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May 7, 2025

To whom it may concern:

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Representative	Mutsuo Kanzawa, Chairman and CEO (Stock code 4547; Prime Market, Tokyo Stock Exchange)
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Notice Concerning Revision of the Executive Compensation System

KISSEI PHARMACEUTICAL CO., LTD. (the “Company”) hereby announces that, at the Board of Directors meeting held on May 7, 2025, it resolved to revise the compensation system for Directors and Audit & Supervisory Board Members as described below, and to propose related agenda items at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2025 (hereinafter “General Meeting of Shareholders”).

1. Purpose of the Revision

The Company has decided to revise its compensation system for Directors in order to enhance awareness of contributing to the Company’s further sustainable growth and increase in medium- to long-term corporate value as an R&D-oriented pharmaceutical company. In conjunction with this, the Company has also decided to revise the amount of compensation for Audit & Supervisory Board Members. This revision is subject to the approval of shareholders at the General Meeting of Shareholders.

2. Details of the Revision to the Director Compensation System

(1) Maximum Compensation and Compensation Structure for Directors

Although the current maximum compensation for the Company’s Directors was approved at the 63rd Annual General Meeting of Shareholders held on June 26, 2008 to be ¥50 million per month (however, not including employee salaries), compensation for Directors will now comprise (i) base salary as fixed compensation, (ii) performance-linked bonus as a short-term incentive, and (iii) restricted stock compensation as a medium- to long-term incentive (however, compensation for Outside Directors will comprise only (i) above).

In accordance with this, the total amount of compensation for Directors will be changed from a monthly to an

annual basis, to a maximum of ¥0.6 billion per year (equivalent to 12 times the current monthly maximum of ¥50 million) (of which, a maximum of ¥50 million per year for Outside Directors). Within this amount, the monetary compensation framework will now comprise (i) base salary, (ii) performance-linked bonus with a maximum of ¥0.5 billion per year (of which, for Outside Directors, (i) above will be a maximum of ¥50 million per year), and the (iii) restricted stock compensation with a maximum of ¥0.1 billion per year.

(2) Monetary Compensation for Directors

After the revision, monetary compensation for Directors will comprise (i) base salary and (ii) performance-linked bonus (however, compensation for Outside Directors will consist only of (i) above). The overview of each type of compensation is as follows:

<Overview of Each Type of Compensation>

(i) Base Salary (Fixed Compensation)

Base salary is fixed monetary compensation determined by the Company's Board of Directors, taking into consideration each Director's experience, the balance of compensation among positions, and Company performance.

(ii) Performance-linked Bonus (Short-term Incentive)

Performance-linked bonus is a type of performance-based compensation that, in principle, uses consolidated operating profit targets as an indicator, and provides monetary compensation based on the achievement rate of such targets during the period from April 1 to March 31 of the following year (hereinafter "evaluation period"; the initial evaluation period will be the fiscal year from April 1, 2025, to March 31, 2026). Accordingly, monetary compensation is provided based on the achievement of numerical performance targets, and at present, whether such compensation will be paid to each Director and the amount thereof has not been determined, but it will be provided within the predetermined maximum limit.

(3) Restricted Stock Compensation

Restricted Stock Compensation is compensation that provides common shares of the Company with a certain transfer restriction period. Directors (excluding Outside Directors, hereinafter "Eligible Directors") will, based on a resolution of the Company's Board of Directors, either (i) receive an issuance or disposal of the Company's common shares (restricted stock) without requiring monetary payment in exchange for the shares as compensation for the execution of their duties as Directors (hereinafter "Free Grant Method"), or (ii) receive an issuance or disposal of the Company's common shares (restricted stock) by contributing all of the monetary compensation claims provided by the Company as property contributed in kind (hereinafter "In-kind Contribution Method"). The total number of common shares of the Company to be issued or disposed of to the Eligible Directors shall be no more than 40,000 shares per year (however, in the event of a stock split or stock consolidation of the Company's common shares or other circumstances where an adjustment of the number of shares is necessary, the number of shares to be issued or disposed of may be reasonably adjusted).

The total amount of common shares of the Company to be issued or disposed of for granting restricted stock shall be, as stated above, within the current compensation framework for Directors, a maximum of ¥100 million per year (in the case of (i) the Free Grant Method, although no monetary payment is required for the grant of restricted stock, the compensation amount for Eligible Directors shall be calculated based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding the date of each Board of Directors resolution concerning the restricted stock grant (if no trading occurs on that day, the closing price on the most recent trading day prior to that), and in the case of (ii) the In-kind Contribution Method, the payment amount per share shall be determined by the Board of Directors within a range that is not particularly favorable to the Eligible Directors, based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding the date of each Board of Directors resolution concerning the restricted stock grant (if no trading occurs on that day, the closing price on the most recent trading day prior to that)).

To achieve the purpose of introducing the restricted stock compensation system, which is to realize further sustainable growth and increase medium- to long-term corporate value as a company, the transfer restriction period shall be from the date of grant of the restricted stock until the date when the Eligible Director loses the position of Director of the Company or other position determined by the Company's Board of Directors. The specific timing of payment and allocation to each Eligible Director shall be determined by the Board of Directors. When issuing or disposing of the Company's common shares under the restricted stock compensation system, a restricted stock allocation agreement (hereinafter, the "Allocation Agreement") shall be concluded between the Company and the Eligible Directors, which shall include the following provisions:

- (i) The Eligible Directors shall not transfer, establish a security interest on, or otherwise dispose of the Company's common shares allocated under the Allocation Agreement for a predetermined period
- (ii) The Company may acquire such common shares without compensation under certain circumstances

3. Details of the Revision to the Audit & Supervisory Board Member Compensation System

In consideration of the change in the compensation for Directors from a monthly to an annual basis, the amount of compensation for Audit & Supervisory Board Members will also be changed from a maximum of ¥8 million per month to a maximum of ¥96 million per year (equivalent to 12 times the current monthly maximum of ¥8 million).

4. Introduction of Restricted Stock Compensation System for Executive Officers

Subject to the approval of the introduction of restricted stock compensation for Eligible Directors at the General Meeting of Shareholders, a similar system is planned to be introduced for the Company's Executive Officers.

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