Annual Securities Report

(Pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)
For the 100th fiscal year (From January 1, 2022 to December 31, 2022)

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 9, 2023, with an audit report expressing an unqualified opinion by KPMG AZSA LLC.

(E00816)

Table of Contents

[Cover page]

Document title:	Annual Securities Report
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 9, 2023
Fiscal year:	The 100th fiscal year (from January 1, 2022 to December 31, 2022)
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
Name of contact person:	Motohiko Kawaguchi,
	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		96th fiscal year	97th fiscal year	98th fiscal year	99th fiscal year	100th fiscal year
Fiscal year-end		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Revenue	(Millions of yen)	271,510	305,820	318,352	352,246	398,371
Profit before tax	(Millions of yen)	66,841	44,492	52,263	60,050	67,572
Profit attributable to owners of parent	(Millions of yen)	54,414	67,084	47,027	52,347	53,573
Comprehensive income attributable to owners of parent	(Millions of yen)	49,520	73,162	43,611	62,751	50,654
Equity attributable to owners of parent	(Millions of yen)	649,621	678,250	698,396	737,162	762,826
Total assets	(Millions of yen)	741,982	784,453	801,290	921,872	939,881
Equity attributable to owners of parent per share	(Yen)	1,186.65	1,263.16	1,300.12	1,371.90	1,419.27
Basic earnings per share	(Yen)	99.40	124.57	87.56	97.43	99.68
Diluted earnings per share	(Yen)	99.30	124.46	87.50	97.39	99.66
Ratio of equity attributable to owners of parent to total assets	(%)	87.6	86.5	87.2	80.0	81.2
Return on equity attributable to owners of parent	(%)	8.6	10.1	6.8	7.3	7.1
Price-earnings ratio	(Times)	20.9	20.7	32.1	32.2	29.4
Net cash provided by (used in) operating activities	(Millions of yen)	56,181	53,655	39,502	86,548	48,672
Net cash provided by (used in) investing activities	(Millions of yen)	(39,929)	(933)	252,559	(11,363)	(17,185)
Net cash provided by (used in) financing activities	(Millions of yen)	(16,501)	(47,371)	(26,003)	(28,446)	(29,032)
Cash and cash equivalents at end of period	(Millions of yen)	15,867	20,762	287,019	335,084	339,194
Number of employees	(Persons)	7,242	5,267	5,423	5,752	5,982

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. Accordingly, revenue and profit before tax for the 96th fiscal year are the amounts for continuing operations excluding discontinued operations.

(2) Key financial data of reporting company

Term		96th fiscal year	97th fiscal year	98th fiscal year	99th fiscal year	100th fiscal year
Fiscal year-end		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Net sales	(Millions of yen)	215,154	246,274	252,933	237,590	253,790
Ordinary profit	(Millions of yen)	46,660	73,363	49,562	35,228	37,287
Profit	(Millions of yen)	47,860	91,473	31,250	66,366	31,047
Share capital	(Millions of yen)	26,745	26,745	26,745	26,745	26,745
Total number of issued shares	(Shares)	576,483,555	540,000,000	540,000,000	540,000,000	540,000,000
Net assets	(Millions of yen)	502,413	549,020	555,730	596,921	601,918
Total assets	(Millions of yen)	569,900	618,306	687,680	794,087	806,058
Net assets per share	(Yen)	916.31	1,021.09	1,033.43	1,110.13	1,119.48
Dividend per share [Interim dividend paid per share]	(Yen)	35.00 [15.00]	42.00 [20.00]	44.00 [22.00]	46.00 [23.00]	51.00 [24.00]
Basic earnings per share	(Yen)	87.43	169.85	58.18	123.52	57.77
Diluted earnings per share	(Yen)	87.34	169.71	58.15	123.47	57.75
Equity ratio	(%)	88.0	88.7	80.7	75.1	74.6
Return on equity	(%)	9.8	17.4	5.7	11.1	5.2
Price-earnings ratio	(Times)	23.8	15.1	48.4	25.4	52.3
Dividend payout ratio	(%)	40.0	24.7	75.6	37.2	88.3
Number of employees	(Persons)	3,918	3,619	3,736	3,857	4,002
Total shareholder return [Comparative indicator: TOPIX including dividends]	(%) (%)	96.9 [84.0]	121.6 [99.2]	134.7 [106.6]	151.5 [120.2]	148.6 [117.2]
Highest share price	(Yen)	2,478	2,594	3,060	4,240	3,515
Lowest share price	(Yen)	1,894	1,674	1,849	2,687	2,604

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 ¥27, which is included in the dividends per share of ¥51 for the 100th fiscal year, a proposal will be submitted at the Ordinary General Meeting of Shareholders scheduled to be held on March 24, 2023.
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 changed the name (October 1945) of the merged company 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.

3 Description of Business

The Company and its subsidiaries and associates are comprised of the Company, 39 subsidiaries, two 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 39 consolidated subsidiaries.

<Business flow diagram>

(Parent Company)
Kirin Holdings Company, Limited

Kyowa Kirin Co., Ltd.

Provision of merchandise and services

Supply of products and raw materials

Japan

* Kyowa Kirin Frontier Co., Ltd.
(Manufacturing and sales of ethical pharmaceuticals)

* Kyowa Kirin plus Co., Ltd.
(Contracted services, wholesale and retail sales, and insurance agency business)

** FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd.
(Development, manufacturing, and sales of biosimilars)

and others

North America

* Kyowa Kirin USA Holdings, Inc.
(Supervision and management of specific subsidiaries)

* Kyowa Kirin, Inc. (Note)
(Research and development, and sales of ethical pharmaceuticals)

* Kyowa Kirin Canada, Inc.
(Sales of ethical pharmaceuticals)

* BioWa, Inc.
(Out-licensing of antibody technology)

and others

EMEA (Europe, the Middle East, Africa)

* Kyowa Kirin International plc
(Supervision and management of specific subsidiaries)

and others

Asia/Oceania

* Kyowa Kirin Asia Pacific Pte. Ltd.
(Supervision and management of specific subsidiaries, and sales of ethical pharmaceuticals)

* Kyowa Kirin China Pharmaceutical Co., Ltd.
(Manufacturing and sales of ethical pharmaceuticals)

* Kyowa Kirin Korea Co., Ltd.
(Sales of ethical pharmaceuticals)

* Kyowa Kirin Taiwan Co., Ltd.
(Sales of ethical pharmaceuticals)

* Kyowa Kirin Hong Kong Co., Limited
(Sales of ethical pharmaceuticals)

and others

* Consolidated subsidiary
** Equity-accounted investee

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, etc.	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) 113	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	(Thousands of Hong Kong dollars) 6,000	Sales of ethical pharmaceuticals	(Note 2) 100.0 (100.0)	No	Lending of funds	–	–
27 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	–
One other company								

(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 ¥42,154 million (Japanese GAAP) as of December 31, 2022.
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	¥116,323 million
(2)	Profit before tax	¥6,271 million
(3)	Profit	¥5,337 million
(4)	Total equity	¥13,010 million
(5)	Total assets	¥91,384 million

5 Employees

(1) Information about consolidated companies

(As of December 31, 2022)

Segment name	Number of employees (Persons)
Pharmaceuticals	5,982
Total	5,982

Notes: 1. The Group consists of only the 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 other non-regular employees) 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, 2022)

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
4,002	42.8	16.7	9,024,091

Segment name	Number of employees (Persons)
Pharmaceuticals	4,002
Total	4,002

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 other non-regular employees) 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 2,810 union members as of December 31, 2022.

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

(Reference) Empowering women

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.

In recognition of its initiatives, 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 in 2016 (Act No. 64 of 2015). This evaluation has been maintained as of December 31, 2022.

< 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, 2022)

Ratio of female managers
13.4%

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

(Rate of use of childcare leave use by gender)

Fiscal year ended December 31, 2022

Rate of childcare leave use by men	Rate of childcare leave use by women
60.9%	108.7%

Notes: 1. Calculated excluding employees seconded outside the Company from the Company and employees seconded to the Company from outside the Company.

2. 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)

Fiscal year ended December 31, 2022

	Women's wages as a proportion of men's
Regular employees	75.8%
Irregular employees	58.3%
All employees	74.7%

Notes: 1. With respect to regular and irregular 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 regular 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 irregular 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 greater variation in wages between male and female contract employees than is the case with regular employees given a high proportion of female contract employees in manufacturing facilities. 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, 2022).

(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.

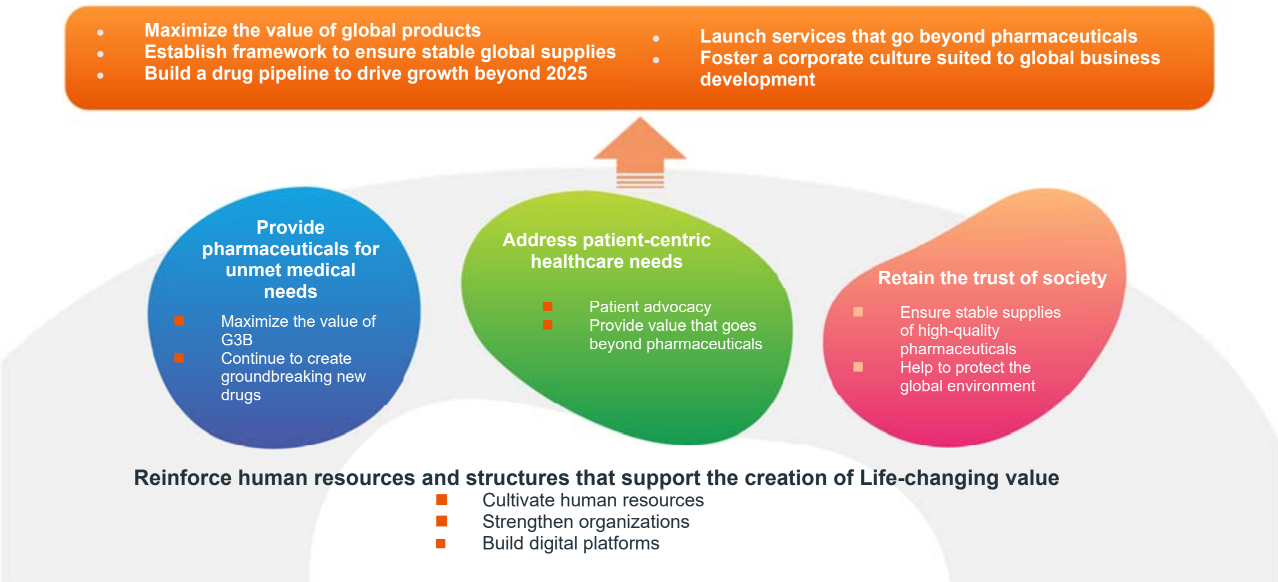
(2) Priority business and financial challenges

In recent years the environment in which the pharmaceutical industry operates has experienced detrimental changes such as the continued reduction of medical costs, widespread measures for promoting generics, and rising costs and more complex processes for new drug development. On the other hand, there have been supportive factors, such as more substantial systems to evaluate innovations including the priority review system for groundbreaking new drugs, and advances in science and technology leading to new drug discovery techniques that enable groundbreaking therapies. There are still people all over the world waiting expectantly for groundbreaking new drugs to satisfy unmet medical needs. Furthermore, with dramatic changes taking place in the social environment as a whole, such as the advance and penetration of digital technology, and diversification in points of customer contact, new medical demands are emerging.

In such an environment, the Company has worked to maximize the value of global strategic products, such as Crysvita and POTELIGEO, and especially in the United States, steadily promoting the preparations for own sales of Crysvita from 2023. At the same time, through the promotion of development of KHK4083 (generic name: Rocatinlimab), a next-generation global strategic drug, and KHK7791 (generic name: Tenapanor hydrochloride), RTA402 (generic name: Bardoxolone methyl) and other new drugs for the Japanese market, research and development of KHK4951(generic name: Tivozanib) and other early-stage development products for expanding pipelines, and strengthening of activities to acquire new pipelines, we will execute our strategy for continuing to create groundbreaking new drugs.

The Company is working to achieve growth as a Japan-based global specialty pharmaceutical company in accordance with the Vision for 2030, which was announced in February 2021 in conjunction with the five-year Medium Term Business Plan, and the strategies for achieving this vision.

<FY2021-2025 Medium Term Business Plan>



(Providing drugs that satisfy unmet medical needs)

In preparation for maximizing the value of global strategic products, we will move forward with measures for penetrating markets, centered on Europe and the U.S., to expand our business regions. We will continue to strengthen the structure that enables close cooperation between different divisions and subsidiaries and associates at the global level, and provide new drugs under the KYOWA KIRIN brand to patients all over the world.

On the other hand, in research and development we aim to blend the technological expertise we have accumulated with our in-depth knowledge of disease to create new medical value and speed up the process of drug discovery. On the technological pillar, we are gradually building platforms that utilize various modalities*1, such as next-generation antibody technology. In addition, on the disease pillar, by blending our accumulated knowledge of the science of disease with technology, we will continue to address the challenge of providing drugs that satisfy unmet medical needs. In addition to this, we will continue to aim for creating life-changing value*2 by accelerating and strengthening innovation through drug discovery technology that actively utilizes open innovation, through the acquisition of new drug targets, and furthermore through Corporate Venture Capital (CVC) activities we started in 2022.

*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, we will work to resolve unmet medical needs. By actively promoting activities in Japan and abroad through the participation in the “STEP Community” established by ASrid, a non-profit organization dedicated to connecting various stakeholders in the field of rare and intractable diseases, and 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 feel should be addressed and strengthen activities for making patients smile.

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

*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.

(Retain the trust of society)

To reliably supply high-quality pharmaceuticals to patients who need them worldwide, we are working to establish a robust production system while strengthening a quality assurance system and supply-chain management. In addition, we will continue to respond appropriately to issues regarding stable supply structures in implementing both in-house and contracted manufacturing.

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 others. Through initiatives such as these we seek to achieve net zero greenhouse gas emissions across the value chain, to actively tackle issue of the 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.

We have established the group human rights policy which provides the basis for our initiatives for corporate business and human rights based on the "Guiding Principles on Business and Human Rights" of the United Nations. We will further promote the initiatives to respect human rights.

In addition, we have appointed the majority of Directors as Outside Directors, aiming to further strengthen corporate governance. We will continue to work on strengthening governance.

*4 Human Rights Policy

The Company's website: https://www.kyowakirin.com/sustainability/human_rights/index.html (in Japanese)

(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 global and sustainable growth through such measures as the maximization of product value, the creation of a substantial development pipeline, and the stable supply of products.

Specifically, in addition to our efforts to reinforce risk management and initiatives to reform our corporate culture that have already begun, we will continue to work to strengthen functions globally, such as through development of digital platforms and proactive investments in human resources that are necessary for growth as a Japan-based global specialty pharmaceutical company. Based on the Global DE&I Statement (D: Diversity, E: Equity, I: Inclusion) we formulated in 2022, a cohesive but highly diverse team will open the way to creating life-changing value.

2 Business Risk Factors

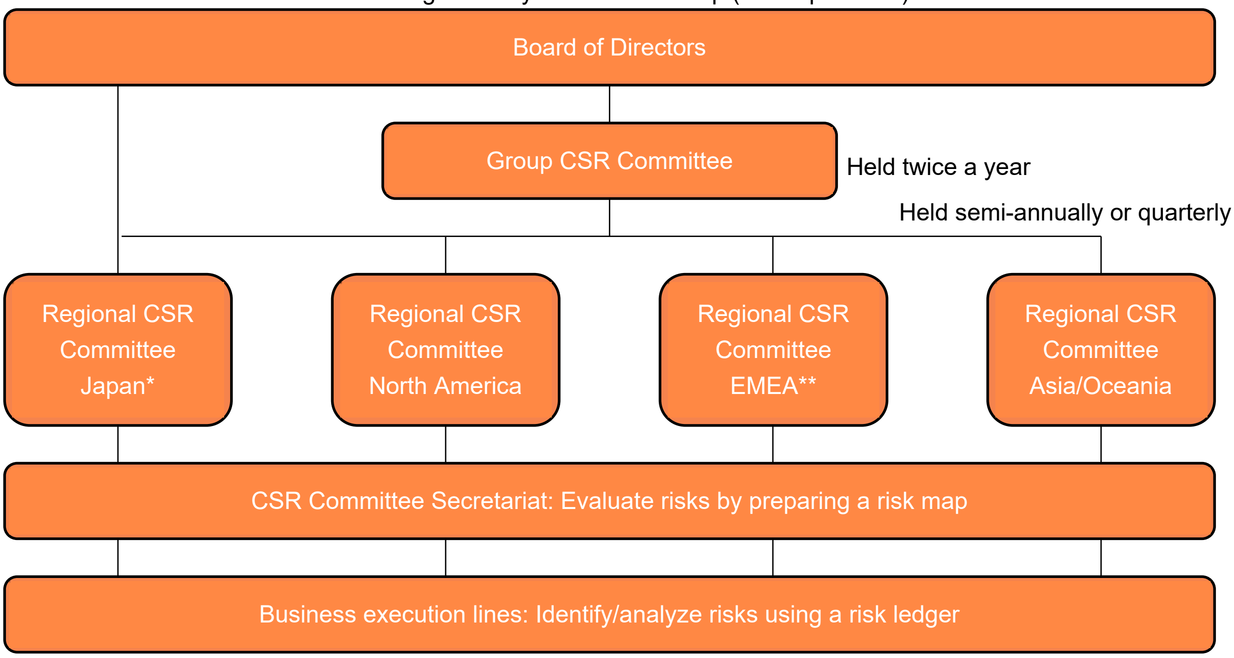
1. Risk management system and process for identifying principal risks

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. With the launch of the global management system, in April 2020, regional CSR Committees were established in each of the four regions to discuss principal risks specific to each region, in addition to global principal risks. The response to the principal risks in each region is coordinated by the Japan Regional CSR Committee Secretariat and reported to the Committee. From April 2022, the Company increased the frequency of meetings of the Group CSR Committee that is positioned as a place globally opened to stakeholders from four regions from annually to twice a year. The Group CSR Committee deliberates strategies related to Group-wide risk management and activity policies, as well as the monitoring of 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 and evaluates risks by category to identify principal risks. The CSR Committee discusses 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

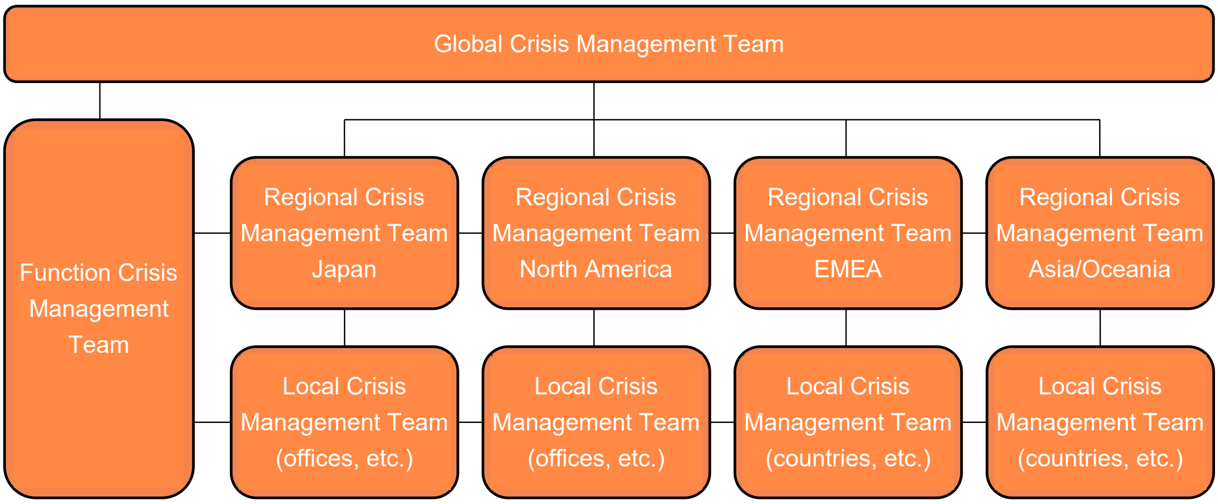
2. Centralized global management of risks by utilizing digital technologies

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, information is shared with divisions that support, advise, and monitor risks. The workflow uses a specialized, company-wide perspective after the business execution lines register the risk ledger and incident information in the database, with the principal risks 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, 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 (cyberattacks, human right violations, pandemics, natural disasters, suspension of shipments, etc.) among Japan, other regions, and the global head office and conducting crisis and BCP drill by each organization. We aim to be a resilient organization that adapts flexibly to difficult situations by working together on risk management and crisis management in an integrated manner. 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. Risk factors

This section describes principal risks identified by the Group as of the end of the current fiscal year (as of December 31, 2022). 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
<u>Details of risks and expected main impacts</u> The Group is working to maximize the value of three drugs that have been positioned as global strategic products – Crysvita, a treatment for X-linked hypophosphatemia, POTELIGEO, an anticancer agent, and NOURIANZ (product name in Japan: NOURIAST), an antiparkinsonian agent. The commercial activities of Crysvita in North America, which will be transferred from our partner company, Ultragenyx Pharmaceutical Inc. (Ultragenyx) in April 2023, may adversely affect the business if the transfer does not progress smoothly. Moreover, regarding risks of global strategic products as whole, 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, may prevent the Group from attaining its business targets.

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. To complete the transition in the North America smoothly, the Group partly started operations in North America from October after establishing a franchise. The preparation for the transition is proceeding smoothly based on the detailed transition scheme. The Group will receive field support from Ultragenyx for a year after the transition, allowing us to be well-prepared for risk management. 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 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 drawing on achievements cultivated to date in disease science (in the areas of nephrology, oncology, immunology, allergies, and the central nervous system). (iii) The Group will continue to 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 and 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. In addition, 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 2020, the Group has been collaborating with Axcelead Drug Discovery Partners Inc., a drug discovery solutions provider formed by the spinout of Takeda Pharmaceutical Company Limited’s drug discovery platform business. We aim to combine Axcelead’s long-established, extensive technologies and expertise in small-molecule drug discovery with the Company’s own innovative drug discovery technologies, thereby broadening the R&D pipeline with groundbreaking new compounds. The Group is also 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. Moreover, through investing in a venture capital fund, the Group entered into a research collaboration with LUCA Science Inc. that has a proprietary technology to isolate high functional mitochondria in 2022. The collaboration allows for the Group to research new therapeutic options based on mitochondrial drug discovery, an innovative mitochondrial modality. The Group also started Corporate Venture Capital (CVC) activities, strengthening an access to cutting-edge drug discovery technology-related information.

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 outside the Company, 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 post-launch 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 parent and Group company management
Details of risks and expected main impacts For the Group's business as a Japan-based global specialty pharmaceutical company to grow, robust risk management for the Company and its Group companies is management's top priority. Since 2020, the Group has been working to enhance governance by launching an improvement plan with three key objectives: creating a robust quality assurance system, improving risk management, and reforming the corporate culture. 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 Improving risk management aims to achieve group-wide risk management that can anticipate the future and take preventative measures. To this end, the Group holds workshops for all executives and managers at the head office, stages ongoing crisis and BCP drills 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. 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. Please refer to "Risks related to product quality" for details about how we are creating a robust quality assurance system and "Risks related to human resources" for details about corporate culture reforms.

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 head offices, 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 production and stable supply
Details of risks and expected main impacts In cases where detailed, accurate demand forecasts in various regions are impossible; where it is impossible to maintain supply capacity with the Group's proprietary plants or through cooperation with contract manufacturers and other suppliers; where market supply and demand fluctuates significantly due to the supply difficulties of other companies; or in other cases, stable supplies of the Group's products could be impeded, and resulting factors such as delays in drug launch schedules or limited shipments of product 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 changes in product sales and needs, and to achieve a supply-demand balance and enable quick adjustments in line with business plans. The Group sets objective stable supply indicators, reviews an inventory holding policy in accordance with risks, and visualizes demand using a supply-demand planning system. In addition, to respond to spikes in demand and tight supply-demand conditions, 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 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 establishing 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 open, fair CSR-based procurement in line with the Kyowa Kirin Group Procurement Policy, which states its commitment to pursue CSR procurement together with suppliers to ensure stable supplies of high-quality products. To ensure that suppliers are familiar with the Group's initiatives for CSR 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 CSR clause, which includes compliance with the Code of Conduct, to our contracts, and the Group conducts CSR 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 (formerly Kirin Group Human Rights Policy), the Group also plans to promote 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 leak of confidential information of the Group or personal data, suspension of business activities, or damage to the brand. As explained in key mitigation measures for “Risks related to pandemics,” 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 network, 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) occurred 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 and points of attention when remote working, etc., through documentation for employees, a dedicated cybersecurity website, etc. BCP system and drills simulating limited use of cloud services will also be 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 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 held semi-annually or quarterly and at the Group CSR Committee meeting held twice a year, 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 assess the status of efforts by each department in charge based on the various Kyowa Kirin Group Policies that supplement the Code of Conduct, and a framework of company-wide monitoring of the compliance program of each region including the global head office. Based on the monitoring and assessment results, the Group implements measures for improvement accordingly, further raising its compliance level.

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 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 One Kyowa Kirin system, the Group has focused on, in specific, promoting Diversity, Equity & Inclusion (DE&I) Statement, introducing the global grading and leadership principal, building a talent management system, and promoting corporate culture reform. As an effort to promote DE&I, the Group works on cross-regional and cross-functional measures, as well as measures to respond to region-specific challenges in order to realize strengths of teams that shine with diverse personalities. 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. Going forward, to expand the pipeline of human resources, the Group will formulate individual training programs for each successor, and implement human resource development strategically by carrying out global exchange programs. Talent review meetings that have been set up in each region will be organized by Global HR Business Partners beyond the framework of region, aiming to assign right person in the right place at a global level. As an effort to promote corporate culture reform, the Group has established Key Behavior “Overcome Barriers” (KABEGOE in Japanese). The Group is implementing activities, such as dialogues with the President and other executives and workshop, to empower all employees to overcome the barriers that divide them—all the difficulties and new challenges they face. Through the employees’ attitude survey and corporate culture surveys, 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 officers other than those in charge of human resources also participate, each of these measures implemented by the Human Resources Department are thoroughly discussed to allow them to be more effective. Furthermore, the Group promotes Health and Productivity Management with the aim of “realizing health and well-being” of the Group’s employees, as it believes that mental and physical health is essential in order for them to maximize their capabilities to create new value.

Risks related to pandemics
Details of risks and expected main impacts Regional outbreaks of emerging and re-emerging infectious diseases, or global pandemics, including the novel coronavirus infectious disease (COVID-19), could force the Group's head offices, plants, research laboratories and other business sites to close or cease business activities due to onsite infection clusters. Raw material suppliers may be forced to suspend operations, and logistics may be affected. Disruptions at medical institutions and other issues could prevent the Group from ensuring stable supply of products or collecting safety information, and result in delay in the provision of product information to medical professionals and the progress of clinical studies. In addition, any impact on government authorities in each country could slow down new drug approvals and price negotiations, delaying the launch of new products. Under those conditions, the Group's business performance and financial position may be adversely affected.
Key mitigation measures In dealing with COVID-19, the Group put the first priority on reducing the risk of infection during the phase of pandemic. The Group implemented remote working as the main mode of work, including working from home, and actively introduced web meeting tools for internal and external communication to enable employees to continue their duties. At the same time, the Group took every effort to ensure the safety of employees that need to attend work, including those in the production, R&D, and sales divisions, such as daily antigen tests, temperature checks, face masks, social distancing, divided indoor spaces and ventilation. Based on the global policy of a hybrid working model to create innovation and promote well-being among employees, the Group attempts to boost productivity by expanding the scope of the new working styles, creating optimal customer contact points that combine in-person and digital approaches in terms of sales activities, and stepping up the pace of digitizing tasks and achieving operational excellence, while carefully tracking new case levels in each region.

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 start scheduled for October 2023, operation start scheduled for January 2026).

Risks related to geopolitics
<u>Details of risks and expected main impacts</u> Geopolitical uncertainties in multilateral relationships surrounding the Russo-Ukraine crisis and other bilateral relationships may adversely affect the Group’s business activities. In Russia and Ukraine where risks have emerged, the Group does not conduct direct business operations and there are no raw material suppliers with which the Group conducts direct business, and therefore, the Group’s business, including the present product supply, has not been significantly affected. However, if Russia’s invasion continues for a prolonged period or expands to neighboring countries in Europe, etc., there could be an impact on the Group’s business due to turmoil in the global economy and exchange rates caused by significant fluctuations in energy prices or disruptions in internet infrastructure from cyberattacks, as well as due to delays in procuring raw materials, materials and active pharmaceutical ingredients, importing and exporting, conducting clinical trials and carrying out sales activities. In addition, the safety of patients, medical institutions, and the Group’s employees may also be adversely affected.
<u>Key mitigation measures</u> The Group will collect information on the situation and procure raw materials, materials, and active pharmaceutical ingredients in advance when necessary, aiming to ensure stable supply appropriately. Furthermore, if the situation is worsened, the Group will work to mitigate the impact on clinical trials, procurement, supply, distribution, and employees’ safety, etc.

Risks related to climate change
<u>Details of risks and expected main impacts</u> 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.
<u>Key mitigation measures</u> 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 aims to accelerate the synergetic reduction of emissions of greenhouse gases by focusing on energy-saving measures and expanding the use of renewable energy. From 2020, the Group introduced RE100-certified renewable energy to its Takasaki Plant and Fuji Research Park and CMC R&D Center, switching 100% of their electric power to electricity that emits no greenhouse gases. In 2021, the Group’s head office also switched 100% of its electric power to renewable energy. In 2023, a large-scale solar power generation system (assumed output of 1,976,000 kWh/year) will be installed at Ube Plant and start its operation based on an onsite PPA (Power Purchase Agreement) model. In addition, 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)>

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 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 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 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 makes 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 them 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 CO2 emissions reduction target of 51% reduction from 2019 levels.

By 2025	Achieve significant reductions in CO_2 emissions by gradually switching to renewable energy sources for the electricity used at major workplaces in Japan.
By 2030	Introduce and expand renewable energy use to all our Group's workplaces, including overseas business locations and domestic branch offices.
By 2040	Aim for 100% renewable energy sources for the electricity used.
By 2050	Convert plant facilities, etc. to other energy sources and work to reduce greenhouse gas emissions in the supply chain, aiming to achieve net zero greenhouse gas emissions across the entire value chain.

In addition, we plan to introduce and operate solar power generation facilities to its domestic and overseas production and research facilities. By implementing these measures, we plan to accelerate the synergistic reduction of CO_2 emissions.
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 upwardly revised 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 have set a target for renewable energy use of 100% by 2040 (joined RE100, both targets were set in 2020). The Group's 2030 targets and the development of measures are also in alignment with these medium- and long-term targets of the Kirin Group.
For details, please refer to 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, 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.

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

< Overview of business >

Amid enormous and complex changes in the business environment, including geopolitical risks on top of the prolonged effect from COVID-19, 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 2022, the Group has been proceeding with initiatives for the second year of the FY2021-2025 Medium Term Business Plan aimed 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.

Despite some restrictions on business activities due to COVID-19, the Group continued to steadily achieve growth from global strategic products such as Crysvita and POTELIGEO. On the other hand, while adapting to extreme changes to the external environment, the Group took urgent steps to take part in global collaborations and establish the growth strategies for delivering the Company’s pharmaceuticals to as many needy patients as possible. In the established medicines business*1 in Europe, the Group entered into an agreement concerning joint-venture collaboration with German company Grünenthal GmbH*2 to continually deliver those medicines to the patients needing them.

Regarding the next-generation strategic products, the Group is steadily developing KHK4083 for the therapeutic areas of immunology/allergy through collaboration with Amgen Inc. of the United States. On the other hand, the Group decided to discontinue the development of Kyowa Kirin’s proprietary KW-6356 in the central nervous system field, and to also discontinue joint development with MEI Pharma of ME-401 in the oncology field outside Japan. As for our initial stage development products, such as bispecific antibodies developed using our proprietary technologies, we are taking steps to advance research and development with the expectation that they will become a growth platform in the medium to long term. Through measures such as constructing a new biopharmaceutical API manufacturing facility and a new multipurpose facility relating to quality assurance, which will adopt cutting-edge facilities, we are aiming to strengthen our competitiveness as Japan’s global specialty pharmaceutical company.

Regarding initiatives aimed at both contributing to the realization of a sustainable society and achieving business growth, we have formulated the “Kyowa Kirin Group Policy for Access to Medicines” and are striving to respond to medical needs, centered on patients. In addition, we have established the Kyowa Kirin Group Human Rights Policy, which forms the basis for the Group’s corporate activities concerning business and human rights.

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

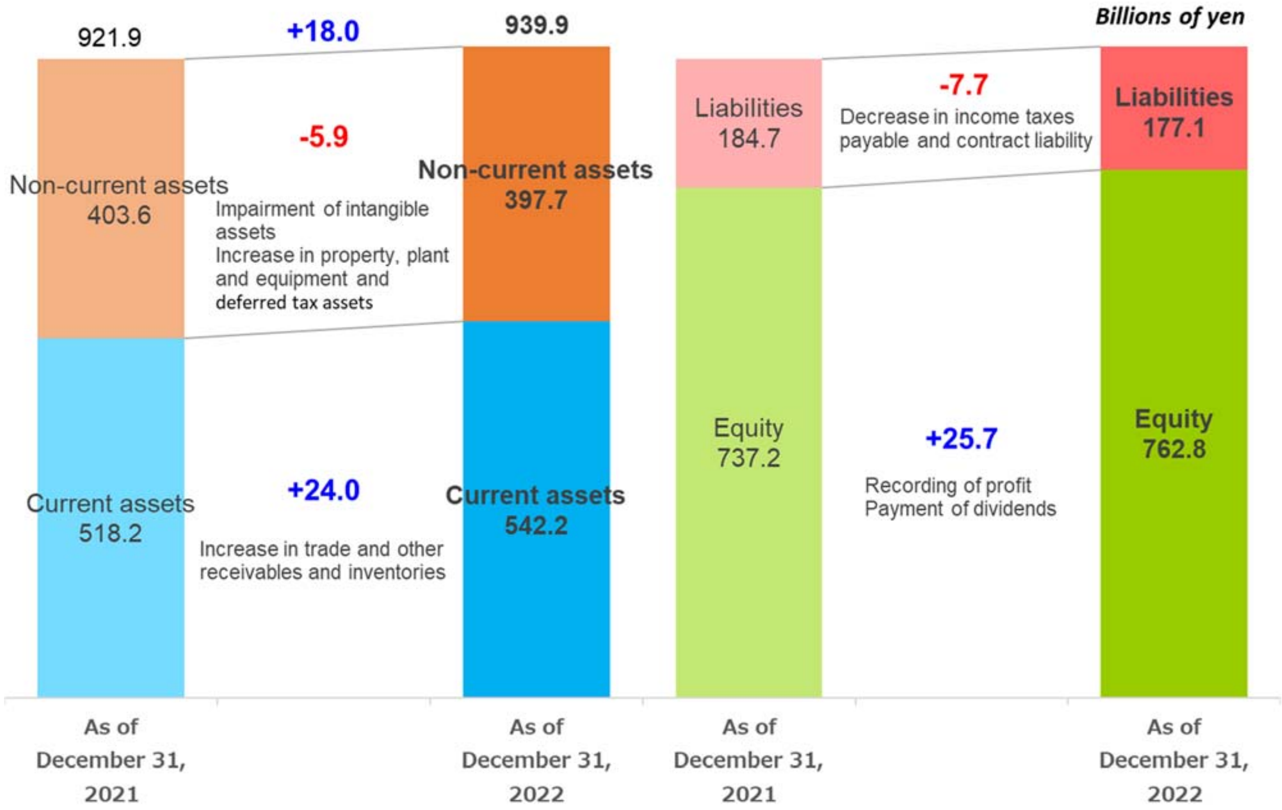
*2 Customary approvals and clearances, including anti-trust and works councils as legally required, will need to be obtained as a condition for the agreement to take effect.

(1) Summary of Consolidated Financial Position for Fiscal 2022

(Billions of yen)

	As of December 31, 2021	As of December 31, 2022	Year-on-year change
Assets	921.9	939.9	18.0
Non-current assets	403.6	397.7	(5.9)
Current assets	518.2	542.2	24.0
Liabilities	184.7	177.1	(7.7)
Equity	737.2	762.8	25.7
Ratio of equity attributable to owners of parent to total assets (%)	80.0%	81.2%	1.2%

- Assets as of December 31, 2022, were ¥939.9 billion, an increase of ¥18.0 billion compared to the end of the previous fiscal year.
  - Non-current assets decreased by ¥5.9 billion compared to the end of the previous fiscal year, to ¥397.7 billion, due mainly to impairment of intangible assets, which offset increases in property, plant and equipment and deferred tax assets.
  - Current assets increased by ¥24.0 billion compared to the end of the previous fiscal year, to ¥542.2 billion, due mainly to increases in trade and other receivables and inventories.
- Liabilities as of December 31, 2022, were ¥177.1 billion, a decrease of ¥7.7 billion compared to the end of the previous fiscal year, due mainly to decreases in income taxes payable and contract liabilities.
- Equity as of December 31, 2022, was ¥762.8 billion, an increase of ¥25.7 billion compared to the end of the previous fiscal year, due mainly to the recording of profit attributable to owners of parent, 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 81.2%, an increase of 1.2 percentage points compared to the end of the previous fiscal year.



(2) Summary of Business Performance in Fiscal 2022

(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, 2021	Fiscal year ended December 31, 2022	Year-on-year change	Rate of change (%)
Revenue	352.2	398.4	46.1	13.1%
Core operating profit	65.7	86.7	21.0	32.0%
Profit before tax	60.1	67.6	7.5	12.5%
Profit attributable to owners of parent	52.3	53.6	1.2	2.3%

< Average exchange rates for each period >

Currency	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Year-on-year change
USD (USD/¥)	¥109	¥130	Up ¥21
GBP (GBP/¥)	¥150	¥161	Up ¥11
EUR (EUR/¥)	¥130	¥137	Up ¥7

For the fiscal year ended December 31, 2022, revenue was ¥398.4 billion (up 13.1% compared to the previous fiscal year) and core operating profit was ¥86.7 billion (up 32.0%). Profit attributable to owners of parent was ¥53.6 billion (up 2.3%).

- The increase in revenue was the result of growth of global strategic products in North America and EMEA and a rise in revenue from technology out-licensing, despite lower revenue in Japan. The positive effect on revenue from foreign exchange was ¥30.1 billion.
- Core operating profit rose, despite increases in selling, general and administrative expenses and research and development expenses, due to higher gross profit resulting from an increase in overseas revenue and a rise in

revenue from technology out-licensing. The positive effect on core operating profit from foreign exchange was ¥11.0 billion.

- Profit attributable to owners of parent increased as a result of an increase in finance income in addition to an increase in core operating profit, despite an increase in income taxes in addition to an increase in other expenses due to increased impairment losses.

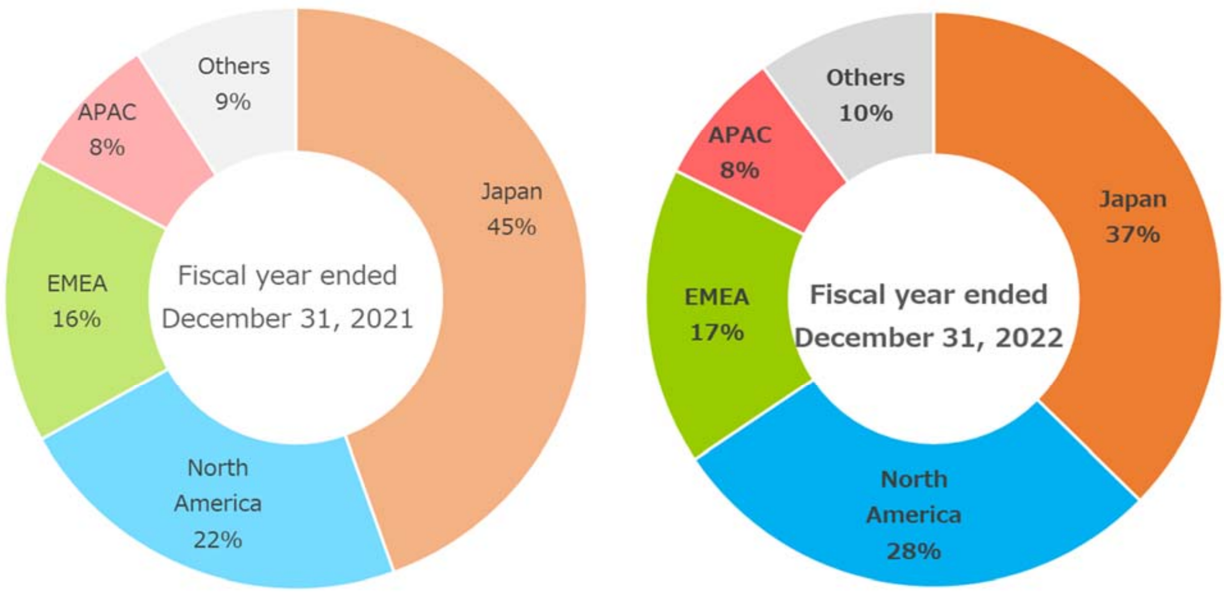
(ii) Revenue by regional control function

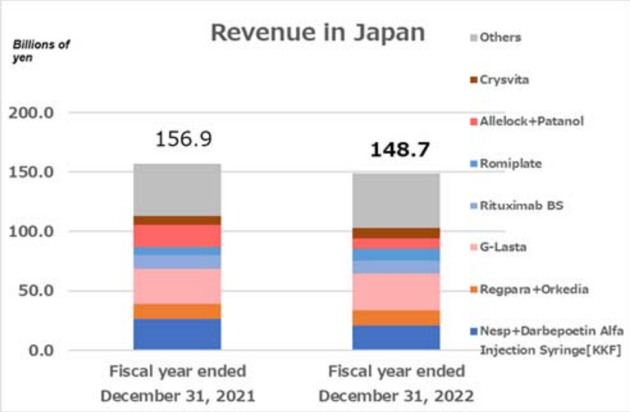
(Billions of yen)

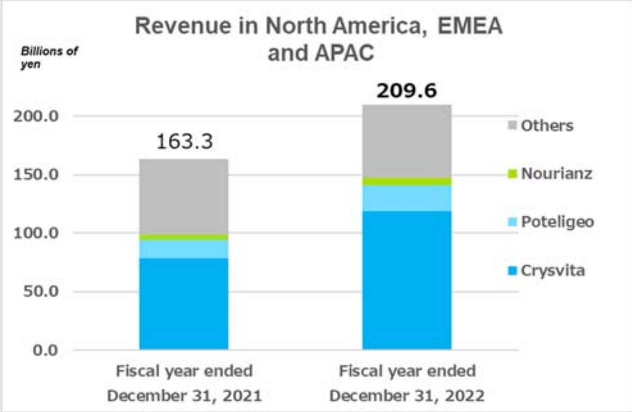
	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Year-on-year change	Rate of change (%)
Japan	156.9	148.7	(8.2)	(5.2)%
North America	78.8	112.6	33.8	42.9%
EMEA	56.1	66.9	10.8	19.2%
APAC	28.4	30.1	1.8	6.3%
Others	32.1	40.1	8.0	24.8%
Total consolidated revenue	352.2	398.4	46.1	13.1%

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 consists 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, 2021	Fiscal year ended December 31, 2022	Year-on-year change	Rate of change (%)
Patanol	10.7	2.8	(7.9)	(73.9)%
Darbepoetin Alfa Injection Syringe [KKF]	22.3	17.6	(4.7)	(20.9)%
Duvroq	2.6	6.6	4.0	155.8%
Romiplate	7.3	10.4	3.2	43.3%
G-Lasta	29.4	31.1	1.7	5.7%
Crysvita	7.2	8.9	1.7	23.5%

- Revenue in Japan decreased year on year due to the significant decrease in revenue from Patanol, anti-allergy eye drops, in addition to the impact of the reductions in drug price standards implemented in April 2021 and April 2022, despite the growth in sales of new product groups, such as Duvroq, a treatment for renal anemia.
  - Revenue from Patanol, anti-allergy eye drops, decreased due to the release of a generic in December 2021.
  - 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 since its launch in August 2020.
  - Revenue from ROMIPLATE, a treatment for chronic idiopathic thrombocytopenic purpura, increased due to the impact in the previous fiscal year from adjustments of shipments to distributors (June 2020 to March 2021).
  - Revenue from G-Lasta, an agent for decreasing the incidence of febrile neutropenia, has been growing. The automated injection device G-Lasta Subcutaneous Injection 3.6 mg BodyPod was launched in December 2022.
  - Revenue from Crysvita, a treatment for FGF23-related diseases, has been growing since its launch in December 2019.

< Revenue of major products (overseas) >

(Billions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Year-on-year change	Rate of change (%)
Crysvita	78.3	118.2	39.9	50.9%
Poteligeo	15.3	22.3	7.0	45.9%
Nourianz	4.5	6.5	1.9	42.7%
Abstral	8.5	6.9	(1.6)	(19.1)%
Regpara	7.4	3.9	(3.5)	(46.6)%
Gran	6.3	8.2	1.9	29.8%

- 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 since its launch in 2018.
  - Revenue from POTELIGEO, an anticancer agent, has been growing.
  - Revenue from NOURIANZ (product name in Japan: NOURIAST), an antiparkinsonian agent, has been

growing since its launch in October 2019.

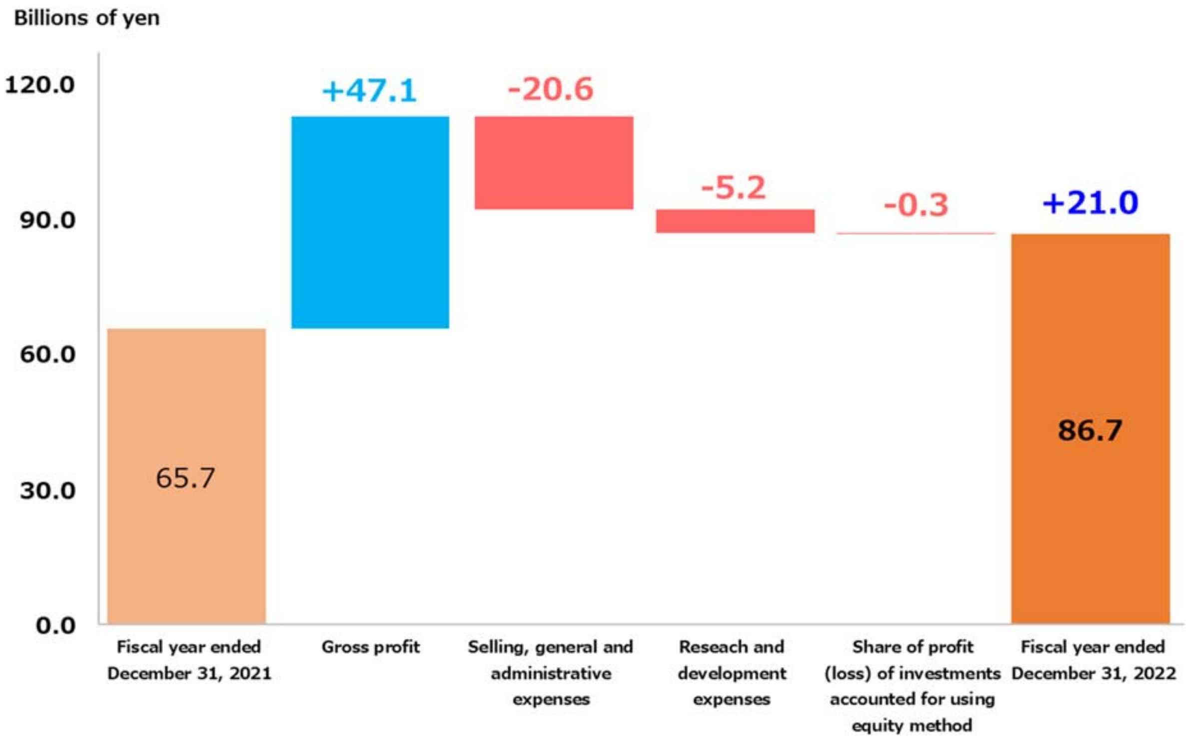
- Revenue in EMEA increased year on year due to the growth of global strategic products.
  - Revenue from Crysvita, a treatment for X-linked hypophosphatemia, has been growing as the number of countries where it has been released has been increasing since its launch in 2018. Approval for the extended indication for tumor induced osteomalacia (TIO) was acquired from the European Commission (EC) in August 2022, and sales were launched in Germany and other countries.
  - 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 June 2020.
  - Revenue from Abstral, a treatment for cancer pain, decreased due to the impact of the market penetration of generics.
- Revenue in APAC increased year on year.
  - Revenue from REGPARA, a treatment for secondary hyperparathyroidism, declined after it became subject to China's centralized governmental purchasing system* in October 2021.

    * 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.
  - Revenue from Gran, a neutropenia treatment drug, has been growing particularly in South Korea.

< Other revenue >

- Revenue from Others increased year on year.
  - Technology out-licensing increased due to the recognition of revenue of upfront payment of USD400 million over a certain period in conjunction with the conclusion of an agreement in 2021 with Amgen Inc. to jointly develop and commercialize KHK4083, anti-OX40 fully human monoclonal antibody for the treatment of atopic dermatitis, in addition to an increase in royalties revenue from AstraZeneca in relation to benralizumab.

(iii) Core operating profit



- Core operating profit increased compared to the previous fiscal year due mainly to an increase in gross profit due to increases in revenue from U.S. and Europe, mainly from global strategic products, and in revenue from technology out-licensing, despite increases in research and development expenses mainly regarding progress in development of next-generation strategic products, in addition to increases in selling, general and administrative expenses related to investments in human resources and in IT/digital platform aimed at maximizing the value of global strategic products and rapidly establishing competitive global business bases. The positive effect on core operating profit from foreign exchange was ¥11.0 billion.

(3) Cash Flow Summary for Fiscal 2022

Information is provided in "II. Overview of Business, 3 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, 2022 is as follows.

Segment name	Amount (Millions of yen)	Year-on-year (%)
Pharmaceuticals	152,121	102.3
Total	152,121	102.3

Notes: 1. Amounts are based on selling prices.

2. Any elimination or other adjustments have not 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, 2022 are as follows.

Segment name	Amount (Millions of yen)	Year-on-year (%)
Pharmaceuticals	398,371	113.1
Total	398,371	113.1

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

Customer	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
Alfresa Corporation	35,457	10.1	–	–

Note: Revenue of Alfresa Corporation 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, 2022).

(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 2022

An analysis of the Group's financial position and business performance for fiscal 2022 is provided in "II. Overview of Business, 3 Management Analysis of Financial Position, Business Performance and Cash Flows (1) Summary of Consolidated Financial Position for Fiscal 2022, (2) Summary of Business Performance in Fiscal 2022."

- 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 2022 are as follows.

	FY2025 management targets	Consolidated results for FY2021	
ROE	10% or higher	7.1%	Profit / Average beginning and ending equity
Revenue growth ratio (CAGR)	10% or higher	11.9%	Annual average growth rate with fiscal 2020 as base year
R&D expense ratio	Targeting 18-20% to support active investment	15.8%	Research and development expenses / Revenue
Core operating profit ratio	25% or higher	21.8%	Core operating profit / Revenue
Dividend payout ratio (Note)	Targeting sustained dividend hikes with 40%	38.9% Increased dividend for the sixth 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 the fiscal year under review, top-line growth was led by the growth of Crysvita, Poteligeo, and other global strategic products, along with licensing revenue, and assisted by the depreciation of the yen. Furthermore, the Group steadily advanced with the establishment of an IT digital platform, aggressive investment in human resources, and preparations for proprietary commercialization of Crysvita in North America from 2023, which are necessary for its growth as a Japan-based global specialty pharmaceutical company. On the other hand, the Group halted development of KW-6356 and joint development of ME-401 with MEI Pharma, Inc. outside of Japan. As a result, revenue increased by ¥46.1 billion from the previous fiscal year to ¥398.4 billion (revenue growth ratio of 11.9%). Compared with the previous fiscal year, selling, general and administrative expenses increased by ¥20.6 billion to ¥166.2 billion, research and development expenses increased by ¥5.2 billion to ¥62.9 billion (R&D expense ratio of 15.8%) while core operating profit increased ¥21.0 billion to ¥86.7 billion (a core operating profit ratio of 21.8%), and profit increased ¥1.2 billion to ¥53.6 billion. As a result, the Group achieved increases in both revenues and profits. ROE was 7.1% (7.3% in the previous fiscal year).

The Board of Directors has resolved to pay a year-end dividend for fiscal 2022 of ¥27 per share. When approved at the 100th Ordinary General Meeting of Shareholders scheduled to be held on March 24, 2023, the annual dividend, including the interim dividend of ¥24 per share, will be ¥51, up ¥5 from the previous fiscal year (dividend payout ratio of 38.9%) and an increase for the sixth consecutive fiscal year.

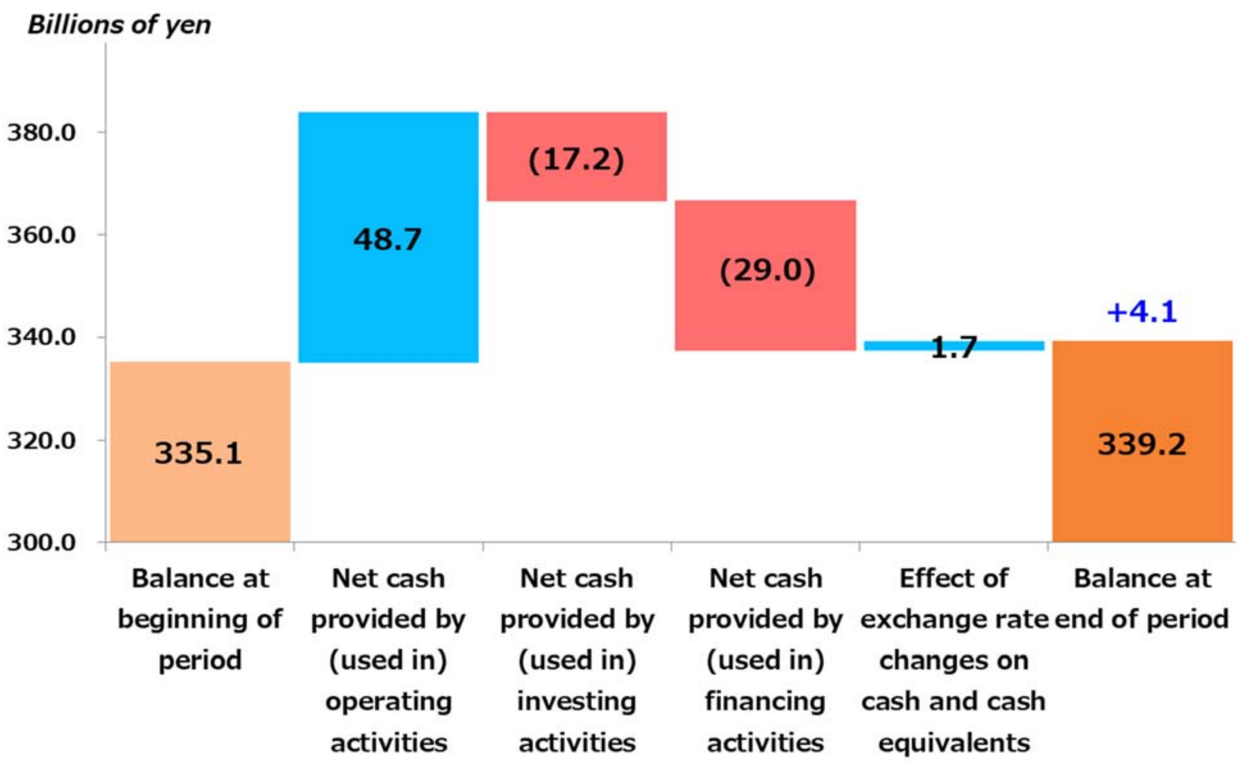
(iii) Analysis of cash flows, capital resources and liquidity of funds

- Cash Flow Summary for Fiscal 2022

(Billions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Year-on-year change	Rate of change (%)
Net cash provided by (used in) operating activities	86.5	48.7	(37.9)	(43.8)%
Net cash provided by (used in) investing activities	(11.4)	(17.2)	(5.8)	51.2%
Net cash provided by (used in) financing activities	(28.4)	(29.0)	(0.6)	2.1%
Cash and cash equivalents at beginning of period	287.0	335.1	48.1	16.7%
Cash and cash equivalents at end of period	335.1	339.2	4.1	1.2%

- Cash and cash equivalents as of December 31, 2022 were ¥339.2 billion, an increase of ¥4.1 billion compared to the balance of ¥335.1 billion as of December 31, 2021.
  The main contributing factors affecting cash flow during the current fiscal year were as follows:
- Net cash provided by operating activities was ¥48.7 billion, compared with net cash provided by operating activities of ¥86.5 billion in the previous fiscal year. Major inflows included impairment losses of ¥18.0 billion in addition to profit before tax of ¥67.6 billion and depreciation and amortization of ¥18.5 billion. Major outflows included income taxes paid of ¥22.6 billion and decrease (increase) in inventories of ¥8.9 billion.
- Net cash used in investing activities was ¥17.2 billion, compared with net cash used in investing activities of ¥11.4 billion in the previous fiscal year. Major outflows included purchase of property, plant and equipment of ¥15.6 billion and purchase of intangible assets of ¥13.1 billion. On the other hand, major inflows included revenue from advance receipt from sale of investment securities of ¥4.2 billion, proceeds from redemption of bonds of subsidiaries and associates of ¥4.0 billion, and proceeds from sale of investment securities of ¥3.7 billion.
- Net cash used in financing activities was ¥29.0 billion, compared with net cash used in financing activities of ¥28.4 billion in the previous fiscal year. Major outflows included dividends paid of ¥25.3 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.

In 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 concentrate our attention on development-related investments aimed at maximizing the value of our pipeline, with a focus on next-generation strategic products, while also actively conducting research-related investments aimed at long-term innovation such as building of technology platforms that make full use of multiple therapeutic modalities to create groundbreaking new drugs. In addition, we will aim to continuously create new drugs that offer life-changing value.

In the fiscal year under review, R&D activities were as described in 5 Research and Development Activities under II. Overview of Business.

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

(i) In-licensing and M&A investments for strengthening the portfolio
  ・Development pipelines that have synergy with Crysvita and Poteligeo (bone, mineral and blood cancer domains)
  ・Licensing utilizing the strengths of each region (nephrology, blood/oncology, immunology)

(ii) Investment in science and technology to create new strengths
  ・Investment targeting the capture of new drug discovery technologies and early-stage pipelines, as well as acceleration of joint operations and collaboration
  ・Venture Capital (VC) investments and Corporate Venture Capital (CVC) activities aiming at information searching and access

In the fiscal year under review, the Group sought to increase its means of early access to the latest drug discovery technology information and product information by continuing to invest in multiple VC funds and embarking on CVC activities to further accelerate such efforts.

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

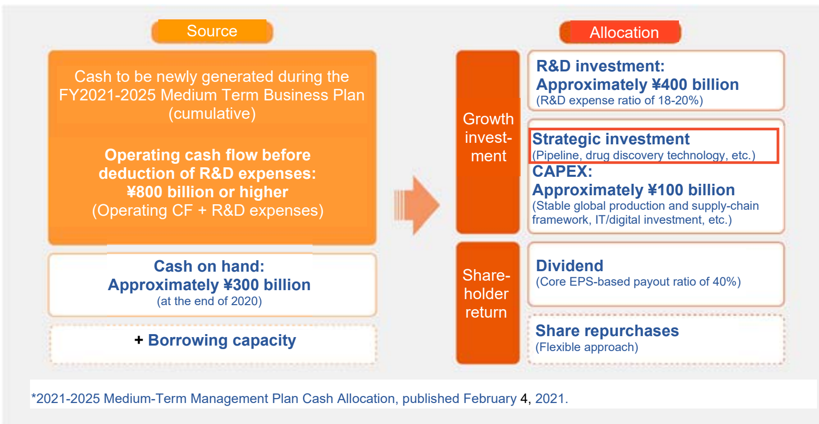
Licensing-in and M&A investments to strengthen the portfolio

- Development pipeline with synergies with Crysvita and Poteligeo
  - Bone, Mineral
  - Hematologic oncology
- Implementing the strengths of each region
  - Nephrology
  - Hematology / Oncology
  - Immunology

Investment in science and technology to create new strengths

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

2021-2025 Cash-Allocation*



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. We will focus particularly on establishing a robust quality assurance and production system to ensure a stable global supply of safe and high-quality pharmaceuticals. In addition, by investing in the establishment and development of platforms for strategic IT and digital utilization and the strengthening of global governance and risk management functions, 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 ¥24.6 billion. We made investments in the new construction of a multipurpose facility (Q-TOWER) relating to quality assurance equipped with the most advanced biopharmaceutical analysis equipment in Japan, the new construction of a biopharmaceutical active pharmaceutical ingredient (API) manufacturing building (HB7) for accelerating early-stage development experiments, the new construction of a warehouse building to enable stable supply globally, and the strengthening of our IT digital platforms in part for overseas regional introduction of global enterprise resource planning (ERP).

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 ¥51 per share (dividend payout ratio of 38.9%), which is an increase of ¥5 per share from fiscal 2021. In addition, we plan to increase the dividend for the seventh consecutive fiscal year by paying ¥54 (dividend payout ratio of 39.9%) in fiscal 2023. With regard to stock repurchases, we will adopt a flexible approach that takes the share price into account.

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.

4 Material Contracts, Etc.

(1) Technology out-licensing agreements

Company name	Counterparty	Country	Details of contracts	Contract period	Consideration
The Company	MedImmune	United States	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 agreement expiration	Flat-rate royalty

(2) Technology in-licensing agreements

Development products

Company name	Counterparty	Country	Details of contracts	Contract period	Consideration
The Company	Reata Pharmaceuticals Holdings	United States	License to develop and sell Bardoxolone Methyl (code name: RTA402) in the Asian region including Japan	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 24, 2009	Upfront payment Milestone expenditure Flat-rate royalty
The Company	Ardelyx	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 AM-Pharma B.V. for the development and commercialization of Ilofotase Alfa in 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	Shire-NPS Pharmaceuticals	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

Company name	Counterparty	Country	Details of contracts	Contract period	Consideration
Kyowa Kirin Services Ltd	AstraZeneca	Sweden	License to develop and sell in Europe a treatment of opioid-induced constipation (OIC) (product name: Moventig)	The longer of a 10-years period after the commencement of sales or a period up to the last day of the patent life, for each target country, from February 29, 2016 (after that, the Group will have the right to continue the sale)	Upfront payment Milestone expenditure Flat-rate royalty

(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 PHARMACEUTI-CAL	Japan	Agreement for joint commercialization for a treatment for transdermal persistent pain (product name: Fentos)	From June 18, 2008 to the end of sales
Kyowa Kirin Services Ltd	Orexo	Sweden	Sales agreement for a treatment for cancer pain (sublingual tablet) (product name: Abstral)	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 1, 2012
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 the both companies agree
The Company	HISAMITSU PHARMACEUTI-CAL	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

(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

Note: The agreement with MEI Pharma for the joint development and joint commercialization in the United States and sales outside the United States of zandelisib (code name: ME-401) is omitted because it is no longer material due to the decision to discontinue the joint development outside Japan.

(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	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
The Company	Kirin Holdings	Japan	Agreement to transfer shares of KYOWA HAKKO BIO CO., LTD. (Note)	February 5, 2019
Kyowa Kirin International plc	Grünenthal	Germany	Cooperative agreement for a joint venture of established medicines	November 23, 2022

Note: The rights to sell all the residual interest in the stock of KYOWA HAKKO BIO CO. LTD. to Kirin Holdings Company, Limited were exercised on January 1, 2023, in accordance with the agreement, thereby completing the share transfer as of that date.

5 Research and Development Activities

The Group continuously and actively invests resources in research and development activities. We aim 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, 2022, the Group’s research and development expenses totaled ¥62.9 billion, and our progress in the respective disease fields of our main late-stage development products is as follows.

(“◆” indicates the progress made during the fourth quarter of fiscal 2022.)

Nephrology

KHK7580 (product name in Japan: ORKEDIA)

・In July 2022, we applied for approval for marketing as its indication for treatment of secondary hyperparathyroidism in China.

◆In November 2022, we applied for approval for marketing as its indication for treatment of secondary hyperparathyroidism in South Korea.

KHK7791 (generic name: Tenapanor Hydrochloride)

◆In October 2022, we applied for approval for improvement of hyperphosphatemia in chronic kidney disease patients on dialysis in Japan.

Oncology

KW-0761 (product name in Japan, U.S. and Europe: POTELIGEO)

◆In October 2022, we obtained approval of its indication for treatment of mycosis fungoides and Sézary syndrome in China.

KRN125 (product name in Japan: G-Lasta)

・In February 2022, we obtained approval of its indication for treatment of the mobilization of hematopoietic stem cells into peripheral blood for allogenic blood stem cell transplantation in Japan.

・In July 2022, we obtained approval for an automated injection device for decreasing the incidence of febrile neutropenia in patients receiving cancer chemotherapy in Japan.

◆In December 2022, we launched “G-Lasta Subcutaneous Injection 3.6 mg BodyPod,” an automated injection device for decreasing the incidence of febrile neutropenia in patients receiving cancer chemotherapy, in Japan.

ME-401 (generic name: Zandelisib)

◆Although global clinical studies had been conducted with MEI Pharma, Inc., global development of zandelisib outside of Japan for B-cell malignancies was discontinued in December 2022 after receiving the most recent guidance from the U.S. Food and Drug Administration (FDA).

Immunology and allergy

KHK4827 (product name in Japan: LUMICEF)

・In September 2022, we filed an application in Japan for a partial change for approval of its planned indication for palmoplantar pustulosis.

KHK4083/AMG 451 (generic name: rocatinlimab)

◆In December 2022, enrollment for the multi-regional phase III clinical trial for atopic dermatitis was restarted.

Other

AMG531 (product name in Japan: Romiplate)

・In January 2022, we obtained approval of its indication for treatment of adult patients with chronic Immune Thrombocytopenia (ITP) who do not respond well to other treatments, such as corticosteroids and immunoglobulin, in China.

◆In November 2022, we filed an application in Japan for a partial change for approval of its indication for treatment of aplastic anemia.

KRN23 (product name in Japan, U.S. and Europe: Crysvita)

・In August 2022, we obtained approval of its indication for treatment of tumor induced osteomalacia in Europe.

R&D pipeline

antibody protein small molecule ◎ New Molecular Entity Updated since Dec. 31, 2021 Updated since Sep. 30, 2022

Nephrology

As of December 31, 2022

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KHK7580 Evocalcet Oral	Calcimimetic	Secondary Hyperparathyroidism	CN TW				→		[Mitsubishi Tanabe Pharma] product name in Japan: Orkedia
			KR				→		
◎RTA 402 Bardoxolone Methyl Oral	Antioxidant Inflammation Modulator	Alport Syndrome	JP				→		[Reata]
		Diabetic Kidney Disease	JP			→			
		Autosomal Dominant Polycystic Kidney Disease	JP			→			
KW-3357 Antithrombin Gamma Injection	Recombinant Human Antithrombin	Preeclampsia	JP			→			[In-House] product name in Japan:Acoalan
KHK7791 Tenapanor Hydrochloride Oral	NHE3 Inhibitor	Hyperphosphatemia in Patients on Dialysis	JP				→		[Ardelyx]

Oncology

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	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	CA KR AE					→	[In-House] POTELLIGENT® product name in Japan, U.S. and Europe: Poteligeo
			CN					→	
			IL				→		
			RS				→		
			KW				→		
KRN125 Pegfilgrastim Injection	Long-Acting Granulocyte Colony-Stimulating Factor	Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Allogeneic Blood Stem Cell Transplantation	JP					→	[Amgen K-A] product name in Japan:G-Lasta
		Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Autologous Blood Stem Cell Transplantation	JP		→				
		Automated Injection Device for Decreasing the Incidence of Febrile Neutropenia in Patients Receiving Cancer Chemotherapy	JP					→	
◎ME-401 Zandelisib Oral	PI3Kδ Inhibitor	Indolent B-cell Non-Hodgkin's Lymphoma	JP		→				[MEI Pharma] Third line +

Immunology/Allergy

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	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	TW MY					→	[Amgen K-A] product name in Japan: Lumicef
		Ankylosing Spondylitis	TH				→		
		Non-radiographic Axial Spondyloarthritis	TH				→		
		Systemic Sclerosis	JP				→		
		Palmoplantar Pustulosis	JP				→		
◎KHK4083/AMG 451 Rocatinlimab Injection	Anti-OX40 Fully Human Antibody	Atopic Dermatitis	JP NA Europe			→			[In-House] POTELLIGENT® Human Antibody-Producing Technology Collaboration agreement with Amgen for the development of KHK4083/AMG 451 in all the countries except for Japan.
◎KK4277 Injection		Autoimmune Disease	JP	→					[SBI Biotech]

Central Nervous System

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	Stage Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
◎KHK6640 Injection	Anti–Amyloid Beta Peptide Antibody	Alzheimer's Disease	JP Europe						[Immunas Pharma]

Other

Code Name Generic Name Formulation	Mechanism of Action	Indication	Area	Stage Ph I	Ph II	Ph III	Filed	Approved	[In-House or Licensed] Remarks
KRN23 Burosumab Injection	Anti-FGF23 Fully Human Antibody	X-linked Hypophosphatemia (XLH)	TH						[In-House] Human Antibody-Producing Technology Jointly Developed with Ultragenyxin US and EU product name in Japan, U.S. and Europe: Crysvita
			MY						
		Tumor Induced Osteomalacia (TIO)	Europe						
AMG531 Romiplostim Injection	Thrombopoietin Receptor Agonist	Treatment of Adult Patients with Chronic Immune Thrombocytopenia (ITP) Who Do Not Respond Well to Other Treatments, Such as Corticosteroids and Immunoglobulin	CN						[Amgen K-A] product name in Japan: Romiplate
		Treatment of Aplastic Anemia (AA) Which Is Refractory to Immunosuppressive Therapy or AA not Amenable to Immunosuppressive Therapy	SG						
			TH MY						
		Aplastic Anemia Who Were Previously Untreated with Immunosuppressive Therapy	JP						
			Asia				Ph II / Ph III		
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		Neovascular (wet) Age-Related Macular Degeneration	JP						[In-House]

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, 2022, the Group's capital expenditures (excluding right-of-use assets) totaled ¥17,692 million.

2 Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

(As of December 31, 2022)

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	11,906	7,571	315 (142,135)	3,755	23,547	499
Ube Plant (Ube-shi, Yamaguchi)	Pharmaceuticals	Manufacturing facilities for pharmaceutical products	3,583	2,049	3,308 (105,968)	237	9,177	204
Bio Process Research and Development Laboratories (Takasaki-shi, Gunma)	Pharmaceuticals	Research facilities for pharmaceutical products	814	5	– (–)	780	1,599	142
Tokyo Research Park (Machida-shi, Tokyo)	Pharmaceuticals	Research facilities for pharmaceutical products	2,907	8	3,366 (34,707)	1,211	7,491	164
Fuji Research Park (Nagaizumi-cho, Sunto-gun, Shizuoka)	Pharmaceuticals	Research facilities for pharmaceutical products	4,754	53	252 (82,235)	1,152	6,211	291
CMC R&D Center (Nagaizumi-cho, Sunto-gun, Shizuoka)	Pharmaceuticals	Research facilities for pharmaceutical products	1,535	311	– (–)	498	2,345	174
Head Office (Chiyoda-ku, Tokyo)	Pharmaceuticals	Management facilities, etc.	4,587	1,010	1,247 (2,325)	251	7,095	1,189

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, 2022)

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	2,738	–	4,414 (13,059)	125	7,277	62
Kyowa Kirin China Pharmaceutical Co., Ltd.	Head Office Plant (Shanghai, China)	Pharmaceuticals	Manufacturing facilities for pharmaceutical products	231	363	– (–)	78	671	323

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, 2022 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 1)		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)	Pharmaceuticals	Construction of a new multipurpose facility relating to quality assurance (Note 2)	14,000	5,719	October 2020	December 2023
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki-shi, Gunma)	Pharmaceuticals	Construction of a new biopharmaceutical API manufacturing facility	15,000	–	November 2022	January 2025
Kyowa Kirin Co., Ltd.	Takasaki Plant (Takasaki-shi, Gunma)	Pharmaceuticals	Construction of a new warehouse building	7,200	–	October 2023	October 2025

Notes: 1. We plan to procure the required funds above from cash on hand.
2. The quality building, whose construction had been scheduled to be completed in December 2022 at the end of the previous fiscal year, was completed in December 2022. It continues to be undergoing equipment installation, to start operations in stages.

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, 2022)	Number of shares outstanding as of filing date (Shares) (March 9, 2023)	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 2022 and whose exercise period has not expired are as follows:

Date of resolution	March 20, 2014 (Ordinary General Meeting of Shareholders) and March 20, 2014 (Board of Directors meeting)	March 20, 2015 (Ordinary General Meeting of Shareholders) and March 20, 2015 (Board of Directors meeting)
Category and number of grantees	Director of the Company: 5 Executive Officer of the Company: 16	Director of the Company: 5 Executive Officer of the Company: 16
Number of share acquisition rights (Unit) (Note 1)	5 (Note 2)	5 (Note 2)
Class, description and number of shares subject to share acquisition rights (Note 1)	Ordinary shares 5,000 (Notes 2 and 3)	Ordinary shares 5,000 (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 22, 2014 to March 20, 2034	From March 22, 2015 to March 20, 2035
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)	(i) The holder of the share acquisition rights may exercise his or her share acquisition rights within 10 days from the day following the day on which he or she ceases to be a Director or an Executive Officer of the Company (excluding cases where the individual continues to serve as an employee of the Company), or an individual serving as an Executive Officer assumes office as a Director or Audit & Supervisory Board Member of the Company. (ii) 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)	–	

Date of resolution	March 24, 2016 (Ordinary General Meeting of Shareholders) and March 24, 2016 (Board of Directors meeting)
Category and number of grantees	Director of the Company: 5 Executive Officer of the Company: 17
Number of share acquisition rights (Unit) (Note 1)	4 (Note 2)
Class, description and number of shares subject to share acquisition rights (Note 1)	Ordinary shares 4,000 (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 26, 2016 to March 24, 2036
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)	(i) The holder of the share acquisition rights may exercise his or her share acquisition rights within 10 days from the day following the day on which he or she ceases to be a Director or an Executive Officer of the Company (excluding cases where the individual continues to serve as an employee of the Company), or an individual serving as an Executive Officer assumes office as a Director or Audit & Supervisory Board Member of the Company. (ii) 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 at the end of the current fiscal year (December 31, 2022). The information as at the end of the month before the filing date (February 28, 2023) is omitted, because there are no changes from the information as at 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 1,000 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.

Date of resolution	March 23, 2017 (Ordinary General Meeting of Shareholders) and March 23, 2017 (Board of Directors meeting)	March 23, 2018 (Ordinary General Meeting of Shareholders) and March 23, 2018 (Board of Directors meeting)
Category and number of grantees	Director of the Company: 5 Executive Officer of the Company: 17 Director of subsidiaries: 7	Director of the Company: 4 Executive Officer of the Company: 19 Director of subsidiaries: 3
Number of share acquisition rights (Unit) (Note 1)	187 [69] (Note 2)	311 [261] (Note 2)
Class, description and number of shares subject to share acquisition rights (Note 1)	Ordinary shares 18,700 [6,900] (Notes 2 and 3)	Ordinary shares 31,100 [26,100] (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 25, 2020 to March 23, 2023	From March 27, 2021 to March 25, 2024
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)	–	

Date of resolution	March 20, 2019 (Ordinary General Meeting of Shareholders) and March 20, 2019 (Board of Directors meeting)
Category and number of grantees	Director of the Company: 4 Executive Officer of the Company: 16 Director of subsidiaries: 3
Number of share acquisition rights (Unit) (Note 1)	464 [421] (Note 2)
Class, description and number of shares subject to share acquisition rights (Note 1)	Ordinary shares 46,400 [42,100] (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 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 at the end of the current fiscal year (December 31, 2022). 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 28, 2023), the information as at the end of the month before the filing date is shown in parentheses. For other matters, there is no change from the information as at 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, 2022)

Category	Shareholding status (Number of shares constituting one unit: 100)								Shares less than one unit (Shares)
	National and local govern-ments	Financial institutions	Financial instruments business operators	Other corpora-tions	Foreign corporations and others		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	1	67	40	473	688	26	26,500	27,795	–
Number of shares held (Units)	24	1,028,321	120,437	2,948,727	931,577	277	365,554	5,394,917	508,300
Shareholding ratio (%)	0.00	19.06	2.23	54.66	17.27	0.01	6.78	100	–

Notes: 1. As for 2,521,197 treasury shares, 25,211 units are included and presented in “Individuals and others,” and 97 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, 2022)

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	53.74
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	58,875	10.95
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	27,086	5.04
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)	9,330	1.74
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	7,130	1.33
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)	5,114	0.95
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)	3,361	0.63
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)	3,308	0.62
State Street Bank and Trust Company 505103 (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)	3,164	0.59
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Services Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	3,052	0.57
Total		409,240	76.14

(7) Voting rights

(i) Issued shares

(As of December 31, 2022)

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 2,521,100	–	–
Shares with full voting rights (Other)	Ordinary shares 536,970,600	5,369,706	–
Shares less than one unit	Ordinary shares 508,300	–	–
Total number of issued shares	540,000,000	–	–
Voting rights held by all shareholders	–	5,369,706	–

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, 2022)

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	2,521,100	–	2,521,100	0.47
Total	–	2,521,100	–	2,521,100	0.47

2 Acquisition and Disposal of Treasury Shares

[Class of shares, etc.] Acquisition of ordinary shares under Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors meeting

Not applicable.

(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	3,455	10,589,511
Treasury shares acquired during the period	480	1,394,728

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, 2023 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, 2022		From January 1, 2023 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	154,075	192,688,052	21,100	26,435,629
Number of treasury shares held	2,521,197	–	2,500,577	–

Notes: 1. "Other" for the fiscal year ended December 31, 2022 consisted of exercise of share acquisition rights (number of shares: 93,700 shares, total amount of disposal: ¥117,186,475), disposal of treasury shares as restricted stock compensation (number of shares: 60,113 shares, total amount of disposal: ¥75,173,598), and sale of shares less than one unit (number of shares: 262 shares, total amount of disposal: ¥327,979).

2. "Other" for the period from January 1, 2023 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, 2023 to the filing date of this annual securities report.

3. "Number of treasury shares held" for the period from January 1, 2023 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, 2023 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. We plan to improve our 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 a 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 ¥27 per share for the fiscal year ended December 31, 2022, which will result in an annual dividend of ¥51 per share, combined with the interim dividend of ¥24 per share.

Dividends of surplus whose record date falls within the fiscal year ended December 31, 2022 (100th fiscal year) are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividend per share (Yen)
August 4, 2022 Resolution at the Board of Directors meeting	12,899	24.00
March 24, 2023 (scheduled) Resolution at the Ordinary General Meeting of Shareholders (Note)	14,512	27.00

Note: This is a year-end dividend with a record date of December 31, 2022, and has been proposed as an agenda (a matter to be resolved) for the Ordinary General Meeting of Shareholders to be held on March 24, 2023.

4 Corporate Governance

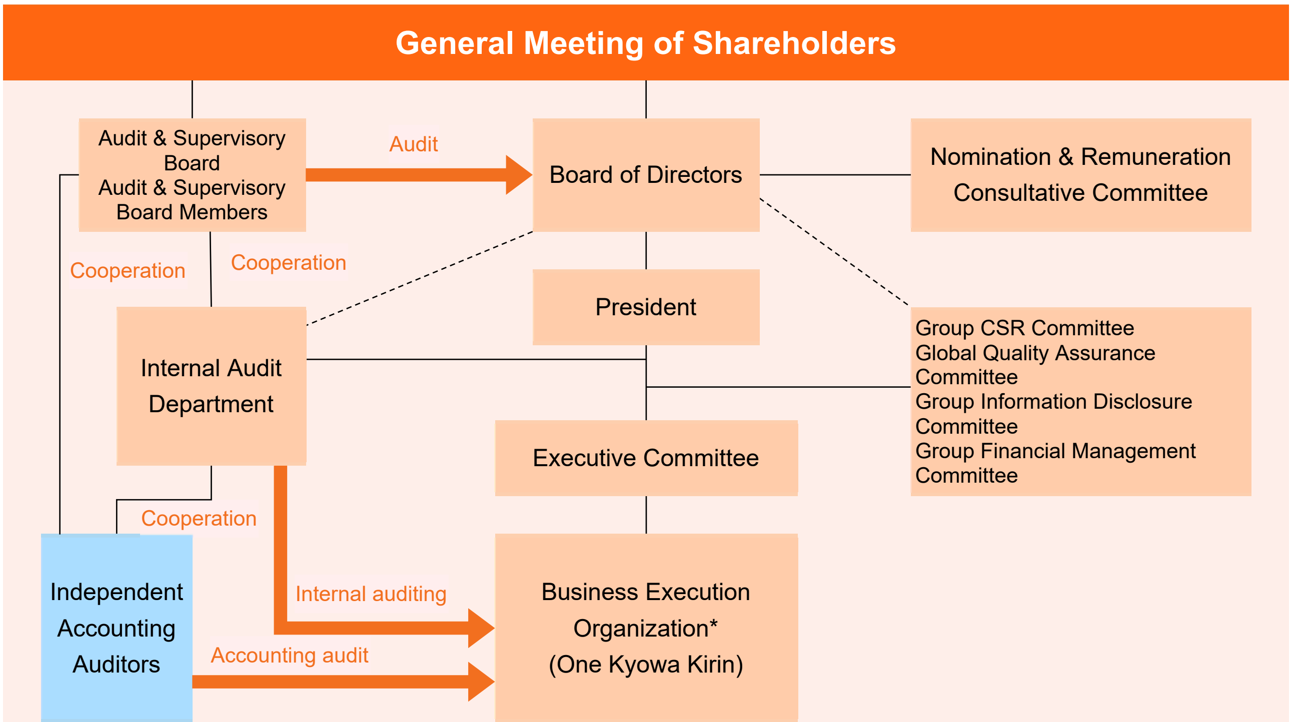
(1) Overview of corporate governance

(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 on a transparent, fair and continuous manner, proactively having constructive dialogue with shareholders and investors, and ensuring accountability in a cordial manner.
We are a consolidated subsidiary of Kirin Holdings Company, Limited, and while respecting the Kirin Group’s management policies, we secure independence for our corporate management.

(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.
The Company’s corporate governance system as of March 9, 2023 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 and a functional axis has been established.

Constituent members of the Company's corporate governance system as of March 9, 2023 are shown in the table below.

	Name	Title	Nomination & Remuneration Consultative Committee
Director of the Board	Masashi Miyamoto	Representative Director, President and Chief Executive Officer	Committee member
	Yutaka Osawa	Representative Director, Executive Vice President	Committee member
	Toshifumi Mikayama	Director of the Board, Executive Vice President	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
	Jun Arai	Outside Director of the Board	Chairperson
	Takashi Oyamada	Outside Director of the Board	Committee member
	Yoshihisa Suzuki	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	–
	Keiji Kuwata	Audit & Supervisory Board Member	–
	Tomomi Yatsu	Outside Audit & Supervisory Board Member	Committee member
	Mayumi Tamura	Outside Audit & Supervisory Board Member	Committee 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, and establishing an adequate internal control system for the entire Group. Matters to be resolved by the Board of Directors are specified in the "Regulations 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 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 9, 2023, the Board of Directors consists of nine Directors (including five independent Outside Directors; eight males and one female) (Note). 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 chaired by an independent Outside Director. In the fiscal year under review, the Board of Directors met 13 times, and made decisions on such important matters as business policies of the Company, and supervised business execution by Directors.

Note: The Company proposes “Election of nine (9) Directors of Board” as an agenda (a matter to be resolved) to the Ordinary General Meeting of Shareholders to be held on March 24, 2023. If the proposal is approved and adopted, the Company will have nine Directors (including five independent Outside Directors; male: seven, female: two).

(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 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 9, 2023, the Audit & Supervisory Board consists of five members (including three outside members; three males and two female) (Note).
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 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.

Note: The Company proposes “Election of one (1) Audit & Supervisory Board Member” as an agenda (a matter to be resolved) to the Ordinary General Meeting of Shareholders to be held on March 24, 2023. If the proposal is approved and adopted, the Company will have five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members; male: three, female: two).

(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 16 times and reported to the Board of Directors on remuneration and nomination of Directors and Audit & Supervisory Board Members.

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 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 make appropriate responses to risks. Moreover, to address the variety of risks that may affect management, a number of in-house committees have been established to strengthen risk management and enhance corporate governance. These committees regularly report on their activities to the Board of Directors. An overview of each committee is provided below.

・Group CSR 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 fundamental communications policies and key information-disclosure issues in a comprehensive manner.

・Global Quality Assurance Committee

The Group 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 Representative Director, Executive Vice President when they become available, and also to Representative Director & President, the Board of Directors, and the Audit & Supervisory Board on a regular basis. To maintain and improve the quality of auditing activities, in addition to efforts of the Internal Audit Department for assessing and improving the quality, it continuously conducts such improvement activities as employing external assessments. Furthermore, the Internal Audit Department also assesses the status of developing/implementing internal control to ensure the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.

(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 clarify procedures in case of compliance violations and make 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 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 with 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 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 9, 2023 (filing date of this annual securities report) is as follows.

Male: 11, Female: 3 (Percentage of female officers: 21.4%)

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)	86.2
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)	60.9
Director of the Board, Executive Vice President	Toshifumi Mikayama	Jul. 18, 1957	Apr. 1983: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2004: General Manager, Planning Division of Pharmaceutical Division, Kirin Brewery Company, Limited Jul. 2007: Director, Executive Officer, Head, Research Division, Kirin Pharma Company, Limited Oct. 2008: Executive Officer, Head, Research Division, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2010: Executive Officer, Director, Corporate Strategy & Planning Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2012: Managing Executive Officer, Director, Overseas Business Department, Kyowa Hakko Kirin Co., Ltd. Mar. 2014: Director of the Board, Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd. Mar. 2018: Director of the Board, Senior Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd. Mar. 2021: Director of the Board, Executive Vice President, Kyowa Kirin Co., Ltd. (present)	(Note 4)	49.0

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 (present) 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)	(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) May 2013: Chair of the Board, Japan Usability Medical Information Promote Conference 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)	2.6

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)	3.4
Director of the Board	Jun Arai	Feb. 28, 1959	Apr. 1983: Joined Shell Sekiyu K.K. Sep. 2002: General Manager, Management Information, Showa Shell Sekiyu K.K. Apr. 2004: General Manager, Accounting, Showa Shell Sekiyu K.K. Mar. 2005: Executive Officer, General Manager, Accounting, Showa Shell Sekiyu K.K. Mar. 2006: Director, responsible for Accounting, Showa Shell Sekiyu K.K. Mar. 2007: Managing Director, responsible for Corporate Planning, Finance, Financial Information Assurance, Corporate Governance, Showa Shell Sekiyu K.K. Aug. 2008: Representative Director, Acting President, Showa Shell Sekiyu K.K. Nov. 2008: Representative Director, President, Showa Shell Sekiyu K.K. Mar. 2013: Representative Director, Group Chief Operating Officer, Showa Shell Sekiyu K.K. Mar. 2014: Representative Director, President, Showa Yokkaichi Sekiyu Co., Ltd. Apr. 2016: Outside Director, Daiwa SB Investments Ltd. Mar. 2017: Outside Audit & Supervisory Board Member, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) Apr. 2019: Outside Director, Sumitomo Mitsui DS Asset Management Company, Limited (present) May 2020: Outside Corporate Auditor, Ryohin Keikaku Co., Ltd. (present) Mar. 2021: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	4.0
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) Dec. 2018: Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (present) Jun. 2019: Outside Director, Mitsubishi Electric Corporation (present) Outside Director, Isetan Mitsukoshi Holdings Ltd. (present) Mar. 2021: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	1.8

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 (present) Jun. 2022: Outside Director, OMRON Corporation (present)	(Note 4)	0.5
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)	4.1
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)	1.5
Audit & Supervisory Board Member	Keiji Kuwata	Sep. 21, 1962	Apr. 1985: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited) Sep. 2010: Director of the Board, General Manager, Eastern-Japan Regional Division, Kirin Logistics Co., Ltd. (presently Kirin Group Logistics Company, Limited) Apr. 2015: Executive Officer, General Manager, Corporate Planning Department, Kirin Company, Limited (presently Kirin Holdings Company, Limited) Mar. 2016: Director of Group Corporate Strategy, Kirin Holdings Company, Limited Mar. 2018: Senior Executive Officer, General Manager, Corporate Planning Department, Kirin Company, Limited Mar. 2019: Audit & Supervisory Board Member, Kyowa Hakko Kirin Co., Ltd. (presently Kyowa Kirin Co., Ltd.) (present) Company Auditor (Full-time), Kirin Holdings Company, Limited (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	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 8)	–
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)	0.2
Total					214.3

Notes:
1. Of the members of Directors of the Board, Mr. Akira Morita, Ms. Yuko Haga, Mr. Jun Arai, Mr. Takashi Oyamada, and Mr. Yoshihisa Suzuki are Outside Directors.
2. Full-time Audit & Supervisory Board Member, Mr. Masaki Ueno, and Audit & Supervisory Board Members, Ms. Tomomi Yatsu and Ms. 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. Jun Arai, Mr. Takashi Oyamada, and Mr. Yoshihisa Suzuki) concurrently serve as Executive Officer, and there are 17 Executive Officers who are not concurrent officers.

Senior Managing Executive Officer	Wataru Murata	Director, Human Resources Department
Managing Executive Officer	Takeyoshi Yamashita	Vice President, Head of Strategy Division
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
Executive Officer	Yasuo Fujii	Director, Business Development Department
Executive Officer	Shin Inoue	Director, Area Marketing Strategy Department, Sales & Marketing Division
Executive Officer	Fumihiko Kanai	Director, Established Medicine Strategy Department, Strategy Division
Executive Officer	Koichiro Ishimaru	Director, Corporate Social Responsibility Management Department
Executive Officer	Yoshifumi Torii	Vice President, Head of R&D 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	President & CEO, FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd.
Executive Officer	Yoshiko Mori	Vice President, Head of Pharmacovigilance Division

4. From the 99th Ordinary General Meeting of Shareholders held on March 25, 2022 to the conclusion of the 100th 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 96th Ordinary General Meeting of Shareholders held on March 20, 2019 to the conclusion of the 100th Ordinary General Meeting of Shareholders
8. From the 98th Ordinary General Meeting of Shareholders held on March 24, 2021 to the conclusion of the 102nd Ordinary General Meeting of Shareholders
9. The number of shares held represents figures as of December 31, 2022.
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 24, 2023. 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)	86.2
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)	60.9
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. (scheduled) Apr. 2023: Director of the Board, Senior Managing Executive Officer, Kyowa Kirin Co., Ltd. (scheduled)	(Note 4)	19.0

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 (present) 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)	(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) May 2013: Chair of the Board, Japan Usability Medical Information Promote Conference 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)	2.6

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)	3.4
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) Dec. 2018: Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (present) Jun. 2019: Outside Director, Mitsubishi Electric Corporation (present) Outside Director, Isetan Mitsukoshi Holdings Ltd. (present) Mar. 2021: Outside Director of the Board, Kyowa Kirin Co., Ltd. (present)	(Note 4)	1.8
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 (present) Jun. 2022: Outside Director, OMRON Corporation (present)	(Note 4)	0.5

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.	(Note 4)	–
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)	4.1
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)	1.5
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. Jun. 2017: 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)	0.2
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 (present) Mar. 2023: Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (scheduled) Mar. 2023: Company Auditor (Full-time), Kirin Holdings Company, Limited (scheduled)	(Note 8)	–
Total					180.2

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 Officer, and there will be 19 Executive Officers who are not concurrent officers as follows.

Senior Managing Executive Officer	Wataru Murata	Director, Human Resources 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	Chief International Business Officer
Managing Executive Officer	Yasuo Fujii	Director, Business Development Department
Executive Officer	Shin Inoue	Director, Area Marketing Strategy Department, Sales & Marketing Division
Executive Officer	Fumihiko Kanai	Director, Established Medicine Strategy Department, Strategy Division
Executive Officer	Koichiro Ishimaru	Director, Corporate Social Responsibility Management Department
Executive Officer	Yoshifumi Torii	Vice President, Head of R&D 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	Director, Sales & Marketing Planning Department, Sales & Marketing Division
Executive Officer	Takefumi Matsushita	Director, Medical Affairs Department

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, 2022.
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 24, 2023, 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	Healthcare	R&D	Production and SCM
Directors of the Board	Masashi Miyamoto			○	○	○		○		○	○	
	Yutaka Osawa			○	○			○		○	○	○
	Takeyoshi Yamashita			○	○	○		○		○	○	
	Takeshi Minakata				○	○				○		○
	Akira Morita	○	○	○				○		○		
	Yuko Haga	○		○	○	○				○		
	Takashi Oyamada	○		Chairperson	○	○	○		○			
	Yoshihisa Suzuki	○		○	○	○					○	○
	Rumiko Nakata	○		○					○	○		
Audit & Supervisory Board Members	Hiroshi Komatsu				○	○	○			○		
	Masaki Ueno					○	○	○				
	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 9, 2023 (Mr. Akira Morita, Ms. Yuko Haga, Mr. Jun Arai, Mr. Takashi Oyamada and Mr. Yoshihisa Suzuki) have no personal, capital, or business relationships or any other special interests with the Company. In addition, Ms. Rumiko Nakata, who is a candidate for Outside Director to be proposed at the Ordinary General Meeting of Shareholders to be held on March 24, 2023, has 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 9, 2023 (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 background, expertise and experience, etc. 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, and 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 more than a certain amount
In this item, a corporation, association or other organization receives “more than a certain amount” when such organization, etc. receives, during the past three years, more than (i) ¥10 million 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 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 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 same residence of 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 9, 2023, we designated seven persons (five Outside Directors: Mr. Akira Morita, Ms. Yuko Haga, Mr. Jun Arai Mr. Takashi Oyamada and Mr. Yoshihisa Suzuki; 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. In addition, the Company has also notified the TSE that it would designate Ms. Rumiko Nakata, a candidate for Outside Director, as independent officers defined in the said regulations if they are elected as originally proposed at the Ordinary General Meeting of Shareholders to be held on March 24, 2023.

(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 9, 2023, the Audit & Supervisory Board consists of five members (including three outside members; three males and two female).

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 2022, 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	13	13
Tomomi Yatsu	Outside Audit & Supervisory Board Member	13	13
Mayumi Tamura	Outside Audit & Supervisory Board Member	10	10

Note: The difference in the number of meetings held is due to difference in the timing of assuming the post.

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

During the fiscal year ended December 31, 2022, under the impact of COVID-19, Audit & Supervisory Board Members also conducted audit activities while taking infection prevention measures in accordance with the company policy. For sites where face-to-face meetings and on-site visits were difficult, appropriate audits in accordance with the audit plan were ensured by actively using teleconferences, and web conferencing and other systems.

(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 15 employees to the department (as of December 31, 2022). 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 Representative Director, Executive Vice President when they become available, and also to Representative Director & President, the Board of Directors, and the Audit & Supervisory Board on a regular basis. To maintain and improve the quality of auditing activities, in addition to efforts of the Internal Audit Department for assessing and improving the quality, it continuously conducts such improvement activities as employing external assessments. Furthermore, the Internal Audit Department also assesses the status of developing/implementing internal control to ensure the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.

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

Five years

c. Certified public accountants who executed audit duties

Mr. Masakazu Hattori (five years of continuous auditing)
Mr. Nobuyuki Ishii (five years of continuous auditing)

d. Composition of assistants who supported audit duties

Assistants who supported audit duties consist of seven certified public accountants, six persons who have passed the certified public accountant exam, and 21 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

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

Category	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
	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	92	–	91	–
Consolidated subsidiaries	–	–	–	–
Total	92	–	91	–

・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, 2021		Fiscal year ended December 31, 2022	
	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	–	17	–	51
Consolidated subsidiaries	141	3	153	9
Total	141	20	153	60

・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, 2021 mainly consisted of tax advisory services. Non-audit services for the fiscal year ended December 31, 2022 mainly consisted of advisory services in relation to corporate governance and risk management.

・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, 2021 and 2022 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) Matters related to the policy on determining the amount of officers' remuneration, etc. or the method for calculation thereof

・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 is based on the proposal for which a report was received following deliberation by the Nomination & Remuneration Consultative Committee. In addition, the Nomination & Remuneration Consultative Committee confirmed and reported that individual remuneration, etc. for Directors for the fiscal year ended December 31, 2022 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. was in line with the determination policy.
Individual remuneration, etc. for Audit & Supervisory Board Members for the fiscal year ended December 31, 2022 was determined in consultation with Audit & Supervisory Board Members with reference to deliberations of the Nomination & Remuneration Consultative Committee.
The determination policy for the details of individual remuneration, etc. for Directors and Audit & Supervisory Board Members is 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 independent outside officers and is chaired by an independent Outside Director.

2. Remuneration structure

・The Company's remuneration for Executive directors consists of three parts: (1) base compensation in a fixed amount, (2) performance-linked annual bonus as a short-term incentive, and (3) share-based remuneration as a mid- to long-term incentive. Non-executive directors and Audit & Supervisory Board Members are provided with only base compensation 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.

3. 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 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 officers' remuneration survey obtained from an external research institution.

4. 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 for the fiscal year ended December 31, 2022, 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 for 2022 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. Targets and results of each financial performance indicator are as follows:

Targets and results of financial performance indicators related to performance-linked annual bonus		
Financial performance indicators	Targets (announced on February 7, 2022)	Results
Revenue	¥380.0 billion	¥398.4 billion
Profit	¥53.0 billion	¥53.6 billion

5. Share-based remuneration

・Share-based remuneration consists of two components: a restricted stock compensation plan and a performance-linked share-based remuneration plan (Performance Share Unit).

・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. Such shares are subject to a transfer restriction period, and allotted to Executive directors at a certain point of time, normally in April, every year in accordance with a resolution of the Board of Directors. The transfer restriction period is three years.

・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 and core operating profit margin, which are the indicators used in the Medium Term Business Plan. The degree of achievement of performance targets is calculated in accordance with the degree of achieving each target.

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)
R&D expense ratio	Targeting 18-20% to support active investment
Core operating profit ratio	25% or higher (fiscal 2025)
Dividend payout ratio	Targeting sustained dividend hikes with 40% (dividend payout ratio based on core EPS)

6. Remuneration composition ratio

・The ratio for Directors' basic remuneration, performance-linked annual bonus for Executive directors, and share-based remuneration is deliberated by the Nomination & Remuneration Consultative Committee in light of each Director's position and determined by the Board of Directors by taking into account the company size, and by using data from 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.

・A rough indication for the ratio for the types of remuneration, etc. for Executive directors is presented as "basic remuneration: performance-linked annual bonus: share-based remuneration" and will be [1: about 0.4 to 0.5: about 0.6 to 0.8] (if performance targets are achieved at 100%, the ratio will be presented as "fixed remuneration: variable remuneration" and will be [1: about 1 to 1.2]).

7. Procedures for determining remuneration

・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 independent outside officers and is chaired by independent Outside Director Mr. Jun Arai. On that basis, the amounts of basic remuneration and performance-linked annual bonus 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, in line with the deliberations by 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, in case there is any illegal conduct or violation of law, etc., the Company shall be able to demand the return of remuneration through deliberations by the Nomination & Remuneration Consultative Committee (clawback provision in 10. below).

・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.

8. 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.

9. Activities carried out by the Nomination & Remuneration Consultative Committee and the Board of Directors

・The Company's remuneration for officers and basic policy thereof are deliberated by the Nomination & Remuneration Consultative Committee, which consists of a majority of independent outside officers and is chaired by an independent Outside Director.

・As at the end of the fiscal year ended December 31, 2022, the Nomination & Remuneration Consultative Committee consisted of three internal Directors and seven independent outside officers.

・During the fiscal year ended December 31, 2022, a total of 16 Nomination & Remuneration Consultative Committee meetings were held. For Directors and Executive Officers as well as major global positions, the basis for calculating performance-linked bonuses, verification of officers' remuneration level, long-term incentive, etc. were deliberated.

10. Clawback provision

・With respect to remuneration for Executive directors and Executive Officers, 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, if there is any illegal act or violation of laws, etc.

(ii) Total amount of remuneration, etc. for the fiscal year ended December 31, 2022

Title	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration by type (Millions of yen)				Number of eligible officers (Persons)
		Basic remuneration	Performance-linked annual bonus (Note 2)	Restricted stock compensation (Notes 2 and 3)	Performance-linked share-based remuneration (PSU) (Note 2)	
Directors (excluding Outside Directors)	383	183	94	64	42	3
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	29	29	–	–	–	1
Outside Directors	84	84	–	–	–	5
Outside Audit & Supervisory Board Members	62	62	–	–	–	4

Notes: 1. The above figures include one Outside Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders in the previous fiscal year.

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, 2022. 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, 2022 was 20,397 shares (paid-in amount per share was ¥3,140, the closing price on March 24, 2022).

4. The above figures do not include two Directors and one Audit & Supervisory Board Member to whom no remuneration was paid.

(iii) Total amount of consolidated remuneration, etc. by officer of the reporting company

Name (title)	Company category	Total amount of consolidated remuneration by type (Millions of yen)				Total amount of consolidated remuneration (Millions of yen)
		Basic remuneration	Performance-linked annual bonus	Restricted stock compensation	Performance-linked share-based remuneration (PSU)	
Masashi Miyamoto (Director of the Board)	Reporting company	83	46	29	24	183
Yutaka Osawa (Director of the Board)	Reporting company	53	25	18	9	106

Notes: 1. Basic remuneration, performance-linked annual bonus, restricted stock compensation, and performance-linked share-based remuneration are the same as in (Note 2) of “(ii) Total amount of remuneration, etc. for the fiscal year ended December 31, 2022.”

2. Only the person for whom the total amount of consolidated remuneration, etc. is ¥100 million or more is 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:

・The Company does not engage in cross-shareholdings with other companies unless it determines that such cross-shareholdings are useful for promoting the Group’s sustainable growth and an increase its corporate value over the medium- to long-term.

・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.

b. Number of issues and balance sheet amount

	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	6	2,975
Shares other than unlisted shares	2	1,118

(Issues whose number of shares increased during the fiscal year ended December 31, 2022)

	Number of issues	Total acquisition cost for increased shares (Millions of yen)	Reason for increase in number of shares
Unlisted shares	2	1,405	Due to Corporate Venture Capital (CVC) investment activities
Shares other than unlisted shares	–	–	–

(Issues whose number of shares decreased during the fiscal year ended December 31, 2022)

	Number of issues	Total sale amount for decreased shares (Millions of yen)
Unlisted shares	–	–
Shares other than those not listed	4	3,191

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, 2022 Number of shares (Shares) Balance sheet amount (Millions of yen)	Fiscal year ended December 31, 2021 Number of shares (Shares) Balance sheet amount (Millions of yen)	Purpose of shareholding, 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 1,087	2,873,563 364	To strengthen a business partnership	No
HOKUYAKU TAKEYAMA Holdings,Inc.	52,000 32	52,000 35	To maintain a smooth business relationship in sales of pharmaceutical products, etc.	Yes
SUZUKEN CO., LTD.	– –	460,691 1,529	The Company held the shares for the purpose of maintaining a smooth business relationship in sales of pharmaceutical products, etc., but sold all the shares in the fiscal year ended December 31, 2022.	Yes
MEDIPAL HOLDINGS CORPORATION	– –	602,988 1,299	The Company held the shares for the purpose of maintaining a smooth business relationship in sales of pharmaceutical products, etc., but sold all the shares in the fiscal year ended December 31, 2022.	No
Alfresa Holdings Corporation	– –	93,500 143	The Company held the shares for the purpose of maintaining a smooth business relationship in sales of pharmaceutical products, etc., but sold all the shares in the fiscal year ended December 31, 2022.	No
TOHO HOLDINGS CO., LTD.	– –	41,837 73	The Company held the shares for the purpose of maintaining a smooth business relationship in sales of pharmaceutical products, etc., but sold all the shares in the fiscal year ended December 31, 2022.	No

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, 2022 (from January 1, 2022 to December 31, 2022) 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, 2021	As of December 31, 2022
Assets			
Non-current assets			
Property, plant and equipment	6	78,652	89,099
Goodwill	7	136,352	135,761
Intangible assets	7	76,066	64,786
Other financial assets	9	45,164	36,531
Retirement benefit asset	17	15,298	15,212
Deferred tax assets	10	49,108	52,946
Other non-current assets		3,000	3,357
Total non-current assets		403,641	397,692
Current assets			
Inventories	11	64,089	70,675
Trade and other receivables	12	104,275	111,746
Other financial assets	9	1,434	526
Other current assets		13,350	14,094
Cash and cash equivalents	13,31	335,084	339,194
Subtotal		518,231	536,235
Assets held for sale	14	–	5,955
Total current assets		518,231	542,189
Total assets		921,872	939,881

(Millions of yen)

	Notes	As of December 31, 2021	As of December 31, 2022
Equity			
Share capital	15	26,745	26,745
Capital surplus	15	464,153	464,434
Treasury shares	15	(3,359)	(3,177)
Retained earnings	15	255,528	285,842
Other components of equity	15	(5,904)	(11,018)
Total equity attributable to owners of parent	15	737,162	762,826
Total equity		737,162	762,826
Liabilities			
Non-current liabilities			
Liabilities from application of equity method	8	19,426	15,529
Retirement benefit liability	17	221	287
Provisions	18	7,757	7,532
Deferred tax liabilities	10	386	404
Other financial liabilities	19	16,594	17,549
Other non-current liabilities	21	31,197	25,929
Total non-current liabilities		75,581	67,229
Current liabilities			
Trade and other payables	22	64,652	70,922
Provisions	18	1,580	2,966
Other financial liabilities	19	5,943	5,729
Income taxes payable		13,426	1,582
Other current liabilities	21	23,528	28,627
Total current liabilities		109,129	109,825
Total liabilities		184,710	177,055
Total equity and liabilities		921,872	939,881

(ii) Consolidated statement of profit or loss

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Revenue	5,23	352,246	398,371
Cost of sales	11	(87,849)	(86,915)
Gross profit		264,398	311,455
Selling, general and administrative expenses	24	(145,608)	(166,185)
Research and development expenses		(57,679)	(62,896)
Share of profit (loss) of investments accounted for using equity method		4,575	4,323
Other income	25	985	1,705
Other expenses	25	(6,616)	(23,061)
Finance income	26	1,113	3,319
Finance costs	26	(1,117)	(1,088)
Profit before tax		60,050	67,572
Income tax expense	10	(7,703)	(14,000)
Profit		52,347	53,573
Profit attributable to			
Owners of parent		52,347	53,573
Earnings per share			
Basic earnings per share (Yen)	27	97.43	99.68
Diluted earnings per share (Yen)	27	97.39	99.66

(iii) Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit		52,347	53,573
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	28	(1,623)	1,068
Remeasurements of defined benefit plans	28	1,411	961
Total of items that will not be reclassified to profit or loss		(212)	2,029
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	28	10,498	(5,068)
Share of other comprehensive income of investments accounted for using equity method	28	118	121
Total of items that may be reclassified to profit or loss		10,616	(4,948)
Other comprehensive income		10,404	(2,918)
Comprehensive income		62,751	50,654
Comprehensive income attributable to			
Owners of parent		62,751	50,654

(iv) Consolidated statement of changes in equity

Fiscal year ended December 31, 2021

(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 at January 1, 2021		26,745	463,967	(3,545)	226,639	596	(17,915)
Profit		–	–	–	52,347	–	–
Other comprehensive income		–	–	–	–	–	10,616
Total comprehensive income		–	–	–	52,347	–	10,616
Dividends of surplus	15	–	–	–	(24,176)	–	–
Purchase of treasury shares	15	–	–	(23)	–	–	–
Disposal of treasury shares	15	–	61	121	–	–	–
Share-based remuneration transactions	16	–	126	88	–	(181)	–
Transfer from other components of equity to retained earnings		–	–	–	717	–	–
Total transactions with owners		–	187	186	(23,459)	(181)	–
Balance at December 31, 2021		26,745	464,153	(3,359)	255,528	414	(7,299)

	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	Total		
Balance at January 1, 2021		1,909	–	(15,410)	698,396	698,396
Profit		–	–	–	52,347	52,347
Other comprehensive income		(1,623)	1,411	10,404	10,404	10,404
Total comprehensive income		(1,623)	1,411	10,404	62,751	62,751
Dividends of surplus	15	–	–	–	(24,176)	(24,176)
Purchase of treasury shares	15	–	–	–	(23)	(23)
Disposal of treasury shares	15	–	–	–	182	182
Share-based remuneration transactions	16	–	–	(181)	32	32
Transfer from other components of equity to retained earnings		694	(1,411)	(717)	–	–
Total transactions with owners		694	(1,411)	(898)	(23,985)	(23,985)
Balance at December 31, 2021		980	–	(5,904)	737,162	737,162

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 at 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 at 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				
		Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	
Balance at 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 at December 31, 2022		1,010	–	(11,018)	762,826	762,826

(v) Consolidated statement of cash flows

(Millions of yen)

	Notes	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities			
Profit before tax		60,050	67,572
Depreciation and amortization		19,498	18,476
Impairment losses	6, 7	5,286	17,979
Increase (decrease) in provisions		(608)	1,570
Share of loss (profit) of investments accounted for using equity method		(4,575)	(4,323)
Decrease (increase) in inventories		(8,280)	(8,896)
Decrease (increase) in trade receivables		(5,901)	(2,704)
Increase (decrease) in trade payables		(126)	(5,867)
Increase (decrease) in contract liabilities	29	38,767	(7,321)
Income taxes paid		(14,838)	(22,559)
Other		(2,727)	(5,255)
Net cash provided by (used in) operating activities		86,548	48,672
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,522)	(15,564)
Purchase of intangible assets		(13,244)	(13,102)
Proceeds from sale of investments accounted for using equity method		5,097	–
Purchase of investment securities		(315)	(1,908)
Proceeds from sale of investment securities		1,914	3,687
Advance receipt from sale of investment securities	14	–	4,229
Proceeds from redemption of bonds of subsidiaries and associates		1,500	4,000
Other		208	1,473
Net cash provided by (used in) investing activities		(11,363)	(17,185)
Cash flows from financing activities			
Repayments of lease liabilities	29	(3,475)	(3,767)
Purchase of treasury shares		(23)	(11)
Dividends paid	15	(24,176)	(25,258)
Other		(771)	3
Net cash provided by (used in) financing activities		(28,446)	(29,032)
Effect of exchange rate changes on cash and cash equivalents		1,325	1,655
Net increase (decrease) in cash and cash equivalents		48,065	4,111
Cash and cash equivalents at beginning of period (Amount on the consolidated statement of financial position)		287,019	335,084
Cash and cash equivalents at beginning of period	13,31	287,019	335,084
Cash and cash equivalents at end of period	13,31	335,084	339,194

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, 2022 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 9, 2023.

(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. Significant 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, unless otherwise indicated.

(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, 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, 2023. The Group recorded in-process research and development in the consolidated financial statements of ¥40,415 million as of December 31, 2021, and ¥33,248 million as of

December 31, 2022.

(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, 2022. The Group recorded marketing rights in the consolidated financial statements of ¥29,733 million as of December 31, 2021, and ¥24,698 million as of December 31, 2022.

The potential impacts of COVID-19 on the Group's business performance and financial position are stated as in "II. Overview of Business, 2 Business Risk Factors, 4. Business risks." The Group assumed that such impacts would be limited in respect of accounting estimates.

(6) Changes in presentation

Consolidated statement of cash flows

"Purchase of investment securities" and "Proceeds from redemption of bonds of subsidiaries and associates," which had previously been included in "Other" of "Cash flows from investing activities" in the fiscal year ended December 31, 2021, 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, 2021.

As a result, in the consolidated statement of cash flows for the fiscal year ended December 31, 2021, ¥1,393 million presented as "Other" in "Cash flows from investing activities" was reclassified as "Purchase of investment securities" of ¥(315) million, "Proceeds from redemption of bonds of subsidiaries and associates" of ¥1,500 million and "Other" of ¥208 million.

3. Significant 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 at 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 at 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 at the dates of the transactions. Exchange differences arising on 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, at 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

The Group enters into derivatives, 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.
Hedge accounting is not applied to the above derivatives.

(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 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 asset, 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 is 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 exist. 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 a restricted stock compensation plan, which is an equity-settled share-based payment plan for Directors and Executive Officers, a performance-linked share-based remuneration plan (Performance Share Unit), which is an equity-settled and cash-settled share-based payment plan, and a phantom stock plan, which is 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 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 comprised 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 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 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.

<u>License agreement with Amgen for KHK4083 for atopic dermatitis, etc.</u>

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. Significant 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 ¥7,265 million in the fiscal year ended December 31, 2022.

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 attaching 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 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, 2021	Fiscal year ended December 31, 2022
Merchandise and finished goods	326,141	364,596
Revenue from technology out-licensing	26,105	33,775
Total	352,246	398,371

(3) Information about geographical areas

(i) Revenue

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Japan	161,988	154,636
Americas	102,163	143,905
(U.S.)	99,328	139,852
Europe	53,361	62,251
Asia	34,518	37,368
Other	217	210
Total	352,246	398,371

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, 2021	As of December 31, 2022
Japan	227,854	226,529
Americas	11,526	13,508
Europe	51,669	49,253
Asia	3,021	3,713
Total	294,070	293,002

Note: Non-current assets are disaggregated by location and do not include investments accounted for using 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, 2021	Fiscal year ended December 31, 2022
Alfresa Corporation	35,457	–

Note: Revenue of Alfresa Corporation 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 at January 1, 2021	31,150	11,610	5,342	4,089	17,157	6,665	76,012
Acquisitions	21	5	–	8,841	6,468	223	15,558
Sales or disposals	(14)	(105)	(84)	(13)	(1,201)	(37)	(1,454)
Depreciation (Note 2)	(2,305)	(3,072)	–	–	(3,569)	(2,264)	(11,210)
Impairment losses (Note 3)	(573)	(184)	–	–	(313)	(10)	(1,080)
Transfers	1,551	2,312	–	(6,428)	–	2,315	(249)
Exchange differences on translation of foreign operations	312	25	–	(16)	746	7	1,075
Balance at December 31, 2021	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 at December 31, 2022	30,195	10,396	5,257	14,608	20,227	8,416	89,099

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 at January 1, 2021	82,008	58,119	5,342	4,089	29,857	38,288	217,702
Balance at December 31, 2021	83,921	58,748	5,258	6,473	35,419	39,750	229,569
Balance at December 31, 2022	85,656	60,760	5,258	15,021	39,693	42,231	248,619

Note: The Group received a government grant of ¥1,429 million for the acquisition of property, plant and equipment in the fiscal year ended December 31, 2022 (¥1,419 million in 2021) and deducted the amount directly from the cost of property, plant and equipment. There were no unfulfilled conditions or other contingencies attaching 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 at January 1, 2021	50,858	46,509	0	–	12,700	31,623	141,689
Balance at December 31, 2021	53,779	48,157	0	–	16,131	32,850	150,917
Balance at December 31, 2022	55,462	50,364	0	413	19,466	33,815	159,520

(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 at January 1, 2021	10,808	1,096	5,251	1	17,157
Balance at December 31, 2021	11,022	861	7,404	1	19,288
Balance at December 31, 2022	10,616	1,887	7,722	2	20,227

(3) Commitments

Please refer to Note “32. 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 at January 1, 2021	132,695	31,178	39,308	4,541	75,027
Acquisitions	–	6,731	500	3,392	10,623
Additions from internal development	–	2,621	–	–	2,621
Amortization (Note 3)	–	(35)	(7,122)	(1,131)	(8,289)
Impairment losses	–	–	(4,207)	–	(4,207)
Transfers	–	(82)	82	(788)	(788)
Exchange differences on translation of foreign operations	3,656	1	1,172	(95)	1,078
Balance at December 31, 2021	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 at December 31, 2022	135,761	33,248	24,698	6,840	64,786

Notes:
1. "In-process research and development" of intangible assets included internally generated intangible assets of ¥4,494 million and ¥8,443 million as of December 31, 2021 and December 31, 2022, 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 at January 1, 2021	132,695	36,470	111,494	8,171	156,135
Balance at December 31, 2021	136,352	45,639	110,556	10,449	166,644
Balance at December 31, 2022	135,761	56,035	107,497	12,562	176,094

(iii) Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets			
		In-process research and development	Marketing rights	Other	Total
Balance at January 1, 2021	–	5,292	72,186	3,630	81,108
Balance at December 31, 2021	–	5,224	80,824	4,530	90,578
Balance at December 31, 2022	–	22,788	82,799	5,721	111,308

(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, 2021	6.1%	8.8%
Fiscal year ended December 31, 2022	7.3%	10.4%

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 of intangible assets that have not yet been amortized was ¥33,248 million (¥40,415 million as of December 31, 2021).

(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, 2021	As of December 31, 2022	
	Name	Carrying amount	Carrying amount	Remaining amortization period
In-process research and development	Tenapanor hydrochloride	4,495	9,535	–
	Bardoxolone methyl	8,275	8,275	–
	Zandelisib (Note)	14,330	–	–
Marketing rights	Rituximab BS [KHK]	3,593	2,994	Five years
	Moventig	2,586	2,352	Eight years
	HARUROPI	1,616	1,287	Four years

Note: The asset was impaired in the fiscal year ended December 31, 2022. For details, please refer to "(4) Impairment of intangible assets."

(4) Impairment of intangible assets

In the fiscal year ended December 31, 2021, the Group recognized an impairment loss of ¥4,207 million, which was recorded in "other expenses" in the consolidated statement of profit or loss. This is because the carrying amount of marketing rights for HARUROPI was reduced to their recoverable amount (value in use using a pre-tax discount rate of 8.0%) due to decreased profitability.

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.

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 "32. 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, 2021	As of December 31, 2022
Joint ventures	(19,426)	(15,271)
Associates	(86)	(258)

(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 mainly operates in Japan and Europe and principally 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, 2021	As of December 31, 2022
Percentage ownership interest	50.0%	50.0%
Total non-current assets	16,048	16,808
Total current assets	12,979	13,100
of which: cash and cash equivalents	10,264	7,293
Total non-current liabilities	65,000	57,000
of which: bonds payable	65,000	57,000
Total current liabilities	2,478	2,471
Equity	(38,451)	(29,563)
Equity attributable to the Group	(19,226)	(14,781)
Consolidation adjustments	(200)	(490)
Carrying amount of equity	(19,426)	(15,271)

As the company started to redeem the bonds and the bonds, in substance, no longer formed part of the Group's net investment in the company from the fiscal year ended December 31, 2021, the Group's share of losses of the company over its interest in the company was recorded as a liability from application of the equity method. The amounts of bonds issued by the company that the Company purchased were ¥32,500 million and ¥28,500 million as of December 31, 2021 and 2022, respectively. Adjustments were made to unrealized gains on transactions with the Company.

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Revenue	12,080	13,657
Depreciation and amortization	(1)	(1)
Interest expenses	(299)	(284)
Income tax expense (Note 1)	5,959	(270)
Profit or loss from continuing operations	9,539	8,647
Other comprehensive income	236	241
Total comprehensive income	9,775	8,889
The Group's share		
Profit or loss from continuing operations	4,770	4,324
Other comprehensive income	118	121
Total comprehensive income	4,887	4,444

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, 2021	As of December 31, 2022
Carrying amount	(86)	(258)

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

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
The Group's share		
Profit or loss from continuing operations	(97)	(172)
Other comprehensive income	–	–
Total comprehensive income	(97)	(172)

9. Other financial assets

(1) Breakdown of other financial assets

Other financial assets consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Financial assets measured at amortized cost		
Bonds payable	32,500	28,500
Leasehold deposits	2,494	2,364
Other	1,212	755
Financial assets measured at fair value through profit or loss		
Other	1,151	335
Financial assets measured at fair value through other comprehensive income		
Equity securities and investments in capital	9,241	5,103
Total	46,598	37,057
Non-current assets	45,164	36,531
Current assets	1,434	526

(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, 2021	As of December 31, 2022
Ardelyx, Inc.	364	1,087
KYOWA HAKKO BIO CO., LTD. (Note)	3,632	–
SUZUKEN CO., LTD.	1,529	–
MEDIPAL HOLDINGS CORPORATION	1,299	–

Note: Reclassified to assets held for sale in the fiscal year ended December 31, 2022. For more details, please refer to Note “14. Assets held for sale.”

(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, 2021		Fiscal year ended December 31, 2022	
Fair value	Cumulative gain (loss)	Fair value	Cumulative gain (loss)
2,417	731	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. In the fiscal year ended December 31, 2021, for financial assets measured at fair value through other comprehensive income whose fair values declined significantly below their costs, the cumulative loss, net of tax, of ¥1,426 million was reclassified from other components of equity to retained earnings.

Dividend income from equity instruments consisted of the following:

(Millions of yen)

Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022	
Investments derecognized during period	Investments held at fiscal year-end	Investments derecognized during period	Investments held at fiscal year-end
49	73	47	16

(4) Assets pledged as collateral

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Other financial assets (current assets)	–	300
Financial assets measured at fair value through other comprehensive income	573	–

Note: The assets were pledged as collateral in order to utilize the deferred payment system under the Japanese Customs Act and the 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, 2021	As of December 31, 2022
Deferred tax assets	49,108	52,946
Deferred tax liabilities	(386)	(404)
Net amount	48,722	52,542

(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, 2021

(Millions of yen)

	Balance at January 1 (Net amount)	Amount recognized in profit or loss (Note 1)	Amount recognized in other comprehensive income	Balance at December 31 (Net amount)
Property, plant and equipment and intangible assets	(4,928)	(1,469)	–	(6,396)
Outsourced research and development	7,100	1,173	–	8,273
Other financial assets	(1,586)	255	702	(629)
Retirement benefit asset or liability	818	338	(623)	534
Inventories	19,116	1,752	–	20,868
Contract liabilities	445	11,866	–	12,312
Tax loss carryforwards	3,322	(1,695)	–	1,627
Other (Note 2)	8,752	3,381	–	12,133
Total	33,041	15,602	80	48,722

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, 2022

(Millions of yen)

	Balance at January 1 (Net amount)	Amount recognized in profit or loss (Note 1)	Amount recognized in other comprehensive income	Balance at 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.

(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, 2021	As of December 31, 2022
Deductible temporary differences	22,147	18,093
Unused tax losses (Note)	3,776	4,131

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, 2021	As of December 31, 2022
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	3,776	4,131
Total	3,776	4,131

(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 at December 31, 2021 and 2022 are ¥108,179 million and ¥57,848 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, 2021	Fiscal year ended December 31, 2022
Current tax expense	21,867	14,212
Deferred tax expense	(14,164)	(212)
Total	7,703	14,000

(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, 2021	Fiscal year ended December 31, 2022
Statutory tax rate	30.6	30.6
(Adjustments)		
Share of profit (loss) of investments accounted for using equity method	(2.3)	(2.0)
Permanently non-deductible items	1.6	0.3
Permanently non-taxable items	(1.5)	(1.3)
Change in unrecognized deferred tax assets and liabilities	(0.3)	0.4
Tax credits	(10.9)	(4.9)
Different tax rates applied to consolidated subsidiaries	(3.4)	(4.9)
Retained earnings of consolidated subsidiaries	(0.1)	1.8
Other	(0.8)	0.6
Effective tax rate	12.8	20.7

Notes: 1. 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, 2021 and 2022. The Company's foreign subsidiaries are subject to corporation tax and other taxes in their locations.

2. "Retained earnings of consolidated subsidiaries," which had previously been included in "Other" in the fiscal year ended December 31, 2021, has been presented separately because its monetary importance has increased. To reflect this change in presentation, the figures in the fiscal year ended December 31, 2021 have been reclassified.

11. Inventories

Inventories consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Raw materials and supplies	14,688	13,484
Work in process	12,484	15,936
Merchandise and finished goods	36,917	41,254
Total	64,089	70,675

Note: The costs of inventories that were recognized as expenses and included in "cost of sales" for the fiscal years ended December 31, 2021 and 2022 are ¥77,281 million and ¥75,874 million, respectively. Of those amounts, inventory valuation losses for the fiscal years ended December 31, 2021 and 2022 are ¥3,050 million and ¥4,874 million, respectively.

12. Trade and other receivables

Trade and other receivables consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Trade notes and accounts receivable	99,094	104,649
Other receivables	5,754	8,000
Allowance for doubtful accounts	(258)	(388)
Chargeback payments (Note 2)	(315)	(515)
Total	104,275	111,746

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, 2021	As of December 31, 2022
Cash and deposits	22,058	20,177
Loans receivable from parent due within three months	313,026	319,017
Total	335,084	339,194

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, 2021	As of December 31, 2022
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 the 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 will be completed in the middle of 2023.

2. Based on the Share Transfer Agreement concluded on February 5, 2019, 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 has 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, 2021	987,900,000	540,000,000	26,745	463,967
Increase (decrease)	–	–	–	187
As of December 31, 2021	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

Note: All shares issued by the Company are ordinary shares with no par value and which 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, 2021	2,823,975	3,545
Increase (decrease)	(152,158)	(186)
As of December 31, 2021	2,671,817	3,359
Increase (decrease)	(150,620)	(183)
As of December 31, 2022	2,521,197	3,177

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 immediately transferred from other components of equity to retained earnings.

(4) Dividends

Fiscal year ended December 31, 2021

(i) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 24, 2021 Ordinary General Meeting of Shareholders	Ordinary shares	11,818	22.00	December 31, 2020	March 25, 2021
August 3, 2021 Board of Directors meeting	Ordinary shares	12,358	23.00	June 30, 2021	September 1, 2021

(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 25, 2022 Ordinary General Meeting of Shareholders	Ordinary shares	12,359	23.00	December 31, 2021	March 28, 2022

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 meeting	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

The following dividends on ordinary shares have been proposed as an agenda (a matter to be resolved) for the Ordinary General Meeting of Shareholders to be held on March 24, 2023.

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

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, 2021		Fiscal year ended December 31, 2022	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Outstanding at beginning of period	300,600	1	203,900	1
Granted	–	–	–	–
Exercised	(96,700)	1	(93,700)	1
Forfeited or expired	–	–	–	–
Outstanding at end of period	106,200	1	14,000	1
Exercisable at end of period	97,700	1	96,200	1

Notes: 1. The weighted average share price at the date of exercise for the share options exercised during the fiscal year ended December 31, 2021 and 2022 are ¥3,363 and ¥2,894, respectively.

2. The weighted average remaining contractual lives of the outstanding share options at December 31, 2021 and 2022 are 3.1 years and 2.8 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 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, 2021	Fiscal year ended December 31, 2022
Grant date	April 13, 2021	April 14, 2022
Number of shares granted (Shares)	61,961	60,113
Fair value (Yen)	3,145	3,140

(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, 2021 and 2022 were ¥19 million and ¥87 million.

(ii) Performance share units existing during the year

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	Standard number of shares to be delivered (Shares)	Standard number of shares to be delivered (Shares)
Balance at beginning of period	–	36,343
Grant	36,343	35,575
Increase-other	–	–
Delivery and payment	–	–
Decrease-other	–	–
Balance at end of period	36,343	71,918
Weighted average fair value (Yen)	3,145	3,143

Note: The fair value under the plan is measured based on the market price of the Company's shares at 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, 2021 and 2022 were ¥547 million and ¥708 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, 2021	Fiscal year ended December 31, 2022
Equity-settled (restricted stock compensation plan)	195	190
Equity-settled and cash-settled (performance-linked share-based remuneration plan)	38	136
Cash-settled (phantom stock plan)	362	535
Total	595	861

17. Employee benefits

The Company and some of its consolidated subsidiaries have defined benefit plans and defined contribution plans 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, 2021	As of December 31, 2022
Present value of defined benefit obligations	(67,322)	(61,786)
Fair value of plan assets	82,399	76,712
Net defined benefit asset (liability)	15,077	14,926
Amounts in the consolidated statement of financial position		
Retirement benefit liability	(221)	(287)
Retirement benefit asset	15,298	15,212
Net defined benefit asset (liability) in the consolidated statement of financial position	15,077	14,926

(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, 2021	Fiscal year ended December 31, 2022
Present value of defined benefit obligations at beginning of period	(66,881)	(67,322)
Service cost	(3,425)	(3,584)
Interest expense	(410)	(393)
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	98	91
Actuarial gains and losses arising from changes in financial assumptions	(237)	6,456
Actuarial gains and losses arising from experience adjustments	809	70
Benefits paid	2,739	2,946
Exchange differences on translation of foreign operations	(16)	(51)
Present value of defined benefit obligations at end of period	(67,322)	(61,786)

Note: The weighted average duration of the defined benefit obligations as of December 31, 2021 and 2022 is 12.2 years and 10.7 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, 2021	Fiscal year ended December 31, 2022
Fair value of plan assets at beginning of period	81,339	82,399
Interest income	502	480
Remeasurements		
Return on plan assets	1,364	(5,232)
Contributions from employer	1,864	1,937
Benefits paid	(2,680)	(2,923)
Exchange differences on translation of foreign operations	10	50
Fair value of plan assets at end of period	82,399	76,712

Note: The Group plans to contribute ¥1,864 million to the defined benefit plans in the fiscal year ending December 31, 2023.

(iv) Disaggregation of plan assets

The following table provides the components of plan assets:

(Millions of yen)

	As of December 31, 2021			As of December 31, 2022		
	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	10,236	–	10,236	6,589	–	6,589
Debt instruments						
Debt securities	38,501	–	38,501	37,437	–	37,437
Life insurance general accounts	–	31,289	31,289	–	25,439	25,439
Alternatives	–	–	–	6,172	–	6,172
Other	–	2,374	2,374	–	1,075	1,075
Total	48,736	33,662	82,399	50,198	26,514	76,712

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.
3. In the fiscal year ended December 31, 2022, the Company reviewed asset allocations in April 2022 taking into account the management status of plan assets.

(v) Actuarial assumptions

Major actuarial assumptions were as follows:

(In percent)

	As of December 31, 2021	As of December 31, 2022
Discount rate	0.6	1.4

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

(Millions of yen)

		As of December 31, 2021	As of December 31, 2022
Discount rate	+0.5%	(3,807)	(2,103)
	-0.5%	4,206	4,413

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, 2021 and 2022 are ¥5,386 million and ¥5,711 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, 2021	Fiscal year ended December 31, 2022
Wages and salaries	43,312	51,638
Employees' bonuses	15,905	18,960
Other	8,496	9,301
Total	67,713	79,899

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, 2022

(Millions of yen)

	Provision for loss on compen-sation (Note 1)	Provision for business restructu-ring (Note 2)	Provision for returns of expired products (Note 3)	Provision for loss on product recalls (Note 4)	Provision for loss on contracts (Note 5)	Asset retirement obligations (Note 6)	Other	Total
Balance at beginning of period	3,400	207	918	194	–	4,357	261	9,336
Increase	–	5	–	–	1,978	277	1,865	4,125
Decrease (used)	–	(229)	(403)	(148)	–	–	(1,790)	(2,571)
Decrease (reversed)	–	–	(36)	–	–	(525)	–	(561)
Exchange differences on translation of foreign operations	–	17	108	10	–	2	32	169
Balance at end of period	3,400	–	587	56	1,978	4,110	368	10,498
Non-current liabilities	3,400	–	–	–	323	3,809	–	7,532
Current liabilities	–	–	587	56	1,655	301	368	2,966

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 the payment in connection with the implementation of restructuring measures, a reasonably estimable amount is recognized as provision for business restructuring.
3. 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.
4. 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.

5. In order to provide for losses arising in connection with performance of joint research and development agreements, contract manufacturing agreements, and other agreements, reasonably estimable amount is recognized as provision for loss on contracts.
6. 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.

19. Other financial liabilities

Other financial liabilities consisted of the following:

	As of December 31, 2021 (Millions of yen)	As of December 31, 2022 (Millions of yen)	Average interest rate (%)	Repayment due (Year)
Financial liabilities measured at amortized cost				
Deposits received	82	90	–	–
Other	1,494	601	–	–
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	591	948	–	–
Lease liabilities	20,371	21,639	–	2023 - 2056
Total	22,537	23,278	–	–
Non-current liabilities	16,594	17,549	–	–
Current liabilities	5,943	5,729	–	–

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, 2021	Fiscal year ended December 31, 2022
Depreciation of right-of-use assets by class of underlying asset		
Buildings and structures	2,830	3,098
Machinery and vehicles	485	566
Land	253	286
Other	0	1
Total depreciation	3,569	3,951
Interest expenses on lease liabilities	267	393
Expense relating to short-term leases for which recognition exemption has been used	551	501
Expense relating to leases of low-value assets for which recognition exemption has been used	927	972

(2) Cash outflow for leases

The total cash outflow for leases is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Total cash outflow for leases	5,221	5,633

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 “30. Financial instruments.”

21. Other liabilities

Other liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Contract liabilities	40,374	33,052
Accrued paid leave	3,035	3,446
Accrued consumption taxes	704	704
Accrued expenses	8,254	11,163
Other	2,358	6,191
Total	54,725	54,556
Non-current liabilities	31,197	25,929
Current liabilities	23,528	28,627

22. Trade and other payables

Trade and other payables consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Trade notes and accounts payable	13,892	9,485
Other payables	34,713	41,440
Refund liabilities	16,047	19,996
Total	64,652	70,922

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, 2021	Fiscal year ended December 31, 2022
Japan	156,857	148,669
North America	78,793	112,592
EMEA	56,109	66,872
Asia/Oceania	28,359	30,143
Others	32,130	40,094
Total	352,246	398,371

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.

(ii) Revenue by product or service

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Merchandise and finished goods	326,141	364,596
Main merchandise and finished goods		
Japan:		
Nesp	3,982	3,433
Darbepoetin Alfa Injection Syringe [KKF]	22,295	17,628
Duvroq	2,566	6,566
Regpara	2,861	2,194
Orkedia	9,858	10,294
Rocaltrol	3,217	3,113
Onglyza	6,173	5,174
Coniel	2,687	1,998
G-Lasta	29,384	31,050
Fentos	3,858	3,742
Poteligeo	1,996	1,951
Rituximab BS [KHK]	11,198	10,256
Romiplate	7,284	10,440
Allelock	8,028	5,965
Patanol	10,694	2,793
Dovobet	7,211	7,753
Lumicef	2,919	3,001
Nouriast	8,662	8,020
HARUROPI	3,114	3,974
Depakene	3,635	3,289
Crysvita	7,180	8,864

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Overseas:		
Crysvita	78,347	118,239
Poteligeo	15,277	22,288
Nourianz	4,536	6,471
Abstral	8,531	6,900
Pecfent	3,917	3,709
Moventig	2,844	3,090
Adcal D3	2,976	3,047
Nesp	6,376	7,570
Regpara	7,398	3,947
Neulasta/Peglasta	5,310	5,629
Gran	6,322	8,205
Technology out-licensing	26,105	33,775
Total	352,246	398,371

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 by product does not include revenue from Early Access Program (EAP).
3. 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 the rights for development, manufacturing 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, 2021	As of December 31, 2022
Receivables from contracts with customers		
Trade notes and accounts receivable	98,521	103,746
Contract liabilities	40,374	33,052

Note: The beginning balances of contract liabilities recognized as revenue in the fiscal years ended December 31, 2021 and 2022 were ¥999 million and ¥9,363 million, respectively. Revenue recognized in the fiscal years ended December 31, 2021 and 2022 from performance obligations satisfied in previous years was ¥20,286 million and ¥24,010 million, respectively. These amounts mainly consist of milestone revenue and running royalties revenue.

Due to changes in estimates of the time frame for satisfying performance obligations of development cooperation, etc., cumulative catch-up adjustments to revenue were made. As a result, the contract liability balance increased by ¥2,018 million at December 31, 2022.

(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, 2021	As of December 31, 2022
Within one year	9,785	8,179
After one year through two years	9,785	8,171
After two years through three years	9,781	8,167
After three years	11,023	8,535
Total	40,374	33,052

24. Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Employee benefit expenses	55,422	66,327
Sales promotion expenses	38,558	47,333
Depreciation and amortization	10,503	10,093
Other	41,125	42,431
Total	145,608	166,185

25. Other income and expenses

Other income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Rental income	483	564
Other	502	1,142
Total	985	1,705

Other expenses consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Impairment losses	5,286	17,979
Business restructuring expenses (Note 1)	81	2,394
Provision for loss on contracts (Note 2)	–	1,587
Other	1,249	1,102
Total	6,616	23,061

Notes: 1. These expenditures arise in connection with implementation of restructuring measures.
2. For more details, please refer to Note “18. Provisions.”

26. Finance income and finance costs

Finance income consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Interest income	668	641
Dividend income	122	63
Foreign exchange gain	–	2,588
Other	323	27
Total	1,113	3,319

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 for the fiscal year ended December 31, 2022 is included in foreign exchange gain.

Finance costs consisted of the following:

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Interest expenses	244	344
Foreign exchange loss	539	–
Other	333	744
Total	1,117	1,088

Note: Interest expenses mainly arise from financial liabilities measured at amortized cost. Loss on valuation of currency derivatives for the fiscal year ended December 31, 2021 is included in foreign exchange loss.

27. Earnings per share

Information about basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit attributable to ordinary equity holders of parent		
Profit attributable to owners of parent (Millions of yen)	52,347	53,573
Profit not attributable to ordinary equity holders of parent (Millions of yen)	–	–
Profit used to calculate earnings per share (Millions of yen)	52,347	53,573
Weighted average number of ordinary shares outstanding during year (Shares)	537,272,070	537,431,734
Increase in number of ordinary shares		
Share acquisition rights (Shares) (Note)	242,100	138,523
Weighted average number of dilutive potential ordinary shares during year (Shares)	537,514,170	537,570,257
Earnings per share		
Basic earnings per share (Yen)	97.43	99.68
Diluted earnings per share (Yen)	97.39	99.66

Note: Please refer to Note “16. Share-based payments” for information about share acquisition rights.

28. 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, 2021

(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	(2,325)	–	(2,325)	702	(1,623)
Remeasurements of defined benefit plans	2,034	–	2,034	(623)	1,411
Total of items that will not be reclassified to profit or loss	(291)	–	(291)	80	(212)
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	10,498	–	10,498	–	10,498
Share of other comprehensive income of investments accounted for using equity method	118	–	118	–	118
Total of items that may be reclassified to profit or loss	10,616	–	10,616	–	10,616
Total	10,324	–	10,324	80	10,404

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)
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)

29. Cash flow information

Increase in contract liabilities of ¥38,767 million in the fiscal year ended December 31, 2021 is mainly comprised of upfront income under an agreement with Amgen Inc. to jointly develop and commercialize KHK4083, an anti-OX40 fully human monoclonal antibody, for the treatment of atopic dermatitis, with potential in other autoimmune diseases.

The following table provides changes in liabilities arising from financing activities:

(Millions of yen)

	Lease liabilities
Balance at January 1, 2021	17,063
Changes from financing cash flows	(3,475)
Non-cash changes	
Increase due to acquisition of right-of-use assets	6,894
Foreign currency translation differences	1,035
Other	(1,146)
Balance at December 31, 2021	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 at December 31, 2022	21,639

30. 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 each 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 top four companies accounts for approximately 62% of revenue in Japan for the fiscal year ended December 31, 2022, and trade accounts receivable from such four companies as of December 31, 2021 and 2022 are ¥45,305 million and ¥42,404 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 was 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, 2021

(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	64,652	64,652	64,652	–	–	–	–	–
Deposits received	82	82	82	–	–	–	–	–
Lease liabilities	20,371	25,135	4,164	2,650	2,303	2,159	1,179	12,679
Derivative financial liabilities	591	591	591	–	–	–	–	–

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	–	–	–	–	–

(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 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 1% 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, 2021 and 2022:

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, 2021	As of December 31, 2022
U.S. dollar	(32)	(99)
Euro	(15)	(47)
British pound	10	22

(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, 2021 and 2022 are ¥344 million and ¥112 million, respectively.

In these analyses, all other variable factors are assumed to be constant.

(3) Fair value of financial instruments

The Group measures the fair values of financial instruments using the following methods:

Financial assets 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 measured at fair value through profit or loss, other financial assets measured at fair value through other comprehensive income, and other financial liabilities measured at fair value through profit or loss

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 that are financial assets or financial liabilities measured at fair value through profit or loss 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, 2021

(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	–	388	596	984
Other financial assets	–	167	–	167
Financial assets measured at fair value through other comprehensive income				
Listed equity securities	3,445	–	–	3,445
Unlisted equity securities and investments in capital	–	–	5,796	5,796
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	(591)	–	(591)

Note: There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the fiscal year ended December 31, 2021.

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.

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, 2021	Fiscal year ended December 31, 2022
Balance at beginning of period	6,182	6,393
Profit or loss (Note 1)	312	352
Other comprehensive income (Note 2)	(505)	(285)
Purchases	319	1,866
Sales	(36)	–
Other	121	(112)
Balance at end of period	6,393	8,214

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.

31. Related parties

(1) Related party transactions

Fiscal year ended December 31, 2021

(Millions of yen)

Type	Name	Description of transaction	Transaction amount	Account	Outstanding balance
Parent company	Kirin Holdings Company, Limited	Lending of funds (Note)	271,812	Cash and cash equivalents	313,026

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

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, 2021	Fiscal year ended December 31, 2022
Basic remuneration and bonus	398	452
Share-based payments	84	106
Total	481	558

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."

32. 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, 2021	As of December 31, 2022
Acquisition of property, plant and equipment	15,165	22,996
Acquisition of intangible assets (Note)	309,611	251,984
Total	324,776	274,980

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.

33. Contingent liabilities

Contingent liabilities consisted of the following:

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Debt guarantees for borrowings of associates	277	1,156

Note: The above Debt guarantees are for borrowings of the guaranteed companies.

34. Subsequent events

Not applicable.

(2) Other

Quarterly information for the fiscal year ended December 31, 2022

Year to quarter end	First quarter	Second quarter	Third quarter	Fiscal year ended December 31, 2021
Revenue (Millions of yen)	87,751	185,271	283,775	398,371
Profit before tax (Millions of yen)	18,716	43,479	60,404	67,572
Profit attributable to owners of parent (Millions of yen)	16,038	35,017	49,212	53,573
Basic earnings per share (Yen)	29.85	65.16	91.57	99.68

Quarter period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	29.85	35.31	26.41	8.11

2 Financial Statements, Etc.

(1) Financial statements

(i) Balance sheet

(Millions of yen)

		As of December 31, 2021		As of December 31, 2022
Assets				
Current assets				
Cash and deposits		15,840		11,306
Accounts receivable - trade		73,472		73,422
Merchandise and finished goods		30,272		33,707
Work in process		9,157		14,020
Raw materials and supplies		14,202		13,381
Short-term loans receivable from subsidiaries and associates		350,016		352,508
Other		14,601	Note 1	21,836
Allowance for doubtful accounts		(97)		(102)
Total current assets	Note 2	507,462	Note 2	520,078
Non-current assets				
Property, plant and equipment				
Buildings		27,387		27,125
Structures		1,594		1,857
Machinery and equipment		10,143		9,991
Tools, furniture and fixtures		4,282		5,285
Land		4,393		4,393
Construction in progress		6,292		12,678
Other		1,301		2,033
Total property, plant and equipment	Note 4	55,394	Note 4	63,361
Intangible assets				
Marketing rights		12,820		10,514
Other		3,130		3,920
Total intangible assets		15,950		14,434
Investments and other assets				
Investment securities	Note 1	5,489		5,387
Shares of subsidiaries and associates		122,122		122,072
Bonds of subsidiaries and associates		32,500		28,500
Long-term prepaid expenses		2,519		2,709
Prepaid pension costs		9,218		9,187
Deferred tax assets		39,895		38,183
Other		3,583		2,191
Allowance for doubtful accounts		(45)		(45)
Total investments and other assets	Note 2	215,281	Note 2	208,185
Total non-current assets		286,625		285,980
Total assets		794,087		806,058

(Millions of yen)

		As of December 31, 2021		As of December 31, 2022
Liabilities				
Current liabilities				
Accounts payable - trade		14,183		9,295
Accounts payable - other		42,077		46,588
Income taxes payable		9,448		459
Deposits received from subsidiaries and associates		81,011		98,723
Contract liabilities		39,556		32,291
Provision for loss on product recalls		702		56
Provision for loss on contracts		–		1,978
Other		2,415		7,397
Total current liabilities	Note 2	189,392	Note 2	196,787
Non-current liabilities				
Provision for loss on compensation		3,400		3,400
Asset retirement obligations		4,327		3,777
Other		47		176
Total non-current liabilities		7,774		7,353
Total liabilities		197,166		204,140
Net assets				
Shareholders' equity				
Share capital		26,745		26,745
Capital surplus				
Legal capital surplus		103,807		103,807
Other capital surplus		271		463
Total capital surplus		104,078		104,271
Retained earnings				
Legal retained earnings		6,686		6,686
Other retained earnings				
Reserve for tax purpose reduction entry of non-current assets		1,205		1,137
General reserve		297,424		297,424
Retained earnings brought forward		162,284		168,142
Total retained earnings		467,600		473,389
Treasury shares		(3,340)		(3,158)
Total shareholders' equity		595,083		601,247
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		1,424		452
Total valuation and translation adjustments		1,424		452
Share acquisition rights		414		219
Total net assets		596,921		601,918
Total liabilities and net assets		794,087		806,058

(ii) Statement of profit or loss

(Millions of yen)

		Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022
Net sales	Note 1	237,590	Note 1	253,790
Cost of sales	Note 1	82,345	Note 1	85,973
Gross profit		155,244		167,818
Selling, general and administrative expenses				
Salaries and bonuses		21,354		22,387
Research and development expenses		65,068		65,594
Other		44,021		39,203
Total selling, general and administrative expenses	Note 1	130,443	Note 1	127,184
Operating profit		24,802		40,634
Non-operating income				
Interest and dividend income		16,372		5,768
Other		363		561
Total non-operating income	Note 1	16,735	Note 1	6,330
Non-operating expenses				
Interest expenses		104		1,086
Foreign exchange losses		5,504		7,924
Other		701		668
Total non-operating expenses	Note 1	6,309	Note 1	9,677
Ordinary profit		35,228		37,287
Extraordinary income				
Reversal of allowance for doubtful accounts for subsidiaries and associates	Note 2	29,834		–
Gain on sale of shares of subsidiaries and associates		4,779		–
Gain on sale of investment securities		1,608		2,180
Gain on reversal of asset retirement obligations		–		525
Total extraordinary income		36,221		2,705
Extraordinary losses				
Impairment losses		3,727		415
Loss on valuation of shares of subsidiaries and associates		165		–
Loss on valuation of investment securities		1,816		–
Provision for loss on contracts		–	Note 3	1,587
Total extraordinary losses		5,709		2,002
Profit before income taxes		65,741		37,990
Income taxes - current		14,982		4,803
Income taxes - deferred		(15,607)		2,140
Total income taxes		(625)		6,943
Profit		66,366		31,047

(iii) Statement of changes in equity

Fiscal year ended December 31, 2021

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	26,745	103,807	92	103,899	6,686	1,275	297,424	120,025	425,411
Changes during period									
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	(70)	–	70	–
Dividends of surplus	–	–	–	–	–	–	–	(24,176)	(24,176)
Profit	–	–	–	–	–	–	–	66,366	66,366
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	179	179	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes during period	–	–	179	179	–	(70)	–	42,260	42,190
Balance at end of period	26,745	103,807	271	104,078	6,686	1,205	297,424	162,284	467,600

	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	(3,515)	552,540	2,594	2,594	596	555,730
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets	–	–	–	–	–	–
Dividends of surplus	–	(24,176)	–	–	–	(24,176)
Profit	–	66,366	–	–	–	66,366
Purchase of treasury shares	(23)	(23)	–	–	–	(23)
Disposal of treasury shares	198	377	–	–	–	377
Net changes in items other than shareholders' equity	–	–	(1,171)	(1,171)	(181)	(1,352)
Total changes during period	175	42,543	(1,171)	(1,171)	(181)	41,191
Balance at end of period	(3,340)	595,083	1,424	1,424	414	596,921

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	Total retained earnings
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

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 no longer than the expected average remaining service period of the employees when incurred.

Actuarial differences are amortized on a straight-line basis mainly over 10 years no longer than 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 joint research and development agreements, contract manufacturing/manufacturing license 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 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 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 comprised 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. 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.

Changes in accounting policies

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the financial statements as a result of this change.

Significant accounting estimates

Impairment of marketing rights

(1) Amount recorded in the financial statements for the current fiscal year

	As of December 31, 2021	As of December 31, 2022
Marketing rights	¥12,820 million	¥10,514 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.

Changes in presentation

Statement of income

“Inactive facilities expenses” under “Non-operating expenses,” which was presented separately for the previous fiscal year, is included in “Other” for this fiscal year, because its quantitative materiality decreased. To reflect this change in the presentation method, we have reclassified the amount in our financial statements for the fiscal year ended December 31, 2021.

As a result, “Inactive facilities expenses” of ¥35 million and “Other” of ¥666 million presented under “Non-operating expenses” in the statement of income for the fiscal year ended December 31, 2021, was reclassified as “Other” of ¥701 million.

Balance sheet

Note 1. Assets pledged as collateral and collateralized debt

Assets pledged as collateral

	As of December 31, 2021	As of December 31, 2022
Investment securities	¥573 million	¥– million
Other current assets	–	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.

Note 2. Monetary receivables from and payables to subsidiaries and associates (excluding items presented separately)

	As of December 31, 2021	As of December 31, 2022
Short-term monetary receivables	¥15,900 million	¥20,636 million
Long-term monetary receivables	775	20
Short-term monetary payables	14,947	15,880

Note 3. Contingent liabilities

Guarantee obligations

	As of December 31, 2021	As of December 31, 2022
Debt guarantees for borrowings of associates	¥277 million	¥1,156 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, 2021	As of December 31, 2022
Buildings	¥14 million	¥14 million
Machinery and vehicles	967	967
Tools, furniture and fixtures	7	7
Construction in progress	–	8

Note 5. Loan commitments (lender)

The Company 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 established a revolving credit line for the Company. The unused balance and other information under these agreements are as follows:

	As of December 31, 2021	As of December 31, 2022
Total amount of loan commitments	¥89,521 million	¥104,517 million
Outstanding loan balance	36,991	33,491
Unused balance	52,531	71,026

Statement of income

Note 1. Amounts of transactions with subsidiaries and associates

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Amounts of business transactions		
Net sales	¥54,620 million	¥69,967 million
Purchase	13,963	17,314
Other	16,377	13,917
Amount of other transactions	46,750	7,084

Note 2. Reversal of allowance for doubtful accounts for subsidiaries and associates

The Company previously recognized an allowance for doubtful accounts for corporate bonds that were issued by FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd., the Company's associate accounted for using the equity method, and that were purchased by the Company. Taking into account the start of the redemption process and the redemption schedule for such bonds, etc., the Company recognized a reversal of allowance for doubtful accounts for subsidiaries and associates of ¥29,834 million as extraordinary income in the fiscal year ended December 31, 2021. In the consolidation process, such "reversal of allowance for doubtful accounts for subsidiaries and associates" was eliminated. Accordingly, there was no impact of it on the consolidated financial statements.

Note 3. Provision for loss on contracts

In order to provide for the loss due to the performance of joint research and development agreements, the Company recorded a provision for loss on contracts of ¥1,587 million under extraordinary losses in the fiscal year ended December 31, 2022, based on reasonable estimates.

Securities

Fiscal year ended December 31, 2021

Information about shares of subsidiaries and associates (the carrying amounts of the shares of subsidiaries and those of associates were ¥122,110 million and ¥12 million, respectively) has not been disclosed, since it is extremely difficult to determine their fair value with no quoted market value.

Fiscal year ended 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.

Deferred tax accounting

1. Significant components of deferred tax assets and deferred tax liabilities

	As of December 31, 2021	As of December 31, 2022
Deferred tax assets		
Contract liabilities	¥12,112 million	¥9,887 million
Excess depreciation for tax purposes	8,469	8,946
Prepaid expenses for tax purposes	8,273	8,496
Retirement benefit trust	5,187	4,910
Inventories for tax purposes	2,169	2,345
Excess amortization of deferred assets for tax purposes	2,713	2,234
Shares of subsidiaries and associates	631	608
Accrued enterprise tax	760	141
Other	7,054	7,724
Gross deferred tax assets	47,368	45,291
Valuation allowance	(2,744)	(2,713)
Total deferred tax assets	44,624	42,577
Deferred tax liabilities		
Prepaid pension costs	(2,823)	(2,813)
Reserve for tax purpose reduction entry of non-current assets	(544)	(513)
Valuation difference on available-for-sale securities	(628)	(200)
Other	(735)	(869)
Total deferred tax liabilities	(4,729)	(4,394)
Net deferred tax assets	39,895	38,183

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, 2021	As of December 31, 2022
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Permanently non-deductible items, such as entertainment expenses	0.1	0.2
Change in valuation allowance	(13.9)	(0.1)
Permanently non-taxable items, such as dividend income	(7.0)	(3.5)
Income tax credits	(9.6)	(7.0)
Other	(1.2)	(1.9)
Effective income tax rate after application of deferred tax accounting	(1.0)	18.3

Significant subsequent events

Not applicable.

(iv) Annexed detailed schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Millions of yen)

Category	Class of assets	Balance at January 1, 2022	Increase	Decrease	Depreciation or amortization	Balance at December 31, 2022	Accumulated depreciation
Property, plant and equipment	Buildings	27,387	1,294	25	1,532	27,125	48,369
	Structures	1,594	407	1	144	1,857	4,486
	Machinery and equipment	10,143	2,733	36	2,850	9,991	48,400
	Tools, furniture and fixtures	4,282	2,904	17	1,884	5,285	27,072
	Land	4,393	–	–	–	4,393	–
	Construction in progress	6,292	14,427	8,041 (413)	–	12,678	–
	Other	1,301	1,219	67	420	2,033	1,989
	Total	55,394	22,985	8,187 (413)	6,830	63,361	130,316
Intangible assets	Marketing rights	12,820	–	–	2,306	10,514	13,848
	Other	3,130	3,148	1,467 (2)	891	3,920	1,662
	Total	15,950	3,148	1,467 (2)	3,197	14,434	15,510

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 increase is as follows:
   Construction in progress
   Construction of a new multipurpose facility relating to quality assurance at Takasaki Plant ¥5,841 million
3. Impairment losses for the fiscal year ended December 31, 2022 are presented in parentheses in the "Decrease" column.

Annexed detailed schedule of provisions

(Millions of yen)

Account	Balance at January 1, 2022	Increase	Decrease	Balance at December 31, 2022
Allowance for doubtful accounts	142	5	0	147
Provision for loss on product recalls	702	–	646	56
Provision for loss on contracts	–	1,978	–	1,978
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	1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department
Shareholder register administrator	1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Commissions	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 filling 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 25, 2022.

(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 28, 2022.

The report is an amendment report in connection with the securities registration statement submitted on March 25, 2022.

(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, 2021 were submitted to the Director-General of the Kanto Local Finance Bureau on March 8, 2022.

(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 8, 2022.

(5) Quarterly securities reports and confirmation letters

A quarterly securities report and the relevant confirmation letter for the first quarter ended March 31, 2022 were submitted to the Director-General of the Kanto Local Finance Bureau on May 10, 2022.

A quarterly securities report and the relevant confirmation letter for the second quarter ended June 30, 2022 were submitted to the Director-General of the Kanto Local Finance Bureau on August 4, 2022.

A quarterly securities report and the relevant confirmation letter for the third quarter ended September 30, 2022 were submitted to the Director-General of the Kanto Local Finance Bureau on November 4, 2022.

(6) Extraordinary report

An extraordinary report was submitted to the Director-General of the Kanto Local Finance Bureau on February 7, 2022.

The report is an extraordinary report pursuant to the provision in Article 19, Paragraph 2, item (xii) (the occurrence of an event that may have serious effects on the financial position, operating results and cash flow status of a reporting company) 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 March 28, 2022.

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.

Part II. Information about Reporting Company’s Guarantor, etc.

Not applicable.