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(Securities code: 4569)

June 5, 2023

(Start date for electronic provision measures: June 1, 2023)

To Those Shareholders with Voting Rights

Yutaka Ogihara
Representative Director, President and
Chief Executive Officer
KYORIN Pharmaceutical Co., Ltd.
6, Kanda Surugadai 4-chome, Chiyoda-ku,
Tokyo, Japan

NOTICE OF THE 65TH ANNUAL GENERAL SHAREHOLDERS MEETING

You are cordially notified that the 65th Annual General Shareholders Meeting (the “Meeting”) of KYORIN Pharmaceutical Co., Ltd. (the “Company,” together with its subsidiaries, the “Group”) will be held as described below.

Measures for electronic provision have been taken for the convocation of this General Meeting of Shareholders, and matters to be provided electronically are posted on the following Internet website.

The Company’s website: <https://www.kyorin-pharm.co.jp/en/ir/stock/meeting.shtml>

In addition to the above website, matters to be provided electronically will also be posted on the Tokyo Stock Exchange (TSE) website. Please access the following TSE website (TSE Listed Company Search), search for an issue name (company name) or securities code, then select “Basic information,” and “Documents for public inspection/PR information” to confirm.

TSE website (TSE Listed Company Search)

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

You may exercise your voting rights in writing or by using an electronic means (e.g., via the Internet). Please review the Reference Documents for the Meeting listed in the matters to be provided electronically and exercise your voting rights by the end of our business hours (5:10 p.m. Japan time) on Thursday, June 22, 2023.

- 1. Date and Time:** 10:00 a.m. Japan time on Friday, June 23, 2023 (Reception starts at 9:00 a.m.)
2. Place: Banquet Hall Yukyu, 2F, HOTEL METROPOLITAN EDMONT TOKYO
10-8, Idabashi-3chome, Chiyoda-ku, Tokyo, Japan

3. Agenda of the Meeting:

- Matters to be reported:**
1. The Business Report, the Consolidated Financial Statements and the audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 65th fiscal year (from April 1, 2022 to March 31, 2023)
 2. The Non-consolidated Financial Statements for the 65th fiscal year (from April 1, 2022 to March 31, 2023)

Proposals to be resolved:

- Proposal 1:** Election of Six Directors
Proposal 2: Election of One Audit & Supervisory Board Member
Proposal 3: Revision of Performance-linked Stock Compensation Plan for Directors

4. Matters to be decided upon convocation:

If you exercise your voting rights both via the Internet and using the Voting Rights Exercise Form, the voting rights exercised via the Internet will be deemed valid. If you exercise your voting rights multiple times via the Internet, the last vote exercised will be deemed valid.

If there is no indication of approval or disapproval for each proposal on the Voting Rights Exercise Form returned to us, it will be taken as an indication of approval.

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- When attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception.
 - In the event that any revisions are made to the matters to be provided electronically, the matters before and after revision will be posted on the Company website and the TSE website listed above.
 - Of the matters to be provided electronically, the following matters are not stated in the documents to be delivered to shareholders who have requested delivery of documents, in accordance with the provisions of laws and regulations and the Company's Articles of Incorporation.
 - (1) "Status of Accounting Auditors" and "Company Structure and Policies" in the Business Report
 - (2) "Consolidated Statements of Changes in Net Assets" and "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
 - (3) Non-consolidated Financial Statements
 - (4) Audit Report of Accounting Auditors Pertaining to Consolidated Financial Statements
 - (5) Audit Report of Accounting Auditors Pertaining to Non-consolidated Financial Statements
 - (6) Audit Report of the Audit & Supervisory Board
 - The English version of the Notice of the Annual General Shareholders Meeting is available on the Company's website on the Internet.

Address of the Company's English website: <https://www.kyorin-pharm.co.jp/en/>

Reference Documents for the General Shareholders Meeting

Proposal and References

Proposal 1: Election of Six Directors

The terms of office of all nine Directors will expire at the conclusion of the Meeting.

We therefore propose that six Directors be elected.

The candidates for Director are as follows:

No.	Name	Current positions and responsibilities at the Company	Attributes		
1	Minoru Hogawa	Representative Director and Chairman	Reappointment		
2	Yutaka Ogihara	Representative Director, President and Chief Executive Officer CEO, in charge of Auditing	Reappointment		
3	Michiro Onota	Executive Director CMO, in charge of SCM HQs and Quality Assurance & Reliability HQs	Reappointment		
4	Noriyuki Shikanai	Executive Director	Reappointment	Outside	Independent
5	Ken Shigematsu	Executive Director	Reappointment	Outside	Independent
6	Hiromi Watanabe	Executive Director	Reappointment	Outside	Independent

Reappointment: Candidates for Director to be reelected

Outside: Candidates for Outside Director

Independent: Independent officers based on provisions of stock exchanges, etc.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	<p data-bbox="293 800 472 831" style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</p> <p data-bbox="289 911 477 942">Minoru Hogawa</p> <p data-bbox="269 989 496 1020">(September 4, 1953)</p>	<p data-bbox="521 222 1247 254">December 1976 Joined Kyorin Yakuhin Co., Ltd.</p> <p data-bbox="521 254 1247 310">April 2000 Director, Planning Office, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 310 1247 405">June 2004 Corporate Officer, General Manager, Corporate Planning, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 405 1247 499">June 2005 Executive Director, Senior Executive Officer, Management Strategy Office, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 499 1247 625">January 2006 Executive Director, Management Strategy Office, General Manager, Corporate Planning, in charge of Accounting, KYORIN Holdings, Inc.</p> <p data-bbox="521 625 1247 751">June 2007 Executive Director, Senior Executive Officer, Management Strategy Office, General Manager, Corporate Planning, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 751 1247 877">April 2010 Executive Director, Senior Executive Officer, General Manager, Corporate Planning, in charge of Finance & Accounting, KYORIN Holdings, Inc.</p> <p data-bbox="521 877 1247 972">June 2010 Senior Executive Director, General Manager, Corporate Planning, in charge of Finance & Accounting, KYORIN Holdings, Inc.</p> <p data-bbox="521 972 1247 1029">June 2010 Senior Executive Director, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 1029 1247 1085">June 2012 Senior Managing Director, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 1085 1247 1180">June 2012 Senior Managing Director, General Manager, Corporate Planning, in charge of Finance & Accounting, KYORIN Holdings, Inc.</p> <p data-bbox="521 1180 1247 1274">June 2015 Representative Director, President and Chief Executive Officer, in charge of Auditing, KYORIN Holdings, Inc.</p> <p data-bbox="521 1274 1247 1331">June 2015 Executive Director, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 1331 1247 1388">June 2017 Representative Director, President and Chief Executive Officer, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 1388 1247 1444">June 2019 Representative Director, Chairman, KYORIN Pharmaceutical Co., Ltd.</p> <p data-bbox="521 1444 1247 1501">June 2019 Representative Director, Chairman, KYORIN Holdings, Inc. (current)</p>	32,128
<p data-bbox="280 1598 889 1629">Reasons for nomination as a candidate for Director</p> <p data-bbox="280 1629 1487 1850">Minoru Hogawa had led the Group management as Representative Director, President and Chief Executive Officer of the Company for four years since 2015 and has abundant experience, achievements and deep insight as a corporate manager. Since June 2019 when he took office as Representative Director and Chairman of the Company, he has utilized his experience to provide advice and support at the Board of Directors from a broad perspective and fully performed his role mainly in deciding important matters of the Group as well as supervising business execution. The Company has judged that he is essential for the Group's future development and nominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	<div data-bbox="293 527 467 562" style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</div> Yutaka Ogihara (July 14, 1967)	April 1990 Joined KYORIN Pharmaceutical Co., Ltd. June 2011 Director, President's Office, KYORIN Holdings, Inc. June 2011 Executive Director, President's Office, in charge of Corporate Communication and Information System Management, KYORIN Holdings, Inc. June 2014 Executive Director, KYORIN Pharmaceutical Co., Ltd. June 2015 Executive Director, President's Office, KYORIN Holdings, Inc. June 2016 Senior Executive Director, President's Office, KYORIN Holdings, Inc. June 2016 Senior Executive Director, KYORIN Pharmaceutical Co., Ltd. April 2019 Senior Executive Director, Management Strategy Office, in charge of Information System Management, KYORIN Holdings, Inc. June 2019 Representative Director, President and Chief Executive Officer, in charge of Auditing, KYORIN Holdings, Inc. June 2019 Executive Director, KYORIN Pharmaceutical Co., Ltd. April 2023 Representative Director, President and Chief Executive Officer, CEO, in charge of Auditing, KYORIN Pharmaceutical Co., Ltd. (current)	1,875,953
<p>Reasons for nomination as a candidate for Director Yutaka Ogihara has been responsible primarily for corporate planning sections of the Company and the Group companies and has abundant experience in businesses and corporate management. Since June 2019 when he took office as Representative Director, President and Chief Executive Officer of the Company, he has utilized his experience and fully performed his role mainly in deciding important matters of the Group as well as supervising business execution. The Company has judged that he is essential for the Group's future development and nominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held	
3	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</div> Michiro Onota (August 20, 1960)	April 1985 Joined KYORIN Pharmaceutical Co., Ltd. April 2006 General Manager, Production Engineering, Production HQs, KYORIN Pharmaceutical Co., Ltd. April 2008 Head of Okaya Plant, Production HQs, KYORIN Pharmaceutical Co., Ltd. April 2010 General Manager, Production, Production HQs, KYORIN Pharmaceutical Co., Ltd. April 2014 Senior Executive Director, KYORIN Rimedio Co., Ltd. April 2015 Representative Director, President and Chief Executive Officer, KYORIN Rimedio Co., Ltd. April 2015 Corporate Officer, KYORIN Holdings, Inc. June 2017 Executive Director, KYORIN Holdings, Inc. April 2018 Executive Director, KYORIN Rimedio Co., Ltd. (current) April 2018 Representative Director, President and Chief Executive Officer, KYORIN Pharmaceutical Group Facilities Co., Ltd. (current) June 2018 Executive Director, KYORIN Pharmaceutical Co., Ltd. June 2019 Executive Director, in charge of Generic Drugs Business, KYORIN Holdings, Inc. June 2021 Executive Director, in charge of Quality Assurance & Reliability, KYORIN Holdings, Inc. April 2023 Executive Director, CMO, in charge of SCM HQs and Quality Assurance & Reliability HQs, KYORIN Pharmaceutical Co., Ltd. (current)	12,685	
		<p>Reasons for nomination as a candidate for Director</p> <p>Michiro Onota has abundant experience in businesses at research & development and production sections of the Group companies. Also, he has abundant experience in businesses and corporate management as he has served as Representative Director, President and Chief Executive Officer of the Company’s subsidiary. After taking office as the Company’s Executive Director, he has utilized his experience and fully performed his role mainly in deciding important matters of the Group as well as supervising business execution. The Company has judged that he is essential for the Group’s future development and nominated him as a candidate for Director.</p>		

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	<u>Reappointment</u> <u>Outside</u> <u>Independent</u> Noriyuki Shikanai (July 14, 1948)	April 1974 Registered with Daini Tokyo Bar Association March 1977 Established Shikanai Law Office (currently Kyobashi Law Office) (current) October 2002 Councilor, Keio University (current) October 2010 Trustee, Keio University (current) April 2012 Auditor, J. F. Oberlin University June 2013 Outside Director, KYORIN Holdings, Inc. (current)	4,400
<p>Reasons for nomination as a candidate for Outside Director and expected roles</p> <p>Noriyuki Shikanai is well versed in corporate legal affairs as an attorney and has a high degree of specialization and rich experience as a Trustee of Keio University and through many other prominent positions. He utilizes such assets in fully performing his role mainly in deciding important management matters of the Company and Group companies as well as supervising business execution. The Company has nominated him as a candidate for Outside Director in the expectation that he will continue to contribute to the development of the Group through his suggestions and advice mainly from a legal perspective based on his experience of corporate management, etc.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	<div style="border: 1px solid black; padding: 2px; display: inline-block; text-align: center;">Reappointment Outside Independent</div> Ken Shigematsu (November 15, 1948)	April 1971 Joined Mitsukoshi, Ltd. March 1991 President, Mitsukoshi USA, Inc. March 1997 General Manager, International Business Division, Mitsukoshi, Ltd. March 1998 General Manager, Product Planning Division, Sales Headquarters, Mitsukoshi, Ltd. March 1999 Executive Officer, General Manager, Product Planning Division, Sales Headquarters, Mitsukoshi, Ltd. May 2002 Director, Executive Officer, Deputy General Manager, Sales Headquarters, Mitsukoshi, Ltd. March 2004 Director, Managing Executive Officer, General Manager, Merchandising Headquarters, Mitsukoshi, Ltd. March 2005 Director, Managing Executive Officer, Store Manager, Mitsukoshi Ginza, Mitsukoshi, Ltd. April 2008 Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd., Director, Mitsukoshi, Ltd. April 2009 Director, Senior Managing Executive Officer, Special Appointive Officer, Mitsukoshi, Ltd. April 2010 Senior Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd., Representative Director, President and Chief Executive Officer, Nagoya Mitsukoshi Ltd. October 2011 Representative Director, President and Chief Executive Officer, Endo Manufacturing Co., Ltd. October 2015 Representative Director, President and Chief Executive Officer, MFSJ Co., Ltd. June 2017 Outside Director, KYORIN Holdings, Inc. (current)	4,200
<p>Reasons for nomination as a candidate for Outside Director and expected roles</p> <p>Ken Shigematsu has served numerous positions as officer of Isetan Mitsukoshi Holdings Ltd. and has accumulated wide-ranging insight through his rich experience in management. He utilizes such assets in fully performing his role mainly in deciding important management matters of the Company and Group companies as well as supervising business execution. The Company has nominated him as a candidate for Outside Director in the expectation that he will continue to contribute to the development of the Group through his suggestions and advice from a broad perspective by utilizing his experience as an executive.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held	
6	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Independent</div> Hiromi Watanabe (July 23, 1947)	April 1972	Joined Internal Medicine Department, Tokyo Women's Medical University Hospital	1,800
		April 1998	Assistant Professor, Internal Medicine, School of Nursing, Tokyo Women's Medical University	
		April 2007	Professor and Dean, Medical Science, College of Nursing, Shukutoku University	
		April 2010	Member of the Board, Daijo Shukutoku Gakuen	
		April 2011	Professor, Medical Science, College of Nursing and Nutrition, Shukutoku University	
		November 2014	President, Tokyo Branch, Japan Medical Women's Association (current)	
		April 2016	Professor, Graduate School of Nursing Division of Nursing, Shukutoku University	
		April 2018	Neurology Department, Yokufukai Hospital, Total Health and Medical Care Center for Seniors (social welfare corporation) (current)	
		June 2018	Member of the Board, 3.11 Fund for Children with Thyroid Cancer (NPO) (current)	
		June 2019	Outside Director, KYORIN Holdings, Inc. (current)	
April 2021	Member of the Board, Daijo Shukutoku Gakuen (current)			
October 2021	Deputy Director, Shimotakaido Station Clinic ENT Plus+ (current)			
<p>Reasons for nomination as a candidate for Outside Director and expected roles</p> <p>Although Hiromi Watanabe has not been involved in management other than through serving as an outside officer, she has rich clinical and research experience as a medical doctor, wide-ranged insight into medical settings gained through nursing education, and abundant experience in social contribution activities and active involvement in promotion of women's participation in the workplace. She has fully performed her role mainly in deciding important management matters of the Company and Group companies as well as supervising business execution. The Company has nominated her as a candidate for Outside Director in the expectation that she will continue to contribute to the development of the Group through her suggestions and advice based on her experience in medical settings and from a perspective of promotion of women's participation in the workplace which is one of the main points in diversity.</p>				

Notes: 1. KYORIN Pharmaceutical Co., Ltd. listed in the Career summary, positions, responsibilities and significant concurrent positions column for each candidate refers to the former KYORIN Pharmaceutical Co., Ltd., which merged with the Company on April 1, 2023.

2. There are no special interests between the candidates and the Company.

3. Noriyuki Shikanai, Ken Shigematsu and Hiromi Watanabe are candidates for Outside Director.

4. The Company has no consultancy agreements or any other transactions with Kyobashi Law Office.

5. The Company has a business relationship that involves purchases, sales, etc. with Yokufukai Hospital, Total Health and Medical Care Center for Seniors and Shimotakaido Station Clinic ENT Plus+. However, since the Company's sales from said facilities are insignificant compared to the Company's annual consolidated net sales, the Company has judged that this will not affect the independence of Hiromi Watanabe as an outside officer, and that there is no risk of a conflict of interest with general shareholders.

6. Noriyuki Shikanai, Ken Shigematsu and Hiromi Watanabe will have served as Outside Directors for ten years, six years and four years, respectively, at the closing of the Meeting.

7. As Noriyuki Shikanai, Ken Shigematsu and Hiromi Watanabe satisfy the requirements for independent

officers based on the provisions of Tokyo Stock Exchange, Inc., the Company has notified them as independent officers to the Exchange.

8. The Company has entered into a directors and officers liability insurance contract with an insurance company that insures Directors, Auditors, Corporate Officers, etc. of the Company and its subsidiaries. The said insurance contract covers damages that may arise due to the insured assuming liability for the execution of his or her duties or receiving a claim related to the pursuit of such liability. However, there are exemptions; for example, damages arising from the insured illegally obtaining private interests or benefit shall not be covered. The insurance premium is fully borne by the Company and each subsidiary. If the candidates are elected and take office as Directors, they will become the insured of the insurance contract. The Company plans to renew the insurance contract in July 2023 with the same terms and conditions as described above.

Proposal 2: Election of One Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Takao Yamaguchi will expire at the conclusion of the Meeting.

We therefore propose that one Audit & Supervisory Board Member be elected.

Consent has been obtained from the Audit & Supervisory Board for this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

No.	Name (Date of birth)	Career summary, positions and significant concurrent positions	Number of shares of the Company held	
1	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Independent</div> Takao Yamaguchi (September 13, 1954)	October 1981	Joined Chuo Accounting Office Auditing Corporation	2,200
		February 1985	Registered as Certified Public Accountant	
		September 1987	Joined Yamaguchi Accounting Office	
		December 1987	Registered as Certified Public Tax Accountant	
		January 1996	Director, Yamaguchi Accounting Office (current)	
		June 2013	Chairperson, The Japanese Institute of Certified Public Accountants Chiyoda Subchapter	
		June 2013	External Audit & Supervisory Board Member, SATO HOLDINGS CORPORATION	
June 2015	Outside Audit & Supervisory Board Member, KYORIN Holdings, Inc. (current)			
March 2016	Independent Audit & Supervisory Board Member, Tokyo Tatemono Co., Ltd. (current)			
March 2019	External Audit & Supervisory Board Member, Lion Corporation			
<p>Reason for nomination as a candidate for Outside Audit & Supervisory Board Member Although Takao Yamaguchi has not been involved in management other than through serving as an outside officer, he has considerable knowledge of finance and accounting as a certified public accountant and certified public tax accountant, and he exercises supervision over management by making use of his expertise and extensive knowledge and experience. The Company has determined that he will continue to use such expertise and experience in auditing, and has nominated him as a candidate for Outside Audit & Supervisory Board Member.</p>				

Reappointment: Candidates for Audit & Supervisory Board Member to be reelected

Outside: Candidates for Outside Audit & Supervisory Board Member

Independent: Independent officers based on provisions of stock exchanges, etc.

Notes: 1. There are no special interests between the candidate and the Company.

2. Matters concerning the candidate for Outside Audit & Supervisory Board Members are as follows:

- (1) Takao Yamaguchi is a candidate for Outside Audit & Supervisory Board Member.
- (2) Takao Yamaguchi will have served as Audit & Supervisory Board Member for eight years at the closing of the Meeting.
- (3) The Company has no consultancy agreements or any other transactions with Yamaguchi Accounting Office.
- (4) The Company has no business relationship that involves purchases, sales, etc. with Tokyo Tatemono Co., Ltd.
- (5) As Takao Yamaguchi satisfies the requirements for independent officers based on the provisions of Tokyo Stock Exchange, Inc., the Company has notified him as an independent officer to the Exchange.

3. The Company has entered into a directors and officers liability insurance contract with an insurance company that insures Directors, Auditors, Corporate Officers, etc. of the Company and its subsidiaries. The said insurance contract covers damages that may arise due to the insured assuming liability for the execution of his or her duties or receiving a claim related to the pursuit of such liability. However, there are exemptions; for example, damages arising from the insured illegally obtaining private interests or benefit shall not be covered. The insurance premium is fully borne by the Company and each subsidiary. If the candidate is elected and takes office as Audit & Supervisory Board Member, he will become the insured of the insurance contract. The Company plans to renew the insurance contract in July 2023 with the same terms and conditions as described above.

(Reference)

Skills Matrix of the Company's Board of Directors

The Company's Board of Directors consists of diverse individuals with various skills (knowledge, experience, etc.) to ensure that the Board of Directors can appropriately perform its decision-making and management supervision functions and maintain a more transparent governance structure in accordance with the Company's medium- to long-term management directions and business strategy.

If Proposals 1 and 2 are approved at this Annual General Shareholders Meeting as originally proposed, the composition of the Board of Directors and the skills possessed by individual Directors and Audit & Supervisory Board Members will be as follows.

	Name	Attributes	Corporate management	Healthcare business	Finance & accounting	Legal	Academic experts	Major qualifications, etc.
Directors	Minoru Hogawa		○	○	○			
	Yutaka Ogihara		○	○				
	Michiro Onoto		○	○				
	Noriyuki Shikanai	Outside Independent				○		Attorney
	Ken Shigematsu	Outside Independent	○					
	Hiromi Watanabe	Outside Independent		○			○	Medical Doctor
Audit & Supervisory Board Members	Tomiharu Matsumoto			○		○		
	Kenji Akutsu		○	○				
	Takao Yamaguchi	Outside Independent			○			Certified Public Accountant
	Yukio Ikemura	Outside Independent	○		○			
	Kensuke Morita	Outside Independent				○	○	Attorney

Proposal 3: Revision of Performance-linked Stock Compensation Plan for Directors

1. Reasons for the proposal and reasons why it is deemed appropriate

At the 58th Annual General Shareholders Meeting held on June 24, 2016, the Company received approval for the introduction of a performance-linked stock compensation plan “BBT (=Board Benefit Trust)” (hereinafter referred to as the “Plan”) for Directors of the Company and its subsidiaries (excluding Outside Directors. Unless otherwise specified, the same shall apply hereinafter in this Proposal.) (The resolution at the above General Shareholders Meeting will hereinafter be referred to as the “Original Resolution”). However, following the absorption-type merger with our subsidiary KYORIN Pharmaceutical Co., Ltd. in April 2023, we request approval for the revision of the eligibility, compensation limits, etc. related to the Plan (hereinafter referred to as the “Revisions”). As with the Original Resolution, the purpose of this proposal is to clarify the link between Director compensation and the performance of the Group, and to raise awareness of contributing to medium- to long-term business growth and improvement of corporate value. It is also intended for Directors to share with shareholders the benefits and risks of share price fluctuations.

Under the Plan, the Company contributes a reasonable amount of money necessary for carrying out the Plan to a trust, and the trust acquires Company shares using this as a source of funds. Then, in accordance with the Directors’ Stock Benefit Regulations established by the Company, Company shares and money equivalent to the amount of Company shares converted to the market price (hereinafter referred to as “Company shares, etc.”) are delivered.

In light of the above purpose and the content of the Company’s policy regarding the determination of the content of individual compensation, etc. for Directors (see Matters Concerning Company Officers in the Business Report of this Convocation Notice (available in Japanese only)), the content of this proposal is deemed appropriate.

This proposal is separate from the compensation, etc. for the Company’s Directors (up to 500 million yen per year. However, this does not include compensation from consolidated subsidiaries and salaries for employees.) that was approved at the Annual General Shareholders Meeting held on June 22, 2006, and asks for approval of the specific calculation method and specific details of the amount of compensation, etc. in order to pay compensation to Directors based on the Plan. We would like to entrust the details of the Plan to the Board of Directors, within the following framework.

If Proposal 1 “Election of Six Directors” is approved at the General Shareholders Meeting, the number of the Company’s Directors subject to the Plan will be three, excluding three Outside Directors.

2. The specific calculation method and specific details of the amount of compensation, etc. related to the Plan

We would like to partially revise the contents of the previous Plan. (The main revisions from the Original Resolution are underlined.)

(1) Overview of the Plan

The Plan is a performance-linked stock compensation plan wherein Company shares are acquired through a trust (the trust established under the Plan will hereinafter be referred to as the “Trust”) using money contributed by the Company as a source of funds, and Company shares, etc. are delivered to Directors through the trust in accordance with the Directors’ Stock Benefit Regulations established by the Company. In principle, Directors will receive Company shares, etc. on a fixed date during the trust period as stipulated in the Directors’ Stock Benefit Regulations. However, if a Director resigns before said date, the relevant Director will receive Company shares, etc. at the time of their resignation.

(2) Eligible persons of the Plan

Directors of the Company (excluding Outside Directors. Audit & Supervisory Board Members are also excluded from the Plan.)

(3) Calculation method and maximum number of Company shares to be delivered to Directors

For each fiscal year, Directors are awarded a number of points determined by their position, performance achievements, etc. based on the Directors' Stock Benefit Regulations. The maximum number of points granted to a Director per fiscal year is 25,000 points.

This was determined by comprehensively taking into consideration such things as the current level of compensation for officers, trends in the number of Directors, as well as future prospects, and is judged to be appropriate. In addition, the points granted to Directors are converted into one common share of the Company per point when the Company shares, etc. are delivered as described in (6) below (However, in the event of a stock split, allotment of shares without contribution, or reverse stock split, etc. of Company shares after the approval of resolutions by shareholders at this General Shareholders Meeting, we will make reasonable adjustments to the maximum number of points, the number of points already granted, or the conversion ratio, depending on the relevant ratio, etc.).

The number of points, which is the basis for the delivery of Company shares, etc. in (6) below, is determined by the total number of points granted until a Director acquires the right to receive benefits (hereinafter referred to as the "fixed number of points").

(4) Method of acquiring Company shares

Acquisition of Company shares by the Trust will be conducted through the stock market or by undertaking the disposal of the Company's treasury stock, using the funds contributed in (5) below. Details of the acquisition of Company shares by the Trust will be disclosed in a timely and appropriate manner.

(5) Trust amount

The Company has established the Trust by contributing funds necessary for the Trust to acquire the number of shares that are reasonably expected to be necessary for the delivery of Company shares, etc. in advance for a certain period of time, in accordance with (3) above and (6) below. As stated in (4) above, the Trust acquires Company shares using funds contributed by the Company. Specifically, we established the Trust within the scope approved at the 58th Annual General Shareholders Meeting by contributing 250 million yen as the necessary funds for the four fiscal years from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2020 (hereinafter referred to as the "Initial Target Period").

Subject to the approval of this proposal, the Company will set the next target period after the Revisions to be the three fiscal years from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026 (hereinafter, the period of said three fiscal years and each period of three fiscal years starting after said three fiscal years will each be referred to as the "Post-Revisions Target Period.") Until the end of the Plan, in principle, the Company will reasonably estimate the number of shares necessary for delivery to Directors under the Plan for the Post-Revisions Target Period, and contribute additional funds deemed necessary by the Trust for acquisition in advance. In addition, the Post-Revisions Target Period will be linked to the period of our Medium-Term Business Plan, and if the period of the Medium-Term Business Plan is changed in the future, the Post-Revisions Target Period will also be changed accordingly. However, in the case of making such additional contributions, if there are any remaining Company shares (Company shares equivalent to the number of points granted to Directors, excluding those for which the delivery of shares to Directors has not been completed.) or money (hereinafter referred to as "remaining shares, etc.") in the trust property on the day before the start of the Post-Revisions Target Period for which the additional contributions are to be made, remaining shares, etc. will be appropriated as funds for delivery under the Plan during the Post-Revisions Target Period. When the Company decides to make additional contributions, we will disclose it in a timely and appropriate manner.

(6) Timing of delivery of Company shares, etc.

If a Director meets the beneficiary requirements stipulated in the Directors' Stock Benefit Regulations, they

may receive a number of Company shares from the Trust corresponding to the fixed number of points by following the prescribed beneficiary confirmation procedure. However, in addition to the beneficiary requirements, if the requirements separately stipulated in the Directors' Stock Benefit Regulations are met, for a certain percentage of the number of points granted to the relevant Director, the Director will receive the cash equivalent of the amount of Company shares converted to the market price instead of receiving Company shares. The Trust may sell Company shares in order to deliver cash payments. In addition, in the event that a Director dies during the trust period, in principle, the relevant Director's heir shall receive a cash payment equivalent to the amount of Company shares converted to the market price for the Company shares corresponding to the points that had been granted to the relevant Director before their death.

If the Company determines that a Director, even one who has received points, has committed a certain illegal act during their term of office, or if the Company determines that they have committed an inappropriate act that may cause damage to the Company during their term of office, the relevant Director will not be able to acquire the right to receive payments.

(7) Voting rights related to Company shares in the Trust

Voting rights pertaining to Company shares in the Trust account shall not be uniformly exercised based on the instructions of the trust administrator. By adopting this method, the Company intends to ensure the neutrality of management regarding the exercise of voting rights related to Company shares in the Trust account.

(8) Treatment of dividends

Dividends related to Company shares in the Trust account are received by the Trust and are used for the acquisition of Company shares and as trust fees, etc. for the trustees related to the Trust. In addition, in the event that the Trust ends, dividends, etc. remaining in the Trust will be distributed proportionally according to the number of points held by each Director in accordance with the provisions of the Directors' Stock Benefit Regulations.