purchase of intangible assets, in addition to cash used in the

purchase of subsidiary shares accompanying change in scope of consolidation associated with the acquisition of Orchard Therapeutics plc. Regarding strategic partnering, M&A and other strategic investments, the Company will continue to evaluate and conduct investment using a flexible approach.
● Concerning cash flows from financing activities, the Company expects an increase in net cash used relative to that of the current fiscal year given anticipated cash outflows for the purchase of treasury shares. As regards the purchase of treasury shares and the sourcing of funds, we will continue to remain flexible and act as appropriate for the economic and funding environment.

As a result of the above, cash and cash equivalents as of the end of fiscal 2024 are expected to decrease from fiscal 2023.

Note: The above financial position outlook is based on information currently available to the Company and on certain assumptions deemed to be reasonable by management. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ materially from these projections for a wide variety of reasons.

(6) Basic Policy on Profit Distribution: Fiscal 2023 and Fiscal 2024 Dividends

The Company regards the return of profits to its shareholders as one of its key management priorities. The basis of the Company's policy regarding the distribution of profits is to pay dividends stably in light of a comprehensive consideration of factors including consolidated results and dividend payout ratio for each fiscal year, while also increasing its retained earnings for future business development and other purposes. The Company plans to improve its capital efficiency with regards to the purchase of treasury shares by taking a flexible approach while considering the share price in the market and other factors. The Company considers it a top priority to use internal reserve funds for investments for future growth (R&D investments, strategic investments and capital expenditures) in order to achieve sustainable growth from fiscal 2025 and maximize corporate value.
As the dividend policy, the Company set its target dividend payout ratio based on core EPS at 40% in the FY2021-2025 Medium Term Business Plan. The Company aims to ensure a stable and sustained increase in the level of dividend payment (continuous increase of dividend payments) in line with medium- to long-term growth in profits.
In accordance with the above-mentioned policy, the Board of Directors has resolved to pay a year-end dividend for fiscal 2023 of ¥29 per share. As a result, the Company expects to increase dividends for the seventh year in a row. The annual dividend is expected to be ¥56, an increase of ¥5 compared to the previous fiscal year, including an interim dividend of ¥27. With respect to the year-end dividend, the Company plans to submit a proposal at the 101st Ordinary General Meeting of Shareholders to be held on March 22, 2024.

Dividends of Surplus

	Details of resolution (March 22, 2024)	Dividend forecast most recently announced (Announced on February 7, 2023)	Fiscal 2022 results (Fiscal year ended December 31, 2022)
Record date	December 31, 2023	Same as left	December 31, 2022
Dividend per share (Yen)	29.00	27.00	27.00
Total dividend amount (Millions of yen)	15,591	–	14,512
Effective date	March 25, 2024	–	March 27, 2023
Dividend resource	Retained earnings	–	Retained earnings

(Reference) Breakdown of Dividends per Share

(Yen)

	Fiscal 2023 (Fiscal year ended December 31, 2023)	Dividend forecast most recently announced (Announced on February 7, 2023)	Fiscal 2022 results (Fiscal year ended December 31, 2022)
[Second quarter-end]	[27.00]	[27.00]	[24.00]
Fiscal year-end	29.00(Note)	27.00	27.00
Dividends per share	56.00	54.00	51.00

Note: The fiscal year-end dividend (¥29.00) for the current term (fiscal year ended December 31, 2023) is based on the assumption that it will be approved at the 101st Ordinary General Meeting of Shareholders scheduled to be held on March 22, 2024.

For the fiscal year ending December 31, 2024, the Company expects to pay an annual dividend of ¥58 per share, an increase of ¥2 compared to the current fiscal year, consisting of an interim dividend of ¥29 and a year-end dividend of ¥29. For details of the "core EPS," refer to "(5) Outlook for Fiscal 2024."

2. Basic Rationale for Selection of Accounting Standards

The Group has applied IFRS from fiscal 2017 to enhance the international comparability of its financial information in the capital markets, and unify the process of the Group’s accounting.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Non-current assets		
Property, plant and equipment	89,099	94,508
Goodwill	135,761	140,450
Intangible assets	64,786	62,918
Investments accounted for using equity method	–	12,357
Other financial assets	36,531	33,374
Retirement benefit asset	15,212	15,655
Deferred tax assets	52,946	49,538
Other non-current assets	3,357	6,018
Total non-current assets	397,692	414,818
Current assets		
Inventories	70,675	71,363
Trade and other receivables	111,746	119,082
Other financial assets	526	1,923
Other current assets	14,094	15,673
Cash and cash equivalents	339,194	403,083
Subtotal	536,235	611,124
Assets held for sale	5,955	–
Total current assets	542,189	611,124
Total assets	939,881	1,025,942

(1) Consolidated Statement of Financial Position (continued)

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Equity		
Share capital	26,745	26,745
Capital surplus	464,434	464,731
Treasury shares	(3,177)	(2,933)
Retained earnings	285,842	338,764
Other components of equity	(11,018)	9,112
Total equity attributable to owners of parent	762,826	836,418
Total equity	762,826	836,418
Liabilities		
Non-current liabilities		
Liabilities from application of equity method	15,529	13,966
Retirement benefit liability	287	293
Provisions	7,532	8,439
Deferred tax liabilities	404	428
Other financial liabilities	17,549	16,111
Other non-current liabilities	25,929	17,049
Total non-current liabilities	67,229	56,287
Current liabilities		
Trade and other payables	70,922	92,983
Provisions	2,966	2,379
Other financial liabilities	5,729	8,136
Income taxes payable	1,582	4,022
Other current liabilities	28,627	25,718
Total current liabilities	109,825	133,237
Total liabilities	177,055	189,524
Total equity and liabilities	939,881	1,025,942

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Revenue	398,371	442,233
Cost of sales	(86,915)	(111,207)
Gross profit	311,455	331,026
Selling, general and administrative expenses	(166,185)	(163,078)
Research and development expenses	(62,896)	(72,106)
Share of profit (loss) of investments accounted for using equity method	4,323	943
Other income	1,705	16,785
Other expenses	(23,061)	(21,007)
Finance income	3,319	4,873
Finance costs	(1,088)	(190)
Profit before tax	67,572	97,246
Income tax expense	(14,000)	(16,058)
Profit	53,573	81,188
Profit attributable to		
Owners of parent	53,573	81,188
Earnings per share		
Basic earnings per share (Yen)	99.68	151.03
Diluted earnings per share (Yen)	99.66	151.01

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	53,573	81,188
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,068	1,157
Remeasurements of defined benefit plans	961	579
Total of items that will not be reclassified to profit or loss	2,029	1,735
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(5,068)	21,017
Cash flow hedges	–	(1,798)
Share of other comprehensive income of investments accounted for using equity method	121	53
Total of items that may be reclassified to profit or loss	(4,948)	19,272
Other comprehensive income	(2,918)	21,008
Comprehensive income	50,654	102,196
Comprehensive income attributable to		
Owners of parent	50,654	102,196

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance at January 1, 2022	26,745	464,153	(3,359)	255,528	414	(7,299)
Profit	–	–	–	53,573	–	–
Other comprehensive income	–	–	–	–	–	(4,948)
Total comprehensive income	–	–	–	53,573	–	(4,948)
Dividends of surplus	–	–	–	(25,258)	–	–
Purchase of treasury shares	–	–	(11)	–	–	–
Disposal of treasury shares	–	(35)	118	–	–	–
Share-based remuneration transactions	–	315	76	–	(196)	–
Transfer from other components of equity to retained earnings	–	–	–	2,000	–	–
Total transactions with owners	–	281	183	(23,258)	(196)	–
Balance at December 31, 2022	26,745	464,434	(3,177)	285,842	219	(12,247)

	Equity attributable to owners of parent					Total equity
	Other components of equity				Total	
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Total		
Balance at January 1, 2022	980	–	–	(5,904)	737,162	737,162
Profit	–	–	–	–	53,573	53,573
Other comprehensive income	1,068	961	–	(2,918)	(2,918)	(2,918)
Total comprehensive income	1,068	961	–	(2,918)	50,654	50,654
Dividends of surplus	–	–	–	–	(25,258)	(25,258)
Purchase of treasury shares	–	–	–	–	(11)	(11)
Disposal of treasury shares	–	–	–	–	83	83
Share-based remuneration transactions	–	–	–	(196)	195	195
Transfer from other components of equity to retained earnings	(1,038)	(961)	–	(2,000)	–	–
Total transactions with owners	(1,038)	(961)	–	(2,195)	(24,990)	(24,990)
Balance at December 31, 2022	1,010	–	–	(11,018)	762,826	762,826

(3) Consolidated Statement of Changes in Equity (continued)

Fiscal year ended December 31, 2023

(Millions of yen)

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

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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before tax	67,572	97,246
Depreciation and amortization	18,476	21,096
Impairment losses (reversal of impairment losses)	17,979	10,780
Increase (decrease) in provisions	1,570	496
Share of loss (profit) of investments accounted for using equity method	(4,323)	(943)
Gain on sales of share and valuation of remaining share (gain)	–	(14,799)
Foreign exchange loss (gain)	(8,917)	13,205
Decrease (increase) in inventories	(8,896)	(3,306)
Decrease (increase) in trade receivables	(2,704)	(2,931)
Increase (decrease) in trade payables	(5,867)	4,839
Increase (decrease) in contract liabilities	(7,321)	(8,149)
Income taxes paid	(22,559)	(8,610)
Other	3,662	6,628
Net cash provided by (used in) operating activities	48,672	115,551
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,564)	(17,213)
Purchase of intangible assets	(13,102)	(15,639)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	–	7,780
Purchase of investment securities	(1,908)	–
Proceeds from sale of investment securities	3,687	–
Advance receipt from sale of investment securities	4,229	–
Proceeds from redemption of bonds of subsidiaries and associates	4,000	5,000
Other	1,473	(310)
Net cash provided by (used in) investing activities	(17,185)	(20,382)
Cash flows from financing activities		
Repayments of lease liabilities	(3,767)	(3,640)
Purchase of treasury shares	(11)	(10)
Dividends paid	(25,258)	(29,027)
Other	3	143
Net cash provided by (used in) financing activities	(29,032)	(32,535)
Effect of exchange rate changes on cash and cash equivalents	1,655	1,255
Net increase (decrease) in cash and cash equivalents	4,111	63,889
Cash and cash equivalents at beginning of period	335,084	339,194
Cash and cash equivalents at end of period	339,194	403,083

(5) Notes to Consolidated Financial Statements

Notes on going concern assumption

No applicable items.

Material accounting policies

The material accounting policies adopted for the Consolidated Financial Statements are the same as those for the Consolidated Financial Statements for the fiscal year ended December 31, 2022, except for the following item.

IAS 12 "Income Taxes" (amended in May 2023)

Starting from the fiscal year ended December 31, 2023, the Group has applied International Tax Reform—Pillar Two Model Rules ("Amendments to IAS 12").
The Group has applied the exception provided in Amendments to IAS 12, and it does not recognize and does not disclose information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules.
This change is not expected to have a material impact on the consolidated financial statements.

Changes in presentation

Consolidated Statement of Cash Flows

"Foreign exchange loss (gain)," which had previously been included in "Other" of "Cash flows from operating activities" in the fiscal year ended December 31, 2022, has been presented separately because its monetary materiality has increased. To reflect this change in the presentation method, the Group has reclassified the amount in its Consolidated Financial Statements for the fiscal year ended December 31, 2022.
As a result, negative ¥5,255 million presented as "Other" in "Cash flows from operating activities" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022, was reclassified as "Foreign exchange loss (gain)" of negative ¥8,917 million and "Other" of ¥3,662 million.

Segment information, etc.

(1) Outline of reportable segments

The Group omitted information by reportable segment as the Group consists of only the one reportable segment, which is the Pharmaceuticals business.

(2) Information about products and services

Breakdown of revenue from external customers by product and service is as follows.

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Products	364,596	400,372
Revenue from technology out-licensing	33,775	41,860
Total	398,371	442,233

(3) Information about geographical areas

i. Revenue

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Japan	154,636	153,462
Americas	143,905	177,296
(Of which, the U.S.)	139,852	172,242
Europe	62,251	65,745
Asia	37,368	44,759
Other	210	972
Total	398,371	442,233

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

ii. Non-current assets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Japan	226,529	232,661
Americas	13,508	15,229
Europe	49,253	52,469
Asia	3,713	3,535
Total	293,002	303,894

Note: Non-current assets are classified based on the location of assets, and do not include investments accounted for using the equity method, financial instruments, retirement benefit asset and deferred tax assets.

(4) Information about major customers

The customer that accounts for 10% or more of revenue in the consolidated statement of profit or loss is as follows:

(Millions of yen)

Customer	Fiscal year ended December 31, 2022	Fiscal year ended December 31,2023
CVS Caremark Corporation	–	46,923

Note: Revenue of CVS Caremark Corporation in the fiscal year ended December 31, 2022 is not presented because it is less than 10% of revenue stated in the consolidated statement of profit or loss.

Per share information

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit attributable to ordinary equity holders of parent		
Profit attributable to owners of parent *(Millions of yen)*	53,573	81,188
Profit not attributable to ordinary equity holders of parent *(Millions of yen)*	–	–
Profit used to calculate earnings per share *(Millions of yen)*	53,573	81,188
Weighted average number of ordinary shares outstanding during year *(Shares)*	537,431,734	537,575,538
Increase in number of ordinary shares		
Share acquisition rights *(Shares)*	138,523	58,985
Weighted average number of dilutive potential ordinary shares during year *(Shares)*	537,570,257	537,634,523
Earnings per share		
Basic earnings per share *(Yen)*	99.68	151.03
Diluted earnings per share *(Yen)*	99.66	151.01

Significant subsequent events

(Acquisition of a company, through the purchase of shares/Regarding the purchase of shares in Orchard Therapeutics plc [making it into a subsidiary])

At a meeting of the Board of Directors held on October 5, 2023, the Company resolved to acquire 100% of the issued shares of the UK-based biopharmaceutical company Orchard Therapeutics plc (hereinafter referred to as “Orchard”). The acquisition of all Orchard shares through a Scheme of Arrangement procedure under the UK Companies Act 2006 was completed on January 24, 2024. With this acquisition, Orchard has become a wholly owned subsidiary of the Company.

(1) Purpose and reason of the share acquisitions

This acquisition of shares marks an important step toward the “creation of innovative pharmaceutical products,” which the Company has selected as a materiality (key management issue) for the fulfillment of its 2030 Vision. The gene therapy approach pioneered by Orchard Therapeutics harnesses the unique power of a patient’s own genetically modified hematopoietic stem cells (HSCs) to potentially correct the underlying cause of a genetic disease using a single administration. As a leading provider of hematopoietic stem cell gene therapy (HSC-GT), Orchard is steadily building a track record in this field, having already released an HSC-GT product for the treatment of lysosomal disease in Europe. The product is also under review for approval in the United States. The Company seeks to combine its strengths in bio-pharmaceuticals with Orchard’s strengths related to cellular gene therapy research to develop pharmaceuticals to meet future unmet needs and create life-changing value.

(2) Name, description of business, and size of company whose shares were acquired

(i)	Name	Orchard Therapeutics plc
(ii)	Location	245 Hammersmith Road, 3rd Floor London W6 8PW United Kingdom
(iii)	Job title and name of representative	Chief Executive Officer Bobby Gaspar
(iv)	Description of business	Development and commercialization of hematopoietic stem cell gene therapy
(v)	Share capital	$29,463 thousand (as of September 30, 2023)
(vi)	Year of establishment	2015

(3) Timing of the acquisition

January 24, 2024

(4) Number of shares acquired and acquisition price

(i)	Number of shares held before change	0 shares (Number of voting rights: 0 rights) (Ownership ratio of voting rights: 0%)
(ii)	Number of shares acquired	22,817,354 shares (Number of voting rights: 18,246,822)
(iii)	Acquisition price	$16.00 per ADS, approx. $387.6 million (approx. ¥57.4 billion)
(iv)	Number of shares held after change	22,817,354 shares (Ratio of voting rights held: 100%)

Notes: 1. Calculated at an exchange rate of 1 US dollar to 148 Japanese yen.

2. The number of shares acquired is based on the assumption that all ordinary shares were converted to ADSs. The acquisition price represents the amount required to make payments on all outstanding common shares, ADSs, options, Restricted Stock Units, and other securities. In addition, if the FDA approves OTL-200 for sale in the US, shareholders will be entitled to receive an additional US$1.00 per ADS. An additional $1.00 will be paid for an acquisition price of $17.00 per ADS, or approximately $477.8 million (¥70.7 billion) if the conditions are met.

Purchase and cancellation of treasury shares

At a meeting of the Board of Directors held on February 7, 2024, the Company resolved to purchase treasury shares pursuant to Article 156 of the Companies Act as modified by the provision of Article 165, Paragraph 3 of the same act, as well as deciding on the specific method of such purchase, and to cancel treasury shares pursuant to Article 178 of the Companies Act, as follows.

(1) Reason for the purchase and cancellation of treasury shares

In addition to repurchasing treasury shares to improve capital efficiency and increase shareholder returns, the Company will also cancel treasury shares to dispel concerns about the future dilution of its shares.

(2) Details of matters relating to purchase

(i)	Type of shares to be purchased	Ordinary shares of the Company
(ii)	Total number of shares to be purchased	17,000,000 shares (maximum) (Maximum ratio to the total number of shares issued [excluding treasury shares]: 3.2%)
(iii)	Total value of shares to be purchased	¥40,000 million (maximum)
(iv)	Purchase period	From February 13, 2024 to October 31, 2024 (planned)
(v)	Purchase method	Market purchase based on the Tokyo Stock Exchange's discretionary investment contract.

(3) Details of matters relating to cancellation

(i)	Type of shares to be cancelled	Ordinary shares of the Company
(ii)	Nnumber of shares to be cancelled	All of the treasury shares to be repurchased based on (2)
(iii)	Scheduled date of cancellation	November 14, 2024