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May 13, 2026

Updates on Actions to Implement Management that is Conscious of Cost of Capital and Stock Price

Kaken Pharmaceutical Co., Ltd. (Head Office: Bunkyo-ku, Tokyo; President and Representative Director, Hiroyuki Horiuchi), announced that it has updated its previously disclosed information regarding “Actions to Implement Management that is Conscious of Cost of Capital and Stock Price”.

For further details, please refer to the attached document titled:

“Actions to Implement Management that is Conscious of Cost of Capital and Stock Price(Updated)”.

Attachment: “Actions to Implement Management that is Conscious of Cost of Capital and Stock Price (Updated)”

Note: This document has been translated from the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Actions to Implement Management that is Conscious of Cost of Capital and Stock Price (Updated)

May 13, 2026

Kaken Pharmaceutical Co., Ltd.



VISION

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

“3Xs” ~Three Transformation~

1 st X	R&D Transformation	<ol style="list-style-type: none"> 1. Utilize KAKEN’s own research base 2. Expand into new therapeutic areas 3. Take on the challenge of new modalities 4. Actively invest in R&D
2 nd X	Overseas Expansion Transformation	<ol style="list-style-type: none"> 1. Enhance line-up of global products from in-house drug discovery and licensing of products already commercialized or under development 2. Maximize the value of global products through our own development and commercialization overseas
3 rd X	Management Base Transformation	<ol style="list-style-type: none"> 1. Develop human resources capable of pursuing transformation as professionals and improve the working environment 2. Create a corporate culture capable of continuous transformation by utilizing data and digital technology 3. Maximize product value and establish reliable and high-quality manufacturing capabilities from the viewpoint of “patients first”

Kaken aim to increase mid- to long-term corporate value through execution of strategies to achieve VISION for Long-Term Business Plan 2031



- ❑ Achieve ROE target of 10% through allocating cash as priority source for strategic investments and continuous launch of revolutionary drugs
- ❑ Reduce cost of capital and expand pipelines to improve PER

Realize PBR of 1.0x or higher

Target and Initiatives

Reproduced from
May 2024 materials

- Target and Initiatives to achieve PBR of 1.0x or higher

	Target	Initiatives
ROE	10% or higher	A) Pursue 3Xs strategy to expand pipelines and increase net sales and profits
		B) Prioritize strategic investment based on cash flow allocation
PER	Further improvement (lowering cost of capital)	C) Set reduction policy of cross-shareholding
		D) Communication with investors by Corporate Communications Department
PBR	1.0x or higher	E) Reset materiality issues and hold investors' meeting on sustainability
		F) Revision of stock compensation plan and director's compensation plan

Progress on Initiatives (Including Selected Updated)

Initiatives

A) Pursue 3Xs strategy to expand pipelines and increase net sales and profits

- Maintain at least eight pipelines in Phase I or later phases at any given time.
- Expand global products and establish our own overseas development capabilities
- Strengthening the organizational foundation

B) Prioritize strategic investment based on cash flow allocation

- Strategic investment ¥ 260 billion (~FY2031)
- Enhance shareholder return, minimum of ¥190 per share dividend annually.

C) Set reduction policy of cross-shareholding

D) Communication with investors by Corporate Communications Department

E) Reset materiality issues and investors' meeting on sustainability

F) Revision of stock compensation plan and director's compensation plan

Major progress

- ◆ Pipelines: 12 (As of May 13, 2026)
In-licensing: Three (FY2025); cumulative total of 10 products since the start of the Long-Term Business Plan
- ◆ Approval of Clenafin in Germany and Italy, Launch of Ecclock in South Korea
- ◆ Introduced our Employee Stock Ownership Plan (J-ESOP), implemented CRM system updates and enhancements.
- ◆ Commercial production structure for KP-001

- ◆ Spent ¥25 billion for strategic investment in FY2025 (Approx. ¥97 billion over four years)
- ◆ Maintain an annual dividend of ¥190 per share

- ◆ Reduced cross-shareholdings based on the reduction policy. (Progress against the policy: 56%)

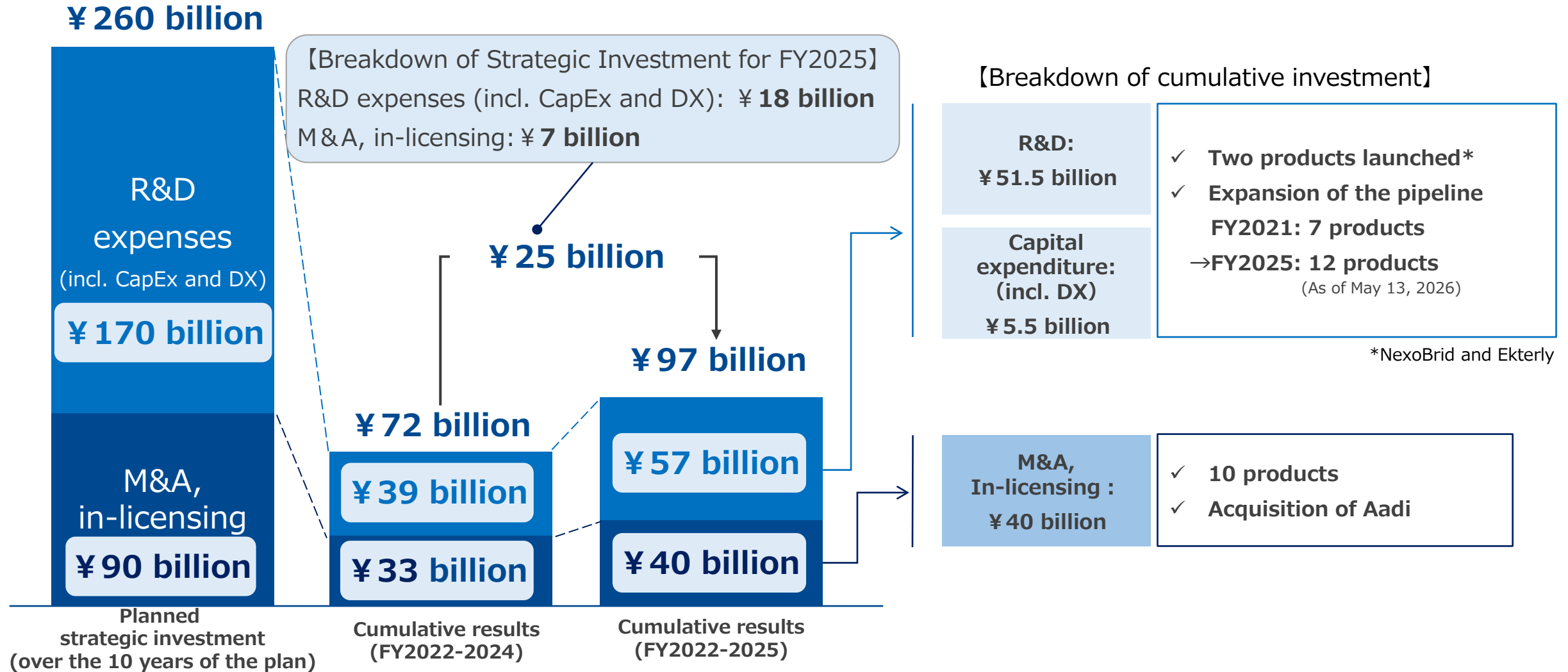
- ◆ Details in "Communication with Shareholders and Investors"

- ◆ Progress Based on the updated materiality.
- ◆ Held Sustainability Meeting in FY2024

- ◆ Revision of stock compensation plan and director's compensation plan from FY2024.

Progress on Strategic Investment

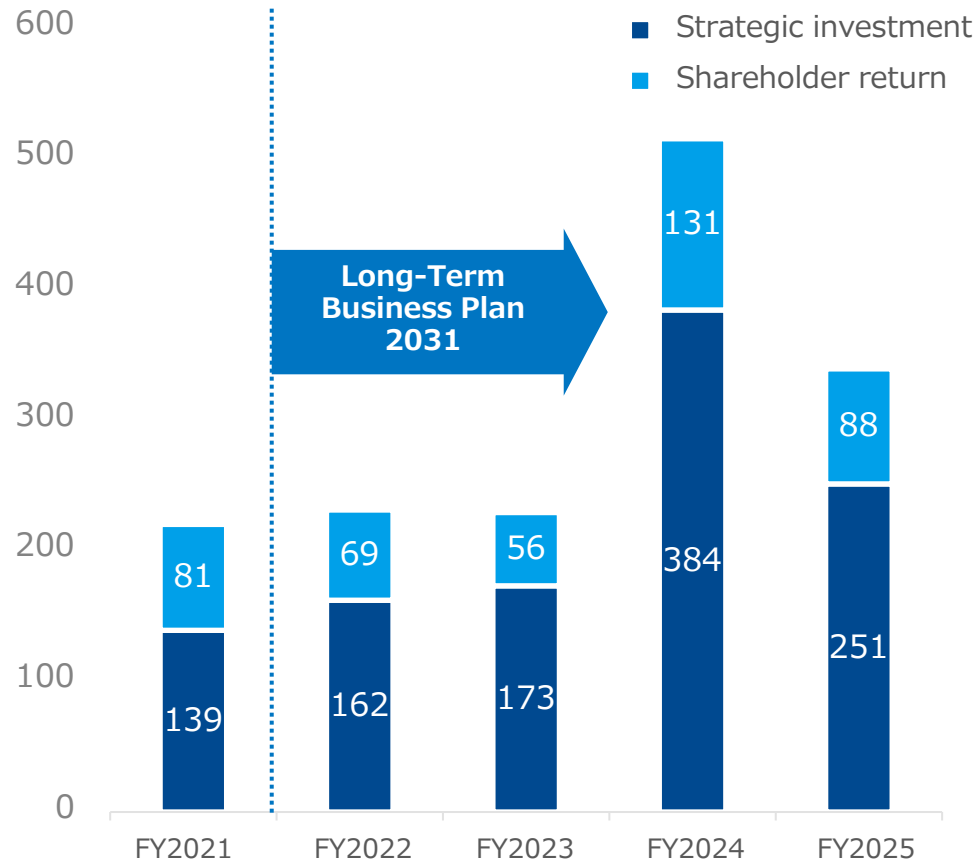
- Spent approximately ¥97 billion in strategic investment for the past four years.



Major Cash-Outflows and Cash and Cash Equivalents Balance Trend

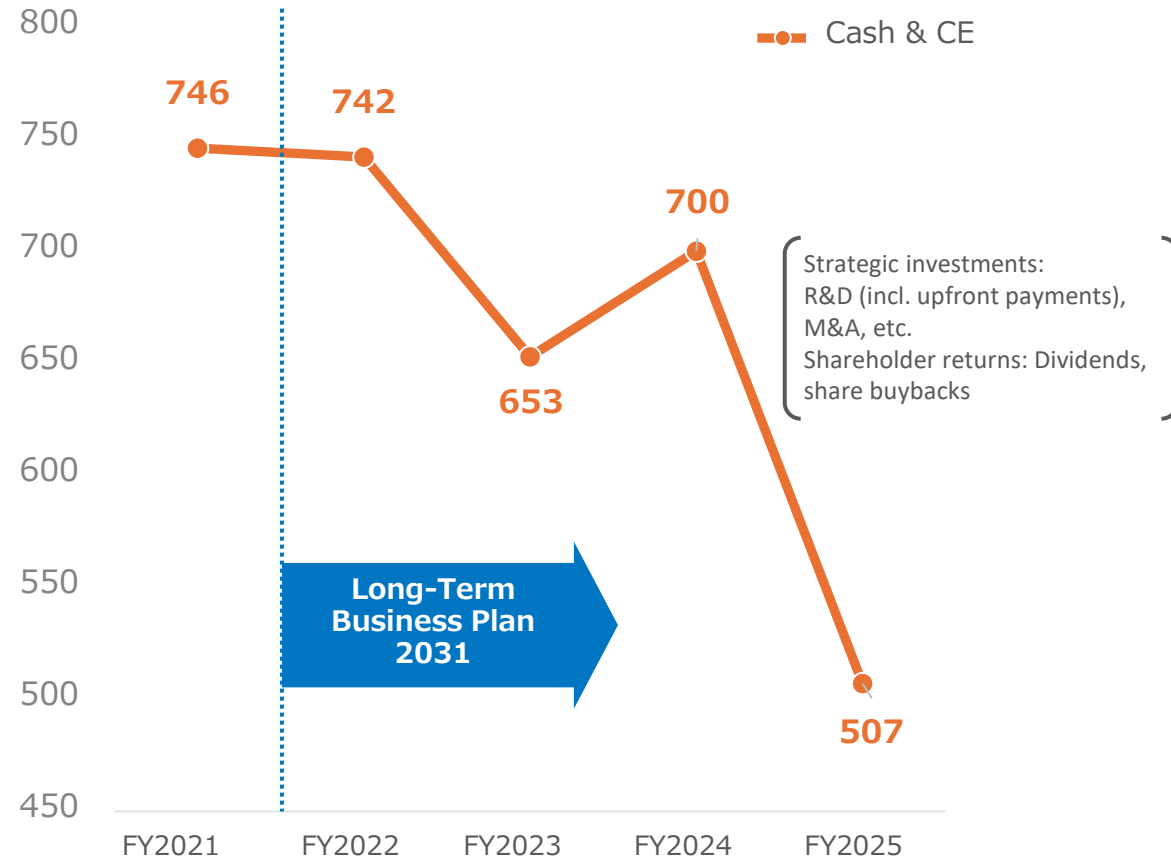
Strategic investment and shareholder return

(Unit: ¥100 million)



Cash & CE

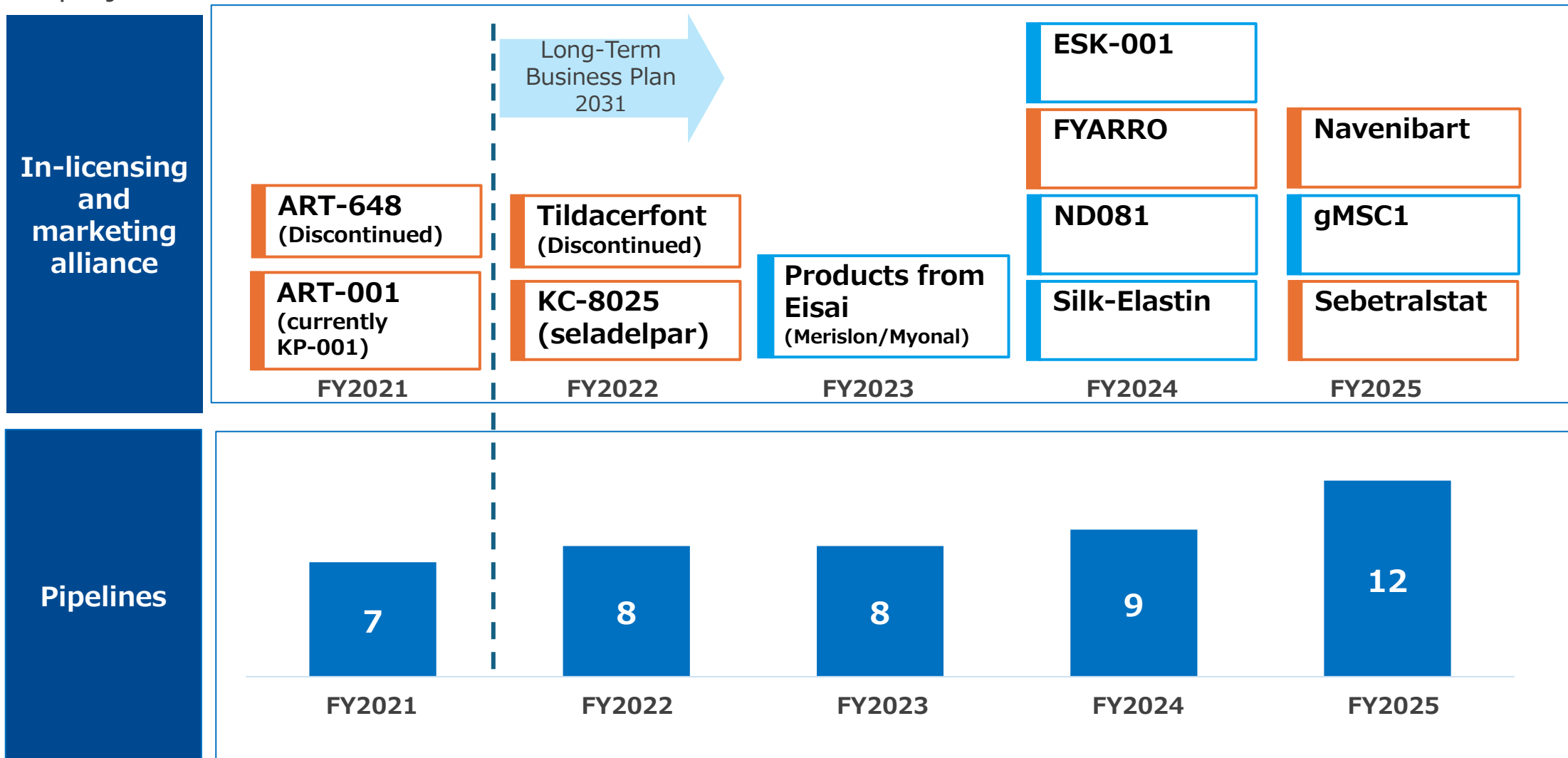
(Unit: ¥100 million)



Changes in the Pipeline Over Time

- After the announcement of the Long-Term Business Plan 2031, ten projects had been in-licensed as of March 2026.

:Rare diseases



Reduction Policy on Cross-Shareholdings and Progress

- As of March 31, 2026 approximately ¥3.3 billion of treasury stock has been disposed of against the target amount of approximately ¥6.0 billion (reduction ratio: approximately 56%), achieving more than half of the five-year target within two years.
- The remaining balance (approximately ¥2.7 billion) is scheduled to be disposed of by the end of March 2029, taking into consideration market conditions.

Reduction Policy announced in May 2024

Reduce 30% compared to March 2024 within 5 years

A reduction target of approximately ¥6.0 billion (30% of the market value) has been set, based on the market value as of March 31, 2024 (approx. ¥20.3 billion).

(Supplementary Financial Information)

Ratio of strategic shareholdings to net assets:
FY2026: 12.8% / FY2025: 12.5%

Overview

(Amounts are rounded to the nearest million yen)

	FY2024 (1 st year)	FY2025 (2 nd year)
Progress (cumulative)	5.8%	56%
Disposal status	Partial sale of 1 holding	Full sale of 1 holding Partial sale of 4 holdings
Decrease from market value based on share prices as of March 31, 2024	520	2,827

*The progress rate represents the ratio of the reduction amount, based on the market value as of March 31, 2024 (approximately ¥20.3 billion).

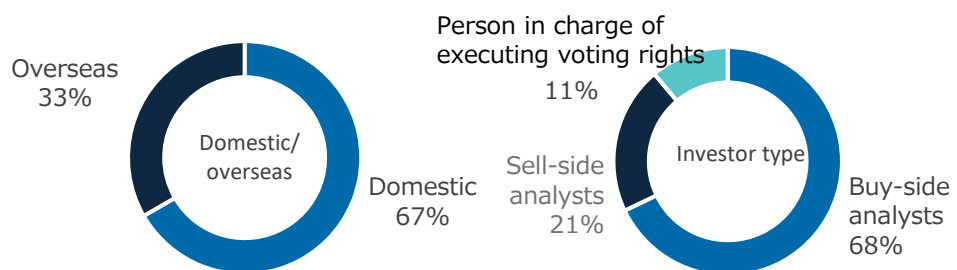
Communication with Shareholders and Investors

- Conducted communication with shareholders and investors through investor meeting and individual meeting.
- Feedback is also provided to the Board of Directors twice a year.

Dialogue and meetings with institutional investors*

FY2025: 81 times (44 companies)
 (For reference) FY2024: 80 times (47 investors)

Types of institutional investors*



Main attendees

Investor meetings	All internal directors
Individual meetings	Director in charge of investor relations General Manager of the Corporate Communications Department
Shareholder's meeting	All directors and Audit & Supervisory Board members

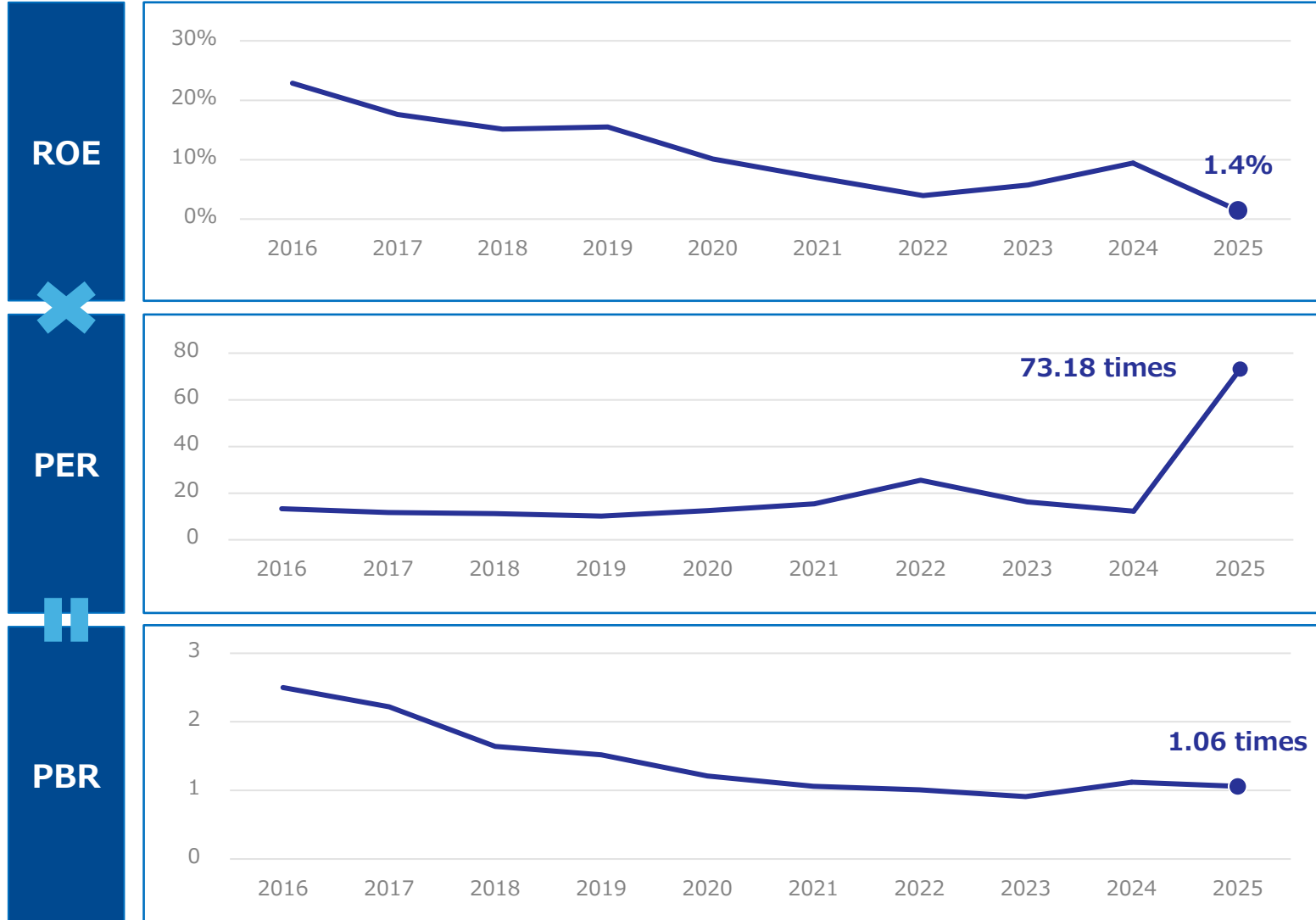
*Including sell-side investors

Topics and themes in the meeting

- ◆ Current Business Situation
 - Earnings outlook and trends in the external/business environment
 - Trends in existing products
 - Market penetration of Clenafin AG
 - Business performance of Aadi
- ◆ Mid- to Long-term Management Principles
 - Partial revision of "Long-Term Business Plan 2031"
 - Pipeline overview (target diseases, etc.), development progress, and sales outlook
 - Progress in overseas expansion
- ◆ Financial Strategy
 - Progress of strategic investments
 - Financial discipline and cash allocation policy
 - Shareholder return policy
 - Progress in disposal of strategic shareholdings
- ◆ ESG, Sustainability, and Disclosure
 - Initiatives related to materiality and progress of each KPI
 - Status of initiatives regarding the Nomination and Compensation Committee and Board effectiveness evaluation
 - Implementation status of the employee engagement survey
 - Expectations for enhancement of IR activities and information disclosure

Progress Against Targets

■ Maintained PBR above 1.0x



Analysis

- **ROE declined due to a substantial decrease in net sales.**
- Net sales decreased as a result of **the deferral of milestone from FY2025 to FY2026**, the impact of the Clenafin patent cliff, and higher strategic investment.
- The share price was maintained, reflecting investors' understanding of our strategy aimed at enhancing long-term corporate value.
- Through pipeline expansion based on the Long-Term Business Plan 2031 and efforts to reduce the cost of capital, PBR has maintained above 1.0x.