

# CORPORATE GOVERNANCE REPORT

Last Update: March 27, 2023

Kyowa Kirin Co, Ltd.  
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The corporate governance of Kyowa Kirin Co, Ltd. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

Based on our vision and medium term business plan in accordance with our philosophy that “The Kyowa Kirin Group companies strive to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies” and core values, in order to achieve sustainable growth and increase corporate value over the mid- to long-term, we, as a company responsible for delivering social infrastructure, work on the enhancement of our corporate governance by ensuring transparency and fairness in decision-making, and establishing structures for timely and decisive decision-making and execution of management duties, and for appropriate monitoring and supervisory functions.

We believe that cooperation with stakeholders is essential for achieving our medium term business plan, and respect the situation of each stakeholder; and we are committed to making timely disclosures to shareholders and investors on a transparent, fair and continuous manner, proactively having constructive dialogue with shareholders and investors, and ensuring accountability in a cordial manner.

We are a consolidated subsidiary of Kirin Holdings Company, Limited, and while respecting the Kirin Group’s management policies, we secure independence for our corporate management.

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company has complied with all principles of the Corporate Governance Code.

### [Disclosure Based on the Principles of the Corporate Governance Code]

#### [Supplemental Principle 1.2.4: Use of Electronic Voting Platform]

The Company has been participating in an electronic voting platform for institutional investors operated by ICJ, Inc.

#### **[Principle 1.4 Cross-Shareholdings]**

<Policy on cross-shareholdings>

In principle, the Company's group shall hold any cross-shareholdings. However, the Company may hold only those stocks that are deemed to contribute to medium- to long-term improvement in corporate value for the Company's group.

<Exercise of voting rights of cross-held shares>

With respect to voting rights of cross-shareholdings, we will properly exercise our voting rights, upon making a voting decision on each proposal of the issuing company, considering whether its proposal contributes to increasing its corporate value, and whether the proposal contributes to our Group's sustainable growth and an increase in corporate value over the mid- to long-term.

The above policy is stipulated in Section 3.2.3, Chapter 3 of our Corporate Governance Policy.

#### **[Principle 1.7 Related Party Transactions]**

Policy on transactions between related parties is as follows:

- We disclose information on transactions with related parties in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws, as well as rules established by the Tokyo Stock Exchange.
- In case there is a significant fact concerning any transaction with Director, Audit & Supervisory Board Member, and their relatives, the fact is reported to the Board of Directors. Competitive transactions and conflict-of-interest transactions involving Directors, whether conducted as the direct party or as an agent or representative of a third party, are matters to be resolved by the Board of Directors in accordance with the Companies Act and the Board's rules and regulations.
- With respect to any transactions with a controlling shareholder, a rational decision is to be made in the same manner as general transaction terms and conditions, based on objective information on the market where goods/services provided by or to the Company are mainly traded.

The above policy is stipulated in Section 3.2.5, Chapter 3 of our Corporate Governance Policy.

#### **[Supplemental Principle 2.4.1 Ensuring Diversity in the Appointment of Core Personnel]**

- As a Global Specialty Pharmaceutical Company, we believe “taking advantage of diversity – in terms of both such surface layers as race, nationality, gender and age, and such deeper layers as values and experience of individuals – brings about further innovations,” and promote diversity & inclusion by hiring/developing human resources with diverse backgrounds, and creating a new corporate culture where employees autonomously take on challenges and overcome barriers.
- We work toward ensuring diversity as well as having right persons in right jobs, by clarifying qualifications for global leader positions as human resources that support the global management structure, enhancing the pipeline of candidates to be nominated, and developing next-generation leaders. Furthermore, achieving Equity and Inclusion, in accordance with the Declaration of the Global Diversity, Equity, and Inclusion Statement, we implement cross-regional/cross-functional measures as well as measures for addressing region-specific issues. With respect to the ratio of women in global leadership positions, we aim at achieving 30% in 2025 and 40% in 2030. As for the ratio of women in managerial positions in Japan, the Company aims at achieving 18% in 2025.

- To create new value, we will actively recruit and promote mid-career hires and foreign nationals with high expertise and diverse perspectives, both in Japan and globally.

#### **[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]**

- The Corporate Pension Fund manages funds for the Company's pension plan.
- The Company recruits and assigns qualified persons for investment management at the Fund in a planned manner, helps them increase their expertise by providing opportunities to participate in external training courses or pension investment seminars, and establishes an appropriate operating structure to support the Fund.
- The investment policy of the reserve fund is based on professional inputs and consultations from outside experts.
- The Asset Management Committee, in which the Director of the Finance Department and the Director of the Human Resources Department also participate, regularly monitors the investment status and reviews the investment policy as necessary, paying attention to maximizing the benefits for the participants and beneficiaries of the Company's pension plan and the impact on the Company's financial position.
- As the actual management of the funds is outsourced to a trustee organization and the Company is not involved in investment instructions or the exercise of voting rights, possible conflicts of interest with corporate pension beneficiaries are appropriately managed.

#### **[Principle 3.1 Full Disclosure, Supplementary Principles 3.1.2 Disclosure of Information in English and 3.1.3 Sustainability Initiatives]**

(i) In line with our philosophy that “The Kyowa Kirin Group companies strive to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies” and core values, we formulated Vision 2030 and the 2021-2025 Medium Term Business Plan, aiming at realizing the successful creation and delivery of life-changing value that ultimately makes people smile, as a Japan-based Global Specialty Pharmaceutical Company built around the diverse team of experts with a shared passion for innovation.

The 2021-2025 Medium Term Business Plan is available at the following website:

<[https://ir.kyowakirin.com/en/management/biz\\_plan.html](https://ir.kyowakirin.com/en/management/biz_plan.html)>

(ii) Our Basic Views on Corporate Governance are as described in the first section of this report. According to the Basic Views, we established the Corporate Governance Policy, and continuously work on realizing an optimal corporate governance system.

Our Corporate Governance Policy is available at our website as below.

<<https://ir.kyowakirin.com/en/management/governance.html>>

(iii) The Nomination and Remuneration Consultative Committee deliberates and determines the remuneration for senior management from an objective and fair perspective, and then reports the results to the Board of Directors. The relevant policy is stipulated in Section 2.6.3, Chapter 2 of our Corporate Governance Policy.

(iv) With respect to the appointment/removal of senior management and nomination of candidates for Directors and Audit & Supervisory Board Members, the Nomination and Remuneration Consultative Committee deliberates and determines such matters from an objective and fair perspective, and then reports the results to the Board of Directors. The relevant policy is stipulated in Section 2.6.1, Chapter 2 of our Corporate Governance Policy.

(v) We proactively disclose sustainability-related information as an initiative under the 2021-2025 Medium Term Business Plan. With respect to our climate-related initiatives, we disclose the progress in accordance with the framework of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In November 2021, we declared support for the TCFD Recommendations for realizing a decarbonized society.

The following website provides information on TCFD

<<https://www.kyowakirin.com/sustainability/environment/tcf/index.html>>

We consider that improving access to medicines is an important social issue related to health and welfare that should be addressed, and established a basic policy in April 2022 from the three perspectives of "providing medicines that satisfy unmet medical needs," "improving access to medicines," "assuring product quality and stable supply, and ensuring patient safety and promoting proper use.

For information on the Policy for Access to Medicines, please visit the following website

<[https://www.kyowakirin.com/sustainability/access\\_to\\_medicine/index.html](https://www.kyowakirin.com/sustainability/access_to_medicine/index.html)>

(vi) We consider human capital and intellectual capital as sources of competitiveness for continuously creating life-changing value, so we steadily and dynamically allocate resources to them, and make appropriate disclosures as necessary.

The following websites provide information on our human resource development and intellectual property initiatives.

<[https://www.kyowakirin.com/sustainability/human\\_rights\\_labor\\_practices/development/index.html](https://www.kyowakirin.com/sustainability/human_rights_labor_practices/development/index.html)>

<[https://www.kyowakirin.com/notice/2021/pdf/e20211210\\_01.pdf](https://www.kyowakirin.com/notice/2021/pdf/e20211210_01.pdf)>

(vii) In principle, disclosure documents related to Investor Relations are provided in English under a certain rationality.

**[Principle 4.1 The Role and the Responsibility of the Board of Directors, Supplementary Principle 4.1.1 Scope and Content of the Matters Delegated to the Management]**

Roles and responsibilities of the Board of Directors are as follows. The details are stipulated in Section 2.2.1, Chapter 2 of our Corporate Governance Policy.

- Taking into account its fiduciary duties and accountability to shareholders, the Board of Directors aims at realizing our corporate philosophy, and achieving sustainable growth and increased corporate value of our Group over the mid- to long-term, by establishing effective and efficient corporate governance.
- The Board of Directors makes decisions on matters stipulated by law and the execution of the Group's important operations, which include long-term management visions, medium term business plans and annual business plans of the Group and key Group companies. The Board is also responsible for monitoring the directors' execution of their duties, developing and overseeing the basic policy on sustainability and initiatives thereunder, and for developing appropriate internal control systems across the Group by collaborating with the internal audit department.
- In addition to the matters stipulated in the laws and regulations as well as the Articles of Incorporation, the Board of Directors specifies matters to be resolved by the Board in the Regulations for the Board of Directors. Authorities pertaining to other business execution are

delegated to Executive Officers in charge of relevant businesses, and the details are defined in the Group Rule for Authorization.

**[Principle 4.8 Effective Use of Independent Directors, Supplementary Principle 4.8.3 Actions to Take as a Listed Company with Controlling Shareholders]**

In order to enhance fairness and transparency of corporate governance, and achieve sustainable growth of our Group and increased corporate value over the mid- to long-term, we appoint at majority of the Board members as independent directors who satisfy the Criteria for Independence of Outside Officers. In the event that the number of independent directors is less than a majority of the total number of directors, a committee consisting of independent directors shall be established by resolution of the Board of Directors as an advisory body to the Board of Directors to ensure the fairness and rationality of important transactions with Kirin Holdings Company, Limited, the controlling shareholder, and to help improve our corporate value and protect the interests of minority shareholders. The Committee deliberates, reviews and reports to the Board of Directors.

**[Principle 4.9 Independence Standards and Qualification for Independent Directors]**

Candidates for our independent Directors are selected from those who meet our Criteria for the Independence of Outside Directors, which was separately established based on the requirements of the Companies Act as well as the Tokyo Stock Exchange (TSE)'s criteria of independent directors/auditors. The standards for appointing independent Directors and the Criteria for the Independence of Outside Directors are provided in Section 2.6.2, Chapter 2 and Appendix 1 of our Corporate Governance Policy, respectively.

**[Supplementary Principle 4.10.1 Independence of Voluntary Committees]**

We established the Nomination and Remuneration Consultative Committee as an advisory body to the Board of Directors. The Committee deliberates and makes decisions on nomination and remuneration of our Company from an objective and fair standpoint, and reports the results to the Board of Directors. The Nomination and Remuneration Consultative Committee consists of 10 members, and 7 members, which is a majority, are independent officers. The Committee Chair is selected from independent directors.

**[Supplementary Principle 4.11.1 Diversity of the entire board of directors]**

According to the Articles of Incorporation, the maximum number of Directors, who comprise our Board of Directors, is 10. We established a transparent governance system, which is well-balanced as a whole, ensuring knowledge, experience, skills and insights necessary as a Global Specialty Pharmaceutical Company as well as diversity. The details are stipulated in Section 2.2.2, Chapter 2 of our Corporate Governance Policy. We disclose on our website a skills matrix, which enumerates knowledge, experience, skills, etc. of Directors and Audit & Supervisory Board Members, as well as the policy and procedures for nominating them.

<[https://ir.kyowakirin.com/ja/library/annual/main/01/teaserItems1/00/linkList/0/link/ar2020\\_jp\\_2.pdf](https://ir.kyowakirin.com/ja/library/annual/main/01/teaserItems1/00/linkList/0/link/ar2020_jp_2.pdf)>

**[Supplementary Principle 4.11.2 Information about Outside Directors, Outside Audit & Supervisory Board Members, and Other Directors and Audit & Supervisory Board Members who also Serve as Directors, Audit & Supervisory Board Members, or the Management at Other Companies]**

We disclose information on significant concurrent positions held by Directors and Audit & Supervisory Board Members every year in the convocation notice of the ordinary general meeting of shareholders and the Securities Report.

### **[Supplementary Principle 4.11.3 Analysis and Evaluation of Effectiveness of the Board of Directors as a whole]**

To identify gaps between expected roles and responsibilities of the Board of Directors set forth in the “Kyowa Kirin Corporate Governance Policy” and the actual state of the Board of Directors in 2021-2022, we conducted an evaluation on the effectiveness of the Board of Directors. With respect to the evaluation of the Board effectiveness, from the perspective of ensuring the effectiveness of governance, we identified wide-ranging issues, not limited to operational issues of the Board of Directors.

Based on the evaluation score, comments in the survey and interviews, external advisor’s opinion, and exchange of opinions at the Board, we concluded that the effectiveness of the Board of Directors was secured.

This year, as in the previous year, we set questions for the members of the Nomination and Remuneration Consultative Committee, an advisory body to the Board of Directors, and concluded that the appropriateness of access to information as well as agenda/deliberation are ensured.

#### **I. The evaluation method for Board effectiveness in 2022**

Since 2020, the year in which the Medium-Term Management Plan was formulated, we have conducted interviews with some directors in addition to questionnaires with the purpose of identifying issues from a medium-to long-term perspective. This year, we increased the number of participants from last year and conducted interviews with representative directors and independent officers with the aim of gathering opinions more widely. Furthermore, taking into account the results of the survey and interviews, we organized a meeting where only independent officers exchange their opinions, followed by the exchange of opinions among all Directors and Audit & Supervisory Board Members; and then made an evaluation.

<Main themes of the survey and interview questions>

1) Growth Strategy/Medium-Term Business Plan; 2) Board of Directors and Executive Roles and Responsibilities; 3) Global Governance Structure; 4) Governance System as a Listed Subsidiary; 5) Ensuring Diversity of the Board of Directors, etc.; 6) Capital Strategy; 7) Risk Management (improvement of the system); 8) Use of Optional Approach (deliberation on remuneration); 9) Use of Optional Approach (deliberation on nomination); 10) Dialogue with Shareholders; 11) Sustainability; 12) Topics of Deliberations; 13) Training for Directors and Audit & Supervisory Board Members; and 14) Operation of the Board of Directors

#### **II. Issues in this year and initiatives to be taken in 2023**

Based on the evaluation results of the Board effectiveness, we plan to implement the following measures for improvement in 2023:

- 1) Advance discussion on growth investment and other issues for medium- and long-term strategies  
Continuing from last year, we will have an opportunity to further discuss capital policies, reviewing policies for effective use of capital linked to medium- and long-term growth strategies and growth investments in response to changes in the business environment. Provide more opportunities to discuss the progress of strategies against the mid-term management plan.
- 2) Advance Board involvement to further strengthen risk management

Continuing from last year, in order to deepen discussions on further strengthening risk management, the Board of Directors will provide opportunities for more in-depth discussions on risk recognition with a view to mid- to long-term changes in the environment, including intensive discussions among Board members and the selection of top risks for the entire Group.

3) Discussion of the state of the global governance structure

We have been discussing and implementing a mechanism (One Kyowa Kirin) to realize the ideal state of global governance (Global Specialty Pharma). Based on the issues identified there, we will provide opportunities for the Board of Directors to discuss how governance should be to realize the ideal state.

4) Further improving operation of the Board of Directors to increase its effectiveness

Continuing from the previous fiscal year, we will reorganize the deliberation system for individual proposals and matters in order to ensure sufficient time for deliberation of important matters. In order to further deepen directors' understanding of the execution of business by the divisions in charge, we will increase opportunities for reports from the divisions in charge at meetings of the Board of Directors.

### III. Achievements in addressing issues identified in 2021-2022 evaluation

#### Issue #1. Advancing discussion on capital policy

[What was implemented] Reporting on the long-term product portfolio would regularly made to the Board of Directors as a Board meeting agenda, and the Board had more opportunities to discuss investment priorities, etc. from the mid- to long-term perspective.

[Evaluation] Board members appreciated the increased opportunities for regular reporting on the long-term product portfolio and discussion of growth investments.

On the other hand, there were several comments requesting regular monitoring of the long-term product portfolio and updates on the status of discussions on growth investments, etc., as there are many variables in the long-term product portfolio amidst the intensifying changes in the environment.

#### Issue #2. Discussion for further strengthening risk management

[What was implemented] The Board shared information on risk management, including what was implemented, the current risk management structure and issues, and the future plans, and had more opportunities to discuss matters from the mid- to long-term perspective.

[Evaluation] The fact that information on risk management is well shared and that there are regular opportunities for discussion was commended.

On the other hand, in light of the intensifying changes in the environment, there were several comments calling for more in-depth discussions and stronger oversight of risk management.

#### Issue #3. Advancing discussion on sustainability

[What was implemented] The theme of updating KPIs and materiality of non-financial targets was discussed with more opportunities for discussion on priorities and relationship with business strategies. We also set up opportunities to regularly monitor the progress of individual activities related to sustainability and exchange opinions.

[Evaluation] Many commented on the progress of discussions on ESG, sustainability, etc., and particularly appreciated the enrichment of discussions on the value creation process and materiality. Some commented that it is necessary to continue to enhance discussions on ESG, sustainability, and other issues in anticipation of their growing importance in the future.

#### Issue #4. Discussion of the diversity on boards of directors, etc.

[What was implemented] The Nomination and Remuneration Consultative Committee increased opportunities for discussion on the composition of the Board of Directors members and the skills required as a global specialty pharmaceutical company. The contents were reported to the Board of Directors and opportunities were set up for discussion at Board meetings.

[Evaluation] There was appreciation for the fact that the Nomination and Remuneration Consultative Committee discusses appropriate membership and skills for the Company and reports back to the Board of Directors. There was an opinion that the current Board of Directors is actively engaged in multifaceted discussions, with members from diverse backgrounds speaking out. There were also comments calling for continued consideration of ways to further improve the Board's performance.

Issue #5. Further improve board operations to increase effectiveness

[What was implemented] Appropriate delegation of authority was made to the executive side to ensure sufficient time for discussion at the Board of Directors meetings on various strategies and other important matters. Increased opportunities for discussion with the executive side by setting up opportunities to exchange opinions outside of the Board of Directors meetings.

[Evaluation] It was commented that the Board of Directors has been able to secure more time for deliberations on important matters than before by providing sufficient advance explanations and focusing on matters to be deliberated. The number of opportunities to exchange opinions outside of the Board of Directors' meetings has increased, and the fact that there were opportunities for discussions with the executive side was highly evaluated. On the other hand, there was a request to secure more sufficient time for deliberations on important matters by further delegating authority to the executive side and devising the structure of deliberations.

#### **IV. Continued efforts as a listed subsidiary to strengthen governance**

Issue #4. Strengthening governance system as a listed subsidiary

[What was implemented] In order to ensure the effectiveness in objective oversight of corporate management, the Company currently appointed 5 independent directors, and the percentage of independent directors exceeds majority of all directors.

Since 2020, Mr. Akira Morita, an independent director, has assumed the position of the Board chair, and worked on further improving governance.

Furthermore, as in the previous year, as for the evaluation of the Board effectiveness, we used a third party for the evaluation, and arranged opportunities for independent officers to exchange opinions, for ensuring the transparency of the evaluation, where independent officers play a main role.

[Evaluation] The Board of Directors, while always being aware of the fact that the Company is a listed subsidiary, secures the robust structure and mechanism to ensure the independence from the parent company, and gives full considerations to the protection of minority shareholders as well as measures to manage conflicts of interest, etc. The Board is also fully aware of the roles and importance of independent officers. Accordingly, the self-evaluation result remained high similarly to the last year.

#### **[Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]**

We provide training and information necessary for Directors and Audit & Supervisory Board Members to fulfill their roles and responsibilities, as appropriate. When they come into office, we provide them with lectures and training by experts and relevant departments concerning the Companies Act, corporate governance, risk management and other necessary matters; and thereafter, hold training or study sessions on legal changes and management issues, as necessary. Furthermore, when Outside Directors and Outside Audit & Supervisory Board Members come into office, we explain businesses of



our Group, and conduct a tour to our key business locations. The details are stipulated in Section 2.6.5, Chapter 2 of our Corporate Governance Policy.

**[Principle 5.1 Policy for Constructive Dialogue with Shareholders]**

The basic policy on dialogue with our shareholders is as follows. This policy is stipulated in Section 4.2, Chapter 4 of our Corporate Governance Policy.

- We believe that constructive dialogue with shareholders contributes to further enhancement of corporate governance, and, eventually, helps increase corporate value over the mid- to long-term. Therefore, while in principle accepting requests for dialogue, we proactively create opportunities for constructive dialogue, based on the shareholding structure, which we identify on a regular basis.
- In case of shareholders' requests for individual meetings, under the command of Investor Relations (IR) Officer, mainly IR Group of the Corporate Communications Department meets the shareholders. In case IR Officer considers that the presence of President and/or other Directors (including Outside Directors) or Executive Officers is appropriate for meetings with certain shareholders, we will provide opportunities for such dialogue, where reasonably possible.
- We work on ensuring fulfilling dialogue with shareholders by collaborating with mainly the IR Officer and finance Department, corporate planning Department, legal Department and other relevant departments, as appropriate for purposes of dialogue.
- We plan and hold briefing sessions and visit shareholders and investors, in order to explain our long-term management vision, medium term/annual business plans, financial results, R&D, ESG, etc., aiming at facilitating their understanding of the Company and promoting dialogue.
- When we have dialogue with shareholders, we strive to have two-way communications: we sincerely provide explanations, taking into account timeliness, appropriateness and fairness, and also listen to shareholders' opinions. IR Officer, regularly or as necessary, reports on shareholders' opinions and questions to President and other Directors, Audit & Supervisory Board, and Executive Officers.

**2. Capital Structure**

Foreign Shareholding Ratio	From 10% to less than 20%
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**[Status of Major Shareholders]**

Name / Company Name	Number of Shares owned	Percentage (%)
Kirin Holdings Company, Limited	288,819,000	53.74
The Master Trust Bank of Japan, Ltd. (Trust Account)	58,875,200	10.95
Custody Bank of Japan, Ltd. (Trust Account)	27,086,400	5.04
State Street Bank and Trust Company 505223 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	9,330,162	1.74
SMBC Nikko Securities Inc.	7,129,800	1.33

State Street Bank and Trust Company 505234 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	5,113,797	0.95
JPMorgan Chase Bank, N.A. 385781 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	3,361,346	0.63
State Street Bank and Trust Company 505025 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	3,307,965	0.62
State Street Bank and Trust Company 505013 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	3,164,409	0.59
SSBTC CLIENTOMNIBUS ACCOUT	3,051,696	0.57

Controlling Shareholder (except for Parent Company)	----
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Parent Company	Kirin Holdings Company, Limited (Listed: Tokyo, Nagoya, Sapporo and Fukuoka/ Code: 2503)
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Supplementary Explanation
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Nil
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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	December
Type of Business	Pharmaceutical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Transactions with the controlling shareholder, Kirin Holdings Company, Limited (“Kirin Holdings”), whether those be of goods and services provided by the Company or to the Company, are based on objective market information and other data, and as with ordinary transactions, rational terms are agreed, and the transaction is conducted appropriately.
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In case of conducting a transaction with Kirin Holdings, in order to address risks of conflicts of interest, when making a decision at the Board of Directors, officers who also work for the controlling shareholder, Kirin Holdings, do not participate in deliberation and resolution of such an agenda, and do not participate in our discussion and negotiations with Kirin Holdings.

In order to enhance fairness and transparency of corporate governance, and achieve sustainable growth of our Group and increased corporate value over the mid- to long-term, we appoint at majority of the Board members as independent directors who satisfy the Criteria for Independence of Outside Officers. In the event that the number of independent directors is less than a majority of the total number of directors, a committee consisting of independent directors shall be established by resolution of the Board of Directors as an advisory body to the Board of Directors to ensure the fairness and rationality of important transactions with Kirin Holdings Company, Limited, the controlling shareholder, and to help improve our corporate value and protect the interests of minority shareholders. The Committee deliberates and reviews and reports to the Board of Directors.

## **5. Other Special Circumstances which may have Material Impact on Corporate Governance**

The Company is a consolidated subsidiary of Kirin Holdings Company, Limited (“Kirin Holdings”), a non-operating holding company that holds 53.79% of the voting rights in the Company as of December 31, 2022. While Kirin Group aims at becoming a global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals, Kyowa Kirin is the only company in charge of the Pharmaceuticals domain, which is a core business of Kirin Group.

While the Company aims at realizing ‘the creation a of life-changing value’, we consider that management resources owned by Kirin Holdings and its Group companies are useful for our Company and our Group companies. Kirin Group’s knowledge and know-how in the domains of production management and engineering contribute to building our business foundation.

In order to fulfill its social responsibility in the future, the Company will further utilize Kirin Group’s knowledge and know-how in the domains of environmental conservation and stable supply of pharmaceutical products. In addition, in order to ‘meet healthcare needs of the society across the entire patient care pathway’, we consider that opportunities to solve issues facing people confronted with diseases exist at the intersection with Health Science domain, which Kirin Holdings focuses on.

In the Integration Agreement dated October 22, 2007, it was agreed by both companies that while observing core group management policies, the Company operates as an autonomous company with independence and flexibility, ensures management independence as a listed company, strives to maximize value for all shareholders and achieves consistent growth of its corporate value. Both companies follow through the Agreement.

From the perspective of protecting minority shareholders, the Company appoints outside directors and outside Audit & Supervisory Board Members who have no concern about conflicts of interest with general shareholders.

The Company established the Nomination and Remuneration Consultative Committee, which consists of a majority of outside officers. The Board of Directors is chaired by an independent director, and conducts an evaluation on the Board effectiveness by utilizing an external advisor.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director of the Board
Number of Directors	9
Number of Outside Directors	5
Number of Independent Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Akira Morita	Academic											
Yuko Haga	Academic											
Takashi Oyamada	From another company											
Yoshihisa Suzuki	From another company											
Rumiko Nakata	From another company											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of the parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Akira Morita	Yes	---	Mr. Akira Morita has many years of academic background and extensive knowledge as a researcher of public administration, as well as experience in assuming various positions, including a council member, in central and local governments. We appointed Mr. Morita as Outside Director, expecting that his expertise and experience will be reflected in the Company's management. He satisfies all requirements of our Criteria for the Independence of Outside Directors as well as the TSE's criteria for independent directors/auditors, and we judged there is no concern about conflicts of interest with general shareholders.
Yuko Haga	Yes	---	Ms. Yuko Haga has many years of academic background and extensive knowledge as a researcher of corporate strategies, experience as a business consultant, and wealth of experience in medical care, caregiving, and health care. We appointed Ms. Haga as Outside Director, expecting that her expertise and experience will be reflected in the Company's management. She satisfies all requirements of our Criteria for the Independence of Outside Directors as well as the TSE's criteria for independent directors/auditors, and we judged there is no concern about conflicts of interest with general shareholders.
Takashi Oyamada	Yes	---	Mr. Takashi Oyamada has a high level of management expertise from his experience in the bank management in the Bank of Tokyo-

			<p>Mitsubishi UFJ, Ltd. (former name), and has knowledge and insights of wide-ranged industries based on his wealth of experience in the financial industry. Therefore, we believe that he is qualified for making important management decisions and overseeing business execution, and appointed him as Outside Director. He satisfies all requirements of our Criteria for the Independence of Outside Directors as well as the TSE's criteria for independent directors/auditors, and we judged there is no concern about conflicts of interest with general shareholders.</p>
Yoshihisa Suzuki	Yes	---	<p>Mr. Yoshihisa Suzuki has experience in corporate management as President &amp; Representative Director of ITOCHU Corporation, as well as president of its overseas subsidiary and its manufacturing company. We believe that he is fully capable of making important management decisions and overseeing business execution, and therefore, appointed him as Outside Director. He satisfies all requirements of our Criteria for the Independence of Outside Directors as well as the TSE's criteria for independent directors/auditors, and we judged there is no concern about conflicts of interest with general shareholders.</p>
Rumiko Nakata	Yes	---	<p>Ms. Rumiko Nakata has useful knowledge and insight on management based on her experience in promoting various personnel policies in companies, as well as her activities in the Japan Association of Corporate Executives. We have appointed her as an outside director because we believe that she is capable of fulfilling the roles of decision-making on important management matters and supervision of business execution. She satisfies all requirements of our Criteria for the Independence of Outside Directors as well as the TSE's criteria for independent directors/auditors, and we judged there is no concern about conflicts of interest with general shareholders.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee’s Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Nomination and Remuneration Consultative Committee	Nomination and Remuneration Consultative Committee
All Committee Members	10	10
Full-time Members	3	3
Inside Directors	3	3
Outside Directors	5	5
Outside Experts	0	0
Other	2	2
Chairperson	Outside Director	Outside Director

Supplementary Explanation

- We established the Nomination and Remuneration Consultative Committee, consisting of the above-mentioned members, as an advisory committee for the Board of Directors. The Committee deliberates and makes decisions on the following matters from an objective and impartial viewpoint, and reports the results to the Board of Directors: policies for appointing/removing Directors, Executive Officers, and Audit & Supervisory Board Members of the Company as well as proposals on candidates for such positions; appointment and removal of Executive Directors; duties of each Director; policy for selecting a successor to CEO; proposals on candidates for Presidents and key management positions of main Group companies; remuneration system/level, amounts, etc. for Directors, Executive Officers, and Audit & Supervisory Board Members as well as Presidents and key management positions of main Group companies.
- The Nomination and Remuneration Consultative Committee consists of 10 members, and 7 members, which is a majority, are Outside officers. The Committee Chair is selected from Outside Directors.
- 2 committee members who fall under “Other” category represent Outside Audit & Supervisory Board Members.

[Audit & Supervisory Board]

Establishment of audit & supervisory board member Board	Established
Maximum Number of audit & supervisory board member Stipulated in Articles of Incorporation	Unlimited

Number of audit & supervisory board member	5
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Cooperation among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Departments

- In accordance with the audit policy formulated by the Audit & Supervisory Board and division of duties, Audit & Supervisory Board Members collaborate with our accounting auditor (KPMG AZSA LLC) and Internal Audit Department through exchange of information/opinions and discussions.
- Audit & Supervisory Board Members and the accounting auditor regularly exchange opinions on the audit plan, audit policy, and progress in auditing.
- Audit & Supervisory Board Members and Internal Audit Department exchange opinions on the audit plan, and key audit matters, etc.; and Audit & Supervisory Board Members regularly receive reports on audit results from Internal Audit Department.

Appointment of Outside audit & supervisory board member	Appointed
Number of Outside audit & supervisory board member	3
Number of Independent audit & supervisory board member	2

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masaki Ueno	From another company			△		△								
Tomomi Yatsu	Lawyer													
Mayumi Tamura	From another company													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of the parent company of the Company

d. Audit & supervisory board members of the parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member



- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board member	Supplementary Explanation of the Relationship	Reasons of Appointment
Masaki Ueno		---	Mr. Masaki Ueno has been selected as an outside Audit & Supervisory Board Member because the Company has judged that, having long served in legal departments in the Kirin Group, he has a high level of insight and experience regarding corporate legal affairs including global M&A; and thus, together with his experience in the Corporate Strategy & Planning Department of Kirin Holdings Company, Limited, that he is a suitably qualified person with the ability of providing broad supervision of the Group and giving audit opinions based thereon.
Tomomi Yatsu	Yes	---	Ms. Tomomi Yatsu is both a certified public accountant and an attorney at law. She has wealth of experience in serving as an outside audit & supervisory board member as well as an outside director. Therefore, we judged that, with her significant insights as an expert of accounting and law as well as profound insights in auditing companies, she is capable of overseeing the Company and expressing independent audit opinions.
Mayumi Tamura	Yes	---	Ms. Mayumi Tamura has served as an outside director/audit & supervisory board member of several companies, and also has experience in promoting Diversity & Inclusion as Director of a

			non-profit organization. Furthermore, she has a high level of knowledge and experience as a professional in finance/accounting and corporate planning at various global companies over many years, and has deep insights gained from serving as CFO. Therefore, we judged that, with her knowledge, experience, and insights, she is capable of overseeing the Company and expressing independent audit opinions, and is qualified for the position.
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**[Independent Directors/ Audit & Supervisory Board Member]**

Number of Independent Directors/ Audit & Supervisory Board Member	7
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**Matters relating to Independent Directors/ Audit & Supervisory Board Members**

The Company designates all Directors and Audit & Supervisory Board Members who meet the qualification for independent officers as Independent Directors and Audit & Supervisory Board Members.

<The Company's view on the current status of appointment>

The Company appoints Outside Directors and Outside Audit & Supervisory Board Members with diverse backgrounds, expertise, and experience, and thus secures the system capable of objectively and fairly supervising and auditing the Company's management from an independent standpoint. We believe it results in increasing transparency of the corporate management and strengthening the function of monitoring the management.

With respect to the requirements for securing independence, we established our own "Criteria for the Independence of Outside Directors and Outside Audit & Supervisory Board Members" to secure the independence from our Group, with reference to the provision on independent officers stipulated in the "Enforcement Rules for Securities Listing Regulations" of the Tokyo Stock Exchange (TSE), as well as the "Model standards for appointing independent directors in rules of the Board of Directors" developed by the Japan Association of Corporate Directors in 2011. According to the Criteria, as of March 24, 2023, we designated 7 persons (5 Outside Directors: Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki and Ms. Rumiko Nakata/ 2 Outside Audit & Supervisory Board Members: Ms. Tomomi Yatsu, and Ms. Mayumi Tamura) as independent officers defined in the "Securities Listing Regulations" of the TSE, and notified the TSE of the matter.

<Criteria for the Independence of Outside Directors and Outside Audit & Supervisory Board Members>

In order for outside Directors and outside Audit & Supervisory Board Members of the Company to be judged as being independent, such outside Directors and outside Audit & Supervisory Board Members must not fall under any of the following items, in addition to satisfying requirements stipulated in the Companies Act with respect to outside Directors and outside Audit & Supervisory Members:

1. Executive director (*gyomushikko torishimariyaku*), executive officer (*shikkoyakuin*), manager (*shihainin*) or other employee of the Company or its subsidiary

2. Director (*torishimariyaku*), audit & supervisory board member (*kansayaku*), executive officer (*shikkoyakuin*), manager (*shihainin*) or other employee of the parent company or fellow subsidiary of the Company

“Fellow subsidiary” refers to another company that has the same parent company as the Company

3. Director, audit & supervisory board member, corporate officer (*shikkoyaku*), executive officer, manager or other employee of a major shareholder of the Company (excluding the parent company of the Company)

“Major shareholder” refers to a shareholder who holds 10% or more of voting rights.

4. Director, audit & supervisory board member, accounting advisor (*kaikeisanyo*), corporate officer, executive officer, manager, or other employee of a company of which the Company is a major shareholder (excluding a subsidiary of the Company)

5. Person whose major business counterparty is the Company or its subsidiary

“Person whose major business counterparty is the Company or its subsidiary” refers to a person who received payments from or made payments to the Company or a subsidiary of the Company of 2% or more of that person’s annual total net sales in the most recent fiscal year.

6. Executive director, corporate officer, executive officer, manager, or other employee of a company whose major business counterparty is the Company or its subsidiary, or a subsidiary of such a company

“Company whose major business counterparty is the Company or its subsidiary, or a subsidiary of such a company” refers to a company which received payments from or made payments to the Company or its subsidiary of the Company of 2% or more of that company’s annual consolidated net sales in the most recent fiscal year, or a subsidiary of such a company.

7. Major business counterparty of the Company or its subsidiary

“Major business counterparty of the Company or its subsidiary” refers to a person who received payments from or made payments to the Company or its subsidiary of 2% or more of the Company’s annual consolidated net sales in the most recent fiscal year.

8. Executive director, corporate officer, executive officer, manager, or other employee of a company which is a major business counterparty of the Company or its subsidiary, or a subsidiary of such a company

“A company which is a major business counterparty of the Company or its subsidiary, or a subsidiary of such a company” refers to a company which received payments from or made payments to the Company or a subsidiary of the Company of 2% or more of the Company’s annual consolidated net sales in the most recent fiscal year, or a subsidiary of such a company.

9. Certified public accountant (or certified public tax accountant), or member, partner, or employee of audit corporation (or tax accounting firm), that is the accounting auditor or accounting advisor of the Company or a subsidiary of the Company

10. Attorney-at-law, certified public accountant, certified public tax accountant or consultant, etc. who, excluding the remuneration received as a director or audit & supervisory board member, receives 10 million yen or more per year on average during the past three years of monetary consideration or other property benefits from the Company or a subsidiary of the Company

11. Member, partner or employee of a corporation, association, or other organization such as law firm, audit corporation, tax accounting firm, or consulting firm that receives monetary consideration or other property benefits of more than a certain amount from the Company or a subsidiary of the Company.

In this item, a corporation, association, or other organization above receives “more than a certain amount” when such organization, etc. receives 2% or more on average of the total net sales (total revenue) of the organization, etc. per year during the past three years.

12. Director, audit & supervisory board member, accounting advisor, corporate officer, executive officer, manager or other employee of a financial institution or other large creditor that is essential to the financing of the Company or its subsidiary and that the Company or its subsidiary is dependent on to a degree that there is no substitute

13. Director or other person who executes business in a corporation, association or other organization which receives donations or subsidies from the Company or a subsidiary of the Company more than a certain amount

In this item, a corporation, association, or other organization receives “more than a certain amount” when such organization, etc. receives, during the past three years, more than (i) 10 million yen per year on average or (ii) 30% on average of the annual total expenses of the organization, etc., whichever is higher.

14. Director, audit & supervisory board member, accounting advisor, corporate officer, or executive officer of a company or its subsidiary that has accepted a person from the Company or a subsidiary of the Company as a director (serving at that company on either a full-time or part-time basis)

15. Person who has come under a category listed in either of items 1 or 2 in the past ten years

16. Person who has come under a category of item 3 in the past five years

17. Person who has come under a category listed in any of items 5 through 13 in the past three years

18. Spouse or first- to second-degree relative, or other relative sharing same residence of any person who has come under a category listed in any of items 2 through 17; provided, however, that any mention of “manager or other employee” in items 2 through 17 shall be deemed to be replaced with “manager or other important employee.”

19. Spouse, first- to second-degree relative, or other relative sharing same residence of director, executive officer, manager or other important employee of the Company or its subsidiary

20. Spouse, first- to second-degree relative, or other relative sharing same residence of a person who served as director, executive officer or other important employee of the Company or its subsidiary in the past five years

21. Other person who may give rise to conflict of interest with general shareholders and is rationally deemed to have reasons for being unable to perform duties of an independent officer

#### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Other
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#### Supplementary Explanation

- Basically, remuneration for Directors is paid for the purposes of raising their awareness of contributing to the Company’s sustainable growth and further increase in corporate value, securing human resources appropriate for a Global Specialty Pharmaceutical Company, and motivating them to contribute to the Company through execution of their duties; and the remuneration is determined through a transparent and appropriate process, by adopting an objective perspective.
- The remuneration system for Executive Directors consists of three parts: (1) base compensation, (2) performance-linked annual bonus, and (3) share-based remuneration as a mid- to long-term incentive. Elements to be assessed for performance-linked remuneration include annual targets of

revenue and profit (for performance-linked annual bonus); and targets in the medium term business plan (for performance-linked share-based remuneration called “Performance Share Unit”). Non-Executive Directors (Outside Directors) receive only base compensation, which is fixed compensation, to ensure they fulfill their management supervision function from an objective and independent standpoint.

- Base salary The Company has established suitable standards for compensation based on the category of the Company’s business and its scale, and data from surveys of other companies conducted by external survey organizations.
- At the 98th Ordinary General Meeting of Shareholders held on March 24, 2021, it has been approved that the Company introduces the above-mentioned performance-linked share-based remuneration system (Performance Share Unit).

Recipients of Stock Options	Other
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#### Supplementary Explanation

- “Other” indicates Executive Directors and Executive Officers of the Company, and certain Directors of the Board of the subsidiaries at the time of granting.
- At the Ordinary General Meeting of Shareholders held on March 19, 2020, the Company terminated the stock option system, and, instead, introduced the share-based remuneration plan (shares with restriction on transfer), yet the stock options granted as remuneration by that time remain in full force and effect.

#### [Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Selected Directors
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#### Supplementary Explanation

Compensation to Directors and Audit & Supervisory Board Members (January – December 2022)

- Directors (excluding Outside Directors): Total compensation 383 million yen (base compensation: 183 million yen, performance-linked annual bonus: 94 million yen, share-based remuneration with restriction on transfer: 64 million yen, and performance-linked share-based remuneration: 42 million yen), 3 persons
- Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members): Total compensation 29 million yen (base compensation: 29 million yen), 1 person
- Outside Directors: Total compensation 84 million yen (base compensation: 84 million yen), 5 persons
- Outside Audit & Supervisory Board Members: Total compensation 62 million yen (base compensation: 62 million yen), 4 persons

In accordance with laws and regulations, we have disclosed individual remuneration amounts for selected Directors in the Securities Report.

Note 1. The above information includes one Outside Audit & Supervisory Board Member who retired at the end of the Ordinary General Meeting of Shareholders held last year.

Note 2. The amounts of performance-linked annual bonuses, share-based remuneration with restriction on transfer, and performance-linked share-based remuneration were recorded as expenses for the current fiscal year. As for the performance-linked share-based remuneration, both cash and non-cash portions are to be paid/provided after the relevant performance evaluation period.

Note 3. The number of restricted shares provided to Executive Directors in the current fiscal year was 20,397 shares (the paid-in amount per share was 3,140 yen, which is the closing price on March 24, 2022).

Note 4. The above information does not include two Directors and one Audit & Supervisory Board Member who have served without pay.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

- Basically, the Company's remuneration for Directors is paid for the purposes of raising their awareness of contributing to the Company's sustainable growth and further increase in corporate value, securing human resources appropriate for a Global Specialty Pharmaceutical Company, and motivating them to contribute to the Company through execution of their duties; and remuneration should be determined through a transparent and appropriate process by adopting an objective viewpoint. In order to realize this basic policy, investigations and deliberations on officers' remuneration are conducted by the Nomination and Remuneration Consultative Committee, which consists of a majority of outside officers, and is chaired by an independent Director.
- The Company's remuneration for Executive Directors consists of three parts: (1) base compensation in a fixed amount, (2) performance-linked annual bonus as a short-term incentive, and (3) share-based remuneration as a mid- to long-term incentive. Remuneration for Non-Executive Directors and Audit & Supervisory Board Members is only base compensation in a fixed amount, in order to ensure they fully perform their oversight functions from the objective and independent standpoint.
- Base compensation is paid monthly in a fixed amount based on each officer's position or job responsibility. Amounts are determined upon considering the company size, using officers' remuneration data from an external research institution, and conducting an objective comparison/examination of compensation levels or compensation structures of other companies in industry sectors relevant to the Company, and after deliberations of the Nomination and Remuneration Consultative Committee.
- Performance-linked annual bonus is monetary compensation, where amounts change according to business performance for the purpose of providing Executive Directors with incentives to contribute to improving business performance in each fiscal year. The amounts are calculated according to the degree of achievement of performance targets which were set for the applicable fiscal year, and paid to Executive Directors at a certain point of time (usually in April) every year. Amounts of performance-linked annual bonus, which are calculated according to performance indicators, targets, and the degree of achieving the targets, are determined after deliberations of the Nomination and Remuneration Consultative Committee.

- As for share-based remuneration, the Company introduced the share-based remuneration with restriction on transfer in 2020, and the performance-linked share-based remuneration plan called “Performance Share Unit” in 2021.
- The share-based remuneration with restriction on transfer is intended for Executive Directors to share benefits and risks of stock price fluctuations with shareholders, and to become more motivated to contribute to an increase in share price and corporate value. Such shares are subject to a restriction period, and allotted to Executive Directors at a certain point of time (usually in April) every year in accordance with a resolution of the Board of Directors. The restriction period is three years.
- Performance-linked share-based remuneration plan is intended to clarify the linkage between Executive Directors’ compensation and the Company’s business performance and share price, and thereby provide them with incentives for achieving the Medium Term Business Plan and sustainable growth of corporate value, as well as to facilitate their sense of sharing value with shareholders. The performance evaluation period is three consecutive fiscal years, and pay rates vary depending on the achievement of performance targets. The “reference number of shares to be delivered” is determined by a resolution of the Board of Directors at the beginning of each performance evaluation period. After the end of the performance evaluation period for 3 fiscal years, the compensation is calculated at a certain point of time (usually in April) every year. Performance indicators are ROE, average annual growth rate of revenue and core operating profit margin, which are the indicators used in the Medium Term Business Plan. The degree of achievement of performance targets is calculated in accordance with the degree of achieving each target.
- With respect to the remuneration table showing directors’ base compensation and performance-linked annual bonus by job rank and other related matters, the Board of Directors makes decisions, based on deliberations and recommendation of the Nomination and Remuneration Consultative Committee, by multiplying the “reference number of shares to be delivered” by the degree of achievement of performance targets ranging from 0% to 150%; and a half of the compensation is provided in the form of shares and the remaining half is paid in cash to Executive Directors at a meeting, which is composed of a majority of outside officers and chaired by Outside Director. Then, with respect to amounts of base compensation and performance-linked annual bonus for individual Directors, as the Board of Directors left it to the discretion of Masashi Miyamoto, President & Representative Director, for the Board’s efficiency, he makes decisions in accordance with deliberations of the Nomination and Remuneration Consultative Committee and within the maximum limit of remuneration determined by the resolution of the General Meeting of Shareholders. With respect to the allocation and granting of share-based remuneration for individuals, based on deliberations and recommendation of the Nomination and Remuneration Consultative Committee, the Board of Directors makes decisions. As for remuneration for Executive Directors, in case there is any illegal conduct or violation of law, upon deliberations of the Nomination and Remuneration Consultative Committee, a refund of the remuneration may be claimed.

**[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]**

- The Secretariat for the Board of Directors routinely provides necessary information to Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, and also provides prior explanations about matters to be deliberated by and/or reported to the Board of Directors, as needed.
- When Outside Directors and/or Outside Audit & Supervisory Board Members request information necessary for executing the duties of Directors and Audit & Supervisory Board Members, executing organizations willingly provide such information.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

As its organization form, we adopted “Company with Audit & Supervisory Board” where the Board of Directors makes major operational decisions and supervises business execution, and the Audit & Supervisory Board monitors/verifies the decision-making process and decisions. Furthermore, by establishing the optional “Nomination and Remuneration Consultative Committee,” we increased the transparency in corporate management, and established a hybrid governance system, taking a balance between business execution and supervisory functions.

### <Directors and Board of Directors>

Taking into account its fiduciary duties and accountability to shareholders, the Board of Directors aims at realizing our corporate philosophy, and achieving sustainable growth of the Group and increased corporate value over the mid- to long-term, by establishing effective and efficient corporate governance. The Board of Directors makes decisions on significant matters on the Group’s business execution, including long-term management vision, and medium term and annual business plans of the entire Group and key Group companies, as well as statutory matters. The Board of Directors is also responsible for supervising the execution of Directors’ duties, and establishing an adequate internal control system for the entire Group. Matters to be resolved by the Board of Directors are specified in “the Regulations for the Board of Directors” in addition to matters stipulated in laws and regulations as well as the Articles of Incorporation; and authorities pertaining to other business execution are delegated to Executive Officers in charge of relevant businesses.

With respect to the Board composition, the maximum number of Directors is 10, in accordance with the Articles of Incorporation. Upon considering knowledge, experience, skills, and insights necessary for glowing into a Global Specialty Pharmaceutical Company and ensuring diversity, we established a transparent governance system, which is well-balanced as a whole. In order to ensure the effectiveness of objective oversight of the management, the Company appoints at majority of the Board members as independent Directors, and the position of Board Chair is assumed by Mr. Akira Morita, who is an independent Director. The policy and procedures to select Director candidates were deliberated by the Nomination and Remuneration Consultative Committee, and decided by the Board of Directors.

As of March 24, 2023, the Board of Directors consists of 9 Directors (including 4 Outside Directors; 8 males and 1 female), and the Board of Directors makes decisions on such important matters as business policies, and supervises business execution at the Board of Directors meetings, which are held once a month in principle. In FY2022, the Board of Directors met 13 times, and made decisions on such important matters as business policies of the Company, and supervised business execution by Directors.

### <Audit & Supervisory Board Members and the Audit & Supervisory Board>

The Audit & Supervisory Board and its Members audit the execution of Directors’ duties from the standpoint of an independent body mandated by shareholders, and thereby audit and verify the status of ensuring sound management toward achieving sustainable growth of the Group and increasing its corporate value over the mid- to long-term. The Audit & Supervisory Board Members actively express their opinions at the Board of Directors meetings by making use of full-time Members’ ability to gather information within the Group as well as their independence, and also strive to improve the framework to ensure the effectiveness of auditing by each Member. Furthermore, in order to better provide information to Outside Directors, they exchange opinions with Outside Directors, and provide information which they obtained from their auditing activities.

As of March 24, 2023, Audit & Supervisory Board consists of 5 Members (including 3 Outside Members; 3 males and 2 females).

Mr. Hiroshi Komatsu (full-time Audit & Supervisory Board Member) and Ms. Mayumi Tamura (Audit & Supervisory Board Member) have experience in accounting and finance divisions of business



corporations. Mr. Masaki Ueno (full-time Audit & Supervisory Board Member) has experience in financial institutions, and Ms. Tomomi Yatsu (Audit & Supervisory Board Member) is a certified public accountant. Thus, each of them has considerable knowledge of accounting and finance. In FY2022, the Audit & Supervisory Board met 13 times, and made discussion and determination of the audit policies, and audited business execution by the Board of Directors.

<Global Executive Committee/ Executive Committee>

The Company established the Global Executive Committee and the Executive Committee, as the bodies to help President & Director make decisions on significant matters pertaining to management policies and business execution. In order to make adequate and efficient management decisions on overall significant matters concerning global and domestic management from a strategic perspective, the Global Executive Committee met 16 times and the Executive Committee met 23 times in FY2022.

< Executive Organization>

Under the name of "One Kyowa Kirin," our global management structure is based on a matrix management system of regional, functional, and product axes. In order to implement this structure in a flexible manner, the Company has introduced One Kyowa Kirin Leadership.

<Accounting Audit and Legal Compliance>

The Company's financial statements are prepared in conformity with generally accepted accounting principles and practices prevailing in Japan. Audits are conducted by accounting auditors to ensure appropriate presentation, etc. The Company gives the highest priority to legal compliance with regard to problems that arise in the course of operational execution, and when necessary, it receives appropriate advice from third parties, such as attorneys.

<Compliance/Risk Management>

In accordance with the "Kyowa Kirin Group Compliance Policy" and the "Kyowa Kirin Group Risk Management Policy," and the three-line model advocated by the Institute of Internal Auditors (IIA), we promote compliance in good faith and secure a system to make appropriate responses to risks. Moreover, to address the variety of risks that may affect management, a number of in-house committees have been established to strengthen risk management and enhance corporate governance. These committees regularly report on their activities to the Board of Directors. An overview of each committee is provided below.

➤ Group CSR

The Group CSR Committee deliberates such important matters as group-wide strategy and action policy related to CSR, covering risk management (including compliance and information security), environmental conservation and corporate value creation; In addition, the Group CSR Committee and the Regional CSR Committees in each region, including Japan, report on the status of risk management and compliance.

➤ Group Information Disclosure

The Group Information Disclosure Committee discusses and makes decisions on fundamental communications policies and key information-disclosure issues in a comprehensive manner.

➤ Global Quality Assurance

The Group Quality Assurance Committee discusses and makes decisions concerning quality assurance policies.

➤ Group Financial Management

The Group Financial Management Committee discusses and makes decisions on efficient financial activities and their associated risks.

<Internal Auditing>

1. Organization, Members, and Procedures for Internal Auditing

The Company established the Internal Audit Department as the third line for internal control, to which 14 staff members were assigned (as of December 31, 2021). The Internal Audit Department assesses the performance of various management activities related to governance, risk management and control processes within the Group in terms of their legality and rationality, from the fair and independent standpoint, and provides advice and recommendations. Audit results are reported to Executive Director of the Board, Executive Vice President when they become available, and also to Representative Director & President, the Board of Directors, and the Audit & Supervisory Board on a regular basis. To maintain and improve the quality of auditing activities, in addition to efforts of the Internal Audit Department for assessing and improving the quality, it continuously conducts such improvement activities as employing external assessments. Furthermore, the Internal Audit Department also assesses the status of developing/implementing internal control to ensure the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.

2. Collaboration among Internal Audit Department, Audit & Supervisory Board, and Accounting Auditors

The Internal Audit Department and Audit & Supervisory Board Members collaborate by mutually sharing their audit plans and audit results, and exchanging opinions as needed. The Department exchanges opinions with the accounting auditor concerning the status of developing/implementing internal control to ensure the reliability of financial reports as needed, make necessary improvements, and regularly exchange information regarding important audit results, etc. Through these activities, the Internal Audit Department contributes to improving the effectiveness and efficiency of the Internal Control System of the Group.

<Corporate Ethics>

To clarify the Group's approach to compliance with corporate ethics in the conduct of business activities, the Company establishes the Kyowa Kirin Group Compliance Policy, and the Kyowa Kirin Group Risk Management Policy as well as the Kyowa Kirin Group Code of Conduct based on these Policies. The Policies and the Code are fully communicated and penetrated throughout the Group.

### 3. Reasons for Adoption of Current Corporate Governance System

<Reasons for adopting the current corporate governance system>

The Company adopted the current system, because we believe that the Company can continuously increase its corporate value, and maintain highly transparent corporate governance system by strengthening the oversight of the management through the effective use of the function of Audit & Supervisory Board Members, while the Board of Directors including multiple Outside Directors and the Audit & Supervisory Board including multiple Outside Members closely cooperate with each other.

<Functions and roles performed by Outside Directors and Outside Audit & Supervisory Board Members>

Outside Directors of the Company have diverse background, expertise and experience. They make use of wealth of experience and knowledge for the Company's management, and perform the function of supervising the Company's management from an objective and fair standpoint.

Outside Audit & Supervisory Board Members strive to ensure reliable and sound management of the Company by conducting audits of our corporate management, making use of their expertise, insights, and experience, from an objective and neutral standpoint.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In order to secure a sufficient period allowing shareholders to examine agendas for an ordinary general meeting of shareholders, we dispatch the Notice of Convocation approx. 3 weeks prior to the ordinary general meeting of shareholders, and disclose the Notice on the websites of the Company and the Tokyo Stock Exchange approximately 1 week prior to the date of dispatch.
Scheduling AGMs Avoiding the Peak Day	The ordinary general meeting of shareholders was held on March 24, 2023 (as the fiscal year ended in December).
Allowing Electronic Exercise of Voting Rights	Shareholders may exercise voting rights via the Internet.
Participation in Electronic Voting Platform	The Company has been participating in an electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	The Company prepares the English translation (abstract version) of the notice of convocation and posts it on its website.
Other	<p>We promote the visualization with respect to administration of ordinary general meetings of shareholders. We give due consideration to ease of reading the Notice of Convocation by using color printing and universal fonts. The Notice of Convocation was posted on our website on February 23, which was 11 days earlier than the date of dispatch (March 6). Also, we disclosed the Securities Report on March 9, which was 15 days earlier than the date of the Ordinary General Meeting of Shareholders. On the date of ordinary general meeting of shareholders, video was used for business reporting, and President made a presentation on issues that must be addressed, keeping in mind to run the meeting in an easy-to-understand manner for shareholders.</p> <p>Notice of Convocation &lt;<a href="https://ir.kyowakirin.com/en/stock/meeting.html">https://ir.kyowakirin.com/en/stock/meeting.html</a>&gt;</p>

## 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Disclosure Policy, which is our basic policy concerning information disclosure, was established and posted on our website. < <a href="https://ir.kyowakirin.com/en/disclosure.html">https://ir.kyowakirin.com/en/disclosure.html</a> >	
Regular Investor Briefings for Individual Investors	---	
Regular Investor Briefings for Analysts and Institutional Investors	We hold conferences for results presentation after announcing the 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> quarter and year-end results. We also hold a separate briefing session when we announce such important matters as medium term business plan. Furthermore, we continued to hold ESG briefings in 2022 to explain our approach to ESG issues. In addition, an R&D meeting was held to provide information on R&D activities that will lead to the Company's medium- to long-term growth. ESG and R&D meetings are plan to hold such a briefing in the next year onwards.	Yes
Regular Investor Briefings for Overseas Investors	We have individual meetings with foreign investors in the United States, Europe, and Asia once a year.	Yes
Posting of IR Materials on Website	Financial results, timely disclosure documents, presentation materials, Securities Report and Quarterly Report, Notice of Convocation of the Ordinary General Meeting of Shareholders, Annual Report (integrated report), etc. are posted on our website. In addition, on-demand audio replay and transcripts of conferences for results presentations, including Q&A sessions, are also available on the IR website. Both Japanese and English versions of IR materials are available (except some materials).	
Establishment of Department and/or Manager in Charge of IR	The department in charge of investor relations is IR Group of the Corporate Communications Department (3 staff members). Furthermore, the Group Information Disclosure Committee meets twice a year to have cross-functional discussions on information disclosure. IR officer: Motohiko Kawaguchi, Managing Executive Officer, Director of Finance Department Contact: tel. +81-3-5205-7206 ir@kyowakirin.com	
Other	---	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The relevant internal rules are set forth in “Kyowa Kirin Group Compliance Policy,” “Kyowa Kirin Group Code of Conduct” and “Corporate Governance Policy.”</p> <p>Kyowa Kirin Group Compliance Policy            Kyowa Kirin Group Code of Conduct            &lt;<a href="https://www.kyowakirin.com/sustainability/governance/compliance/index.html">https://www.kyowakirin.com/sustainability/governance/compliance/index.html</a>&gt;</p> <p>Kyowa Kirin Group Corporate Governance Policy            &lt;<a href="https://ir.kyowakirin.com/en/management/governance.html">https://ir.kyowakirin.com/en/management/governance.html</a>&gt;</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>In order to contribute to realizing the sustainable society while achieving the sustainable corporate growth, we identify priority business issues (materiality) from the viewpoints of both the society and our businesses, and positively and proactively work on the issues. With respect to environmental conservation, we regard SDGs concerning the climate change (prevention of global warming) and conservation of water resources as core issues, and promote initiatives to pass on the rich global environment to future generations. Especially, as for climate change, in cooperation with “Kirin Group’s Environmental Vision 2050”, we work on reducing greenhouse gas (GHG) emissions with stakeholders in order to realize Net-Zero GHG in the entire value chain and take the lead in building decarbonized society.</p> <p>We prepare and issue Annual Report (integrated report) which includes such topics.</p> <p>Annual Report            &lt;<a href="https://ir.kyowakirin.com/en/library/annual.html">https://ir.kyowakirin.com/en/library/annual.html</a>&gt;</p> <p>In November 2021, we declared support for the TCFD Recommendations. We identify risks and opportunities which climate change brings to our businesses and their impact; and disclose information on four thematic areas as follows: “governance”, “strategy”, “risk/opportunity management”, and “metrics and targets”.</p> <p>&lt;<a href="https://www.kyowakirin.com/sustainability/environment/tcfd/index.html">https://www.kyowakirin.com/sustainability/environment/tcfd/index.html</a>&gt;</p> <p>With the full-fledged globalization of our business, the impact of our business activities on our stakeholders around the world is further expanding. To fulfill our corporate social responsibility to respect the human rights of all stakeholders, we formulated the " Kyowa Kirin Group Human Rights Policy " in December 2022 as part of our human rights due diligence efforts. This policy is a commitment to respect human rights based on our management philosophy, vision, values, code of conduct, and related internal policies and regulations in order to fulfill our responsibility to respect the human rights of our stakeholders.</p> <p>&lt; <a href="https://www.kyowakirin.com/sustainability/human_rights/index.html">https://www.kyowakirin.com/sustainability/human_rights/index.html</a> &gt;</p>

Development of Policies on Information Provision to Stakeholders	<p>We established “Disclosure Policy,” which is our basic policy concerning information disclosure, and posted it on our website.</p> <p>Disclosure Policy  <a href="https://ir.kyowakirin.com/en/disclosure.html">https://ir.kyowakirin.com/en/disclosure.html</a></p>
Other	<p>As a Global Specialty Pharmaceutical Company, we believe “taking advantage of diversity – in terms of both such surface layers as race, nationality, gender and age, and such deeper layers as values and experience of individuals – brings about further innovations,” and hire/develop human resources with diverse backgrounds, aiming at creating a new corporate culture where employees autonomously take on challenges and overcome barriers.</p> <p>In order to support our global management structure, we have created a Global Succession Plan, clarified the requirements for global leadership positions, enhanced our nominee talent pipeline, and nurtured the next-generation leaders to achieve diversity and the right people in the right places, thereby achieving sustainable growth as a global specialty pharmaceutical company.</p> <p>Furthermore, achieving Equity and Inclusion, in accordance with the Declaration of the Global Diversity, Equity and Inclusion Statement, the Company implements cross-regional/cross-functional measures as well as measures for addressing region-specific issues. Currently, 53% of the 110 global and regional leadership positions are held by non-Japanese nationals and 29% by women. With respect to the ratio of women in global leadership positions, we aim at achieving 30% in 2025 and 40% in 2030.</p> <p>In Japan, toward ensuring female participation and career advancement in the workplace, the Company continues supporting career development of women as well as balancing career and childcare, by such means as organizing for developing female managers mentoring program, female employee roundtable discussion, training for career development of young employees, and the forum supporting the return to work after childcare leaves. In 2022, the ratio of women in managerial positions in Japan was 13.4%, and we aim at achieving 18% in 2025.</p> <p>In addition, the Company actively recruits career hires in order to proactively accommodate personnel with a high level of expertise and diverse perspectives. Of the 301 employees hired in FY2022 (including new graduates), 201 are career hires, and the ratio of mid-career hires to total employees is 66.8%. We will continue to place importance on the value created by diversity and will continue to hire the necessary human resources.</p> <p>To help balancing work and caregiving, the Company introduced caregiving support services, and has continuously conducted such activities as relevant seminars and E-learnings.</p> <p>Regarding the way the employees work, following cross-global discussions, we have proposed a "hybrid working model." In our basic policy, we clearly state that we place the well-being of our employees as the primary criterion for decision-making, and we respect diverse ways of working within the framework of value creation, and we will create our ways of working.</p>

	<p>In order to support the health and wealth of our employees and to promote the implementation of the "hybrid working model," a new way of working, we have established a full range of time off and work styles. As for the vacation and time off system, in addition to granting 20 days of paid time off every year regardless of the number of years of service, we also grant 10 days of self-management paid time off every year for the purpose of proactively creating a state where employees can manage their own physical and mental conditions and events in their personal lives and perform their jobs in the best condition.</p> <p>We also have a system that allows employees to take a two-year leave of absence when their spouse is transferred (leave of absence for spouse's transfer).</p> <p>In terms of work styles, we have installed various systems that support a comfortable working environment according to the characteristics of the job, such as the super-flex time system, teleworking system, and specialized discretionary labor system. In addition, for sales representatives, we have established a system that allows them to live with their spouse upon marriage or the birth of a child, creating an environment where they can continue to work while managing their work-life balance.</p> <p>In addition, we are promoting a variety of initiatives within the company to promote the activities of employees with diverse sexual orientations and gender identities, including LGBTQ+. As a result, we received the "Gold" award in the "PRIDE Index 2022," an evaluation index of efforts related to LGBTQ+ and other sexual minorities at companies, organizations, etc., established by the voluntary organization "work with Pride. Other initiatives to promote diversity are posted on the Company's website below.</p> <p><a href="https://www.kyowakirin.com/sustainability/human_rights_labor_practices/diversity_and_inclusion/index.html">https://www.kyowakirin.com/sustainability/human_rights_labor_practices/diversity_and_inclusion/index.html</a></p>
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#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

<Basic Policy on the Internal Control System>

The Company has stipulated the following set of systems, based on the fundamental principles of the internal control system of its parent company, Kirin Holdings Company, Limited and in line with the Companies Act, Article 362, paragraph 4, item vi: "The development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company."

1. System to ensure compliance of execution of duties by the Directors and employees of the Company and its subsidiaries (hereinafter referred to as "the Kyowa Kirin Group") with laws and regulations and the articles of incorporation ("Compliance System")

In order to promote compliance within the Kyowa Kirin Group, the Company shall;

- Establishing a basic policy on compliance for the Kyowa Kirin Group, maintain an organization and corporate regulations to materialize the policy.

- Establish an organization to supervise compliance, which undertakes developing awareness of compliance among employees through educational programs and awareness-raising activities, and also clarify procedures in case of compliance violations and make the procedures well-known to any of the Kyowa Kirin Group.
- Ensure that a department dedicated to internal audit shall conduct audits into the design and operation of the compliance system.
- Establish an internal control reporting system to ensure reliability of the financial reports, and conduct and evaluate its effective and efficient operation.

2. System to ensure the proper preservation and maintenance of information regarding the execution of duties by the Directors of the Company (“System of Information Preservation and Maintenance”)

Regarding information relating to the execution of duties by the Company’s Directors, the Company shall implement appropriate preservation and maintenance based on corporate regulations and make them available for inspection by the Directors and Audit & Supervisory Board Members of the Company.

3. Regulations and other systems related to the risk management of the Kyowa Kirin Group in the event of loss and other circumstances (“System for Risk Management”)

In order to appropriately manage risk within the Kyowa Kirin Group, the Company shall;

- Establish a basic policy on risk management of the Kyowa Kirin Group, and maintain an organization and regulations to materialize the policy.
- Establish an organization to supervise risk management, which ensures the effectiveness of risk management through risk management activities all at each of the Kyowa Kirin Group. Also, clarify procedures in case of disclosure of risk factors and responses to the occurrence of a crisis situation, and make the procedures well-known to any of the Group.
- Ensure that the department dedicated to internal audit shall conduct audits into the design and operation of the system for risk management.

4. System to ensure the effective and efficient execution of duties by the Directors of the Kyowa Kirin Group (“Effective and Efficient Performance System”)

In order to ensure the effective and efficient execution of duties by the Directors of the Kyowa Kirin Group, the Company shall;

- Establish organizational regulations and standards on allocation of duties, limits of authority and decision making.
- Appoint Executive Officers in charge of the execution of operations by a resolution of the Board of Directors. Also, as necessary, dispatch Director(s) to each Group company to oversee appropriate execution of operations and decision making.
- Establish the Executive Committee and accelerate decision making.



- Ensure, regarding the limits of authority and responsibility in the execution of duties by the Directors of the Group subsidiaries, that each Group subsidiary shall stipulate own regulations on allocation of duties, limits of authority and others and shall execute efficient operations.
- Periodically manage the Kyowa Kirin Group's business performance in comparison to their annual plans through performance monitoring tools.

5. System for reporting to the Company on matters concerning the execution of duties by the Directors of Kyowa Kirin Group and system to ensure the properness of operations of other duties by the corporate group comprising the Kyowa Kirin Group and the parent company (“System for reporting for execution of duties and other Group internal control system”)

In order to ensure system for reporting to the Company on matters concerning the execution of duties by the Directors of the Kyowa Kirin Group and system to ensure appropriate operations of other duties by the corporate group comprising the Kyowa Kirin Group and the parent company, Kirin Holdings Company, Limited, based on the basic group management policies of the parent company, the Company shall;

- Establish a relevant department in charge of each Group subsidiary, which receives regular reports concerning the business conditions of such subsidiary, and which provides with guidance and advice such as prior consultations for important issues as necessary, while continuing to respect the autonomy of the subsidiaries.
- Establish responsibilities and limits of authority relating to the execution of operations of the Group subsidiaries and make the department dedicated to internal audit conduct audits on operations of each Group subsidiary.

6. Matters related to employees that assist the Audit & Supervisory Board Members of the Company upon their request for assistance, matters related to the independence of the relevant employees from the Directors of the Company and matters related to effectiveness of directions given to such employees by the Audit & Supervisory Board Members of the Company (hereinafter collectively referred to as “Systems related to Audit & Supervisory Board Members”)

The Company shall assign a small number of employees to handle support duties for the Audit & Supervisory Board Members of the Company upon their request for assistance. In order to ensure independence of the relevant employees from the Directors of the Company, the consent of the Audit & Supervisory Board Members of the Company shall be required for any decision related to personnel affairs such as appointments, transfers and evaluation of such employees. Such employees shall not simultaneously assume any other appointment related to the execution of operation and shall only follow instructions of the Audit & Supervisory Board Members of the Company while they are responsible for support duties for the Audit & Supervisory Board Members of the Company.

7. System to ensure reporting to the Audit & Supervisory Board Members of the Company by the Directors and employees of the Company, and by the Directors, Audit & Supervisory Board Members, and employees of the Kyowa Kirin Group subsidiaries
  - I. The Directors of the Company shall report to the Audit & Supervisory Board Members of the Company;

- Among matters referred to the Board of Directors Meetings for resolution, the ones which are considered useful for prior reporting to the Audit & Supervisory Board Members of the Company in terms of contents and their audits.
- Any matter that may cause material damage to any of the Kyowa Kirin Group when such a matter is discovered.
- Any occasion in which a Director or an employee of the Kyowa Kirin Group has committed an act in violation of laws or articles of incorporation or in which there is a risk that such acts may occur.
- Legal matters requiring the consent of the Audit & Supervisory Board Members of the Company.
- Status of the design and operation of the Internal Control System of the Company.

Not limited to the matters listed above, the Audit & Supervisory Board Members of the Company may well request the Directors and employees of the Company, and the Directors, Audit & Supervisory Board Members, and employees of each Group subsidiary to report other matters at any time as necessary.

- II. The Directors and employees of the Company, and the Directors, Audit & Supervisory Board Members, and employees of the Group subsidiaries (including those who receive reports from those Directors, Audit & Supervisory Board Members, and employees) may directly report to the Audit & Supervisory Board Members of the Company when matters arise that are considered reasonable to do so, in order to ensure appropriate execution of operations of each of the Kyowa Kirin Group. The Audit & Supervisory Board Members of the Company shall regularly receive the status of the company hotline systems, including methods for whistleblowing from relevant departments in charge, and also may well make the status of the operation reported immediately if it is found necessary by themselves.

8. System to ensure that anyone who has made a report as described in the preceding provision to the Audit & Supervisory Board Members of the Company, shall not be subjected to any unfair treatment due to the report made.

The Company shall set forth common group regulations to ensure that anyone who makes a report as described in the preceding provision shall not be subjected to any unfair treatment for that reason, and shall make the common regulations well-known and in operation to any of the Kyowa Kirin Group.

9. Matters regarding procedures for advance payment or reimbursement of expenses incurred in connection with the execution of duties of the Audit & Supervisory Board Members of the Company.

The Company shall promptly process the relevant expenses or liabilities relating to advance payment or reimbursement of expenses incurred in connection with the execution of duties of the Audit & Supervisory Board Members of the Company.

10. Other systems to ensure the effectiveness of audit by the Audit & Supervisory Board Members of the Company

The Audit & Supervisory Board Members of the Company shall hold a regular meeting with the representative and other Directors of the Company for the exchange of opinions. The Audit & Supervisory Board Members of the Company shall be able to implement audits in cooperation with the department dedicated to internal audit. Also, the Company shall establish systems to ensure the effective of audit by the Audit & Supervisory Board Members of the Company, for instance, by providing them with opportunities to attend the meetings of the Kyowa Kirin Group upon their request.

<Development of Internal Control System>

The Company has been steadily developing and implementing the internal control system. The progress of the development/implementation was reported to and confirmed by the Board of Directors on January 24, 2023.

## 2. Basic Views on Eliminating Anti-Social Forces

<Basic Policy>

For Kyowa Kirin Group, “compliance” means not only observing laws and regulations, but also ensuring that every officer/employee acts ethically with respect to business activities of the Group companies by sincerely responding to societal demand, taking into account conventional wisdom and social norms as well. Accordingly, we established the “Kyowa Kirin Group Compliance Policy” and the “Kyowa Kirin Group Code of Conduct,” which all officers/employees must comply with in their day-to-day business activities. In such documents, we set a goal of eliminating any relationship with anti-social forces, and everyone, starting with the top management, should work toward achieving the goal in a systematic manner.

<Initiatives>

The Company designated a department in charge of dealing with unreasonable demands from anti-social forces on an ongoing basis, appointed a person in charge of preventing unjustified demands, and prepared a response manual. Meanwhile, the Company strives to obtain relevant information in cooperation with such external experts as the police, the National Center for Removal of Criminal Organizations, and lawyers. The department in charge regularly provides training concerning the above-mentioned “Kyowa Kirin Group Compliance Policy” and “Kyowa Kirin Group Code of Conduct.”

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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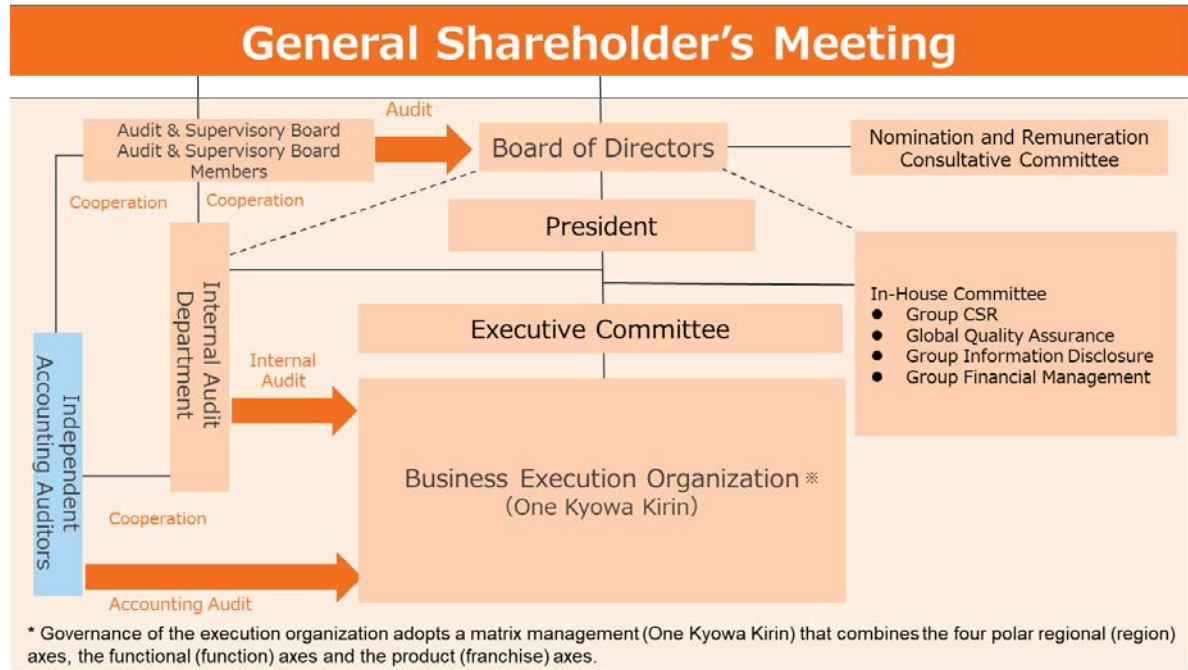
Supplementary Explanation

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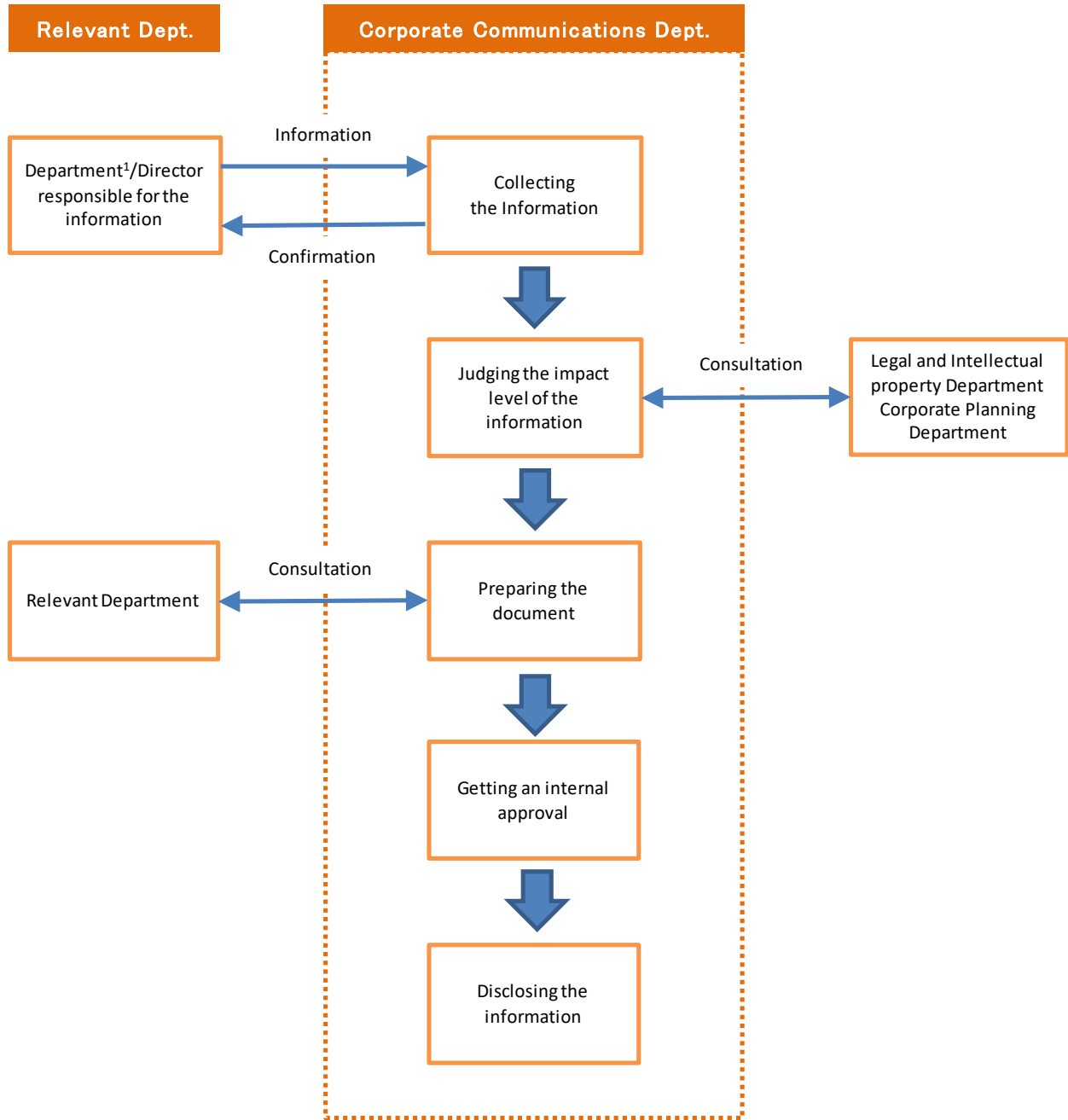
## 2. Other Matters Concerning to Corporate Governance System

We strive to further enhance our corporate governance system, according to our Basic Views on Corporate Governance.

Corporate Governance Structure (As of March 24, 2023)



System of information Disclosure (Timely Disclosure Rules)



1) Including subsidiaries