



**Kyowa Kirin Co., Ltd.**

ESG Briefing

September 8, 2021

## Event Summary

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[Event Name]	Kyowa Kirin ESG Briefing	
[Date]	September 8, 2021	
[Number of Speakers]	4	
	Masashi Miyamoto	Representative Director of the Board, President and Chief Executive Officer
	Jun Arai	Independent Outside Director of the Board
	Takeyoshi Yamashita	Managing Executive Officer, Director, Corporate Strategy & Planning Department
	Koichiro Ishimaru	Executive Officer, Director, Corporate Social Responsibility Management Department

## Presentation

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**Moderator:** We would now like to begin the ESG briefing meeting of Kyowa Kirin Co., Ltd. Today's speakers are the following: Masashi Miyamoto, President and CEO; Jun Arai, Independent Outside Director of the Board; Takeyoshi Yamashita, Managing Executive Officer, Director of Corporate Strategy & Planning Department; and Koichiro Ishimaru, Executive Officer and Director of CSR Management Department.

I would now like to turn the meeting over to Dr. Miyamoto.



**Kyowa Kirin's initiatives for realizing a sustainable society and its business**

- Our Philosophy, Core Values, New Vision, and Materiality
- Make people smile
- Create a unified team brimming with diversity
- Foster even greater trust in Kyowa Kirin - Sound governance structure
- Ensure a thriving global environment for future generations

**Masashi Miyamoto, Ph.D.**  
Representative Director of the Board,  
President and Chief Executive Officer

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4

## Our Philosophy, Core Values, and New Vision

### Our Philosophy

The Kyowa Kirin Group companies strive to contribute to the health and wellbeing of people around the world by creating new value through the pursuit of advances in life sciences and technologies

### Core Values



### Our New 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 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.

**Miyamoto:** Good morning, everyone. Thank you for joining us today in our first-ever ESG briefing meeting. We announced our Medium Term Business Plan in February, but we weren't able to discuss ESG in depth at that time. Today, we would like to focus on our longer-term initiatives to realize sustainable growth and the solution of social problems.

Our Philosophy is as follows: "The Kyowa Kirin Group companies strive to contribute to the health and wellbeing of people around the world by creating new value through the pursuit of advances in life sciences and technologies." Officers and employees alike are also carrying out business activities according to the Core Values.

Based on our Philosophy and Core Values, we set for the following 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 a shared passion for innovation." We formulated a Medium Term Business Plan lasting from 2021 to 2025, the first milestone period.

# Delivering life-changing value

## CSV Management

We practice CSV\* management aimed at realizing improved corporate value through the creation of both social and economic value by addressing social issues

\*CSV: Creating Shared Value

### Kyowa Kirin's Materiality

Identifying material issues to address during the Medium Term Business Plan from 2021

By identifying priority issues that the Group needs to address from both a social and business perspective, we aim to help build a sustainable society while also growing our business



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6

We reviewed the Group's materiality upon formulating this new medium-term plan.

The new medium-term plan underscores the implementation of CSV (creating shared value) management, in which solving social issues will also enhance our corporate value, by identifying the priority issues from the standpoint of both society and business and turning that into the backbone of the medium-term plan.

Our materiality is made up of 4 frameworks. Under the first framework, growth opportunities, our goal is to make as many people as possible smile through the implementation of CSV management that is unique to Kyowa Kirin. In other words, we hope to bring smiles to as many people as possible who are tackling illness by creating life-changing value.

Today, I would like to explain the activities we have carried out so far, the activities we hope to carry out in the future, and our future issues.

The crucial point of creating life-changing value is to foster talent. That is why the other framework of our materiality is to create a unified team brimming with diversity.

At the same time, another extremely important element is corporate governance. One of the frameworks of our materiality is to strengthen governance to foster even greater trust in Kyowa Kirin. I will explain our current activities concerning society and governance in more detail later.

The major premise behind these activities is that society must continue to function soundly in order for the business to grow sustainably. That's why we must work toward protecting an abundant global environment for future generations, and it is imperative for us as members of society to address crucial global issues such as climate change. Tackling these environmental issues is the longest-term challenge.

In this way, at Kyowa Kirin, we are implementing business strategies according to this materiality to contribute to the realization of a sustainable society. At the same time, we are working on sustainable business growth with a long-term perspective.

## Make people smile



Continuous  
innovation

We will bring a smile to  
people battling disease

Access  
to medicine

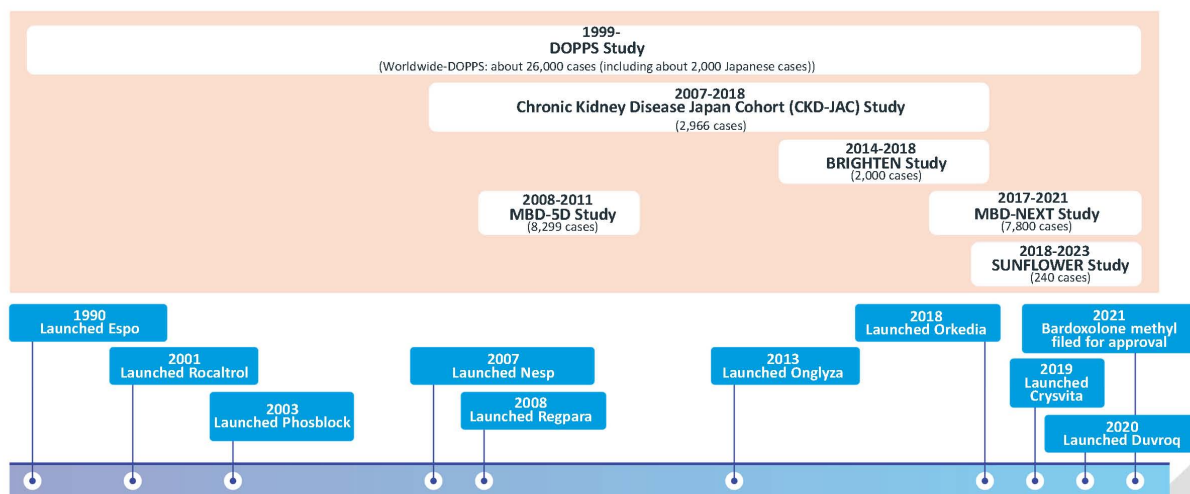
Address patient-  
centric healthcare  
needs

First, I will talk about our activities to bring a smile to people battling diseases.

Our Vision is to bring a smile to people battling diseases. We are continuously carrying out activities to deliver life-changing value to even more people by challenging ourselves in the ongoing creation of innovation required by patients. We intend to do so by listening to the voices of patients so that we can empathize with patients and bring smiles to them.

## Make people smile

### Kyowa Kirin's history of clinical research in the field of nephrology



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9

Ever since the launch of Espo, in 1990, Kyowa Kirin has offered new drugs to patients with kidney-related diseases, and we have continued to support observational research in collaboration with academia in this domain.

As drugs in this domain, we have recently released Crysvita and Duvroq. As we have already notified all of you, this year, we have filed for approval of bardoxolone methyl.

## Make people smile

Why does Kyowa Kirin continue to pursue clinical research in the field of nephrology?

- Currently, more than 320,000 patients are undergoing dialysis treatment, and there are about 13 million patients with Chronic Kidney Disease (CKD)
- With proper treatment, patients with CKD can expect to lead a social life similar to healthy people

**Kyowa Kirin's mission: To clarify, through clinical research, the necessities for patients with CKD to continue their social lives as healthy people for a more extended period**



DIALYSIS OUTCOMES AND  
PRACTICE PATTERNS STUDY

The Dialysis Outcomes and Practice Patterns Study (DOPPS) is an international, prospective, observational study investigating hemodialysis treatment methods and patient outcomes. Kyowa Kirin has been supporting this study for more than 20 years since 1999



The CKD-JAC study is a prospective observational study investigating treatment methods for chronic kidney disease before the introduction of dialysis and the prognosis of patients. Kyowa Kirin started the study in 2007, and has been conducting it in collaboration with the Japanese Society of Nephrology since 2013

In Japan, there are roughly 13 million patients with chronic kidney disease. By continuing the proper treatment, it is expected that the QOL of patients is improved and maintained over a long period of time.

What is necessary to improve and sustain the QOL of patients with chronic kidney disease over the long term? We have continued to support observational research with the aim of answering this question. The DOPPS Study began over 20 years ago to improve dialysis care.

The CKD-JAC Study was started in 2007 to improve medical care for chronic kidney disease before dialysis, and has been conducted in collaboration with the Japanese Society of Nephrology since 2013. In this way, Kyowa Kirin is providing long-term support for research aimed at improving medical care in the kidney field.

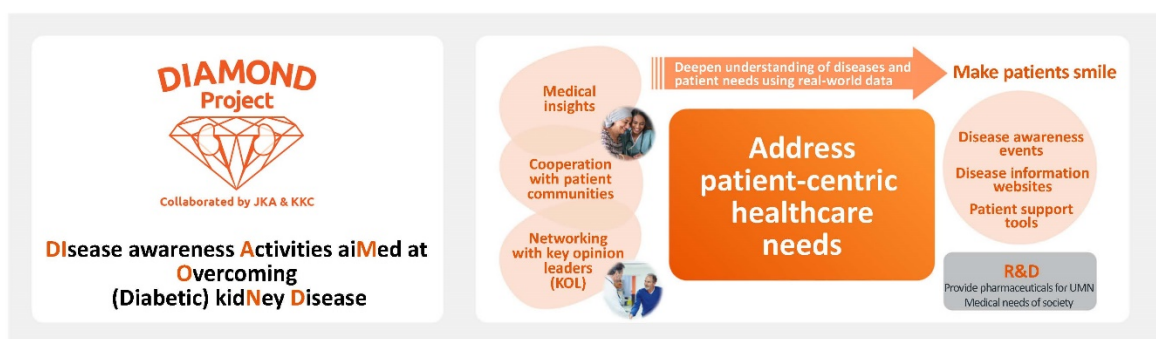
We at Kyowa Kirin, with our strength in this field, believe that it is our mission to clarify appropriate treatment methods for patients with chronic kidney disease through such long-term observational studies.



## Make people smile

### Initiatives for Disease Awareness Activities

- We have signed a partnership agreement with the Japan Kidney Disease Association (NPO) and are actively conducting disease awareness activities for kidney disease in various locations across Japan as the "DIAMOND Project"
- Positioned "Address patient-centric healthcare needs" as one of the strategic pillars of the Medium Term Business Plan
- We will promote disease awareness activities and apply the insights gained from these activities into our R&D



In cooperation with the Japan Kidney Association, we are actively engaged in various activities such as disease awareness activities named DIAMOND Project and seminars for the purpose of overcoming kidney disease in various regions.

Responding to the medical needs of patients by putting them at the center is precisely what we are aiming for. Through collaboration with the patient community and medical professionals, we hope to gather information on the issues and medical needs that patients and medical professionals feel need to be resolved, and to work more broadly and deeply to bring smiles to people facing illness.

Access to medicine

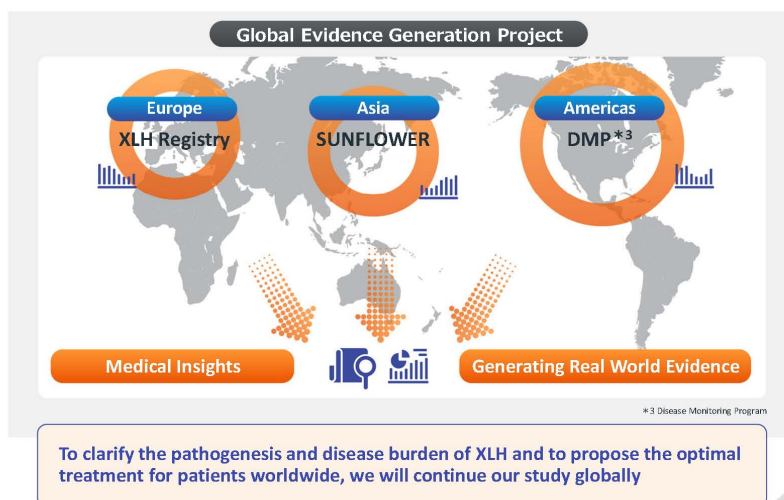
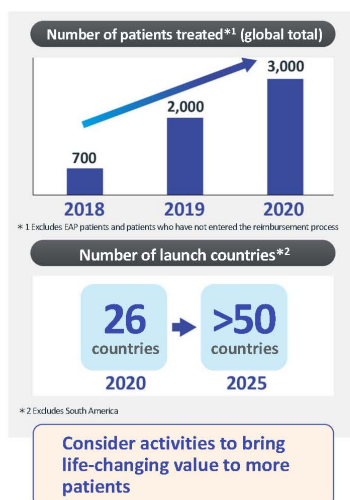
Address patient-centric healthcare needs

**Make people smile**

Together with XLH patients around the world



**Kyowa KIRIN**



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12

As you know, we, Kyowa Kirin, launched Crysvita, in 2018, as a treatment for X-linked hypophosphatemia or XLH. Through the provision of this drug, the world's first treatment for XLH, we are expanding our activities to bring smiles to the faces of patients and their families.

As of the end of 2020, Crysvita has been launched in 26 countries, and approximately 3,000 patients have started treatment. By 2025, we hope to launch the drug in more than 50 countries and bring it to even more patients.

However, we still do not believe that our efforts are sufficient. We have begun a global effort to clarify the condition and disease burden of XLH patients and to propose the best treatment for each patient's condition.

As a rare disease, XLH does not have a sufficient number of patients in a single country to use the data to conduct a detailed analysis. Therefore, we have been conducting a global observational research project in collaboration with Asia, Europe, and the Americas. Using our long experience with chronic kidney disease patients, we have also continued to work with XLH patients.

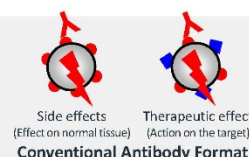
## Challenges in creating life-changing value by utilizing our unique bispecific antibody technology

### Limitations of conventional antibody format

- Insufficient
- Systemic Effects (Safety)
  - Tissue Selectivity
  - Cell Selectivity



It is difficult to administer doses that will provide adequate therapeutic effects, due to concerns about systemic effects



### Solution by new technologies

Ideas Based on Research in Biology



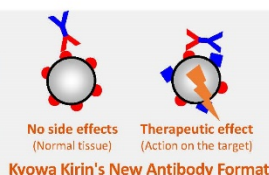
Unique Bispecific Antibody Technology



First-in-Class Drugs that Achieve both Efficacy and Safety

Adding uniqueness

Improving safety



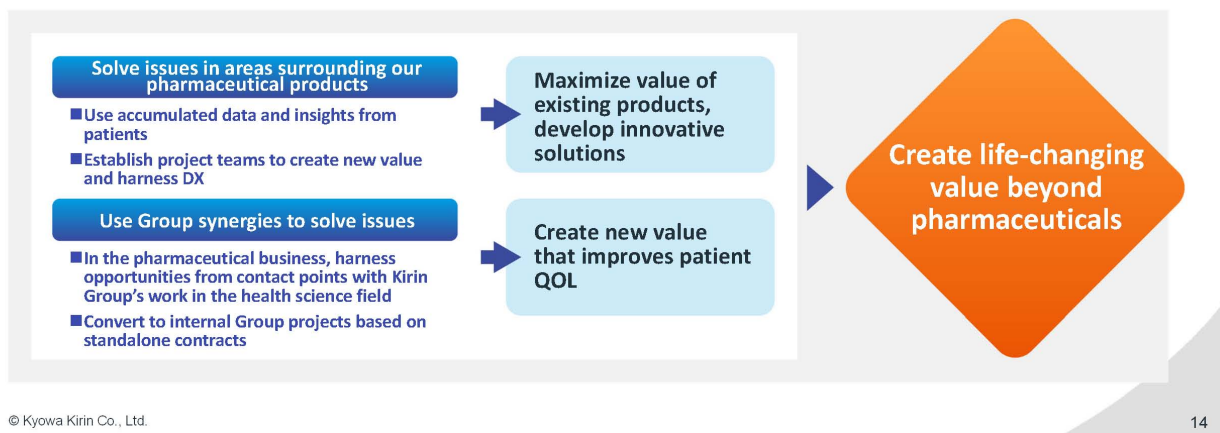
We are actively working to create innovation that delivers new, life-changing value in order to bring smiles to even more patients. For example, antibody drugs have been one of Kyowa Kirin's strengths, but with conventional antibodies, it has been difficult to separate drug efficacy from side effects when the target molecule is expressed in both diseased and normal cells.

Thus, we are engaged in daily research activities with the aim of creating safer and more potent therapeutic agents by dramatically increasing the specificity to diseased cells through our proprietary bispecific antibody technology and discoveries from biological research. Our challenge to provide life-changing value continues.

## Make people smile

Our challenges for value creation toward 2030

- Increase the value of existing and new drugs by viewing patients as consumers: Solve issues in areas surrounding our pharmaceutical products
- "Using group synergies to solve issues" by leveraging opportunities created by contact with the health science domain of the Kirin Group



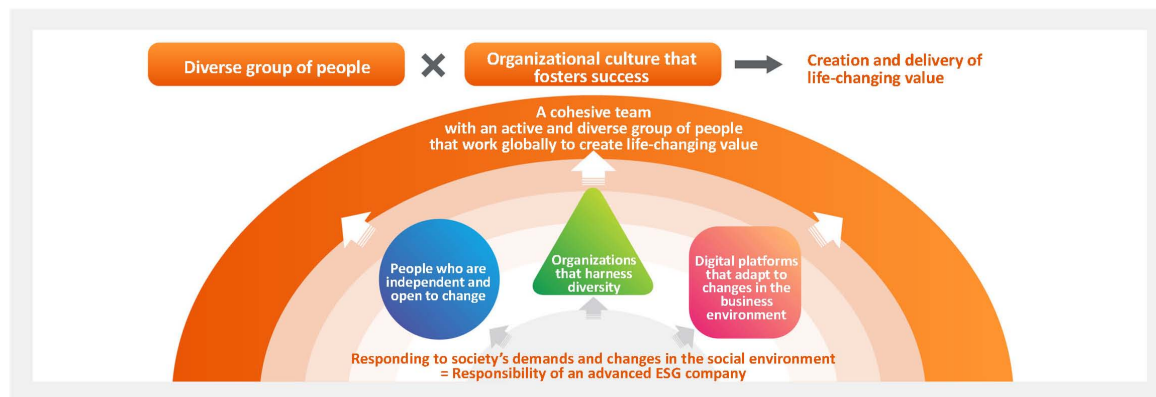
In order to bring smiles to patients' faces, we believe it is necessary to pursue life-changing value not only in medicine but also in the areas surrounding pharmaceutical treatment. In doing so, we think an important perspective is to see patients not only in terms of their disease but also their daily lives.

There are insights that can only be obtained by listening carefully to patients facing the problems. We have accumulated such data and knowledge that we intend to utilize fully. We have set up a designated team that would tackle the creation of new value, and the team is carrying out efforts to solve problems around our pharmaceutical products.

As there are also domains that overlap between the health science business of Kirin Holdings and the pharmaceutical business of Kyowa Kirin, we aim to create value by demonstrating synergies as the Kirin Group. We believe that pursuing the creation of value that allows us to deliver within the Kirin Group will lead to the provision of life-changing value, which we are aiming for from a medium- to long-term perspective.

## Create a unified team brimming with diversity

- Recognizing that human resources are the source of innovation, we will draw out the full potential of each employee and create people and organizations that continue to create new value by striving for change
- We will globally work on "Diversity and Inclusion" and "Employee development and opportunities for employees to grow," which are materialities related to "Organizational culture and talent"



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16

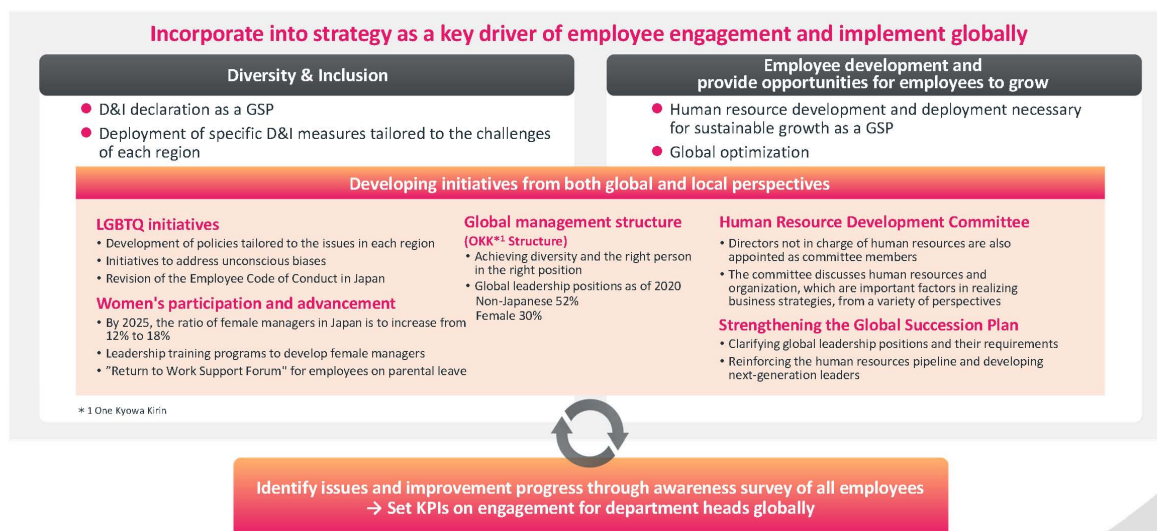
Next, I will talk about our vision to create a unified team brimming with diversity.

As the environment of the business continues to change rapidly, we recognize that it is essential to secure human resources that can demonstrate leadership and proactively implement change in order to achieve sustainable growth.

In addition, from the perspective of social sustainability and the impact on the Group's business, we have set for the following as core issues among the materiality related to organizational culture and human resources: "Diversity and inclusion" and "Employee development and opportunities for employees to grow."

We aim to foster and create human resources and an organization that strive to implement change and continuously creates new value, recognizing that human resources are the centerpiece of innovation. To this end, we will work to maximize the abilities of each employee in the Group.

## Create a unified team brimming with diversity



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17

I will share some of the main activities that have already been conducted to create a cohesive team that brims with diversity.

As for diversity and inclusion, the priorities differ from one region to another. We will be implementing specific targets and measures in accordance with the particularities of each region. But, the common policy across global operations will be to emphasize D&I, and we are currently in consideration of making a D&I Declaration as a global specialty pharmaceutical company.

In each region, measures to promote LGBTQ and the active participation of women are being carried out. For example, a concrete target for women's advancement in Japan is to raise the ratio of female managers to 18% by 2025, from 12% currently. We will continuously implement leadership training to foster future female managers and forums to support employees returning from childcare leave.

We aim to provide employees with opportunities for up-skilling and growth through optimal personnel training and allocation required for sustainable growth as a global specialty pharmaceutical company.

We are solidifying our global management under the One Kyowa Kirin structure, which is a matrix-style structure that combines the regional axis with a functional axis. And, further, we have launched a Human Resource Development Committee to promote our management strategy aimed at making further leaps forward.

We have appointed executives other than those in charge of human resources as committee members to encourage active discussions about personnel training and measures required for the realization of the Company's Vision and ideal corporate culture. Through these initiatives, we aim to achieve behavioral changes



in individuals that will lead to realizing our Vision, and foster personnel that will spearhead a transformation in corporate culture.

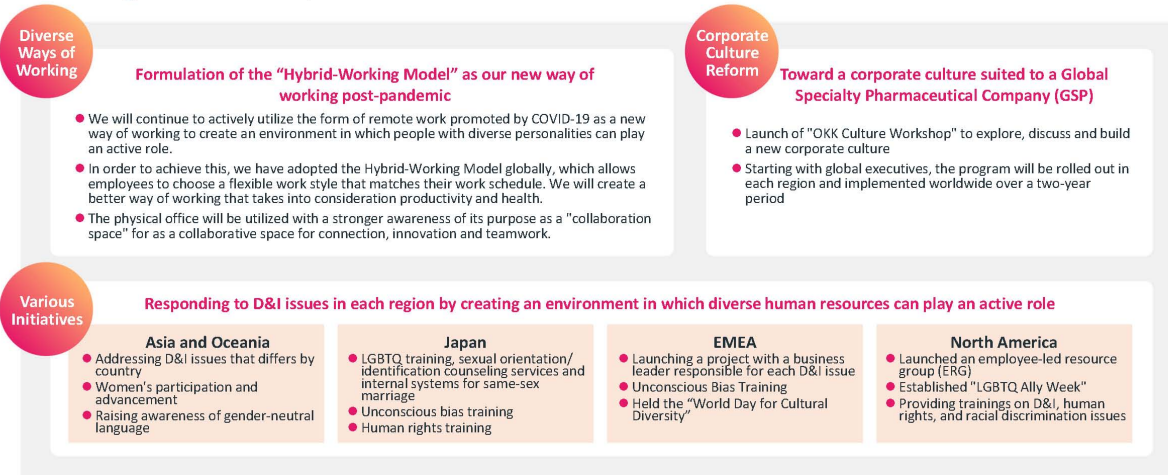
The global and regional leadership team supporting the global management structure, which has about 100 positions, comprises 52% non-Japanese personnel and 30% women.

We have created a global succession plan, clarified the requirements to qualify for global leadership positions, worked on enhancing the candidate leadership pipeline, and are striving to foster next-generation leaders. By doing so, we are endeavoring to realize the optimal allocation of diverse talent and achieve sustainable growth as a GSP company. The issues and progress toward the improvement of these initiatives are visualized by implementing a global common employee awareness survey once a year.

We have set up key performance indices for global leaders in each department to improve engagement and the working environment.

## Create a unified team brimming with diversity

- By creating an environment in which people with diverse personalities can play an active role, we will maximize the strengths of individuals, which are the source of innovation



By creating an environment that encourages diverse talent to play active roles, we are working to maximize the power of individuals, who are the source of innovation.

In July 2021, we formulated a hybrid-working model in anticipation of a post-coronavirus society as part of our initiatives for promoting diverse work styles. We announced the active utilization of remote work and that workers will be able to choose flexible work styles according to their roles. We also stated that the physical office space would be used as a collaboration space for innovation and teamwork.

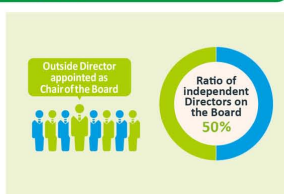
We are also implementing a reform of corporate culture toward fostering a culture that befits a global specialty pharmaceutical company. Advance steps are already being taken in Japan, but going forward, we plan to hold a One Kyowa Kirin Culture Workshop globally, starting with participation by global executives.

As shown on this slide, we are promoting the creation of an environment that encourages diverse talent in the entire Group to play active roles by having each region proactively advance measures to address D&I issues in each region and country.

## Initiatives to strengthen the functions of the board of directors to enhance corporate governance

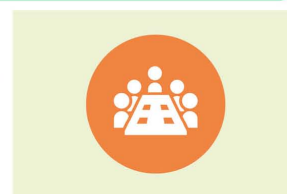
### A Transparent Governance Structure That Leverages the Strengths of Outside Officers

- Independent outside directors account for 50% of the board (from March 2021)
- Independent outside director appointed as Chairperson of the board (from March 2020) and appointed as Chairperson of the Nomination & Remuneration Consultative Committee
- All independent outside officers participate in the Nomination & Remuneration Consultative Committee



### Strengthening the Effectiveness of the Board of Directors

- Conducting an effectiveness evaluation and improvement management cycle with external advisors
- Individual interviews + opinion exchange by independent officers
- Dialogue between investors and independent outside directors
- Opinion exchange on ESG



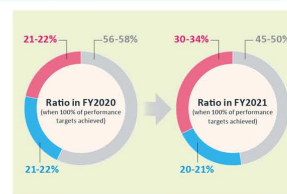
### Board Members with a Wide Array of Skills

- Internal officers with expertise in the pharmaceutical business
- Outside officers with a wide array of skills and experience
- Two female independent officers



### Strengthening the Link between Executive Remuneration and Performance

- Introduced the Performance Share Unit, which links KPIs in the Medium Term Management Plan with executive remuneration (from March 2021)
- Increased the ratio of medium- to long-term performance-linked remuneration



Next, I will talk about our governance structure.

At Kyowa Kirin, we believe that by strengthening our governance system, with the Board of Directors at the center, and with a constant focus on strengthening transparency and effectiveness, we will be able to gain society's trust and achieve sustainable growth at the same time.

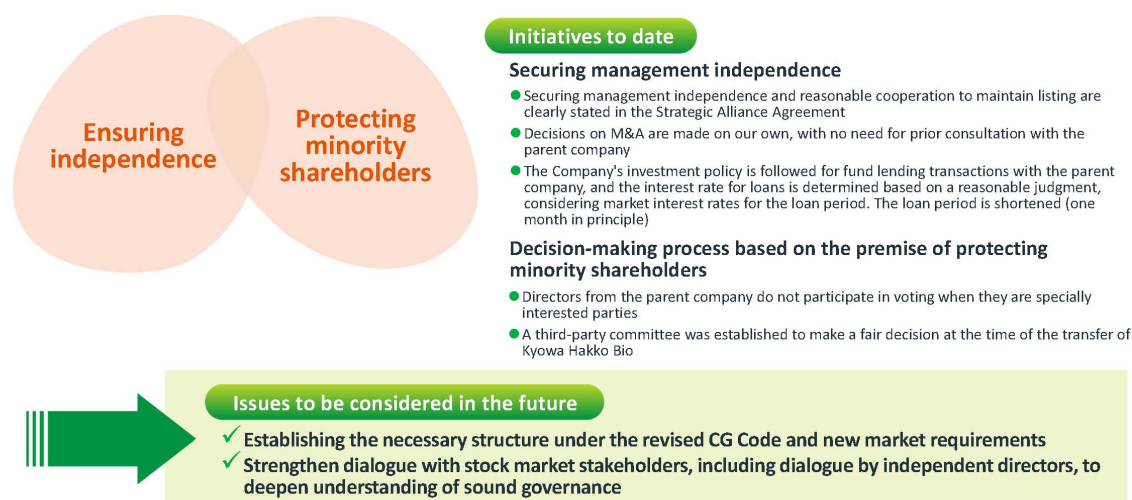
In terms of transparency, half of the Directors are Independent Outside Directors, and the Chairman of the Board of Directors and the Chairman of the Nomination and Remuneration Consultative Committee are also Independent Outside Directors. In addition, all Independent Directors participate in the Nomination and Remuneration Consultative Committee, and the majority of the members are Independent Directors, and we are conscious of a governance system that fully utilizes the abilities of Outside Directors.

In addition, every year, we conduct an evaluation of the effectiveness of the Board of Directors, considering external perspectives, and work to strengthen the effectiveness of the Board of Directors by addressing issues raised by the evaluation. We will reflect the recognition of issues and the direction for improvement through dialogue with investors in strengthening our effectiveness, and we will enhance transparency by creating opportunities for dialogue between Independent Outside Directors and investors, as we are doing today.

The Annual Report released this year includes a skills matrix for all Directors and auditors, but the quality of management can be further improved by having Outside Directors advise on areas where the experience and knowledge of internal Directors are insufficient.



## Continuous efforts to strengthen governance as a listed subsidiary

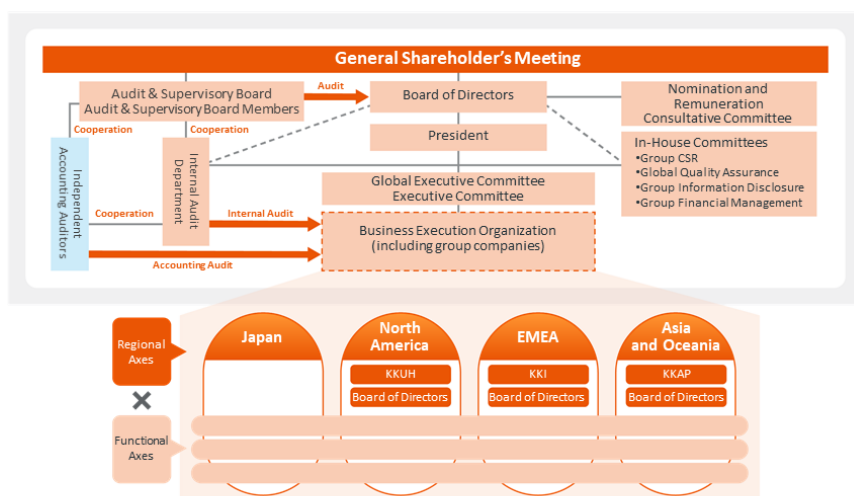


Concerning governance as a listed subsidiary, as shown here, we are strongly aware of the need to ensure management independence and protect minority shareholders. As a listed company, we make independent decisions regarding our business operations, and we always make sure that our transactions with our parent company are at arm's length.

Also, depending on the agenda item, we ask Directors and auditors dispatched from the parent company to leave the meeting. For example, when Kyowa Hakko Bio was transferred in 2018, we held a third-party committee consisting only of Independent Directors, and we paid close attention to the decision-making process.

As for the issues to be considered in the future, we believe that we must fulfill our accountability to society as a parent-subsidary listed company by responding to the revised Corporate Governance Code and the new market requirements, as well as by making efforts to firmly explain the sound governance system we are implementing.

## Group governance in accordance with the progress of globalization



### Initiatives to date

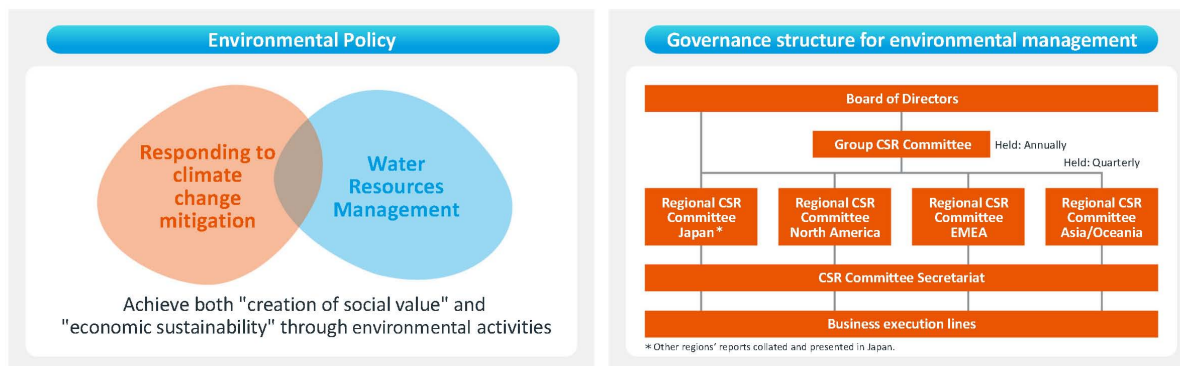
- The governance of the executive organization, which is rapidly becoming globalized, is undergoing a trial of matrix management (One Kyowa Kirin) that combines the four regional axes and the functional axes
- Key positions in region functions are appointed by the KKC Nomination and Remuneration Consultative Committee
- To strengthen the executive oversight function of each region, a board of directors has been established in each region, and outside directors with experience in the global pharmaceutical business are appointed by the KKC Nomination and Remuneration Consultative Committee

We are also building a sound governance system for global group management. Since 2019, we have shifted to the One Kyowa Kirin structure, with matrix management based on regional and functional axes.

As we rapidly expand our global operations, we are strengthening our advisory and governance functions at the same time to enhance global management. Our initiatives toward this end include the following: the appointment of regional presidents in each region and functional heads for each function by the Nomination and Remuneration Consultative Committee; and the appointment of Regional Board of Directors with abundant experience in global pharmaceutical business following screenings by the Nomination and Remuneration Consultative Committee.

## ■ Ensure a thriving global environment for future generations

- Among the environmental materiality issues, we have positioned "climate change mitigation" and "water resources management" as our core challenges
- The Group CSR Committee deliberates and decides on important matters related to environmental management
- Matters discussed and decided by the Group CSR Committee are reported to the Board of Directors



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24

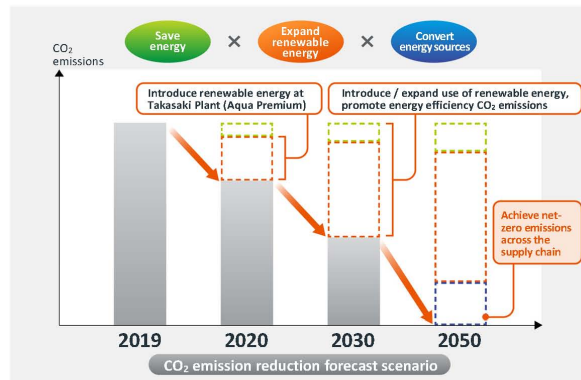
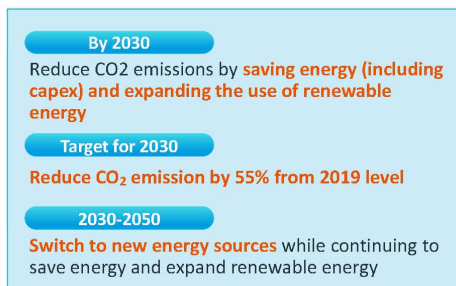
Next, I would like to talk about our efforts to ensure a thriving global environment for future generations.

At Kyowa Kirin, we have positioned "climate change mitigation" and "water resources management" as core issues, among materiality issues.

The Group CSR Committee, chaired by the Representative Director of the Board and Executive Vice President, has been established to enhance the corporate value of the Group, mainly from the perspectives of compliance and risk management. The Committee reports, deliberates, and makes decisions on important items related to the Group's environmental management. The contents of the deliberations and decisions made by the CSR Committee are reported to the Board of Directors.

## Ensure a thriving global environment for future generations

- Contribute to reductions in CO<sub>2</sub> emissions as a global issue and disclose information in line with the TCFD Pledge
- Save energy, expand usage of renewable energy and take other steps to cut CO<sub>2</sub> emissions and reduce costs
- Work in conjunction with the Kirin Group Environmental Vision 2050

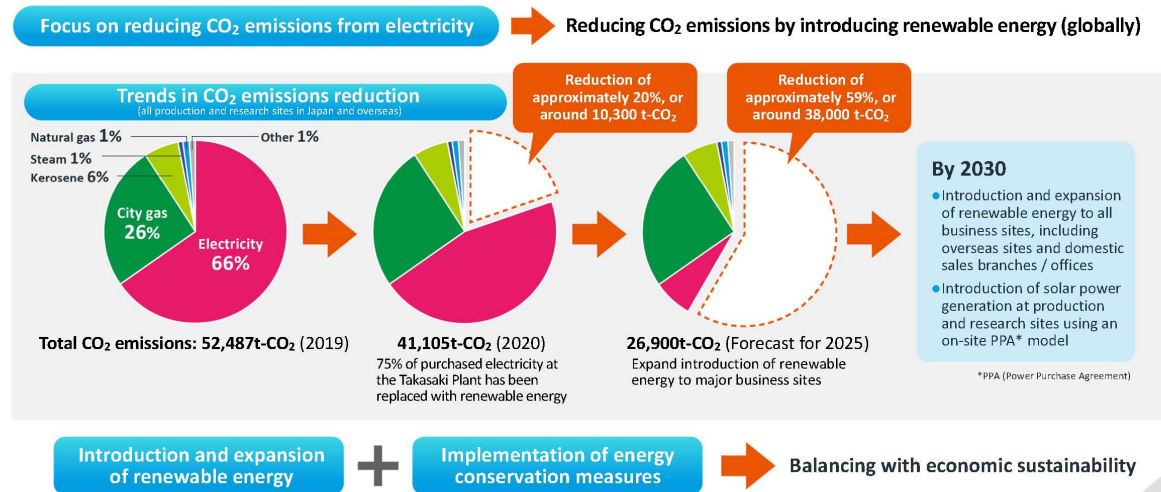


As a long-term goal, the Kirin Group aims to achieve net-zero greenhouse gas emissions across its entire supply chain by 2050, and has set a target of reducing the Kirin Group's overall greenhouse gas emissions by 50% in 2030 compared to 2019.

The Kyowa Kirin Group has set its own goal of reducing CO<sub>2</sub> emissions by 55% in 2030 compared to 2019, in coordination with the Kirin Group's goal. In order to achieve this goal, until 2030, we will promote CO<sub>2</sub> reduction and cost reduction by focusing on energy conservation and renewable energy expansion measures that require capital investment. From 2030 onward, in addition to these energy-saving and renewable energy expansion measures, we will actively promote energy conversion based on technological innovation and other measures in order to achieve net-zero emissions.

## Ensure a thriving global environment for future generations

Measures to respond to climate change tailored to our business characteristics



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26

Next, I will introduce our specific measures to achieve our 2030 target, which is our medium-term benchmark toward achieving the final goal in 2050.

This pie chart shows the CO<sub>2</sub> emissions and energy composition of all production and research sites of the Kyowa Kirin Group, including overseas sites. As a characteristic of the Kyowa Kirin Group's business, a large percentage of CO<sub>2</sub> emissions come from electricity usage, so we will first work on reducing CO<sub>2</sub> emissions from electricity.

In 2020, 75% of the power purchased by the Takasaki Plant was switched to Aqua Premium, a renewable energy source derived from hydroelectric power generation. As a result, we have achieved a reduction of approximately 20% in the total CO<sub>2</sub> emissions of all Kyowa Kirin Group production and research sites.

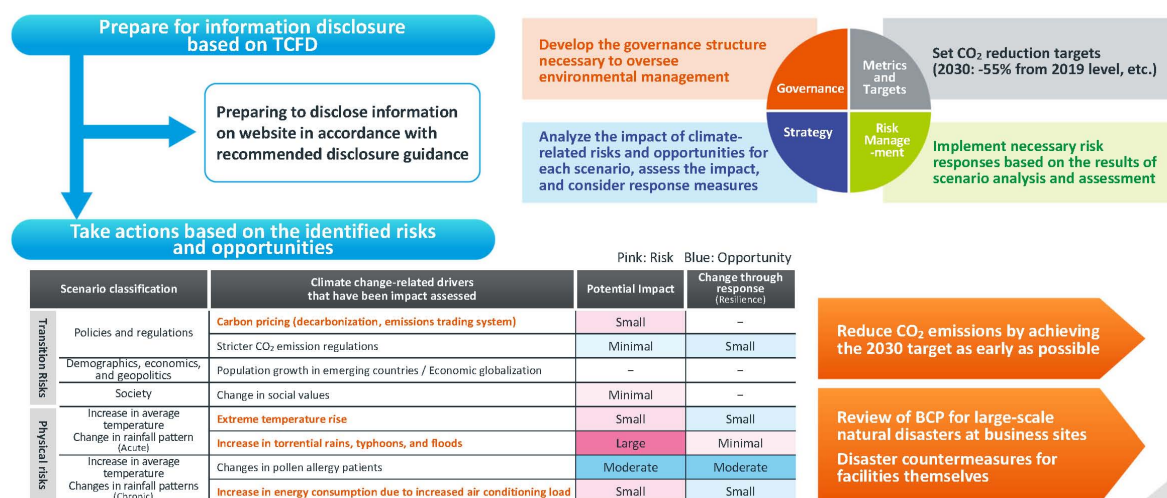
We plan to reduce the amount of power used by approximately 59% at all production and research facilities by 2025 by switching to renewable energy sources as far in advance as possible and gradually expanding the use of renewable energy at our main business facilities. Furthermore, by 2030, we plan to expand the introduction of renewable energy to all of our business sites, including overseas sites and domestic branches and sales offices.

At the same time, we are planning to install solar power generation equipment at our production and research facilities, both on-site and through the Power Purchase Agreement model. We have already started preparations for this and are aiming to roll it out as soon as possible.

At the same time as expanding the introduction of renewable energy sources, we will continue to reduce our energy consumption through proactive energy conservation measures, aiming to strike a balance with economic sustainability.

# Ensure a thriving global environment for future generations

Information disclosure on climate change



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27

I would like to conclude this section with an overview of the progress we have made in disclosures on climate change.

The Kyowa Kirin Group is currently preparing to release information based on the TCFD recommendations by the end of this year. Specifically, we identify risks and opportunities related to climate change, develop and analyze multiple future scenarios, and consider corporate strategies that are resilient to climate change.

Specifically, we identify risks and opportunities related to climate change, develop and analyze multiple future scenarios, and consider corporate strategies that are resilient to climate change. We have assessed the business impact of climate change, and identified carbon pricing as a transition risk and flood risk due to increased torrential rains, typhoons, and floods as physical risk. Of these, the flood risk was estimated to have the greatest financial impact.






Based on these results, we will achieve the 2030 target as soon as possible, reduce CO<sub>2</sub> emissions, and respond to social demands by avoiding and minimizing these risks by developing hardware measures, such as implementing countermeasures against large-scale natural disasters at our business sites and against disasters at the facilities themselves, in addition to soft measures such as reviewing our BCP.

More detailed information will be disclosed on our website in the future. In addition, we recognize that there is room for further analysis of the impact of climate change on medical care and pharmaceutical drugs.

For example, the response to unknown diseases caused by climate change will be relevant both as a risk to the continuity of healthcare and, on the other hand, to our strategy of providing medicines that meet unmet medical needs. By continuing these analyses and discussions, we believe that our responses to risks and opportunities will become more meaningful to both society and our business.



## External assessments

Index/Rating	2018	2019	2020	2021
FTSE 4Good Index Series FTSE Blossom Japan Index  	✓ 3.0	✓ 3.4	✓ 3.4	✓ 3.4
MSCI Japan ESG Select Leaders Index 	✓ BBB	✓ BBB	✓ A	✓ A
MSCI Japan Empowering Women Index (WIN) 	✓	✓	✓	✓
S&P/JPX Carbon Efficient Index 	✓	✓	✓	✓
SOMPO Sustainability Index 	✓	✓	✓	✓
Toyo Keizai CSR Ranking	165th /1165 companies	168th /1221 companies	147th /1284 companies	103rd /1348 companies
Certified Health and Productivity Management Organization Recognition Program (White 500) 	✓	✓	✓	✓

A list of external evaluations of our ESG initiatives can be found here. We have been included in various major indexes.

The results of these external evaluations are shared at the Corporate Strategy Meeting and the Group CSR Committee, and are fed back to the relevant departments to reflect in our efforts for improvement in the following fiscal year and beyond. These results are not just evaluation results, but are also used as a tool to identify issues where we have room for improvement through relative comparisons with external organizations.

## Kyowa Kirin's initiatives for realizing a sustainable society and its business

### Delivering life-changing value

- Our New Vision toward 2030/CSV Management/Materiality

### Make people smile

- Address patient-centric healthcare needs
- Access to medicine
  - Clinical researches and disease awareness activities in the fields of nephrology and XLH
  - Bringing smiles to the faces of XLH patients in even more countries and regions
- Continuous innovation
  - Challenges in creating Life-changing value by utilizing our unique bispecific antibody technology
  - Solve issues in areas surrounding our pharmaceutical products and use group synergies to solve issues

### Create a unified team brimming with diversity

- Diversity & Inclusion
- Employee development and provide opportunities for employees to grow

### Foster even greater trust in Kyowa Kirin Sound governance structure

- Initiatives to strengthen the functions of the board of directors to enhance corporate governance
- Continuous efforts to strengthen governance as a listed subsidiary
- Group governance in accordance with the progress of globalization

### Ensure a thriving global environment for future generations

- Initiatives for climate change

Today, I have explained our efforts to realize a sustainable society and business activities.

Next, we will have a Q&A session. We hope to get your feedback on Kyowa Kirin Group's activities in the past and in the future. And we hope to make use of our dialogue with you in our future activities. Thank you.



## Question & Answer

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**Moderator:** We would now like to move on to the Q&A session. The first question will be from Mr. Hashiguchi of Daiwa Securities. Mr. Hashiguchi, please go ahead.

**Hashiguchi:** This is Hashiguchi of Daiwa Securities. Thank you for the presentation. I believe you gave us a comprehensive overview, as this was the first time to hold an ESG briefing.

What I would like to ask you to talk about are the areas where you still think are insufficient and there is room for improvement in the future.

In other words, if you were to hold a similar briefing meeting 2 years or 3 years in the future, what would you update us on as achievements over those 2 years to 3 years? If you could share with us the issues that you think will be the topics discussed in the future as your achievements, then I think it would facilitate our communication moving forward.

I would like to hear the views of management in the meeting today. But, at the same time, on page 17, you mention that an employee awareness survey was conducted to visualize the issues and progress on improvements. So, I would also like to know the opinions of employees.

**Miyamoto:** Thank you, Mr. Hashiguchi. First, I will give a broad overview, and after that, I'd like to ask our Outside Director, Mr. Arai, who is with us today, to follow up with his views.

Based on the order of the points explained today, first, we must further advance our activities for innovation.

For example, I talked about a new antibody technology today. This is a specific measure that we are carrying out to address unmet medical needs, and it is also something that is directly linked with our business. Antibody technology is an extremely important topic, and we are taking major initiatives. Today, I explained about bispecific antibodies. The key point is that we need to further advance these efforts through even more concrete measures.

Underpinning these efforts is our human resources, which you touched on in your question. As we rapidly implement operations globally, we must further promote talent management on a global scale and the cultivation of a global culture.

In the engagement survey, which was mentioned earlier, a topic that is raised frequently is the relatively low level of engagement by Japanese members compared to overseas members. The most important point will be to further raise awareness of our philosophy and vision, so that everyone is on the same page that our daily activities are for patients.

I believe this is a topic that we can share with you in 2 years or 3 years' time that significant improvement has been made. This is the foremost topic on my mind.

The other topic is patient centricity. We must be closer with and empathize even more with patients as a business dealing with illnesses. This topic is also connected with our talent-building efforts. I believe it is necessary to talk in even more detail about the progress we are making in observational research, which I touched on earlier. This is an issue that I hope to address again in the future.

As for governance, we have been holding many in-depth discussions in the Company about how to apply the revised Corporate Governance Code to our business. The biggest issue is the parent-subsidary listing, so this

is something that we will need to address thoroughly. Another topic, which is related to the overall organization management, is the strengthening of governance in the four regions where we operate from the perspective of enhancing global governance. I believe we have made significant progress, but there are still issues to be solved. This is an area where we hope to make solid progress.

Finally, a topic we hope to continue to discuss is our efforts to tackle climate change. As explained before, we have clarified our targets and started making efforts toward that end. We must continue to make steady investments in this area.

As a result of those efforts and investments, we hope to deliver visible results in CO2 reduction, so this is one of our major challenges. As you pointed out earlier, we hope to be able to show you what kind of measures we took and how much emissions were reduced in 2 years to 3 years' time.

I've explained the main topics. So, now, I would like to ask Mr. Arai to give his input, too.

**Arai:** This is Arai. I am an Outside Director of the Company. Thank you for your question. In addition to what President Miyamoto explained just now, I would like to give my views as an Outside Director.

I believe the point of your question was to clarify which points need to be improved going forward. If Kyowa Kirin were a matured company with a matured business model, I believe the approach would be to specify which areas need improvement, share quantitative targets, and report to you the progress toward those targets.

However, if you look at the current state of the Company, it is in the midst of growing out of its traditional business model of selling pharmaceuticals in Japan to becoming a Global Specialty Pharma (GSP). I have been witnessing this transition in my role as an Independent Officer on the Board for the last 5 years.

Therefore, my understanding is that the Company is in a phase of a structural transformation. It is based on this premise that various decisions have been made, leading to where we stand now. The biggest decision that was made, as mentioned by the President, was the shift to a GSP. This is like a clarion call to implement a major shift in the business model previously centered on Japan. Although it is not easy, the Company has decided to tackle this challenge.

Something that I feel strongly about with regard to the COVID-19 problem is that the impact varies depending on the country or social class. People are being affected in many different ways, and the level of support measures has differed from one country to another. I believe the same can be said of the medical care and pharmaceutical business.

Promoting the shift to a GSP despite these variegated situations across the globe will be an extremely tough goal. And the management team firmly recognizes that it will be challenging. Therefore, we must first understand that the Company itself is in a transitional stage. So, there will probably be much more points that need to be improved than other matured companies. Also, there will be many qualitative issues that need to be addressed in addition to quantitative ones.

In that sense, there will probably be many opportunities in the future to have discussions with you to update on the current issues and how they are changing. The management team has made many important decisions over the last 5 years.

To give one or two examples, the Company sold its biochemical business to Kirin Holdings, as touched on earlier. This move reflected our decision to focus management resources on the pharmaceutical business. This was a major decision made by the Company.

Second, as shown in the chart earlier, we introduced a matrix-type management structure tailored to global operations, called OKK. This management structure differs starkly from the previous one tailored to domestic operations. The Company has appointed presidents in four regions, including the US, Europe, Japan, and Asia, and has given these presidents autonomy so that they can actively expand sales based on the unique situation of each market.

Earlier, we mentioned a horizontal axis based on functions. There are certain functions like quality and compliance that cannot be compromised. Therefore, these functions are commonly managed horizontally. That is why it is a matrix-style structure. But it is not an organization that will move forward with no effort.

There are many points that need to be improved in the future. We will push ahead on the growth strategy by actively improving each of these issues. It is in this context that we will probably find points needing improvement and their results that will be discussed with all of you.

I'd like to comment on one more thing, regarding the governance of the Company. I have been on the Board for 5 years, and discussions within the Board of Directors have been very active. Outside Directors are also highly engaged in these discussions. This isn't just to say that Outside Directors are outspoken. What enables Outside Directors to voice their opinions actively is the stance of the current management team, including President Miyamoto, to advance the business through careful discussion and consideration.

What this points to is the quality of management. I believe this quality of management must be maintained in the future and should be improved even further. If there is room for improvement, it should be worked on.

I mentioned that the OKK structure is a challenge, but it is only gotten off to a start, so there are still many issues to be addressed. I believe that this structure will evolve even more in the future and will be a driving force of the Company's GSP strategy.

If, in that process, there also arises the need to change the governance structure, then we must do so without hesitation. That is the atmosphere in which discussions are being carried out by the Board of Directors, so I think this is a topic in which we may have frequent opportunities to discuss with you in the future.

**Hashiguchi:** Thank you.

**Yamashita:** This is Yamashita, Director of the Corporate Strategy and Planning Department. I would like to answer your question about the feedback we have received in the employee awareness survey. In this survey, we study the level of motivation and engagement of employees. As commented on this by President Miyamoto, the score is higher among overseas employees.

The answers to the survey consist of diverse opinions from actual workers. In particular, I believe we have received responses from many employees stating that they find strong appeal in the opportunities of working at Kyowa Kirin and would like to play active roles in the Company.

On the other hand, we have also received various kinds of feedback from employees in diverse roles in Japan who are a little hesitant about our challenge toward becoming a global company, under which we are making a strong push toward shifting from a Japan-centric business to global standards. The management team recognizes this situation and is having discussions on how to overcome this sense of hesitance.

To respond to global needs, we need to transform our conventional ways of doing things, and solve problems like the lack of dialogue, siloed organizations, and thinking that some issues are other people's business. We must work together to overcome these problems, and by doing so, we think we can further evolve the business.

We sometimes refer to this as a “Barrier” that we should overcome. We are working to create a corporate culture to overcome this “Barrier.”

**Hashiguchi:** Thank you for offering lots of hints. That’s all from me.

**Moderator:** Thank you for your question. Next up will be Mr. Yamaguchi of Citigroup Global Markets Japan. Mr. Yamaguchi, please go ahead.

**Yamaguchi:** This is Yamaguchi of Citigroup. When looking at the realm of the kidney, in particular, you have talked about how you have provided various research support subsequent to very strong performance by past products and franchises. Recently, you have also talked about X-linked hypophosphatemia (XLH).

From a very simple point of view, I believe the Company’s franchise has become more suitable for those areas. I believe the Company’s traditional approach to drug discovery has rather been in the technology field. XLH seems to have come out as a result later. I believe that the Company’s drug discovery has been technology driven.

Regarding the concept of working closer to patients and addressing diseases, do you intend to address each of the diseases that have emerged from your drug discovery activities? Or, for example, will you be maintaining your focus on the domestic franchise business, which largely comprises kidney diseases, including XLH? In other words, will your operations be therapeutics-focused or technology-focused? I believe that the Company is currently at a turning point.

Is the business therapeutics-focused or technology-focused? Or, how will you be facing patients? Where is your starting point, and where are you headed? I’m sorry for the vague question, but I’d like to hear your views on these points.

**Miyamoto:** Thank you, Mr. Yamaguchi. It is difficult to give you a clear-cut answer. If I had to pick, I would have to say that it is both. Of course, this should be an area in which we are strong. By strong, I mean that we have strong connections with patients and doctors. There are various hints that we get from them, including hints regarding drug discovery.

As I stated earlier, by facing patients, we are able to explore new possibilities, which are often fed back to our research activities. This is something we will continue.

The only area in which we are conducting large-scale observational studies is kidney disease. However, we have also traditionally been strong in domains related to blood cancer. We have frequently received hints from various doctors in these areas. So, those are activities that are still being carried out.

On the other hand, as you point out, we have launched Crysvida, which is a product to address XLH that came as the result of our kidney-related research. We have reinforced our commitment to dealing with XLH, particularly as a result of the launch of Crysvida. Therefore, our approach will vary from one case to another, but we will basically take both approaches.

But, if a product is launched, then we will, of course, work to maximize the value of that product. To understand the patients who are the users of the product even better, we will attempt not only to carry out intervention researches, but also observational researches over the long term. There is much that can be learned through such activities. Just as I explained earlier about the DOPPS study and CKD-JAC, there are many hints that can be obtained through steadfast observation research in addition to intervention research.

We learned a lot about what is necessary to provide an even better product to patients. Based on what we have learned, we are first working on expanding our product addressing XLH.

**Yamaguchi:** Okay. I'd like to follow up on just one point. I believe that, in the XLH domain, you consider patients, the medical care system, the problem of drug prices, and access to be particularly important issues.

In terms of drug access, which is an area where you haven't made much progress yet, I believe there will be cases where you will need to adjust prices depending on the region, such as when expanding the drug to China, some parts of Europe, and other regions. In some cases, I believe you might have to ignore profits or be ready to carry losses in order to increase access. What is your policy in terms of XLH?

In other words, will the emphasis be on expanding access, which in turn would lead to cases where you would sacrifice profits in order to expand access?

**Miyamoto:** Thank you. It's difficult to give an answer with actual numbers, but we'll be working to strike a balance. That said, the more we know about this disease, the stronger we feel about helping those in need. Eventually, we feel strongly about expanding access as much as possible.

But the problem isn't just about the price. We need to make sure that the product can be controlled properly and that its administration to patients is controlled properly. This is an antibody-drug, so the distribution has to be done with the right temperature control to deliver it to patients. We believe that it is a highly safe drug, but it is at the same time a very powerful drug. We need to make careful considerations about to what extent access can be expanded, including thorough patient care after administration.

If there are countries where we think access can be expanded, I believe there are various approaches such as Named Patient Programs. We will work to increase access as much as possible while complying with local regulations.

That said, if you were to ask us if we are willing to run losses on the overall business, that is probably unlikely. We need to strike a balance between drug access and our business continuity and growth.

**Yamaguchi:** Thank you.

**Moderator:** Thank you. Next up is Mr. Muraoka of Morgan Stanley MUFG Securities. Mr. Muraoka, please go ahead.

**Muraoka:** Hello. This is Muraoka of Morgan Stanley. In the section about sustainability, you mentioned that floods pose a high risk. I wasn't very aware of that point. Is that the flip side of what you mentioned about switching to hydroelectric power generation at the Takasaki Plant, or is it because of some kind of geopolitical factor? In the first place, I believe most of your plants are in Japan. To what degree are you considering establishing plants overseas in your considerations to achieve sustainability?

**Miyamoto:** Thank you, Mr. Muraoka. That is very simple. We have two main plants: Takasaki Plant and Ube Plant. As for the Takasaki Plant, you can see that it's located right next to Tone River if you look it up on Google. If you see the hazard map of Takasaki City, I don't remember the particular numbers, but our plant is located in a region where there is a possibility of 2 meters to 3 meters of flooding once every 1000 years or so.

As you know, there have recently been torrential rains and typhoons that come unexpectedly. Under such conditions, it can be expected that there will eventually be heavy rain that would lead to flooding of the Tone River, which could cause the Takasaki Plant to be 2 meters to 3 meters underwater.

Likewise, our Ube Plant is built on land facing the Seto Inland Sea. We expect damages from high tides, given that it is located right next to the sea. If there is a powerful typhoon or if a typhoon coincides with a high tide, we think the plant could flood quite a bit.

In consideration of those factors, our two main plants could halt operations due to flooding, which would pose a great risk to our business. We carry the huge risk of being unable to deliver drugs to patients in need. In that sense, flooding is a major risk to our business.

**Muraoka:** I understand that there is a risk of such flooding once every 1000 years or so, but what kind of measures will you be taking to address that issue over the next 5 years or 10 years?

**Miyamoto:** First of all, there are tweaks that can be implemented. For example, we can stock up on inventory at a different location, or have a separate location within the same plant that is guarded against flooding. A further step that could be taken is to create a second site. The management team has recently begun discussions about considering a completely different location.

There isn't anything that has been set in stone yet. But I believe the best solution would be to have a second site capable of the most important drugs.

**Muraoka:** I understand. So, you are not in the stage of making specific considerations about an overseas plant yet. Is that correct?

**Miyamoto:** No, we have not reached any specific conclusions that can be shared with you. Various discussions are being carried out internally.

**Muraoka:** Thank you. As for my other question, I was looking at the list of your Outside Directors, and aside from Mr. Arai, I saw that it included Mr. Morita, the former Chair of Central Social Insurance Medical Council.

Mr. Morita has long served as the Chair of Central Social Insurance Medical Council, and I think he is a valuable member of the Board. Have you received any useful advice from Mr. Morita about drug prices, or issues that need to be considered earnestly, given that the Company has high-priced drugs? It would be helpful if you could share some examples of the types of advice he has provided.

**Miyamoto:** Thank you. Yes, as you say, we have been helped a lot by the participation of Dr. Morita, who has a highly valuable experience, on the Board.

However, it's not entirely relevant for him to input what he discussed at Central Social Insurance Medical Council and reflect the experience he had as the Chair into the management of Kyowa Kirin. It is also difficult in his position to directly translate his experience at the council to our business.

As you know, Dr. Morita's expertise is the population problem, where he is very knowledgeable. He is also a member of government councils, so he has very deep knowledge about the implementation of digitalization in medical care.

He gives us input about the future demographic trends from a global perspective, and updates us on the progress of digital policies in each country. He makes suggestions about what Kyowa Kirin could consider further, given the delay in Japan, and these inputs prompt further discussions.

**Muraoka:** I understand. Thank you.

**Moderator:** Thank you. Next up will be Mr. Wakao of JPMorgan Securities Japan. Mr. Wakao, please go ahead.

**Wakao:** This is Wakao of JPMorgan. My first question is about sustainable growth and value creation, which you touched on in an earlier question. You explained the importance of delivering results with bispecific antibodies, but I would like to ask about this in more detail.

In addition to delivering results in bispecific antibodies, I also think it will be important to create new technologies, as I believe Kyowa Kirin is a technology-driven company. I'd like to use your answer as a reference to follow whether these technologies will beget results.

In the first place, what are your views on how the Company has been slow to create basic technologies ever since the release of KM Mouse and Potelligent technologies around 2000, or why there haven't been many compounds entering Phase 1 trials? Could you please explain once again what you think are the issues?

In the past, you have explained that the Company was focused on clinical development since its merger and allocated resources to clinical development because of its emphasis on global operations. But I wasn't fully convinced that the allocation of resources would be the sole reason why there haven't been any new basic technologies or why there would be a decrease in the number of compounds entering clinical trials. I wasn't able to fully understand the linkage between the reasons and the results, so could you please explain this once again?

**Miyamoto:** Sure. Thank you, Mr. Wakao. This is a very profound problem, and as you stated, there is no doubt that the emphasis had shifted more toward development. Part of the problem is not just how resources and investments are allocated, but also the mindset of our researchers.

In the past generation of our researchers, there were many folks who were stubbornly pursuing new technologies, saying that the Company wouldn't survive if they didn't create original technologies. But, as the Company grew in scale, there was an increase in products under development. As researchers witnessed the progress being made on the development side right next to them, they became increasingly conscious of things that can achieve clear development milestones or items that seem to be making progress within set deadlines.

When that happened, their mindset of pursuing new things, tackling challenges that no one else is working on, and releasing the next round of new technologies to help patients started to weaken. That is something we reflect on with regret.

By the time we noticed this, our development activities had made steady progress, but as you pointed out, the ability and mindset of our researchers to create new technologies had waned. Another facet of this mindset is to seek new technologies from the outside or reference those technologies to create something new inside in order to win the competition. I think that spirit of stubbornly pursuing unique technologies has weakened.

The reason why this happens is because, when looking over at the development side, they see that the Company will probably do well in the future, so they think their evaluation would be better by focusing on development. We look at how such an atmosphere has been created with deep regret. We have recognized this as an issue before the start of the current medium-term business plan period, and we implemented major organizational changes in the R&D division in April 2021. Also, as explained earlier by Yamashita, we have been working on transforming the mindset of employees over the last 1 year to 2 years as a priority issue.

I have personally stressed the point to our researchers that the Company cannot survive sustainably at this scale unless we create truly unique technologies. I have urged them to tackle new challenges and told them that failures are fine. A major point is how to make this mindset of creating new technologies stick with our employees and researchers. Does that answer your question?

**Wakao:** Yes. Thank you. So, if that is the case, I understand that it is an important issue to change the mindset of employees, but does that mean you have already taken specific measures to support that change? For example, have you made changes to the evaluation system, or introduced schemes to raise the evaluation of people who create new things or obtain patents?

**Miyamoto:** We are having our R&D division carry out thorough discussions about how to change the evaluation system. In addition, the evaluation system of not just researchers but all personnel need to be considered to motivate the people who promote the technologies after they are developed. Various considerations need to be made, and we are carrying out discussions internally to reassess the overall evaluation system.

There isn't anything specific that has been decided at this point, but we hope to implement these changes at an early timing, so that we can become a company where employees are more eager to tackle new challenges.

**Wakao:** I understand. Thank you. My second question is about your explanation about solving problems as Kirin Group. I would like to ask about this point in more detail.

You mentioned that the Group would work to create new value aimed at raising the QOL of patients. But what are the specific activities that are being carried out as part of Kirin Group?

Also, do you think that the pursuit of Group synergies will lead to even greater synergies by 2030, for example? Do you intend to enhance those synergies in the future? On the other hand, the nature of Kyowa Kirin's business and Kirin Holdings' business is rather different, so it seems counterintuitive to pursue further synergies. Could you talk a little more about this point?

**Miyamoto:** First of all, to answer the latter part of your question first, Kirin Holdings strongly advocates health science as part of Kirin Group.

Kirin Holdings has stated that it will make health science one of its business drivers. Certainly, if you think of Kirin Holdings as a brewery, then our business domains stand in stark contrast. But, for example, President Isozaki has stated that Kirin's focus is on health science. So, if you were to ask us if our business domains are completely different, that is not the case at all. Half of our original business is from Kirin Holdings, so I believe there is also an affinity in that regard. That is the first point.

Regarding your question about the specific activities being undertaken, I'm sorry, but we are not in the stage yet of sharing specific examples. What we have done so far, as touched in the presentation, is to create a team under the Corporate Strategy and Planning Department, which is the department headed by Mr. Yamashita. This team is examining ways in which Kyowa Kirin can create value beyond just drugs.

They are examining ways of creating value in the context of the daily lives of patients. This is, in fact, where Kirin Group's strengths could be leveraged a lot. The Corporate Strategy and Planning Department of Kirin Holdings is playing a central role in implementing those new initiatives, so we are currently carrying out various discussions with that team. Mr. Yamashita, would you like to add anything?

**Yamashita:** Yes. This is Yamashita of the Corporate Strategy and Planning Department. First of all, in terms of delivering value that goes beyond pharmaceuticals, we have our eyes set on 2030 and the business environment at that time. We believe that we will not merely be manufacturing and selling pharmaceuticals, but we will be providing added value to patients. Our business will be focused on delivering all kinds of value.

We are working to complement our existing business with those peripheral areas to offer new value. Therefore, the pharmaceutical business will be at the center, while we also look for peripheral businesses that are unique to Kyowa Kirin.

As President Miyamoto also mentioned, one of the key points in this endeavor is to identify what customers need, what medical staff and other relevant parties need, and what we can do to help meet those needs.



But, when thinking about what we can do to meet those needs, we will not be stepping into the insurance business, for example. After all, we are a business within the Kirin Group, so we expect to contribute to realms like beverages, food, or other domains in which we can work together.

Kirin Group has originally been doing business with health as the keyword. As mentioned earlier, Kirin Holdings is currently focused on health science. Thus, we expect to undertake activities that are unique to Kyowa Kirin, while looking for areas where we can cooperate with Kirin Holdings in the future.

**Wakao:** I understand. Thank you. I thought that by separating Kyowa Hakko Bio, the pharmaceutical business was separated from the non-pharmaceutical business. Even though Kirin Holdings advocates health science, I thought the operations would be clearly separated.

Based on what you explained right now, it seems that the operations are different, but they are tackling the same issues but from different directions. I understood that through these efforts, there might be synergies that emerge in the future. Is that understanding correct?

**Yamashita:** Yes, that's correct. The possibility of biotechnology is being explored more broadly by Kirin Group; while at Kyowa Kirin, we are looking for ways to contribute further and work together within that bigger framework.

**Wakao:** I understand. Thank you.

**Moderator:** Thank you. Next up will be Mr. Hyogo of Mitsubishi UFJ Trust and Banking Corporation. Mr. Hyogo, please go ahead.

**Hyogo:** This is Hyogo of Mitsubishi UFJ Trust and Banking. First of all, thank you for holding an ESG briefing. It allowed me to get a better understanding of the Company. I hope you will hold these ESG briefings regularly.

I have a few questions. My first question is about Kirin Group's climate change initiatives. I believe that Kirin Brewery has made remarkable progress in this regard. On the contrary, I believe there is a slight gap between Kirin Brewery and Kyowa Kirin, which emits less CO2. In what ways do you expect to fill that gap?

In my understanding, Kirin Brewery's implementation of TCFD recommendations is top-class in Japan.

In terms of Kirin Holdings, Kyowa Kirin is now the earnings and growth driver, so I think the difference in the level of emissions reductions probably needs to be corrected in the future. Or, on the contrary, if Kyowa Kirin were to focus on the S aspect of ESG instead, then I think it needs to carry out activities focused on S that will have an impact on the Holdings company as a whole. Please share with us your views on this point.

**Miyamoto:** Thank you, Mr. Hyogo. As you say, Kirin Holdings is taking cutting-edge measures in this regard. To be honest, it is challenging for us to keep up with them. Still, they have set forth targets as a Group, so we must firmly commit to those targets.

For example, we are carrying out measures to cut CO2 emissions other than the ones explained in the presentation. Mr. Ishimaru is in charge of the overall operations, so I will have him explain. Mr. Ishimaru, please go ahead.

**Ishimaru:** I would like to add a few comments. Under its environmental vision, Kirin Group advocates its Environmental Vision 2050 as its long-term strategy for the year 2050. Needless to say, Kyowa Kirin is also included in the activities undertaken by Kirin Group.

Specifically, in the presentation earlier, the targets for 2030 and 2050 were explained. Going forward, we are also in preparation to carry out initiatives by KKC on its own statement of support regarding TCFD and information disclosure.

Kirin Group has expressed its support for the TCFD recommendations, so that also means Kyowa Kirin supports them, too. However, we decided that it would be better to also announce our support independently, so that is currently under consideration.

Kirin Group has announced its target of cutting GHG emissions by 50% in 2030 compared to 2019. Meanwhile, at Kyowa Kirin, we have planned for reductions in our CO2 emissions. Our target, as explained earlier, is to cut emissions by 55%, and activities are being carried out toward that end.

Just to name a few unique measures we have taken, we adopted renewable energy, called Aqua Premium, at our Takasaki Plant, as stated earlier. Our first goal is to introduce renewable energy at each of our domestic plants.

In conjunction, in relation with Kirin is underway, and we are introducing solar power generation at each manufacturing base. We are also making plans for adoption at an even larger scale. Did that answer your question?

**Hyogo:** Thank you. I hope you will continue to stay in close communication with Kirin Holdings about emissions reductions and work toward catching up with them. It will be very reassuring if the holdings company as a whole can achieve emissions reductions at a high level.

I'd like to ask my second question to Mr. Arai. The independence of Outside Directors and its efforts to protect minority interests have already been explained, and I was able to understand very well what initiatives executives are considering taking.

Mr. Arai, from your standpoint, I believe it is your understanding that the opinions of minority shareholders are reflected in the Board of Directors and that the independence of management is secured.

However, there are also issues related to capital market that raises doubt over management's independence from an outsider's perspective, such as the issue of loans or allowances related to the transfer of Kyowa Bio. In particular, there are concerns that Kirin Holdings may perhaps buy Kyowa Kirin's shares again. When those kinds of motives can be seen, it makes outsiders like me feel like the Company's independence is not sufficiently guaranteed.

From your standpoint as an Independent Outside Director, do you think such things could happen, or if you think this is completely unlikely, could you explain the reasons why?

**Arai:** Then, I would like to comment on this a little. This is Arai. Mr. Hyogo, thank you very much for your valuable input. I believe your perspective of how our governance appears to the outside is very important.

First of all, in terms of the internal governance scheme, as President Miyamoto explained earlier, the areas where there is a possibility of conflicts of interest are always monitored by Independent Directors and others. When decisions are made for such areas, the Directors who are joining from Kirin Holdings do not participate in those discussions. As an Outside Director, I have seen these steps being carried out properly.

For example, the point that you mentioned just now about the large loan made to Kirin Holdings was a transaction carried out at arm's length.

Even if you compare the conditions of the loan with the outside, we have made sure that they are quantitatively on par with normal transactions. You may not be able to check the details from the outside, but we are watching these matters carefully.

In particular, the sale of the bio-chemicals business was an important strategic move for both the parent company and subsidiary. Based on this understanding, Independent Directors have made sure that the transaction was carried out at arm's length, so I hope you will be assured of that point.

However, I believe what you mentioned in the beginning is very insightful, and if there is any uncertainty around those areas, we will work on improving them through information disclosure or other methods.

**Hyogo:** Thank you. I do not doubt the independence of the Board. I am just stating that it would be disappointing to see the cost of capital rise and the equity values be discounted, because that would lead to a negative evaluation of the underlying strength of the business.

I think it is unfortunate that the Company will be viewed in that way, particularly due to its status of parent-subsidiary listing. I hope you will be reassured that I do not doubt the governance structure.

Rather, I would like to suggest you continue considering ways to enhance transparency and objectivity when viewed from the outside.

**Arai:** Thank you for your valuable input. By the way, even these loans are not designed to be in place for the long term. Rather, they are short-term loan facilities. For example, if Kyowa Kirin thinks an investment, the investment is able to be made with that fund as its management and financial resources in accordance with its decision-making. That's the scheme now we have.

These matters are taken into consideration in parent-subsidiary transactions. Thank you.

**Hyogo:** I hope the Company will be able to use capital when it needs to so that it can increase its ROA.

On the contrary, because of the parent-subsidiary situation, when looking at the balance sheet, it inevitably seems that the Myanmar situation at the parent company could prevent Kyowa Kirin from using capital when it needs to. If the Company were to use capital in some kind of project, I think it would strengthen our conviction about its independence.

To put it differently, if Kyowa Kirin can find deals that would contribute to its ROA, I think doubts about its restraints on capital usage will be cleared.

Lastly, I would like to ask about just one more point. This time, in terms of quantitative targets, particularly for S of ESG, [Inaudible] even though you said that studies had been conducted such as an employee satisfaction surveys.

**Miyamoto:** Mr. Hyogo, I'm sorry, we couldn't hear you.

**Hyogo:** [Inaudible] I believe it would be better to have discussions about the change in the level of satisfaction over time, rather than discussing whether it is high or low depending on [Inaudible] company.

**Moderator:** Mr. Hyogo, I'm sorry, but we couldn't hear the last part of your question. Just to confirm, you are asking about our employee KPIs among the quantitative goals. Is that correct?

**Hyogo:** I would appreciate it very much if you could follow the change in the satisfaction level over time in terms of the KPI.

**Moderator:** Thank you.

**Hyogo:** That's all. Thank you.

**Moderator:** Thank you. Next up will be Mr. Sakai of Credit Suisse Securities. Mr. Sakai, please go ahead.

**Sakai:** This is Sakai of Credit Suisse. I'm not sure if this fits the context of today's briefing meeting, but I would like to touch on the following topic.

One of the problems in the industry right now is the scholarship donation program. I'm not sure how this would fit into your ESG activities, but somewhat Ono Pharmaceutical became the trigger of this problem. Yesterday, the Ono's president said their internal structure would be overhauled, and I think this would have a considerable impact on the industry as a whole.

The reason why I say this is because the scholarship donation program is a major source of funding for university research labs. I believe this can be said of Kyowa Kirin, too, but the research at these labs leads to the development of various antibodies and that could be significant contributions to society.

It may be an exaggeration to say that the nature of all Japanese companies is the same, but when these kinds of problems occur, they all turn the gear into reverse or say that they quit. I think this is an issue that could eventually turn into a bigger problem in terms of the allocation of resources to R&D.

Therefore, I think this is an issue that is also relevant to Kyowa Kirin and also Kirin Group. How do you intend to address this problem? I hope that the scholarship donation program will be continued with transparency and that the relationship with universities will be maintained. Is there anything you can share with us about this matter?

I'd like to ask both of my questions at once. This is a topic in which I am keenly interested, so I would like to ask you about animal testing, which is likely an issue in which ESG awareness is strong in the US and Europe. I believe the Europeans are the most strongly conscious of this issue, and the sense of rejection against animal testing was one of the original starting points in which European companies talked about ESG.

What is Kyowa Kirin's view on this matter? In other words, I think it will be necessary to protect animals on this planet in addition to humans in terms of the environment when carrying out clinical trials.

I think there is a limit to what a single company can do, but I would like to hear Kyowa Kirin's views on this point. Those are my 2 questions.

**Miyamoto:** Thank you for your questions, Mr. Sakai. I believe those are 2 very important issues.

First, regarding your question about the scholarship donation program, I have looked at the disclosures issued by Ono Pharmaceutical and also the decision made by the court. As a result, I felt that there will still be gray areas when a pharmaceutical company makes donations as part of its operations.

As for our own operations, we are carrying out donations with a high degree of transparency, and we are also following the various guidelines. However, it will be difficult to continue donations if seen from that perspective. We can proudly say that our own donations are clean, and there aren't any problems wherever you look. However, as with the question asked by Mr. Hyogo earlier, another issue is how those donations are perceived in the eyes of people outside. If you were to ask us if we have the grounds for completely disproving allegations, then that would be difficult.

It is indeed a major problem whether we can continue activities as they are now, when considering our relationship with university professors and especially with our sales force. Therefore, I personally think that we may need to find other ways of contributing to the study of medicine.

So, this will not mean that we will stop donations completely or take no action. But, if donations are reported in the news like how it was for Ono Pharmaceutical, it would pose a risk to our business. Hence, we would need to consider other ways, too.

Needless to say, when looking at how these donations are actually used, they are, of course, used for useful research that contributes a lot to the study of medicine. However, there are also areas where donations are less directly related, such as the participation expenses at academic conferences, albeit these expenses are also probably very important for the research activities of the doctors. We are wracking our brains to come up with new ways of contributing based on a holistic view of the situation and are in discussions with representatives.

I'm sorry, there isn't anything specific that has been decided, but I would personally like to continue contributing through different means. Sorry that I can't give a clear-cut answer.

Regarding your question about animal testing, as you say, we are working to avoid using animals as much as possible by instead using various other methods. For example, we must move in the direction of effectively utilizing iPS cells.

Furthermore, when using animals, we must conduct tests in compliance with international animal welfare standards. I have also conducted a lot of animal testing in the past since I used to be a pharmacologist. But the standards have become much stricter than 30 years ago. The research laboratory must clear various hurdles before using a rat or mouse for testing now.

I'm sorry, this isn't a concrete answer either, but we are conducting experiments while limiting the use of animals as much as possible. When we have no choice to do so, we do it under a structure in compliance with international standards.

**Sakai:** I understand. Thank you. Aside from the issue of scholarships, I personally think that you should give regular updates about animal testing whenever you have the opportunity. Thank you.

**Miyamoto:** Thank you.

**Moderator:** Thank you. We are out of time, so we would now like to close today's briefing meeting.

Thank you very much for joining us today in the ESG briefing meeting of Kyowa Kirin. The content of this briefing is scheduled to be distributed on our Investors website. Please use the material to check the details.

Thank you very much for participating today. We ask for your continued support of Kyowa Kirin.

**Miyamoto:** Thank you very much.

[END]