Annual Securities Report

(Pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)
For the 101st fiscal year (From January 1, 2023 to December 31, 2023)

Kyowa Kirin Co., Ltd.

1-9-2 Otemachi, Chiyoda-ku, Tokyo

This document is a reference translation of the Annual Securities Report submitted to the Prime Minister pursuant to Article 24-1 of the Financial Instruments and Exchange Act. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.
The forward-looking statements contained in this document are based on the information currently available to the Company and on certain assumptions deemed to be reasonable by management. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ materially from these projections for a wide variety of reasons.
The Japanese original Annual Securities Report was submitted to the Director-General of the Kanto Local Finance Bureau on March 12, 2024, with an audit report expressing an unqualified opinion by KPMG AZSA LLC.

(E00816)

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Clause of stipulation:	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing:	Director-General of the Kanto Local Finance Bureau
Filing date:	March 12, 2024
Fiscal year:	The 101st fiscal year (from January 1, 2023 to December 31, 2023)
Company name:	協和キリン株式会社
	(Kyowa Kirin Kabushiki Kaisha)
Company name in English:	Kyowa Kirin Co., Ltd.
Title and name of representative:	Masashi Miyamoto
	Representative Director, President and Chief Executive Officer
Address of registered head office:	1-9-2 Otemachi, Chiyoda-ku, Tokyo
Telephone number:	+81-3-5205-7200
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	Managing Executive Officer & Global Finance Head
Nearest place of contact:	1-9-2 Otemachi, Chiyoda-ku, Tokyo
Telephone number:	+81-3-5205-7200
Name of contact person:	Motohiko Kawaguchi
	Managing Executive Officer & Global Finance Head
Place for public inspection:	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Company Information

I. Overview of Company

1 Key Financial Data

(1) Key consolidated financial data

Term		97th fiscal year	98th fiscal year	99th fiscal year	100th fiscal year	101st fiscal year
Fiscal year-end		December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Revenue	(Millions of yen)	305,820	318,352	352,246	398,371	442,233
Profit before tax	(Millions of yen)	44,492	52,263	60,050	67,572	97,246
Profit attributable to owners of parent	(Millions of yen)	67,084	47,027	52,347	53,573	81,188
Comprehensive income attributable to owners of parent	(Millions of yen)	73,162	43,611	62,751	50,654	102,196
Equity attributable to owners of parent	(Millions of yen)	678,250	698,396	737,162	762,826	836,418
Total assets	(Millions of yen)	784,453	801,290	921,872	939,881	1,025,942
Equity attributable to owners of parent per share	(Yen)	1,263.16	1,300.12	1,371.90	1,419.27	1,555.81
Basic earnings per share	(Yen)	124.57	87.56	97.43	99.68	151.03
Diluted earnings per share	(Yen)	124.46	87.50	97.39	99.66	151.01
Ratio of equity attributable to owners of parent to total assets	(%)	86.5	87.2	80.0	81.2	81.5
Return on equity attributable to owners of parent	(%)	10.1	6.8	7.3	7.1	10.2
Price-earnings ratio	(Times)	20.7	32.1	32.2	29.4	15.7
Net cash provided by (used in) operating activities	(Millions of yen)	53,655	39,502	86,548	48,672	115,551
Net cash provided by (used in) investing activities	(Millions of yen)	(933)	252,559	(11,363)	(17,185)	(20,382)
Net cash provided by (used in) financing activities	(Millions of yen)	(47,371)	(26,003)	(28,446)	(29,032)	(32,535)
Cash and cash equivalents at end of period	(Millions of yen)	20,762	287,019	335,084	339,194	403,083
Number of employees	(Persons)	5,267	5,423	5,752	5,982	5,974

Notes: 1. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (“IFRS”).

2. Figures presented above have been rounded to the nearest million yen.

3. The Bio-Chemicals business has been classified as a discontinued operation in the 97th fiscal year.

(2) Key financial data of reporting company

Term		97th fiscal year	98th fiscal year	99th fiscal year	100th fiscal year	101st fiscal year
Fiscal year-end		December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Net sales	(Millions of yen)	246,274	252,933	237,590	253,790	277,161
Ordinary profit	(Millions of yen)	73,363	49,562	35,228	37,287	67,218
Profit	(Millions of yen)	91,473	31,250	66,366	31,047	50,370
Share capital	(Millions of yen)	26,745	26,745	26,745	26,745	26,745
Total number of issued shares	(shares)	540,000,000	540,000,000	540,000,000	540,000,000	540,000,000
Net assets	(Millions of yen)	549,020	555,730	596,921	601,918	622,709
Total assets	(Millions of yen)	618,306	687,680	794,087	806,058	869,589
Net assets per share	(Yen)	1,021.09	1,033.43	1,110.13	1,119.48	1,158.10
Dividend per share	(Yen)	42.00	44.00	46.00	51.00	56.00
[Interim dividend paid per share]	(Yen)	[20.00]	[22.00]	[23.00]	[24.00]	[27.00]
Basic earnings per share	(Yen)	169.85	58.18	123.52	57.77	93.70
Diluted earnings per share	(Yen)	169.71	58.15	123.47	57.75	93.69
Equity ratio	(%)	88.7	80.7	75.1	74.6	71.6
Return on equity	(%)	17.4	5.7	11.1	5.2	8.2
Price-earnings ratio	(Times)	15.1	48.4	25.4	52.3	25.3
Dividend payout ratio	(%)	24.7	75.6	37.2	88.3	59.8
Number of employees	(Persons)	3,619	3,736	3,857	4,002	4,082
Total shareholder return	(%)	125.9	139.6	157.3	154.2	125.6
[Comparative indicator: TOPIX including dividends]	(%)	[118.1]	[126.8]	[143.0]	[139.5]	[178.9]
Highest share price	(Yen)	2,594.0	3,060.0	4,240.0	3,515.0	3,150.0
Lowest share price	(Yen)	1,674.0	1,849.0	2,687.0	2,604.0	2,276.5

Notes:
1. The financial statements for the reporting company were prepared in accordance with Japanese GAAP.
2. Figures presented above have been rounded to the nearest million yen.
3. With respect to the year-end dividend of ¥29, which is included in the dividends per share of ¥56 for the 101st fiscal year, a proposal will be submitted at the Ordinary General Meeting of Shareholders scheduled to be held on March 22, 2024.
4. The highest and lowest share prices were those quoted on the Tokyo Stock Exchange (Prime Market) on and after April 4, 2022, and prior to that, those quoted on the Tokyo Stock Exchange (First Section).

2 History

The Company traces its roots to the establishment of the Kyowa Research Laboratories (1937), headed by Benzaburo Kato, and the formation of its parent organization, the Kyowakai Association (1936). Later, in accordance with commercialization resulting from the research and development by this research laboratory, requests from the government, etc., Kyowa Kagaku Kogyo Co., Ltd. (1939) and Toa Kagaku Kogyo Co., Ltd. (1943) were established. These companies merged (April 1945) and the name of the merged company was changed (October 1945) to Kyowa Sangyo Co., Ltd. after the end of the war.

July 1949	Pursuant to the Enterprise Reorganization Act, dissolved Kyowa Sangyo Co., Ltd. and, as a secondary company, established Kyowa Hakko Kogyo Co., Ltd. (share capital: ¥50 million)
August 1949	Listed the Company's shares on the Tokyo Stock Exchange
April 1951	Introduced manufacturing technology for Streptomycin from the U.S. pharmaceutical company Merck & Co., Inc.
September 1956	Invented and announced commercialization of a manufacturing method for monosodium glutamate using fermentation
September 1959	Launched the anticancer agent Mitomycin C
April 1981	Established Kyowa Medex Co., Ltd.
October 1992	Established Kyowa Pharmaceutical, Inc. (presently Kyowa Kirin, Inc.) in the United States
September 2002	Transferred liquor operations to Asahi Breweries, Ltd.
February 2003	Established BioWa, Inc. in the United States
April 2004	Split off and transferred the Chemicals operations to Kyowa Yuka Co., Ltd., which changed its trade name to Kyowa Hakko Chemical Co., Ltd.
April 2005	Established Kyowa Hakko Food Specialties Co., Ltd. (later known as Kirin Kyowa Foods Company, Limited) through an incorporation-type company split of the Food operations
April 2008	Made Kirin Pharma Company, Limited a wholly owned subsidiary of the Company through a share exchange whereby Kirin Holdings Company, Limited became the parent company of the Company, holding 50.10% of the total number of outstanding shares of the Company In addition, made Kirin Pharma Company, Limited's subsidiaries Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. (presently Kyowa Kirin China Pharmaceutical Co., Ltd.), JEIL-KIRIN PHARMACEUTICAL INC. (presently Kyowa Kirin Korea Co., Ltd.), Kyowa Kirin Pharmaceuticals (Taiwan) Co., Ltd. (presently Kyowa Kirin (Taiwan) Co., Ltd.), etc. consolidated subsidiaries of the Company
October 2008	Established KYOWA HAKKO BIO CO., LTD. through an incorporation-type company split of the Bio-Chemicals business Conducted an absorption-type merger of Kirin Pharma Company, Limited, and changed its trade name from Kyowa Hakko Kogyo Co., Ltd. to Kyowa Hakko Kirin Co., Ltd.
January 2011	Transferred all shares of Kirin Kyowa Foods Company, Limited to Kirin Holdings Company, Limited
March 2011	Transferred all shares of Kyowa Hakko Chemical Co., Ltd. to KJ Holdings Co., Ltd.
April 2011	Acquired all shares of ProStrakan Group plc (presently Kyowa Kirin International plc) in the UK and made it a wholly owned subsidiary
March 2012	Established FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd. (development, manufacturing, and sales of biosimilars), a joint venture with FUJIFILM Corporation
August 2014	Acquired all shares of Archimedes Pharma Limited in the UK and made it a wholly owned subsidiary
January 2018	Transferred 66.6% of the shares of Kyowa Medex Co., Ltd. to Hitachi Chemical Co., Ltd. (Transferred all the residual interest in April 2021)
April 2019	Transferred 95% of the shares of KYOWA HAKKO BIO CO., LTD. to Kirin Holdings Company, Limited (Transferred all the residual interest in January 2023)
July 2019	Changed its trade name from Kyowa Hakko Kirin Co., Ltd. to Kyowa Kirin Co., Ltd.
April 2022	Transitioned to the Tokyo Stock Exchange Prime Market from the Tokyo Stock Exchange First Section due to the market restructuring of the Tokyo Stock Exchange
January 2024	Acquired all shares of Orchard Therapeutics plc in the UK and made it a wholly owned subsidiary

3 Description of Business

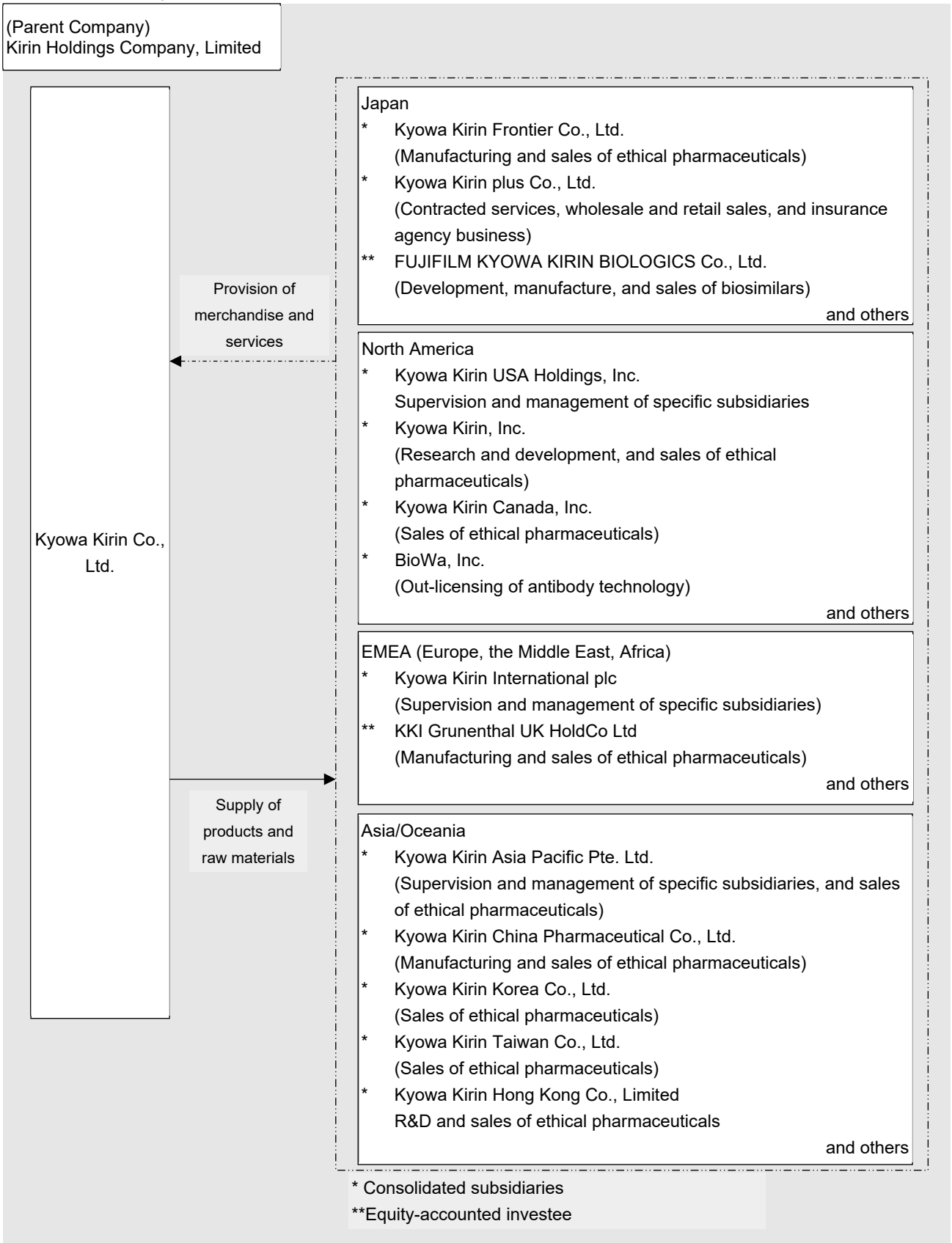
The Company and its subsidiaries and associates comprise the Company, 35 subsidiaries, 12 equity-accounted investees, and one parent company (Kirin Holdings Company, Limited), and operate businesses related to pharmaceuticals. Descriptions of the main businesses and the positions of the Company and major subsidiaries and associates in these businesses are as follows.

<Description of main businesses>

The Company conducts manufacturing and sales of ethical pharmaceuticals. Information regarding subsidiaries and associates is provided in “I. Overview of Company, 4 Subsidiaries and Associates.”

Note: Unless specifically stated otherwise, in this report, the “Group” refers to the Company and its 35 consolidated subsidiaries.

<Business flow diagram>



4 Subsidiaries and Associates

(1) Consolidated subsidiaries

Name	Address	Share capital or investments in capital	Main businesses	Percentage of voting rights owning (%)	Relationship			
					Interlocking of officers	Financial assistance	Business relationship	Facility leasing and others
(Note 1) Kyowa Kirin Frontier Co., Ltd.	Chiyoda-ku, Tokyo	(Millions of yen) 100	Manufacturing and sales of ethical pharmaceuticals	100.0	Yes	–	The Company manufactures and provides services for this company under contract	–
Kyowa Kirin plus Co., Ltd.	Nakano-ku, Tokyo	(Millions of yen) 100	Contracted services, wholesale and retail sales, and insurance agency business	100.0	Yes	–	The Company outsources services to this company	–
(Note 1) Kyowa Kirin USA Holdings, Inc.	New Jersey, United States	(Thousands of US dollars) 76,300	Supervision and management of specific subsidiaries	100.0	Yes	–	–	–
(Notes 1 and 5) Kyowa Kirin, Inc.	New Jersey, United States	(Thousands of US dollars) 0	R&D and sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	Lending of funds	The Company sells products to this company	–
Kyowa Kirin Canada, Inc.	British Columbia, Canada	(Canadian dollars) 100	Sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	–	–	–
BioWa, Inc.	New Jersey, United States	(Thousands of US dollars) 10,000	Out-licensing of antibody technology	(Note 2) 100.0 (100.0)	Yes	–	The Company provides technology, etc. to this company	–
Kyowa Kirin International plc	Galashiels, UK	(Thousands of pounds) 13,849	Supervision and management of specific subsidiaries	100.0	Yes	–	–	–
(Note 1) Kyowa Kirin Asia Pacific Pte. Ltd.	Singapore	(Thousands of Singapore dollars) 123,045	Supervision and management of specific subsidiaries Sales of ethical pharmaceuticals	100.0	Yes	Lending of funds	The Company sells products to this company	–
(Note 1) Kyowa Kirin China Pharmaceutical Co., Ltd.	Shanghai, China	(Thousands of US dollars) 29,800	Manufacturing and sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	Yes	–	–	–
Kyowa Kirin Korea Co., Ltd.	Seoul, Korea	(Millions of Korean won) 2,200	Sales of ethical pharmaceuticals	100.0	Yes	Lending of funds	–	–
Kyowa Kirin Taiwan Co., Ltd.	Taipei, Taiwan	(Thousands of Taiwan dollars) 262,450	Sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	Yes	Lending of funds	–	–
Kyowa Kirin Hong Kong Co., Limited	Hong Kong, China	(Thousands of Hong Kong dollars) 6,000	R&D and sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	Lending of funds	–	–
23 other companies								

(2) Equity-accounted investee

Name	Address	Share capital or investments in capital	Main businesses	Percentage of voting rights owning (%)	Relationship			
					Interlocking of officers	Financial assistance	Business relationship	Facility leasing and others
(Note 3) FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd.	Chiyoda-ku, Tokyo	(Millions of yen) 100	Development, manufacturing, and sales of biosimilars	50.0	Yes	Underwriting of bonds	The Company provides technology to this company, and manufactures and provides services for this company under contract	–
KKI Grunenthal UK HoldCo Ltd	Maidenhead, U.K.	(Thousands of pounds) 100	Manufacturing and sales of ethical pharmaceuticals	49.0	Yes	–	–	–
10 other companies								

(3) Parent company

Name	Address	Share capital or investments in capital	Main businesses	Percentage of voting rights owned (%)	Relationship			
					Interlocking of officers	Financial assistance	Business relationship	Facility leasing and others
(Note 4) Kirin Holdings Company, Limited	Nakano-ku, Tokyo	(Millions of yen) 102,046	Control and management of business activities of operating companies as the holding company	53.8	Yes	Lending of funds	–	–

Notes:
1. These companies are specified subsidiaries.
2. For percentage of voting rights owning, figures in parentheses represent the percentage of indirect ownership of voting rights.
3. The company indicated has a negative net worth, with liabilities exceeding assets by ¥32,228 million (Japanese GAAP) as of December 31, 2023.
4. The company indicated submits an annual securities report.
5. For Kyowa Kirin, Inc., revenue (excluding intercompany revenue among consolidated companies) exceeds 10% of consolidated revenue.

Key profit and loss information
(1) Revenue ¥144,531 million
(2) Loss before tax ¥13 million
(3) Profit ¥2,181 million
(4) Total equity ¥16,187 million
(5) Total assets ¥102,809 million

5 Employees

(1) Information about consolidated companies

(As of December 31, 2023)

Segment name	Number of employees (Persons)
Pharmaceuticals	5,974
Total	5,974

Notes: 1. The Group consists of only one reportable segment, which is the Pharmaceuticals business.
2. The number of employees represents individuals working within the Group (excluding employees seconded outside the Group from the Group, but including employees seconded to the Group from outside the Group). Executive Officers and temporary employees (employees rehired after retiring, contract employees, part-time employees, and others) are excluded.
3. The number of temporary employees is omitted because the total number of temporary employees is less than 10% of the total number of employees.

(2) Information about reporting company

(As of December 31, 2023)

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
4,082	43.0	16.5	9,447,246

Segment name	Number of employees (Persons)
Pharmaceuticals	4,082
Total	4,082

Notes: 1. The number of employees represents individuals working within the Company (excluding employees seconded outside the Company from the Company, but including employees seconded to the Company from outside the Company). Executive Officers and temporary employees (employees rehired after retiring, contract employees, part-time employees, and others) are excluded.
2. The number of temporary employees is omitted because the total number of temporary employees is less than 10% of the total number of employees.
3. The average annual salary includes bonuses and surplus wages.

(3) Labor union

The Kyowa Kirin Labor Union is organized in the Group, and there were 2,854 union members as of December 31, 2023.

Labor and management maintain a cooperative relationship based on mutual trust.

(4) Ratio of female workers in managerial positions, rate of childcare leave use by male workers, and wage difference between male and female workers

Given the ongoing decrease in working-age population as a result of declining birthrates and population aging, encouraging women to pursue broader career opportunities is deemed an urgent challenge and one of the growth strategies of the Japanese government. In an effort to respond to social expectations and enhance corporate competitiveness through employee diversification, the Kyowa Kirin Group is striving to empower its female employees as well as to promote male employees' participation in housekeeping and childcare, etc. In recognition of its initiatives, in 2016 Kyowa Kirin received the "Class 3 Eruboshi" accreditation from the Minister of Health, Labour and Welfare based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015). This evaluation has been maintained as of December 31, 2023. In addition, the ratio of female managers and the rate of childcare leave use by men have been increasing.

<Performance in the fiscal year under review related to the Act on Promotion of Women's Participation and Advancement in the Workplace>

The status of the reporting company is as follows.

(Ratio of female managers)

(As of December 31, 2023)

Ratio of female managers
14.8%

Note: Calculated excluding employees seconded outside the Company from the Company, but including employees seconded to the Company from outside the Company.

(Rate of childcare leave use by gender)

(From January 1, 2023 to December 31, 2023)

Rate of childcare leave use by men	Rate of childcare leave use by women
105.9%	105.1%

Notes:
1. Calculated excluding employees seconded outside the Company from the Company and employees seconded to the Company from outside the Company.
2. The childcare leave includes childcare leave at birth.
3. Calculated as the ratio of the number of employees who used childcare leave in the fiscal year under review to the number who gave birth and whose partners gave birth in the fiscal year under review. The leave usage rate may exceed 100% because, given that it includes childcare leave taken in the fiscal year under review by employees who gave birth or those whose partners gave birth in the prior year.

(Wage difference between men and women)

(From January 1, 2023 to December 31, 2023)

	Women's wages as a proportion of men's
Full-time employees	76.3%
Part-time and fixed-term employees	54.4%
All employees	75.3%

Notes:
1. With respect to full-time employees, part-time, and fixed-term employees alike, the Company does not differentiate between men and women in terms of arrangements such as wage regulations, operational matters such as promotions and salary increases, and hiring criteria.
2. Calculated for full-time employees excluding employees seconded outside the Company from the Company and employees seconded to the Company from outside the Company. The Company establishes wage levels that vary depending on occupational categories and ranks. Variation in wages between men and women arises due to differences in the number of employees in each occupational category and rank.
3. The figure for part-time and fixed-term employees is calculated for temporary employees (employees rehired after retiring, contract employees, part-time employees, and others). Variation in wages hinges on distinctions in terms of employment status such as those pertaining to employees rehired after retiring, contract employees, and part-time employees. There is variation in wages between male and female employees because of a higher proportion of female employees in the relatively lower-wage employment status (contract and part-time employees). Because part-time employees are few in number, their wages have been calculated based on actual wages paid without conversion to full-time equivalents.
4. Wages are calculated including bonuses and surplus wages.

II. Overview of Business

1 Management Policy, Business Environment, and Future Challenges

Forward-looking statements in this document are based on the judgment of the Group at the end of the current fiscal year (as of December 31, 2023).

(1) Basic management policy

The Kyowa Kirin Group's management philosophy is 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.

We interpret "the new value" advocated in the management philosophy as meaning Creating Shared Value (CSV) with society. The Group practices CSV management that enhances corporate value by use of its initiatives that address social issues to balance "the creation of social value" with "the creation of economic value."

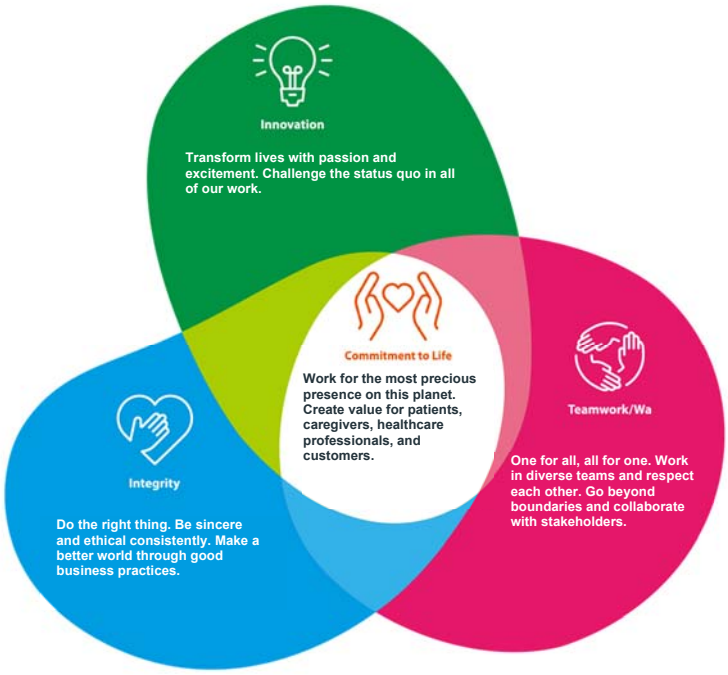
In addition, our core values, which consist of the core concept of "Commitment to Life" and three key words, are a way of thinking and an attitude that supports all those working in the Kyowa Kirin Group. Our goal is for these to be shared and practiced by everybody, so that we continue to be a corporate group that retains the trust of society.

Management Philosophy

The Kyowa Kirin Group strives 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.

Core Values

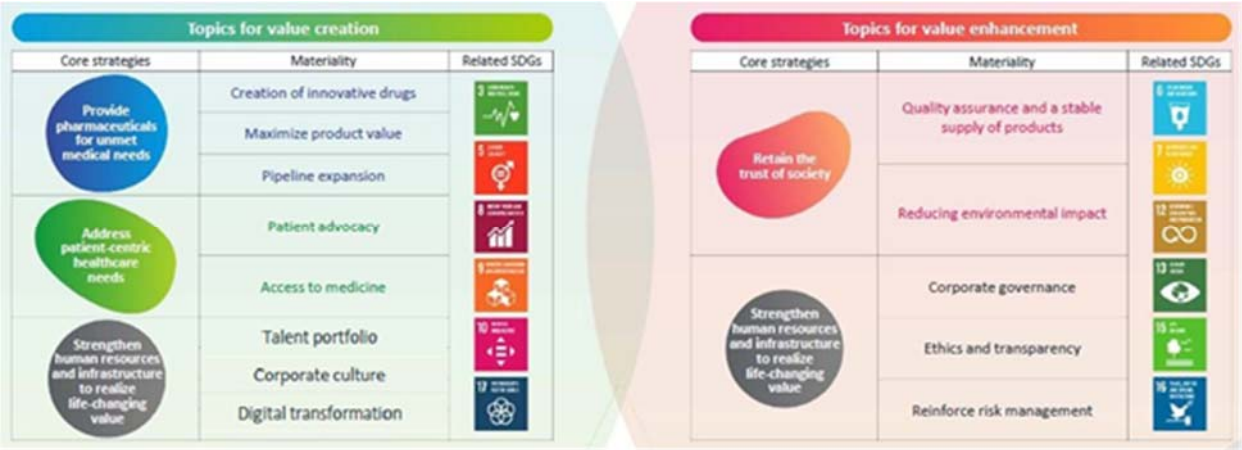
"Core Values" are a way of thinking and attitude that supports the activity of each officer and employee belonging to the Kyowa Kirin Group. It consists of core concept "Commitment to Life" and three key words.



(2) Priority business and financial challenges

The environment in which the pharmaceutical industry operates has experienced significant changes in a complex manner year by year. Amid the worldwide accelerated reduction of medical costs and increasing difficulty in R&D, the acceleration and efficiency of drug discovery and development are expected by virtue of advances in science such as new modalities and AI drug discovery. Thus, there are people all over the world waiting expectantly for new effective treatment drugs to satisfy unmet medical needs, particularly increasing demands for drugs for complete cure or controlling the development of disease.

Kyowa Kirin has identified materialities (key management issues) to realize its Vision for 2030 and works to achieve growth as a Japan-based global specialty pharmaceutical company in accordance with the Vision for 2030 and strategy to achieve it.



(Provide pharmaceuticals for unmet medical needs)

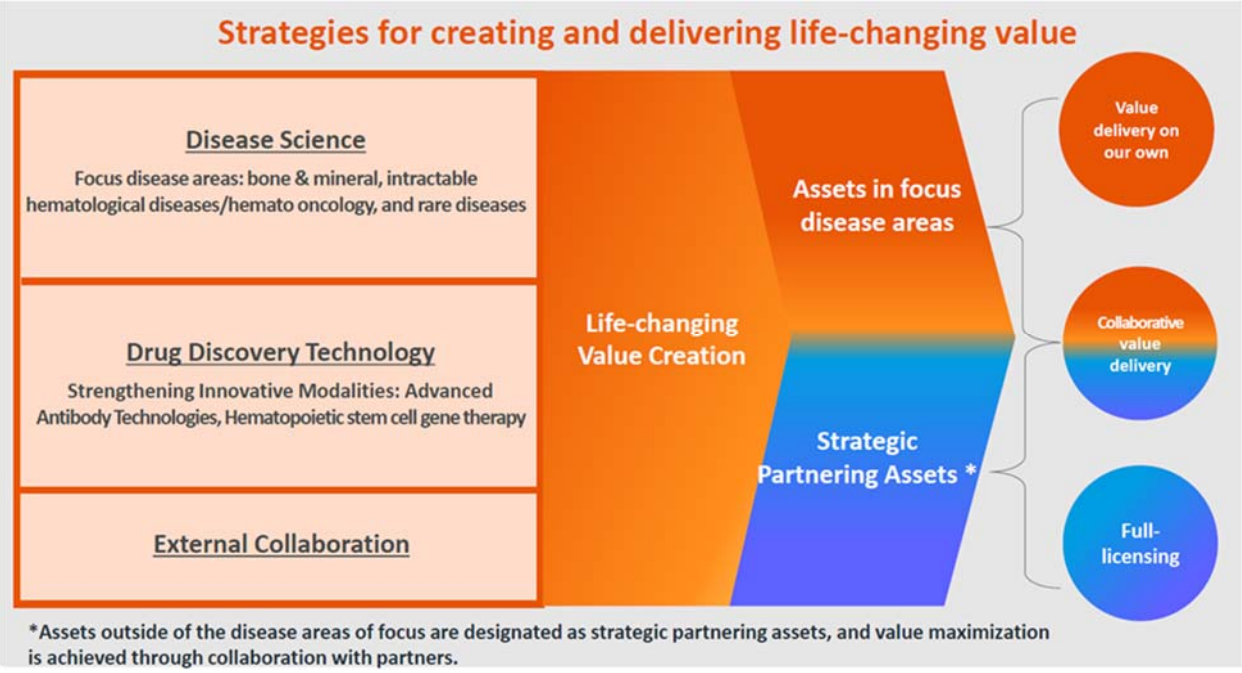
In preparation for maximizing the value of global strategic products, such as Crysvita and Poteligeo, we will move forward with measures to expand our business regions and penetrate markets. We will continue to strengthen the structure of close cooperation between different functions and subsidiaries and associates on a global basis, and provide new drugs under the KYOWA KIRIN brand to patients all over the world. For Crysvita in particular, we will work to improve access to Crysvita for patients throughout the world, focusing on our own marketing for Crysvita in the U.S.

At the same time, we will execute our strategy for continuing to create innovative new drugs through the promotion of development of KHK4083 (generic name: Rocatinlimab) and KHK4951 (generic name: Tivozanib), which are next-generation global strategic drugs, research and development of KK2260 and KK2269 featuring our original bi-specific Regulgent technology and early-stage development products such as ADC KK2845, and strengthening of activities to acquire new pipelines.

We will aim to create new medical value and speed up the process of drug discovery by blending the technological expertise we have accumulated with our in-depth knowledge of disease. To this end, in research and development, we will set and promote focused disease areas of “bone and mineral diseases,” “blood cancer and intractable blood disorders,” and “rare diseases.” In the technological aspect, we are gradually building platforms that utilize innovative modalities*1 such as our next-generation antibody technology and hematopoietic stem cell gene therapy owned by Orchard Therapeutics. In addition to this, we will accelerate and strengthen innovation through advanced open innovation activities by fusing collaborative research activities with academia, startups, and other partners with early access to information, by means of venture capital/corporate venture capital fund investments. We will aim at maximizing life-changing value*2 created by such activities through not only internal provision but also strategic partnering such as tie-ups with other companies and complete out-licensing.

*1 Modalities:
Classes of drug discovery technologies (methods and means) that facilitate the realization of the envisioned therapeutic concept.

*2 Life-changing value:
Make patients smile through dramatic improvements in quality of life by identifying the unmet medical needs of people battling with medical conditions, and by creating and supplying new drugs or services that help them overcome those challenges.



(Address patient-centric healthcare needs)

In order to make patients smile, we will promote Patient Advocacy Activities*3 globally, to address patient-centric healthcare needs. By providing disease awareness activities and support tools for patients in accordance with the Policy for Access to Medicines*4, we will work to resolve unmet medical needs. By actively promoting activities globally through the maintenance and reinforcement of relationships with patient advocacy groups and the like in various countries, we will identify issues and healthcare needs that patients and healthcare professionals want to see resolved and strengthen activities for making patients smile.

Furthermore, in order to make patients smile and from a longer-term perspective, we are pursuing the creation of values that go beyond pharmaceuticals, based on their insight. In domains where we can leverage our strengths, utilizing the data we have accumulated as well as deepening our understanding of patients to resolve issues in areas peripheral to our pharmaceutical products, we will leverage synergies arising from the Kirin Group's initiatives in the field of health science, and work to create new value that goes beyond pharmaceuticals.

*3 Patient Advocacy Activities:
These are activities for promoting sound public understanding of medical conditions through communication and cooperation with patient and healthcare professional communities. An additional goal of the activities is to make patients smile by working to address unmet medical needs through Kyowa Kirin's value chain.

*4 Policy for Access to Medicines:
The Company's website: https://www.kyowakirin.com/sustainability/patient/access_to_medicine/index.html

(Retain the trust of society)

To ensure stable supply of quality-assured pharmaceuticals to patients who need them worldwide, we are working to establish a robust production system while strengthening our quality assurance system and supply-chain management. In addition, we will continue to respond appropriately to issues in implementing both in-house and contracted manufacturing. We also revised "Kyowa Kirin Group Supplier Code of Conduct" in accordance with international standards and laws and regulations, and will strengthen our sustainable procurement activities. In response to climate change at the global level, the Company will work in conjunction with the Kirin Group Environmental Vision 2050, promoting continuous energy-saving programs (also covering capital expenditures) and adopting and expanding the use of renewable energy, among other activities. Through initiatives such as these, we seek to achieve net zero greenhouse gas emissions across the value chain, to actively tackle the issue of protection of the global environment to be handed over to the next generation. In light of the recommendations of the "Task Force on Climate-related Financial Disclosure (TCFD)," the Company will continue to manage and evaluate risks and opportunities related to climate change, and disclose information appropriately.

(Reinforce human resources and structures that support the creation of life-changing value)

As we expand our business globally, we will establish a business platform, putting in place a structure that will enable the Company to achieve sustainable growth through such measures as the maximization of product value, the creation of a substantial development pipeline, and the stable supply of products. Under the Digital Vision 2030*5 formulated for digital transformation to achieve life-changing value, we will work to realize operational excellence and strengthen our DX promotion structure.

We position human capital as one of the sources of competitiveness, believing that promoting “value creating activities” will lead to the realization of our vision. With the aim of developing and producing diverse human resources who will continue to take on changes with their expertise as well as mission and responsibility for making patients smile, we will work on developing corporate environment and foster corporate culture.

As initiatives for human rights, we will further promote activities for the respect of human rights by continually implementing due diligence initiatives based on Kyowa Kirin Group Human Rights Policy*6. When it comes to corporate governance, we will continue to work on increasing the effectiveness of the Board of Directors and strengthening business execution systems, including the delegation of authority to execution functions and increase of CxO.

*5 Digital Vision 2030:
The Company’s website:
https://www.kyowakirin.com/sustainability/human_resources_infrastructure/dx/index.html

*6 Human Rights Policy
The Company’s website: https://www.kyowakirin.com/sustainability/human_rights/index.html (in Japanese)

2 Concept and Initiatives of Sustainability

Forward-looking statements in this document are based on the judgment of the Group at the end of the current fiscal year (as of December 31, 2023).

(1) Sustainability

The sustainability of the Kyowa Kirin Group means to co-create life-changing value with social stakeholders to make people (facing illness) smile. We will achieve both social sustainability and the Group's sustainability through realizing our vision.

The promotion of sustainability in our group is connected to CSV management advocated by us. In other words, it means to achieve the creation of both of two values; one is social value (the Group solves social issues by providing life-changing value to make people smile) and the other is economic value (the Group gains profits which can be the source of investment in human and intellectual capital to realize life-changing value).

We consider it sustainable business activities to provide social value and gain profits to create other social value so that we can continue to be needed by patients throughout the world.

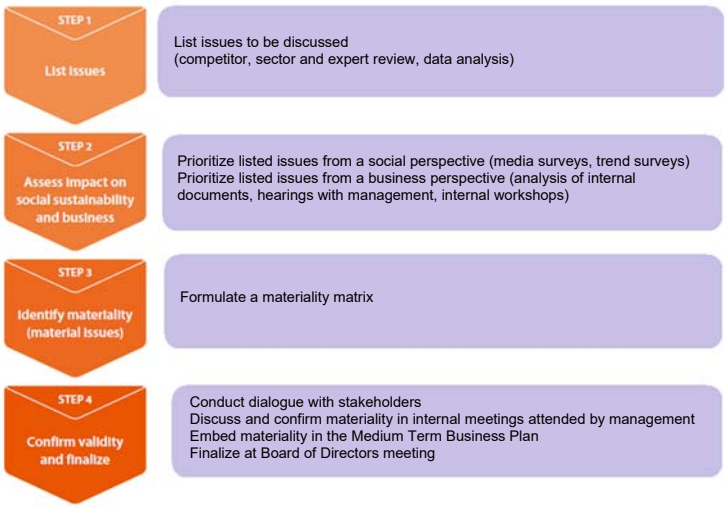
In addition, from a viewpoint of continuing our sustainable business activities, we will work to reduce environmental impact for future generations who we see as important stakeholders.

(i) Governance

The Group's management philosophy is "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."

When the Group formulated the FY2021-2025 Medium Term Business Plan, it also formulated the Group's vision toward 2030: Kyowa Kirin will realize the successful creation and delivery of life-changing value* that ultimately makes people smile, as a Japan-based global specialty pharmaceutical company built on the diverse team of experts with shared passion for innovation. (*Make people smile through dramatic improvements in quality of life by identifying the unmet medical needs of people battling with medical conditions and by creating and supplying new drugs or services that help them overcome those challenges.)

To achieve the vision toward 2030, from a perspective of impact on social sustainability as well as on the Group's businesses, we have identified materiality (key management issues) to which the Group should give priority. In this process, we referred to SASB, Access to Medicine Index, PSCI (Pharmaceutical Supply Chain Initiative), etc. The identification process of materialities is as follows:



The materialities are incorporated in the FY2021-2025 Medium Term Business Plan and the linked fiscal year business plan. In addition, the progress of the plans is monitored and reported to the Board of Directors on a quarterly basis. To promote the solution of medium- to long-term management issues, business indicators from FY2024 will include non-financial targets formulated in the fiscal year business plan, including targets related to materiality.

We review the materiality every year based on changes in environments within and outside the Company, which is approved by the Board of Directors after being confirmed in the management meeting. In the lead up to 2023, we worked on clarifying the link between our vision and strategy, and when formulating our plans for 2024 in the FY2021-2025 Medium Term Business Plan, we readjusted the materiality in light of changes in environments.

(ii) Strategy, metrics and targets

The Group sees materialities as key management issues to realize its Vision for 2030.

The specified materialities of the Group are classified into “Topics for value creation” and “Topics for value enhancement,” which correspond to the strategic pillars to realize Vision for 2030: “Provide pharmaceuticals for unmet medical needs,” “Address patient-centric healthcare needs,” “Retain the trust of society,” and “Strengthen human resources and structure to realize life-changing value.” In addition, we set the targets for each materiality and work on it strategically, whereby we can realize our vision, which will eventually lead to the sustainability of both society and the Group.

Opportunities, threats, and metrics (and targets) for each materiality

Topics for value creation

Core strategies	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	Metrics*2
Provide pharmaceuticals for unmet medical needs	**Creation of innovative drugs**	Continue to create innovative drugs that create and deliver Life-changing value through proactive investment in research (including open innovation activities) based on a medium- to long-term perspective, while maintaining an appropriate balance with short-term profitability.	・Raison d'etre as a Japan-based Global Specialty Pharmaceutical company. ・Enhance corporate value by creating new values. ・Expansion of an area of the Group's strengths. ・Increase in collaborative research and opportunities for development.	・Decrease in reason for the Group's existence. ・Unachieved the 2030 Vision. ・Loss of opportunities to create new values. ・Decrease in opportunities for collaborative research.	・Number of creation of innovative drug as Life-changing value (#of approval). ・Sales of each life-changing value.
	Maximize product value	Maximize value by identifying the true value of created drugs, promoting the expansion of indications and addition of dosage forms, and taking into account synergies among products..	・Expanding indications / formulations: Increase drug value by reducing time, improving efficiency in development testing / manufacturing, and addressing medical needs. ・Expanding countries and regions where our drugs are available: Increase impact of value provided with reduced financial burden (insurance reimbursement) for people facing illness.	・Increasein burden on people facing illness due to not maximizing the product value. ・Decrease in economic value.	
	Pipeline enrichment	Based on portfolio analysis, enhance the pipeline around focus areas by leveraging increasing development efficiencies and partnering opportunities..	・Increase in raison d'etre in focus areas as Japan-based Global Specialty Pharmaceutical. (increase the value provides to patients) ・Increase in the corporate value through efficient and effective use of corporate capital.	・Decrease in raison d'etre in areas of the Group's strengths. ・Decrease in competitiveness against competitors.	

Core strategies	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	Metrics*2
Address patient-centric healthcare needs	**Access to medicine**	Commit to activities in accordance with KKC Group Policy for Access to Medicines (especially improved access to medicines), seeing it as our mission to listen to voice of people living with disease, create medicines that satisfy unmet medical needs, and deliver them to as many patients as possible, as quickly as possible.	・Increase in raison d'être of Kyowa Kirin. ・Increase in corporate recognition and credibility by maintaining and strengthening relationships with patient advocacy groups in each region.	・Decrease in raison d'être of Kyowa Kirin as a company that creates Life-changing value. ・Loss of opportunities for market expansion due to lack of opportunities to listen to voice of people living with disease and lack of public understanding of the disease.	・Number of countries and regions where the focused areas drugs are available, and number (or percentage) of patients provided the drugs.
	Create healthcare solutions beyond medicines	Create new value that beyond medicine by promoting initiatives for healthcare solutions that beyond medicine based on insights from patients and leveraging synergies within the Kirin Group.	・Providing new value. ・Expansion into new markets.	・Loss of opportunities to create Life-changing value and innovation.	・Provide new value that beyond medicine.
Strengthen our talent and infrastructure to realize Life-changing value	**Talent portfolio**	Develop an organizations and a portfolio of human resources that promote value creation that leads to the continuous creation of Life-changing value, and promote human resource management that leverages diversity to achieve this goal.	・Strengthen the foundation for creating innovation and global business development. ・Securing diverse human resources and strengthening the ability to respond to change.	・Outflow of human resources due to inability to envision growth of business and personal. ・Decrease in labor productivity due to low motivation and deteriorating mental and physical health.	・Strengthen the foundation to realize Life-changing value.
	Corporate culture	Foster a corporate culture of "overcoming barriers / KABEGOE" appropriate for Japan-based Global Specialty Pharmaceutical company to continuously create Life-changing value.	・Realization of the 2030 Vision, sustainable growth and development as a Japan-based Global Specialty Pharmaceutical company.	・Loss of trust from society and decrease in competitiveness due to reverting back to the corporate culture that needs to be changed (lack of dialogue, silo mentality, and mindset of somebody else's problem).	
	Digital transformation	Provide new value by leveraging data obtained from the entire value chain, from research and development to post-marketing, and by promoting co-creation with various stakeholders including people facing illness.	・Expanding business opportunities through process transformation and efficiency improvement by DX.	・Competitive disadvantage due to lower productivity, delayed response to external environment, etc.	

*1: For details of the Policy for Access to Medicines, please access the Company's website: https://www.kyowakirin.com/sustainability/patient/access_to_medicine/index.html

*2: For details of strategies and goals regarding topics for value creation, please refer to "II Overview of Business, 1 Management Policy, Business Environment, and Future Challenges, (2) Priority business and financial challenges."

Topics for value enhancement

Core strategies	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	metrics and targets
Retain the trust of society	**Quality assurance and a supply of products**	Establish and appropriately operate a system and procedures to ensure the continued quality assurance and stable supply of products supplied by the company.	・Gaining the trust as a pharmaceutical manufacturer from stakeholders (medical professionals, patients, and government) ・Ensure global sales expansion/business development.	・Loss of trust in Kyowa Kirin among stakeholders (medical professionals, patients, government) ・Loss of sales opportunities (loss of confidence and transition to other companies' products) ・Decrease in certainty of new approvals due to stricter inspections by the authorities. ・Loss of partnering and licensing opportunities, including manufacturing rights. ・Decrease in health, safety, and motivation and outflow of human resources due to increased workload of employees.	・Zero limited or suspended product supplies due to our own reason.
	Reducing environmental impact	Proactively work to protect the global environment for future generations by taking into consideration the environmental impact of our supply chain throughout the entire life cycle of our products, from the research and development stage through manufacturing, sales, use, and disposal.	・Enhancing trust in Kyowa Kirin through contributions to future generations. ・Maintain business activities through proper management of physical/transitional risks and opportunities.	・New costs arising from stricter regulations (including carbon tax) ・Increase in disasters and health hazards due to extreme weather events and the resulting impact on business activities.	・Net zero GHG emissions for the entire value chain.

Core strategies	Materiality	Definition	Opportunities gained by working on it	Threats arising from not working on it	metrics and targets
Strengthen human resources and infrastructure to realize Life-changing value :Management infrastructure	**Corporate governance**	Realize a corporate governance structure that enables us to effectively and efficiently achieve sustainable growth and enhance corporate value over the medium to long term through the realization of the 2030 Vision based on our management philosophy and values.	・Gaining the trust of stakeholders and increase corporate value. ・Obtaining a stable business foundation.	・Loss of trust and decrease in corporate value.	・Strengthen our management foundation.
	Ethics and transparency	Comply with domestic and international laws and regulations, internal and external rules and regulations, and social norms, and act in a manner that fulfills our legal responsibilities and the ethical responsibilities demanded by society. Also, disclose information to stakeholders in a proper, appropriate, and fair manner. *Including "Ensuring patient safety and appropriate use of medicines“, "Employee health and safety“, "Respecting human rights“, "Responsible marketing and advertising" “Responsible research and development" “Tax compliance" “Anti-bribery and corruption" and “Privacy and information security”.	・Gaining the trust of stakeholders and increase corporate value. ・Obtaining a stable business foundation.	・Restriction or suspension of business activities. (research and development, production and sales activities, etc.) ・Loss of trust.	
	Reinforce risk management	Take appropriate risks necessary and take actions to protect the Kyowa Kirin Group and its stakeholders from threats.	・Enhance corporate value through appropriate risk-taking. ・Obtaining a stable business foundation.	・Restriction or suspension of business activities (research and development, production and sales activities, etc.) ・Loss of trust.	

(iii) Risk management

“Opportunities gained by working on materiality” and “threats arising from not working on it” in the Group’s materiality are provided by materiality in table (ii). To gain trust from its customers and society on a long-term basis and achieve its business goals through continued business activities, the entire Group implements risk management, including sustainability risks, under the Kyowa Kirin Group Risk Management Policy.
Details are provided in “II Overview of Business, 3 Business Risk Factors.”

(2) Climate change

The Group lists “reducing environmental impact” as a materiality and implements a variety of measures for climate change and water resources management.
Details of measures for climate change are described in “II Overview of Business, 3 Business Risk Factors, Risks related to climate change.” We disclose information using the framework recommended by TCFD (Task Force on Climate-related Financial Disclosures).

(3) Initiatives for human capital

(i) The Group’s concept of human capital

To realize our management philosophy and vision and strengthen the development of our personnel and organizations that continuously create new value, the Group has formulated the Kyowa Kirin Group Talent Management Policy in which we see human resources as the source of innovation. We see human capital as the

source of our competitiveness in the value creation story and clearly prioritize “employees who share Kyowa Kirin’s vision and values,” “strong and diverse team” and “KABEGOE corporate culture (described later).” Believing that the vision can be realized when all of the employees combine their abilities and bravely take on challenges to promote value creating activities which leads to life-changing value, we work on providing them with opportunities for challenges. In each value chain of research, development, manufacturing, and sales, we aim to develop human resources who will continue to take on the challenge of transformation until they accomplish them with their high level of expertise and a strong sense of responsibility to make people smile. For that purpose we will be developing workplace environments where healthy and diverse talents can play an active role as well as cultivating an organizational climate and corporate culture.

(ii) Human resources development policy and measures

Promotion of value creation activities

In order for the whole company to implement value creation activities that lead to life-changing value, we are required to take new challenges with a high level of expertise and passion. At the same time, strong leadership is required to boost and support team members to take on challenges. To develop human resources who lead these organizational value creation activities, we provide them with not only growth opportunities through business operations but also specific human development programs commensurate with their positions and purposes within the framework of global One Kyowa Kirin.

Ownership of career

In the Japan Region, we introduced a job-based grading and remuneration system to conform to global grades. In this system, in addition to achieving talent management with the right person in the right position under the One Kyowa Kirin structure, we show employees the importance of taking ownership of their careers to recognize their current and ideal positions and find their career goal through the disclosure of job descriptions for all managerial positions. In addition, we have started training of managers for their self-reliance career support. Going forward, we plan to provide opportunities for individual career consultation for all employees and develop a challenge support system and application-based training in order for them to proactively learn and practice. In this way, the Company supports employees’ efforts to achieve their career goals. It plans and implements various related measures based on an equal relationship with them while being committed to both individual and its growth.

For patients’ smiles

The Group adopted patient centricity in the value creation story where it works to make opportunities to enhance their awareness of patient centricity. Specifically, we hold seminars featuring people living with illness in which they are invited to talk with employees, and plan to introduce “Sharing Patient stories” overseas. We expect that employees recognize the importance of listening to patients through these opportunities and that awareness of patient centricity will be reflected on their daily activities.

Development of digital talent

With Digital Vision 2030 as digital transformation to achieve life-changing value, the Group will continually create new values by realizing operational excellence and strengthening the foundation for promoting digital transformation. With focus on our personnel and data, we are advancing efforts to reinforce the digital talent and build a platform for data use across divisions within the Group. In order to acquire and reinforce the digital talent who will support our transformation to a circular value chain of data, Kyowa Kirin develops digital project planners, data scientists, data stewards, and other talent with the ability to lead each division and sector. At the same time, we raise the general quality of our personnel through digital literacy education targeting all employees in an approach to developing digital talent that is both “top-down” and “bottom-up.”

(iii) Development of internal environments

Development and promotion of the global talent management system

To develop the One Kyowa Kirin structure, we discover, train, and assign next-generation leader candidates who will lead the future of each region and function. Under the Medium Term Business Plan that started in 2021, to promote the global talent management in a strategic manner and visualize the ideal state of the human resources function in 2025, we have formulated the Global Talent Management Basics for 2021-2025. As a global common human resources platform development, we have identified global key positions and their talent requirements, developed global common grading, formulated leadership principles, and introduced our global human resource system (HRIS). These initiatives play important roles in talent management, such as hiring, development, evaluation, transfer and appointment, and promotion. We aim to develop global leaders in a sustainable manner by promoting real-time global sharing of HR data in the data-driven talent management system, with the right person in the right position. Initiatives undertaken by the Group include the formulation of individual training programs for each successor (Global Succession Plan), visualization and individual development plans for next-generation leader candidates, and a human resource development program involving short-term assignments on a global basis (Global Exchange Program). While working closely with each function and regional human resources strategy, we have established the Global HR Business Partners System that enables us to integrate human resources strategies for effective use.

Strong and diverse team: Diversity Equity and Inclusion (DE & I)

The Group considers Diversity, Equity, and Inclusion to be fundamental to its corporate culture in order to create and provide life-changing value for patients throughout the world. In accordance with “Our DE&I Statement,” our global goals, we have identified priority issues globally and in each region and are proactively promoting measures to create an organization where all employees with various personalities respect each other and can maximize their potential. When it comes to female advancement, which is a global priority issue, we aim to ensure the development of female leaders by setting the goal of 29% of global female leaders as of the end of FY2021 and 40% by the end of FY2030. Our goal is to increase the ratio of female managers to at least 18% in Japan by FY2025. We implement training for the development of women in managerial positions, career training for young female employees, and a mentoring program for female managers. We work to support female employees for their career development and work with child care by establishing in-house nursery schools and providing forums to assist their return to work from childcare leave.

For indicators on other diversity issues, please refer to “I Overview of Business 5 Employees.”

Employees who share Kyowa Kirin’s vision and values: engagement

As important elements for employees to maximize their abilities, we implement the Global Engagement and Motivation Survey (employee engagement survey) every year, which is used to identify organizational improvement issues and consider measures to revitalize the organization. Based on the survey results, each organization formulates improvement plans and reflects them in action plans, and steadily implements a Plan-Do-Check-Act (PDCA) cycle. We pay particular attention to three elements: employee engagement, which is an indicator of willingness to contribute to the company, loyalty, and voluntary efforts; employee enablement, which is an indicator of the opportunities for them to make full use of their own skills and abilities as well as of a comfortable working environment; and Diversity and Inclusion, which is an indicator of an organization taking advantage of its diversity.

The 2023 survey results show that the positive response rate of employee engagement is 70%, the same level as the previous year, that of employee enablement is 69%, increased by 1 percentage point from the previous year, and that of Diversity and Inclusion is 79%, increased by 1 percentage point from the previous year*.

*: Number of people surveyed/Response rate

	Number of people surveyed: 6,062, Number of respondents: 5,840 Response rate: 96%
Question categories	Employee engagement / Strategy and direction / Leadership / Quality and customer orientation / Respect for the individual / Growth opportunities / Compensation and benefits / Employee enablement / Performance management / Degree of authority and autonomy / Resources / Education and training /Cooperative framework / Business processes and organizational structure / Management philosophy and values / Code of conducts and compliance / Expected work styles / Diversity and inclusion / Company quality culture / KABEGOE
Benchmark data	Global corporate average; global average of high-performing companies, corporate average of pharmaceuticals companies, Japan corporate average, regional and country averages

KABEGOE corporate culture: corporate culture reform

The Group has formulated KABEGOE (overcoming barriers) as key behavior of its employees to achieve its vision. To realize an ideal corporate culture suited to a global specialty pharmaceutical company, we have been earnestly working on corporate culture reform since 2020. Corporate culture is shaped by the collective daily judgment and conduct of every employee. Since it requires a strong commitment of the management team and continuous activities in the workplace, we are developing initiatives from both sides. For global top leaders, we hold One Kyowa Kirin Culture Workshop twice every year where they recognize the importance of KABEGOE, holding a discussion and a declaration of conduct to actualize KABEGOE. In addition, to further promote KABEGOE through mutual understanding of the management team and employees, we hold Meetups in which they have dialogues regardless of role, standpoint, or region. As initiatives in the workplace, we have appointed a reform leader in the Japan Region and a culture ambassador in the North America Region, promoting thorough understanding of corporate culture reform and KABEGOE at work. The progress of these initiatives is monitored through the employees' attitude survey (Engagement and Motivation Survey) and simple surveys related to corporate culture reform, and then shared in management meetings. In addition, by reporting such progress via the dashboard site, it is disclosed to the heads of organizations and reflected in the actions carried out in the various workplaces, thereby strengthening human resources and the infrastructure, which is crucial to realizing life-changing value.

Well-being among employees: Health and productivity management / hybrid working model

We have formulated "Kyowa Kirin Group Wellness Action" and are promoting health and productivity management with the aim of "realizing health and well-being" of the Group's employees, as we believe that mental and physical health is essential in order for them to maximize their capabilities to create new value. We advocate a hybrid working model in which each employee proactively considers an optimal work style in each function and region.

Three basic policies of Kyowa Kirin hybrid working model

- Nothing that costs our well-being is worth it (well-being is the first criteria of judgment)
- Flexibility within a framework (flexibility within a framework of value creation)
- Employees are the architects of the new Model (proactively create their own work style)

In recognition of these efforts and achievements, for the second consecutive year the Company was included in the 2023 Health and Productivity Stock Selection in the Survey on Health and Productivity Management conducted by the Ministry of Economy, Trade and Industry. The Company was also recognized as a Certified Health & Productivity Management Outstanding Organization 2023 (White 500) for the seventh consecutive year since the program was launched.

(iv) Risks management related to human capital

For details, please refer to "II Overview of Business, 3 Business Risk Factors, Risks related to human resources."

3 Business Risk Factors

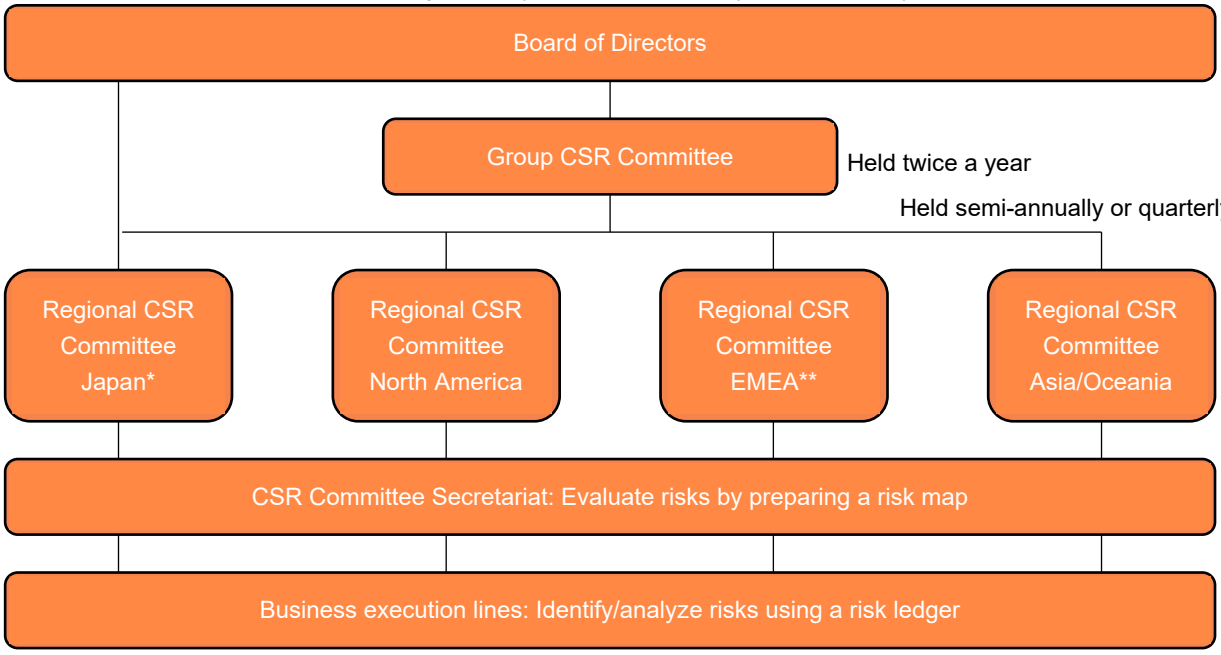
1. Risk management system and process for identifying principal risks

The Group promotes its business activities under its “One Kyowa Kirin” global management system, which combines a regional axis encompassing the four regions of Japan, North America, EMEA, and Asia/Oceania, a trans-regional functional axis, and a product (franchises) axis. Regional CSR Committees were established in each of the four regions to discuss principal risks specific to each region. The response to the principal risks in each region is coordinated by the Japan Regional CSR Committee Secretariat and reported to the Committee. The Group holds the meetings of the Group CSR Committee that is positioned as a place globally opened to stakeholders from four regions twice a year. The Group CSR Committee deliberates strategies related to Group-wide risk management and activity policies, as well as monitoring activity results for the last six months. Measures to reduce principal risks as well as the results of monitoring, which are discussed at these committees, are reported to the Board of Directors.

Regarding the process of identifying principal risks, once a quarter, the business execution lines identify risks based on changes in the internal and external conditions, and analyze the impact on management and the frequency of occurrence (possibility of occurrence). The CSR Committee Secretariat adjusts the results of the analysis while discussing changes in the internal and external conditions and risk trends with the business execution lines, and then organizes risks by category to identify principal risks. The CSR Committee decides whether it is appropriate to identify principal risks, monitors the progress of measures for mitigating the risks, and supports the risk management of the business execution lines.

In addition, to contribute to the realization of a sustainable society, and to achieve sustainable corporate growth, we have identified and reflected in the Medium Term Business Plan important management issues (materiality) that must be resolved from both a social and business perspective in the medium- to long-term as risks and opportunities, and the CSR Committee discusses changes in awareness of risks and opportunities and the progress of initiatives.

Risk management system of the Group (from April 2022)



*Japan collects other regions’ reports to report
**EMEA represents Europe, the Middle East, and Africa

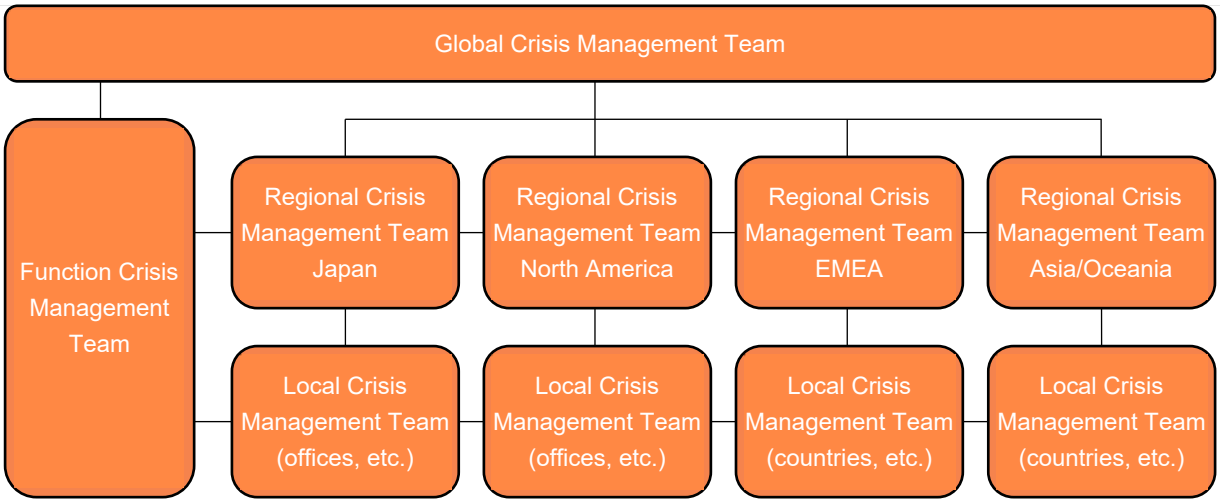
2. Centralized global management of risks by utilizing digital technologies

The Group is promoting digitalization by introducing a system for centrally managing group-wide risks using a database. The Group is working to establish a framework to monitor the status of risks effectively and efficiently. Through the framework, after the business execution lines register the risk ledger and incident information in the database, the information will be shared with divisions that support, advise, and monitor risks in a specialized and company-wide perspective, and principal risks will be visualized on a risk map.

3. Strengthening the crisis management system and exercises

In the Group, the Area Crisis Management Team, which has a three-tier structure of global, regional, and local, and the Function Crisis Management Team, which responds with its expertise, autonomously implement crisis management under the Group Crisis Management Regulations. In the event that a global response is required, the two headquarters work together to establish a system for promptly reducing the impact. Moreover, focusing on principal risks, the Group makes efforts to respond to worst-case scenarios and enhances our business continuity framework through conducting crisis and Business Continuity Plan (BCP) drills (impersonation with an unauthorized use of generative AI, political instability, outflow of human resources, etc.) among Japan, other regions, and the global head office, as well as organization-based BCP drills (cyberattacks, information leakage when using generative AI, natural disasters, suspension of shipments, etc.). Under the rapidly changing environment, we aim to be a resilient organization that adapts flexibly to difficult situations by working together on both risk management on a daily basis and crisis management in emergency in a consistent manner for company-wide issues. Our initiatives include improvements of our response capabilities through exercises as well as review of risk evaluations and measures for mitigating risks to link them to the monitoring to find signs of risks.

Crisis management system of the Group (from April 2021)



4. Business risk factors

This section describes principal risks identified by the Group as of the end of the current fiscal year (as of December 31, 2023). However, the Group may face other unforeseen risks caused by changes in internal and external conditions, and risks not described here may have a negative impact on the Group's business performance and financial position.

Risks related to maximizing the value of global strategic products
Details of risks and expected main impacts The Group is working to maximize the value of two and other drugs that have been positioned as global strategic products – Crysvita, a treatment for X-linked hypophosphatemia and Poteligeo, an anticancer agent. We launched our own marketing for Crysvita in North America in April 2023. However, we need to continue monitoring whether we can increase sales and profit through market expansion. Moreover, regarding risks of global strategic products as a whole, the following risks may prevent the Group from attaining its business targets: delays to sales area expansion caused by setbacks in market launch preparations; slow progress with market penetration due to difficulties in identifying potential patients; sharply lower-than-expected sales due to a shortfall in projected product prices in new markets; and impediments to stable supplies caused by quality issues, manufacturing problems and other issues.
Key mitigation measures In preparation for maximizing the value of global strategic products, we are moving forward with measures for penetrating markets and expanding our business regions, centered on Europe and the U.S. In addition to a global management system that facilitates seamless cooperation between functions (divisions) and regions (affiliates) on a global level, the Group has appointed personnel to take responsibility for each global strategic product. This person leads a cross-function/region team that works together to draft and execute strategies to maximize the value of each product. We have started our own marketing of Crysvita in North America where we are well-prepared and continue to identify patients who require treatment, enhance communication with them, monitor field activities, and increase the level of field teams engaged in such activities. Regarding issues with quality and manufacturing, key mitigation measures are outlined in the “Risks related to product quality” and “Risks related to production and stable supply.”

Risks related to healthcare cost-control policies
Details of risks and expected main impacts The trend toward tighter control of healthcare costs is increasing in Japan and elsewhere. Efforts to reform healthcare systems in various countries involve reducing prices of drugs and encouraging wider use of generic drugs. These trends may have a negative impact on the Group’s business performance and financial position. In this context, while being innovative and also adequate for unmet medical needs is important to the successful reception from stakeholders, delays to the development of further practical, groundbreaking new drugs may undermine the Group’s growth potential and profitability.
Key mitigation measures The Group closely monitors healthcare policy trends in each country, while also strategically examining measures to evaluate the value of its life-changing pharmaceuticals from various aspects so as to securely deliver them to patients. Furthermore, in price setting, the Group considers the impact on its business so that it can secure appropriate revenues to continuously creating innovative drugs, while complying with each country’s systems.

Risks related to production and stable supply
Details of risks and expected main impacts In cases where detailed, accurate demand forecasts in various regions are impossible, particularly where market supply and demand fluctuates significantly due to the supply difficulties of other companies; where it is impossible to maintain supply capacity due to compliance violations in the supply chains, such as the Group’s proprietary plants, contract manufacturers, or other suppliers of raw materials, or disaster damage, stable supplies of the Group’s products could be impeded, resulting in factors such as delays in drug launch schedules or limited shipments of product that could erode trust in Kyowa Kirin as a pharmaceutical company or depress revenues, among other things.
Key mitigation measures The Group is implementing sales and operations planning (S&OP) to increase the accuracy of demand forecasting by rapidly identifying product sales and trend in needs responding to changes in external environments, and to achieve a supply-demand balance and enable quick adjustments in line with business plans. The Group formulates a BCP, reviews a safety stock holding policy in accordance with risks, implements self-inspection required in the industry, sets and monitors objective stable supply indicators, and visualizes demand using a supply-demand planning system. In addition, the Group is expanding its network of contractors, investing in proprietary plants, rolling out digital technology to enhance manufacturing operational efficiency, and increasing headcount and upgrading training systems in the production and quality assurance divisions.

Risks related to human resources
Details of risks and expected main impacts The Group is working to embed its global management system to encourage individuals from diverse backgrounds to demonstrate their abilities and engage in business activities in Japan and overseas. However, if the Company is unable to develop and hire personnel who will be responsible for the global management system, this may hinder the continuation of its business activities or sustainable growth.
Key mitigation measures The Group believes that people are the source of innovation. To maximize the abilities of each of its employees with diverse backgrounds and develop person and organization that challenge to innovate and continuously create new value, the Group promotes measures for the achievement of “Global Talent Management Basics for 2021-2025” created by the Human Resources Department to visualize human resources function’s ideal state in 2025. Among measures taken thus far to build a global common human resources platform for promoting the One Kyowa Kirin system, the Group has focused on, specifically, identifying global key positions and their talent requirements, developing global common grading, formulating leadership principles, introducing our global human resource system (HRIS) and expand its functions. Concurrently, to strengthen the management system on a global basis, the Group has created succession planning for each of its global key positions and nominated next-generation leadership candidates irrespective of race, nationality, gender, or age. In addition, to strengthen the pipeline of human resources, the Group formulates individual training programs for each successor (Global Succession Plan), and implements human resource development systematically by carrying out short-term assignments on a global basis (Global Exchange Program), etc. Talent review will be organized by Global HR Business Partners beyond the framework of regions, aiming to assign the right person in the right place at a global level. Through the employees’ attitude survey and (Global Engagement And Motivation Survey) and simple surveys related to corporate culture reform, the Group monitors the extent to which the above-mentioned initiatives are gaining acceptance and taking root. At the Human Resource Development Committee in which not only the officer in charge of human resources but also officers in charge of other functions participate as members, each of these measures implemented by the Human Resources Department is discussed to allow them to be more effective.

Risks related to R&D
Details of risks and expected main impacts In its R&D, the Group pursues the ongoing creation of groundbreaking pharmaceutical products and has established the following strategies centered on technology, disease, and open innovation. (i) In addition to its ongoing quest to drive advances in antibody technology, the Group will build a platform for creating breakthrough drugs by making full use of diverse modalities. (ii) The Group will continue to provide “Only-one value drugs” to address diseases that currently have no effective treatment while taking advantage of disease science that generated global strategic products such as Crysvita and Poteligeo to date. (iii) The Group will continue to proactively incorporate external innovation through advanced open innovation activities, fusing collaborative research activities with academia, startups, and other partners (information gathering in the San Diego area, etc.) with early access to information by means of venture capital fund investments. However, in the process of developing new drugs over long periods of time, there may be cases where R&D has to be abandoned; for example, if expected efficacy is not confirmed or for safety and other reasons, which may prevent the Group from expanding its drug pipeline, undermining growth potential and profitability.
Key mitigation measures The Group is actively stepping up investments in R&D (aiming for an R&D expense ratio of 18–20%) to strengthen the pipeline of new drugs that will lead the next generation, such as global candidates. To complement proprietary research, the Group is also focusing on open innovation activities involving partners from across industry, government, and academia, including active strategic partnering (in-licensing, tie-ups, etc.) to acquire platform technologies and pipeline assets. For instance, since 2018, the Group has been extending its R&D alliance with InveniAI LLC of the United States providing AI and machine learning applications, identifying, assessing, and optimizing novel drug discovery targets that complement the Group’s proprietary next-generation antibody technology. In addition, the Group is promoting digital transformation of R&D alliance by accessing the AI technology platform owned by InveniAI. Moreover, through investing in a venture capital fund, in 2022 the Group entered into a research collaboration with LUCA Science Inc., which has a proprietary technology to isolate high functional mitochondria. The collaboration allows for the Group to create innovative therapeutic options based on mitochondrial drug discovery. To further strengthen access to cutting-edge drug discovery technology owned by academia, the Group has started an organizational alliance with School of Life Science and Technology, Tokyo Institute of Technology this year for the development of drug discovery technology. In addition, to take in innovation on a global basis, the Company continues to strengthen alliance with La Jolla Institute for Immunology, a world-leading research institute, through Kyowa Kirin North America’s research institute, and promote CVC (Corporate Venture Capital) activities. In October 2023, the Company entered into an acquisition agreement with England-based Orchard Therapeutics plc, specializing in hematopoietic stem cell gene therapy. Through the acquisition, we will significantly strengthen our research and development capability for continuing to create life-changing value by combining our drug discovery technology and experience with its hematopoietic stem cell gene therapy technology.

Risks related to parent and Group company management
Details of risks and expected main impacts To achieve its management goals as a Japan-based global pharmaceutical company, in accordance with the Basic Policy on the Internal Control System, the Group has been working to enhance its governance by establishing an appropriate system to secure its compliance, risk management, and the appropriateness of financial reports, as well as reporting their operations to the Board of Directors. In the event that these measures are not fully effective, emerging risks could result in restrictions or suspensions of production, sales and other business activities, and the loss of trust as a pharmaceutical company.
Key mitigation measures Risk management aims to achieve group-wide risk management that can anticipate the future and take preventative measures. To this end, the Group has introduced an IT tool to uniformly manage group-wide risks, and stages ongoing crisis and BCP drills not only linking its head office with each region but also across regions in Japan and overseas, and deliberates on material issues (materiality) that are both risks the Group needs to address over the medium- to long-term as well as opportunities. Through these actions, the Group is working to heighten its ability to respond to new and potential risks. Principal risks of the Group as well as regions are monitored by the Group's CSR Committee and each region's CSR Committee and their details are reported to the respective board of directors. Furthermore, the Group conforms to the three-line model advocated by the Institute of Internal Auditors, and has secured a system to make appropriate responses to risks. Compliance is provided in "Risks related to compliance" and the appropriateness of financial reports is in "IV. Information about Reporting Company, 4 Corporate governance" respectively.

Risks related to product quality
Details of risks and expected main impacts Pharmaceutical manufacturing requires facilities (hard assets) and procedures and people (soft assets) that are compatible with good manufacturing practice (GMP). Should a GMP inspection by a national authority or an internal audit find a serious GMP issue, the regulatory authority may issue instructions for production or shipments to be suspended. In addition, if for any reason there are any concerns about the safety or quality of a product with regard to raw materials or manufacturing processes used to make the product, these may give rise to a suspension of shipments or product recall.
Key mitigation measures The Group's quality assurance functions are centered on the Global QA Head, who reports directly to the President and collects and shares information about quality assurance activities in each region for prompt decision making. Specifically, the Global Quality Assurance Committee, regular and ad hoc Global Product Council, and other quality assurance bodies discuss critical quality-related issues reported by regional control functions, evaluate quality performance at newly selected manufacturing sites, regularly assess product quality, review the activities of global taskforces established to address specific issues, and monitor issues identified in audits and progress with related response measures. The Group has also established a global, independent specialist audit unit to reinforce product quality audits within the Group and at contractors. In addition, the Group has completed introducing an electronic Quality Management System to appropriately manage and utilize large volumes of quality assurance information on a global level and to drive continuous improvements in processes and reliability. With eQMS, key quality management processes (education and training, document management, deviation, complaints, corrective and preventative actions, modifications, change control, audits, manufacturing site management, etc.) are all managed electronically. Quality assurance divisions and safety divisions always work closely and have established a system to prevent health damage to patients by promptly evaluating impacts on patients if quality concerns arise and always consider the effect of quality in product safety monitoring.

Risks related to the management of suppliers and contractors
Details of risks and expected main impacts The Group enters into alliances with other companies, in the form of joint development, joint commercialization, technology partnerships, and establishment of joint ventures, and it also outsources operations related to the supply of raw materials, production, logistics, and marketing for pharmaceuticals to other domestic and overseas suppliers. However, if the alliances and outsourcing contracts fail to deliver the expected results or are dissolved due to issues related to human rights, legal compliance, the environment, information security at suppliers, or if there are quality issues with contracted deliverables, the Group could face difficulty securing stable supplies of the Company's products or issues in logistics and sales, which may erode trust in Kyowa Kirin as a pharmaceutical company, lower revenues, or lead to delays in new drug applications.
Key mitigation measures The Group is seeking to conduct sustainable procurement in line with the Kyowa Kirin Group Procurement Policy, which states its commitment to pursue sustainable procurement together with suppliers to ensure stable supplies of high-quality products. To ensure that suppliers are familiar with the Group's initiatives for sustainable procurement, the Group holds briefing webinar for suppliers periodically. In addition, the Supplier Code of Conduct sums up the seven areas where the Group calls for understanding and cooperation from suppliers: relationships with society, relationships with employees, compliance with rules, respect for human rights, environmental preservation, information management, and risk management. In dealing with suppliers, we have added a clause of compliance with the Supplier Code of Conduct to our contracts, and the Group conducts questionnaires to confirm compliance with the Supplier Code of Conduct, publishing the results. The Group also obtains risk and credit background data from external organizations and conducts supplier assessments based on objective information. The Group obtains similar information in the course of transactions as needed, and confirms with a supplier when there is any cause for concern. In addition, the Group promptly shares the risk information it obtained with relevant divisions and works together to mitigate risk, including requesting corrective action from suppliers or considering changing suppliers, as needed. Through the procurement functions and systems established in each region, the Group takes measures to reduce risks and monitors the status. Based on Kyowa Kirin Group Human Rights Policy established in December 2022, the Group also promotes human rights due diligence initiatives.

Risks related to information security
Details of risks and expected main impacts As the Group utilizes a variety of networks and information systems, the Group may experience system outages or external leaks of confidential information in the event of unauthorized system access or cyberattacks. A cyberattack on a supplier could result in damages such as the leakage of confidential information of the Group or personal data, suspension of business activities, or damage to the brand. The move to homeworking is improving productivity, but the number of employees using home communication environments or working alone is rising, which increases the risk of surveillance committed through networks, cyberattacks, email errors, and loss of personal computers that may lead to information leaks. In addition, as cloud-based services are used more frequently, a security accident (including inaccessibility to such a service) occurring at the side of an outside service provider may directly affect the Group's business contingency.
Key mitigation measures The Group is taking steps to upgrade information security, including technical measures to guard against cybersecurity threats that are becoming more diverse and more sophisticated each year, as well as developing playbooks that include information such as the recommended initial response flow and procedural steps in the event of a cyber incident, to establish the system to respond to incidents. Moreover, by periodically conducting an outside evaluation driven by a standard framework for the security industry, the Group continuously improve a responsive plan formulated based on an objective risk evaluation. The Group is also taking measures to mitigate various risks, such as monitoring its business partners to verify their response to the security measures. In addition, to be better prepared to mount a rapid response and minimize damage in the event of an incident, the Group is continuously conducting crisis drills in each region to deal with ransomware and other cyberattacks. The Group is also educating employees to raise their level of information security by conducting educational seminars periodically and targeted e-mail attack drills, and raising awareness by disseminating information and precautions on preventing infection by computer viruses in accordance with the characteristics of the latest attack methods, points of attention, etc., through seminars for employees, a dedicated cybersecurity website, etc. BCP system and drills simulating limited use of cloud services are also being organized.

Risks related to compliance
Details of risks and expected main impacts The Group is required to comply with a range of laws and regulations governing pharmaceutical R&D, manufacturing, sales, imports, and exports. In addition, in exchange with patient groups for patient-centered activities and the promotion of pharmaceuticals, in addition to the laws and regulations of each country, there are voluntary codes in the industry, and pharmaceutical companies are strongly requested to comply with them. Failure to comply with these laws, regulations and voluntary codes could result in sanctions that delay or suspend the development of new drugs, or restrict or suspend production, sales, and other business activities, which may erode trust in Kyowa Kirin as a pharmaceutical company.
Key mitigation measures The Group believes that compliance is not only legal compliance, but also involves promptly sensing and properly understanding the needs of society and acting ethically. We have stipulated the overall behavior expected of our officers and employees in the Kyowa Kirin Group Code of Conduct. The Company has established a system to comply with various laws and regulations and voluntary codes, and conducts ongoing education and training. The status of compliance and the progress of measures to address material issues are discussed at each regional CSR Committee meeting and at the Group CSR Committee meeting, both of which are held periodically, and ongoing improvement is promoted. In addition, the Group has set up a whistleblowing hotline to prevent, quickly detect, and rectify acts that violate the Code of Conduct or significantly damage the brand value of the Group. Furthermore, the Group conducts an annual employee compliance awareness survey to identify potential risks, while working to mitigate risks in the early stages by confirming the facts of survey responses and responding accordingly. Survey results are also reported to the CSR Committee and the Board of Directors. The Group compliance enhancement project that started in 2021 is improving a framework to monitor the status of efforts by each department in charge based on the various Kyowa Kirin Group Policies that supplement the Code of Conduct as well as the laws and regulations that a global pharmaceutical company must comply with, and a framework of company-wide monitoring of the compliance program of each region, including the global head office. Based on the monitoring results, the Group implements measures for improvement accordingly, further raising its compliance level.

Risks related to natural disasters
Details of risks and expected main impacts Natural disasters such as earthquakes and typhoons that may occur in various locations could lead to the closure of the Group’s head offices, plants, research laboratories, and business offices or halt business activities, potentially impacting progress in drug discovery research and clinical development, the stable supply of products, the collection of safety information, and the provision of product information, which may have a negative impact on the Group’s business performance and financial position.
Key mitigation measures The Group has developed a coordinated disaster prevention plan with its business sites to ensure the safety of employees and their families in the event of a disaster. Based on the plan, the Group regularly conducts safety confirmation drills and safety equipment upgrades/checks. The Group has also developed a BCP to continue supplies, monitoring, and providing information of pharmaceuticals in the event of difficulty ensuring the continuity of normal business activities. The Group conducts BCP drills simulating a range of scenarios, including super typhoons and a massive earthquake directly under the Tokyo metropolitan area. We are working to identify issues through such drills and continuously improve our BCP. Based on the global, all-hazard BCP guidelines established in 2021, the Group is working to enhance the business continuity framework in each region to prepare for various events. For example, the Group is planning to construct a new warehouse building with earthquake-proof construction at its Takasaki Plant (construction started in October 2023, operation start scheduled for January 2026).

Risks related to climate change
Details of risks and expected main impacts The occurrence of floods caused by extreme weather brought about by climate change could affect all of our business activities, including the stable supply of our products and research activities. Furthermore, in the future, the Group's brand value may decline if additional costs are incurred due to the introduction of carbon taxes or measures to comply with tighter environmental regulations, or if greenhouse gas reduction targets cannot be achieved.
Key mitigation measures In addition to the impact on business activities, the Group considers the response to climate change (prevention of global warming) to be critical to bringing about a sustainable society. The Group has created a roadmap for reducing greenhouse gas emissions over the medium- to long-term, and is moving forward with an array of initiatives across the Group. In the medium term, the Group is accelerating the reduction of emissions of greenhouse gases by focusing on energy-saving measures and expanding the use of renewable energy. From 2020, the Group has introduced RE100-certified renewable energy to its Takasaki Plant and Fuji Research Park, Ube Plant and Head Office, switching 100% of their purchased electricity to electricity that emits no greenhouse gases. In March 2023, Ube Plant started operation of a large-scale solar power generation system (1.47 MW) based on an onsite PPA (Power Purchase Agreement) model. In addition, the new office building that was completed in April 2023 adopted renewable energy upon reducing primary energy through energy conservation measures and received a ZEB (net Zero Energy Building) certificate for the first time among the Group and the Kirin group, which is given to a building aimed at net energy consumption of zero. The construction of a new quality assurance-related multipurpose facility (Q-TOWER) was completed in December 2022 at the Takasaki Plant. In constructing Q-TOWER, we reduced environmental impact by using a precast-prestressed concrete method in which concrete components are prepared in advance at the plant and assembled on site. On the other hand, Kyowa Kirin China Pharmaceutical Co., Ltd. installed a solar power generation system when building a new warehouse, promoting the introduction of renewable energy. With regard to GHG emission reductions under Scope 3 from the Group's value chain, we have classified 15 categories and calculated them in accordance with the guideline of the Ministry of the Environment conformed with the GHG Protocol. Then we have formulated an initial hypothesis of reduction measures and an initial roadmap plan. Going forward, we will develop measures to reduce GHG by setting a medium-to long-term target for GHG reductions under Scope 3 and working together with contract manufacturers and suppliers. Among environmental performance data, we see data of climate change and the amount of water consumption as significant indicators so that we have received a third party assurance to secure the data reliability. The Company has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and has determined the risks and opportunities that climate change poses to its businesses and their impacts. Following the recommendations of the TCFD, the Company discloses information on the following four items: governance, strategy, risk management, and metrics and targets.

Disclosure of climate change-related information (Information disclosure based on TCFD recommendations)

<Governance (relating to environmental issues)>

The Representative Director, Executive Vice President has been appointed as the chief executive officer responsible for overall environmental management inclusive of climate change issues.

Issues related to risks and opportunities in climate change, as well as environmental activity policies and results, are positioned as important matters in the Group's environmental management. These issues are reported, deliberated upon, and decided by the CSR Committee, which is held regularly and chaired by the Representative Director, Executive Vice President. The content of these discussions is reported to the Board of Directors.

Since the fiscal year ended December 31, 2020, the TCFD Study Team has been set up within the CSR Management Department, which is responsible for the environmental management control function, and has been identifying and evaluating climate change risks and opportunities and considering countermeasures.

The departments in charge regularly review the risks and opportunities identified, bring them to the CSR Committee, and report the progress of responses so that climate change-related issues can be addressed as part of our management strategy.

<Strategy>

We aim to achieve a world in which the average temperature increase is limited to 1.5°C or less, as outlined in the Paris Agreement. We are reviewing our climate change response based on the results of our scenario analysis of climate change-related risks and opportunities and also in the context of the Kirin Group Environmental Vision 2050. We are incorporating these findings into our business strategy and advancing measures accordingly.

As mitigation measures, to achieve net zero greenhouse gas (GHG) emissions across the entire value chain by 2050, we have upwardly revised our CO_2 reduction targets in line with the Science-Based Target (SBT) 1.5°C target[*1]. In addition, we will create a roadmap to achieve the targets, promote measures such as the early adoption and expansion of renewable energy, energy conservation and energy transition, and address the risks of the transition to a decarbonized society.

As adaptation measures, we have formulated a BCP for large-scale natural disasters to address the impact on global production activities, such as the long-term suspension of operations caused by flooding of plant and research laboratory premises. We will respond to the physical risk of flooding through flood prevention measures and capital investment (geographically diversifying the storage of important production-related assets, waterproofing buildings, placing important facilities on high floors and in high places, and installing inundation prevention walls). Going forward, we will continue to minimize risks by conducting impact assessments and instituting responses for the entire supply chain.

On the other hand, the number of hay fever sufferers has increased due to the rise in temperatures and this has led to expectations of an opportunity for the allergy drug market. However, we believe the actual impact on revenue will be limited. We will continue to consider new developments in this field to meet medical needs based on our management philosophy.

*1 Science-based targets for reducing corporate greenhouse gas emissions that align with the Paris Agreement levels

<Analysis of risks, opportunities, and the financial impact related to climate change>

Pink: Risks Blue: Opportunities

Scenario category		Climate change-related drivers with impact assessment	Potential impacts	Changes through response (resilience)
Transition risk	Policies/regulations	Carbon pricing (decarbonization, emissions trading schemes)	Small	±0
		Tighter CO_2 emission regulations	Slight	Small
	Demographics/economics/geopolitics	Population growth in emerging countries/economic globalization	±0	±0
	Society	Changes in social values	Slight	±0
Physical risk	Rising average temperature and change in rainfall pattern (acute)	Extreme temperature rises	Small	Small
		Increase in torrential rains, typhoons, and floods	Large	Slight
	Rising average temperature and change in rainfall pattern (chronic)	Changes in the number of hay fever patients	Medium	Medium
		Increased energy consumption due to higher air conditioning load	Small	Small

Achieve 2030 targets early and reduce CO_2 emissions

Review of the BCPs for large-scale natural disasters at workplaces
Disaster preparedness of facilities

(Analysis conditions)

Periods covered	2020–2050 (short- to medium- term: 2020–2030; long term: 2031–2050)
Scope	Domestic and overseas production and research facilities, manufacturing licensees, and suppliers
Calculation requirements	Analysis based on climate change scenarios (1.5°C, 2°C, 4°C) (IEA*2, IPCC*3, etc.) *2 IEA: International Energy Agency *3 IPCC: Intergovernmental Panel on Climate Change
	Calculate profit or loss at the end of the applicable period for each item

Risk/opportunity management

In identifying risks and opportunities, we comprehensively assess–based on scenario analysis for each risk and opportunity–the expected timing and probability of occurrence, the range and magnitude of impact, and the details of countermeasures to determine priorities. We identify and manage those items that would have a large impact on our business, items for which we have a significant social responsibility and items with a high probability of occurrence. The CSR Committee obtains reports, deliberates, and gives approvals of the identified risks, including our responses, and monitors the status of responses on a quarterly basis to comprehensively manage risks.

Metrics and targets

In 2021, based on the SBT 1.5°C target, we set a new 2030 CO_2 emissions reduction target of 55% reduction from 2019 levels. In addition to creating a roadmap for achieving the new target, we have incorporated it into our FY2021–2025 Medium Term Business Plan. We set and manage annual targets for each fiscal year, studying and developing measures to achieve them. In 2022, we also set a short-term FY2024 CO_2 emissions reduction target of 51% reduction from 2019 levels.

Metrics	Targets	2022 results	Activity plans
1. CO_2 (Scope 1*5 + 2) emissions	51% reduction (by 2024 from 2019 levels)	42% reduction (Reference) Emissions: 30,162t-CO_2	Achieve significant reductions in CO_2 emissions by gradually switching to renewable energy sources (RE100-certified) for the electricity used at major workplaces in Japan.
2. CO_2 (Scope 1 + 2) emissions	55% reduction (by 2030 from 2019 levels)	Same as above	Introduce and expand renewable energy use (RE100-certified) to all the Group's workplaces, including overseas business locations and domestic branch offices.
3. Ratio of renewable energy sources for the electricity used	100% (by 2040)	61.6%	Aim for 100% renewable energy sources (RE100-certified) for the electricity used.
4. Greenhouse gas emissions across the entire value chain	Net zero greenhouse gas emissions (by 2050)	Reduction achieved through the initiatives of metrics 1 to 3	Convert plant facilities, etc. to other energy sources and work to reduce greenhouse gas emissions in the supply chain, aiming for net zero greenhouse gas emissions across the entire value chain.

The Kirin Group, to which the Group belongs, has set a target of "net zero GHG emissions from the entire value chain by 2050*4" based on the Kirin Group Environmental Vision 2050. As medium-term targets, we have set our GHG reduction target to a 50% reduction under Scope 1*5 + Scope 2 and a 30% reduction under Scope 3 from the 2019 level by 2030 (obtained approval for the SBT 1.5°C target), and also have set a target for renewable energy use of 100% by 2040 (joined RE100, both the targets were set in 2020). In the Kirin Group alike, the Group has set a target for net zero CHG emissions across the entire value chain by 2050, and a target for renewable energy use of 100% by 2040. The Group will work together with the Kirin Group to achieve the targets and also continue to work on emission reductions under Scope 3.

For details, please access the Company's website (https://www.kyowakirin.com/sustainability/environment/tcfd/index.html).

*4 The Group was certified as "SBT Net Zero" by the SBT Initiative on the grounds that the target was found to be based on a scientifically-based goal that is consistent with the level of GHG emission reductions required by the Paris Agreement.

*5 Scope 1, Scope 2, and Scope 3: Greenhouse gas emissions from organizational activities in the entire supply chain. Those are made up of Scope 1: (direct emissions), Scope 2: (indirect emissions from energy sources) and Scope 3: (other indirect emissions).

Other potential risks to the business activities of the pharmaceutical industries in Japan and overseas include risks related to intellectual property rights, risks related to side effects, risks related to litigation, risks related to product competition and expiration of patent rights, risks related to fluctuations in raw material and fuel prices, risks related to fluctuations in foreign exchange and financial markets, geopolitical risks, pandemic risks, and country risks. Risks that may have a negative impact on the Group's business performance and financial position are not limited to those listed here.

4 Management Analysis of Financial Position, Business Performance, and Cash Flows

<Overview of business>

Amid enormous and complex changes in the business environment, including increasing geopolitical risks and soaring prices of raw materials and energy, among other factors, the Group carried out activities such as strengthening research and development, production, and logistics, and collecting and providing information with the aim of providing drugs that satisfy unmet medical needs.

In 2023, the Group continued to proceed with initiatives aiming at realizing the Group's vision for 2030: Kyowa Kirin will realize the successful creation and delivery of life-changing value that ultimately makes people smile, as a Japan-based Global Specialty Pharmaceutical company built on the diverse team of experts with shared passion for innovation.

In seeking to maximize the value of its global strategic products such as Crysvita and Poteligeo, the Group has worked to improve access to medicines for patients worldwide while launching its own marketing for Crysvita in the United States and concentrating on Crysvita and Poteligeo through the joint venture partnership in the established medicines business[*1] in Europe.

Regarding the next-generation strategic products, the Group continued to promote multiple clinical studies to develop KHK4083 for the therapeutic areas of immunology/allergy through collaboration with Amgen Inc. of the United States. Although the Group decided to discontinue the development of RTA402 in the nephrology field, it received an approval for manufacturing and marketing of PHOZEVEL in Japan for the improvement of hyperphosphatemia in patients with chronic kidney disease on dialysis. We have started clinical studies of KK2260 featuring our original high-specific antibody technology Regulgent, while preparing for clinical studies of KK2269. As a key step in the creation of innovative drugs, the Company entered into an acquisition agreement with Orchard Therapeutics plc[*3], a UK company that serves as a global leader in hematopoietic stem cell gene therapy (HST-GT[*2]). In seeking to ensure stable supply of quality-assured pharmaceuticals, the Group completed construction of a new quality assurance-related multipurpose facility (Q-TOWER) at the Takasaki Plant incorporating cutting-edge equipment, and have started constructing a new biopharmaceutical API manufacturing building and other facilities there.

As initiatives aimed at the realization of a sustainable society, the Group has reduced CO_2 emissions by approximately 54% from the 2019 level by introducing renewable energy[*4].

*1 This type of business mainly handles patent-expired branded drugs and generics.

*2 hematopoietic stem cell gene therapy

*3 The Group completed acquisition of shares of Orchard Therapeutics plc (wholly owned subsidiary) as of January 24, 2024. For details, please refer to "V Financial Information, 1 Consolidated Financial Statements, etc., Notes to consolidated financial statements 35. Subsequent events."

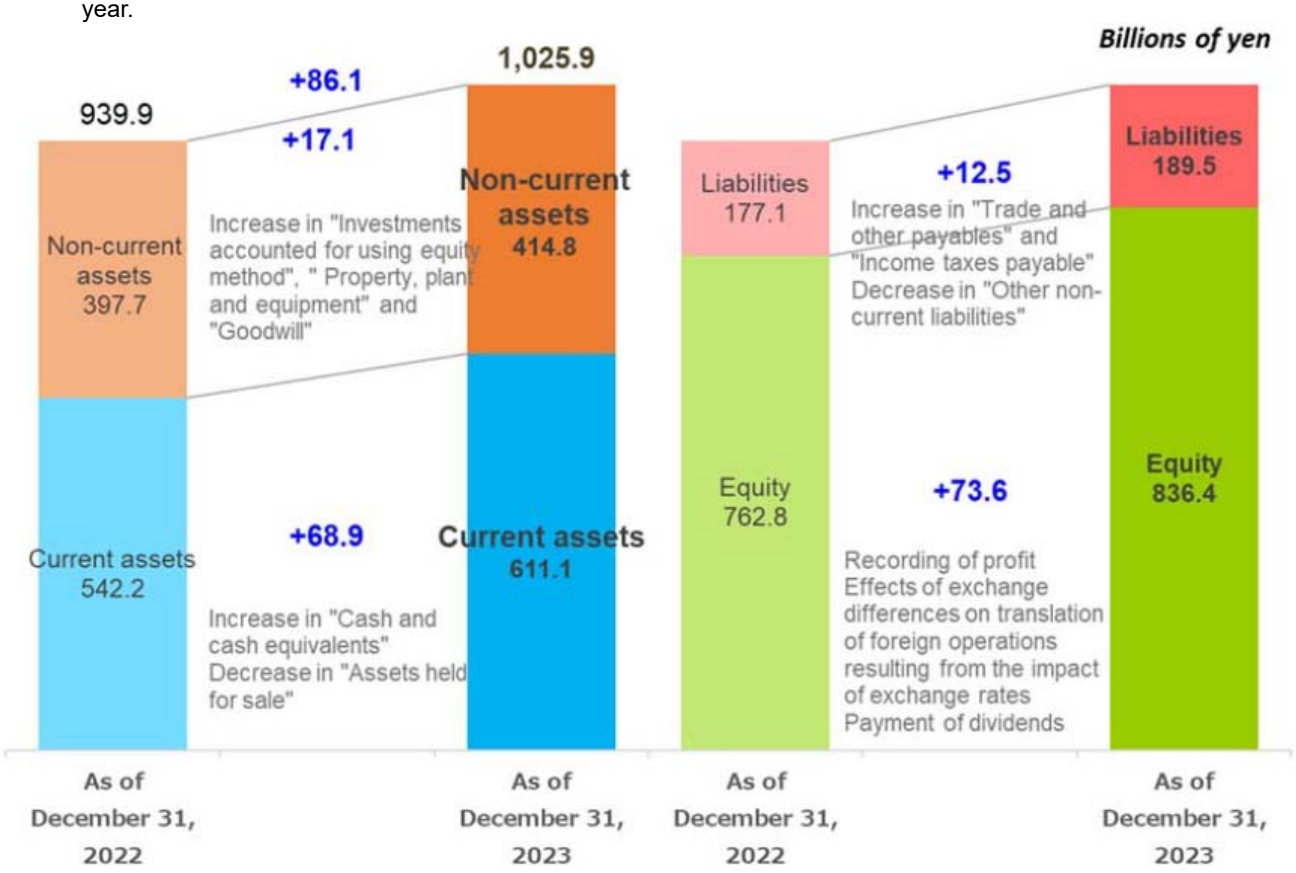
*4 Renewable energy aligned with RE100 criteria has been adopted with respect to all purchased electricity at two plants and three laboratory locations

(1) Summary of Consolidated Financial Position for Fiscal 2023

(Billions of yen)

	As of December 31, 2022	As of December 31, 2023	Year-on-year change
Assets	939.9	1,025.9	86.1
Non-current assets	397.7	414.8	17.1
Current assets	542.2	611.1	68.9
Liabilities	177.1	189.5	12.5
Equity	762.8	836.4	73.6
Ratio of equity attributable to owners of parent to total assets (%)	81.2%	81.5%	0.3%

- Assets as of December 31, 2023, were ¥1,025.9 billion, an increase of ¥86.1 billion compared to the end of the previous fiscal year.
  - Non-current assets increased by ¥17.1 billion compared to the end of the previous fiscal year, to ¥414.8 billion, due mainly to an increase in property, plant, and equipment and an increase in goodwill due to the effect of yen depreciation in foreign exchange, in addition to an increase in investments accounted for using an equity method following the shift to a joint-venture structure for the established medicines business in Europe.
  - Current assets increased by ¥68.9 billion compared to the end of the previous fiscal year to ¥611.1 billion, due mainly to an increase in cash and cash equivalents, despite a decrease in assets held for sale.
- Liabilities as of December 31, 2023, were ¥189.5 billion, an increase of ¥12.5 billion compared to the end of the previous fiscal year, due mainly to an increase in trade and other payables, despite a decrease in other non-current liabilities caused by a decrease in contract liabilities.
- Equity as of December 31, 2023, was ¥836.4 billion, an increase of ¥73.6 billion compared to the end of the previous fiscal year, due mainly to an increase due to the recording of profit attributable to owners of parent as well as an increase in exchange differences on translation of foreign operations resulting from the impact of exchange rates, despite a decrease due to the payment of dividends, etc. As a result, the ratio of equity attributable to owners of parent to total assets was 81.5%, an increase of 0.3 percentage points compared to the end of the previous fiscal year.



(2) Summary of Business Performance in Fiscal 2023

(i) Overview of results

The Group now applies the International Financial Reporting Standards ("IFRS") in line with its policy of expanding business globally, and adopts "core operating profit" as a level of profit that shows the recurring profitability from operating activities. Core operating profit is calculated by deducting "selling, general and administrative expenses" and "research and development expenses" from "gross profit," and adding "share of profit (loss) of investments accounted for using equity method" to the amount.

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Revenue	398.4	442.2	43.9	11.0%
Core operating profit	86.7	96.8	10.1	11.6%
Profit before tax	67.6	97.2	29.7	43.9%
Profit attributable to owners of parent	53.6	81.2	27.6	51.5%

<Average exchange rates for each period>

Currency	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change
USD (USD/¥)	¥130	¥140	Up ¥10
GBP (GBP/¥)	¥161	¥174	Up ¥13
EUR (EUR/¥)	¥137	¥151	Up ¥14

For the fiscal year ended December 31, 2023, revenue was ¥442.2 billion (up 11.0% compared to the previous fiscal year) and core operating profit was ¥96.8 billion (up 11.6%). Profit attributable to owners of parent was ¥81.2 billion (up 51.5%).

- The increase in revenue was the result of growth of global strategic products mainly in North America and a rise in revenue from technology out-licensing. The positive effect on revenue from foreign exchange was ¥18.9 billion.
- Core operating profit increased as a result of higher gross profit achieved due to gains in overseas revenue and revenue from technology out-licensing, despite higher research and development expenses and a decrease in share of profit (loss) of investments accounted for using equity method. The positive effect on core operating profit from foreign exchange was ¥6.5 billion.
- Profit attributable to owners of parent increased as a result of an increase in other income due mainly to the gain on sales of share and valuation of remaining share following the shift to a joint-venture structure for established medicines business in Europe in addition to an increase in core operating profit, as well as a decrease in other expenses due mainly to a decrease in impairment losses.

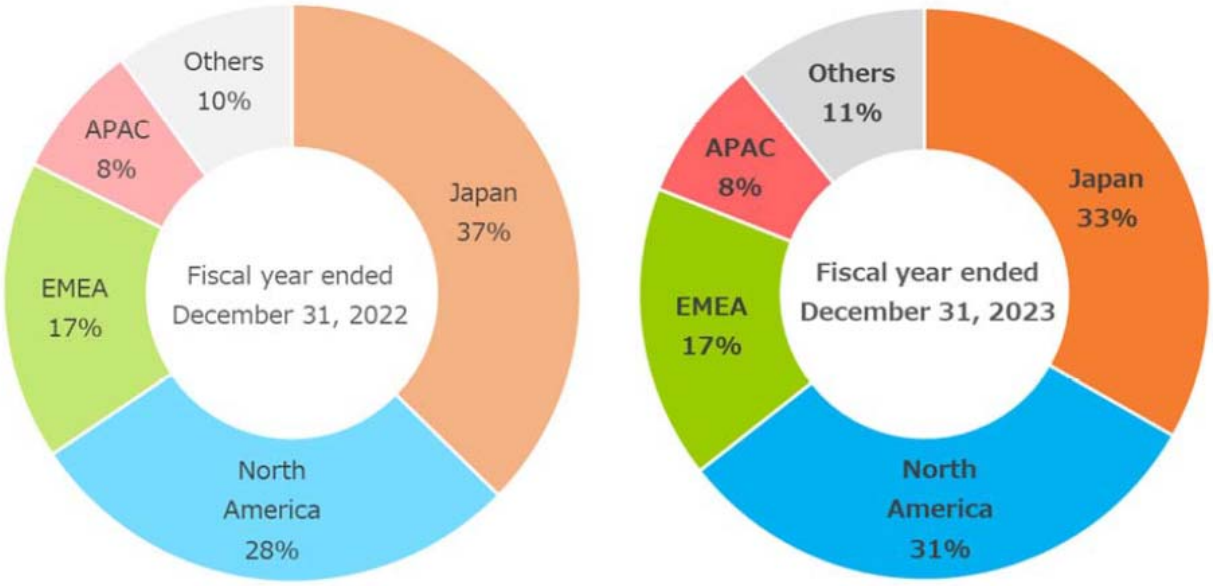
(ii) Revenue by regional control function

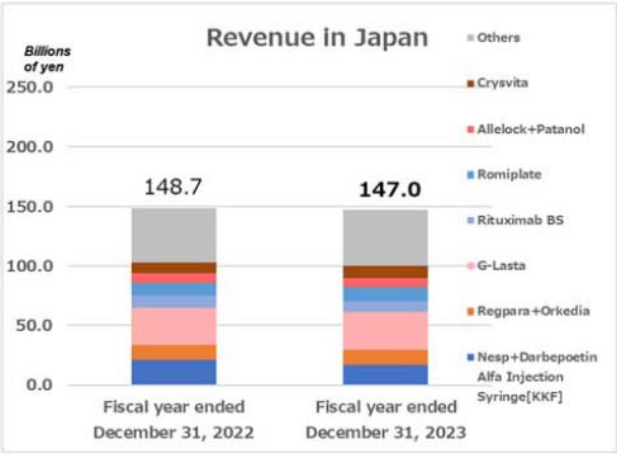
(Billions of yen)

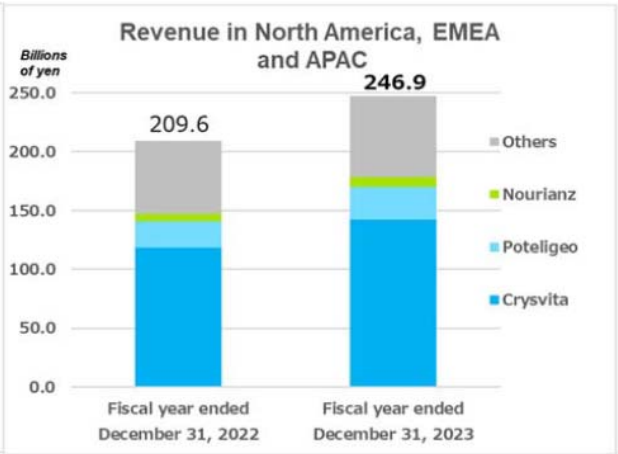
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Japan	148.7	147.0	(1.7)	(1.1)%
North America	112.6	137.8	25.2	22.4%
EMEA	66.9	73.3	6.5	9.7%
Asia/Oceania	30.1	35.7	5.5	18.3%
Others	40.1	48.4	8.3	20.7%
Total consolidated revenue	398.4	442.2	43.9	11.0%

Notes: 1. Revenue by regional control function is classified based on consolidated revenue from products of regional control functions in the One Kyowa Kirin (OKK) matrix global management structure, which combines a regional organization based on four regions of Japan, North America, EMEA and APAC, a functional organization, and a product organization (product franchises).
2. EMEA consists of Europe, the Middle East, Africa, etc.
3. Others consist of revenue from technology out-licensing, original equipment manufacturing, etc.

Composition of revenue by regional control function







<Revenue of major products (Japan)>

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Darbepoetin Alfa Injection Syringe [KKF]	17.6	14.0	(3.6)	(20.6)%
Duvroq	6.6	9.9	3.4	51.5%
G-Lasta	31.1	31.9	0.9	2.8%
Romiplate	10.4	12.0	1.5	14.6%
Crysvita	8.9	10.5	1.6	18.4%

- Revenue in Japan decreased year on year due mainly to the impact of the reductions in drug price standards implemented in April 2022 and April 2023, despite the growth in sales of Duvroq, a treatment for renal anemia, and other products.
  - ・ Revenue from Darbepoetin Alfa Injection Syringe [KKF] decreased due to the impact of the reductions in drug price standards and the market penetration of rival products.
  - ・ Revenue from Duvroq, a treatment for renal anemia, has been growing steadily since its launch in 2020.
  - ・ Revenue from G-Lasta, an agent for decreasing the incidence of febrile neutropenia, exceeded year on year due mainly to the launch of the automated injection device BodyPod in December 2022.
  - ・ Revenue from ROMIPLATE, a treatment for chronic idiopathic thrombocytopenic purpura, increased due to its penetration of the market as a result of the fact that it was approved for indication for aplastic anemia in patients who had an inadequate response
    to conventional therapy in 2019. In addition to that, the Company received approval of partial change to the approved matter to change the indication from “aplastic anemia in patients who had an inadequate response to conventional therapy” to “aplastic anemia” in September 2023.
  - ・ Revenue from Crysvita, a treatment for FGF23-related diseases, has been growing steadily since its launch in 2019.

<Revenue of major products (overseas)>

(Billions of yen)

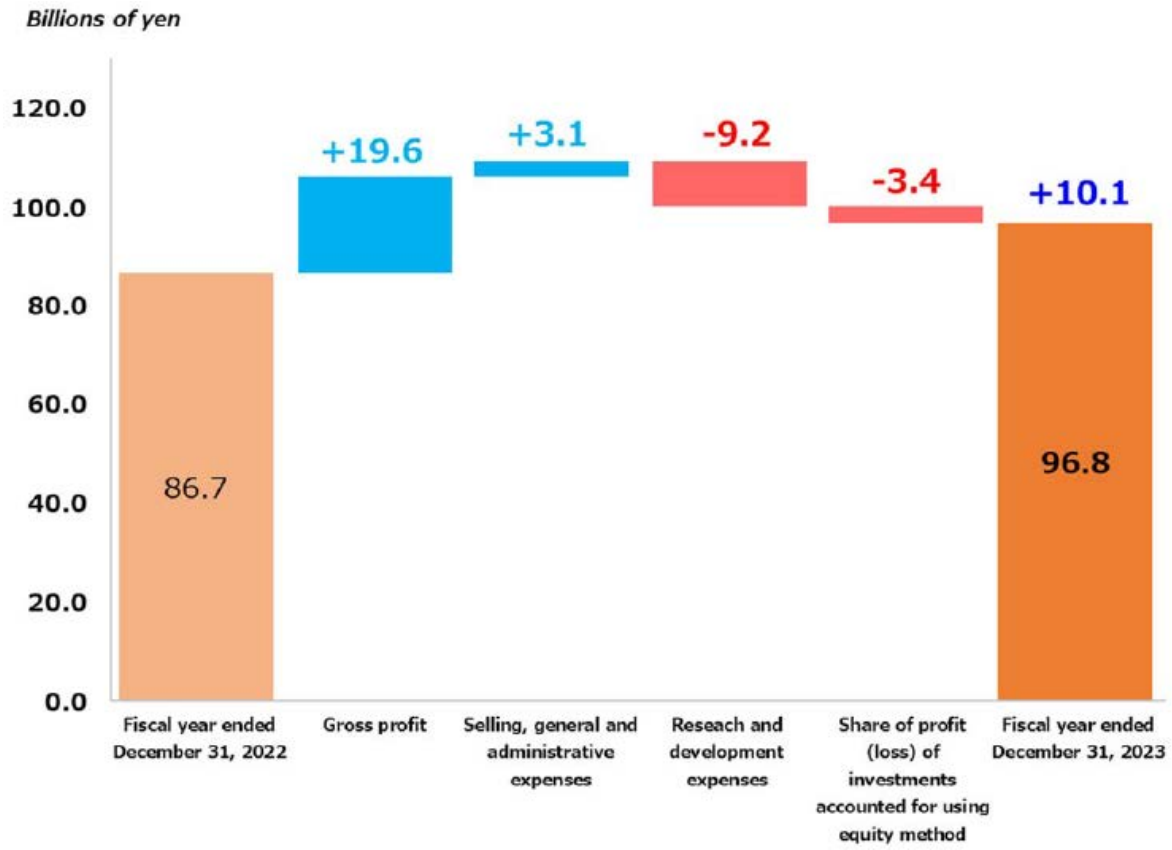
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Crysvita	118.2	142.0	23.7	20.1%
Poteligeo	22.3	28.4	6.1	27.3%
Nourianz	6.5	8.2	1.8	27.4%
Gran	8.2	6.9	(1.3)	(15.4)%

- Revenue in North America increased year on year due to the growth of global strategic products.
  - ・Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing steadily since its launch in 2018.
  - ・Revenue from Poteligeo, an anticancer agent, has been growing since its launch in 2018.
  - ・Revenue from Nourianz (product name in Japan: NOURIAST), an antiparkinsonian agent, has been growing since its launch in 2019.
- Revenue in EMEA increased year on year due to factors such as growth of global strategic products and proceeds from transfer of rights to Tostran, despite a drop in revenue from the established medicines.
  - ・Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing as the number of countries where it has been released has been increasing since its launch in 2018.
  - ・Revenue from Poteligeo, an anticancer agent, has been growing as the number of countries where it has been released has been increasing since its launch in 2020.
  - ・Following the shift to a joint venture with Grünenthal for the established medicines business, in August 2023, revenue for 13 brands shifted from product sales to sales royalties and license fees, which led to a decrease in revenue from established medicines such as Abstral.
  - ・Sales revenue of £62.5 million (¥11.5 billion) was recorded in October 2023 due to the transfer of rights regarding established medicine Tostran to Advanz Pharma.
- Revenue in APAC increased year on year.
  - ・Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing particularly in Australia where sales were launched in November 2022.
  - ・Revenue from Gran, a neutropenia treatment drug, declined due to the impact of the centralized governmental purchasing system* that started in some regions in China.
    - * Volume-Based Procurement (VBP) program that was introduced in 2018 for reducing healthcare cost in China. Even though only 2 to 5 companies are selected as suppliers through a tender, drug prices are dramatically dropped down.

<Other revenue>

- Revenue from Others increased year on year.
  - Royalties revenue from AstraZeneca in relation to benralizumab increased.

(iii) Core operating profit



- Core operating profit increased from the previous fiscal year due to growth in revenue from global strategic products mainly in North America and a rise in gross profit from revenue from technology out-licensing, despite an increase mainly in personnel expenses for starting the Group's own marketing of Crysvita in North America on April 27, 2023 and a decrease in share of profit (loss) of investments accounted for using equity method, as well as an increase in research and development expenses as a result of progress in development for KHK4083, for which a multi-regional phase III clinical trial is ongoing, and other factors.

(3) Cash Flow Summary for Fiscal 2023

Information is provided in "II Overview of Business, 4 Management Analysis of Financial Position, Business Performance and Cash Flows, (5) Analysis of business performance and financial position from management's perspective, (iii) Analysis of cash flows, capital resources, and liquidity of funds."

(4) Results of production, orders received, and sales

(i) Production

Production in the fiscal year ended December 31, 2023 is as follows.

Segment name	Amount (Millions of yen)	Year-on-year (%)
Pharmaceuticals	145,370	95.6
Total	145,370	95.6

Notes: 1. Amounts are based on selling prices.
2. No elimination or other adjustments have been made to intermediate products used as raw materials, etc. within the Group, because the transaction amount is insignificant.

(ii) Orders received

The Group mainly manufactures products in accordance with sales plans. Although some products are manufactured on a made-to-order basis, the information is omitted because the volume of orders received and the amount of order backlog are immaterial.

(iii) Sales results

Sales results in the fiscal year ended December 31, 2023 are as follows.

Segment name	Amount (Millions of yen)	Year-on-year (%)
Pharmaceuticals	442,233	111.0
Total	442,233	111.0

Note: Sales results by key customer and the corresponding percentage to the total sales are as follows.

Counterparty	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
CVS Caremark	–	–	46,923	10.6

Note: Revenue from CVS Caremark in the fiscal year ended December 31, 2022 is not presented, because it is less than 10% of revenue stated in the consolidated statement of profit or loss.

(5) Analysis of business performance and financial position from management's perspective

Forward-looking statements in this document are based on the judgment of the Group at the end of the current fiscal year (as of December 31, 2023).

(i) Significant accounting estimates and assumptions used in those estimates

The consolidated financial statements of the Group are prepared in accordance with IFRS. Of accounting estimates and assumptions used in those estimates in preparing of these consolidated financial statements, significant estimates and assumptions are provided in "V Financial Information, 1 Consolidated Financial Statements, Etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 2. Basis of preparation, (5) Accounting judgments, estimates and assumptions."

(ii) Analysis of financial position and business performance for fiscal 2023

An analysis of the Group's financial position and business performance for fiscal 2023 is provided in "II Overview of Business, 4 Management Analysis of Financial Position, Business Performance and Cash Flows, (1) Summary of Consolidated Financial Position for Fiscal 2023, (2) Summary of Business Performance in Fiscal 2023."

- Objective KPIs, etc. to assess the achievements of management targets

The management targets for the fiscal year ending December 31, 2025, the final year of the financial KPIs in the FY2021-2025 Medium Term Business Plan, and the results for fiscal 2023 are as follows.

	FY2025 management targets	Consolidated results for FY2023	
ROE	10% or higher	10.2%	Profit / Average beginning and ending equity
Revenue growth ratio (CAGR)	10% or higher	11.6%	Annual average growth rate with fiscal 2020 as base year
R&D expense ratio	Targeting 18-20% to support active investment	16.3%	Research and development expenses / Revenue
Core operating profit ratio	25% or higher	21.9%	Core operating profit / Revenue
Dividend payout ratio (Note)	Targeting sustained dividend hikes with 40%	35.5% Increased dividend for the seventh consecutive fiscal year	

Note: The figure indicates the dividend payout ratio based on core EPS (calculated as an indicator showing recurring profitability by dividing core profit (determined by subtracting "other income," "other expenses" and the related "income tax expense" from "profit") by the average number of shares during the period).

In the FY2021–2025 Medium Term Business Plan, the Group is targeting medium- to long-term improvement in ROE

and sustained rises in dividends by continuously enhancing growth potential, capability to create innovation, and profitability, and it aims to establish a stable earnings structure and achieve sustainable growth as a global specialty pharmaceutical company. The Group has set the five financial KPIs of “ROE,” “revenue growth ratio,” “R&D expense ratio,” “core operating profit ratio,” and “dividend payout ratio” as objective KPIs to assess the achievements of management targets.

In seeking to maximize the value of its global strategic products such as Crysvita and Poteligeo, the Group has worked to improve access to medicines for patients worldwide while launching its own marketing for Crysvita in the United States and concentrating on Crysvita and Poteligeo through the joint venture partnership in the established medicines business in Europe. When it comes to R&D, the Group continued to promote developing KHK4083 (generic name: rocatinlimab) for the therapeutic areas of immunology/allergy through multiple clinical studies in collaboration with Amgen Inc. in the United States. Although the Group decided to discontinue the development of RTA402 in the nephrology field, it received an approval for manufacturing and marketing of PHOZEVEL in Japan for the improvement of hyperphosphatemia in patients with chronic kidney disease on dialysis.

As a result, revenue increased by ¥43.9 billion from the previous fiscal year to ¥442.2 billion (revenue growth ratio of 11.6%). Compared with the previous fiscal year, selling, general, and administrative expenses decreased by ¥3.1 billion to ¥163.1 billion, while research and development expenses increased by ¥9.2 billion to ¥72.1 billion (R&D expense ratio of 16.3%). Core operating profit increased ¥10.1 billion to ¥96.8 billion (a core operating profit ratio of 21.9%), and profit increased by ¥27.6 billion to ¥81.2 billion, both of which reached record highs. ROE was 10.2% (7.1% in the previous fiscal year).

The Board of Directors has resolved to pay a year-end dividend for fiscal 2023 of ¥29 per share. When approved at the 101st Ordinary General Meeting of Shareholders scheduled to be held on March 22, 2024, the annual dividend, including the interim dividend of ¥27 per share, will be ¥56, up ¥5 from the previous fiscal year (dividend payout ratio of 35.5%) and an increase for the seventh consecutive fiscal year.

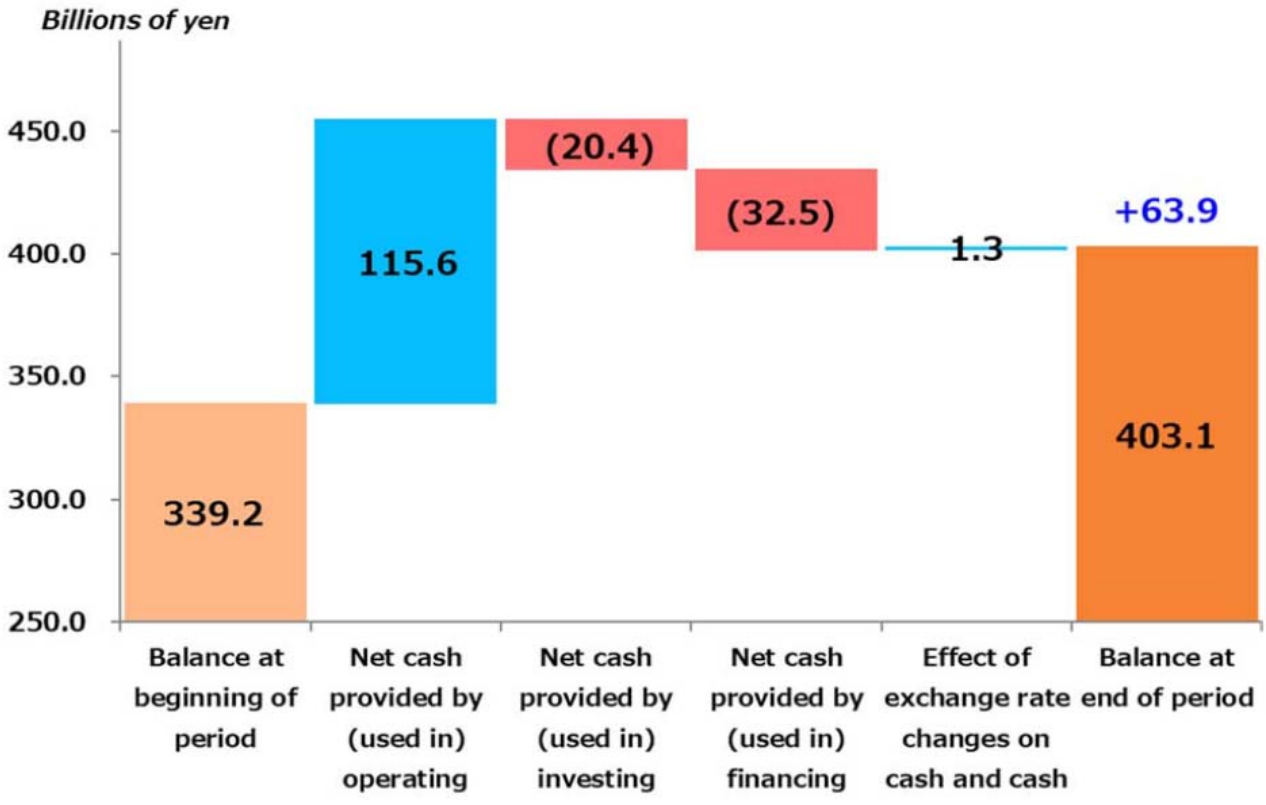
(iii) Analysis of cash flows, capital resources and liquidity of funds

- Cash Flow Summary for Fiscal 2023

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Year-on-year change	Rate of change (%)
Net cash provided by (used in) operating activities	48.7	115.6	66.9	137.4%
Net cash provided by (used in) investing activities	(17.2)	(20.4)	(3.2)	18.6%
Net cash provided by (used in) financing activities	(29.0)	(32.5)	(3.5)	12.1%
Cash and cash equivalents at beginning of period	335.1	339.2	4.1	1.2%
Cash and cash equivalents at end of period	339.2	403.1	63.9	18.8%

- Cash and cash equivalents as of December 31, 2023 were ¥403.1 billion, an increase of ¥63.9 billion compared to the balance of ¥339.2 billion as of December 31, 2022.
  The main contributing factors affecting cash flow during the current fiscal year were as follows:
- Net cash provided by operating activities was ¥115.6 billion, compared with net cash provided by operating activities of ¥48.7 billion in the previous fiscal year. Major inflows were depreciation and amortization of ¥21.1 billion, foreign exchange loss (gain) of ¥13.2 billion mainly relating to exchange differences on translation of foreign currency denominated deposits from consolidated subsidiaries as of December 31, 2023, and impairment losses (reversal of impairment losses) of ¥10.8 billion, in addition to profit before tax of ¥97.2 billion. Major outflows included gain on sales of share and valuation of remaining shares of ¥14.8 billion and income taxes paid of ¥8.6 billion.
- Net cash used in investing activities was ¥20.4 billion, compared with net cash used in investing activities of ¥17.2 billion in the previous fiscal year. Major outflows were purchase of property, plant and equipment of ¥17.2 billion and purchase of intangible assets of ¥15.6 billion. Major inflows were proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation of ¥7.8 billion and proceeds from redemption of bonds of subsidiaries and associates of ¥5.0 billion.
- Net cash used in financing activities was ¥32.5 billion, compared with net cash used in financing activities of ¥29.0 billion in the previous fiscal year. A major outflow was dividends paid of ¥29.0 billion.



● Basic capital policy

In the FY2021-2025 Medium Term Business Plan, the Group has set return on equity (ROE) as a key performance indicator (KPI) for sustainable growth and medium- to long-term corporate value increase. The group aims to achieve ROE that stably exceeds cost of capital at 10% or higher at an early stage, and to maintain and increase this level over the medium to long term.

The policies regarding the allocation of management resources, shareholder returns, and financing in order to realize those aims are as follows:

・Policy for allocation of management resources

The Company considers investments for future growth (R&D investments, strategic investments, and capital expenditures) to be a top priority in order to achieve sustainable growth from the fiscal year ending December 31, 2025 and maximize corporate value.

For R&D investment in the FY2021-2025 Medium Term Business Plan, the Group aims to make ongoing proactive investments in research and development expenses equal to around 18-20% of revenue. In terms of investing resources in research and development activities, we will execute our strategy for continuing to create innovative new drugs through the promotion of development of drugs such as KHK4083 and KHK4951, which are next-generation global strategic drugs, research and development of KK2260 and KK2269 featuring our original bi-specific Regulgent technology and early-stage development products such as ADC KK2845, and strengthening of activities to acquire new pipelines. In the technological aspect, we are gradually building platforms that utilize innovative modalities such as our next-generation antibody technology and hematopoietic stem cell gene therapy owned by Orchard Therapeutics which we acquired.

In the fiscal year under review, R&D activities were provided in “II. Overview of Business, 6 Research and Development Activities.”

In strategic investments, we will actively utilize external resources such as strategic partnering (in-licensing, tie-ups, etc.) and M&A to tap external innovation, such as drug discovery technologies created through open innovation, and to acquire new pipelines. We will also target faster, sustained growth by expanding our global pipelines over the medium and long term and generating synergies with existing global strategic products. The Strategic Investment Review Committee, which is led by the President and Chief Executive Officer, continuously discusses potential targets for strategic growth investments. The discussion focuses on the following kinds of strategic investments:

(i) Licensing-in and M&A investments for strengthening the portfolio
- Prioritize focused disease areas of “bone and mineral diseases,” “blood cancer and intractable blood disorder,” and “rare diseases”

(ii) Investment in science and technology to create new strengths
- Investments aimed at acquiring new modalities and early pipelines and accelerating cooperation and collaborations
- Venture Capital (VC) investments and Corporate Venture Capital (CVC) activities aiming at information searching and access

In the fiscal year under review, we concluded an acquisition agreement (total purchase amount of U.S.$478 million) with Orchard Therapeutics plc, a global leader in hematopoietic stem cell gene therapy, and completed the acquisition on January 24, 2024.

Strategic Investment～For successful creation and delivery of life-changing value

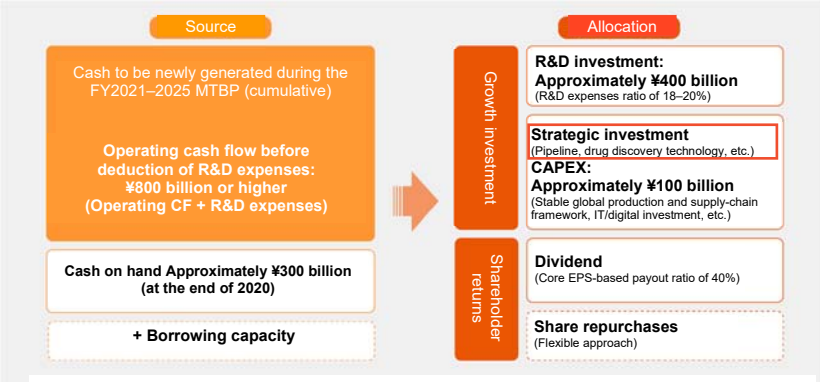
Licensing-in and M&A investments to strengthen the portfolio

- Prioritize focused disease areas of “bone and mineral diseases,” “blood cancer and intractable blood disorder,” and “rare diseases”

Investment in science and technology to create new strengths

- Investments aimed at acquiring new modalities and early pipelines and accelerating cooperation and collaborations
- VC investment and CVC activities for exploring and accessing information.

2021-2025 Cash-Allocation*



*1 Medium Term Business Plan (2021–25) cash allocation assumptions announced on February 4, 2021

With regard to capital expenditures, we will invest heavily to create a more competitive business structure to help us maximize the value of global strategic products. To ensure stable supply of quality-assured pharmaceuticals to patients who need them worldwide, we are working to establish a robust production system while strengthening our quality assurance system and supply-chain management. In addition, by establishing and developing platforms for strategic IT and digital utilization, we will quickly establish a global business foundation that will support sustainable growth as a Japan-based global specialty pharmaceutical company.

In the fiscal year under review, we conducted capital expenditures (including intangible assets and long-term prepaid

expenses) of ¥23.2 billion. In seeking to ensure stable supply of quality-assured pharmaceuticals, the Group completed construction of a new quality assurance-related multipurpose facility (Q-TOWER) (expected investment amount of ¥14.0 billion) at the Takasaki Plant incorporating cutting-edge equipment. It has also started constructing a new biopharmaceutical API manufacturing building (¥16.8 billion) and warehouse (¥7.2 billion) on the site.

In assessing the business viability of these investment and development projects, the main quantitative criteria are net present value (NPV) and expected present value (EPV) using the hurdle rate (by region) that reflects the cost of capital (WACC), which investors expect of the Company. When making investment decisions, we place importance on contributing to medium- to long-term increase in corporate value by generating returns that exceed the cost of capital.

・Shareholder return policy
Regarding its policy on dividends, the Company set its target dividend payout ratio based on core EPS (hereinafter the “dividend payout ratio”) at 40% in the FY2021-2025 Medium Term Business Plan. The Company aims to ensure a stable and sustained increase in the level of dividend payment (continuous increase of dividend payments) in line with medium- to long-term growth in profits. In accordance with this policy, in the fiscal year under review, we plan to pay a dividend of ¥56 per share (dividend payout ratio of 35.5%), which is an increase of ¥5 per share from fiscal 2022. In addition, we plan to increase the dividend for the eighth consecutive fiscal year by paying ¥58 (dividend payout ratio of 47.6%) in fiscal 2024. With regard to acquisition of treasury shares, we will flexibly consider it taking into account the market price, etc. In February 2024, for the capital efficiency and shareholder returns, we determined to acquire and cancel treasury shares in the amount of up to ¥40.0 billion (17 million shares) and have started acquisition.
To generate sustained growth and maximize corporate value as a Japan-based global specialty pharmaceutical company, we will enhance the Group’s growth potential, capability to innovate, and profitability in order to improve ROE over the medium- to long-term and support sustained increases in the dividend.

・Financing policy
We will continue to maintain our net cash position in principle. In addition to cash on hand, we will secure sufficient borrowing capacity and methods of flexible financing (CPs (commercial papers) and commitment lines) for strategic large-scale investment projects, and maintain sufficient financial flexibility.

5 Material Contracts, Etc.

(1) Technology out-licensing agreements

Company name	Counterparty	Country	Details of contracts	Contract period	Consideration
The Company	AstraZeneca	Sweden	License to develop, manufacture and sell an anti-IL-5R antibody (generic name: benralizumab) in Europe, the U.S., and some Asian countries	The longer of a 10-years period after the commencement of sales or a period up to the last day of the patent life, from December 18, 2006	Upfront income Milestone revenue Flat-rate royalty
The Company	AstraZeneca	Sweden	License to develop and sell an anti-IL-5R antibody (generic name: benralizumab) in Japan	Automatic renewal every two years since 10 years after the commencement of sales, from July 1, 2015	Upfront income Milestone revenue Flat-rate royalty
The Company	AstraZeneca	Sweden	License to develop and sell an anti-IL-5R antibody (generic name: benralizumab) in 13 Asian countries	Automatic renewal every two years since 10 years after the commencement of sales, from March 23, 2017	Upfront income Milestone revenue Flat-rate royalty
The Company	Amgen	United States	License to jointly develop and commercialize outside Japan KHK4083	Indefinitely from June 1, 2021	Upfront income Milestone revenue Flat-rate royalty
The Company	AVEO Oncology	United States	License to develop, manufacture and sell tivozanib in the oncology area in locations outside of Asia but including Japan	From December 21, 2006 until the last royalty payment or the expiration of obligation to pay sublicense royalty	Flat-rate royalty

(2) Technology in-licensing agreements

Development products

Company name	Counterparty	Country	Details of contracts	Contract period	Consideration
The Company	Ardelyx, Inc.	United States	License to develop and sell Tenapanor Hydrochloride (code name: KHK7791) in Japan	From November 27, 2017 to the expiration of the period of royalty payment	Upfront payment Milestone expenditure Flat-rate royalty
The Company	AVEO Oncology	United States	Buyback of the rights for non-cancer field of tivozanib (code name: KHK4951)	From August 1, 2019 to the expiration of the period of royalty payment in each country	Upfront payment Milestone expenditure Flat-rate royalty

Note: The agreement with Reata Pharmaceuticals Holdings for the development and commercialization of Bardoxolone Methyl (code name: RTA402) in Asia including Japan is omitted because it is no longer material due to the decision to discontinue the development.

Products for sale

Company name	Counterparty	Country	Details of contracts	Contract period	Consideration
The Company	Amgen K-A	United States	License to manufacture and sell G-CSF (product name: Gran G-Lasta)	Lifetime of Amgen K-A from July 1, 1986 (indefinite)	Flat-rate royalty
The Company	Takeda Pharmaceuticals U.S.A., Inc.	United States	License to develop, manufacture and sell a calcium receptor agonist (product name: Regpara)	The longer of a 10-years period after the commencement of sales or a period up to the last day of the patent life, from June 30, 1995 (after that, the Company will have the right to continue the sale)	Milestone expenditure Flat-rate royalty
The Company	Amgen K-A	United States	License to manufacture and sell a long-acting erythropoiesis-stimulating agent (product name: Nesp)	Lifetime of Amgen K-A from March 1, 1996 (indefinite)	Flat-rate royalty
The Company	Amgen K-A	United States	License to manufacture and sell a platelet hematopoietic stimulating factor (product name: Romiplate)	Lifetime of Amgen K-A from July 1, 2005 (indefinite)	Flat-rate royalty
The Company	Mitsubishi Tanabe Pharma Corporation	Japan	License for collaborative research on a calcium receptor agonist (product name: Orkedia) and development, manufacturing and sales of the product in five Asian countries	The longer of a 10-years period after the commencement of sales or a period up to the last day of the patent life, from March 27, 2008 (after that, the Group will have the right to continue the sale)	Upfront payment Milestone revenue and expenditure Flat-rate royalty
The Company	Amgen K-A	United States	License to manufacture and sell a human anti-IL-17 receptor A monoclonal antibody formulation (product name: Lumicef)	Lifetime of Amgen K-A from October 29, 2010 (indefinite)	Flat-rate royalty
The Company	Otsuka Pharmaceutical and AstraZeneca	Japan and UK	License to develop and sell a treatment for diabetes (product name: Onglyza)	From June 29, 2012 to the last day of the patent life (after that, the Company will have the right to continue the sale)	Upfront payment Milestone expenditure Flat-rate royalty

Note: The agreement with AstraZeneca for the development and commercialization of opioid-induced constipation (OIC) (product name: Moventig) in Europe is omitted because it is no longer material due to the alliance agreement with Grünenthal for a joint venture of established medicines, to which the commercialization license was transferred.

(3) Sales agreements

Company name	Counterparty	Country	Details of contracts	Contract period
The Company	Novartis Pharma	Japan	Agreement for joint commercialization promotion for anti-allergy eye drops (product name: Patanol)	From June 27, 2006 to the end of sales in Japan
The Company	HISAMITSU PHARMACEUTICAL	Japan	Agreement for joint commercialization for a treatment for transdermal persistent pain (product name: Fentos)	From June 18, 2008 to the end of sales
The Company	LEO Pharma	Denmark	Cooperative sales agreement for a treatment for psoriasis vulgaris (topical agent) (product name: Dovobet)	From December 19, 2013 to the expiration of the period agreed with the counterparty
The Company	Sandoz	Japan	Sales agreement for an anticancer agent (product name: Rituximab BS [KHK])	Automatic renewal every two years since 10 years after the commencement of sales, from December 24, 2015, only if both companies agree
The Company	HISAMITSU PHARMACEUTICAL	Japan	Sales agreement for antiparkinsonian agent (patch) (product name: HARUROPI)	From February 5, 2019 to the end of sales
The Company	GlaxoSmithKline	Japan	Cooperative sales agreement for renal anemia treatment drug (oral) (product name: Duvroq)	From the contract date to the expiration of the period agreed with the counterparty

Note: The sales agreement with Orexo for a treatment for cancer pain (sublingual tablet) (product name: Abstral) is omitted because it is no longer material due to the alliance agreement with Grünenthal for a joint venture of established medicines, to which the sales license was transferred.

(4) Collaboration agreements

Company name	Counterparty	Country	Details of contracts	Contract period
The Company	Ultragenyx	United States	Agreement for joint development and joint commercialization for an anti-FGF23 fully human monoclonal antibody (product name: Crysvita)	From August 29, 2013 to the end of sales

(5) Joint venture agreements

Company name	Counterparty	Country	Details of contracts	Investment amount	Name of the joint venture	Date of establishment
The Company	FUJIFILM Corporation	Japan	Joint venture agreement for development, manufacturing, and sales of biosimilars	The Company: ¥50 million FUJIFILM Corporation: ¥50 million	FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd. (Capital: ¥100 million)	March 2012

(6) Integration agreement with Kirin Holdings Company, Limited

Company name	Counterparty	Country	Details of contracts	Contract date
The Company	Kirin Holdings Company, Limited	Japan	Basic agreement for strategic alliance between the Group and the Kirin Group	October 22, 2007

(7) Other

Company name	Counterparty	Country	Details of contracts	Contract date
Kyowa Kirin International plc	Grünenthal	Germany	Cooperative agreement for a joint venture of established medicines (Note 1)	November 23, 2022
The Company	Orchard Therapeutics plc	UK	Agreement for the acquisition of shares of Orchard Therapeutic plc (Note 2)	October 5, 2023

Notes: 1. Details are provided in “V Financial Information 1 Consolidated Financial Statements, Etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 27. Transfer of shares of subsidiaries.”

2. Details are provided in “V Financial Information, 1 Consolidated Financial Statements, Etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 35. Significant events.”

6 Research and Development Activities

The Group continuously and actively invests resources in research and development activities. The Group aims to advance both a technological pillar that can build a platform for applying various modalities and discovering innovative drugs and a disease pillar that continues to provide “only-one value drugs” for diseases for which there are no effective treatments while utilizing the disease science accumulated by the Group thus far, build a highly competitive pipeline, and provide new drugs with life-changing value worldwide.

For the fiscal year ended December 31, 2023, the Group’s research and development expenses totaled ¥72.1 billion, and its progress in the respective disease fields of its main late-stage development products is as follows. (“◆” indicates the progress made during the fourth quarter of fiscal 2023.)

Nephrology

KHK7580 (product name in Japan: ORKEDIA)

・An application for approval has been submitted for marketing as its indication for treatment of secondary hyperparathyroidism in China (application filed in July 2022).

◆In November 2023, the Group received an approval for marketing as its indication for treatment of secondary hyperparathyroidism in South Korea.

KW-3357 (product name in Japan: Acoalan)

◆The Group conducted a Phase III clinical study for the treatment of preeclampsia in Japan, but decided to discontinue its development upon taking into account results of the clinical study.

KHK7791 (product name in Japan: PHOZEVEL)

・In September 2023, the Group received an approval for manufacturing and marketing in Japan for the improvement of hyperphosphatemia in chronic kidney disease patients on dialysis.

Oncology

KRN125 (product name in Japan: G-Lasta)

・In July 2023, the Group applied for partial change of approved indication in the oncology field for the mobilization of hematopoietic stem cells into peripheral blood for autologous blood stem cell transplantation in Japan.

Immunology/Allergy

KHK4827 (product name in Japan: LUMICEF)

・An application for a partial change for approval has been submitted for its planned indication for treatment for systemic sclerosis in Japan (application filed in December 2021).

・In August 2023, approval was acquired in Japan for a partial change for approval of its indication for treatment of palmoplantar pustulosis.

Other

AMG531 (product name in Japan: Romiplate)

・In September 2023, approval was acquired in Japan for a partial change to the approved indication from “aplastic anemia in patients who had an inadequate response to conventional therapy” to “aplastic anemia.”

R&D pipeline

antibody　protein　small molecule　◎ New Molecular Entity　Updated since Dec. 31, 2022　Updated since Sep. 30, 2023

Nephrology　As of Dec 31, 2023

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KHK7580 Evocalcet Oral	Calcimimetic	Secondary Hyperparathyroidism	KR						[Mitsubishi Tanabe Pharma] product name in Japan: Orkedia
			CN TW						
KHK7791 Tenapanor Hydrochloride Oral	NHE3 Inhibitor	Hyperphosphatemia in Patients on Dialysis	JP						[Ardelyx] product name in Japan: Phozevel
KRN1493 Cinacalcet Hydrochloride Oral	Calcimimetic	Primary Hyperparathyroidism	HK						[NPS Pharmaceuticals] product name in Japan: Regpara

Since the development of KW-3357 for preeclampsia was discontinued in Japan, the relevant information was deleted from this table.

Oncology

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KW-0761 Mogamulizumab Injection	Anti-CCR4 Humanized Antibody	Mycosis Fungoides and Sézary Syndrome	KW IL						[In-House] POTELLIGENT product name in Japan, US and Europe: Poteligeo
			ME						
			RS						
			TW SG						
KRN125 Pegfilgrastim Injection	Long-Acting Granulocyte Colony-Stimulating Factor	Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Autologous Blood Stem Cell Transplantation	JP						[Amgen K-A] product name in Japan: G-Lasta
KK2260 Injection	EGFR-TfR1Bispecific Antibody	Solid Tumor	JP						[In-House] Bispecific antibody utilized REGULGENT Fully human antibody production technology

Immunology/Allergy

Code Name / Generic Name / Formulation	Mechanism of Action	Indication	Area	Stage: Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KHK4827 Brodalumab Injection	Anti-IL-17 Receptor A Fully Human Antibody	Ankylosing Spondylitis	TH						[Amgen K-A] product name in Japan and Asia: Lumicef
		Non-radiographic Axial Spondyloarthritis	TH						
		Palmoplantar Pustulosis	JP						
		Systemic Sclerosis	JP						
◎KHK4083/AMG 451 Rocatinlimab Injection	Anti-OX40 Fully Human Antibody	Atopic Dermatitis	JP NA Europe Middle East CN Asia Oceania others						[In-House] POTELLIGENT Fully human antibody production technology Collaboration agreement with Amgen for the development of KHK4083/AMG 451 in all the countries except for Japan.
◎KK4277 Injection	Anti-PTPRS Humanized Antibody	Systemic Lupus Erythematosus/Cutaneous Lupus Erythematosus	JP Asia						[SBI Biotech] POTELLIGENT

Other

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	Stage					[In-House or Licensed] Remarks
				Ph I	Ph II	Ph III	Filed	Approved	
KRN23 Burosumab Injection	Anti-FGF23 Fully Human Antibody	Tumor Induced Osteomalacia (TIO)	OM QA UAE					→	[In-House] Fully human antibody production technology Jointly Developed with Ultragenyx in US and Europe product name in Japan, US and Europe: Crysvita
			KW BH				→	→	
			RS				→		
			ME MK				→		
			BA				→		
		X-linked Hypophosphatemia (XLH)	MO				→	→	
			RS				→		
			MK ME				→		
			BA				→		
AMG531 Romiplostim Injection	Thrombopoietin Receptor Agonist	Aplastic Anemia Previously Untreated with Immunosuppressive Therapy	JP					→	[Amgen K-A] product name in Japan: Romiplate
			Asia			→	Ph II / Ph III		
		Treatment of Aplastic Anemia (AA) Which Is Refractory to Immunosuppressive Therapy or Immunosuppressive Therapy Being Not Suitable	HK			→			
KW-3357 Antithrombin Gamma Injection	Recombinant Human Antithrombin	Disseminated Intravascular Coagulation, Congenital Antithrombin Deficiency	Europe	→					[In-House] product name in Japan: Acoalan
KHK4951 Tivozanib Ophthalmic	VEGF Receptor Tyrosine Kinase Inhibitor	Neovascular (wet) Age-Related Macular Degeneration	JP	→					[In-House]

Note: Our main progress from December 31, 2023 is as follows.

- In January 2024, we started phase I clinical trial of KK2269 for treatment for solid tumor in the oncology field in Japan and North America.
- In January 2024, we started phase II clinical trial of KHK4951 (generic name : tivozanib) for treatment for diabetic macular edema in the other field in Japan, North America, South Korea, and Australia.

III. Information about Facilities

1 Overview of Capital Expenditures

The Group continuously makes capital investments to expand and streamline production facilities and enhance R&D capabilities.
For the fiscal year ended December 31, 2023, the Group's capital expenditures (excluding right-of-use assets) totaled ¥16,482 million. The main component of capital expenditures was the multipurpose facility relating to quality assurance at Takasaki Plant of the Company, which was completed in the current fiscal year.

2 Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

(As of December 31, 2023)

Office name (Location)	Segment name	Details of facilities	Carrying amount (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery and vehicles	Land [Area in m^2]	Other	Total	
Takasaki Plant (Takasaki-shi, Gunma)	Pharmaceuticals	Manufacturing facilities for pharmaceutical products	18,328	7,453	374 (142,135)	4,023	30,177	546
Ube Plant (Ube-shi, Yamaguchi)	Pharmaceuticals	Manufacturing facilities for pharmaceutical products	5,015	1,696	3,150 (105,968)	388	10,249	208
Bio Process Research and Development Laboratories (Takasaki-shi, Gunma)	Pharmaceuticals	Research facilities for pharmaceutical products	830	3	– (–)	1,334	2,166	154
Tokyo Research Park (Machida-shi, Tokyo)	Pharmaceuticals	Research facilities for pharmaceutical products	2,690	7	3,366 (34,707)	1,453	7,517	161
Fuji Research Park (Nagaizumi-cho, Sunto-gun, Shizuoka)	Pharmaceuticals	Research facilities for pharmaceutical products	4,576	45	252 (82,245)	1,323	6,195	289
CMC R&D Center (Nagaizumi-cho, Sunto-gun, Shizuoka)	Pharmaceuticals	Research facilities for pharmaceutical products	1,722	460	– (–)	656	2,838	177
Head Office (Chiyoda-ku, Tokyo)	Pharmaceuticals	Management facilities, etc.	3,321	844	1,247 (2,325)	276	5,688	1,259

Notes: 1. The carrying amount represents the carrying amount of property, plant, and equipment, excluding construction in progress.
2. The "buildings and structures" and "machinery and vehicles" of the head office, "land" of the Ube Plant, etc. include right-of-use assets.

(2) Domestic subsidiaries

Not applicable.

(3) Foreign subsidiaries

(As of December 31, 2023)

Company name	Office name (Location)	Segment name	Details of facilities	Carrying amount (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Machinery and vehicles	Land [Area in m^2]	Other	Total	
Kyowa Kirin, Inc.	La Jolla Institute for Immunology (California, U.S.)	Pharmaceuticals	Research facilities for pharmaceutical products	2,821	–	4,578 (13,059)	190	7,589	48
Kyowa Kirin China Pharmaceutical Co., Ltd.	Head Office Plant (Shanghai, China)	Pharmaceuticals	Manufacturing facilities for pharmaceutical products	1,542	493	– (–)	21	2,056	298

Notes: 1. The carrying amount represents the carrying amount of property, plant and equipment, excluding construction in progress.
2. The "land" of Kyowa Kirin, Inc. is a right-of-use asset.

3 Planned Addition, Retirement, and Other Changes of Facilities

The Group's planned additions, expansion, etc. of major facilities as of December 31, 2023 are as follows.
We have no planned retirements, sales, or other changes of major facilities.

Company name	Office name (Location)	Segment name	Details of facilities	Planned investment amount (Note)		Scheduled start and completion	
				Total amount (Millions of yen)	Amount paid (Millions of yen)	Start	Completion
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki-shi, Gunma)	Pharma-ceuticals	Construction of a new biopharmaceutical API manufacturing building	16,760	1,038	November 2022	March 2025
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki-shi, Gunma)	Pharma-ceuticals	Construction of a new warehouse building	7,200	123	October 2023	October 2025

Note: We plan to procure the required funds above from cash on hand.

IV. Information about Reporting Company

1 Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares (Shares)
Ordinary shares	987,900,000
Total	987,900,000

(ii) Issued shares

Class	Number of shares outstanding as of fiscal year end (Shares) (December 31, 2023)	Number of shares outstanding as of filing date (Shares) (March 12, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Ordinary shares	540,000,000	540,000,000	Tokyo Stock Exchange (Prime Market)	Number of shares per share unit is 100.
Total	540,000,000	540,000,000	–	–

(2) Share acquisition rights

(i) Share option plans

Details of share acquisition rights which were issued as share options by 2023 and whose exercise period has not expired are as follows:

Date of resolution	March 23, 2018 (Ordinary General Meeting of Shareholders) and March 23, 2018 (Board of Directors meeting)	March 20, 2019 (Ordinary General Meeting of Shareholders) and March 20, 2019 (Board of Directors meeting)
Category and number of grantees	Directors of the Company: 4 Executive Officers of the Company: 19 Directors of subsidiaries: 3	Directors of the Company: 4 Executive Officers of the Company: 16 Directors of subsidiaries: 3
Number of share acquisition rights (Unit) (Note 1)	136 [0] (Note 2)	333 [333] (Note 2)
Class, description, and number of shares subject to share acquisition rights (Note 1)	Ordinary shares 13,600 [0] (Notes 2 and 3)	Ordinary shares 33,300 [33,300] (Notes 2 and 3)
Amount to be paid in for exercise of share acquisition rights (Yen) (Note 1)	The amount obtained by multiplying ¥1, which is the amount to be paid in per share to be issued or transferred upon exercise of share acquisition rights, by the number of granted shares	
Exercise period of share acquisition rights (Note 1)	From March 27, 2021 to March 25, 2024	From March 23, 2022 to March 21, 2025
Issue price of shares and amount incorporated into capital in case of share issuance upon exercise of share acquisition rights (Yen) (Note 1)	Not applicable. (Note 4)	
Conditions for exercise of share acquisition rights (Note 1)	Partial exercise of one share acquisition right is not permitted.	
Matters concerning transfer of share acquisition rights (Note 1)	Any transfer of the share acquisition rights shall be subject to the approval of the Board of Directors of the Company.	
Matters concerning the granting of share acquisition rights following a corporate reorganization (Note 1)	–	

Notes: 1. Information provided is as of the end of the current fiscal year (December 31, 2023). For matters changed in the period from the end of the current fiscal year to the end of the month before the filing date (February 29,

2024), the information as of the end of the month before the filing date is shown in parentheses. For other matters, there is no change from the information as of the end of the current fiscal year.

2. The number of shares subject to one share acquisition right (the “number of granted shares”) shall be 100 shares.
3. As for the number of shares subject to share acquisition rights, the number of granted shares shall be adjusted by the following formula if the Company conducts a stock split or a reverse split.

   Number of shares after adjustment = Number of shares before adjustment × Split/consolidation ratio

   Any fraction less than one share resulting from the adjustment shall be rounded down.
4. All shares to be issued to the holders of the share acquisition rights upon exercise of the share acquisition rights are treasury shares, and no new shares are issued as a result of the exercise.

(ii) Rights plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in total number of issued shares, share capital, and additional paid-in capital

Date	Change in the total number of issued shares (Shares)	Balance of issued shares (Shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
February 19, 2019 (Note)	(36,483,555)	540,000,000	–	26,745	–	103,807

Note: The decrease in the total number of outstanding shares is due to retirement of treasury shares.

(5) Shareholding by shareholder category

(As of December 31, 2023)

Category	Shareholding status (Number of shares constituting one unit: 100)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations and others		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	–	64	48	499	697	64	33,012	34,384	–
Number of shares held (Units)	–	978,287	168,483	2,950,055	901,229	445	396,430	5,394,929	507,100
Shareholding ratio (%)	–	18.13	3.12	54.68	16.71	0.01	7.35	100	–

Notes: 1. As for 2,390,712 treasury shares, 23,907 units are included and presented in “Individuals and others,” and 12 shares in the “Shares less than one unit.”

2. “Other corporations” include 120 units of shares registered in the name of Japan Securities Depository Center, Incorporated.

(6) Major shareholders

(As of December 31, 2023)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
Kirin Holdings Company, Limited	4-10-2 Nakano, Nakano-ku, Tokyo	288,819	53.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	58,462	10.87
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	25,600	4.76
State Street Bank and Trust Company 505223 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	8,936	1.66
State Street Bank West Client Treaty 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	5,844	1.09
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	5,210	0.97
JPMorgan Securities Japan Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	5,142	0.96
State Street Bank and Trust Company 505025 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	3,473	0.65
JPMorgan Chase Bank 385781 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	3,382	0.63
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	1-13-1 Yurakucho, Chiyoda-ku, Tokyo (1-8-12 Harumi, Chuo-ku, Tokyo)	2,920	0.54
Total		407,788	75.85

(7) Voting rights

(i) Issued shares

(As of December 31, 2023)

Category	Number of shares (Shares)	Number of voting rights	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	Ordinary shares 2,390,700	–	–
Shares with full voting rights (Other)	Ordinary shares 537,102,200	5,371,022	–
Shares less than one unit	Ordinary shares 507,100	–	–
Total number of issued shares	540,000,000	–	–
Voting rights held by all shareholders	–	5,371,022	–

Note: “Shares with full voting rights (Other)” include 12,000 shares registered in the name of Japan Securities Depository Center, Incorporated. In addition, “Number of voting rights” includes voting rights of 120 units pertaining to shares with full voting rights registered in the name of the same organization.

(ii) Treasury shares, etc.

(As of December 31, 2023)

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others’ names (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
Kyowa Kirin Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	2,390,700	–	2,390,700	0.44
Total	–	2,390,700	–	2,390,700	0.44

2 Acquisition and Disposal of Treasury Shares

[Class of shares, etc.] Acquisition of ordinary shares under Article 155, item (iii) and Article 155, item (vii) of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors meeting

Acquisitions pursuant to the provisions of Article 156 of the Companies Act as applied by replacing the terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act

Category	Number of shares (Shares)	Total amount (Yen)
Details of resolution at the Board of Directors meeting (February 7, 2024) (Acquisition period: February13, 2024 to October 31, 2024)	17,000,000	40,000,000,000
Treasury shares acquired before the fiscal year	–	–
Treasury shares acquired during the fiscal year	–	–
Total number and value of remaining treasury shares authorized	–	–
Percentage unused as of the last day of the fiscal year (%)	–	–
Treasury shares acquired during the period	1,175,000	3,372,511,600
Percentage unused as of the filing date (%)	93.1	91.6

Notes: 1. At the Board of Directors meeting held on February 7, 2024, the Company resolved to cancel all the acquired treasury shares listed above with November 14, 2024 as the scheduled date of cancellation.

2. “Treasury shares acquired during the period” do not include shares acquired due to purchase of shares less than one unit in the period from March 1, 2024 to the filing date of this annual securities report.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors meeting

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year	3,810	10,326,715
Treasury shares acquired during the period	742	1,837,155

Notes: 1. This is due to the purchase of shares less than one unit.

2. “Treasury shares acquired during the period” do not include shares acquired due to purchase of shares less than one unit in the period from March 1, 2024 to the filing date of this annual securities report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year ended December 31, 2023		From January 1, 2024 until the filing date of this Annual Securities Report	
	Number of shares (Shares)	Total amount of disposal (Yen)	Number of shares (Shares)	Total amount of disposal (Yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were canceled	–	–	–	–
Acquired treasury shares that were transferred for merger, share exchange, share issuance, and company split	–	–	–	–
Other	134,295	168,294,494	13,600	18,883,905
Number of treasury shares held	2,390,712	–	3,552,854	–

Notes: 1. “Other” for the fiscal year ended December 31, 2023 consisted of exercise of share acquisition rights (number of shares: 63,300 shares, total amount of disposal: ¥79,320,659), disposal of treasury shares as restricted stock compensation (number of shares: 70,908 shares, total amount of disposal: ¥88,864,704), and sale of shares less than one unit (number of shares: 87 shares, total amount of disposal: ¥109,131).

2. “Other” for the period from January 1, 2024 until the filing date of this Annual Securities Report does not include shares transferred due to sale of shares less than one unit in the period from March 1, 2024 to the filing date of this annual securities report.

3. “Number of treasury shares held” for the period from January 1, 2024 until the filing date of this Annual Securities Report does not include shares acquired due to purchase of shares less than one unit or shares transferred due to sale of shares less than one unit in the period from March 1, 2024 to the filing date of this annual securities report.

3 Dividend Policy

The Company regards the return of profits to its shareholders as one of its key management priorities.
The basis of the Company's policy regarding the distribution of profits is to pay dividends stably in light of a comprehensive consideration of factors including consolidated results and dividend payout ratio for each fiscal year, while also increasing its retained earnings for future business development and other purposes. The Company plans to improve its capital efficiency with regards to the purchase of treasury shares by taking a flexible approach while considering the share price in the market and other factors. The Company considers it a top priority to use internal reserve funds for investments for future growth (R&D investments, strategic investments, and capital expenditures) in order to achieve sustainable growth from fiscal 2025 and maximize corporate value.
As the dividend policy, the Company set its target dividend payout ratio based on core EPS at 40% in the FY2021-2025 Medium Term Business Plan. The Company aims to ensure a stable and sustained increase in the level of dividend payment (continuous increase of dividend payments) in line with medium- to long-term growth in profits.
The Company's Articles of Incorporation stipulates that the Company may, by resolution of the Board of Directors, distribute interim dividends as prescribed in Article 454, Paragraph 5 of the Companies Act with a record date of June 30 each year as the record date. The Company's policy is to pay a dividend twice each fiscal year: an interim dividend and a year-end dividend. The payment of interim dividends and year-end dividends is to be resolved by the Board of Directors meeting and the General Meeting of Shareholders, respectively.
In accordance with the above-mentioned policy, the Company plans to pay a year-end dividend of ¥29 per share for the fiscal year ended December 31, 2023, which will result in an annual dividend of ¥56 per share, combined with the interim dividend of ¥27 per share.
Dividends of surplus whose record date falls within the fiscal year ended December 31, 2023 (101st fiscal year) are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividend per share (Yen)
August 3, 2023 Resolution at the Board of Directors meeting	14,515	27.00
March 22, 2024 (scheduled) Resolution at the Ordinary General Meeting of Shareholders (Note)	15,591	29.00

Note: This is a year-end dividend with a record date of December 31, 2023, and has been proposed as an agenda item (a matter to be resolved) for the Ordinary General Meeting of Shareholders to be held on March 22, 2024.

4 Corporate Governance

(1) Overview of corporate governance

(i) Basic views on corporate governance

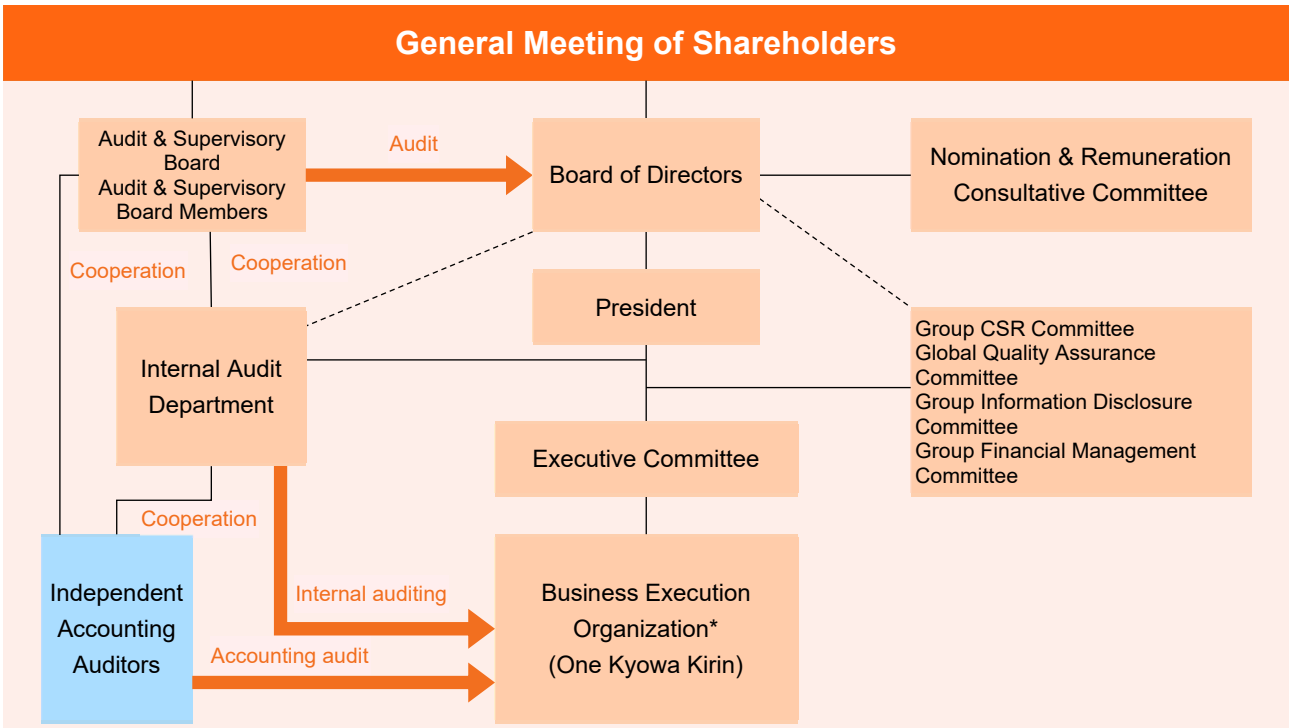
Based on our vision and the Medium Term Business Plan in accordance with our philosophy that “The Kyowa Kirin Group strives to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies” and core values, in order to achieve sustainable growth and increase corporate value over the medium- 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 in 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.

(ii) Overview of corporate governance system and reasons for adoption of the system

The Company has adopted a Company with Audit & Supervisory Board system as its organization form under the Companies Act. The Board of Directors makes final decisions on execution of important operations, and appoints multiple Outside Directors to enhance the transparency and objectivity of management and to fulfill its supervisory function over execution of operations. In addition, the Company endeavors to reinforce its supervisory function over management by establishing the voluntary Nomination & Remuneration Consultative Committee to supplement the functions of the Board of Directors. Furthermore, Audit & Supervisory Board Members, including multiple Outside Audit & Supervisory Board Members independent of the Board of Directors, and the Audit & Supervisory Board monitor and verify the process for making final decisions and the contents of those decisions. In this organizational form, Directors concurrently serve as Executive Officers, thereby promoting a management function that operates through close coordination between decision-making and execution, and the Company has established a hybrid governance system with a balance between business execution and supervisory functions by making the monitoring function work by centering it around independent Outside Directors and Audit & Supervisory Board Members/the Audit & Supervisory Board and by establishing a voluntary committee to enhance management transparency.

The Company’s corporate governance system as of March 12, 2024 is shown in the figure below.



* As for governance of the executing organization, a matrix management system (One Kyowa Kirin) that combines four regional axes, a functional axis, and a product (franchises) axis has been established.

Constituent members of the Company's corporate governance system as of March 12, 2024 are shown in the table below.

	Name	Title	Nomination & Remuneration Consultative Committee
Directors of the Board	Masashi Miyamoto	Representative Director, President, and Chief Executive Officer	Committee member
	Yutaka Osawa	Representative Director, Executive Vice President	Committee member
	Takeyoshi Yamashita	Director of the Board, Senior Managing Executive Officer	Committee member
	Takeshi Minakata	Director of the Board	–
	Akira Morita	Outside Director of the Board, Chairman of the Board of Directors	Committee member
	Yuko Haga	Outside Director of the Board	Committee member
	Takashi Oyamada	Outside Director of the Board	Chairperson
	Yoshihisa Suzuki	Outside Director of the Board	Committee member
	Rumiko Nakata	Outside Director of the Board	Committee member
Audit & Supervisory Board Member	Hiroshi Komatsu	Full-time Audit & Supervisory Board Member	–
	Masaki Ueno	Outside Audit & Supervisory Board Member (Full-time), Chairman of the Audit & Supervisory Board	–
	Tomomi Yatsu	Outside Audit & Supervisory Board Member	Committee member
	Mayumi Tamura	Outside Audit & Supervisory Board Member	Committee member
	Toru Ishikura	Audit & Supervisory Board Member	–

(Directors and Board of Directors)

Taking into account its fiduciary duties and accountability to shareholders, the Board of Directors aims at realizing our management philosophy, and achieving sustainable growth of the Group and increased corporate value over the medium- to long-term, by establishing effective and efficient corporate governance. In addition, the Board of Directors makes decisions on the Group's execution of important operations, including the long-term management visions, 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 mainly responsible for supervising the execution of duties by Directors, formulating basic policies pertaining to sustainability and supervising their efforts, and establishing an adequate internal control system for the entire Group through cooperation with the Internal Audit Department. Matters to be resolved by the Board of Directors are specified in the "Regulations of 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 appropriate for a global specialty pharmaceutical company and ensuring diversity, we have 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 a majority of the Board members as independent Outside Directors, and the position of Board Chair is assumed by Mr. Akira Morita, who is an independent Outside Director. 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 has established the Nomination and Remuneration Consultative Committee, which consists of a majority of independent outside officers and is chaired by an independent Outside Director, and conducts an evaluation on the Board effectiveness by utilizing an external advisor. The policy and procedures to select Director candidates are deliberated by the Nomination and Remuneration Consultative Committee, and decided by the Board of Directors.
As of March 12, 2024, the Board of Directors consists of nine Directors (including five independent Outside Directors; seven males and two females). They make decisions on such important matters as business policies, and supervise business execution at the Board of Directors meetings, which are held once a month in principle and are chaired by an independent Outside Director. In the fiscal year under review, the Board of Directors met 15 times, and made decisions on such important matters as business policies of the Company, and supervised business execution by Directors.

・Fiscal year ended December 31, 2023 Attendance at the Board of Directors meetings

Title	Position	Name	Attendance rate
Director of the Board	Representative Director, President, and Chief Executive Officer	Masashi Miyamoto	100% (15/15)
	Representative Director, Executive Vice President	Yutaka Osawa	100% (15/15)
	Director of the Board, Executive Vice President	Toshifumi Mikayama	100% (4/4)
	Director of the Board, Senior Managing Executive Officer	Takeyoshi Yamashita	100% (11/11)
	Outside Director	Jun Arai	100% (4/4)
	Director	Takeshi Minakata	100% (15/15)
	Outside Director (Chairman)	Akira Morita	100% (15/15)
	Outside Director	Yuko Haga	100% (15/15)
	Outside Director	Takashi Oyamada	100% (15/15)
	Outside Director	Yoshihisa Suzuki	100% (15/15)
	Outside Director	Rumiko Nakata	100% (11/11)
Audit & Supervisory Board Member	Full-time Audit & Supervisory Board Member	Hiroshi Komatsu	100% (15/15)
	Outside Audit & Supervisory Board Member (Full-time)	Masaki Ueno	100% (15/15)
	Audit & Supervisory Board Member	Keiji Kuwata	100% (4/4)
	Outside Audit & Supervisory Board Member	Tomomi Yatsu	100% (15/15)
	Outside Audit & Supervisory Board Member	Mayumi Tamura	100% (15/15)
	Audit & Supervisory Board Member	Toru Ishikura	100% (11/11)

1) Of the Board of Directors meetings held during the fiscal year under review, attendance of the Board of Directors meetings by Messrs. Toshifumi Mikayama, Jun Arai, and Keiji Kuwata is only for those held before their retirement on March 24, 2023. The title and position of each member is stated as the title and position at the time of their retirement.
2) Of the Board of Directors meetings held during the fiscal year under review, attendance of the Board of Directors meetings by Mr. Takeyoshi Yamashita, Ms. Rumiko Nakata, and Mr. Toru Ishikura is only for those held after assuming their post on March 24, 2023.

・Fiscal year ended December 31, 2023 Specific items for consideration at the Board of Directors meetings

Management strategy/ sustainability	Strategy for achievement of vision Discussions on sustainability and materiality Important individual strategy matters (research, production, digital, etc.) Determination of annual management plan for fiscal year ending December 31, 2024 Monitoring on quarterly results Approval of financial statements and related matters Status of implementation of business investments
Corporate governance, etc.	Status of development and operation of internal control system Confirmation of audit results of internal audits and determination of the plans Evaluation of effectiveness for the Board of Directors Succession plan for CEO, etc. Appointments and remuneration of officers Report from various committees (the Group CSR Committee, the Group Financial Management Committee, the Group Information Disclosure Committee, the Global Quality Assurance Committee) The global management system and revision of the organization Matters related to the General Meeting of Shareholders (determination of convocation and agenda, etc.)
Investment projects and others	M&A projects The information security management system The survey results of compliance and human right awareness CVC activities IR activities

(Audit & Supervisory Board Members and 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 medium- 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.

The composition of the Audit & Supervisory Board shall include persons with appropriate knowledge of finance and accounting, and the Board have three or more members, and at least half of them shall be Outside Audit & Supervisory Board Members, in accordance with the Articles of Incorporation.

As of March 12, 2024, the Audit & Supervisory Board consists of five members (including three outside members; three males and two females).

Mr. Hiroshi Komatsu (full-time Audit & Supervisory Board Member) and Ms. Mayumi Tamura (Outside Audit & Supervisory Board Member) have experience in accounting and finance divisions of business corporations, Mr. Masaki Ueno (full-time Outside Audit & Supervisory Board Member) has experience in financial institutions, and Ms. Tomomi Yatsu (Outside Audit & Supervisory Board Member) is an attorney-at-law and a certified public accountant. Thus, each of them has considerable knowledge of accounting and finance. In the fiscal year under review, 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.

(Nomination & Remuneration Consultative Committee)

The Nomination & Remuneration Consultative Committee assumes responsibility for deliberating and making 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 key Group companies; remuneration system/level, amounts, etc. for Directors, Executive Officers, and Audit & Supervisory Board Members of the Company as well as Presidents and key management positions of key Group companies.

The Nomination & Remuneration Consultative Committee shall consist of internal Directors and independent outside officers, the majority of which shall be independent outside officers. This committee is chaired by an independent Outside Director. In the fiscal year under review, the Nomination & Remuneration Consultative Committee met 12 times and reported to the Board of Directors on remuneration and nomination of Directors and Audit & Supervisory Board Members.

・Attendance at the Nomination & Remuneration Consultative Committee meetings for the fiscal year ended December 31, 2023

Title	Position	Name	Attendance rate
Internal Director	Representative Director, President, and Chief Executive Officer	Masashi Miyamoto	100% (12/12)
	Representative Director, Executive Vice President	Yutaka Osawa	100% (12/12)
	Director of the Board, Executive Vice President	Toshifumi Mikayama	100% (4/4)
	Director of the Board, Senior Managing Executive Officer	Takeyoshi Yamashita	100% (8/8)
Independent Outside Officers	Outside Director	Jun Arai	100% (4/4)
	Outside Director	Akira Morita	100% (12/12)
	Outside Director	Yuko Haga	100% (12/12)
	Outside Director (Chairperson)	Takashi Oyamada	100% (12/12)
	Outside Director	Yoshihisa Suzuki	100% (12/12)
	Outside Director	Rumiko Nakata	100% (8/8)
	Outside Audit & Supervisory Board Member	Tomomi Yatsu	100% (12/12)
	Outside Audit & Supervisory Board Member	Mayumi Tamura	100% (12/12)

1) Of the Nomination & Remuneration Consultative Committee meetings held during the fiscal year under review, attendance of the Nomination & Remuneration Consultative Committee meetings by Messrs. Toshifumi Mikayama and Jun Arai is only for those held before their retirement on March 24, 2023. The title and position of each committee member is stated under the title and position as of the time of their retirement.
2) Of the Nomination & Remuneration Consultative Committee meetings held during the fiscal year under review, attendance of the Nomination & Remuneration Consultative Committee meetings by Mr. Takeyoshi Yamashita and Ms. Rumiko Nakata is only for those held after assuming their post on March 24, 2023.

・Fiscal year ended December 31, 2023 Specific items for consideration at the Nomination & Remuneration Consultative Committee

Nomination proposals	Appointments of officers	Appointment of Directors, appointment of Representative Directors, appointment of Executive Directors, appointment of Executive Officers, appointment of Presidents of key Group companies
	Succession plan	Succession plan for CEO, etc.
Remuneration proposals	Executive Directors Executive Officer	Evaluation results of performance-linked bonus and amounts to be paid Evaluation indicators of performance-linked annual bonus Evaluation indicators of performance-linked share-based remuneration, amounts to be paid, and the number of shares to be delivered (Note) Monetary remuneration receivables provided for allotting restricted shares
	Directors Executive Officers	Remuneration amounts of Directors and Executive Officers for the current fiscal year
	Presidents and key management positions of key Group companies	Amounts to be paid for medium- and long-term incentive remuneration Amounts to be paid for short-term incentive remuneration Amounts to be paid for the current fiscal year

Note: Share-based remuneration under which fiscal 2023 is the fiscal year starting the evaluation period and fiscal 2025 is the fiscal year ending the evaluation period.

Other components of the corporate governance system are described below.

(Global Executive Committee / Executive Committee)

The Company established the Global Executive Committee and the Executive Committee, as the bodies to help the 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 important matters concerning global and domestic management from a strategic perspective, the Global Executive Committee met 14 times and the Executive Committee met 24 times in the fiscal year under review.

(Executing organization)

Under its global management system dubbed “One Kyowa Kirin,” the Company executes business enlisting a matrix management structure consisting of a regional axis, a functional axis, and a product axis. The Company has accordingly adopted its One Kyowa Kirin Leadership team to flexibly operate the matrix management structure.

(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 advice appropriately from third parties, such as attorneys.

(Compliance and risk management system)

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 take 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 Committee
  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 Committee
  The Group Information Disclosure Committee discusses and makes decisions on basic policy for information disclosure and key information-disclosure issues in a comprehensive manner.
- Global Quality Assurance Committee
  The Global Quality Assurance Committee discusses and makes decisions concerning quality assurance policies.
- Group Financial Management Committee
  The Group Financial Management Committee discusses important matters including basic policies and plans related to management of capital and financial market risks.

(Internal auditing)

The Company has established the Internal Audit Department as the third line for internal control. The 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 the Representative Director, Executive Vice President when they become available, and also to the 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 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.

(iii) Other matters regarding corporate governance

(Status of development of internal control system)

The Company has resolved at the Board of Directors meeting to adopt a policy for developing systems to ensure the appropriate operation (the internal control system) as follows, and is moving forward with the development of systems based on details of the resolution.

* <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 (the "Group") with laws and regulations and the Articles of Incorporation ("Compliance System")

   In order to promote compliance within the Group, the Company shall;
   - Establish a basic policy on compliance for the Group and maintain an organization and regulations to materialize the policy.
   - Establish an organization to supervise compliance, which undertakes developing awareness of compliance among the Group's officers and employees through educational programs and awareness-raising activities, and also clarifies procedures in case of compliance violations and makes the procedures well-known to any of the 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 internal 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 Group in the event of loss and other circumstances ("risk management system")

   In order to appropriately manage risks within the Group, the Company shall;
   - Establish a basic policy on risk management of the 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 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 risk management system.
4. System to ensure the effective and efficient execution of duties by the Directors of the Group ("Effective and Efficient Performance System")

   In order to ensure the effective and efficient execution of duties by the Directors of the Group, the Company shall;
   - Establish organizational regulations and standards on allocation of duties, administrative authorities, decision making, and other matters.
   - 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 authority and responsibility in the execution of duties by the Directors of the Group subsidiaries, that each Group subsidiary stipulates its own regulations on allocation of duties, administrative authorities, and other matters and executes efficient operations.
   - Periodically manage the Group's business performance in comparison to annual plans made by each Group company through performance monitoring tools.
5. System for reporting to the Company on matters concerning the execution of duties by the Directors of the Group and system to ensure the properness of operations of other duties by the corporate group comprising the Group and the parent company ("System for reporting for execution of operations 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 Group and system to ensure appropriate operations of other duties by the corporate group comprising the 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 guidance and advice such as prior consultations for important matters as necessary, while continuing to respect the autonomy of the subsidiaries.
   - Determine responsibilities and 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 duties of 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 on securing the effectiveness of directions given to such employees by

the Audit & Supervisory Board Members of the Company (collectively “Systems related to Audit & Supervisory Board Members”)

The Company shall assign a small number of employees, as necessary, to assist duties of 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 concurrently assume any other position related to the business execution and shall only follow instructions of the Audit & Supervisory Board Members of the Company while they are responsible for assisting duties of 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, Audit & Supervisory Board Members, and employees of the Group

(i) The Directors of the Company shall report to the Audit & Supervisory Board Members of the Company;

- Among matters submitted 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 Group when such a matter is discovered.
- Any occasion in which a Director or an employee of the Group has committed an act in violation of laws and regulations or the 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 development 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, Audit & Supervisory Board Members, and employees of each Group company to report other matters at any time as necessary.

(ii) The Directors, Audit & Supervisory Board Members, and employees of each Group company (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 Group company. The Audit & Supervisory Board Members of the Company shall regularly receive reports about the operation of the whistleblowing system 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 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 Director 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 effective audits by the Audit & Supervisory Board Members of the Company, for instance, by providing them with opportunities to attend the meetings of the Group upon their request.

(Status of development of risk management system)

As described in “3. Regulations and other systems related to the risk management of the Group in the event of loss and other circumstances (‘risk management system’)” in <Basic Policy on the Internal Control System> above.

(Status of development of system to ensure the properness of operations by subsidiaries of the reporting company)

As described in “5. System for reporting to the Company on matters concerning the execution of duties by the Directors of the Group and system to ensure the properness of operations of other duties by the corporate group comprising the Group and the parent company (‘System for reporting for execution of operations and other Group internal control system’)” in <Basic Policy on the Internal Control System> above.

(Summary of limited liability agreement)

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with non-executive directors, full-time Audit & Supervisory Board Members, and Audit & Supervisory Board Members to limit their liability for damages stipulated in Article 423, Paragraph 1 of the same Act. The

maximum amount of liability for damages under such agreements shall be the higher of either ¥5 million, or the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act.

(Summary, etc. of directors and officers liability insurance policy)

The Company has entered into directors and officers liability insurance contracts with an insurance company as provided in Article 430-3, Paragraph 1 of the Companies Act, wherein the insured persons include Directors, Audit & Supervisory Board Members, Executive Officers, etc. of the Company and its subsidiaries. The Company and its subsidiaries bear all insurance premiums. This insurance contract covers compensation for damages, legal, and other such costs in the event that an insured person(s) is liable for damages arising from their conduct. However, the contract has exceptions, such as excluding damages caused by criminal or fraudulent acts, etc. committed by insured persons. In addition, there is a provision for a deductible amount, and damages that do not reach that deductible amount are not covered by this insurance contract.

(Number of Directors)

The Company's Articles of Incorporation stipulates that the Company shall have not more than ten (10) Directors.

(Requirements for a resolution to elect Directors)

The Company's Articles of Incorporation stipulates that a resolution for election of Directors shall be adopted by the presence of holders of one-third or more of the voting rights held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders present, and cumulative voting shall not be used.

(Matters normally requiring adoption of a resolution by the General Meeting of Shareholders, which may be resolved at the Board of Directors meeting)

The Company stipulates in its Articles of Incorporation that the following matters may be resolved at the Board of Directors meeting, not being resolved at the General Meeting of Shareholders.

A. The Company may, by resolution of the Board of Directors, acquire its own shares, pursuant to Article 165, Paragraph 2 of the Companies Act
   (To be enable to respond flexibly)
B. The Company may, by resolution of the Board of Directors, distribute interim dividends for which the record date is June 30 of each year
   (To provide stable returns of profits to shareholders)

(Requirements for a special resolution of the General Meeting of Shareholders)

The Company's Articles of Incorporation stipulates that a special resolution at a General Meeting of Shareholders provided in Article 309, Paragraph 2 of the Companies Act shall be adopted by the presence of holders of one-third or more of the voting rights held by all shareholders entitled to exercise their voting rights and two-thirds or more of the voting rights of the shareholders present, with an aim to ensure the smooth operation of a General Meeting of Shareholders.

(2) Directors and Audit & Supervisory Board Members

(i) List of Directors and Audit & Supervisory Board Members

1. The status of Directors and Audit & Supervisory Board Members of the Company as of March 12, 2024 (filing date of this annual securities report) is as follows.

Male: 10, Female: 4 (Percentage of female officers: 28.6%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Representative Director, President and Chief Executive Officer	Masashi Miyamoto	Jul. 16, 1959	Apr. 1985: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2011: Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Mar. 2012: Executive Officer, Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Jul. 2014: Executive Officer, Director, Strategic Product Portfolio Department and Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Director of the Board, Managing Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2017: Director of the Board, Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Representative Director, President and Chief Executive Officer, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 4)	96.5
Representative Director, Executive Vice President	Yutaka Osawa	Oct. 17, 1959	Apr. 1984: Joined Kyowa Hakko Kogyo Co., Ltd. Apr. 2007: Director, Pharmaceutical Production Development Department, Kyowa Hakko Kogyo Co., Ltd. Oct. 2008: Director, CMC Development Department, Development Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2009: Director, Production Planning Department, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2013: Executive Officer, Director, Production Planning Department, Production Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2014: Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Managing Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Director of the Board, Managing Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2019: Representative Director, Executive Vice President, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 4)	67.5
Director of the Board, Senior Managing Executive Officer	Takeyoshi Yamashita	Nov. 30, 1961	Apr. 1987: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2010: Director, Innovative Drug Discovery Laboratories, Research Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2012: Director, Research Planning Department, Research Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2014: Director, Research Core Function Laboratories, Research Functions Unit, R&D Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Executive Officer, Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2019: Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co, Ltd. Mar. 2021: Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Kirin Co., Ltd. Apr. 2022: Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Mar. 2023: Director of the Board, Senior Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Apr. 2023: Director of the Board, Senior Managing Executive Officer, Kyowa Kirin Co., Ltd. (present)	(Note 4)	27.3

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Takeshi Minakata	Dec. 31, 1961	Apr. 1984: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2007: Deputy General Manager, Toride Plant, Kirin Brewery Company, Limited Mar. 2009: Deputy General Manager, Production Control Department of Production Division, Kirin Brewery Company, Limited Oct. 2010: Kirin Liaison Technical Director, Lion Nathan National Foods Pty Ltd (presently Lion Pty Ltd) Mar. 2012: General Manager, Corporate Planning Dept., Kirin Brewery Company, Limited Jan. 2013: Executive Officer, General Manager, Corporate Planning Department, Kirin Company, Limited (presently Kirin Holdings Company, Limited) Executive Officer, General Manager, Planning Dept., Kirin Brewery Company, Limited Mar. 2015: Senior Executive Officer, Director, Corporate Strategy, Kirin Holdings Company, Limited Senior Executive Officer, General Manager, Corporate Planning Department, Kirin Company, Limited Apr. 2016: Director and President of Myanmar Brewery Limited Senior Executive Officer, Kirin Holdings Company, Limited Mar. 2018: President and CEO, KYOWA HAKKO BIO CO., LTD. Mar. 2020: President and CEO, KYOWA HAKKO BIO CO., LTD. Senior Executive Officer, Kirin Holdings Company, Limited Jan. 2022: Senior Executive Officer, in charge of Health Business Strategy, Kirin Holdings Company, Limited Mar. 2022: Director of the Board, Senior Executive Officer, in charge of Health Business Strategy, Kirin Holdings Company, Limited (present) Director of the Board, Kyowa Kirin Co., Ltd. (present) Aug. 2023: Director of the Board, Blackmores Ltd. (present)	(Note 4)	5.3
Director of the Board	Akira Morita	Apr. 22, 1951	Oct. 1993: Professor, Faculty of Law and Economics, Chiba University Apr. 1994: Professor, The University of Tokyo Graduate Schools for Law and Politics Apr. 2004: Dean, Professor, Graduate School of Public Policy, The University of Tokyo Jul. 2008: Director, Policy Alternatives Research Institute, The University of Tokyo Apr. 2011: Chairman, Central Social Insurance Medical Council, Ministry of Health, Labour and Welfare Apr. 2012: Professor, Department of Political Studies, Faculty of Law, Gakushuin University Jun. 2012: Emeritus Professor, The University of Tokyo (present) Apr. 2014: Director-General, National Institute of Population and Social Security Research Aug. 2014: Adjunct Professor, National Graduate Institute for Policy Studies Apr. 2017: Professor, Department of Policy Studies, Tsuda University Visiting Professor, Mie University Graduate School of Medicine Outside Member, Administrative Council, The University of Tokyo (present) Apr. 2018: Director-General, Research Institute of Science and Technology for Society, Japan Science & Technology Agency Mar. 2019: Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) (present) Apr. 2019: Visiting Professor, Kanagawa University of Human Services (present) Jul. 2020: Representative Director, Next Generation Fundamental Policy Research Institute (present) May 2022: Data Health Operations Advisor, Health Insurance Claims Review & Reimbursement Services (present)	(Note 4)	3.5

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Yuko Haga	Dec. 8, 1955	Apr. 1989: Senior Consultant, Tokyo Office, Price Waterhouse Consultants Apr. 1991: Representative, Haga Management Consulting Office (present) Jun. 2000: Director, Linkworld Co., Ltd. Feb. 2010: Director, Social Welfare Corporation Fujikenikukai (present) Apr. 2010: Visiting Professor, Department of Policy Management, Faculty of Policy Management, Shobi University Apr. 2017: Associate Professor, Graduate School of Management, NUCB Business School Mar. 2019: Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) (present) Apr. 2020: Professor, Graduate School of Management, NUCB Business School (present) Jun. 2020: Outside Director, MinebeaMitsumi Inc. (present)	(Note 4)	4.5
Director of the Board	Takashi Oyamada	Nov. 2, 1955	Apr. 1979: Joined The Mitsubishi Bank, Limited (presently MUFG Bank, Ltd.) Jan. 2006: Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (presently MUFG Bank, Ltd.) Jun. 2009: Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. May 2012: Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2013: Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2014: Representative Director, Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2015: Member of the Board of Directors, Representative Corporate Executive, Deputy President and Group COO, Mitsubishi UFJ Financial Group, Inc. Apr. 2016: Representative Director, President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. Jun. 2017: Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present) Jun. 2018: Director and Vice Chair, The Japan Institute of International Affairs (present) Jun. 2018: Chairman, The Mitsubishi Economic Research Institute (present) Dec. 2018: Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (present) Jun. 2019: Outside Director, Mitsubishi Electric Corporation Outside Director, Isetan Mitsukoshi Holdings Ltd. Mar. 2021: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	3.1

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Yoshihisa Suzuki	Jun. 21, 1955	Apr. 1979: Joined ITOCHU Corporation Apr. 2003: General Manager, Aerospace, Space and Electronics Division, ITOCHU Corporation Jun. 2003: Executive Officer, ITOCHU Corporation Apr. 2006: Managing Executive Officer, ITOCHU Corporation Executive Vice President and CAO, ITOCHU International Inc. Apr. 2007: President and CEO, ITOCHU International Inc. Jun. 2011: Executive Vice President, JAMCO Corporation Jun. 2012: President and CEO, JAMCO Corporation Jun. 2016: Senior Managing Executive Officer, Member of the Board, ITOCHU Corporation Apr. 2018: President and Chief Operating Officer (COO), Member of the Board, ITOCHU Corporation Apr. 2020: President and Chief Operating Officer (COO), Chief Digital Officer (CDO), and Chief Information Officer (CIO), Member of the Board, ITOCHU Corporation Apr. 2021: Vice Chairman, Member of the Board, ITOCHU Corporation Mar. 2022: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present) Apr. 2022: Vice Chairman, ITOCHU Corporation Jun. 2022: Outside Director, OMRON Corporation (present) Apr. 2023: Senior Vice Representative for External Affairs, ITOCHU Corporation (present)	(Note 4)	1.3
Director of the Board	Rumiko Nakata	Apr. 6, 1956	Apr. 1979: Joined Esso Sekiyu K.K. Apr. 1996: Center for Socio-Economic Research K.K. Apr. 2000: Joined Pfizer K.K. Dec. 2011: Head of HR and Global Operations, Pfizer K.K. Mar. 2012: Corporate Officer, Pfizer K.K. Jan. 2014: Director of the Board, Corporate Officer, Pfizer K.K. Mar. 2018: Executive Officer, in charge of Diversity & Inclusion, Mitsubishi Chemical Corporation Apr. 2019: Managing Executive Officer, Supervising –Human Resources Department, Mitsubishi Chemical Corporation Apr. 2020: Director of the Board, Managing Executive Officer, Supervising –Administration Department, Public Relations Department, Human Resources Department, Mitsubishi Chemical Corporation Apr. 2022: Director of the Board, Mitsubishi Chemical Corporation Mar. 2023: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	0.2
Full-time Audit & Supervisory Board Member	Hiroshi Komatsu	Oct. 13, 1962	Apr. 1986: Joined Kyowa Hakko Kogyo Co., Ltd. Feb. 2009: CFO, Hematech, Inc. Apr. 2012: Manager, Corporate Planning Department, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2015: Deputy Director, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2016: Deputy Director, General Affairs Department, and Leader, Corporate Secretariat Group, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Full-time Audit & Supervisory Board Member, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 5)	4.5
Full-time Audit & Supervisory Board Member	Masaki Ueno	May 20, 1961	Apr. 1998: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2012: General Manager, Legal Department, Kirin Holdings Company, Limited Jan. 2013: General Manager, Legal Department, Kirin Company, Limited (presently Kirin Holdings Company, Limited) Director of Group Legal, Kirin Holdings Company, Limited Apr. 2015: Executive Officer, General Manager, Legal Department, Kirin Company, Limited, and Executive Officer, Director of Group Legal, Kirin Holdings Company, Limited Apr. 2019: Executive Officer, General Manager, Legal Department, Kirin Holdings Company, Limited Mar. 2020: Outside Audit & Supervisory Board Member (Full-time), Kyowa Kirin Co., Ltd. (present)	(Note 6)	1.7

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Audit & Supervisory Board Member	Tomomi Yatsu	May 30, 1960	Apr. 1983: Joined Tokyo Electron Ltd. Oct. 1986: Joined Deloitte Touche Tohmatsu LLC Sep. 1990: Registered as a certified public accountant Oct. 2001: Joined New Tokyo International Law Office Admitted to Tokyo Bar Association Jun. 2009: Outside Auditor, Calbee, Inc. Jun. 2010: Outside Audit & Supervisory Board Member, Taiko Pharmaceutical Co., Ltd. Mar. 2012: Outside Audit & Supervisory Board Member, KOKUYO Co., Ltd. Mar. 2015: Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd. Apr. 2015: Partner, TMI Associates Jun. 2016: Outside Director, SMBC Nikko Securities Inc. (present) Jun. 2017: Outside Audit & Supervisory Board Member, IHI Corporation Mar. 2019: Outside Corporate Auditor, Kuraray Co., Ltd. (present) Mar. 2021: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Apr. 2022: Representative, Yatsu Law & Accounting Firm (present)	(Note 7)	–
Audit & Supervisory Board Member	Mayumi Tamura	May 22, 1960	Apr. 1983: Joined Sony Corporation (presently Sony Group Corporation) Sep. 1991: Joined JOHNSON COMPANY, LIMITED Jul. 2002: Executive Officer, Johnson Diversey Co. Ltd. (presently CxS Corporation) Dec. 2004: CFO, adidas Japan K.K. Jun. 2007: Executive Officer, Senior Vice President and CFO, Seiyu KK (presently Seiyu GK) May 2010: Executive Officer, SVP and CFO, Walmart Japan Holdings GK (presently Walmart Japan Holdings KK) Executive Officer, SVP and CFO, Seiyu GK Jun. 2015: Outside Corporate Auditor, Honda Motor Co., Ltd. Jun. 2017: Outside Director, Audit and Supervisory Committee Member, Honda Motor Co., Ltd. Outside Director, Hitachi High-Technologies Corporation (presently Hitachi High-Tech Corporation) Jun. 2019: Outside Director, SHIMIZU CORPORATION (present) Mar. 2022: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Jun. 2022: Outside Director, LIXIL Corporation (present)	(Note 5)	0.6
Audit & Supervisory Board Member	Toru Ishikura	Nov. 30, 1963	Apr. 1989: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2015: General Manager, Technology Management Department, Research & Development Division, Kirin Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2015: General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Mar. 2018: Executive Officer, General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Apr. 2019: Executive Officer, Vice President, Research & Development Division and General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Holdings Company, Limited Mar. 2020: Director of the Board, KYOWA HAKKO BIO CO. LTD. Apr. 2020: Executive Officer, General Manager, Health Business Strategy Office, Corporate Strategy Department, Kirin Holdings Company, Limited Apr. 2022: Executive Officer, General Manager, Health Science Business Department, Health Science Business Division, Kirin Holdings Company, Limited Mar. 2023: Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Mar. 2023: Company Auditor (Full-time), Kirin Holdings Company, Limited (present)	(Note 8)	–
			Total		216.1

Notes: 1. Of the members of Directors of the Board, Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata are Outside Directors.

2. Full-time Audit & Supervisory Board Member, Mr. Masaki Ueno, and Audit & Supervisory Board Members, Mses. Tomomi Yatsu and Mayumi Tamura, are Outside Audit & Supervisory Board Members.

3. The Company has introduced the executive officer system. Representative Director and Directors (excluding Mr. Takeshi Minakata, Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata) concurrently serve as Executive Officers, and there are 20 Executive Officers who are not concurrent officers, as follows.

Senior Managing Executive Officer	Wataru Murata	In charge of Human Resources Department, General Affairs Department
Managing Executive Officer	Hiroshi Sonekawa	Vice President, Head of Sales & Marketing Division
Managing Executive Officer	Motohiko Kawaguchi	Director, Finance Department
Managing Executive Officer	Abdul Mullick	Vice Chief International Business Officer
Managing Executive Officer	Yasuo Fujii	Vice President, Head of Strategy Division
Executive Officer	Shin Inoue	Head of Kyushu Branch Sales Office, Sales & Marketing Division
Executive Officer	Fumihiko Kanai	Responsible for ERP introduction, Strategy Division
Executive Officer	Koichiro Ishimaru	Director, Corporate Social Responsibility Management Department
Executive Officer	Yoshifumi Torii	Vice President, Head of Research Division
Executive Officer	Hiroki Takamatsu	Vice President, Head of Quality Assurance Division
Executive Officer	Tomohiro Sudo	Director, Global Product Strategy Department, Strategy Division
Executive Officer	Kenji Shibata	Director, Internal Audit Department
Executive Officer	Shoko Itagaki	Director, Corporate Strategy & Planning Department, Strategy Division
Executive Officer	Toshiyuki Kurata	Vice President, Head of Production Division
Executive Officer	Atsushi Matsumoto	Director, Supply Chain Management Department
Executive Officer	Yoshiko Mori	Vice President, Head of Pharmacovigilance Division
Executive Officer	Yuichi Kawasaki	Director, Product Strategy Department, Strategy Division
Executive Officer	Koichi Nagano	Head of Tokyo Branch, Sales & Marketing Division
Executive Officer	Takefumi Matsushita	Director, Medical Affairs Department
Executive Officer	Katsuyoshi Tsukii	Vice President, Head of Development Division

4. From the 100th Ordinary General Meeting of Shareholders held on March 24, 2023 to the conclusion of the 101st Ordinary General Meeting of Shareholders
5. From the 99th Ordinary General Meeting of Shareholders held on March 25, 2022 to the conclusion of the 103rd Ordinary General Meeting of Shareholders
6. From the 97th Ordinary General Meeting of Shareholders held on March 19, 2020 to the conclusion of the 101st Ordinary General Meeting of Shareholders
7. From the 98th Ordinary General Meeting of Shareholders held on March 24, 2021 to the conclusion of the 102nd Ordinary General Meeting of Shareholders
8. From the 100th Ordinary General Meeting of Shareholders held on March 24, 2023 to the conclusion of the 104th Ordinary General Meeting of Shareholders
9. The number of shares held represents figures as of December 31, 2023.
10. Kirin Company, Limited was merged, by absorption-type merger, into Kirin Holdings Company, Limited, the Company’s parent company, on July 1, 2019.
11. The name of Ms. Yuko Haga, Director, in her family register is Yuko Hayashi.

2. The Company proposes “Election of nine (9) Directors of Board” and “Election of one (1) Audit & Supervisory Board Member” as agenda (matters to be resolved) to the Ordinary General Meeting of Shareholders to be held on March 22, 2024. If the proposals are approved and adopted, the status of Directors and Audit & Supervisory Board Members will be as follows. The details of matters to be resolved at the Board of Directors meeting scheduled to be held immediately after the Ordinary General Meeting of Shareholders (title, positions, etc.) are also included and shown below.

Male: 10, Female: 4 (Percentage of female officers: 28.6%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Representative Director, President and Chief Executive Officer	Masashi Miyamoto	Jul. 16, 1959	Apr. 1985: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2011: Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Mar. 2012: Executive Officer, Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Jul. 2014: Executive Officer, Director, Strategic Product Portfolio Department and Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Director of the Board, Managing Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2017: Director of the Board, Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Representative Director, President and Chief Executive Officer, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 4)	96.5
Representative Director, Executive Vice President	Yutaka Osawa	Oct. 17, 1959	Apr. 1984: Joined Kyowa Hakko Kogyo Co., Ltd. Apr. 2007: Director, Pharmaceutical Production Development Department, Kyowa Hakko Kogyo Co., Ltd. Oct. 2008: Director, CMC Development Department, Development Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2009: Director, Production Planning Department, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2013: Executive Officer, Director, Production Planning Department, Production Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2014: Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Managing Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Director of the Board, Managing Executive Officer, Vice President Head, Production Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2019: Representative Director, Executive Vice President, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 4)	67.5
Director of the Board, Senior Managing Executive Officer	Takeyoshi Yamashita	Nov. 30, 1961	Apr. 1987: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2010: Director, Innovative Drug Discovery Laboratories, Research Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2012: Director, Research Planning Department, Research Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2014: Director, Research Core Function Laboratories, Research Functions Unit, R&D Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2015: Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2017: Executive Officer, Director, Regulatory Affairs Department, Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd. Mar. 2019: Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co, Ltd. Mar. 2021: Managing Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Kirin Co., Ltd. Apr. 2022: Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Mar. 2023: Director of the Board, Senior Managing Executive Officer, Vice President Head, Strategy Division, Kyowa Kirin Co., Ltd. Apr. 2023: Director of the Board, Senior Managing Executive Officer, Kyowa Kirin Co., Ltd. (present)	(Note 4)	27.3

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Shinjiro Akieda	Jul. 18, 1965	Apr. 1988: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2010: Chairman and President, Taiwan Kirin Company, Limited Mar. 2013: Executive Officer, General Manager, Corporate Planning Department, Mercian Corporation Mar. 2015: Executive Officer, General Manager, Corporate Planning Department, Kirin Beverage Company, Limited Mar. 2017: Senior Executive Officer, General Manager, Corporate Planning Department, Kirin Beverage Company, Limited Mar. 2018: Executive Officer, General Manager, Corporate Planning Department, Kirin Brewery Company, Limited Mar. 2019: Executive Officer, General Manager, Corporate Strategy Department, Kirin Holdings Company, Limited Mar. 2020: Executive Officer, General Manager, Corporate Strategy Department and Manager, DX Strategy Office, Kirin Holdings Company, Limited Jan. 2022: Executive Officer, General Manager, Corporate Strategy Department, Kirin Holdings Company, Limited Mar. 2022: Senior Executive Officer, General Manager, Corporate Strategy Department, Kirin Holdings Company, Limited Mar. 2023: Senior Executive Officer (Financial Strategy, IR), Kirin Holdings Company, Limited (present) Mar. 2024: Director of the Board, Senior Executive Officer and CFO (Financial Strategy, IR), Kirin Holdings Company, Limited (scheduled) Director of the Board, Kyowa Kirin Co., Ltd. (scheduled)	(Note 4)	–
Director of the Board	Akira Morita	Apr. 22, 1951	Oct. 1993: Professor, Faculty of Law and Economics, Chiba University Apr. 1994: Professor, The University of Tokyo Graduate Schools for Law and Politics Apr. 2004: Dean, Professor, Graduate School of Public Policy, The University of Tokyo Jul. 2008: Director, Policy Alternatives Research Institute, The University of Tokyo Apr. 2011: Chairman, Central Social Insurance Medical Council, Ministry of Health, Labour and Welfare Apr. 2012: Professor, Department of Political Studies, Faculty of Law, Gakushuin University Jun. 2012: Emeritus Professor, The University of Tokyo (present) Apr. 2014: Director-General, National Institute of Population and Social Security Research Aug. 2014: Adjunct Professor, National Graduate Institute for Policy Studies Apr. 2017: Professor, Department of Policy Studies, Tsuda University Visiting Professor, Mie University Graduate School of Medicine Outside Member, Administrative Council, The University of Tokyo (present) Apr. 2018: Director-General, Research Institute of Science and Technology for Society, Japan Science & Technology Agency Mar. 2019: Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) (present) Apr. 2019: Visiting Professor, Kanagawa University of Human Services (present) Jul. 2020: Representative Director, Next Generation Fundamental Policy Research Institute (present) May 2022: Data Health Operations Advisor, Health Insurance Claims Review & Reimbursement Services (present)	(Note 4)	3.5

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Yuko Haga	Dec. 8, 1955	Apr. 1989: Senior Consultant, Tokyo Office, Price Waterhouse Consultants Apr. 1991: Representative, Haga Management Consulting Office (present) Jun. 2000: Director, Linkworld Co., Ltd. Feb. 2010: Director, Social Welfare Corporation Fujikenikukai (present) Apr. 2010: Visiting Professor, Department of Policy Management, Faculty of Policy Management, Shobi University Apr. 2017: Associate Professor, Graduate School of Management, NUCB Business School Mar. 2019: Outside Director of the Board, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) (present) Apr. 2020: Professor, Graduate School of Management, NUCB Business School (present) Jun. 2020: Outside Director, MinebeaMitsumi Inc. (present)	(Note 4)	4.5
Director of the Board	Takashi Oyamada	Nov. 2, 1955	Apr. 1979: Joined The Mitsubishi Bank, Limited (presently MUFG Bank, Ltd.) Jan. 2006: Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (presently MUFG Bank, Ltd.) Jun. 2009: Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. May 2012: Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2013: Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2014: Representative Director, Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun. 2015: Member of the Board of Directors, Representative Corporate Executive, Deputy President and Group COO, Mitsubishi UFJ Financial Group, Inc. Apr. 2016: Representative Director, President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. Jun. 2017: Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present) Jun. 2018: Director and Vice Chair, The Japan Institute of International Affairs (present) Chairman, The Mitsubishi Economic Research Institute (present) Dec. 2018: Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (present) Jun. 2019: Outside Director, Mitsubishi Electric Corporation Outside Director, Isetan Mitsukoshi Holdings Ltd. Mar. 2021: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	3.1
Director of the Board	Yoshihisa Suzuki	Jun. 21, 1955	Apr. 1979: Joined ITOCHU Corporation Apr. 2003: General Manager, Aerospace, Space and Electronics Division, ITOCHU Corporation Jun. 2003: Executive Officer, ITOCHU Corporation Apr. 2006: Managing Executive Officer, ITOCHU Corporation Executive Vice President and CAO, ITOCHU International Inc. Apr. 2007: President and CEO, ITOCHU International Inc. Jun. 2011: Executive Vice President, JAMCO Corporation Jun. 2012: President and CEO, JAMCO Corporation Jun. 2016: Senior Managing Executive Officer, Member of the Board, ITOCHU Corporation Apr. 2018: President and Chief Operating Officer (COO), Member of the Board, ITOCHU Corporation Apr. 2020: President and Chief Operating Officer (COO), Chief Digital Officer (CDO), and Chief Information Officer (CIO), Member of the Board, ITOCHU Corporation Apr. 2021: Vice Chairman, Member of the Board, ITOCHU Corporation Mar. 2022: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present) Apr. 2022: Vice Chairman, ITOCHU Corporation Jun. 2022: Outside Director, OMRON Corporation (present) Apr. 2023: Senior Vice Representative for External Affairs, ITOCHU Corporation (present)	(Note 4)	1.3

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director of the Board	Rumiko Nakata	Apr. 6, 1956	Apr. 1979: Joined Esso Sekiyu K.K. Apr. 1996: Center for Socio-Economic Research K.K. Apr. 2000: Joined Pfizer K.K. Dec. 2011: Head of HR and Global Operations, Pfizer K.K. Mar. 2012: Corporate Officer, Pfizer K.K. Jan. 2014: Director of the Board, Corporate Officer, Pfizer K.K. Mar. 2018: Executive Officer, in charge of Diversity & Inclusion, Mitsubishi Chemical Corporation Apr. 2019: Managing Executive Officer, Supervising –Human Resources Department, Mitsubishi Chemical Corporation Apr. 2020: Director of the Board, Managing Executive Officer, Supervising –Administration Department, Public Relations Department, Human Resources Department, Mitsubishi Chemical Corporation Apr. 2022: Director of the Board, Mitsubishi Chemical Corporation Mar. 2023: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	0.2
Full-time Audit & Supervisory Board Member	Hiroshi Komatsu	Oct. 13, 1962	Apr. 1986: Joined Kyowa Hakko Kogyo Co., Ltd. Feb. 2009: CFO, Hematech, Inc. Apr. 2012: Manager, Corporate Planning Department, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2015: Deputy Director, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Apr. 2016: Deputy Director, General Affairs Department, and Leader, Corporate Secretariat Group, General Affairs Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Full-time Audit & Supervisory Board Member, Kyowa Hakko Kirin Co., Ltd. (present)	(Note 5)	4.5
Full-time Audit & Supervisory Board Member	Hajime Kobayashi	Jul. 5, 1965	Apr. 1989: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2011: Director, General Manager, Corporate Planning Department, Interfood Shareholding Company (Vietnam) Jan. 2013: Deputy Director, Corporate Strategy, Kirin Holdings Company, Limited Apr. 2018: Head of Global Personnel Section, Personnel & General Affairs, Kirin Holdings Company, Limited Mar. 2020: General Manager, Internal Audit Department, Kirin Holdings Company, Limited Mar. 2022: Executive Officer, General Manager, Internal Audit Department, Kirin Holdings Company, Limited (present) Mar. 2024: Outside Audit & Supervisory Board Member (Full-time), Kyowa Kirin Co., Ltd. (scheduled)	(Note 6)	–
Audit & Supervisory Board Member	Tomomi Yatsu	May 30, 1960	Apr. 1983: Joined Tokyo Electron Ltd. Oct. 1986: Joined Deloitte Touche Tohmatsu LLC Sep. 1990: Registered as a certified public accountant Oct. 2001: Joined New Tokyo International Law Office Admitted to Tokyo Bar Association Jun. 2009: Outside Auditor, Calbee, Inc. Jun. 2010: Outside Audit & Supervisory Board Member, Taiko Pharmaceutical Co., Ltd. Mar. 2012: Outside Audit & Supervisory Board Member, KOKUYO Co., Ltd. Mar. 2015: Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd. Apr. 2015: Partner, TMI Associates Jun. 2016: Outside Director, SMBC Nikko Securities Inc. (present) Jun. 2017: Outside Audit & Supervisory Board Member, IHI Corporation Mar. 2019: Outside Corporate Auditor, Kuraray Co., Ltd. (present) Mar. 2021: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Apr. 2022: Representative, Yatsu Law & Accounting Firm (present)	(Note 7)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Audit & Supervisory Board Member	Mayumi Tamura	May 22, 1960	Apr. 1983: Joined Sony Corporation (presently Sony Group Corporation) Sep. 1991: Joined JOHNSON COMPANY, LIMITED Jul. 2002: Executive Officer, Johnson Diversey Co. Ltd. (presently CxS Corporation) Dec. 2004: CFO, adidas Japan K.K. Jun. 2007: Executive Officer, Senior Vice President and CFO, Seiyu KK (presently Seiyu GK) May 2010: Executive Officer, SVP and CFO, Walmart Japan Holdings GK (presently Walmart Japan Holdings KK) Executive Officer, SVP and CFO, Seiyu GK Jun. 2015: Outside Corporate Auditor, Honda Motor Co., Ltd. Jun. 2017: Outside Director, Audit and Supervisory Committee Member, Honda Motor Co., Ltd. Outside Director, Hitachi High-Technologies Corporation (presently Hitachi High-Tech Corporation) Jun. 2019: Outside Director, SHIMIZU CORPORATION (present) Mar. 2022: Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Jun. 2022: Outside Director, LIXIL Corporation (present)	(Note 5)	0.6
Audit & Supervisory Board Member	Toru Ishikura	Nov. 30, 1963	Apr. 1989: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2015: General Manager, Technology Management Department, Research & Development Division, Kirin Company, Limited (presently Kirin Holdings Company, Limited) Apr. 2015: General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Mar. 2018: Executive Officer, General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Company, Limited Apr. 2019: Executive Officer, Vice President, Research & Development Division and General Manager, Research & Development Strategy Department, Research & Development Division, Kirin Holdings Company, Limited Mar. 2020: Director of the Board, KYOWA HAKKO BIO CO. LTD. Apr. 2020: Executive Officer, General Manager, Health Business Strategy Office, Corporate Strategy Department, Kirin Holdings Company, Limited Apr. 2022: Executive Officer, General Manager, Health Science Business Department, Health Science Business Division, Kirin Holdings Company, Limited Mar. 2023: Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (present) Mar. 2023: Company Auditor (Full-time), Kirin Holdings Company, Limited (present)	(Note 8)	–
Total					209.1

Notes: 1. Of the members of Directors of the Board, Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata are Outside Directors.

2. Full-time Audit & Supervisory Board Member, Mr. Hajime Kobayashi, and Audit & Supervisory Board Members, Mses. Tomomi Yatsu and Mayumi Tamura, are Outside Audit & Supervisory Board Members.

3. The Company has introduced the executive officer system. Representative Director and Directors (excluding Mr. Shinjiro Akieda, Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata) concurrently serve as Executive Officers, and there will be 18 Executive Officers who are not concurrent officers, as follows.

Managing Executive Officer	Hiroshi Sonekawa	Vice President, Head of Sales & Marketing Division
Managing Executive Officer	Motohiko Kawaguchi	Director, Finance Department
Managing Executive Officer	Abdul Mullick	Chief International Business Officer
Managing Executive Officer	Yasuo Fujii	Vice President, Head of Strategy Division
Executive Officer	Fumihiko Kanai	Responsible for ERP introduction, Strategy Division
Executive Officer	Yoshifumi Torii	Vice President, Head of Research Division
Executive Officer	Hiroki Takamatsu	Vice President, Head of Quality Assurance Division
Executive Officer	Tomohiro Sudo	Director, Global Product Strategy Department, Strategy Division
Executive Officer	Kenji Shibata	Director, Internal Audit Department
Executive Officer	Shoko Itagaki	In charge of Human Resources Department, General Affairs Department
Executive Officer	Toshiyuki Kurata	Vice President, Head of Production Division
Executive Officer	Atsushi Matsumoto	Director, Supply Chain Management Department
Executive Officer	Yoshiko Mori	Director, Corporate Social Responsibility Management Department

Executive Officer	Yuichi Kawasaki	Director, Product Strategy Department, Strategy Division
Executive Officer	Koichi Nagano	Head of Tokyo Branch, Sales & Marketing Division
Executive Officer	Takefumi Matsushita	Director, Corporate Strategy & Planning Department, Strategy Division
Executive Officer	Katsuyoshi Tsukii	Vice President, Head of Development Division
Executive Officer	Tadashi Yamaguchi	Director, Marketing Department, Sales & Marketing Division

4. From the 101st Ordinary General Meeting of Shareholders held on March 22, 2024 to the conclusion of the 102nd Ordinary General Meeting of Shareholders
5. From the 99th Ordinary General Meeting of Shareholders held on March 25, 2022 to the conclusion of the 103rd Ordinary General Meeting of Shareholders
6. From the 101st Ordinary General Meeting of Shareholders held on March 22, 2024 to the conclusion of the 105th Ordinary General Meeting of Shareholders
7. From the 98th Ordinary General Meeting of Shareholders held on March 24, 2021 to the conclusion of the 102nd Ordinary General Meeting of Shareholders
8. From the 100th Ordinary General Meeting of Shareholders held on March 24, 2023 to the conclusion of the 104th Ordinary General Meeting of Shareholders
9. The number of shares held represents figures as of December 31, 2023.
10. Kirin Company, Limited was merged, by absorption-type merger, into Kirin Holdings Company, Limited, the Company's parent company, on July 1, 2019.
11. The name of Ms. Yuko Haga, Director, in her family register is Yuko Hayashi.

(Reference) Skills matrix of the Company's Board of Directors

The Company makes its Board of Directors consist of diverse human resources with various skills (such as knowledge and experience) in light of the direction of management over the medium- to long-term and the business strategy to ensure that the Board of Directors fulfills its decision-making function and management supervisory function appropriately and maintain a more highly transparent governance system.

If proposals (matters to be resolved) "Election of nine (9) Directors of Board" and "Election of one (1) Audit & Supervisory Board Member" are approved and adopted at the Ordinary General Meeting of Shareholders to be held on March 22, 2024, the composition of the Board of Directors and skills possessed by each Director and Audit & Supervisory Board Member will be as follows:

					Professional skills							
	Name	Indepen-dent Outside	Chairman of meetings of the Board of Directors	Nomination & Remuneration Consultative Committee	Corporate management Business strategy	Global business	Finance, accounting and banking	Legal, governmen-tal affairs and compliance	Human resources and labor	Health-care	R&D	Production and SCM
Directors of the Board	Masashi Miyamoto			○	○	○		○		○	○	
	Yutaka Osawa			○	○			○		○	○	○
	Takeyoshi Yamashita			○	○	○		○		○	○	
	Shinjiro Akieda				○	○	○	○				
	Akira Morita	○	○	○				○		○		
	Yuko Haga	○		○	○	○				○		
	Takashi Oyamada	○		Chairperson	○	○	○		○			
	Yoshihisa Suzuki	○		○	○	○					○	○
	Rumiko Nakata	○		○					○	○		
Audit & Supervisory Board Member	Hiroshi Komatsu				○	○	○			○		
	Hajime Kobayashi					○	○		○			
	Tomomi Yatsu	○		○			○	○				
	Mayumi Tamura	○		○	○	○	○					
	Toru Ishikura									○	○	○

(ii) Outside Directors and Outside Audit & Supervisory Board Members

(Personal, capital, business, or other relationships with the Company)

All the five Outside Directors of the Company as of March 12, 2024 (Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata) have no personal, capital, or business relationships or any other special interests with the Company.

Of three Outside Audit & Supervisory Board Members of the Company as of March 12, 2024 (Mr. Masaki Ueno, Ms. Tomomi Yatsu, and Ms. Mayumi Tamura), Mr. Masaki Ueno is a former person who executed business at Kirin Holdings Company, Limited. Both Ms. Tomomi Yatsu and Ms. Mayumi Tamura have no personal, capital, or business relationships or any other special interests with the Company.

Holdings of shares of the Company by Outside Directors and Outside Audit & Supervisory Board Members are as described in “Number of shares held” of “(2) Directors and Audit & Supervisory Board Members (i) List of Directors and Audit & Supervisory Board Members.”

(Functions and roles performed in corporate governance)

Outside Directors of the Company have diverse backgrounds, expertise, and experience. They make use of their 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 of the Company strive to ensure reliable and sound management by conducting audits of our corporate management, making use of their expertise, insights, experience, etc., from an objective and neutral standpoint.

(Details of criteria or policies regarding the independence)

“Criteria for the Independence of Outside Directors and Outside Audit & Supervisory Board Members” (as amended on December 1, 2020) have the following provisions:

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, in addition to satisfying the requirements of an Outside Director and Outside Audit & Supervisory Board Member provided for under the Companies Act, not fall under any of the following items:

(i) Executive director (gyomushikko torishimariyaku), executive officer (shikkoyakuin), manager (shihainin), or other employee of the Company or a subsidiary of the Company

(ii) Director (torishimariyaku), Audit & Supervisory Board Member (kansayaku), executive officer, manager, or other employee of a parent company or fellow subsidiary of the Company
“Fellow subsidiary” refers to another company that has the same parent company as the Company.

(iii) Director, Audit & Supervisory Board Member, corporate officer (shikkoyaku), executive officer, manager, or other employee of a major shareholder of the Company (excluding a parent company of the Company)
“Major shareholder” refers to a shareholder who holds 10% or more of voting rights.

(iv) 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)

(v) Person whose major business counterparty is the Company or a subsidiary of the Company
“Person whose major business counterparty is the Company or a subsidiary of the Company” refers to a person who receives or makes payments from or 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.

(vi) Executive director, corporate officer, executive officer, manager, or other employee of a company, or a subsidiary of a company, whose major business counterparty is the Company or a subsidiary of the Company
“Company, or a subsidiary of the Company, whose major business counterparty is the Company or a subsidiary of the Company” refers to a company, or a subsidiary of a company, which receives or makes payments from or to the Company or a subsidiary of the Company of 2% or more of that company’s annual consolidated net sales in the most recent fiscal year.

(vii) Person who is a major business counterparty of the Company or a subsidiary of the Company
“Person who is a major business counterparty of the Company or a subsidiary of the Company” refers to a person who receives or makes payments from or 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.

(viii) Executive director, corporate officer, executive officer, manager, or other employee of a company, or a subsidiary of a company, who is a major business counterparty of the Company or a subsidiary of the Company
“Company, or its subsidiary, who is a major business counterparty of the Company or a subsidiary of the Company” refers to a company, or a subsidiary of a company, which receives or makes payments from or 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.

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

(x) 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 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

(xi) Member, partner, or employee of a corporation, association, or other organization such as law firm, audit firm, 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.

(xii) 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 a subsidiary of the Company, with a level of dependence to the degree that there is no substitute.

(xiii) 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 exceeding 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 per year on average or (ii) 30% on average of the annual total expenses of the organization, etc., whichever is higher.

(xiv) 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)

(xv) Person who has come under a category listed in either of items (i) and (ii) in the past ten years

(xvi) Person who has come under a category listed in item (iii) in the past five years

(xvii) Person who has come under a category listed in any of items (v) through (xiii) in the past three years

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

(xix) Spouse, first- to second-degree relative, or other relative sharing same residence of a Director, executive officer, manager, or other important employee of the Company, or a subsidiary of the Company.

(xx) Spouse, first- to second-degree relative, or other relative sharing the same residence of a Director, executive officer, or other important employee of the Company or a subsidiary of the Company in the past five years

(xxi) Other than the above, a person that might cause a conflict of interest with general shareholders and for whom it is reasonably judged that there are circumstances suggesting that the person cannot fulfill the duties as an Outside Director or Outside Audit & Supervisory Board Member.

(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 that this approach 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, taking reference from 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 12, 2024, we designated seven persons (five Outside Directors: Mr. Akira Morita, Ms. Yuko Haga, Mr. Takashi Oyamada, Mr. Yoshihisa Suzuki, and Ms. Rumiko Nakata; two 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.

(iii) Mutual cooperation between supervision or audit by Outside Directors or Outside Audit & Supervisory Board Members, and internal audit, audit by Audit & Supervisory Board Members and the Accounting Auditor, and relationship with internal control departments

Outside Directors receive internal audit reports through the attendance at Board of Directors meetings and provide opinions based on the information exchange with the Audit & Supervisory Board, reports from the Accounting Auditor, and other activities. Thus, they fulfill supervisory functions on the performance of duties by Directors in coordination with these audits. They also strive to ensure appropriate execution of operations through providing opinions and advice as a member of the Board to operate internal control departments.

In accordance with the audit policy developed at the Audit & Supervisory Board, assignment of duties, etc., Outside Audit & Supervisory Board Members audit the execution of duties by Directors through the attendance at the Board of Directors meetings and other important meetings, investigation of the status of operations and assets, and other activities. They also strive for mutual cooperation by exchanging information and consulting with the Accounting Auditor, the Internal Audit Department, and internal control departments to enhance the audit function.

(3) Audits

(i) Audits by Audit & Supervisory Board Members

a. Organization and personnel

As of March 12, 2024, the Audit & Supervisory Board consists of five members (including three outside members; three males and two females).

Mr. Hiroshi Komatsu (full-time Audit & Supervisory Board Member) and Ms. Mayumi Tamura (Outside Audit & Supervisory Board Member) have experience in accounting and finance divisions of business corporations, Mr. Masaki Ueno (full-time Outside Audit & Supervisory Board Member) has experience in financial institutions, and Ms. Tomomi Yatsu (Outside Audit & Supervisory Board Member) is a certified public accountant. Thus, each of them has considerable knowledge of accounting and finance.

In order to strengthen the audit function of Audit & Supervisory Board Members, the Company has appointed employees dedicated to assisting duties of Audit & Supervisory Board Members independent of the execution of operations.

b. Activities of the Audit & Supervisory Board

In fiscal 2023, the Audit & Supervisory Board met 13 times. Attendance of each Audit & Supervisory Board Member is as follows:

Name	Title and position	Number of meetings held	Attendance
Hiroshi Komatsu	Full-time Audit & Supervisory Board Member	13	13
Masaki Ueno	Outside Audit & Supervisory Board Member (Full-time)	13	13
Keiji Kuwata	Audit & Supervisory Board Member	3	3
Tomomi Yatsu	Outside Audit & Supervisory Board Member	13	13
Mayumi Tamura	Outside Audit & Supervisory Board Member	13	13
Toru Ishikura	Audit & Supervisory Board Member	10	10

Notes: 1. The number of meetings held and the attendance for Keiji Kuwata include only the number Audit & Supervisory Board meetings held in the current fiscal year before his retirement on March 24, 2023. Note that his stated title and position refers to his title at the time of his retirement.

2. The number of meetings held and the attendance for Toru Ishikura include only the number of Audit & Supervisory Board meetings held in the current fiscal year after his appointment on March 24, 2023.

Major matters to be examined and reported by the Audit & Supervisory Board are as follows.

・Audit policy, audit plans, and assignment of duties
・Status of development and operation of internal control system
・Adequacy of methods and results of audits by the Accounting Auditor
・Evaluation, reappointment/non-reappointment, and audit remuneration of the Accounting Auditor
・Audit report of the Audit & Supervisory Board
・Investigation of proposals and documents submitted to the General Meeting of Shareholders
・Execution of duties of and audit report by each Audit & Supervisory Board Member
・Comments in interviews, on-site audits, etc.

c. Activities of Audit & Supervisory Board Members

In compliance with the audit standards established by the Audit & Supervisory Board, the Company's Audit & Supervisory Board Members audit the execution of duties by Directors through the following activities, and strive to enhance the audit function in accordance with the audit policy, audit plans, assignment of duties, etc.

・Attendance at the Board of Directors meetings and statement of opinions
・Attendance at important meetings, such as meetings of the Global Executive Committee, the Executive Committee, the Group CSR Committee, the Group Information Disclosure Committee, the Global Quality Assurance Committee, and the Group Financial Management Committee, as well as inspection of meeting materials, minutes, and other documents (full-time Audit & Supervisory Board Members).
・Inspection of important approval documents, etc.
・Meetings to exchange opinions with Representative Director, etc. (six times a year)
・Investigation of the status of operations and assets at the head office and major offices, and Group companies
・Coordination with the Internal Audit Department: reports on internal audit plans and results (including reports as Audit & Supervisory Board Members of Group companies), regular information sharing and exchange of opinions (full-time Audit & Supervisory Board Members: monthly in principle, part-time Audit & Supervisory Board Members: quarterly)

・Coordination with the Accounting Auditor: explanations and reports on audit plans, results of audits and quarterly reviews, internal control audit (J-SOX) results, etc., and progress reports for key audit matters (KAM) from the Accounting Auditor, and information sharing and exchange of opinions

Based on information gathering, analysis, and examination through face-to-face meetings and on-site visits, appropriate audits in accordance with the audit plans were ensured by actively using web conferencing and other systems from the perspective of realization of workstyles under new lifestyles advocated by the Company and operational efficiency.

(ii) Internal audits

a. Organization, personnel, and procedures of internal audits

The Company has established the Internal Audit Department as the third line for internal control, and has assigned 18 employees to the department (as of December 31, 2023). 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 the Representative Director, Executive Vice President when they become available, and also to the 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 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.

b. Mutual cooperation between internal audit, audit by Audit & Supervisory Board Members and accounting audit, and relationship with internal control departments

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 Group's internal control system.

(iii) Accounting audits

a. Name of the audit firm

KPMG AZSA LLC

b. Consecutive auditing period

Six years

c. Certified public accountants who executed audit duties

Mr. Isao Kamizuka (one year of continuous auditing)
Mr. Nobuyuki Ishii (six years of continuous auditing)

d. Composition of assistants who supported audit duties

Assistants who have supported audit duties consist of eight certified public accountants, five persons who have passed the certified public accountant exam, and 33 others.

e. Policy and reasons for selecting an audit firm

The Audit & Supervisory Board has set the "policy for determining appointment/removal of the Accounting Auditor," "matters to be confirmed in the resolution on proposals for appointment of the Accounting Auditor," and "matters to be confirmed in the resolution that there is no need for removal or non-reappointment of the Accounting Auditor." Based on these policies and matters to be confirmed, the Audit & Supervisory Board and its members have comprehensively examined whether the Accounting Auditor does not fall under each item stipulated in Article 340, Paragraph 1 of the Companies Act, as well as appropriateness and reasonableness of the Accounting Auditor's independence and expertise, auditing systems, quality control system, and auditing activities, among others, and determined that the Accounting Auditor is qualified for the position.

f. Evaluation of the audit firm by the Audit & Supervisory Board and its members

The Audit & Supervisory Board and its members continuously assess the Accounting Auditor through regular meetings and other cooperation with them. The Audit & Supervisory Board made discussions based on the "matters to be confirmed in the resolution that there is no need for removal or non-reappointment of the Accounting Auditor" after receiving the year-end accounting audit report from the Accounting Auditor, and resolved the reappointment of the Accounting Auditor because it was highly rated by the assessment.

(iv) Audit remuneration, etc.

a. Remuneration for the auditing certified public accountants, etc.

Category	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	91	–	102	–
Consolidated subsidiaries	–	–	–	–
Total	91	–	102	–

・Details of non-audit services performed by the auditing certified public accountants, etc. for the reporting company

Not applicable.

b. Remuneration for KPMG member firms belonging to the same network as the auditing certified public accountants, etc. (excluding a.)

Category	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit and attestation service (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	–	51	–	16
Consolidated subsidiaries	153	9	244	8
Total	153	60	244	24

・Details of non-audit services performed by KPMG member firms belonging to the same network as the auditing certified public accountants, etc. for the Company

Non-audit services for the fiscal year ended December 31, 2022 mainly consisted of advisory services in relation to corporate governance and risk management. Non-audit services for the fiscal year ended December 31, 2023 mainly consisted of advisory services in relation to corporate governance.

・Details of non-audit services performed by KPMG member firms belonging to the same network as the auditing certified public accountants, etc. for consolidated subsidiaries

Non-audit services for the fiscal years ended December 31, 2022 and 2023 mainly consisted of tax advisory services for foreign subsidiaries.

c. Remuneration for other significant audit and attestation service

Not applicable.

d. Policy for determining audit remuneration

The Company appropriately determines audit remuneration with the consent of the Audit & Supervisory Board after taking into account factors such as the number of days to complete audits, the Company's size, and the special nature of its businesses.

e. Reasons for the consent of the Audit & Supervisory Board to audit remuneration

As a result of obtaining necessary materials and receiving reports from Directors, relevant in-house departments, and the Accounting Auditor, and conducting necessary verifications as to whether the content of the Accounting Auditor's audit plan, performance of duties of accounting audit, basis for calculating estimates for remuneration, and other factors are appropriate, the Audit & Supervisory Board has considered that the Accounting Auditor secured necessary auditing system and audit time and the level is reasonable for implementing appropriate audits, and therefore consented to remuneration, etc. for the Accounting Auditor.

(4) Officers' remuneration, etc.

(i) Policy for determining officers' remuneration, etc.

・At the Board of Directors meeting held on February 18, 2021, the Company resolved the policy on determining details of individual remuneration, etc. for Directors. This determination policy was approved following deliberation by the Nomination & Remuneration Consultative Committee and upon receiving the Committee's report.
In addition, the Nomination & Remuneration Consultative Committee confirmed and reported that individual remuneration, etc. for Directors for the fiscal year ended December 31, 2023 was in line with the determination policy. Respecting the report from the Nomination & Remuneration Consultative Committee, the Board of Directors concluded that the details of the remuneration, etc. were in line with the determination policy.
Individual remuneration, etc. for Audit & Supervisory Board Members for the fiscal year ended December 31, 2023 was determined in consultation with Audit & Supervisory Board Members with reference to deliberations of the Nomination & Remuneration Consultative Committee.
The determination policy for and overview of remuneration, etc. for Directors and Audit & Supervisory Board Members are as follows:

1. Basic policy

・Basically, remuneration for the Company's Directors and Audit & Supervisory Board Members 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 regarding officers' remuneration are conducted by the Nomination & Remuneration Consultative Committee, which consists of a majority of outside officers and is chaired by an Outside Director.

2. Remuneration structure, eligible officers, etc.

・The Company's remuneration for Executive directors consists of basic remuneration, performance-linked remuneration, and non-monetary compensation. Performance-linked remuneration consists of two parts: (1) performance-linked annual bonus as a short-term incentive and (2) performance-linked share-based remuneration as a mid- to long-term incentive. Non-monetary compensation is restricted stock compensation as a mid- to long-term incentive. Non-executive directors and Audit & Supervisory Board Members are provided with only basic remuneration in a fixed amount, or no remuneration, in order to ensure that they fully perform their supervisory function over management from an objective and independent standpoint.

A rough indication for the composition ratio of each type of remuneration is as shown in the table below. The composition ratio of each type of remuneration is deliberated by the Nomination & Remuneration Consultative Committee in light of each Director's position and is determined by the Board of Directors by taking into account the company size, and by using data from an officers' remuneration survey obtained from an external research institution to conduct an objective comparison/examination of remuneration levels or remuneration structures of other companies in industry sectors relevant to the Company.

Type of remuneration, etc.		Overview	Remuneration structure for Executive directors (When considering basic remuneration as 100)
Basic remuneration		Fixed remuneration based on position or responsibility The annual amount is divided into 12 equal parts and paid monthly.	100
Performance-linked remuneration	Performance-linked annual bonus	Performance-linked cash incentive for increasing willingness to contribute to improving business performance in each fiscal year (short-term incentive) When setting the amount to be paid upon achieving targets for each position or responsibility (standard amount) at 100%, the amount varies within the range of 0% to 200% depending on the degree of achievement of performance targets. ・Payment is made in a lump sum after the end of the fiscal year (normally in April).	40-50
	Performance-linked share-based remuneration	Performance-linked remuneration for providing an incentive for achieving the Medium Term Business Plan and sustainable growth of corporate value (mid- to long-term incentive) Share-based remuneration for enhancing motivation to contribute to increasing share prices and corporate value in the mid- to long-term When setting the number of shares to be delivered upon achieving targets for each position or responsibility at 100%, the number varies within the range of 0% to 150% depending on the degree of achievement of performance targets. Delivery and payment are made after the end of three fiscal years (normally in April).	25-45
Non-monetary compensation	Restricted stock compensation	Share-based remuneration for enhancing motivation to contribute to increasing share prices and corporate value in the mid- to long-term (mid- to long-term incentive) Allotment is made annually at a certain point of time (normally in April) and transfer is restricted for three years.	35

Notes: 1. Among the aforementioned remuneration, etc., performance-linked share-based remuneration corresponds to both performance-linked remuneration and non-monetary compensation, but here it is categorized and described as performance-linked remuneration.

2. The composition ratios of performance-linked remuneration represent the figures when performance targets are achieved at 100%.

3. Overview of each type of remuneration

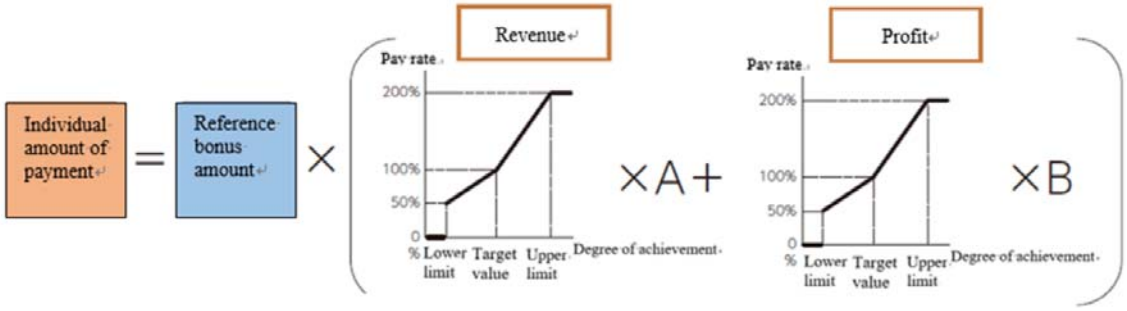
(i) Basic remuneration

・ Basic remuneration is paid monthly in a fixed amount based on each officer's position or job responsibilities. Amounts are determined by considering the company size, and by using data from an officers' remuneration survey obtained from an external research institution to conduct an objective comparison/examination of remuneration levels or remuneration structures, etc. of other companies in industry sectors relevant to the Company. The final decision is made after deliberations of the Nomination & Remuneration Consultative Committee. Remuneration for Audit & Supervisory Board Members is determined in consultation with Audit & Supervisory Board Members taking reference from deliberations of the Nomination & Remuneration Consultative Committee, which uses data from an officers' remuneration survey obtained from an external research institution.

(ii) Performance-linked annual bonus

- Performance-linked annual bonus is monetary compensation, where amounts change according to business performance for the purpose of increasing Executive directors' willingness to contribute to improving business performance in each fiscal year. The amounts are calculated according to the degree of achievement against targets of performance evaluation indicators set for the applicable fiscal year, and paid to Executive directors at a certain point of time, normally in April, every year. Amounts of performance-linked annual bonus, which are calculated according to performance evaluation indicators, targets, and the degree of achieving the targets, are determined after deliberations of the Nomination & Remuneration Consultative Committee.
- For performance evaluation indicators, we have set revenue from the perspective of growth potential, and profit from the perspective of profitability in order to share value with our shareholders and sustainably increase corporate value of the Company. For each of them, the targets were based on business forecasts at the time of the announcement of the financial results, and the pay rate (from 0% to 200%) was determined according to the degree of achievement. To promote the solution of medium- to long-term management issues, business indicators from FY2024 will include non-financial targets formulated in the fiscal year business plan.

Illustrative image 1: Mechanism of linking bonus to performance

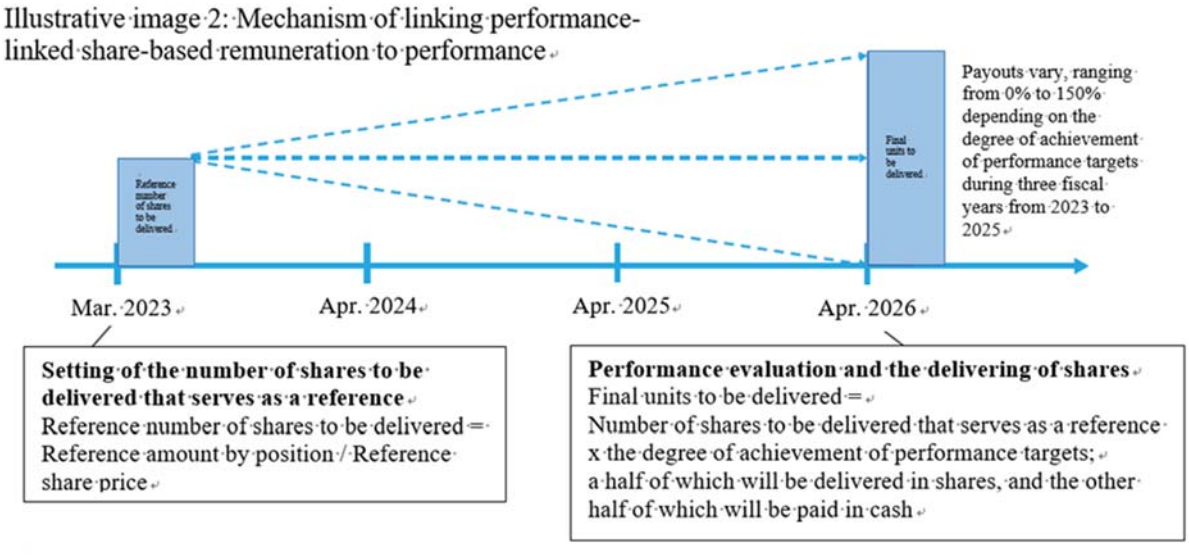


* The weight for Executive directors for fiscal 2023 is set at a ratio of A:B = 3:7.

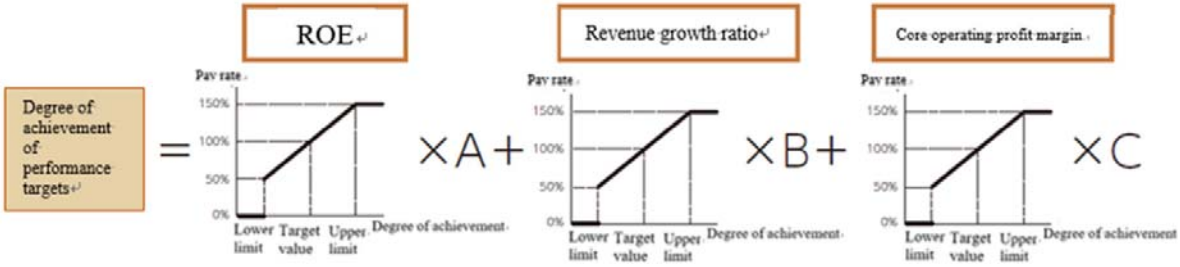
(iii) Performance-linked share-based remuneration (Performance Share Unit)

- The performance-linked share-based remuneration plan is intended to clarify the linkage between Executive directors' remuneration 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. At the beginning of a performance evaluation period, the "standard number of shares to be delivered" is determined by resolution of the Board of Directors. After the end of the performance evaluation period for three fiscal years, the "standard number of shares to be delivered" is multiplied by the level of achievement of performance targets in the range of 0% to 150%, and approximately one-half thereof is delivered as shares and the remaining one-half is paid in cash to the eligible Executive directors at a certain point of time, normally in April, every year. Performance evaluation indicators are ROE, annual average growth rate of revenue, core operating profit margin, etc., 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.

FY2021–2025 Medium Term Business Plan financial performance indicators (numerical guidance)	
ROE	10% or higher (achieve target early / increase over the medium- to long-term)
Revenue growth ratio	CAGR 10% or higher (average growth rate over a five-year period, with fiscal 2020 as the base year)
Core operating profit ratio	25% or higher (fiscal 2025)



Illustrative image 3: Mechanism of calculating the degree of achievement of performance targets for performance-linked share-based remuneration



* The weight for Executive directors for fiscal 2023 is set at a ratio of A:B:C = 1:1:1.

(iv) Restricted stock compensation

・ The restricted stock compensation plan is intended for Executive directors to share benefits and risks of share price fluctuations with shareholders, and to become more motivated to contribute to an increase in share price and corporate value. A standard amount determined based on the basic remuneration and shares whose number is based on the share price are allotted to each Executive director at a certain point of time, normally in April, every year in accordance with a resolution of the Board of Directors. The shares to be delivered are subject to a transfer restriction period of three years.

4. Procedures for determining remuneration, and activities carried out by the Nomination & Remuneration Consultative Committee and the Board of Directors

・ With respect to the remuneration table showing directors' basic remuneration and performance-linked annual bonus by position and other related matters, the Board of Directors makes decisions, based on deliberations and reports of the Nomination and Remuneration Consultative Committee, which consists of a majority of outside officers and is chaired by Mr. Takashi Oyamada, Outside Director. On that basis, the amounts of basic remuneration, performance-linked annual bonus, etc. for individual Directors to be paid are determined by Mr. Masashi Miyamoto, Representative Director, President and Chief Executive Officer, who has been entrusted by the Board of Directors to realize efficient operation of the Board of Directors, within the remuneration limit resolved at the General Meeting of Shareholders, taking into account the deliberation results of the Nomination & Remuneration Consultative Committee. The allocation and delivery of share-based remuneration on an individual basis shall be decided by the Board of Directors based on deliberations and reports of the Nomination & Remuneration Consultative Committee. As for remuneration for Executive directors, the Company has established a clawback provision under which the Company may demand the return of remuneration through deliberations by the Nomination & Remuneration Consultative Committee in a case where there is any illegal conduct or violation of law, etc.

・ Individual remuneration, etc. for Audit & Supervisory Board Members is determined in consultation with Audit & Supervisory Board Members within the remuneration limit resolved at the General Meeting of Shareholders, taking reference from deliberations of the Nomination & Remuneration Consultative Committee, which uses data from officers' remuneration survey obtained from an external research institution.

・ As at the end of the fiscal year ended December 31, 2023, the Nomination & Remuneration Consultative Committee consisted of three internal Directors and seven independent officers. During the fiscal year ended December 31, 2023, a total of 12 Nomination & Remuneration Consultative Committee meetings were held to review the remuneration levels of Directors, Executive Officers, and major global positions, as well as to deliberate on targets for performance-linked bonuses and performance-linked share-based remuneration, etc.

(ii) Details of resolutions for remuneration, etc. at the General Meeting of Shareholders

- It was approved at the 98th Ordinary General Meeting of Shareholders held on March 24, 2021 that the total amount of monetary remuneration including basic remuneration and performance-linked annual bonus for Directors shall be within ¥600 million per year (part of which is allotted to Outside Directors within ¥100 million). As of the conclusion of this Ordinary General Meeting of Shareholders, the number of eligible Directors was seven (including four Outside Directors). Furthermore, in addition to the foregoing, it was approved, at the 97th Ordinary General Meeting of Shareholders held on March 19, 2020, that the total amount of monetary remuneration receivables provided as remuneration, etc. linked to restricted shares shall be no more than ¥155 million per year, and at the 98th Ordinary General Meeting of Shareholders held on March 24, 2021, that the amount of remuneration under performance-linked share-based remuneration plan (Performance Share Unit) shall be no more than ¥300 million per each applicable period, and the total number of the Company's shares allotted per each applicable period shall be no more than 200,000 shares. As of the conclusion of the 97th and 98th Ordinary General Meetings of Shareholders, the number of eligible Directors was three each.
- It was approved at the Extraordinary General Meeting of Shareholders held on February 29, 2008 that the upper limit of remuneration for Audit & Supervisory Board Members shall be ¥9 million per month. As of the conclusion of this Extraordinary General Meetings of Shareholders, the number of eligible Audit & Supervisory Board Members was four.

(iii) Results of remuneration, etc. for the fiscal year ended December 31, 2023

1. Total amount of remuneration, etc. for the fiscal year ended December 31, 2023

(i) Total amount of remuneration, etc. for Directors and Audit & Supervisory Board Members by title, total amount of remuneration by type, and number of eligible officers

Title	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of eligible officers (Persons)
		Fixed remuneration	Variable remuneration			
		Basic remuneration	Performance-linked remuneration		Non-monetary compensation	
			Performance-linked annual bonus (Note 2)	Performance-linked share-based remuneration (PSU) (Note 2)	Restricted stock compensation (Notes 2 and 3)	
Directors (excluding Outside Directors)	330	178	78	11	62	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	29	29	–	–	–	1
Outside Directors	89	89	–	–	–	6
Outside Audit & Supervisory Board Members	63	63	–	–	–	3

Notes: 1. The above figures include one Director who retired at the conclusion of the Ordinary General Meeting of Shareholders in the previous fiscal year. In addition, the above figures do not include one Director and two Audit & Supervisory Board Members to whom no remuneration was paid.

2. All the amounts of performance-linked annual bonus, restricted stock compensation, and performance-linked share-based remuneration are the amounts recorded as expenses during the fiscal year ended December 31, 2023. The amount of performance-linked share-based remuneration is the total amount recorded as expenses during the fiscal year ended December 31, 2023, based on the expected achievement of targets at the end of the fiscal year, for the performance-linked share-based remuneration with the performance evaluation periods starting from fiscal 2022 and fiscal 2023. Performance-linked share-based remuneration is paid and delivered in the form of monetary and non-monetary compensation after the elapse of the performance evaluation period.

3. The number of restricted shares delivered to Executive directors during the fiscal year ended December 31, 2023 was 21,790 shares (paid-in amount per share was ¥2,838, the closing price on March 23, 2023).

(ii) Targets and results related to evaluation indicators of performance-linked remuneration for Directors

・ Targets and results related to evaluation indicators of performance-linked remuneration finalized for the fiscal year ended December 31, 2023 are as follows.

i) Performance-linked annual bonus

Targets and results of financial performance indicators related to performance-linked annual bonus		
Financial performance indicators	Targets (announced on February 7, 2023)	Results
Revenue	¥426.0 billion	¥442.2 billion
Profit	¥76.0 billion	¥81.2 billion

ii) Performance-linked share-based remuneration (PSU) (with the evaluation period from fiscal 2021 to fiscal 2023)

Performance targets and results related to performance-linked share-based remuneration		
Financial performance indicators	Targets in the Medium Term Business Plan	Results
ROE	10%	10.2%
Revenue growth ratio (Note)	10%	11.6%
Core operating profit ratio	25%	21.9%

Note: The target in the Medium Term Business Plan shown for the revenue growth ratio indicates a growth ratio averaged over five years with fiscal 2020 as the base year, and the result shown for the revenue growth ratio indicates the average growth ratio over three years with the preceding fiscal year to the starting fiscal year of the evaluated period as the base year.

2. Total amount of consolidated remuneration, etc. by officer

Name (title)	Company category	Total amount of consolidated remuneration, etc. by type (Millions of yen)				Total amount of consolidated remuneration, etc. (Millions of yen)
		Fixed remuneration	Variable remuneration			
		Basic remuneration	Performance-linked remuneration		Non-monetary compensation	
			Performance-linked annual bonus	Performance-linked share-based remuneration (PSU)	Restricted stock compensation	
Masashi Miyamoto (Representative Director, President and Chief Executive Officer)	Reporting company	83	39	6	29	158

Notes: 1. The amount of each type of remuneration is the same as in (Note 2) of “1. Total amount of remuneration, etc. for the fiscal year ended December 31, 2023, (i) Total amount of remuneration, etc. for Directors and Audit & Supervisory Board Members by title, total amount of remuneration by type, and number of eligible officers” above.

2. Only persons for whom the total amount of consolidated remuneration, etc. is ¥100 million or more are shown.

(5) Shareholdings

(i) Standard and policy on classification of investment shares

With respect to investment shares held for pure investment and investment shares held for purposes other than pure investment, the Company classifies investment shares held solely for the purpose of benefitting from the change in share price or dividends on shares as shares held for pure investment, and shares that are considered on a policy-driven basis to contribute to an increase in corporate value over the medium- to long-term as investment shares held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Policy on shareholding, method to verify the reasonableness of shareholding, and the details of verification at the Board of Directors, etc. regarding the propriety of holding individual issues

The Company has stipulated cross-shareholdings in “Kyowa Kirin Co., Ltd. Corporate Governance Policy” as follows:

・In principle, the Group does not hold any cross-shareholdings. However, the Group may hold only those stocks that are deemed to contribute to medium- to long-term improvement in corporate value for the Group.

・The Board of Directors verifies the reasonableness of the individual cross-shareholdings on a yearly basis. If the Board determines that the reasonableness of any cross-shareholding has weakened, the Company will discuss and negotiate with the cross-shareholding partner about reducing or eliminating the cross-shareholding.

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

b. Number of issues and balance sheet amount

	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	5	1,507
Shares other than unlisted shares	2	2,547

(Issues whose number of shares increased during the fiscal year ended December 31, 2023)

	Number of issues	Total acquisition cost for increased shares (Millions of yen)	Reason for increase in number of shares
Unlisted shares	1	–	The Company acquired the shares to strengthen a business partnership
Shares other than those not listed	–	–	–

(Issues whose number of shares decreased during the fiscal year ended December 31, 2023)

	Number of issues	Total sale amount for decreased shares (Millions of yen)
Unlisted shares	2	4,229
Shares other than those not listed	–	–

c. Information on number of shares, balance sheet amount, etc. by issue of specified investment shares and deemed holdings of shares

Specified investment shares

Issues	Fiscal year ended December 31, 2023 Number of shares (Shares) Balance sheet amount (Millions of yen)	Fiscal year ended December 31, 2022 Number of shares (Shares) Balance sheet amount (Millions of yen)	Purpose of shareholding, overview of business alliance, etc., quantitative effects of shareholding, and reason for the increase in the number of shares (Note)	Whether the investee holds the Company's shares
Ardelyx, Inc.	2,873,563 2,506	2,873,563 1,087	The Company has concluded a technology in-licensing agreement, and holds the shares to strengthen a business partnership.	No
HOKUYAKU TAKEYAMA Holdings, Inc.	52,000 41	52,000 32	The Company holds the shares to maintain a smooth business relationship in sales of pharmaceutical products, etc.	Yes

Note: Although it is difficult to state the quantitative effects of shareholding, the Board of Directors has verified the reasonableness of the shareholdings as for the Company's cross-shareholdings, comprehensively taking into account strategic importance, business relationships, and other factors in addition to dividends, transaction amount, etc.

Deemed holdings of shares

Not applicable.

(iii) Investment shares held for pure investment

Not applicable.

V. Financial Information

1. Methods of preparing consolidated financial statements and financial statements

(1) The consolidated financial statements of the Company have been prepared in accordance with the International Accounting Standards (“IFRS”) pursuant to the provision of Article 93 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).
All yen amounts presented in the consolidated financial statements, etc. have been rounded to the nearest million.

(2) The financial statements of the Company have been prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; the “Regulation on Financial Statements”).
In addition, the Company falls under the category of special companies submitting financial statements and has prepared the financial statements pursuant to Article 127 of the Regulation on Financial Statements.
All yen amounts presented in the financial statements, etc. have been rounded to the nearest million.

2. Note on independent audit

The consolidated financial statements and the financial statements for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023) were audited by KPMG AZSA LLC in accordance with the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc. and establishment of a system under which the consolidated financial statements, etc. can be prepared in an appropriate manner under IFRS

The Company has been making special efforts to ensure the appropriateness of the consolidated financial statements, etc. and establishing a system under which the consolidated financial statements, etc. can be prepared in an appropriate manner under IFRS. The details are as follows:

(1) To establish a system that enables the proper understanding of the contents of accounting standards, etc. and the appropriate responses to any changes in accounting standards, etc., the Company has been membership of the Financial Accounting Standards Foundation and has taken training sessions hosted by the foundation, the Company’s independent auditor, etc.

(2) For the application of IFRS, the Company has timely obtained press releases and standards issued by the International Accounting Standards Board to understand the latest standards. In addition, to prepare appropriate consolidated financial statements under IFRS, the Company has developed the Group’s accounting policies based on IFRS and performs accounting procedures in accordance with the policies.

1 Consolidated Financial Statements, Etc.

(1) Consolidated financial statements

(i) Consolidated statement of financial position

(Millions of yen)

	Notes	As of December 31, 2022	As of December 31, 2023
Assets			
Non-current assets			
Property, plant, and equipment	6	89,099	94,508
Goodwill	7	135,761	140,450
Intangible assets	7	64,786	62,918
Investments accounted for using equity method	8	–	12,357
Other financial assets	9	36,531	33,374
Retirement benefit asset	17	15,212	15,655
Deferred tax assets	10	52,946	49,538
Other non-current assets		3,357	6,018
Total non-current assets		397,692	414,818
Current assets			
Inventories	11	70,675	71,363
Trade and other receivables	12	111,746	119,082
Other financial assets	9	526	1,923
Other current assets		14,094	15,673
Cash and cash equivalents	13, 32	339,194	403,083
Subtotal		536,235	611,124
Assets held for sale	14	5,955	–
Total current assets		542,189	611,124
Total assets		939,881	1,025,942

(Millions of yen)

	Notes	As of December 31, 2022	As of December 31, 2023
Equity			
Share capital	15	26,745	26,745
Capital surplus	15	464,434	464,731
Treasury shares	15	(3,177)	(2,933)
Retained earnings	15	285,842	338,764
Other components of equity	15	(11,018)	9,112
Total equity attributable to owners of parent	15	762,826	836,418
Total equity		762,826	836,418
Liabilities			
Non-current liabilities			
Liabilities from application of equity method	8	15,529	13,966
Retirement benefit liability	17	287	293
Provisions	18	7,532	8,439
Deferred tax liabilities	10	404	428
Other financial liabilities	19	17,549	16,111
Other non-current liabilities	21	25,929	17,049
Total non-current liabilities		67,229	56,287
Current liabilities			
Trade and other payables	22	70,922	92,983
Provisions	18	2,966	2,379
Other financial liabilities	19	5,729	8,136
Income taxes payable		1,582	4,022
Other current liabilities	21	28,627	25,718
Total current liabilities		109,825	133,237
Total liabilities		177,055	189,524
Total equity and liabilities		939,881	1,025,942

(ii) Consolidated statement of profit or loss

(Millions of yen)

	Notes	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Revenue	5, 23	398,371	442,233
Cost of sales	11	(86,915)	(111,207)
Gross profit		311,455	331,026
Selling, general, and administrative expenses	24	(166,185)	(163,078)
Research and development expenses		(62,896)	(72,106)
Share of profit (loss) of investments accounted for using equity method		4,323	943
Other income	25	1,705	16,785
Other expenses	25	(23,061)	(21,007)
Finance income	26	3,319	4,873
Finance costs	26	(1,088)	(190)
Profit before tax		67,572	97,246
Income tax expense	10	(14,000)	(16,058)
Profit		53,573	81,188
Profit attributable to			
Owners of parent		53,573	81,188
Earnings per share			
Basic earnings per share (Yen)	28	99.68	151.03
Diluted earnings per share (Yen)	28	99.66	151.01

(iii) Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit		53,573	81,188
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	29	1,068	1,157
Remeasurements of defined benefit plans	29	961	579
Total of items that will not be reclassified to profit or loss		2,029	1,735
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	29	(5,068)	21,017
Cash flow hedges	29	–	(1,798)
Share of other comprehensive income of investments accounted for using equity method	29	121	53
Total of items that may be reclassified to profit or loss		(4,948)	19,272
Other comprehensive income		(2,918)	21,008
Comprehensive income		50,654	102,196
Comprehensive income attributable to			
Owners of parent		50,654	102,196

(iv) Consolidated statement of changes in equity

Fiscal year ended December 31, 2022

(Millions of yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of January 1, 2022		26,745	464,153	(3,359)	255,528	414	(7,299)
Profit		–	–	–	53,573	–	–
Other comprehensive income		–	–	–	–	–	(4,948)
Total comprehensive income		–	–	–	53,573	–	(4,948)
Dividends of surplus	15	–	–	–	(25,258)	–	–
Purchase of treasury shares	15	–	–	(11)	–	–	–
Disposal of treasury shares	15	–	(35)	118	–	–	–
Share-based remuneration transactions	16	–	315	76	–	(196)	–
Transfer from other components of equity to retained earnings		–	–	–	2,000	–	–
Total transactions with owners		–	281	183	(23,258)	(196)	–
Balance as of December 31, 2022		26,745	464,434	(3,177)	285,842	219	(12,247)

	Notes	Equity attributable to owners of parent					Total equity
		Other components of equity				Total	
		Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Total		
Balance as of January 1, 2022		980	–	–	(5,904)	737,162	737,162
Profit		–	–	–	–	53,573	53,573
Other comprehensive income		1,068	961	–	(2,918)	(2,918)	(2,918)
Total comprehensive income		1,068	961	–	(2,918)	50,654	50,654
Dividends of surplus	15	–	–	–	–	(25,258)	(25,258)
Purchase of treasury shares	15	–	–	–	–	(11)	(11)
Disposal of treasury shares	15	–	–	–	–	83	83
Share-based remuneration transactions	16	–	–	–	(196)	195	195
Transfer from other components of equity to retained earnings		(1,038)	(961)	–	(2,000)	–	–
Total transactions with owners		(1,038)	(961)	–	(2,195)	(24,990)	(24,990)
Balance as of December 31, 2022		1,010	–	–	(11,018)	762,826	762,826

Fiscal year ended December 31, 2023

(Millions of yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of January 1, 2023		26,745	464,434	(3,177)	285,842	219	(12,247)
Profit		–	–	–	81,188	–	–
Other comprehensive income		–	–	–	–	–	21,070
Total comprehensive income		–	–	–	81,188	–	21,070
Dividends of surplus	15	–	–	–	(29,027)	–	–
Purchase of treasury shares	15	–	–	(10)	–	–	–
Disposal of treasury shares	15	–	37	79	–	–	–
Share-based remuneration transactions	16	–	259	174	–	(117)	–
Transfer from other components of equity to retained earnings		–	–	–	761	–	–
Total transactions with owners		–	297	243	(28,266)	(117)	–
Balance as of December 31, 2023		26,745	464,731	(2,933)	338,764	102	8,823

	Notes	Equity attributable to owners of parent					Total equity
		Other components of equity				Total	
		Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Total		
Balance as of January 1, 2023		1,010	–	–	(11,018)	762,826	762,826
Profit		–	–	–	–	81,188	81,188
Other comprehensive income		1,157	579	(1,798)	21,008	21,008	21,008
Total comprehensive income		1,157	579	(1,798)	21,008	102,196	102,196
Dividends of surplus	15	–	–	–	–	(29,027)	(29,027)
Purchase of treasury shares	15	–	–	–	–	(10)	(10)
Disposal of treasury shares	15	–	–	–	–	117	117
Share-based remuneration transactions	16	–	–	–	(117)	317	317
Transfer from other components of equity to retained earnings		(182)	(579)	–	(761)	–	–
Total transactions with owners		(182)	(579)	–	(878)	(28,604)	(28,604)
Balance as of December 31, 2023		1,984	–	(1,798)	9,112	836,418	836,418

(v) Consolidated statement of cash flows

(Millions of yen)

	Notes	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities			
Profit before tax		67,572	97,246
Depreciation and amortization		18,476	21,096
Impairment losses (reversal of impairment losses)	6, 7	17,979	10,780
Increase (decrease) in provisions		1,570	496
Share of loss (profit) of investments accounted for using equity method		(4,323)	(943)
Gain on sales of share and valuation of remaining share (gain)	27	–	(14,799)
Foreign exchange loss (gain)		(8,917)	13,205
Decrease (increase) in inventories		(8,896)	(3,306)
Decrease (increase) in trade receivables		(2,704)	(2,931)
Increase (decrease) in trade payables		(5,867)	4,839
Increase (decrease) in contract liabilities		(7,321)	(8,149)
Income taxes paid		(22,559)	(8,610)
Other		3,662	6,628
Net cash provided by (used in) operating activities		48,672	115,551
Cash flows from investing activities			
Purchase of property, plant, and equipment		(15,564)	(17,213)
Purchase of intangible assets		(13,102)	(15,639)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	27	–	7,780
Purchase of investment securities		(1,908)	–
Proceeds from sale of investment securities		3,687	–
Advance receipt from sale of investment securities	14	4,229	–
Proceeds from redemption of bonds of subsidiaries and associates		4,000	5,000
Other		1,473	(310)
Net cash provided by (used in) investing activities		(17,185)	(20,382)
Cash flows from financing activities			
Repayments of lease liabilities	30	(3,767)	(3,640)
Purchase of treasury shares		(11)	(10)
Dividends paid	15	(25,258)	(29,027)
Other		3	143
Net cash provided by (used in) financing activities		(29,032)	(32,535)
Effect of exchange rate changes on cash and cash equivalents		1,655	1,255
Net increase (decrease) in cash and cash equivalents		4,111	63,889
Cash and cash equivalents at beginning of period	13, 32	335,084	339,194
Cash and cash equivalents at end of period	13, 32	339,194	403,083

Notes to consolidated financial statements

1. Reporting entity

Kyowa Kirin Co., Ltd. (the “Company”) is a stock company incorporated under the Companies Act of Japan and located in Japan. The ultimate parent company of the Company and its subsidiaries (the “Group”) is Kirin Holdings Company, Limited. The address of the Company’s registered corporate headquarters is Chiyoda-ku, Tokyo. The consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2023 comprise the accounts of the Company and its subsidiaries. Investments in associates and joint ventures have been accounted for by the equity method.

A description of the nature of the Group’s operations and its principal activities are disclosed in Note “5. Operating segments.”

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Since the Company satisfies the requirements for a “specified company complying with any designated international accounting standards” as set forth in Article 1-2 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976), the Company has applied the provision of Article 93 of the regulation.

(2) Authorization of financial statements

The consolidated financial statements of the Group were authorized for issue at the Board of Directors meeting held on March 12, 2024.

(3) Basis of measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for specific financial instruments and other assets measured at fair value, as stated in Note “3. Material accounting policies.”

(4) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and all amounts have been rounded to the nearest million.

(5) Accounting judgments, estimates, and assumptions

In preparing consolidated financial statements in accordance with IFRS, the management is required to make judgments, estimates, and assumptions that can affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods.

The following are the management’s judgments and estimates that can significantly affect the amounts in the consolidated financial statements.

(i) Impairment of in-process research and development

In-process research and development mainly represents intangible assets that were acquired as part of in-licensing agreements for products, development products, technologies, etc. and that are in the research and development stage and have not yet been approved for sale by regulatory authorities.

The Group performs an impairment test for in-process research and development on an individual asset basis annually (during the fourth quarter) and whenever there is an indication that the asset may be impaired. The recoverable amount for impairment testing purposes is primarily determined based on value in use. In measuring value in use, estimates are used for the aggregate development costs, the probability of successful development, and future sales projections, etc. of the product under research and development. Changes in these estimates may have significant impacts on the consolidated financial statements for the fiscal year ending December 31, 2024. The Group recorded in-process research and

development in the consolidated financial statements of ¥33,248 million as of December 31, 2022, and ¥22,191 million as of December 31, 2023.

(ii) Impairment of marketing rights

The Group performs an impairment test for marketing rights for pharmaceuticals on an individual asset basis whenever there is an indication that the asset may be impaired. The recoverable amount for impairment testing purposes is primarily determined based on value in use. In measuring value in use, estimates are used for future sales projections, etc. of the product. Changes in these estimates may have significant impacts on the consolidated financial statements for the fiscal year ending December 31, 2024. The Group recorded marketing rights in the consolidated financial statements of ¥24,698 million as of December 31, 2022, and ¥33,090 million as of December 31, 2023.

(6) Changes in accounting policies

IAS 12 “Income Taxes” (amended in May 2023)

Starting from the fiscal year ended December 31, 2023, the Group has applied “International Tax Reform—Pillar Two Model Rules (hereinafter, ‘Amendments to IAS 12’).”

The Group has applied the exception provided in Amendments to IAS 12, and it does not recognize and does not disclose information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules.

It is expected that the change will not have a material impact on the consolidated financial statements.

(7) Changes in presentation

Consolidated statement of cash flows

“Foreign exchange losses (gain),” which had previously been included in “Other” under “cash flows from operating activities” in the fiscal year ended December 31, 2022, has been presented separately because its monetary importance has increased. To reflect this change in the presentation method, we have reclassified the amount in our consolidated financial statements for the fiscal year ended December 31, 2022.

As a result, negative ¥5,255 million presented as “Other” in “Cash flows from operating activities” in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022, was reclassified as “Foreign exchange loss (gain)” of negative ¥8,917 million and “Other” of ¥3,662 million.

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group. The Group considers that it controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of a subsidiary are included in the consolidated financial statements from the date the Group obtains control of the subsidiary until the date the Group loses control of the subsidiary.

If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements where needed. Intercompany balances of receivables and payables, and transactions, and unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Partial disposal of the Group's ownership interest in a subsidiary that does not result in the Group losing control of the subsidiary is accounted for as an equity transaction.

If the Group loses control of a subsidiary, it recognizes the gain or loss associated with the loss of control in profit or loss.

(ii) Associates

An associate is an entity over whose financial and operating policies the Group has significant influence, but not control or joint control. If the Group holds between 20% and 50% of the voting power of another entity, it is presumed that the Group has significant influence over the entity.

Associates are accounted for using the equity method.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee.

(iii) Joint arrangements

A joint arrangement is a contractual arrangement of which two or more parties have joint control.

The Group classifies its involvement with a joint arrangement as a joint operation (when the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement) or a joint venture (when the Group has rights to the net assets of the arrangement), depending upon the rights and obligations of the parties to the arrangement.

Joint ventures are accounted for using the equity method.

Unrealized gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investee.

(iv) Business combinations

Business combinations are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are measured at their acquisition-date fair values. The consideration transferred is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities assumed, and the equity instruments issued by the Company in exchange for control of an acquiree. Any excess of the consideration over the fair value of net identifiable assets and liabilities of the acquiree is recognized as goodwill in the consolidated statement of financial position. If the consideration is below the fair value of net identifiable assets and liabilities, the difference is immediately recognized as income in the consolidated statement of profit or loss.

Costs incurred in connection with business combinations, such as finder's fees, attorney's fees, and due diligence costs, are expensed in the periods in which the costs are incurred.

(2) Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates on the dates of the transactions or an approximation thereof.

Foreign currency monetary assets and liabilities at the end of the fiscal year are translated into the functional currency using the spot exchange rates at the end of the fiscal year. Foreign currency non-monetary assets and liabilities that are measured at fair value are translated into the functional currency

using the spot exchange rates at the date when the fair value was measured.
Exchange differences arising from translation and settlement are recognized in profit or loss. For financial assets measured at fair value through other comprehensive income, however, such differences are recognized in other comprehensive income. Foreign currency non-monetary items that are measured in terms of historical cost continue to be translated using the spot exchange rates on the dates of the transactions or an approximation thereof.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the spot exchange rates at the end of the fiscal year, whereas income and expenses are translated into Japanese yen using the rate that approximates the exchange rates on the dates of the transactions. Exchange differences arising in translating the financial statements of foreign operations are recognized in other comprehensive income. Exchange differences arising from the translation of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

(3) Financial instruments

(i) Financial assets (excluding derivatives)

1) Initial recognition and measurement

The Group classifies its financial assets as measured at fair value through profit or loss, fair value through other comprehensive income, or amortized cost. This classification is determined at the initial recognition.
The Group initially recognizes financial assets measured at amortized cost on the trade date and other financial assets on the settlement date.
All financial assets, except for those classified as measured at fair value through profit or loss, are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. However, trade receivables that do not contain a significant financing component are determined at their transaction price.
Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

・the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.
For equity instruments that are measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or other comprehensive income, and the Group continues to apply the classification.

2) Subsequent measurement

After initial recognition, financial assets are measured in accordance with the classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value.
Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.
For equity instruments that are designated as measured at fair value through other comprehensive income, however, changes in the fair value are recognized in other comprehensive income, and the changes are transferred to retained earnings when the equity instruments are derecognized or the fair value has declined significantly. Dividends on the financial assets are recognized in profit or loss as

part of finance income unless the dividend clearly represents a recovery of part of the cost of the investment.

3) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset.

(ii) Impairment of financial assets

Allowance for doubtful accounts is recognized for expected credit losses on financial assets measured at amortized cost.

The Group assesses, at the end of each fiscal year, whether the credit risk on a financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, 12-month expected credit losses are recognized as allowance for doubtful accounts for the financial asset. If the credit risk on a financial asset has increased significantly since initial recognition, an amount equal to the lifetime expected credit losses is recognized as allowance for doubtful accounts.

The Group determines, on each reporting date, whether credit risk has increased significantly, based on the change in the risk of a default occurring since initial recognition. When determining whether there is any change in the risk of a default occurring since initial recognition, the Group considers past due information, the deterioration of the business performance of the debtor, and other information. For trade receivables, however, allowance for doubtful accounts is always recognized at an amount equal to lifetime expected credit losses, regardless of whether credit risk has increased significantly since initial recognition.

Expected credit losses are measured based on the discounted present value of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The Group estimates expected credit losses of financial assets based on reasonably available and supportable information such as historical default rates. Subsequent changes in estimates of expected credit losses are recognized in profit or loss.

The Group treats any financial asset as a credit-impaired financial asset in cases that are deemed as default, including cases where the asset is significantly past due even after enforcement activity, and cases where the debtor has filed for bankruptcy, corporate reorganization, civil rehabilitation, special liquidation, or other legal proceedings. When the Group has no reasonable expectation of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof, it directly reduces the gross carrying amount of the financial asset.

(iii) Financial liabilities (excluding derivatives)

1) Initial recognition and measurement

Financial liabilities held by the Group are classified as financial liabilities measured at amortized cost. This classification is determined at the initial recognition.

These financial liabilities are initially measured at amounts minus transaction costs that are directly attributable to the issue of the financial liabilities.

2) Subsequent measurement

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

3) Derecognition

The Group derecognizes a financial liability when the financial liability is extinguished; that is, when the obligation specified in the contract is discharged or cancelled or expires.

(iv) Derivatives and hedge accounting

The Group enters into derivatives such as forward foreign exchange contracts, and currency swaps, to manage foreign exchange risk. These derivatives are initially recognized at fair value on the date the

contract is entered into and are also subsequently remeasured at fair value. Changes in the fair value of derivatives are recognized in profit or loss, in principle.
However, the Group applies cash flow hedges to some derivatives that meet the requirements of hedge accounting and are accounted for as described in the following.
The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the non-effective portion is recognized in profit or loss. Amounts of hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities. When forecasted transactions or firm commitments are no longer expected to occur, any related gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss.

(4) Property, plant, and equipment

Items of property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.
The cost of an item of property, plant, and equipment includes any costs directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located.
All assets, other than land and construction in progress, are depreciated using the straight-line method over their estimated useful lives.

The estimated useful lives of major items are as follows:

- Buildings and structures 15 to 50 years
- Machinery and vehicles 4 to 15 years
- Right-of-use assets Shorter of estimated useful life and lease term

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year, and any changes are applied prospectively as changes in accounting estimates.

(5) Leases

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is determined as the amount of the initial measurement of the lease liability, adjusted for any initial direct costs, any lease incentives received, etc., plus restoration and other costs to be incurred under the contract. The right-of-use asset is depreciated using the straight-line method over the shorter of the estimated useful life and the lease term. Furthermore, if applicable, the carrying amount of the right-of-use asset is reduced due to an impairment loss and adjusted for any remeasurement of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. In measuring lease liabilities, the Group elected not to separate non-lease components, and instead to recognize each lease component and any associated non-lease components as a single lease component.
The Group presents, in the consolidated statement of financial position, right-of-use assets in "property, plant, and equipment" and lease liabilities in "other financial liabilities."
For short-term leases with a term of 12 months or less and leases of low-value assets, the Group applied recognition exemptions in IFRS 16 and elected not to recognize right-of-use assets or lease liabilities. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(6) Goodwill

Goodwill arising from a business combination is stated at cost less any accumulated impairment losses.
Goodwill is not amortized and is tested for impairment annually (during the fourth quarter) and whenever there is an indication that the goodwill may be impaired.
Measurement of goodwill on initial recognition is stated in "(1) Basis of consolidation, (iv) Business combinations."

(7) Intangible assets

Separately acquired intangible assets are measured at cost at initial recognition. Intangible assets acquired in business combinations are measured at their acquisition-date fair values. Research expenses are recognized as expenses when incurred, and development expenses are recognized as “in-process research and development” included in intangible assets, when it is considered probable that relevant assets will be approved for sale by regulatory authorities. After initial recognition, intangible assets, except for those that have not yet been amortized, are amortized using the straight-line method over their respective estimated useful lives and carried at cost less accumulated amortization and any accumulated impairment losses. Intangible assets that were acquired through in-licensing agreements for products, development products, technologies, etc. or through business combinations and that are still in the research and development stage or have not yet been approved for sale by regulatory authorities, and internal development expenses that meet asset recognition criteria are recognized as “in-process research and development” included in intangible assets. Because “in-process research and development” falls under intangible assets that have not yet been amortized, it is tested for impairment on an individual asset basis annually (during the fourth quarter) and whenever there is an indication that the asset may be impaired. The Group recognizes intangible assets that have been approved for sale by regulatory authorities as “marketing rights” and begins amortizing them after the start of sales.

The estimated useful lives of major intangible assets are as follows:

・Marketing rights 5 to 20 years

The estimated useful lives, residual values, and amortization methods are reviewed at the end of each fiscal year, and any changes are applied prospectively as changes in accounting estimates.

(8) Impairment of non-financial assets

For the carrying amounts of the Group’s non-financial assets, except for inventories, deferred tax assets, assets held for sale, and retirement benefit assets, the Group assesses whether there is any indication of impairment at the end of each fiscal year. If there is any indication that an asset may be impaired, the Group estimates the recoverable amount of the asset. For goodwill and intangible assets that have not yet been amortized or are not yet available for use, recoverable amounts are estimated at the same time every year. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In measuring the value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Assets that are not tested for impairment on an individual asset basis are integrated into the smallest cash-generating unit that generates cash inflows largely independent of the cash inflows from other assets or groups of assets through continuing use.

An impairment loss is recognized in profit or loss when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed. Impairment losses recognized in prior periods for assets other than goodwill are assessed at the end of each fiscal year for any indication that the impairment loss may have decreased or no longer exists. If there has been a change in the estimates used to determine the recoverable amount, the impairment loss is reversed. An impairment loss is reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized for the asset.

(9) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is principally determined by the weighted average cost method and comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

(10) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments with an original maturity of three months or less which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(11) Assets held for sale and discontinued operations

(i) Non-current assets held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

To classify a non-current asset (or a disposal group) as held for sale, its sale must be highly probable and it must be available for immediate sale in its present condition. In addition, the Group's management must be committed to a plan to sell the asset, and the sale should be expected to be completed within one year from the date of classification in principle.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortized once classified as held for sale.

(ii) Discontinued operations

The Group classifies an operation as a discontinued operation when it includes a component of an entity that either has been disposed of or is classified as held for sale and represents a separate line of business or geographical area of operations of the Group and the Group has a plan to dispose of the separate line of business or geographical area of operations.

(12) Equity

(i) Ordinary shares

Proceeds from the issue of ordinary shares are included in share capital and capital surplus.

(ii) Treasury shares

When the Company reacquires its own shares, the consideration paid is recognized as a deduction in equity. When the Company sells its own shares, the difference between the carrying amount and the consideration received is recognized as capital surplus.

(13) Share-based payments

The Group has implemented a restricted stock compensation plan as an equity-settled share-based payment plan and a performance-linked share-based remuneration plan (Performance Share Unit) as an equity-settled and cash-settled share-based payment plan for Directors and Executive Officers, and a phantom stock plan as a cash-settled share-based payment plan for certain employees.

Restricted stock compensation is recognized as an expense over the period from the grant date to the vesting date with a corresponding increase in equity. The fair value of restricted stock compensation is measured by reference to the fair value of the Company's ordinary shares on the grant date.

Equity-settled performance share units are measured by reference to the fair value of the Company's shares to be granted in the future and recognized as an expense over the vesting period with a corresponding increase in equity. For cash-settled performance share units, the services received and the liability incurred are measured at the fair value of the liability and recognized as an expense over the vesting period with a corresponding increase in liabilities. The fair value of the liability is remeasured at the end of each fiscal year and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

For phantom stock, the fair value of future cash payments is recognized as a liability, and changes in the fair value of the liability are recognized in profit or loss for the period until the liability is settled.

In addition, the Company had a share option plan, which was an equity-settled share-based payment plan for its Directors and Executive Officers, but abolished it, although share options granted remain outstanding. The Company estimated the fair value of the share options granted under the plan at the grant date and recognized it as an expense over the vesting period in the consolidated statement of profit or loss with a corresponding increase in equity in the consolidated statement of financial position, taking into account the number of share options expected to vest eventually. The Company calculated the fair value of the share

options granted by using the Black-Scholes-Merton formula or other option pricing models, taking into account the terms and conditions of the options.

(14) Employee benefits

(i) Post-employment benefits

The Group's employee retirement benefit plans consist of defined benefit plans and defined contribution plans.

The Group determines the present value of its defined benefit obligations and the related current service cost and past service cost using the projected unit credit method.

The discount rate used is determined based on market yields on high quality bonds at the end of the fiscal year.

The net defined benefit liability (asset) is determined by deducting the fair value of any plan assets from the present value of the defined benefit obligations.

Remeasurements of defined benefit plans are recognized in full in other comprehensive income in the period in which they occur and are immediately transferred from other components of equity to retained earnings.

Past service cost is recognized in profit or loss in the period of a plan amendment or a curtailment.

The cost of retirement benefits under defined contribution plans is recognized as an expense when contributions are made.

(ii) Short-term employee benefits

Short-term employee benefits are recognized as expenses when the related service is rendered by employees.

For the cost of paid leave, the amount expected to be paid under the related plans is recognized as a liability when the Group has a legal or constructive obligation for the payment and can make a reliable estimate of the obligation.

(15) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(16) Revenue

(i) Revenue from contracts with customers

The Group identifies performance obligations in contracts with customers and recognizes revenue in the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or services to the customers. Such amount does not include amounts collected on behalf of taxation authorities such as consumption taxes and value-added tax. If the consideration in a contract with a customer includes a variable amount, the variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

1) Revenue from sale of merchandise and finished goods

Revenue under sales contracts for merchandise and finished goods with customers is recognized when merchandise and finished goods are delivered to the customers, since control of the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue from the sale of merchandise and finished goods is measured at the price in the contract after deduction of items such as rebates and discounts to wholesalers, medical institutions, medical insurers, and government agencies. The most important deduction adjustments are rebates to customers, chargeback payments to wholesalers, rebates associated with U.S. public health insurance programs, and a provision for returns of expired products. These adjustments are determined, taking into account the contents of the contract, historical data, and other factors. Since

they are based on estimates, they may not fully reflect the actual deductions and may vary depending on sales mix by purchaser type, by ultimate consumer type, and by product type.
The Group recognizes as refund liabilities the amount of consideration that it expects to refund to customers. The refund liabilities are estimated by using the most likely amount method based on contractual terms, historical data, and other factors.
Consideration under sales contracts for merchandise and finished goods is received mainly within one year from the delivery of the merchandise and finished goods to customers. Such contracts do not contain any significant financing components.

2) Revenue from technology out-licensing
The Group earns as revenue from technology out-licensing upfront income, milestone revenue, and running royalty income under license agreements that grants third parties licenses to develop, manufacture, and sell development products. Some license agreements do not involve the provision of goods or services by the Group other than the granting of licenses, while others involve the provision of goods or services by the Group on development cooperation such as the provision of manufacturing technologies and drugs, application for regulatory approval, promotion of joint commercialization, etc.
When the Group does not provide any significant goods or services other than granting a license, upfront income is recognized as revenue at the time of granting the license, since all performance obligations are usually satisfied at the time. Milestone revenue, which is mainly received upon successful completion of development activities and regulatory approval, is recognized as revenue when it becomes highly probable that an agreed-upon milestone, such as application for regulatory approval, will be reached, taking into account the probability of a significant revenue reversal in the future.
When the Group provides more than one significant good or service including granting a license, the Group identifies a single or more than one performance obligation, allocates the transaction price consisting of upfront income and milestone revenue to the performance obligation(s), records the upfront consideration as a contract liability, and recognizes revenue over a period of time by measuring the progress towards complete satisfaction of that performance obligation. For development cooperation in relation to license agreements and other performance obligations, the progress is measured using an input method that is appropriate for each license agreement.
Running royalty income and milestone revenue received for the achievement of sales targets, such as when the total sales of a drug product exceed a specified amount, are a sales-based or usage-based royalty and are measured mainly based on the sales recorded by the contract counterparty. The Group recognizes revenue at the later of when the sale or usage occurs and when the performance obligations to which the sales-based or usage-based royalty has been allocated are satisfied.
Consideration of license agreements is received mainly within one year from the time of granting the license and the time agreed upon in the agreement such as the achievement of a specified milestone. Such contracts do not contain any significant financing components.

(ii) Interest income
Interest income is recognized using the effective interest method.

(iii) Dividend income
Dividend income is recognized when the right to receive payment is established.

(17) Joint development and joint commercialization
The Group has entered into agreements with partner companies to jointly develop and commercialize development products and products of the Group or the partner companies.
Under the agreements, the Group has rights to receive from partner companies upfront income as well as milestone revenue, running royalty income, and other income as consideration for the agreements, or has obligations to pay them to partner companies.
In addition, with respect to expenses and profits shared between the Group and the partner companies in joint development and joint commercialization promotion activities, the Group’s expenditures to and income

received from a partner company are recorded as, or recorded as reversals of, revenue, cost of sales, selling, general and administrative expenses, or research and development expenses in accordance with the details of each agreement and the transaction.

License agreement with Amgen for KHK4083 for atopic dermatitis, etc.

On June 1, 2021, the Company entered into an agreement with Amgen Inc. to jointly develop and commercialize KHK4083, an anti-OX40 fully human monoclonal antibody discovered by the Company, for the treatment of atopic dermatitis, with potential in other autoimmune diseases. This agreement became effective on July 31, 2021, following the expiration of the waiting period under U.S. antitrust law.

In accordance with the agreement, Amgen leads the development, manufacturing, and commercialization for KHK4083 for all markets globally, except Japan, where the Company solely engages in marketing activities. The Company and Amgen have the right to co-promote KHK4083 in the United States, and the Company has the right to co-promote it in certain other markets outside the United States, including in Europe and Asia except Japan. Amgen made a U.S.$400 million upfront payment to the Company and will make future contingent milestone payments potentially worth up to an additional U.S.$850 million, as well as royalty payments on future global sales. The Company and Amgen will share global development costs, except in Japan, and commercialization costs in the United States. Amgen will recognize sales for KHK4083 in all markets globally, except for Japan.

As stated in “3. Material accounting policies, (16) Revenue,” the Group recorded upfront income of U.S.$400 million received under the agreement as a contract liability and will reverse the contract liability and recognize revenue as the performance obligations are satisfied over the estimated period for obtaining approval in the United States, in which the Group will complete the transfer of significant goods or services including development cooperation, such as the provision of manufacturing technologies and investigational drugs that are integral to the granting of a license, and assistance to obtain approval for manufacturing and marketing. The Company recognized revenue of ¥8,073 million in the fiscal year ended December 31, 2023.

Expenses incurred in preparation for joint development and joint commercialization activities are recorded in selling, general, and administrative expenses or research and development expenses, depending on the nature of the expense.

(18) Government grants

Government grant income is measured at fair value and recognized when there is reasonable assurance that the Group will comply with the conditions attached to grants and the grants will be received.

Grants for expenses incurred in association with research and development are presented as a deduction from related expenses. Grants for the acquisition of assets are deducted directly from the cost of the assets.

(19) Income taxes

Income taxes consist of current and deferred taxes. These are recognized in profit or loss, except for those arising from business combinations and items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities. The amount of taxes is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in countries where the Group operates and earns taxable income.

(ii) Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for accounting purposes at the end of the fiscal year and their tax bases, unused tax losses, and unused tax credits.

Deferred tax assets or liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill; and
- temporary differences arising from the initial recognition of assets and liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit.

Deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules are not recognized and disclosed by applying the exceptions provided in IAS 12.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. However, for taxable temporary differences related to investments in subsidiaries and associates and interests in joint arrangements, deferred tax liabilities are not recognized if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for deductible temporary differences related to investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are not recognized if it is probable that the temporary differences will not reverse in the foreseeable future or it is unlikely that taxable profits will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed every fiscal year and reduced to the extent that it is probable that sufficient taxable profits will not be available to allow all or part of the asset to be utilized. Unrecognized deferred tax assets are reassessed every fiscal year and recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and in accordance with the tax laws that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

(20) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares issued after adjusting for treasury shares during the period. Diluted earnings per share is calculated by adjusting profit or loss attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. Accounting standards and interpretations issued but not yet applied

None of the accounting standards and interpretations that have been issued or amended by the date of approval for the publication of the consolidated financial statements have a material impact on the consolidated financial statements of the Group.

5. Operating segments

(1) Overview of reportable segments

The Group consists of only the one reportable segment, which is the Pharmaceuticals business. Accordingly, information for each reportable segment is omitted.

(2) Information about products and services

Revenue from external customers by product and service consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Merchandise and finished goods	364,596	400,372
Revenue from technology out-licensing	33,775	41,860
Total	398,371	442,233

(3) Information about geographical areas

(i) Revenue

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Japan	154,636	153,462
Americas	143,905	177,296
(U.S.)	139,852	172,242
Europe	62,251	65,745
Asia	37,368	44,759
Other	210	972
Total	398,371	442,233

Note: Revenue is disaggregated by country or region based on the location of the customer.

(ii) Non-current assets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Japan	226,529	232,661
Americas	13,508	15,229
Europe	49,253	52,469
Asia	3,713	3,535
Total	293,002	303,894

Note: Non-current assets are disaggregated by location and do not include investments accounted for using an equity method, financial instruments, retirement benefit assets, or deferred tax assets.

(4) Information about major customers

The Group had the following revenue from transactions with a single external customer amounting to 10% or more of revenue in the consolidated statement of profit or loss.

(Millions of yen)

Customer	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
CVS Caremark	–	46,923

Note: Revenue from CVS Caremark in the fiscal year ended December 31, 2022 is not presented, because it is less than 10% of revenue stated in the consolidated statement of profit or loss.

6. Property, plant, and equipment

(1) Changes in property, plant, and equipment

The following are changes in the carrying amounts, costs, and the accumulated depreciation and impairment losses of property, plant, and equipment:

(i) Carrying amount

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Right-of-use assets	Other (Note 1)	Total
Balance as of January 1, 2022	30,143	10,591	5,257	6,473	19,288	6,900	78,652
Acquisitions	31	14	–	16,346	3,651	1,302	21,343
Sales or disposals	(36)	(39)	–	(37)	(339)	(88)	(539)
Depreciation (Note 2)	(1,803)	(2,941)	–	–	(3,951)	(2,740)	(11,433)
Impairment losses (Note 3)	–	–	–	(413)	–	–	(413)
Transfers	1,429	2,747	–	(7,674)	363	3,134	–
Exchange differences on translation of foreign operations	431	24	–	(87)	1,214	(92)	1,490
Balance as of December 31, 2022	30,195	10,396	5,257	14,608	20,227	8,416	89,099
Acquisitions	226	3	58	15,735	1,270	460	17,752
Sales or disposals	(80)	(22)	–	–	(172)	(35)	(310)
Depreciation (Note 2)	(2,786)	(3,314)	–	–	(3,903)	(3,155)	(13,158)
Impairment losses (Note 3)	(44)	–	–	–	–	–	(44)
Transfers	12,922	3,065	–	(21,087)	–	5,099	–
Exchange differences on translation of foreign operations	265	14	–	106	839	(55)	1,169
Balance as of December 31, 2023	40,698	10,142	5,316	9,361	18,260	10,730	94,508

Notes: 1. “Other” mainly represents tools, furniture, and fixtures.

2. Depreciation of property, plant, and equipment is recorded in “cost of sales,” “selling, general, and administrative expenses” and “research and development expenses” in the consolidated statements of profit or loss.

3. Impairment losses are included in “other expenses” in the consolidated statement of profit or loss.

(ii) Cost

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Right-of-use assets	Other	Total
Balance as of January 1, 2022	83,921	58,748	5,258	6,473	35,419	39,750	229,569
Balance as of December 31, 2022	85,656	60,760	5,258	15,021	39,693	42,231	248,619
Balance as of December 31, 2023	95,738	62,425	5,316	9,773	38,915	44,798	256,964

Note: The Group received a government grant of ¥1,558 million for the acquisition of property, plant, and equipment in the fiscal year ended December 31, 2023 (¥1,429 million in 2022) and deducted the amount directly from the cost of property, plant, and equipment. There were no unfulfilled conditions or other contingencies attached to the government grant.

(iii) Accumulated depreciation and impairment losses

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Right-of-use assets	Other	Total
Balance as of January 1, 2022	53,779	48,157	0	–	16,131	32,850	150,917
Balance as of December 31, 2022	55,462	50,364	0	413	19,466	33,815	159,520
Balance as of December 31, 2023	55,039	52,283	0	412	20,655	34,068	162,456

(2) Right-of-use assets

The following table provides the carrying amounts of right-of-use assets included in property, plant, and equipment:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Land	Other	Total
Balance as of January 1, 2022	11,022	861	7,404	1	19,288
Balance as of December 31, 2022	10,616	1,887	7,722	2	20,227
Balance as of December 31, 2023	9,026	1,505	7,728	1	18,260

(3) Commitments

Please refer to Note “33. Commitments” for information about commitments for the acquisition of property, plant, and equipment.

7. Goodwill and intangible assets

(1) Changes in goodwill and intangible assets

The following are changes in the carrying amounts, costs, and the accumulated amortization and impairment losses of goodwill and intangible assets:

(i) Carrying amount

(Millions of yen)

	Goodwill	Intangible assets			
		In-process research and development (Note 1)	Marketing rights	Other (Note 2)	Total
Balance as of January 1, 2022	136,352	40,415	29,733	5,919	76,066
Acquisitions	–	6,448	40	2,678	9,166
Additions from internal development	–	4,126	–	–	4,126
Sales or disposals	–	–	–	(43)	(43)
Amortization (Note 3)	–	–	(5,566)	(1,478)	(7,043)
Impairment losses	–	(17,563)	–	(2)	(17,566)
Transfers	–	(178)	178	(332)	(332)
Exchange differences on translation of foreign operations	1,178	–	313	98	411
Transfer to assets held for sale (Note 4)	(1,769)	–	–	–	–
Balance as of December 31, 2022	135,761	33,248	24,698	6,840	64,786
Acquisitions	–	1,500	4,380	3,037	8,917
Additions from internal development	–	6,678	–	–	6,678
Sales or disposals	–	–	–	(55)	(55)
Amortization (Note 3)	–	–	(5,571)	(2,368)	(7,939)
Impairment losses	–	(9,403)	(1,240)	(156)	(10,799)
Reversal of impairment losses	–	–	64	–	64
Transfers	–	(9,832)	9,832	–	–
Exchange differences on translation of foreign operations	4,690	–	928	339	1,267
Balance as of December 31, 2023	140,450	22,191	33,090	7,637	62,918

Notes:
1. “In-process research and development” of intangible assets included internally generated intangible assets of ¥8,443 million and ¥14,824 million as of December 31, 2022 and December 31, 2023, respectively. “In-process research and development” excluding internally generated intangible assets of ¥ 24,805 million and ¥ 7,367 million as of December 31, 2022 and December 31, 2023, respectively.
2. “Other” under intangible assets mainly represents software.
3. Amortization of intangible assets is recorded in “cost of sales,” “selling, general, and administrative expenses” and “research and development expenses” in the consolidated statements of profit or loss.
4. For more details, please refer to Note “14. Assets held for sale.”

(ii) Cost

(Millions of yen)

	Goodwill	Intangible assets			
		In-process research and development	Marketing rights	Other	Total
Balance as of January 1, 2022	136,352	45,639	110,556	10,449	166,644
Balance as of December 31, 2022	135,761	56,035	107,497	12,562	176,094
Balance as of December 31, 2023	140,450	35,607	128,793	15,631	180,031

(iii) Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets			
		In-process research and development	Marketing rights	Other	Total
Balance as of January 1, 2022	–	5,224	80,824	4,530	90,578
Balance as of December 31, 2022	–	22,788	82,799	5,721	111,308
Balance as of December 31, 2023	–	13,416	95,704	7,994	117,114

(2) Testing for impairment

(i) Goodwill

The Group tests goodwill for impairment annually (during the fourth quarter) and whenever there is an indication that it may be impaired. The recoverable amount for impairment testing purposes is determined based on value in use.

Goodwill acquired in a business combination, on the acquisition date, is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

Value in use is determined by discounting the estimated future cash flows based on a three-year business forecast to the present value.

The following are discount rates used in determining value in use.

	Discount rate (post-tax)	Discount rate (pre-tax)
	Weighted average cost of capital (WACC) of groups of cash-generating units	Weighted average cost of capital (WACC) of groups of cash-generating units
Fiscal year ended December 31, 2022	7.3%	10.4%
Fiscal year ended December 31, 2023	7.6%	10.6%

Such business forecast reflected past experience, is consistent with external sources of information, and was developed taking into account new drugs to be launched, competition, etc.

The value in use sufficiently exceeds the carrying amount of the groups of cash-generating units, so the Group does not think the value in use will fall below the carrying amount even if key assumptions used to determine the value in use change within a reasonable range.

(ii) Intangible assets that have not yet been amortized

The Group performs an impairment test for in-process research and development on an individual asset basis annually (during the fourth quarter) and whenever there is an indication that the asset may be impaired. The recoverable amount for impairment testing purposes is determined based on value in use. In-process research and development represents rights related to research and development acquired through in-licensing agreements for products in the research and development stage, development products, technologies, etc. or through business combinations, and internal development expenses that meet asset recognition criteria and will not become usable until the final commercialization stage. The amount was ¥22,191 million (¥33,248 million as of December 31, 2022).

(3) Significant intangible assets

Intangible assets in the consolidated statement of financial position include the following significant items:

(Millions of yen)

		As of December 31, 2022	As of December 31, 2023	
	Name	Carrying amount	Carrying amount	Remaining amortization period
In-process research and development	Tivozanib	2,994	4,204	–
	Tenapanor hydrochloride (Note 1)	9,535	–	–
	Bardoxolone methyl (Note 2)	8,275	–	–
Marketing rights	PHOZEVEL (Note 1)	–	13,915	–
	Rituximab BS [KHK]	2,994	2,395	Four years
	Moventig	2,352	2,301	Seven years
	HARUROPI	1,287	958	Three years

Notes: 1. As approval was obtained to manufacture and market tenapanor hydrochloride (Japanese brand name: PHOZEVEL) during the fiscal year ended December 31, 2023, the asset was transferred from in-process research and development to marketing rights. However, as sales have not started, its amortization has not begun.

2. The asset was impaired in the fiscal year ended December 31, 2023. For details, please refer to “(4) Impairment of intangible assets.”

(4) Impairment of intangible assets

In the fiscal year ended December 31, 2022, the Group recognized an impairment loss of ¥17,566 million, which was recorded in “other expenses” in the consolidated statement of profit or loss. This is mainly because the carrying amount of in-process research and development for zandelisib (code name: ME-401) was reduced to their recoverable amount (value in use of 0) due to the decision to discontinue the joint development outside Japan.

In the fiscal year ended December 31, 2023, the Group recognized an impairment loss of ¥10,799 million, which was recorded in “other expenses” in the consolidated statement of profit or loss. This is mainly because the carrying amount of in-process research and development for bardoxolone methyl (code name: RTA402) was reduced to their recoverable amount (value in use of 0) due to the decision to discontinue the development.

The cash-generating units for intangible assets are individual assets, and the recoverable amount is determined based on its value in use using a pre-tax rate.

(5) Commitments

Please refer to Note “33. Commitments” for information about commitments for the acquisition of intangible assets.

8. Investments accounted for using equity method

Investments accounted for using the equity method consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Joint ventures	(15,271)	(13,322)
Associates	(258)	11,713

(1) Material joint ventures

The Group's material joint venture is FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd., which was established through a joint venture agreement between the Company and FUJIFILM Corporation. It operates in Japan and Europe and engages in the development, manufacture, and marketing of biosimilars. The following table reconciles the company's condensed financial statements under IFRS to the carrying amount of the Group's equity interest:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Percentage ownership interest	50.0%	50.0%
Total non-current assets	16,808	10,296
Total current assets	13,100	14,988
of which: cash and cash equivalents	7,293	5,700
Total non-current liabilities	57,000	47,000
of which: bonds payable	57,000	47,000
Total current liabilities	2,471	4,820
Equity	(29,563)	(26,536)
Equity attributable to the Group	(14,781)	(13,268)
Consolidation adjustments	(490)	(54)
Carrying amount of equity	(15,271)	(13,322)

The amounts of bonds issued by the company that the Company purchased were ¥28,500 million and ¥23,500 million as of December 31, 2022 and 2023, respectively. Adjustments were made to unrealized gains on transactions with the Company.

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Revenue	13,657	20,160
Depreciation and amortization	(1)	(1)
Interest expenses	(284)	(245)
Income tax expense (Note 1)	(270)	(7,976)
Profit or loss from continuing operations	8,647	2,919
Other comprehensive income	241	107
Total comprehensive income	8,889	3,026
The Group's share		
Profit or loss from continuing operations	4,324	1,460
Other comprehensive income	121	53
Total comprehensive income	4,444	1,513

Notes: 1. Income tax expense primarily consisted of deferred tax expense.
2. There were no dividends received from FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd.

(2) Individually immaterial associates

The carrying amount of investments in individually immaterial associates was as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Carrying amount	(258)	11,713

The following table provides the financial information of individually immaterial associates:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
The Group's share		
Profit or loss from continuing operations	(172)	(485)
Other comprehensive income	–	134
Total comprehensive income	(172)	(351)

9. Other financial assets

(1) Breakdown of other financial assets

Other financial assets consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Financial assets measured at amortized cost		
Bonds payable	28,500	23,500
Leasehold deposits	2,364	2,288
Other	755	527
Financial assets measured at fair value through profit or loss		
Other	335	1,697
Financial assets measured at fair value through other comprehensive income		
Equity securities and investments in capital	5,103	7,285
Total	37,057	35,297
Non-current assets	36,531	33,374
Current assets	526	1,923

(2) Financial assets measured at fair value through other comprehensive income

The Group measures equity securities and investments in capital that are held for the purpose of maintaining smooth business relationships at fair value through other comprehensive income. The following table provides the fair value of each major issue:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Ardelyx, Inc.	1,087	2,506

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The Group disposed of some financial assets measured at fair value through other comprehensive income for the purposes of increasing asset effectiveness, and derecognized them. The following table provides the fair value at the time of disposal and the cumulative gain or loss previously recognized in other comprehensive income (net of tax):

(Millions of yen)

Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
Fair value	Cumulative gain (loss)	Fair value	Cumulative gain (loss)
3,182	1,038	–	–

Note: When a financial asset measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

Dividend income from equity instruments consisted of the following:

(Millions of yen)

Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
Investments derecognized during period	Investments held at fiscal year-end	Investments derecognized during period	Investments held at fiscal year-end
47	16	–	5

(4) Assets pledged as collateral

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Other financial assets (current assets)	300	300

Note: The assets were pledged as collateral in order to utilize the deferred payment system under the Japanese Customs Act and Consumption Tax Act.

10. Income taxes

(1) Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Deferred tax assets	52,946	49,538
Deferred tax liabilities	(404)	(428)
Net amount	52,542	49,111

(2) Changes in the balance of deferred tax

The following table provides the major components of deferred tax and their changes:

Fiscal year ended December 31, 2022

(Millions of yen)

	Balance as of January 1 (Net amount)	Amount recognized in profit or loss (Note 1)	Amount recognized in other comprehensive income	Balance as of December 31 (Net amount)
Property, plant, and equipment and intangible assets	(6,396)	3,817	–	(2,579)
Outsourced research and development	8,273	223	–	8,496
Other financial assets	(629)	1,574	(493)	453
Retirement benefit asset or liability	534	177	(424)	287
Inventories	20,868	827	–	21,696
Contract liabilities	12,312	(2,238)	–	10,074
Tax loss carryforwards	1,627	(1,453)	–	174
Other (Note 2)	12,133	1,810	–	13,942
Total	48,722	4,738	(917)	52,542

Notes: 1. The difference between the total amount recognized in profit or loss and the total deferred tax expense arose from changes in exchange rates.

2. Other mainly includes deferred tax assets related to tax credits.

Fiscal year ended December 31, 2023

(Millions of yen)

	Balance as of January 1 (Net amount)	Amount recognized in profit or loss (Note 1)	Amount recognized in other comprehensive income	Balance as of December 31 (Net amount)
Property, plant, and equipment and intangible assets	(2,579)	(4,253)	–	(6,832)
Outsourced research and development	8,496	1,053	–	9,549
Other financial assets	453	(92)	(500)	(139)
Retirement benefit asset or liability	287	(26)	(255)	6
Inventories	21,696	(949)	–	20,747
Contract liabilities	10,074	(2,488)	–	7,586
Tax loss carryforwards	174	(112)	–	62
Other (Note 2)	13,942	3,396	794	18,132
Total	52,542	(3,470)	38	49,111

Notes: 1. The difference between the total amount recognized in profit or loss and the total deferred tax expense arose from changes in exchange rates.

2. Other mainly includes deferred tax assets related to amortization of research and experimental expenditures in the United States and tax credits.

(3) Unrecognized deferred tax assets

The following table provides the amounts of unused tax losses and deductible temporary differences (including deductible temporary differences associated with investments in subsidiaries, etc.) for which no deferred tax asset was recognized: The deductible temporary differences and unused tax losses are presented on a tax basis.

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Deductible temporary differences	18,093	10,578
Unused tax losses (Note)	4,131	5,129

Note: The following table provides the expiration of the unused tax losses for which no deferred tax asset was recognized:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
In one year or less	–	–
After one year through two years	–	–
After two years through three years	–	–
After three years through four years	–	–
After four years	–	–
With no expiration	4,131	5,129
Total	4,131	5,129

(4) Unrecognized deferred tax liabilities

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of December 31, 2022 and 2023 are ¥57,848 million and ¥72,548 million, respectively. The Group was able to control the timing of the reversal of these temporary differences, and it was probable that these temporary differences would not reverse in the foreseeable future. Accordingly, the Group did not recognize deferred tax liabilities.

(5) Income tax expense

Income tax expense consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Current tax expense	14,212	10,051
Deferred tax expense	(212)	6,007
Total	14,000	16,058

(6) Reconciliation of tax rates

The following table reconciles the statutory tax rate to the effective tax rate:

(In percent)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Statutory tax rate	30.6	30.6
(Adjustments)		
Share of profit (loss) of investments accounted for using equity method	(2.0)	(0.3)
Permanently non-deductible items	0.3	0.9
Permanently non-taxable items	(1.3)	(6.2)
Change in unrecognized deferred tax assets and liabilities	0.4	(0.3)
Tax credits	(4.9)	(5.2)
Different tax rates applied to consolidated subsidiaries	(4.9)	(3.2)
Retained earnings of consolidated subsidiaries	1.8	0.5
Other	0.6	(0.3)
Effective tax rate	20.7	16.5

Note: The Company is mainly subject to Japanese corporation tax, inhabitants tax, and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of 30.6% for the fiscal years ended December 31, 2022 and 2023. The Company's foreign subsidiaries are subject to corporation tax and other taxes in their locations.

(7) Global minimum tax

In Japan, where the Company is located, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 3 of 2023), which introduces a global minimum tax system in accordance with the Pillar Two model rules, was enacted on March 28, 2023. This Act will be applicable to the Company from the fiscal year commencing on January 1, 2025.

Based on the recent tax returns, country-by-country reports, and financial statements of each constituent entity to be subject to the system, the Company evaluated the potential impact of the application of the global minimum tax system. As a result, while there is a possibility that the Company, which is located in Japan, may be subject to top-up taxation to the extent that the tax burden in low-tax jurisdictions where some subsidiaries of the Company are located reaches up to the standard tax rate of 15%, the Company determined that the impact is minimal.

11. Inventories

Inventories consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Raw materials and supplies	13,484	13,928
Work in process	15,936	13,564
Merchandise and finished goods	41,254	43,870
Total	70,675	71,363

Note: The costs of inventories that were recognized as expenses and included in "cost of sales" for the fiscal years ended December 31, 2022 and 2023 are ¥75,874 million and ¥78,714 million, respectively. Of those amounts,

inventory valuation losses for the fiscal years ended December 31, 2022 and 2023 are ¥4,874 million and ¥5,249 million, respectively.

12. Trade and other receivables

Trade and other receivables consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Trade notes and accounts receivable	104,649	112,020
Other receivables	8,000	8,030
Allowance for doubtful accounts	(388)	(273)
Chargeback payments (Note 2)	(515)	(694)
Total	111,746	119,082

Notes: 1. The amounts less allowance for doubtful accounts and chargeback payments are presented in the consolidated statement of financial position. Trade notes and accounts receivable and other receivables are classified as financial assets measured at amortized cost.

2. The Group entered into agreements with certain indirect customers in the United States, under which the customers have the right to purchase products at a discount from wholesalers. Chargeback payments are differences between the amounts billed by the Group to wholesalers and discount prices for the indirect customers under such agreements.

13. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Cash and deposits	20,177	23,053
Loans receivable from parent due within three months	319,017	380,030
Total	339,194	403,083

Note: Cash and cash equivalents are classified as financial assets measured at amortized cost.

14. Assets held for sale

Assets held for sale consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Goodwill (Note 1)	1,726	–
Other financial assets (Note 2)	4,229	–
Total	5,955	–

Notes: 1. On November 23, 2022, Kyowa Kirin International plc, a consolidated subsidiary of the Group, and its subsidiaries signed a cooperative agreement for a joint venture with Grünenthal GmbH for an established medicines portfolio including 13 brands owned by Kyowa Kirin International plc and its subsidiaries. Consequently, it has become certain that control of the division related to sales and marketing of established medicines in the EMEA region will be lost, and therefore goodwill associated with this division has been classified as asset held for sale. The procedures to transfer 51% of the shares of the consolidated subsidiary that will take over the division were completed on August 1, 2023.

2. Based on the Share Transfer Agreement concluded on February 5, 2019, in the previous fiscal year, the Company decided to exercise the right to sell all the residual interest in the stock of KYOWA HAKKO BIO CO., LTD. to Kirin Holdings Company, Limited. Accordingly, the residual assets have been classified as assets held for sale. Having received the consideration as advance payment on December 20, 2022, the Company exercised such right on January 1, 2023, and accordingly completed the share transfer on that date.

15. Equity

(1) Share capital and capital surplus

The following table provides the authorized number of shares, the number of issued shares, and changes in the balances of share capital and capital surplus.

	Authorized number of shares (Shares)	Number of issued shares (Shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of January 1, 2022	987,900,000	540,000,000	26,745	464,153
Increase (decrease)	–	–	–	281
As of December 31, 2022	987,900,000	540,000,000	26,745	464,434
Increase (decrease)	–	–	–	297
As of December 31, 2023	987,900,000	540,000,000	26,745	464,731

Note: All shares issued by the Company are ordinary shares with no par value and do not limit any rights of shareholders. All of the issued shares are fully paid.

(2) Treasury shares

The following table provides changes in the number of treasury shares and the balance.

	Number of shares (Shares)	Amount (Millions of yen)
As of January 1, 2022	2,671,817	3,359
Increase (decrease)	(150,620)	(183)
As of December 31, 2022	2,521,197	3,177
Increase (decrease)	(130,485)	(243)
As of December 31, 2023	2,390,712	2,933

Note: The decreases are mainly due to the exercise of share options and the disposal of treasury shares under the restricted stock compensation plan.

(3) Nature and purposes of other components of equity

(i) Share acquisition rights

The Company had a share option plan and issued share acquisition rights pursuant to the Japanese Companies Act until the fiscal year ended December 31, 2019. The contractual terms, prices, and other information are stated in Note “16. Share-based payments.”

(ii) Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations represent the exchange differences arising from the translation of the financial statements of foreign subsidiaries denominated in foreign currencies for consolidation purposes.

(iii) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income represent net unrealized gains or losses associated with the fair value of financial assets measured at fair value through other comprehensive income.

(iv) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans comprise the effects of differences between actuarial assumptions and actual results at the beginning of the fiscal year and the effects of changes in actuarial assumptions. They are recognized in full in other comprehensive income in the period in which they occur and are immediately transferred from other components of equity to retained earnings.

(v) Cash flow hedges

The Company uses derivatives to hedge the risk of fluctuation in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivatives designated as cash flow hedges.

(4) Dividends

Fiscal year ended December 31, 2022

(i) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 25, 2022 Ordinary General Meeting of Shareholders	Ordinary shares	12,359	23.00	December 31, 2021	March 28, 2022
August 4, 2022 Board of Directors	Ordinary shares	12,899	24.00	June 30, 2022	September 1, 2022

(ii) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 24, 2023 Ordinary General Meeting of Shareholders	Ordinary shares	14,512	27.00	December 31, 2022	March 27, 2023

Fiscal year ended December 31, 2023

(i) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 24, 2023 Ordinary General Meeting of Shareholders	Ordinary shares	14,512	27.00	December 31, 2022	March 27, 2023
August 3, 2023 Board of Directors meeting	Ordinary shares	14,515	27.00	June 30, 2023	September 1, 2023

(ii) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year

The following dividends on ordinary shares have been proposed as an agenda item (a matter to be resolved) for the Ordinary General Meeting of Shareholders to be held on March 22, 2024.

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 22, 2024 Ordinary General Meeting of Shareholders	Ordinary shares	15,591	29.00	December 31, 2023	March 25, 2024

16. Share-based payments

(1) Overview of share-based payment plans

The Group has implemented a restricted stock compensation plan as an equity-settled share-based payment plan and a performance-linked share-based remuneration plan (Performance Share Unit) as an equity-settled and cash-settled share-based payment plan for Directors and Executive Officers, and a phantom stock plan as a cash-settled share-based payment plan for certain employees.

(2) Share options

(i) Overview of the plan

The Group had a share option plan until the fiscal year ended December 31, 2019, and all of the share options are equity-settled share-based payments. In accordance with the details approved at the Company's General Meeting of Shareholders and by resolution at the Company's Board of Directors meetings, share acquisition rights issued as share options are granted to the Company's Directors and Executive Officers and some Directors of the Company's subsidiaries. If a grantee is dismissed from their position as Director or Executive Officer, the relevant share acquisition rights will be extinguished. When the retirement date of a grantee comes before the expiration of their term of office, the number of share acquisition rights is adjusted according to the number of months in office. The exercise period is defined in the allotment agreement, ranging from three to twenty years. If a grantee loses their position or does not exercise the relevant share acquisition rights during the exercise period, said rights will be extinguished.

(ii) Number and weighted average exercise prices of share options

	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Outstanding at beginning of period	203,900	1	110,200	1
Granted	–	–	–	–
Exercised	(93,700)	1	(63,300)	1
Forfeited or expired	–	–	–	–
Outstanding at end of period	110,200	1	46,900	1
Of which, exercisable at end of period	96,200	1	46,900	1

Notes: 1. The weighted average share price at the date of exercise for the share options exercised during the fiscal years ended December 31, 2022 and 2023 are ¥2,894 and ¥2,870, respectively.

2. The weighted average remaining contractual lives of the outstanding share options as of December 31, 2022 and 2023 are 2.8 years and 0.9 years, respectively.

(3) Restricted stock compensation plan

(i) Overview of the plan

Under the plan, the Company's Directors and Executive Officers receive the Company's ordinary shares upon making a contribution in kind of all monetary compensation claims provided by the Company and on condition that they remain in the position of Director or Executive Officer of the Company for a specified period.

The Company's ordinary shares are granted as restricted stock compensation on condition that the Company and the eligible Director or Executive Officer enter into an agreement which contains the following terms: (i) the shares shall not be transferred to any third party, have a security interest created on, or otherwise be disposed of during a specified period, and (ii) the shares will be acquired by the Company without compensation if certain circumstances arise.

(ii) Number and fair value of shares granted during the year

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Grant date	April 14, 2022	April 13, 2023
Number of shares granted (Shares)	60,113	70,908
Fair value (Yen)	3,140	2,838

(4) Performance-linked share-based remuneration plan (Performance Share Unit)

(i) Overview of the plan

The Company has a performance-linked share-based remuneration plan (Performance Share Unit) under which remuneration varies depending on the level of achievement of performance targets in a three-year performance evaluation period.

The plan is for the Company's Directors and Executive Officers. At the beginning of a performance evaluation period, the "standard number of shares to be delivered" is determined by resolution of the Board of Directors. After the end of the performance evaluation period, the "standard number of shares to be delivered" is multiplied by the level of achievement of performance targets in the range of 0% to 150%, and approximately one-half thereof is delivered as shares and the remaining one-half is paid in cash to the eligible Directors and Executive Officers at a certain point of time, normally in April, every year.

The carrying amounts of liabilities related to the plan as of December 31, 2022 and 2023 were ¥87 million and ¥83 million, respectively.

(ii) Performance share units existing during the year

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
	Standard number of shares to be delivered (Shares)	Standard number of shares to be delivered (Shares)
Balance at beginning of period	36,343	71,918
Grant	35,575	41,015
Increase-other	–	–
Delivery and payment	–	–
Decrease-other	–	–
Balance at end of period	71,918	112,933
Weighted average fair value (Yen)	3,143	3,032

Note: The fair value under the plan is measured based on the market price of the Company's shares as of the business day immediately before the date of resolution by the Company's Board of Directors at the start of the applicable period of the plan and is not adjusted in consideration of expected dividends.

(5) Phantom stock

The Company and some of its consolidated subsidiaries have a phantom stock plan under which compensation is settled in cash based on the Company's share price at the time of vesting.

The plan is for some employees of the Group. The vesting condition is three years of service from the grant date, in principle. Under the plan, there is no exercise price, because compensation is determined and paid based on the Company's share price.

The carrying amounts of liabilities related to the plan as of December 31, 2022 and 2023 were ¥708 million and ¥401 million, respectively.

(6) Amounts recognized in the consolidated statement of profit or loss

Share-based payment expenses recognized in the consolidated statement of profit or loss consisted of the following: They were recorded in "selling, general, and administrative expenses" and "research and development expenses."

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Equity-settled (restricted stock compensation plan)	190	198
Equity-settled and cash-settled (performance-linked share-based remuneration plan)	136	(7)
Cash-settled (phantom stock plan)	535	174
Total	861	365

17. Employee benefits

The Company and some of its consolidated subsidiaries have defined benefit plans and defined contribution plans to fund retirement benefits for their employees. The defined benefit corporate pension plans provide lump sum payments or pensions based on the salary, the number of years of service, and other factors. However, the Company and some of its consolidated subsidiaries introduced cash balance plans in their defined benefit corporate pension plans.

The lump sum payment plans provide lump sum payments based on the salary, the number of years of service, and other factors. Some of them are funded on the grounds that a retirement benefit trust was set up. Funded defined benefit plans are managed by pension funds or other institutions that are legally separated from the Company and some of its consolidated subsidiaries in accordance with relevant laws and regulations. Boards of pension funds and pension investment managers are required by laws and regulations to act in the best interest of plan participants and are responsible for managing plan assets in accordance with specified policies. The Company, some of its consolidated subsidiaries, and each pension fund periodically examine the pension finances pursuant to laws and regulations in order to maintain a balanced budget in preparation for the appropriation for future benefits and any deficits in the plans, and recalculate the pension contributions.

These pension plans are exposed to general investment risk, interest rate risk, and inflation risk. Asset management policies for plan assets of the Company and some of its consolidated subsidiaries are, in accordance with the corporate pension fund rules, intended to ensure the payment of defined benefit obligations in future years and aim for provision of the required returns in the long term within the tolerable risk range. Specifically, asset management is carried out by taking into account the risks and returns of the investment assets and determining an optimal combination from a long-term perspective.

(1) Defined benefit plans

(i) Reconciliation of defined benefit obligations and plan assets

The following table provides the relationship between defined benefit obligations and plan assets, and net defined benefit asset (liability) in the consolidated statement of financial position:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Present value of defined benefit obligations	(61,786)	(63,132)
Fair value of plan assets	76,712	78,494
Net defined benefit asset (liability)	14,926	15,362
Amounts in the consolidated statement of financial position		
Retirement benefit liability	(287)	(293)
Retirement benefit asset	15,212	15,655
Net defined benefit asset (liability) in the consolidated statement of financial position	14,926	15,362

(ii) Reconciliation of present value of defined benefit obligations

The following table summarizes the reconciliation of the beginning balance of the present value of defined benefit obligations to the ending balance:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Present value of defined benefit obligations at beginning of period	(67,322)	(61,786)
Service cost	(3,584)	(3,354)
Interest expense	(393)	(834)
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	91	257
Actuarial gains and losses arising from changes in financial assumptions	6,456	1,751
Actuarial gains and losses arising from experience adjustments	70	(3,188)
Past service cost	–	(184)
Benefits paid	2,946	4,254
Exchange differences on translation of foreign operations	(51)	(50)
Present value of defined benefit obligations at end of period	(61,786)	(63,132)

Note: The weighted average duration of the defined benefit obligations as of December 31, 2022 and 2023 is 10.7 years and 10.4 years, respectively.

(iii) Reconciliation of fair value of plan assets

The following table summarizes the reconciliation of the beginning balance of the fair value of plan assets to the ending balance:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Fair value of plan assets at beginning of period	82,399	76,712
Interest income	480	1,065
Remeasurements		
Return on plan assets	(5,232)	2,013
Contributions from employer	1,937	2,016
Benefits paid	(2,923)	(3,346)
Exchange differences on translation of foreign operations	50	34
Fair value of plan assets at end of period	76,712	78,494

Note: The Group plans to contribute ¥1,880 million to the defined benefit plans in the fiscal year ending December 31, 2024.

(iv) Disaggregation of plan assets

The following table provides the components of plan assets:

(Millions of yen)

	As of December 31, 2022			As of December 31, 2023		
	Assets with a quoted price in an active market	Assets without a quoted price in an active market	Total	Assets with a quoted price in an active market	Assets without a quoted price in an active market	Total
Equity instruments						
Equity securities	6,589	–	6,589	7,842	–	7,842
Debt instruments						
Debt securities	37,437	–	37,437	38,156	–	38,156
Life insurance general accounts	–	25,439	25,439	–	25,550	25,550
Alternatives	6,172	–	6,172	6,403	–	6,403
Other	–	1,075	1,075	–	542	542
Total	50,198	26,514	76,712	52,401	26,093	78,494

Notes: 1. For each life insurance general account, the principal and a certain expected interest rate are guaranteed by the life insurance company.

2. “Alternatives” mainly consist of investment in foreign bonds.

(v) Actuarial assumptions

Major actuarial assumptions were as follows:

(In percent)

	As of December 31, 2022	As of December 31, 2023
Discount rate	1.4	1.5

If the discount rate changes by 0.5%, the impact on defined benefit obligations is as follows:

(Millions of yen)

		As of December 31, 2022	As of December 31, 2023
Discount rate	+0.5%	(2,103)	(2,037)
	-0.5%	4,413	4,300

Notes: 1. In these analyses, all other variables are assumed to be constant. In practice, changes in some of the assumptions may occur in a correlated manner.

2. The method used to calculate the defined benefit obligations in the consolidated statement of financial position was used to calculate the defined benefit obligations in the sensitivity analyses.

(2) Defined contribution plans

Expenses associated with defined contribution plans for the fiscal years ended December 31, 2022 and 2023 are ¥5,711 million and ¥6,487 million, respectively.

The above amounts include expenses associated with public plans.

(3) Other employee benefit expenses

The following are expenses related to employee benefits other than post-employment benefits included in the consolidated statement of profit or loss:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Wages and salaries	51,638	58,893
Employees' bonuses	18,960	20,873
Other	9,301	9,964
Total	79,899	89,731

Note: Interest expense and interest income on post-employment benefits are included in "finance costs" on a net basis, and other expenses are included in "cost of sales," "selling, general, and administrative expenses," "research and development expenses," and "other expenses."

18. Provisions

The following table provides the nature of and changes in provisions:

Fiscal year ended December 31, 2023

(Millions of yen)

	Provision for loss on compen-sation (Note 1)	Provision for returns of expired products (Note 2)	Provision for loss on product recalls (Note 3)	Provision for loss on contracts (Note 4)	Asset retirement obligations (Note 5)	Other	Total
Balance at beginning of period	3,400	587	56	1,978	4,110	368	10,498
Increase	–	–	–	1,564	2	147	1,713
Decrease (used)	–	(133)	(8)	(1,027)	(301)	–	(1,468)
Decrease (reversed)	–	–	(48)	–	–	–	(48)
Exchange differences on translation of foreign operations	–	97	–	–	1	25	123
Balance at end of period	3,400	552	–	2,515	3,812	540	10,819
Non-current liabilities	3,400	–	–	1,227	3,812	–	8,439
Current liabilities	–	552	–	1,288	–	540	2,379

Notes:
1. In order to provide for the payment for the breach of representations and warranties caused by violations of laws and regulations at KYOWA HAKKO BIO CO., LTD. and for any indemnification claim under special indemnity provisions, an amount that can be reasonably estimated is recognized as provision for loss on compensation.
2. In order to provide for returns of expired products, expected returns are recognized as provision for returns of expired products taking into account historical returns and other factors.
3. In order to provide for the payment for returns and other costs in connection with products to be recalled, a reasonably estimable amount is recognized as provision for loss on product recalls.
4. In order to provide for losses arising in connection with performance of business outsourcing agreements, joint research and development agreements, and other agreements, reasonably estimable amount is recognized as provision for loss on contracts.

5. The estimated costs for restoring land and other premises with an obligation to restore them at the end of the lease are recognized as asset retirement obligations. Most of these costs are expected to be paid after more than one year.

19. Other financial liabilities

Other financial liabilities consisted of the following:

	As of December 31, 2022 (Millions of yen)	As of December 31, 2023 (Millions of yen)	Average interest rate (%)	Repayment due (Year)
Financial liabilities measured at amortized cost				
Deposits received	90	238	–	–
Other	601	1,274	–	–
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	948	842	–	–
Financial liabilities measured at fair value through other comprehensive income				
Derivative liabilities	–	2,592	–	–
Lease liabilities	21,639	19,301	–	2024 - 2056
Total	23,278	24,247	–	–
Non-current liabilities	17,549	16,111	–	–
Current liabilities	5,729	8,136	–	–

20. Leases

(1) Lease income and lease expense

The following table provides amounts recognized in profit or loss in connection with leases:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Depreciation of right-of-use assets by class of underlying asset		
Buildings and structures	3,098	2,959
Machinery and vehicles	566	649
Land	286	295
Other	1	1
Total depreciation	3,951	3,903
Interest expenses on lease liabilities	393	392
Expense relating to short-term leases for which recognition exemption has been used	501	492
Expense relating to leases of low-value assets for which recognition exemption has been used	972	999
Variable lease payments not included in the measurement of lease liabilities	–	21

(2) Cash outflow for leases

The total cash outflow for leases is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Total cash outflow for leases	5,633	5,545

The components of the carrying amount of right-of-use assets are disclosed in Note “6. Property, plant, and equipment,” and a maturity analysis of lease liabilities is disclosed in Note “31. Financial instruments.”

21. Other liabilities

Other liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Contract liabilities	33,052	24,903
Accrued paid leave	3,446	4,212
Accrued consumption taxes	704	507
Accrued expenses	11,163	10,636
Other	6,191	2,509
Total	54,556	42,767
Non-current liabilities	25,929	17,049
Current liabilities	28,627	25,718

22. Trade and other payables

Trade and other payables consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Trade notes and accounts payable	9,485	12,154
Other payables	41,440	56,582
Refund liabilities	19,996	24,247
Total	70,922	92,983

Note: Trade notes and accounts payable and other payables are classified as financial liabilities measured at amortized cost.

23. Revenue

The Group sells merchandise and finished goods and licenses its technologies to customers.

(1) Disaggregation of revenue

(i) Revenue by regional control function

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Japan	148,669	146,995
North America	112,592	137,841
EMEA	66,872	73,344
Asia/Oceania	30,143	35,666
Others	40,094	48,386
Total	398,371	442,233

Notes: 1. Revenue by regional control function is classified based on consolidated revenue from merchandise and finished goods of regional control functions in the One Kyowa Kirin (OKK) matrix global management structure, which combines a regional organization based on four regions of Japan, North America, EMEA, and APAC, a functional organization, and a product organization (product franchises).

2. EMEA consists of Europe, the Middle East, Africa, etc.

3. Others consist of revenue from technology out-licensing, original equipment manufacturing, etc.

(ii) Revenue by product or service

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Merchandise and finished goods	364,596	400,372
Main merchandise and finished goods		
Japan:		
Nesp	3,433	3,157
Darbepoetin Alfa Injection Syringe [KKF]	17,628	13,992
Duvroq	6,566	9,947
Regpara	2,194	1,664
Orkedia	10,294	10,588
Rocaltrol	3,113	2,867
Onglyza	5,174	4,316
Coniel	1,998	1,500
G-Lasta	31,050	31,915
Fentos	3,742	3,475
Poteligeo	1,951	1,945
Rituximab BS [KHK]	10,256	9,027
Romiplate	10,440	11,964
Allelock	5,965	5,472
Patanol	2,793	2,008
Dovobet	7,753	7,926
Lumicef	3,001	2,809
Nouriast	8,020	7,559
HARUROPI	3,974	4,469
Depakene	3,289	2,758
Crysvita	8,864	10,492

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Overseas:		
Crysvita	118,239	141,955
Poteligeo	22,288	28,361
Nourianz	6,471	8,244
Abstral	6,900	2,972
Pecfent	3,709	2,153
Moventig	3,090	1,850
Adcal D3	3,047	1,653
Nesp	7,570	9,104
Regpara	3,947	4,013
Neulasta/Peglasta	5,629	5,670
Gran	8,205	6,939
Technology out-licensing	33,775	41,860
Total	398,371	442,233

Notes: 1. Revenue from merchandise and finished goods is classified into Japan or overseas (other than Japan) based on consolidated revenue of regional control functions.
2. Revenue listed as “Technology out-licensing” represents the upfront income, milestone revenue, and running royalty income that are obtained based on licensing agreements recognizing the granting to third parties of the rights for development, manufacture, and sales of the Group’s pipeline compounds or the use of technology, etc.

(2) Change in contract balances

Receivables from contracts with customers and contract liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Receivables from contracts with customers		
Trade notes and accounts receivable	103,746	111,258
Contract liabilities	33,052	24,903

Note: The beginning balances of contract liabilities recognized as revenue in the fiscal years ended December 31, 2022 and 2023 were ¥9,363 million and ¥8,150 million, respectively. Revenue recognized in the fiscal years ended December 31, 2022 and 2023 from performance obligations satisfied in previous years was ¥24,010 million and ¥34,212 million, respectively. These amounts mainly consist of milestone revenue and running royalties revenue.

(3) Timing of satisfaction of performance obligations

The following table provides the aggregate amounts of the transaction prices allocated to the remaining performance obligations in contracts associated with revenue from technology out-licensing and when such amounts are expected to be recognized as revenue. Transactions under contracts with an original expected duration of one year or less are excluded, since a practical expedient has been applied.

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Within one year	8,179	8,174
After one year through two years	8,171	8,172
After two years through three years	8,167	8,172
After three years	8,535	385
Total	33,052	24,903

24. Selling, general, and administrative expenses

Selling, general, and administrative expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Employee benefit expenses	66,327	73,674
Sales promotion expenses	47,333	29,845
Depreciation and amortization	10,093	10,405
Other	42,431	49,154
Total	166,185	163,078

25. Other income and expenses

Other income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Gain on sales of share and valuation of remaining share (Note 1)	–	14,799
Rental income	564	564
Reversal of impairment losses (Note 2)	–	64
Other	1,142	1,358
Total	1,705	16,785

Notes: 1. Please refer to Note “27. Transfer of shares of subsidiaries” for gain on sales of share and valuation of remaining share.

2. Please refer to Note “7. Goodwill and intangible assets” for reversal of impairment losses.

Other expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Impairment losses (Note 1)	17,979	10,843
Business restructuring expenses (Note 2)	2,394	6,245
Loss on contracts (Note 3)	–	2,371
Provision for loss on contracts (Note 3)	1,587	617
Other	1,102	931
Total	23,061	21,007

Notes: 1. For more details, please refer to Note “6. Property, plant, and equipment” and “7. Goodwill and intangible assets.”
2. These expenditures arise in connection with implementation of restructuring measures.
3. “Loss on contracts” states the expenses due to the performance of business outsourcing agreements, and in order to provide for the loss due to the performance of business outsourcing agreements, joint research and development agreements, and the like, a reasonably estimable amount is recognized as the “provision for loss on contracts.” Please refer to Note “18. Provisions” for details of “provision for loss on contracts.”

26. Finance income and finance costs

Finance income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Interest income	641	702
Dividend income	63	5
Foreign exchange gain	2,588	4,166
Other	27	1
Total	3,319	4,873

Note: Interest income mainly arises from financial assets measured at amortized cost. Dividend income arises from financial assets measured at fair value through other comprehensive income. Gain on valuation of currency derivatives is included in foreign exchange gain.

Finance costs consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Interest expenses	344	214
Other	744	(25)
Total	1,088	190

Note: Interest expenses mainly arise from financial liabilities measured at amortized cost.

27. Transfer of shares of subsidiaries

Fiscal year ended December 31, 2022

Not applicable.

Fiscal year ended December 31, 2023

(1) Overview of transactions

In connection with the shift to a joint-venture structure for the established medicines business in Europe, for which a cooperative agreement with Grünenthal GmbH was signed on November 23, 2022, Kyowa Kirin International plc, a consolidated subsidiary of the Company, established a new company, KKI Grunenthal UK HoldCo Ltd. (the “Newly Established Company”) and its eight subsidiaries (together with the Newly Established Company, the “Newly Established Group”). The division related to sales and marketing of established medicines was transferred to the Newly Established Group, and on August 1, 2023, 51% of the shares of the Newly Established Company were transferred to Grünenthal GmbH. As a result, the Group’s ownership interest in the Newly Established Company decreased from 100% to 49%, and the Group lost control over the company. Consequently, the company has become an equity-accounted investee of the Group.

(2) Consideration received, and assets and liabilities with loss of control

(Millions of yen)

	Fiscal year ended December 31, 2023
Consideration received	12,810
Fair value of remaining share	12,240
Components of assets and liabilities at the time of loss of control	
Goodwill	1,963
Inventories	3,691
Trade and other receivables	1,568
Other financial assets	79
Other current assets	195
Cash and cash equivalents	5,003
Non-current liabilities	(5)
Current liabilities	(2,231)
Gain on sales of share and valuation of remaining share	14,799

Note: Gain on sales of share and valuation of remaining share of ¥14,799 million includes the gain of ¥7,252 million resulting from the revaluation of the remaining share in the Newly Established Company at fair value as of the date of loss of control.

(3) Change in cash and cash equivalents associated with transfer of shares of subsidiaries

(Millions of yen)

	Fiscal year ended December 31, 2023
Consideration received in cash	12,810
Cash and cash equivalents held at the time of loss of control	(5,003)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	7,780

28. Earnings per share

Information about basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit attributable to ordinary equity holders of parent		
Profit attributable to owners of parent (Millions of yen)	53,573	81,188
Profit not attributable to ordinary equity holders of parent (Millions of yen)	–	–
Profit used to calculate earnings per share (Millions of yen)	53,573	81,188
Weighted average number of ordinary shares outstanding during year (Shares)	537,431,734	537,575,538
Increase in number of ordinary shares		
Share acquisition rights (Shares) (Note)	138,523	58,985
Weighted average number of dilutive potential ordinary shares during year (Shares)	537,570,257	537,634,523
Earnings per share		
Basic earnings per share (Yen)	99.68	151.03
Diluted earnings per share (Yen)	99.66	151.01

Note: Please refer to Note “16. Share-based payments” for information about share acquisition rights.

29. Other comprehensive income

The following table provides gains or losses during the fiscal year, reclassification adjustments to profit or loss, and a tax effect for each item of other comprehensive income:

Fiscal year ended December 31, 2022

(Millions of yen)

	Gains (losses) during year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	1,561	–	1,561	(493)	1,068
Remeasurements of defined benefit plans	1,385	–	1,385	(424)	961
Total of items that will not be reclassified to profit or loss	2,947	–	2,947	(917)	2,029
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(5,068)	–	(5,068)	–	(5,068)
Cash flow hedges	–	–	–	–	–
Share of other comprehensive income of investments accounted for using equity method	121	–	121	–	121
Total of items that may be reclassified to profit or loss	(4,948)	–	(4,948)	–	(4,948)
Total	(2,001)	–	(2,001)	(917)	(2,918)

Fiscal year ended December 31, 2023

(Millions of yen)

	Gains (losses) during year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	1,657	–	1,657	(500)	1,157
Remeasurements of defined benefit plans	834	–	834	(255)	579
Total of items that will not be reclassified to profit or loss	2,491	–	2,491	(756)	1,735
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	21,017	–	21,017	–	21,017
Cash flow hedges	(2,592)	–	(2,592)	794	(1,798)
Share of other comprehensive income of investments accounted for using equity method	53	–	53	–	53
Total of items that may be reclassified to profit or loss	18,479	–	18,479	794	19,272
Total	20,970	–	20,970	38	21,008

30. Cash flow information

The following table provides changes in liabilities arising from financing activities:

(Millions of yen)

	Lease liabilities
Balance as of January 1, 2022	20,371
Changes from financing cash flows	(3,767)
Non-cash changes	
Increase due to acquisition of right-of-use assets	3,290
Foreign currency translation differences	1,744
Balance as of December 31, 2022	21,639
Changes from financing cash flows	(3,640)
Non-cash changes	
Increase due to acquisition of right-of-use assets	1,243
Decrease due to cancellation of right-of-use assets	(1,027)
Foreign currency translation differences	1,086
Balance as of December 31, 2023	19,301

31. Financial instruments

(1) Capital Management

The Group's capital management policy is to maintain its health and to ensure a financial foundation with the flexibility to respond to growth investment opportunities according to circumstances in order to realize sustainable growth and increase corporate value in the medium- to long-term. The Group properly monitors return on equity (ROE) attributable to owners of parent for capital efficiency. The return on equity attributable to owners of parent is as disclosed in "I. Overview of Company, 1 Key Financial Data, (1) Key consolidated financial data."

(2) Financial risk management

The Group is exposed to financial risk, such as credit risk, liquidity risk, foreign exchange risk, share price risk, and other risks, in its business activities. The Group practices risk management to reduce such financial risk.

Furthermore, the Group utilizes derivatives to manage foreign currency risk and does not engage in speculative transactions.

(i) Credit risk management

Trade receivables, etc. arising from business activities are exposed to customer credit risk.

Credit risk is the risk that a customer will cause a financial loss for the Group by failing to discharge a contractual obligation.

In accordance with the regulations for collection and management of receivables, the Group's sales division monitors the collection status of trade receivables, etc. from its main customers on a periodic basis and manages outstanding balances for each customer. In addition, it strives to identify and mitigate default risk of customers due to the deterioration of financial position or other reasons at an early stage.

To reduce counterparty risk, the Group enters into derivatives only with high credit rated financial institutions in principle.

As is the case with other pharmaceutical companies, the Group sells merchandise and finished goods mainly through several wholesalers in Japan. Total revenue from the top four companies accounts for approximately 61% of revenue in Japan for the fiscal year ended December 31, 2023, and trade accounts receivable from such four companies as of December 31, 2022 and 2023 are ¥42,404 million and ¥42,824 million, respectively.

The carrying amount of financial assets less impairment losses, which is presented in the consolidated statement of financial position, is the maximum exposure to credit risk of the Group's financial assets.

The Group always recognizes an allowance for doubtful accounts on trade receivables at an amount equal to the lifetime expected credit losses. The Group measures an allowance for doubtful accounts on financial assets measured at amortized cost other than trade receivables at an amount equal to 12-month expected credit losses but did not recognize it taking into account historical losses, future economic conditions, and other factors, since it expected the amount to be immaterial.

(ii) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities on their due dates. The Group manages its liquidity risk by financially and adequately preparing for repayment and holding an adequate volume of liquid assets. In addition, the Group maintains the size of its commercial paper program and lines of credit provided by financial institutions and monitors planned and actual cash flows on a continual basis.

The following table provides a maturity analysis of financial liabilities including derivative financial instruments:

As of December 31, 2022

(Millions of yen)

	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	70,922	70,922	70,922	–	–	–	–	–
Deposits received	90	90	90	–	–	–	–	–
Lease liabilities	21,639	27,072	4,737	3,126	2,629	1,508	1,213	13,859
Derivative financial liabilities	948	948	948	–	–	–	–	–

As of December 31, 2023

(Millions of yen)

	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	92,983	92,983	92,983	–	–	–	–	–
Deposits received	238	238	238	–	–	–	–	–
Lease liabilities	19,301	24,605	3,585	2,902	1,714	1,376	1,240	13,788
Derivative financial liabilities	3,434	3,434	3,434	–	–	–	–	–

(iii) Foreign exchange risk management

The Group has operations globally. Accordingly, its trade receivables and payables in foreign currencies, loans receivable and deposits received from foreign subsidiaries in foreign currencies, etc. are exposed to foreign exchange risk. The Group's foreign exchange risk arises from fluctuations in exchange rates mainly for the U.S. dollar, Euro, and British pound.

To manage foreign exchange risk, the Group enters into forward foreign exchange contracts when necessary for trade receivables and payables in foreign currencies and mainly enters into forward foreign exchange contracts and currency swaps for loans receivable and deposits received from foreign subsidiaries in foreign currencies.

Derivatives are executed and managed in accordance with internal regulations which prescribe the authority and limits.

Foreign currency sensitivity analyses

The following table provides the impact of a 10% appreciation of the yen against the U.S. dollar, Euro, and British pound on profit before tax in the consolidated statement of profit or loss for the fiscal years ended December 31, 2022 and 2023:

The following figures are after deduction of the amount of foreign currency risk that is hedged with derivatives. In these analyses, all other variable factors, such as balances and interest rates, are assumed to be constant.

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
U.S. dollar	(987)	(534)
Euro	(487)	523
British pound	222	43

(iv) Share price risk management

The Group is exposed to share price risk arising from equity instruments (equity securities) held by the Group.

Equity instruments are managed by monitoring market values and the financial position of issuers, entities with business relationships, on a regular basis and reassessing whether to continue to hold the instruments taking into account relationships with such entities, on a continual basis.

If the market price of equity instruments held by the Group as of December 31 changes by 10%, the impacts on other comprehensive income (before tax effect) for the fiscal years ended December 31, 2022 and 2023 are ¥112 million and ¥255 million, respectively.

In these analyses, all other variable factors are assumed to be constant.

(v) Hedge activities

The Group enters into derivatives such as forward foreign exchange contracts, and currency swaps, to manage foreign exchange risk. These derivatives are initially recognized at fair value on the date the contract is entered into and are also subsequently remeasured at fair value. Changes in the fair value of derivatives are, in principle, recognized in profit or loss.

The Group applies cash flow hedges to some derivatives that meet the requirements of hedge accounting.

1) Cash flow hedges

The Company enters into forward foreign exchange contracts to hedge foreign exchange risk associated with foreign currency transactions, and applies cash flow hedges to some of such contracts that meet the requirements of hedge accounting.

The details of the hedging instruments designated as cash flow hedges and the impact of hedge accounting on the financial position and performance are as follows:

As of December 31, 2022

Not applicable.

As of December 31, 2023

Hedged risk and hedging instrument	Contractual amount (Millions of U.S. dollars)	Of which due after one year	Forward rate	Carrying amount (Millions of yen)	Account presented in the consolidated statement of financial position
Foreign exchange risk					
Foreign exchange contracts	364	–	¥148.17/USD	2,592	Other financial liabilities (current liabilities)

Note: The hedging ratio is 1:1 as the hedged item and the hedging instrument are implemented at equal amounts, and thus no ineffective portion of the hedge exists.

The following table provides changes in cash flow hedge reserve:

Fiscal year ended December 31, 2022

Not applicable.

Fiscal year ended December 31, 2023

(Millions of yen)

Hedged risk	Balance at beginning of period	Gains (losses) during year	Amount transferred to non-financial assets, etc.	Amount transferred to profit or loss	Tax effect	Balance at end of period
Foreign exchange risk	–	2,592	–	–	(794)	1,798

2) Derivatives not designated as hedging instruments

The Group utilizes derivatives when economically reasonable, even if the hedge relationships do not meet the requirements for applying hedge accounting.

Derivatives not designated as hedging instruments utilized by the Group include forward foreign exchange contracts and currency swaps aimed at hedging against foreign exchange risk. None of the derivatives are held for speculative purposes.

(3) Fair value of financial instruments

The Group measures the fair values of financial instruments using the following methods:

Financial assets and financial liabilities measured at amortized cost

Since trade and other receivables, cash and cash equivalents, and trade and other payables are settled in a short period of time, their carrying amounts approximate fair values. The fair value of bonds is estimated at the present value of future cash flows discounted at rates that reflect their time to maturity and credit risk. Financial assets measured at amortized cost are not included in the following table, since their carrying amount reasonably approximates fair value.

Other financial assets and financial liabilities

The fair value of listed equity securities, among equity instruments, is estimated based on quoted market prices for the same securities at the end of the fiscal year, and the fair value of unlisted equity securities and investments in capital is estimated using a valuation technique that uses the most recent available information. In estimating the fair value, the Group uses unobservable inputs, such as net asset values, and applies a certain illiquidity discount as necessary.

The fair value of derivatives is estimated based on the prices obtained from counterparty financial institutions.

For financial instruments measured at fair value, the fair value is categorized within Level 1, 2, or 3, depending on the observability and significance of inputs used in the fair value measurement. Transfers between levels of the fair value hierarchy are deemed to have occurred at each quarter end.

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Fair value determined, either directly or indirectly, using observable prices other than those included within Level 1
Level 3: Fair value determined using valuation techniques based on unobservable inputs

As of December 31, 2022

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	143	–	143
Other financial assets	–	192	–	192
Financial assets measured at fair value through other comprehensive income				
Listed equity securities	1,118	–	–	1,118
Unlisted equity securities and investments in capital	–	–	3,985	3,985
Assets held for sale (Note 1)	–	–	4,229	4,229
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	(948)	–	(948)

Notes: 1. For details on assets held for sale, please refer to “14. Assets held for sale.”
2. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the fiscal year ended December 31, 2022.

As of December 31, 2023

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	1,623	–	1,623
Other financial assets	–	74	–	74
Financial assets measured at fair value through other comprehensive income				
Listed equity securities	2,547	–	–	2,547
Unlisted equity securities and investments in capital	–	–	4,738	4,738
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	(842)	–	(842)
Financial liabilities measured at fair value through other comprehensive income				
Derivative financial liabilities	–	(2,592)	–	(2,592)

Note: There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the fiscal year ended December 31, 2023.

The following tables provide reconciliations from the beginning balances to the ending balances for financial instruments categorized within Level 3.

(i) Other financial assets categorized within Level 3

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Balance at beginning of period	6,393	8,214
Profit or loss (Note 1)	352	–
Other comprehensive income (Note 2)	(285)	200
Purchases	1,866	553
Sales	–	(4,229)
Other	(112)	0
Balance at end of period	8,214	4,738

Notes:
1. Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss at the end of the fiscal year. These gains and losses are included in “finance costs” in the consolidated statement of profit or loss.
2. Gains and losses included in other comprehensive income are related to financial assets measured at fair value through other comprehensive income at the end of the fiscal year. These gains and losses are included in “financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.
3. For financial assets categorized within Level 3, the department in charge determines the valuation

techniques and measures the fair value of the assets in accordance with valuation policies and procedures for fair value measurement approved by an appropriate authorized person. The measured fair value is approved by an appropriate responsible person.

32. Related parties

(1) Related party transactions

Fiscal year ended December 31, 2022

(Millions of yen)

Type	Name	Description of transaction	Transaction amount	Account	Outstanding balance
Parent company	Kirin Holdings Company, Limited	Lending of funds (Note)	296,676	Cash and cash equivalents	319,017

Fiscal year ended December 31, 2023

(Millions of yen)

Type	Name	Description of transaction	Transaction amount	Account	Outstanding balance
Parent company	Kirin Holdings Company, Limited	Lending of funds (Note)	329,760	Cash and cash equivalents	380,030

Note: The transaction amount for lending of funds represents the average balance during the fiscal year. Interest rates for loans receivable from the parent company have been reasonably determined taking into account market rates of interest according to the length of time in accordance with the Company's own management policy.

(2) Remuneration for key management personnel

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Basic remuneration and bonus	452	438
Share-based payments	106	73
Total	558	511

Note: Remuneration for key management personnel is the remuneration of the Company's Directors and Audit & Supervisory Board Members.

(3) Significant subsidiaries

Significant subsidiaries are as disclosed in "I. Overview of Company, 4 Subsidiaries and Associates."

33. Commitments

The following table provides commitments associated with the acquisition of assets after the end of the fiscal year.

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Acquisition of property, plant, and equipment	22,996	12,555
Acquisition of intangible assets (Note)	251,984	157,294
Total	274,980	169,849

Note: The above amounts mainly comprise the maximum amount of milestone payments for the achievement of development and sales targets relating to in-licensing agreements for development products or products. The actual payments may be significantly different from the above amounts because it is highly uncertain whether a milestone will be achieved.

34. Contingent liabilities

Contingent liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Debt guarantees for borrowings of associates	1,156	2,022

Note: The above debt guarantees are for borrowings of the guaranteed companies.

35. Subsequent events

Acquisition of a company by share acquisition/Regarding acquisition of shares of Orchard Therapeutics plc (subsidiarization)

At the Board of Directors meeting held on October 5, 2023, the Company resolved to acquire 100% of the issued shares of Orchard Therapeutics plc, a UK biopharmaceutical company ("Orchard"). The acquisition of all issued shares of Orchard was completed on January 24, 2024 with the Scheme of Arrangement procedure under the UK Companies Act 2006. With this acquisition, Orchard has become a wholly owned subsidiary of the Company.

(1) Purpose and reasons for the share acquisition

This acquisition of shares represents an important step towards achieving the materiality (key management issue) of "creation of innovative drugs," which the Company has identified to realize its vision for 2030. The approach to gene therapy developed by Orchard, which is characterized by the modification and administration of the patient's own hematopoietic stem cell genes, has the potential to address the fundamental causes of genetic diseases with a single administration. As a leading provider of hematopoietic stem cell gene therapy ("HSC-GT"), Orchard has already launched HSC-GT products for lysosomal diseases in Europe and is undergoing approval review in the United States, steadily establishing a track record in this field. By combining the Company's strengths in biopharmaceuticals with Orchard's expertise in cell and gene therapy research, the Company aims to develop pharmaceuticals that meet future unmet medical needs and create life-changing value.

(2) Name, business description, and scale of the company subject to the share acquisition

(i)	Name	Orchard Therapeutics plc
(ii)	Location	245 Hammersmith Road, 3rd Floor London W6 8PW United Kingdom
(iii)	Title and name of representative	Chief Executive Officer Bobby Gaspar
(iv)	Business description	Development and commercialization of hematopoietic stem cell gene therapy (HSC-GT)
(v)	Share capital	U.S.$29,463 thousand (as of September 30, 2023)
(vi)	Year of establishment	2015

(3) Timing of the share acquisition

January 24, 2024

(4) Number of shares acquired and acquisition price

(i)	Number of shares held before change	0 shares (Number of voting rights: 0 rights) (Ownership ratio of voting rights: 0%)
(ii)	Number of shares acquired	22,817,354 shares (Number of voting rights: 18,246,822 rights)
(iii)	Acquisition price	U.S.$16.00 per ADS, totaling approximately U.S.$387.6 million (or approximately ¥57.4 billion)
(iv)	Number of shares held after change	22,817,354 shares (Ownership ratio of voting rights: 100%)

Notes:
1. Figures are converted at 1 USD = 148 JPY.
2. The number of shares acquired is based on the assumption that all ordinary shares are converted into ADSs. The acquisition price is the amount required to pay for all issued ordinary shares, ADSs, options, restricted stock units, and other securities. Additionally, if FDA approval for OTL-200 marketing in the United States is obtained, shareholders will have the right to receive an additional U.S.$1.00 per ADS. If this condition is achieved, an additional U.S.$1.00 will be paid, and the acquisition price will be U.S.$17.00 per ADS, totaling approximately U.S.$477.8 million (or approximately ¥70.7 billion).

Acquisition and cancellation of treasury shares

At the Board of Directors meeting held on February 7, 2024, the Company resolved as follows regarding the acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing the terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act and its specific method, as well as the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Reasons for acquisition and cancellation of treasury shares

The Company will acquire treasury shares to improve capital efficiency and enhance shareholder returns, and will cancel treasury shares to dispel concerns about future dilution of shares.

(2) Details of matters regarding the acquisition

(i) Class of shares subject to the acquisition	Ordinary shares of the Company
(ii) Total number of shares that can be acquired	Up to 17,000,000 shares (Maximum ratio to the total number of issued shares (excluding treasury shares): 3.2%)
(iii) Total acquisition price of the shares	Up to ¥40,000 million
(iv) Acquisition period	From February 13, 2024 to October 31, 2024 (scheduled)
(v) Acquisition method	Market purchases on the Tokyo Stock Exchange under a discretionary trading contract

(3) Details of matters regarding the cancellation

(i) Class of shares to be cancelled	Ordinary shares of the Company
(ii) Number of shares to be cancelled	All of the treasury shares acquired as stated in (2)
(iii) Scheduled date of cancellation	November 14, 2024

(2) Other

Quarterly information for the fiscal year ended December 31, 2023

Year to quarter end	First quarter	Second quarter	Third quarter	Fiscal year ended December 31, 2023
Revenue (Millions of yen)	93,535	199,209	306,053	442,233
Profit before tax (Millions of yen)	15,582	26,046	64,339	97,246
Profit attributable to owners of parent (Millions of yen)	12,760	21,646	53,554	81,188
Basic earnings per share (Yen)	23.74	40.27	99.62	151.03

Quarter period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	23.74	16.53	59.35	51.40

2 Financial Statements, Etc.

(1) Financial statements

(i) Balance sheet

(Millions of yen)

		As of December 31, 2022		As of December 31, 2023
Assets				
Current assets				
Cash and deposits		11,306		12,391
Accounts receivable - trade		73,422		96,569
Merchandise and finished goods		33,707		39,037
Work in process		14,020		13,021
Raw materials and supplies		13,381		13,895
Short-term loans receivable from subsidiaries and associates		352,508		384,136
Other	Note 1	21,836	Note 1	22,740
Allowance for doubtful accounts		(102)		(129)
Total current assets	Note 2	520,078	Note 2	581,659
Non-current assets				
Property, plant, and equipment				
Buildings		27,125		33,679
Structures		1,857		2,669
Machinery and equipment		9,991		9,658
Tools, furniture, and fixtures		5,285		7,145
Land		4,393		4,452
Construction in progress		12,678		8,528
Other		2,033		1,861
Total property, plant, and equipment	Note 4	63,361	Note 4	67,992
Intangible assets				
Marketing rights		10,514		12,626
Other		3,920		5,424
Total intangible assets		14,434		18,050
Investments and other assets				
Investment securities		5,387		5,920
Shares of subsidiaries and associates		122,072		122,022
Bonds of subsidiaries and associates		28,500		23,500
Long-term prepaid expenses		2,709		4,929
Prepaid pension costs		9,187		9,848
Deferred tax assets		38,183		33,585
Other		2,191		2,111
Allowance for doubtful accounts		(45)		(27)
Total investments and other assets	Note 2	208,185	Note 2	201,888
Total non-current assets		285,980		287,929
Total assets		806,058		869,589

(Millions of yen)

		As of December 31, 2022		As of December 31, 2023
Liabilities				
Current liabilities				
Accounts payable - trade		9,295		11,445
Accounts payable - other		46,588		51,969
Income taxes payable		459		3,660
Deposits received from subsidiaries and associates		98,723		140,394
Contract liabilities		32,291		24,218
Provision for loss on product recalls		56		—
Provision for loss on contracts		1,978		2,380
Other		7,397		5,452
Total current liabilities	Note 2	196,787	Note 2	239,518
Non-current liabilities				
Provision for loss on compensation		3,400		3,400
Provision for loss on contracts		–		134
Asset retirement obligations		3,777		3,777
Other		176		51
Total non-current liabilities		7,353		7,362
Total liabilities		204,140		246,880
Net assets				
Shareholders' equity				
Share capital		26,745		26,745
Capital surplus				
Legal capital surplus		103,807		103,807
Other capital surplus		463		613
Total capital surplus		104,271		104,420
Retained earnings				
Legal retained earnings		6,686		6,686
Other retained earnings				
Reserve for tax purpose reduction entry of noncurrent assets		1,137		1,073
General reserve		297,424		297,424
Retained earnings brought forward		168,142		189,549
Total retained earnings		473,389		494,732
Treasury shares		(3,158)		(3,000)
Total shareholders' equity		601,247		622,897
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		452		1,507
Deferred gains or losses on hedges				(1,798)
Total valuation and translation adjustments		452		(291)
Share acquisition rights		219		102
Total net assets		601,918		622,709
Total liabilities and net assets		806,058		869,589

(ii) Statement of profit or loss

(Millions of yen)

		Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023
Net sales	Note 1	253,790	Note 1	277,161
Cost of sales	Note 1	85,973	Note 1	92,039
Gross profit		167,818		185,122
Selling, general, and administrative expenses				
Salaries and bonuses		22,387		23,664
Research and development expenses		65,594		69,776
Other		39,203		38,255
Total selling, general, and administrative expenses	Note 1	127,184	Note 1	131,695
Operating profit		40,634		53,427
Non-operating income				
Interest and dividend income		5,768		11,787
Foreign exchange gain		–		8,527
Other		561		565
Total non-operating income	Note 1	6,330	Note 1	20,880
Non-operating expenses				
Interest expenses		1,086		5,767
Foreign exchange losses		7,924		–
Other		668		1,321
Total non-operating expenses	Note 1	9,677	Note 1	7,088
Ordinary profit		37,287		67,218
Extraordinary income				
Gain on sale of investment securities		2,180		2,670
Gain on reversal of asset retirement obligations		525		–
Total extraordinary income		2,705		2,670
Extraordinary losses				
Impairment losses		415		44
Transfer pricing taxation adjustment		–	Note 2	5,159
Loss on contracts		–	Note 3	2,577
Provision for loss on contracts	Note 3	1,587	Note 3	617
Total extraordinary losses		2,002		8,397
Profit before income taxes		37,990		61,491
Income taxes - current		4,803		6,195
Income taxes - deferred		2,140		4,926
Total income taxes		6,943		11,121
Profit		31,047		50,370

(iii) Statement of changes in equity

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Retained earnings Total
Balance at beginning of period	26,745	103,807	271	104,078	6,686	1,205	297,424	162,284	467,600
Changes during period									
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	(68)	–	68	–
Dividends of surplus	–	–	–	–	–	–	–	(25,258)	(25,258)
Profit	–	–	–	–	–	–	–	31,047	31,047
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	193	193	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes during period	–	–	193	193	–	(68)	–	5,857	5,789
Balance at end of period	26,745	103,807	463	104,271	6,686	1,137	297,424	168,142	473,389

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjust-ments		
Balance at beginning of period	(3,340)	595,083	1,424	1,424	414	596,921
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	–
Dividends of surplus	–	(25,258)	–	–	–	(25,258)
Profit	–	31,047	–	–	–	31,047
Purchase of treasury shares	(11)	(11)	–	–	–	(11)
Disposal of treasury shares	193	385	–	–	–	385
Net changes in items other than shareholders' equity	–	–	(971)	(971)	(196)	(1,167)
Total changes during period	182	6,164	(971)	(971)	(196)	4,997
Balance at end of period	(3,158)	601,247	452	452	219	601,918

Fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Retained earnings Total
Balance at beginning of period	26,745	103,807	463	104,271	6,686	1,137	297,424	168,142	473,389
Changes during period									
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	(64)	–	64	–
Dividends of surplus	–	–	–	–	–	–	–	(29,027)	(29,027)
Profit	–	–	–	–	–	–	–	50,370	50,370
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	150	150	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes during period	–	–	150	150	–	(64)	–	21,407	21,343
Balance at end of period	26,745	103,807	613	104,420	6,686	1,073	297,424	189,549	494,732

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjust-ments		
Balance at beginning of period	(3,158)	601,247	452	–	452	219	601,918
Changes during period							
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	–	–
Dividends of surplus	–	(29,027)	–	–	–	–	(29,027)
Profit	–	50,370	–	–	–	–	50,370
Purchase of treasury shares	(10)	(10)	–	–	–	–	(10)
Disposal of treasury shares	168	318	–	–	–	–	318
Net changes in items other than shareholders' equity	–	–	1,055	(1,798)	(744)	(117)	(860)
Total changes during period	158	21,651	1,055	(1,798)	(744)	(117)	20,791
Balance at end of period	(3,000)	622,897	1,507	(1,798)	(291)	102	622,709

Notes to financial statements

Significant accounting policies

1. Valuation basis and valuation methods for assets

(1) Valuation basis and valuation methods for securities

Held-to-maturity debt securities: Amortized cost method (straight-line method)

Shares of subsidiaries and associates: Moving-average cost method

Available-for-sale securities

Securities other than equity shares, etc. with no quoted market value:

Market value method (unrealized gains and losses are recorded in net assets, and the cost of securities sold is determined by the moving-average method)

Equity shares, etc. with no quoted market value:

Moving-average cost method

(2) Valuation basis and valuation method for derivatives

Market value method

(3) Valuation basis and valuation method for inventories

Mainly weighted average cost method (carried at the lower of cost and net selling value)

2. Depreciation and amortization method for non-current assets

(1) Property, plant, and equipment (excluding leased assets)

Straight-line method

(2) Intangible assets (excluding leased assets)

Straight-line method

(3) Leased assets

Straight-line method over the lease term with no residual value

3. Bases for recognizing provisions

(1) Allowance for doubtful accounts

To provide for credit losses on trade and other receivables, an allowance for doubtful accounts is provided based on past experience for general receivables and based on the collectability of receivables on an individual basis for specific receivables including doubtful receivables.

(2) Provision for retirement benefits

To provide for employee retirement benefits, a provision for retirement benefits is recognized based on the estimated amounts of retirement benefit obligations and plan assets at the end of the fiscal year.

Past service cost is amortized on a straight-line basis (mainly over five years) within the expected average remaining service period of the employees when incurred.

Actuarial differences are amortized on a straight-line basis (mainly over 10 years) within the expected average remaining service period of the employees when they occur, starting from the fiscal year following the fiscal year in which they occur.

(3) Provision for loss on product recalls

In order to provide for the payment for returns and other costs in connection with products to be recalled, a reasonably estimable amount is recognized as provision for loss on product recalls.

(4) Provision for loss on compensation

In order to provide for the payment for any indemnification claim, a reasonably estimable amount is recognized as provision for loss on compensation.

The final amount of indemnification may differ from the amount recognized as provision.

(5) Provision for loss on contracts

In order to provide for the loss due to the performance of business outsourcing agreements, joint research and development agreements, and the like, a reasonably estimable amount is recognized as provision for such loss.

4. Basis for recognizing revenue and expenses

Revenue from contracts with customers

The Company identifies performance obligations in contracts with customers and recognizes revenue in the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or services to the customers. Such amount does not include amounts collected on behalf of taxation authorities such as consumption taxes and value-added tax. If the consideration in a contract with a customer includes a variable amount, the variable consideration is included in the transaction price only to the extent that it is highly probable

that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(1) Revenue from sale of merchandise and finished goods

Revenue under sales contracts for merchandise and finished goods with customers is recognized when merchandise and finished goods are delivered to the customers, since control of the merchandise and finished goods is transferred to the customers and performance obligations are satisfied at that point in time.

Revenue from the sale of merchandise and finished goods is measured at the consideration amount under sales contracts after deduction of items such as rebates and discounts based on sales volume or sales amount. The Company recognizes as refund liabilities the amount of consideration that it expects to refund to customers. The refund liabilities are estimated by using the most likely amount method based on contractual terms, historical data, and other factors.

Consideration under sales contracts for merchandise and finished goods is received mainly within one year from the delivery of the merchandise and finished goods to customers. Such contracts do not contain any significant financing components.

(2) Revenue from technology out-licensing

The Company earns as revenue from technology out-licensing upfront income, milestone revenue, and running royalty income under license agreements that grant third parties licenses to develop, manufacture, and sell development products. Some license agreements do not involve the provision of goods or services by the Company other than the granting of licenses, while others involve the provision of goods or services by the Company on development cooperation such as the provision of manufacturing technologies and drugs, application for regulatory approval, promotion of joint commercialization, etc.

When the Group does not provide any significant goods or services other than granting a license, upfront income is recognized as revenue at the time of granting the license, since all performance obligations are usually satisfied at the time. Milestone revenue, which is mainly received upon successful completion of development activities and regulatory approval, is recognized as revenue when it becomes highly probable that an agreed-upon milestone, such as application for regulatory approval, will be reached, taking into account the probability of a significant revenue reversal in the future.

When the Group provides more than one significant good or service including granting a license, the Group identifies a single or more than one performance obligation, allocates the transaction price consisting of upfront income and milestone revenue to the performance obligation(s), records the upfront consideration as a contract liability, and recognizes revenue over a period of time by measuring the progress towards complete satisfaction of that performance obligation. For development cooperation in relation to license agreements and other performance obligations, the progress is measured using an input method that is appropriate for each license agreement.

Running royalty income and milestone revenue received for the achievement of sales targets, such as when the total sales of a drug product exceed a specified amount, are a sales-based or usage-based royalty and are measured mainly based on the sales recorded by the contract counterparty. The Group recognizes revenue at the later of when the sale or usage occurs and when the performance obligations to which the sales-based or usage-based royalty has been allocated are satisfied.

Consideration of license agreements is received mainly within one year from the time of granting the license and the time agreed upon in the agreement such as the achievement of a specified milestone. Such contracts do not contain any significant financing components.

5. Hedge accounting method

(1) Hedge accounting method

The deferred hedge accounting method is applied.

(2) Hedging instruments and hedged items

Hedging instruments: Foreign exchange contracts

Hedged items: Foreign currency forecasted transactions

(3) Hedging policy

The Company enters into derivatives such as forward foreign exchange contracts, and currency swaps, to manage foreign exchange risk.

None of the derivatives are held for speculative purposes.

(4) Effectiveness of hedging

The effectiveness of hedging is evaluated by ensuring that the hedging instruments correspond to the

hedged items.

6. Other significant accounting policies for preparation of financial statements

Accounting for retirement benefits

The accounting methods for unrecognized actuarial differences and unrecognized past service cost associated with retirement benefits differ from the methods for those in the consolidated financial statements.

Significant accounting estimates

Impairment of marketing rights

(1) Amount recorded in the financial statements for the current fiscal year

	As of December 31, 2022	As of December 31, 2023
Marketing rights	¥10,514 million	¥12,626 million

(2) Information that assists users in understanding the details of accounting estimates

Please refer to “2. Basis of preparation, (5) Accounting judgments, estimates, and assumptions” in the notes to consolidated financial statements.

Balance sheet

Note 1. Assets pledged as collateral and collateralized debt

Assets pledged as collateral

	As of December 31, 2022	As of December 31, 2023
Other current assets	¥300 million	¥300 million

Note: The assets were pledged as collateral in order to utilize the deferred payment system under the Japanese Customs Act and Consumption Tax Act.

Note 2. Monetary receivables from and payables to subsidiaries and associates (excluding items presented separately)

	As of December 31, 2022	As of December 31, 2023
Short-term monetary receivables	¥20,636 million	¥41,418 million
Long-term monetary receivables	20	18
Short-term monetary payables	15,880	22,297

Note 3. Contingent liabilities

Guarantee obligations

	As of December 31, 2022	As of December 31, 2023
Debt guarantees for borrowings of associates	¥1,156 million	¥2,022 million

Note 4. The following table provides the reduced amount from the cost of each class of property, plant, and equipment acquired with national subsidies and other grants.

	As of December 31, 2022	As of December 31, 2023
Buildings	¥14 million	¥125 million
Structures	–	19
Machinery and vehicles	967	967
Tools, furniture, and fixtures	7	12
Construction in progress	8	–

Note 5. Loan commitments (lender)

The Company has entered into either a basic agreement relating to a cash management system or a revolving loan agreement with each of its subsidiaries and associates, and has established a revolving credit line for the Company.

The unused balance and other information under these agreements are as follows:

	As of December 31, 2022	As of December 31, 2023
Total amount of loan commitments	¥104,517 million	¥110,443 million
Outstanding loan balance	33,491	4,106
Unused balance	71,026	106,337

Statement of income

Note 1. Amounts of transactions with subsidiaries and associates

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Amounts of business transactions		
Net sales	¥69,967 million	¥87,092 million
Purchase	17,314	20,761
Other	13,917	25,264
Amount of other transactions	7,084	25,667

Note 2. Transfer pricing taxation adjustment

Regarding adjustment money related to transactions during past fiscal years that the Company paid to foreign consolidated subsidiaries based on an agreement reached through mutual consultation on the advance pricing agreement, the Company recorded a transfer pricing taxation adjustment of ¥5,159 million under extraordinary losses in the fiscal year ended December 31, 2023. This transfer pricing taxation adjustment is eliminated in the consolidated financial statements and therefore has no impact on the consolidated statement of profit or loss.

Note 3. Loss on contracts and provision for loss on contracts

The Company recorded a loss on contracts of ¥2,577 million, which arose due to the performance of business outsourcing agreements, etc., in the fiscal year ended December 31, 2023 and, in order to provide for the loss due to the performance of business outsourcing agreements, joint research and development agreements, and the like, the Company recorded, under extraordinary losses, provisions for loss on contracts of ¥1,587 million and ¥617 million in the fiscal years ended December 31, 2022 and 2023, respectively, based on reasonable estimates.

Securities

As of December 31, 2022

The fair value of shares of subsidiaries and associates (the carrying amounts of the shares of subsidiaries and those of associates were ¥122,060 million and ¥12 million, respectively) has not been disclosed, since they are equity shares, etc. with no quoted market value.

As of December 31, 2023

The fair value of shares of subsidiaries and associates (the carrying amounts of the shares of subsidiaries and those of associates were ¥122,010 million and ¥12 million, respectively) has not been disclosed, since they are equity shares, etc. with no quoted market value.

Deferred tax accounting

1. Significant components of deferred tax assets and deferred tax liabilities

	As of December 31, 2022	As of December 31, 2023
Deferred tax assets		
Prepaid expenses for tax purposes	¥8,496 million	¥9,549 million
Contract liabilities	9,887	7,416
Excess depreciation for tax purposes	8,946	5,218
Retirement benefit trust	4,910	4,757
Inventories for tax purposes	2,345	3,138
Excess amortization of deferred assets for tax purposes	2,234	1,609
Shares of subsidiaries and associates	608	608
Accrued enterprise tax	141	472
Other	7,724	8,138
Gross deferred tax assets	45,291	40,905
Valuation allowance	(2,713)	(2,454)
Total deferred tax assets	42,577	38,451
Deferred tax liabilities		
Prepaid pension costs	(2,813)	(3,016)
Valuation difference on available-for-sale securities	(200)	(665)
Reserve for tax purpose reduction entry of non-current assets	(513)	(483)
Other	(869)	(702)
Total deferred tax liabilities	(4,394)	(4,866)
Net deferred tax assets	38,183	33,585

2. Reconciliation of significant differences between the statutory tax rate and the effective income tax rate after the application of deferred tax accounting

	As of December 31, 2022	As of December 31, 2023
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Permanently non-deductible items, such as entertainment expenses	0.2	0.2
Change in valuation allowance	(0.1)	(0.4)
Permanently non-taxable items, such as dividend income	(3.5)	(4.6)
Income tax credits	(7.0)	(6.7)
Other	(1.9)	(1.0)
Effective income tax rate after application of deferred tax accounting	18.3	18.1

Significant subsequent events

Acquisition of a company by share acquisition

Please refer to “35. Subsequent events, Acquisition of a company by share acquisition/Regarding acquisition of shares of Orchard Therapeutics plc (subsidiarization)” in the notes to consolidated financial statements.

Acquisition and cancellation of treasury shares

Please refer to “35. Subsequent events, Acquisition and cancellation of treasury shares” in the notes to consolidated financial statements.

(iv) Annexed detailed schedules

Annexed detailed schedule of property, plant, and equipment, etc.

(Millions of yen)

Category	Class of assets	Balance as of January 1, 2023	Increase	Decrease	Depreciation or amortization	Balance as of December 31, 2023	Accumulated depreciation
Property, plant, and equipment	Buildings	27,125	9,072	198 (44)	2,320	33,679	48,315
	Structures	1,857	1,039	48	179	2,669	4,452
	Machinery and equipment	9,991	2,893	24	3,202	9,658	50,199
	Tools, furniture, and fixtures	5,285	4,232	8	2,363	7,145	27,652
	Land	4,393	58	–	–	4,452	–
	Construction in progress	12,678	13,152	17,302	–	8,528	–
	Other	2,033	288	31	428	1,861	1,205
	Total	63,361	30,734	17,611 (44)	8,492	67,992	131,824
Intangible assets	Marketing rights	10,514	4,380	1	2,268	12,626	16,100
	Other	3,920	5,295	2,534	1,257	5,424	2,581
	Total	14,434	9,675	2,535	3,525	18,050	18,681

Notes: 1. The increase in construction in progress is due to the acquisition of assets for ongoing projects, and the decrease is due to transfers from construction in progress to other classes of property, plant, and equipment.

2. Of the increase, major increases are as follows:
   Construction in progress
   Construction of a new multipurpose facility relating to quality assurance at Takasaki Plant ¥2,910 million
   Construction in progress
   Construction of a new biopharmaceutical API manufacturing building at Takasaki Plant ¥2,422 million

3. Impairment losses for the fiscal year ended December 31, 2023 are presented in parentheses in the "Decrease" column.

Annexed detailed schedule of provisions

(Millions of yen)

Account	Balance as of January 1, 2023	Increase	Decrease	Balance as of December 31, 2023
Allowance for doubtful accounts	147	27	18	156
Provision for loss on product recalls	56	–	56	–
Provision for loss on contracts	1,978	1,564	1,027	2,515
Provision for loss on compensation	3,400	–	–	3,400

(2) Components of major assets and liabilities

The information is omitted, since the Company prepared the consolidated financial statements.

(3) Other

No special notes.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From January 1 to December 31
Ordinary General Meeting of Shareholders	March
Record date	December 31
Record date for dividends of surplus	June 30 December 31
Number of shares per share unit	100 shares
Purchase and sale of shares less than one unit Location of administrative office Shareholder register administrator Commissions	 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Amount specified separately as the amount equivalent to share brokerage commissions
Method of public notice	The method of public notices of the Company will be electronic public notices. In the event that electronic public notice is unavailable due to an accident or any other unavoidable reason, the public notice will be given in the manner of the publication in the Nikkei (Nihon Keizai Shimbun) newspaper. The Company's website for public notices: https://ir.kyowakirin.com/ja/
Privileges of shareholders	Not applicable.

Note: Under the provisions of the Company's Articles of Incorporation, holders of shares less than one share unit have no rights other than (i) the rights set forth in the items of Article 189, Paragraph 2 of the Companies Act, (ii) the right to make a demand pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act, (iii) the right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder, and (iv) the right to demand that the Company sell to the shareholder a number of shares which will, when combined with the number of shares already held by the shareholder, constitute one share unit.

VII. Reference Information of Reporting Company

1 Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 Other Reference Information

The Company submitted the following documents during the period from the start date of the current fiscal year to the filing date of this annual securities report.

(1) Securities registration statement and attached documents
A securities registration statement and attached documents were submitted to the Director-General of the Kanto Local Finance Bureau on March 24, 2023.

(2) Amendment report of securities registration statement
An amendment report of securities registration statement was submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2023.
The report is an amendment report in connection with the securities registration statement submitted on March 24, 2023.

(3) Annual securities report and attached documents as well as confirmation letter
An annual securities report and attached documents as well as the relevant confirmation letter for the fiscal year ended December 31, 2022 were submitted to the Director-General of the Kanto Local Finance Bureau on March 9, 2023.

(4) Internal control report and attached documents
An internal control report and attached documents were submitted to the Director-General of the Kanto Local Finance Bureau on March 9, 2023.

(5) Quarterly securities reports and confirmation letters
A quarterly securities report and the relevant confirmation letter for the first quarter ended March 31, 2023 were submitted to the Director-General of the Kanto Local Finance Bureau on May 10, 2023.
A quarterly securities report and the relevant confirmation letter for the second quarter ended June 30, 2023 were submitted to the Director-General of the Kanto Local Finance Bureau on August 3, 2023.
A quarterly securities report and the relevant confirmation letter for the third quarter ended September 30, 2023 were submitted to the Director-General of the Kanto Local Finance Bureau on November 1, 2023.

(6) Extraordinary report
An extraordinary report was submitted to the Director-General of the Kanto Local Finance Bureau on March 27, 2023.
The report is an extraordinary report pursuant to the provision in Article 19, Paragraph 2, item (ix)-2 (the result of voting rights exercised at a shareholders meeting) of the Cabinet Office Order on Disclosure of Corporate Affairs of Japan.
An extraordinary report was submitted to the Director-General of the Kanto Local Finance Bureau on October 5, 2023.
The report is an extraordinary report pursuant to the provision in Article 19, Paragraph 2, item (iii) (a change to a specified subsidiary company) of the Cabinet Office Order on Disclosure of Corporate Affairs of Japan.

Part II. Information about Reporting Company's Guarantor, etc.

Not applicable.