

Financial Data Book 2024

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Consolidated Balance Sheet

KISSEI PHARMACEUTICAL CO., LTD. and its subsidiaries
At March 31, 2023 and 2024

Assets	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Current Assets			
Cash and deposits	¥ 25,893	¥ 22,894	\$ 151,215
Notes receivable - trade	173	126	832
Accounts receivable - trade	21,910	27,664	182,721
Contract assets	696	889	5,872
Securities	23,706	23,039	152,173
Merchandise and finished goods	12,679	14,310	94,518
Work in process	129	304	2,008
Raw materials and supplies	9,990	11,682	77,160
Other	5,461	3,640	24,042
Total current assets	100,641	104,551	690,561
Non-Current Assets			
Property, plant and equipment			
Buildings and structures*2	39,026	38,954	257,292
Accumulated depreciation	(30,848)	(30,954)	(204,452)
Buildings and structures, net	8,177	7,999	52,834
Land*2	13,615	13,594	89,789
Construction in progress	27	383	2,530
Other	16,116	16,855	111,328
Accumulated depreciation	(13,357)	(13,972)	(92,285)
Other, net	2,758	2,883	19,042
Total property, plant and equipment	24,579	24,861	164,207
Intangible Assets			
Software	1,192	1,444	9,538
Goodwill	—	309	2,041
Other	314	239	1,579
Total intangible assets	1,507	1,992	13,157
Investments and Other Assets			
Investment securities*1	74,769	106,361	702,517
Long-term loans receivable	5	5	33
Long-term prepaid expenses	15,209	14,219	93,917
Retirement benefit asset	3,089	7,311	48,289
Deferred tax assets	433	608	4,016
Other	983	1,034	6,830
Allowance for doubtful accounts	(18)	(18)	(119)
Total investments and other assets	94,472	129,523	855,502
Total non-current assets	120,558	156,377	1,032,873
Total assets	¥221,200	¥260,929	\$1,723,441

The accompanying notes are an integral part of these financial statements.

Liabilities	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Current Liabilities			
Notes and accounts payable - trade	¥ 4,617	¥ 4,893	\$ 32,318
Short-term borrowings	1,490	1,340	8,851
Income taxes payable	408	2,380	15,720
Provision for bonuses	1,670	1,847	12,199
Provision for bonuses for directors (and other officers)	9	9	59
Provision for sales promotion expenses	149	143	945
Contract liabilities	1,846	1,486	9,815
Other	4,764	5,562	36,737
Total current liabilities	14,957	17,663	116,664

Non-Current Liabilities			
Deferred tax liabilities	10,426	21,188	139,947
Provision for retirement benefits for directors (and other officers)	192	209	1,380
Asset retirement obligations	139	143	945
Other	669	588	3,884
Total non-current liabilities	11,428	22,129	146,162
Total liabilities	26,385	39,793	262,834

Net Assets			
Shareholders' equity			
Share capital	24,356	24,356	160,872
Capital surplus	24,226	24,226	160,013
Retained earnings	125,576	127,310	840,885
Treasury shares	(12,912)	(13,209)	(87,246)
Total shareholders' equity	161,246	162,683	1,074,524
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	30,393	52,782	348,626
Remeasurements of defined benefit plans	2,259	4,562	30,132
Total accumulated other comprehensive income	32,653	57,344	378,758
Non-controlling interests	914	1,107	7,312
Total net assets	194,814	221,136	1,460,608
Total liabilities and net assets	¥221,200	¥260,929	\$1,723,441

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income and
Consolidated Statement of Comprehensive Income

KISSEI PHARMACEUTICAL CO., LTD. and its subsidiaries
For the years ended March 31, 2023 and 2024

Consolidated Statement of Income

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net Sales*1	¥67,493	¥75,579	\$499,201
Cost of sales	35,118	38,238	252,563
Gross profit	32,374	37,341	246,638
Selling, General and Administrative Expenses*2, *3	33,503	33,324	220,106
Operating profit (loss)	(1,129)	4,017	26,532
Non-Operating Income			
Interest income	23	21	139
Dividend income	1,379	1,297	8,567
Gain on sale of securities	50	585	3,864
Gain on valuation of securities	65	307	2,028
Foreign exchange gains	186	—	—
Other	131	116	766
Total non-operating income	1,837	2,329	15,383
Non-Operating Expenses			
Interest expenses	20	18	119
Foreign exchange losses	—	103	680
Provision of allowance for doubtful accounts	15	—	—
Commission expenses	65	65	429
Other	8	16	106
Total non-operating expenses	109	203	1,341
Ordinary Profit	598	6,142	40,568
Extraordinary Income			
Gain on sale of non-current assets*4	67	121	799
Gain on sale of investment securities	13,018	8,228	54,346
Total extraordinary income	13,086	8,349	55,145
Extraordinary Losses			
Loss on disposal of non-current assets*5	4	41	271
Loss on sale of investment securities	0	—	—
Loss on valuation of investment securities	—	1	7
Total extraordinary losses	4	43	284
Profit before income taxes	13,680	14,449	95,436
Income taxes - current	2,113	3,263	21,552
Income taxes - deferred	932	(104)	(687)
Total income taxes	3,046	3,159	20,865
Profit	10,634	11,289	74,564
Profit Attributable to Non-Controlling Interests	105	128	845
Profit Attributable to Owners of Parent	¥10,528	¥11,160	\$ 73,712

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Profit	¥ 10,634	¥11,289	\$ 74,564
Other Comprehensive Income			
Valuation difference on available-for-sale securities	(14,688)	22,398	147,939
Remeasurements of defined benefit plans, net of tax	(174)	2,357	15,568
Total other comprehensive income*1	(14,863)	24,755	163,507
Comprehensive Income	¥ (4,229)	¥36,044	\$238,071
Comprehensive income attributable to:			
Owners of parent	¥ (4,349)	¥35,851	\$236,797
Non-controlling interests	120	192	1,268

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

KISSEI PHARMACEUTICAL CO., LTD. and its subsidiaries
For the years ended March 31, 2023 and 2024

	Millions of yen									
	Shareholders' equity					Accumulated other comprehensive income				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥24,356	¥24,226	¥118,183	¥(12,912)	¥153,854	¥ 45,095	¥2,435	¥47,531	¥ 794	¥202,180
Changes during period										
Dividends of surplus			(3,135)		(3,135)					(3,135)
Profit attributable to owners of parent			10,528		10,528					10,528
Purchase of treasury shares				(0)	(0)					(0)
Cancellation of treasury shares					—					—
Net changes in items other than shareholders' equity						(14,702)	(176)	(14,878)	120	(14,757)
Total changes during period	—	—	7,392	(0)	7,392	(14,702)	(176)	(14,878)	120	(7,365)
Balance at March 31, 2023	24,356	24,226	125,576	(12,912)	161,246	30,393	2,259	32,653	914	194,814
Changes during period										
Dividends of surplus			(3,722)		(3,722)					(3,722)
Profit attributable to owners of parent			11,160		11,160					11,160
Purchase of treasury shares				(6,000)	(6,000)					(6,000)
Cancellation of treasury shares		(0)	(5,704)	5,704	—					—
Net changes in items other than shareholders' equity						22,388	2,302	24,690	192	24,883
Total changes during period	—	(0)	1,734	(296)	1,437	22,388	2,302	24,690	192	26,321
Balance at March 31, 2024	¥24,356	¥24,226	¥127,310	¥(13,209)	¥162,683	¥ 52,782	¥4,562	¥ 57,344	¥1,107	¥221,136

	Thousands of U.S. dollars									
	Shareholders' equity					Accumulated other comprehensive income				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2023	\$ 160,872	\$ 160,013	\$ 829,432	\$ (85,284)	\$ 1,065,033	\$ 200,746	\$ 14,921	\$ 215,674	\$ 6,037	\$ 1,286,750
Changes during period										
Dividends of surplus			(24,584)		(24,584)					(24,584)
Profit attributable to owners of parent			73,712		73,712					73,712
Purchase of treasury shares				(39,630)	(39,630)					(39,630)
Cancellation of treasury shares		(0)	(37,675)	37,675	—					—
Net changes in items other than shareholders' equity						147,873	15,205	163,078	1,268	164,353
Total changes during period	—	(0)	11,453	(1,955)	9,491	147,873	15,205	163,078	1,268	173,851
Balance at March 31, 2024	\$160,872	\$160,013	\$840,885	\$(87,246)	\$1,074,524	\$348,626	\$30,132	\$378,758	\$7,312	\$1,460,608

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

KISSEI PHARMACEUTICAL CO., LTD. and its subsidiaries
For the years ended March 31, 2023 and 2024

	Millions of yen	Thousands of U.S. dollars	
	2023	2024	2024
Cash flows from operating activities:			
Profit before income taxes	¥ 13,680	¥ 14,449	\$ 95,436
Depreciation and amortization	4,109	4,254	28,098
Increase (decrease) in provisions	(18)	180	1,189
Decrease (increase) in retirement benefit asset	(880)	(830)	(5,482)
Interest and dividend income	(1,402)	(1,319)	(8,712)
Interest expenses	20	18	119
Loss (gain) on sale of securities	(50)	(585)	(3,864)
Loss (gain) on valuation of securities	(65)	(307)	(2,028)
Loss (gain) on sale of non-current assets	(67)	(121)	(799)
Loss on disposal of non-current assets	4	41	271
Loss (gain) on sale of investment securities	(13,018)	(8,228)	(54,346)
Loss (gain) on valuation of investment securities	—	1	7
Decrease (increase) in trade receivables and contract assets	27	(5,863)	(38,725)
Decrease (increase) in inventories	(3,810)	(3,480)	(22,985)
Decrease (increase) in other current assets	(946)	(110)	(727)
Increase (decrease) in trade payables	513	275	1,816
Increase (decrease) in contract liabilities	(850)	(394)	(2,602)
Increase (decrease) in other current liabilities	466	1,086	7,173
Increase (decrease) in other non-current liabilities	(2)	(160)	(1,057)
Other, net	27	8	53
Subtotal	(2,262)	(1,086)	(7,173)
Interest and dividends received	1,302	1,261	8,329
Interest paid	(20)	(18)	(119)
Income taxes paid	(5,699)	(1,834)	(12,114)
Net cash provided by (used in) operating activities	(6,679)	(1,677)	(11,077)
Cash flows from investing activities:			
Payments into time deposits	(75)	(51)	(337)
Proceeds from withdrawal of time deposits	75	53	350
Payments into investments in specified money trusts	(800)	—	—
Proceeds from withdrawal of investments in specified money trusts	888	2,911	19,227
Purchase of property, plant and equipment	(2,103)	(1,201)	(7,933)
Proceeds from sale of property, plant and equipment	78	175	1,156
Purchase of intangible assets	(444)	(632)	(4,174)
Purchase of investment securities	(991)	(2,349)	(15,515)
Proceeds from sale and redemption of investment securities	14,022	11,849	78,263
Loan advances	(8)	(3)	(20)
Proceeds from collection of loans receivable	11	5	33
Purchase of long-term prepaid expenses	(4,688)	(1,256)	(8,296)
Payment due to absorption-type split	—	(750)	(4,954)
Other, net	35	(59)	(390)
Net cash provided by (used in) investing activities	6,001	8,690	57,398
Cash flows from financing activities:			
Repayments of short-term borrowings	(150)	(150)	(991)
Repayments of lease liabilities	(133)	(133)	(878)
Dividends paid	(3,135)	(3,722)	(24,584)
Purchase of treasury shares	(0)	(6,000)	(39,630)
Net cash provided by (used in) financing activities	(3,420)	(10,006)	(66,090)
Effect of exchange rate change on cash and cash equivalents	(21)	(3)	(20)
Net increase (decrease) in cash and cash equivalents	(4,120)	(2,997)	(19,795)
Cash and cash equivalents at beginning of period	53,004	48,884	322,880
Cash and cash equivalents at end of period*¹	¥ 48,884	¥ 45,887	\$303,085

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

KISSEI PHARMACEUTICAL CO., LTD. and its subsidiaries
Fiscal year ended March 31, 2024

The accompanying consolidated financial statements of KISSEI PHARMACEUTICAL CO., LTD. (“the Company”) and its subsidiaries (collectively, “the Companies”) are an English translation of the original consolidated financial statements prepared in the Japanese language in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of October 30, 1976) on the basis of accounting principles generally accepted in Japan. The original consolidated financial statements have been

(Significant Matters for the Basis of Preparing the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 3

Kissei Shoji Co., Ltd.

KISSEI COMTEC CO., LTD.

HASHIBA TECHNOS CO., LTD.

(2) Number of unconsolidated subsidiaries: 2

KISSEI AMERICA, INC.

PROS Co., Ltd.

(Reason for excluding from consolidation)

Unconsolidated subsidiaries are excluded from the scope of consolidation because the scale of their operations is small and their total assets, net sales, profit or loss (amount corresponding to the Company's interest), and retained earnings (amount corresponding to the Company's interest) do not have a material impact on the consolidated financial statements.

2. Application of the equity method

Unconsolidated subsidiaries are excluded from the scope of equity method application because their total amounts of profit or loss and retained earnings are insignificant and therefore immaterial.

3. Fiscal year-end dates of consolidated subsidiaries

The fiscal year-end dates of consolidated subsidiaries are the same as the settlement date for the consolidated financial statements.

4. Accounting policies

(1) Basis and methods of valuation for major assets

i. Securities

a. Held-to-maturity debt securities

Held-to-maturity debt securities are carried at amortized cost.

b. Available-for-sale securities

Securities other than equity securities without market prices:

Securities other than equity securities without market prices are carried at fair value as of the balance sheet date with changes in valuation difference, net of the applicable income taxes, included directly in net assets. The cost of securities sold is determined by the moving average method. Equity securities without market prices:

Equity securities without market prices are stated at cost, determined by the moving average method.

ii. Specified money trusts

Specified money trusts are stated at fair value.

iii. Inventories

Merchandise, finished goods, semi-finished goods, work in progress, raw materials, and supplies:

Inventories are primarily valued at cost using the gross average method (the amount on the balance sheet is reduced to reflect decreased profitability).

disclosed in the Securities Report (“*Yukashouken Houkokusho*”) as required by the Financial Instruments and Exchange Act of Japan.

The accompanying consolidated financial statements are expressed in yen, and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥151.40=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2024.

This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such a rate.

(2) Method of depreciation and amortization of significant depreciable assets

i. Property, plant and equipment (excluding leased assets)

The straight-line method is primarily used at the Company, whereas the declining-balance method is primarily used at consolidated subsidiaries. However, depreciation for buildings acquired on or after April 1, 1998, (excluding facilities attached to buildings) and both for facilities attached to buildings and structures acquired on or after April 1, 2016, is computed using the straight-line method.

The useful life of buildings and structures is as follows:

Buildings and structures 5 to 50 years

ii. Intangible assets (excluding leased assets)

Intangible assets are amortized using the straight-line method. Software costs for internal use are amortized over their expected useful lives (mainly five years) on a straight-line basis.

iii. Leased assets (pertaining to lease transactions not involving the transfer of ownership)

Leased assets are depreciated by the straight-line method with the respective lease period and the residual value being zero.

iv. Long-term prepaid expenses

Long-term prepaid expenses are amortized on a straight-line basis.

(3) Amortization method and amortization period of goodwill

Goodwill is amortized on a straight-line basis over a period of five years.

(4) Allowances and provisions

i. Allowance for doubtful accounts

The Companies provide an “Allowance for doubtful accounts” based on the percentage of their historical bad debt loss incurred against the balance of total receivables in addition to the amount of uncollectible receivables estimated on an individual basis.

ii. Provision for bonuses

“Provision for bonuses” is provided based on estimated amounts that the Companies should pay to employees for their services rendered.

iii. Provision for bonuses for directors (and other officers)

“Provision for bonuses for directors (and other officers)” is provided based on estimated payments for their performance during the current year.

iv. Provision for sales promotion expenses

“Provision for sales promotion expenses” is provided in an amount equivalent to the expected amount payable by the Companies to dealers in respect of products held by dealers at the balance sheet date based on the actual expense ratio.

v. Provision for retirement benefits for directors (and other officers)
“Provision for retirement benefits for directors (and other officers)” is provided by certain consolidated subsidiaries at the expected amount payable at the balance sheet date in accordance with the Companies’ internal regulations.

(5) Accounting method for retirement benefits

i. Allocation of expected benefit payments
When calculating the retirement benefit obligation, the benefit formula method is used to allocate expected benefit payments to the period.

ii. Actuarial gains and losses and prior service cost
Prior service cost is amortized through the straight-line method over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (10 years). Net actuarial gains and losses are amortized from the following year through the straight-line method over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (10 years).

iii. Accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service cost
Unrecognized actuarial gains and losses and unrecognized prior service cost are adjusted for tax effects and then recorded as remeasurements of retirement benefit plans under accumulated other comprehensive income in the net assets portion of the consolidated balance sheet.

(6) Basis for recognition of significant revenue and expenses
For the Companies’ revenue from contracts with customers, the details of major performance obligations in their major businesses and a point in time when the performance obligation is satisfied (a point in time when revenue is recognized) are as follows:

i. Sales of merchandise and finished goods
The Companies sell pharmaceuticals and therapeutic and care foods in the pharmaceutical business, sell and lease IT-related equipment in the information services business, and sell noodles in the merchandising business. For the sales of merchandise and finished goods, revenue is recognized at the point in time when they are delivered to a customer, since their control is transferred to the customer and the performance obligation is satisfied. Applying the alternative treatment prescribed in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, the Companies recognize revenue upon shipment for domestic sales, when the control of the said merchandise and finished goods is transferred to a customer within a normal period from the shipment.

Revenue from sales of merchandise and finished goods in the pharmaceutical business is calculated at the amount to the extent that it is highly probable that a significant reversal will not occur, after deducing

sales rebates based on the terms and conditions of the sales agreement from the promised consideration in the contract with the customer. The amount of consideration that the Companies expect to repay to the customer is recognized as refund liabilities. The refund liabilities are calculated based on the terms and conditions and past performance.

For sales of merchandise and finished goods in the merchandising business, when it is determined that the Companies act as an agent, the revenue is calculated in the net amount of consideration received from the customer after deducting the amount paid to another party.

ii. Technical fees from out-licensing agreements
The Companies grant licenses regarding intellectual properties through out-licensing agreements in the pharmaceutical business, and recognize upfront payments, milestone payments, and royalties from these agreements as revenue.

Upfront payments and milestone payments are recognized at a point in time when the right is given to the customer or the milestone is achieved, if the performance obligation is satisfied at a point in time. On the other hand, if the performance obligation is not satisfied at a point in time, the applicable consideration is recognized as a contract liability and recognized as revenue over a period of time in accordance with the satisfaction of the performance obligation under the relevant out-licensing agreements. Royalties are recognized as revenue, when it is earned, at the amount calculated based on the sale to the customer.

iii. Construction contracts
The Companies conclude system development subcontracting and maintenance contracts in the information services business and construction/civil engineering work contracts in the construction business. For these construction contracts, the Companies recognize revenue over a certain period of time as the performance obligation is satisfied. The progress is measured based on the ratio of actual cost to estimated total cost (the input method), since the cost incurred by the end of the current fiscal year is deemed to be proportional to the progress made in satisfying the performance obligation. However, the cost recovery method is applied to construction contracts for which progress cannot be reasonably estimated. For construction contracts with very short construction periods, the Companies apply an alternative treatment in which revenue is recognized when the performance obligation is fully satisfied.

(7) Cash and cash equivalents for the consolidated statement of cash flows
Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments that are readily convertible to cash subject to an insignificant risk of any change in their value and that were purchased with an original maturity of three months or less.

(Significant Accounting Estimates)

1. Significant accounting estimates

Recoverability of deferred tax assets
Amounts recorded in the consolidated financial statements for the current fiscal year
(1) Consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred tax assets (net)	¥—	¥—	\$—

(Amounts before netting against deferred tax liabilities are 4,030 million and 4,637 million (\$30,627 thousand) as of March 31, 2023 and 2024, respectively.)

2. Other information that contributes to understanding the financial statements

(1) Calculation method
In accordance with the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Implementation Guidance No. 26), deferred tax assets are accounted only for future deductible temporary differences that are deemed collectible. Recoverability is determined considering taxable income based on future earning power and tax planning. Future taxable income is estimated based on the annual business plan approved by the Board of Directors, the revision rate of National Health Insurance (“NHI”) drug prices and a plan to sell investment securities for subsequent periods of the annual business plan.

(2) Significant assumptions
Significant assumptions for estimating future taxable income are the revision rate of NHI drug prices on drug sales and the amount of gain on sale of investment securities. The revision rate of NHI drug prices is estimated in consideration of past revision history and trends in pharmaceutical administration. The amount of gain on sale of investment securities is estimated based on the assumption that the investment securities are likely to be sold and have sufficient unrealized gain at the end of the current fiscal year.

(3) Impact on consolidated financial statements for the following fiscal year
If changes in market conditions or other factors change the assumptions used in the estimate for the current fiscal year and it materially affect the estimates of future taxable income, deferred tax assets may be reversed.

(Accounting Standards Issued but Not Yet Applied)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview
The standards and guidance prescribe the accounting category of income taxes when other comprehensive income is subject to taxation

and the treatment of tax effect accounting for sale of subsidiaries’ shares when the group taxation regime is applied.

(2) Scheduled date of application
The Companies have applied these standards and guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of the application
There is no effect of the application of these standards and guidance on the consolidated financial statements.

(Changes in Presentation)

(Consolidated Statement of Income)
From the year ended March 31, 2024, “Commission expenses,” previously included in “Other” under Non-Operating Expenses for the year ended March 31, 2023, is shown as a separate line item, since it has become significant in amount. To reflect this change, the previous amounts have been reclassified to conform to the current presentation.

As a result, ¥73 million of “Other” under Non-Operating Expenses in the consolidated statement of income for the year ended March 31, 2023, is reclassified to ¥65 million of “Commission expenses” and ¥8 million of “Other.”

(Consolidated Balance Sheet)

*1 Investments in unconsolidated subsidiaries are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Investment securities (equity securities)	¥889	¥889	\$5,872

*2 Amounts of tax purpose reduction entry from national subsidies, etc.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Buildings	¥798	¥798	\$5,271
Land	113	113	746

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

For net sales, revenue from contracts with customers and other revenue are not separately presented. Amounts of revenue from contracts with customers are stated in Note “(Segment Information).”

*2 Major items of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Provision for sales promotion expenses	¥ 149	¥ 143	\$ 945
Salaries, allowances and bonuses	7,338	7,156	47,266
Provision for bonuses	1,010	1,086	7,173
Provision for bonuses for directors (and other officers)	9	9	59
Provision for retirement benefits for directors (and other officers)	16	16	106
Retirement benefit expenses	(40)	53	350
Depreciation and amortization	2,674	2,917	19,267
Research and development expenses	¥10,391	¥9,474	\$62,576

*3 Total research and development expenses included in selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
	¥10,391	¥9,474	\$62,576

*4 Gain on sale of non-current assets consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Buildings and structures	¥21	¥ —	\$ —
Land	46	120	793
Property, plant and equipment, etc.	—	1	7
Total	¥67	¥121	\$799

*5 Loss on disposal of non-current assets consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Buildings and structures	¥2	¥ 39	\$258
Property, plant and equipment, etc.	0	2	13
Software	2	—	—
Total	¥4	¥ 41	\$271

(Consolidated Statement of Comprehensive Income)

*1 Reclassification adjustments and tax effect amount relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Valuation difference on available-for-sale securities:			
Amount recognized in the year	¥ (8,268)	¥41,011	\$270,878
Reclassification adjustments	(13,018)	(8,814)	(58,217)
Before tax effect adjustment	(21,287)	32,196	212,655
Amount of tax effect	6,598	(9,798)	(64,716)
Valuation difference on available-for-sale securities	(14,688)	22,398	147,939
Remeasurements of defined benefit plans, net of tax:			
Amount recognized in the year	204	3,795	25,066
Reclassification adjustments	(455)	(404)	(2,668)
Before tax effect adjustment	(251)	3,391	22,398
Amount of tax effect	76	(1,034)	(6,830)
Remeasurements of defined benefit plans, net of tax	(174)	2,357	15,568
Total other comprehensive income	¥(14,863)	¥24,755	\$163,507

(Consolidated Statement of Changes in Equity)

Fiscal year ended March 31, 2023

1. Class and number of issued shares and class and number of treasury stock

	Shares			
	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Issued shares:				
Common stock	51,811,185	—	—	51,811,185
Treasury shares:				
Common stock	5,695,353	265	—	5,695,618

(The reason for increase/decrease)

Increase due to purchase of shares of less than one unit: 265 shares

2. Dividends

(1) Cash dividends paid

Resolution	Class	Total dividend payments (Millions of yen)	Dividends per share (yen)	Record date		Effective date	
Annual General Meeting of Shareholders on June 23, 2022	Common stock	¥1,291	¥28.00	March 31, 2022		June 24, 2022	
Meeting of Board of Directors on November 7, 2022				September 30, 2022		December 2, 2022	
	Common stock	¥1,844	¥40.00				

(2) Of the dividends whose record date belongs to the current fiscal year, the dividend whose effective date falls in the next fiscal year

Resolution	Class	Total dividend payments (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date		Effective date	
Annual General Meeting of Shareholders on June 22, 2023	Common stock	¥1,844	Retained earnings	¥40.00	March 31, 2023		June 23, 2023	

Fiscal year ended March 31, 2024

1. Class and number of issued shares and class and number of treasury stock

	Shares			As of March 31, 2024
	As of April 1, 2023	Increase	Decrease	
Issued shares:				
Common stock	51,811,185	—	2,500,000	49,311,185
Treasury shares:				
Common stock	5,695,618	1,910,180	2,500,000	5,105,798

(The reason for increase/decrease)

Increase due to acquisition of treasury shares based on the resolution at the Board of Directors' meeting held on May 8, 2023: 1,909,900 shares

Increase due to purchase of fractional shares of less than one unit: 280 shares

Decrease due to cancellation of treasury shares: 2,500,000 shares

2. Dividends

(1) Cash dividends paid

Resolution	Class	Total dividend payments (Millions of yen)	Dividends per share (yen)	Record date	Effective date
		Total dividend payments (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)		
Annual General Meeting of Shareholders on June 22, 2023		¥1,844	¥40.00		
	Common stock	\$12,180	\$0.26	March 31, 2023	June 23, 2023
Meeting of Board of Directors on November 6, 2023		¥1,877	¥41.00	September 30,	December 4,
	Common stock	\$12,398	\$0.27	2023	2023

(2) Of the dividends whose record date belongs to the current fiscal year, the dividend whose effective date falls in the next fiscal year

Resolution	Class	Total dividend payments (Millions of yen)	Dividends per share (yen)	Record date	Effective date
		Total dividend payments (Thousands of U.S. dollars)	Source of dividends		
Annual General Meeting of Shareholders on June 25, 2024	Common stock	¥1,812	Retained earnings	¥41.00	
		\$11,968		\$0.27	March 31, 2024 June 26, 2024

(Consolidated Statement of Cash Flows)

*1 Reconciliation of cash and cash equivalents in the consolidated statement of cash flows to accounts and amounts in the accompanying consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and deposits	¥25,893	¥22,894	\$151,215
Securities	23,706	23,039	152,173
Time deposits with original maturities of over three months	(48)	(46)	(304)
Debt securities with redemption period exceeding three months, etc.	(667)	—	—
Cash and cash equivalents	¥48,884	¥45,887	\$303,085

(Lease Transactions)

As a Lessee

Finance leases that do not transfer ownership

1. Details of leased assets

Property, plant and equipment: Primarily IT equipment included in "Other"

Intangible assets: Software included in "Other"

2. Depreciation and amortization of leased assets

Depreciation and amortization of leased assets are stated in Note "(Significant Matters for the Basis of Preparing the Consolidated Financial Statements)", 4. Accounting policies, (2) Method of depreciation and amortization of significant depreciable assets."

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

The Companies manage temporary cash surpluses through low-risk financial assets. Further, the Companies raise funds through bank borrowings. The Companies use derivatives for the purpose of avoiding the risks stated below and do not engage in transactions for speculative purposes.

(2) Types of financial instruments, related risks, and risk management systems

Notes and accounts receivable - trade are exposed to credit risk in relation to customers. In accordance with the internal policies for managing the credit risk of the Companies arising from receivables, each related division monitors the credit worthiness of its main customers periodically, and monitors due dates and outstanding balances by individual customer. Securities and investment securities are exposed to market risk; however, they are managed in accordance with the internal policies and procedures on securities and the general manager of the Corporate Finance & Management Department reports the status of these holdings to the Board of Directors on a regular basis.

(3) Supplementary explanation of the estimated fair value of financial instruments

In estimating the fair value of financial instruments, various assumptions and factors are reflected; therefore, different assumptions and factors could result in a different fair value.

2. Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet, fair value, and the difference are shown in the following tables. For cash and deposits, notes receivable - trade, accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and income taxes payable, the disclosure is omitted, since their carrying value approximates fair value as these items are cash or settled in a short period of time.

March 31, 2023

	Millions of yen		
	Carrying value	Fair value	Difference
(1) Securities and investment securities:			
Available-for-sale securities *1, *2	¥92,313	¥92,313	¥—
Total	¥92,313	¥92,313	¥—

*1 Equity securities without market prices are not included in "Securities and investment securities" in the above table. The carrying value of these financial instruments are as follows:

	Millions of yen
Unlisted equity securities	¥5,273
Investments in unconsolidated subsidiaries	889

*2 In accordance with generally accepted accounting principles, for investment trusts, the net asset value of investment trusts is deemed to be the fair value. Such investment trusts are included in available-for-sale securities.

March 31, 2024

	Millions of yen		
	Carrying value	Fair value	Difference
(1) Securities and investment securities:			
Available-for-sale securities *1, *2	¥127,246	¥127,246	¥—
Total	¥127,246	¥127,246	¥—

	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(1) Securities and investment securities:			
Available-for-sale securities *1, *2	\$840,462	\$840,462	\$—
Total	\$840,462	\$840,462	\$—

*1 Equity securities without market prices are not included in "Securities and investment securities" in the above table. The carrying value of these financial instruments are as follows:

	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥1,264	\$8,349
Investments in unconsolidated subsidiaries	889	5,872

*2 In accordance with generally accepted accounting principles, for investment trusts, the net asset value of investment trusts is deemed to be the fair value. Such investment trusts are included in available-for-sale securities.

Note 1: Redemption schedules for receivables and securities with maturities subsequent to the consolidated balance sheet date

March 31, 2023

	Millions of yen			
	Due in one year or less	Due after one year to five years	Due after five year to ten years	Due after ten years
Cash and deposits	¥25,893	¥ —	¥ —	¥ —
Notes receivable - trade	173	—	—	—
Accounts receivable - trade	21,910	—	—	—
Securities and investment securities				
Available-for-sale securities with maturities	23,719	1,732	1,398	426
Total	¥71,697	¥1,732	¥1,398	¥426

March 31, 2024

	Millions of yen			
	Due in one year or less	Due after one year to five years	Due after five year to ten years	Due after ten years
Cash and deposits	¥22,894	¥ —	¥ —	¥ —
Notes receivable - trade	126	—	—	—
Accounts receivable - trade	27,664	—	—	—
Securities and investment securities				
Available-for-sale securities with maturities	23,040	1,683	1,052	400
Total	¥73,724	¥1,683	¥1,052	¥400

March 31, 2024

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year to five years	Due after five year to ten years	Due after ten years
Cash and deposits	\$151,215	\$ —	\$ —	\$ —
Notes receivable - trade	832	—	—	—
Accounts receivable - trade	182,721	—	—	—
Securities and investment securities				
Available-for-sale securities with maturities	152,180	11,116	6,948	2,642
Total	\$486,948	\$11,116	\$6,948	\$2,642

Note 2: Redemption schedules for corporate bonds, long-term borrowings, lease liabilities, and other interest-bearing liabilities are disclosed in Note “(Consolidated Supplementary Schedules), Details of borrowings.”

3. Matters regarding fair value hierarchy of financial instruments

The Companies classify the fair value of financial instruments into three categories depending on whether inputs for a fair value measurement are observable or significant.

Level 1 fair value:	Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to a fair value measurement
Level 2 fair value:	Fair value measured by using observable inputs other than those for Level 1
Level 3 fair value:	Fair value measured by using unobservable inputs

When multiple inputs of different categories are used in measuring fair value, the Companies classify the fair value into a category to which the lowest priority is assigned.

(I) Financial instruments measured at fair value in the consolidated balance sheet

March 31, 2023

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities:				
Equity securities	¥58,105	¥—	¥—	¥58,105
Corporate bonds	1,700	—	—	1,700
Other	23,039	—	—	23,039
Total	¥82,846	¥—	¥—	¥82,846

Notes:
1. In accordance with generally accepted accounting principles, the fair value of investment trusts, which is deemed to be the net asset value, is not included in the table above. The carrying value of investment trusts in the consolidated balance sheet is ¥9,467 million.
2. Explanation of valuation techniques and inputs used for fair value measurement

Securities and investment securities
The fair value of listed securities and corporate bonds are measured at quoted market prices. Since they are traded in active markets, the fair value is classified into Level 1.

March 31, 2024

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities:				
Equity securities	¥ 91,984	¥—	¥—	¥ 91,984
Corporate bonds	1,498	—	—	1,498
Other	23,039	—	—	23,039
Total	¥116,521	¥—	¥—	¥116,521

	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities:				
Equity securities	\$607,556	\$—	\$—	\$607,556
Corporate bonds	9,894	—	—	9,894
Other	152,173	—	—	152,173
Total	\$769,624	\$—	\$—	\$769,624

Notes:
1. In accordance with generally accepted accounting principles, the fair value of investment trusts, which is deemed to be the net asset value, is not included in the table above. The carrying value of investment trusts in the consolidated balance sheet is ¥10,725 million (\$70,839 thousand).
2. Explanation of valuation techniques and inputs used for fair value measurement

Securities and investment securities
The fair value of listed securities and corporate bonds are measured at quoted market prices. Since they are traded in active markets, the fair value is classified into Level 1.

(Securities)

1. Trading securities

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Valuation difference included in the consolidated statement of income	¥65	¥307	\$2,028

2. Available-for-sale securities

March 31, 2023

	Type	Millions of yen		
		Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	Equity securities	¥56,835	¥14,309	¥42,526
	Bonds			
	Government bonds/municipal bonds, etc.	—	—	—
	Corporate bonds	300	300	0
	Other bonds	—	—	—
	Other	4,499	3,973	526
	Subtotal	61,635	18,583	43,052
Securities whose carrying value does not exceed their acquisition cost	Equity securities	1,269	1,368	(98)
	Bonds			
	Government bonds/municipal bonds, etc.	—	—	—
	Corporate bonds	1,400	1,450	(49)
	Other bonds	—	—	—
	Other	28,007	28,313	(306)
	Subtotal	30,677	31,132	(454)
	Total	¥92,313	¥49,715	¥42,598

March 31, 2024

	Type	Millions of yen		
		Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	Equity securities	¥ 90,952	¥16,057	¥74,894
	Bonds			
	Government bonds/municipal bonds, etc.	—	—	—
	Corporate bonds	100	100	0
	Other bonds	—	—	—
	Other	5,010	4,050	960
	Subtotal	96,062	20,207	75,855
Securities whose carrying value does not exceed their acquisition cost	Equity securities	1,031	1,079	(47)
	Bonds			
	Government bonds/municipal bonds, etc.	—	—	—
	Corporate bonds	1,397	1,450	(52)
	Other bonds	—	—	—
	Other	28,754	29,031	(277)
	Subtotal	31,183	31,560	(376)
	Total	¥127,246	¥51,768	¥75,478

March 31, 2024

	Type	Thousands of U.S. dollars		
		Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	Equity securities	\$600,740	\$106,057	\$494,676
	Bonds			
	Government bonds/municipal bonds, etc.	—	—	—
	Corporate bonds	661	661	0
	Other bonds			
	Other	33,091	26,750	6,341
	Subtotal	634,491	133,468	501,024
Securities whose carrying value does not exceed their acquisition cost	Equity securities	6,810	7,127	(310)
	Bonds			
	Government bonds/municipal bonds, etc.	—	—	—
	Corporate bonds	9,227	9,577	(343)
	Other bonds	—	—	—
	Other	189,921	191,750	(1,830)
	Subtotal	205,964	208,454	(2,483)
	Total	\$840,462	\$341,929	\$498,534

3. Available-for-sale securities sold

Fiscal year ended March 31, 2023

Type	Millions of yen		
	Sales proceeds	Total gain on sale	Total loss on sale
Equity securities	¥13,661	¥12,996	¥—
Bonds			
Government bonds/municipal bonds, etc.	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Other	311	21	0
Total	¥13,972	¥13,018	¥ 0

Fiscal year ended March 31, 2024

Type	Millions of yen		
	Sales proceeds	Total gain on sale	Total loss on sale
Equity securities	¥ 9,260	¥7,393	¥—
Bonds			
Government bonds/municipal bonds, etc.	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Other	4,718	835	—
Total	¥13,979	¥8,228	¥—

Fiscal year ended March 31, 2024

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain on sale	Total loss on sale
Equity securities	\$61,162	\$48,831	\$—
Bonds			
Government bonds/municipal bonds, etc.	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Other	31,162	5,515	—
Total	\$92,332	\$54,346	\$—

(Retirement Benefits)

1. Overview of retirement benefit plans

The Companies offer cash balance plans to their employees as their defined benefit corporate plans. In certain cases, the Companies pay additional retirement benefits for employees that are not included in the retirement benefit obligations determined actuarially in accordance with the accounting standard for retirement benefits. In addition, a retirement benefit trust has been established as part of the Company's defined benefit corporate pension plans.

2. Defined benefit plans

(1) Reconciliation of retirement benefit obligations at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Retirement benefit obligation at beginning of period	¥19,305	¥18,471	\$122,001
Service cost	700	658	4,346
Interest cost	70	100	661
Actuarial gains and losses incurred this period	(719)	(1,267)	(8,369)
Retirement benefits paid	(884)	(748)	(4,941)
Retirement benefit obligation at end of period	¥18,471	¥17,213	\$113,692

(2) Reconciliation of balance of plan assets at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Plan assets at beginning of period	¥21,766	¥21,561	\$142,411
Expected return on plan assets	544	539	3,560
Actuarial gains and losses incurred this period	(515)	2,527	16,691
Employer contribution	650	645	4,260
Retirement benefits paid	(884)	(748)	(4,941)
Plan assets at end of period	¥21,561	¥24,524	\$161,982

(3) Reconciliation of retirement benefit obligation and plan assets with retirement benefit liability and asset reflected on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Retirement benefit obligation for funded plan	¥ 18,471	¥ 17,213	\$ 113,692
Plan assets	(21,561)	(24,524)	(161,982)
Net amount of retirement benefit liability and asset on the consolidated balance sheet	(3,089)	(7,311)	(48,289)
Retirement benefit asset	(3,089)	(7,311)	(48,289)
Net amount of retirement benefit liability and asset on the consolidated balance sheet	¥ (3,089)	¥ (7,311)	\$ (48,289)

(4) Breakdown of retirement benefit expense

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Service cost	¥ 700	¥ 658	\$ 4,346
Interest cost	70	100	661
Expected return on plan assets	(544)	(539)	(3,560)
Amortization of actuarial gains and losses	(200)	(148)	(978)
Amortization of prior service cost	(255)	(255)	(1,684)
Other	70	158	1,044
Retirement benefit expense on defined benefit plan	¥(158)	¥ (26)	\$ (172)

(5) Remeasurements of defined benefit plans included in other comprehensive income

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Prior service cost	¥(255)	¥ (255)	\$ (1,684)
Actuarial gains and losses	3	3,646	24,082
Total	¥(251)	¥3,391	\$22,398

(6) Remeasurements of defined benefit plans included in accumulated other comprehensive income

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrecognized prior service cost	¥ (255)	¥ —	\$ —
Unrecognized actuarial gains and losses	(3,055)	(6,702)	(44,267)
Total	¥(3,311)	¥(6,702)	\$ (44,267)

(7) Plan assets information

i. The components of plan assets

Ratios of each component of plan assets to amount of total plan assets are as follows:

	2023	2024
Debt securities	23%	25%
Equity securities	36	41
Cash and deposits	4	2
General accounts	34	31
Other	3	1
Total	100%	100%

Note: Total plan assets include a retirement benefit trust established as part of the Company's defined benefit corporate pension plans. The proportion of plan assets in this trust was 2.2% for the year ended March 31, 2023, and 0.6% for the year ended March 31, 2024.

ii. Method to determine long-term expected rate of return on plan assets

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(8) Actuarial assumptions

Major assumptions used in actuarial calculation (discount rate is presented as a weighted average):

	2023	2024
Discount rate	0.9%	1.2%
Long-term expected rate of return on plan assets	2.5%	2.5%

(Income Taxes)

1. Components of deferred tax assets and liabilities by major causes at March 31, 2023 and 2024, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred tax assets:			
Prepaid research and development expenses	¥ 2,100	¥ 2,519	\$ 16,638
Loss on valuation of securities	650	639	4,221
Inventories	824	638	4,214
Provision for bonuses	509	563	3,719
Accrued enterprise taxes	99	198	1,308
Provision for retirement benefits for directors (and other officers)	165	170	1,123
Contract liabilities	177	157	1,037
Impairment loss	147	66	436
Other	830	978	6,460
Total gross deferred tax assets	5,505	5,931	39,174
Valuation allowance	(1,474)	(1,293)	(8,540)
Total deferred tax assets	4,030	4,637	30,627
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(12,860)	(22,658)	(149,657)
Retirement benefit asset	(772)	(2,169)	(14,326)
Other	(391)	(389)	(2,569)
Total deferred tax liabilities	(14,023)	(25,217)	(166,559)
Deferred tax assets (liabilities), net	(9,993)	(20,579)	(135,925)

Note: The net amounts of deferred tax liabilities in the fiscal years ended March 31, 2023 and 2024, are broken into and included in the following items in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Non-current assets—deferred tax assets	¥ 433	¥ 608	\$ 4,016
Non-current liabilities—deferred tax liabilities	(10,426)	(21,188)	(139,947)

2. Reconciliation between the effective statutory tax rate and the actual tax rate

	2023	2024
Effective statutory tax rate	30.5%	30.5%
Adjustments:		
Entertainment expenses and other non-deductibles	0.4	0.4
Dividend income not taxable	(0.8)	(0.5)
Tax benefits due to research and development expenses	(6.6)	(7.0)
Per capita levy of local inhabitants' taxes	0.6	0.5
Valuation allowance	(1.2)	(1.0)
Other	(0.6)	(1.0)
Actual effective tax rate	22.3%	21.9%

(Business Combination)

(Business succession by absorption-type split by a consolidated subsidiary)

KISSEI COMTEC CO.,LTD. ("KISSEI COMTEC"), a consolidated subsidiary of the Company, resolved at the Board of Directors meeting held on September 20, 2023 to succeed the network equipment rental and sales business of NEPLUS K.K., a wholly-owned subsidiary of Open Up Group Inc., through an absorption-type split. The absorption-type split contract was concluded on September 28, 2023, and the absorption-type split was executed on December 1, 2023.

(1) Outline of business combination

(a) Name of acquiree and detail of its business

Name: NEPLUS K.K.

Detail of business acquired: Network equipment rental and sales business

(b) Major reason for business combination

This business combination aligns with KISSEI COMTEC's mid- to long-term business strategy of developing the market for information-related equipment life cycle management, and establishing a used equipment sales business and other. At the same time, it complements the market, customers and service offerings of KISSEI COMTEC's rental business. Thus, the synergies are expected to further expand the rental business.

(c) Acquisition date

December 1, 2023

(d) Legal form of business combination

Absorption-type split for cash as consideration

(2) Period of operational results of the acquired business included in the consolidated statement of income

From December 1, 2023 to March 31, 2024

(3) Acquisition cost of the business acquired and the breakdown by type of consideration

Consideration for acquisition: Cash ¥750 million (\$4,954 thousand)

(4) Detail and its amount of major acquisition-related expenses

Advisory fees, etc. ¥41 million (\$271 thousand)

(5) Amount of and reason for goodwill incurred and method and period of its amortization

(a) Amount of goodwill incurred

¥331 million (\$2,186 thousand)

(b) Reason

The goodwill was incurred due to the anticipated future excess earning power from its future business development.

(c) Method and period of goodwill amortization

Straight-line method over 5 years

(6) Amounts and major breakdown of assets acquired and liabilities assumed on the date of business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 90	\$ 594
Non-current assets	371	2,450
Assets, total	461	3,045
Current liabilities	42	277
Liabilities, total	42	277

(Revenue Recognition)

1. Information on disaggregated revenue from contracts with customers

Information on disaggregated revenue from contracts with customers is stated in Note "(Segment Information)."

2. Information on the basis of understanding revenue from contracts with customers

Information on the basis of understanding revenue from contracts with customers is stated in Note "(Significant Matters for the Basis of Preparing the Consolidated Financial Statements), 4. Accounting policies, (6) Basis for recognition of significant revenue and expenses."

3. Information on the relationship between satisfaction of performance obligations based on contracts with customers and cash flows from the contracts, and information on amounts of revenue expected to be recognized from contracts with customers that exist as of the end of the current fiscal year and their timing of revenue recognition after the end of the current fiscal year

(1) Outstanding balances of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Receivables from contracts with customers at beginning of period	¥21,957	¥22,084	\$145,865
Receivables from contracts with customers at end of period	22,084	27,790	183,554
Contract assets at beginning of period	850	696	4,597
Contract assets at end of period	696	889	5,872
Contract liabilities at beginning of period	2,696	1,846	12,193
Contract liabilities at end of period	¥ 1,846	¥ 1,486	\$ 9,815

Contract assets represent the consolidated subsidiaries’ right to consideration for construction and other works completed but not billed as of the balance sheet date regarding the construction contracts with customers in the information services business and the construction business. Contract assets are transferred to receivables from contracts with customers when the consolidated subsidiaries’ right to consideration becomes unconditional. The consideration for the construction and other works is billed when the works are completed and generally received in one month in accordance with the construction contracts.

Contract liabilities represent advances received from customers based on the terms and conditions of the agreements and contracts, of consideration for upfront and milestone payments under out-licensing agreements in the pharmaceutical business, and consideration for the performance obligation in accordance with construction contracts with customers in the information services business and the construction business. Contract liabilities are reversed as revenue is recognized.

Of revenue recognized in the fiscal year ended March 31, 2023, the amount included in contract liabilities as of the beginning of the fiscal year ended March 31, 2023, was ¥1,215 million. The decrease in contract

assets of ¥154 million was primarily attributable to the year-on-year decrease in construction in progress in the construction business as of March 31, 2023. The decrease in contract liabilities of ¥850 million was primarily attributable to the recognition of revenue due to the fulfilment of performance obligations under out-licensing agreements in the pharmaceutical business and the extinguishment of performance obligations as a result of the termination of some agreements.

Of revenue recognized in the fiscal year ended March 31, 2024, the amount included in contract liabilities as of the beginning of the fiscal year ended March 31, 2024, was ¥788 million (\$5,205 thousand). The increase in contract assets of ¥193 million (\$1,275 thousand) was primarily attributable to the year-on-year increase in construction in progress in the information service business and construction business as of March 31, 2024. The decrease in contract liabilities of ¥359 million (\$2,371 thousand) was primarily attributable to the recognition of revenue due to the fulfilment of performance obligations under out-licensing agreements in the pharmaceutical business and the extinguishment of performance obligations as a result of the termination of some agreements.

(2) Transaction prices allocated to remaining performance obligations

The total transaction prices allocated to remaining performance obligations and the period for which revenue is expected be recognized are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Within one year	¥ 683	¥ 911	\$6,017
More than one year but less than five years	969	575	3,798
More than five years but less than ten years	193	—	—
Total	¥1,846	¥1,486	\$9,815

(Segment Information)

Segment Information

1. Overview of reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess their performance.

2. Method of calculating net sales, profit (loss), identifiable assets/liabilities, and other items by reportable segment

The accounting treatment procedure for reportable segments is the same as that described in Note “(Significant Matters for the Basis of Preparing the Consolidated Financial Statements).”

Segment profit is calculated based on operating profit.

Intersegment sales are recognized based on the price in an arm’s-length transaction.

3. Information on net sales and profit (loss), identifiable assets/liabilities, and other items by reportable segment and disaggregation of revenue

Fiscal year ended March 31, 2023

	Millions of yen				
	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net sales:					
Pharmaceutical					
Pharmaceuticals	¥ 47,077	¥ —	¥ —	¥ —	¥ 47,077
Therapeutic and care foods	3,461	—	—	—	3,461
Technical fees	1,053	—	—	—	1,053
Other	4,650	—	—	—	4,650
Information Services	—	10,342	—	—	10,342
Construction	—	—	3,275	—	3,275
Merchandising	—	—	—	824	824
Revenue from contracts with customers	56,243	10,342	3,275	824	70,686
Sales to third parties	56,243	8,285	2,343	621	67,493
Intersegment sales and transfers	—	2,057	932	202	3,192
Total	¥ 56,243	¥10,342	¥3,275	¥ 824	¥ 70,686
Segment profit (loss)	¥ (2,207)	¥ 881	¥ 78	¥ 21	¥ (1,225)
Segment assets	¥209,115	¥ 9,105	¥2,901	¥1,895	¥223,017
Other items:					
Depreciation and amortization*	¥ 3,745	¥ 468	¥ 23	¥ 22	¥ 4,259
Increase in property, plant and equipment and intangible assets*	5,828	1,617	18	3	7,467

* Depreciation and amortization include the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

Fiscal year ended March 31, 2024

	Millions of yen				
	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net sales:					
Pharmaceutical					
Pharmaceuticals	¥ 54,237	¥ —	¥ —	¥ —	¥ 54,237
Therapeutic and care foods	3,545	—	—	—	3,545
Technical fees	714	—	—	—	714
Other	4,850	—	—	—	4,850
Information Services	—	10,511	—	—	10,511
Construction	—	—	4,915	—	4,915
Merchandising	—	—	—	983	983
Revenue from contracts with customers	63,348	10,511	4,915	983	79,758
Sales to third parties	63,348	8,399	3,022	809	75,579
Intersegment sales and transfers	—	2,112	1,893	173	4,179
Total	¥ 63,348	¥10,511	¥4,915	¥ 983	¥ 79,758
Segment profit	¥ 2,627	¥ 1,064	¥ 261	¥ 81	¥ 4,035
Segment assets	¥246,581	¥11,063	¥3,496	¥2,470	¥263,612
Other items:					
Depreciation and amortization*	¥ 3,905	¥ 454	¥ 23	¥ 21	¥ 4,404
Increase in property, plant and equipment and intangible assets*	3,187	712	39	150	4,090

* Depreciation and amortization include the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

Fiscal year ended March 31, 2024

	Thousands of U.S. dollars				
	Reportable segment				Total
	Pharmaceutical	Information Services	Construction	Merchandising	
Net sales:					
Pharmaceutical					
Pharmaceuticals	\$ 358,236	\$ —	\$ —	\$ —	\$ 358,236
Therapeutic and care foods	23,415	—	—	—	23,415
Technical fees	4,716	—	—	—	4,716
Other	32,034	—	—	—	32,034
Information Services	—	69,425	—	—	69,425
Construction	—	—	32,464	—	32,464
Merchandising	—	—	—	6,493	6,493
Revenue from contracts with customers	418,415	69,425	32,464	6,493	526,803
Sales to third parties	418,415	55,476	19,960	5,343	499,201
Intersegment sales and transfers	—	13,950	12,503	1,143	27,602
Total	\$ 418,415	\$69,425	\$32,464	\$ 6,493	\$ 526,803
Segment profit	\$ 17,351	\$ 7,028	\$ 1,724	\$ 535	\$ 26,651
Segment assets	\$1,628,672	\$73,071	\$23,091	\$16,314	\$1,741,162
Other items:					
Depreciation and amortization*	\$ 25,793	\$ 2,999	\$ 152	\$ 139	\$ 29,089
Increase in property, plant and equipment and intangible assets*	21,050	4,703	258	991	27,015

* Depreciation and amortization include the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

4. Reconciliation items between segment information and the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net sales			
Total for reportable segments	¥70,686	¥79,758	\$526,803
Elimination of intersegment transactions	(3,192)	(4,179)	(27,602)
Net sales in the consolidated financial statements	¥67,493	¥75,579	\$499,201

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Profit			
Total for reportable segments	¥(1,225)	¥4,035	\$26,651
Elimination of intersegment transactions	86	69	456
Adjustments to non-current assets	20	(87)	(575)
Other adjustments	(10)	0	0
Operating profit (loss) in the consolidated financial statements	¥(1,129)	¥4,017	\$26,532

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Assets			
Total for reportable segments	¥223,017	¥263,612	\$1,741,162
Elimination of intersegment transactions	(1,817)	(2,682)	(17,715)
Total assets in the consolidated financial statements	¥221,200	¥260,929	\$1,723,441

	Total for reportable segments			Adjustments		Amount in the consolidated financial statements			
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024	2023	2024	2024	2023	2024	2024
Other items									
Depreciation and amortization	¥4,259	¥4,404	\$29,089	¥(150)	¥(150)	\$ (991)	¥4,109	¥4,254	\$28,098
Increase in property, plant and equipment and intangible assets	7,467	4,090	27,015	(146)	(306)	(2,021)	7,321	3,783	24,987

Related Information

Fiscal year ended March 31, 2023

1. Products and services information

The disclosure is omitted since the same information is stated in Note “(Segment Information).”

2. Geographical information

(1) Net sales

The disclosure is omitted since sales to external customers in Japan exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

There are no corresponding items as the Companies do not possess any property, plant or equipment outside of Japan.

3. Major customer information

	Net sales (Millions of yen)	Relevant segment
Alfresa Corporation	¥11,183	Pharmaceutical
MEDICEO CORPORATION	8,496	Pharmaceutical
SUZUKEN CO., LTD.	8,471	Pharmaceutical

Fiscal year ended March 31, 2024

1. Products and services information

The disclosure is omitted since the same information is stated in Note “(Segment Information).”

2. Geographical information

(1) Net sales

The disclosure is omitted since sales to external customers in Japan exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

There are no corresponding items as the Companies do not possess any property, plant or equipment outside of Japan.

3. Major customer information

	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Relevant segment
Alfresa Corporation	¥11,446	\$75,601	Pharmaceutical
SUZUKEN CO., LTD.	8,934	59,009	Pharmaceutical
MEDICEO CORPORATION	8,632	57,015	Pharmaceutical

Information on impairment loss of property, plant and equipment by reportable segment

No corresponding items

Information on amortization of goodwill and unamortized balance by reportable segment

Disclosure is omitted due to immateriality in amounts of amortization of goodwill and unamortized balance of goodwill.

Information on gain on bargain purchase by reportable segment

No corresponding items

Information on related-parties

Transaction with related parties

Fiscal year ended March 31, 2023

No corresponding items

Fiscal year ended March 31, 2024
Transaction between a consolidated subsidiary of the Company and a related party
Directors and major shareholders (limited to individuals), etc. of the Company

Type	Name of company, etc. or individuals	Address	Capital (Millions of yen) (Thousands of U.S. dollars)	Detail of business or occupation	Ownership ratio of voting rights (owned) (%)	Relationship	Detail of transaction	Transaction amount (Millions of yen) (Thousands of U.S. dollars)	Account name	Ending balance (Millions of yen) (Thousands of U.S. dollars)
Director of significant subsidiary	Eiji Kanzawa	—	¥—	Representative	(own)	Representative	Renovation of residential property	¥12	—	¥—
			\$—	Director of significant subsidiary	Direct 0.4	Director of significant subsidiary		\$79		\$—

(Note) Policies to determine terms and conditions of the transaction
For the above transaction, terms and conditions are determined in the same manner as general transactions.

(Per Share Information)

	Yen		U.S. dollars
	2023	2024	2024
Net assets per share	¥4,204.64	¥4,977.41	\$32.88
Basic earnings per share	228.31	246.61	1.63

Notes:
1. Diluted earnings per share is not presented because there is no dilutive potential of shares of common stock.
2. The basis for calculating basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Profit attributable to owners of parent	¥10,528	¥11,160	\$73,712
Amount not attributable to common stock shareholders	—	—	—
Profit attributable to common stock owners of parent	¥10,528	11,160	73,712
	Shares		
	2023	2024	
Weighted average number of shares – common stock	46,115,756	45,258,336	

(Significant Subsequent Events)

(Execution of Significant Contract)
The Company has entered into contract with JW Pharmaceutical CORPORATION (South Korea, hereinafter “JWPC”) to grant JWPC the exclusive development and marketing rights in Korea for Linzagolix (generic name), a drug originally discovered by the Company for the treatment of uterine fibroids and endometriosis. The outline is as follows:

(1) Name of the counterparty of the contract
JW Pharmaceutical CORPORATION

(2) Date of the contract
June 10, 2024

(3) Details of the contract
To grant JWPC the exclusive development and marketing rights for Linzagolix in Korea

(4) Significant effects on the Company’s operations
Upon the conclusion of the contract, the Company receives upfront payments, milestone payments for the progress of development and product sales, and royalty payments for product sales from JWPC, while supplying the drug substance.

The Company has entered into contract with Rigel Pharmaceuticals, Inc. (U.S.A., hereinafter “Rigel”) to acquire exclusive development and marketing rights in Japan, South Korea, and Taiwan for the acute myeloid leukemia (AML) drug “olutasidenib (generic name)”. The outline is as follows:

(1) Name of the counterparty of the contract
Rigel Pharmaceuticals, Inc.

(2) Date of the contract
September 3, 2024

(3) Details of the contract
To acquire exclusive development and marketing rights for olutasidenib in Japan, South Korea and Taiwan

(4) Significant effects on the Company’s operations
Upon the conclusion of the contract, the Company pays upfront payments and milestone payments to Rigel.

(Consolidated Supplementary Schedules)

Details of corporate bonds
No corresponding items

Details of borrowings

	Balance at beginning of period		Balance at end of period		Average interest rate	Repayment period
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars	(%)	
Short-term borrowings	¥1,490	\$ 9,841	¥1,340	\$ 8,851	0.96	—
Current portion of long-term borrowings	—	—	—	—	—	—
Current portion of lease liabilities	145	958	151	997	—	—
Long-term borrowings	—	—	—	—	—	—
Lease liabilities	317	2,094	236	1,559	—	April 2025– May 2029
Other interest-bearing liabilities	—	—	—	—	—	—
Total	¥1,953	\$12,900	¥1,727	\$11,407	—	—

Notes:
1. The average interest rate represents the weighted-average interest rate applied to the balance at the end of the fiscal year.
2. The average interest rate for lease liabilities is not stated because lease liabilities recognized in the consolidated balance sheet are the total amounts before deductions of interest equivalents included in lease payments
3. The repayment schedule for lease liabilities due within five years subsequent to the consolidated balance sheet date is as follows:

		Due after one year to two years	Due after two years to three years	Due after three years to four years	Due after four years to five years
Lease liabilities	(Millions of yen)	¥129	¥68	¥26	¥11
	(Thousands of U.S. dollars)	\$852	\$449	\$172	\$73

(Asset retirement obligations)

As the amounts of asset retirement obligations were not more than 1% of the combined total of liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2024, the supplemental schedule of asset retirement obligations is omitted in accordance with paragraph 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(Quarterly Performance in the Fiscal Year Ended March 31, 2024)

		Three months ended June 30, 2023	Six months ended September 30, 2023	Nine months ended December 31, 2023	Fiscal year ended March 31, 2024
Net sales	(Millions of yen)	¥19,313	¥36,978	¥57,859	¥75,579
	(Thousands of U.S. dollars)	\$127,563	\$244,240	\$382,160	\$499,201
Profit before income taxes	(Millions of yen)	¥4,349	¥7,502	¥11,100	¥14,449
	(Thousands of U.S. dollars)	\$28,725	\$49,551	\$73,316	\$95,436
Profit attributable to owners of parent	(Millions of yen)	¥3,265	¥5,678	¥8,337	¥11,160
	(Thousands of U.S. dollars)	\$21,565	\$37,503	\$55,066	\$73,712
Basic earnings per share	(Yen)	¥70.95	¥123.66	¥182.87	¥246.61
	(U.S. dollars)	\$0.47	\$0.82	\$1.21	\$1.63
		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share	(Yen)	¥70.95	¥52.67	¥59.17	¥63.80
	(U.S. dollars)	\$0.47	\$0.35	\$0.39	\$0.42



Independent Auditor’s Report

The Board of Directors
Kissei Pharmaceutical Co., Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kissei Pharmaceutical Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.



Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor’s Response
<p>"As described in Note 09 to the consolidated financial statements, the Group recorded deferred tax assets of ¥4,637 million as of March 31, 2024. The amount attributable to KISSEI PHARMACEUTICAL CO., LTD. of ¥3,923 million, or 84.6% of the total amount of deferred tax assets, is of particular significance.</p> <p>The Company determines the recoverability of deferred tax assets for future deductible temporary differences by estimating taxable income based on projected future profitability and tax planning.</p> <p>As described in Note 09 "Significant Accounting Estimates", 1. Recoverability of deferred tax assets to the consolidated financial statements, the company does the estimate of taxable income based on its projected future profitability calculated based on the annual management plan approved by Board of Directors and for the period thereafter based on projected the revision rate of National Health Insurance (“NHI”) drug prices. The tax planning also reflects on the sales schedule of investment securities held. The significant assumptions on the estimate of taxable income are the future revision rate of NHI drug prices, the sufficiency and probability of the gain on sales of investment securities. The future revision rate of NHI drug prices is estimated based on previous actual and trend of Pharmaceutical administration. The gain on sales of investment securities is estimated based on unrealized gains and sales schedule of planned sales of securities held.</p> <p>Given that the significant assumptions applied in the future business plan involve uncertainties and require management judgement in assessing the recoverability of the deferred tax assets, we determined it to be</p>	<p>The audit procedures we performed to recoverability of deferred tax assets included the following, among others.</p> <ul style="list-style-type: none">• We obtained an understanding, evaluated the assess design, and tested the operating effectiveness of the controls over tax effect accounting process.• We examined the underlying future business plan to evaluate the estimates of future taxable income. We examined its consistency with the most recent annual management plan approved by the Board of Directors in evaluating the business plan.• We compared the business plans in previous fiscal years with actual results to evaluate the effectiveness of management's estimation process.• We discussed with management and director of marketing about the impact of the future revision rates of NHI drug prices which is included in the future business plan on the significant assumptions.• We analyzed the trend of previous NHI drug price revisions and read meeting minutes about the revision of NHI drug price of the Central Social Insurance Medical Council, advisory body of Minister of Health, Labor and Welfare, to evaluate the future revision rates of NHI drug price estimated by management.• We read minutes of meetings of the Board of Directors about the policy for sales of investment securities and planned sales of securities to evaluate the probability of future recognition of gains on sales of investment securities. We also compared the amount of gains on sales of investment securities detailed in the business plan with amount of unrealized gains on securities to



a key audit matter.	be sold. <ul style="list-style-type: none">• We performed a sensitivity analysis of management's evaluation regarding uncertainty of the estimation for the future business plan.
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Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Notes to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Kissei Pharmaceutical Co., Ltd. and its subsidiaries provided by us and other EY member firms are 57 million yen for the year ended March 31, 2024, and there are no fees for other services for the year ended March 31, 2024.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Matsumoto, Japan

September 27, 2024

Yoshihiro Sugimoto
Designated Engagement Partner
Certified Public Accountant

Tetsuya Tomita
Designated Engagement Partner
Certified Public Accountant



19-48, Yoshino, Matsumoto, Nagano 399-8710, Japan