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

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

1. Basic Views

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

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

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

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

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

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

[Principle 1.4 Cross-Shareholdings]

Unless we consider certain cross-shareholdings are meaningful for the purposes of achieving sustainable growth of our Group and increasing corporate value for the mid- to long-term, we will not hold shares of other companies as cross-shareholdings. The Board of Directors examines rationality of cross-shareholdings on an annual basis; and with respect to stocks of decreasing significance, we will work on reducing such cross-shareholdings, while undertaking dialogue/negotiations with the counter party.

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

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

[Principle 1.7 Related Party Transactions]

Policy on transactions between related parties is as follows:

➢ We disclose information on transactions with related parties in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws, as well as rules established by the Tokyo Stock Exchange.

➢ In case there is a significant fact concerning any transaction with Director, Audit & Supervisory Board Member, and their relatives, the fact is reported to the Board of Directors. Competitive transactions and conflict-of-interest transactions involving Directors, whether conducted as the direct party or as an agent or representative of a third party, are matters to be resolved by the Board of Directors in accordance with the Companies Act and the Board’s rules and regulations.

➢ With respect to any transactions with a controlling shareholder, a rational decision is to be made in the same manner as general transaction terms and conditions, based on objective information on the market where goods/services provided by or to the Company are mainly traded.

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

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

➢ The Corporate Pension Fund manages funds for the Company’s pension plan.

➢ The Company recruits and assigns qualified persons for investment management at the Fund in a planned manner, helps them increase their expertise by providing opportunities to participate in external training courses or pension investment seminars, and establishes an appropriate operating structure to support the Fund.

➢ The Asset Management Committee of the Fund monitors the status of its investment management, and reviews its asset allocation and asset management companies as necessary, in accordance with its asset management policy and by reference to external advisors’ opinions.

[Principle 3.1 Full Disclosure]

(i) In line with our philosophy that “The Kyowa Hakko Kirin Group companies strive to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies,” we formulated the 2016-2020 mid-term business plan, considering five years from 2016 to 2020 as the period for “Leaping Forward for Global Specialty Pharmaceutical Company,” aiming at becoming an R&D-oriented global company backed by unique researches and innovative technologies. The 2016-2020 mid-term business plan is available at the following website:


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

https://www.kyowa-kirin.com/about_us/corporate_governance/index.html
(iii) The Nomination and Remuneration Consultative Committee deliberates and determines the remuneration for senior management from an objective and fair perspective, and then reports the results to the Board of Directors. The relevant policy is stipulated in Section 2.6.3, Chapter 2 of our Corporate Governance Policy.

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

[Supplementary Principle 4.1.1 Scope and Content of the Matters Delegated to the Management]

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

➢ Taking into account its fiduciary duties and accountability to shareholders, the Board of Directors aims at realizing our corporate philosophy, and achieving sustainable growth and increased corporate value of our Group over the mid- to long-term, by establishing effective and efficient corporate governance.

➢ The Board of Directors makes decisions on significant business execution of our Group and statutory matters, including the long-term management vision, mid-term business plan, and annual business plan of the entire Group and key companies within the Group; and is responsible for supervising Directors’ execution of duties, and establishing an appropriate internal control system for the entire Group.

➢ In addition to the matters stipulated in the laws and regulations as well as the Articles of Incorporation, the Board of Directors specifies matters to be resolved by the Board in the Regulations for the Board of Directors. Authorities pertaining to other business execution are delegated to Executive Officers in charge of relevant businesses.

[Principle 4.8 Effective Use of Independent Directors]

In order to enhance fairness and transparency of corporate governance, and achieve sustainable growth of our Group and increased corporate value over the mid- to long-term, the Company appoints at least 2 independent Directors who satisfy our Criteria for the Independence of Outside Directors.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

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

[Supplementary Principle 4.11.1 View on the Appropriate Balance between Knowledge Experience and Skills of the Board as a whole, and on its diversity and appropriate size]

According to the Articles of Incorporation, the maximum number of Directors, who comprise our Board of Directors, is 10. The Company has established a transparent governance system, which is well-balanced as a whole, upon considering knowledge, experience, skills and insights necessary for becoming a global specialty pharmaceutical company, and securing diversity. The details are stipulated in Section 2.2.2, Chapter 2 of our Corporate Governance Policy.

[Supplementary Principle 4.11.2 Information about Outside Directors, Outside Audit & Supervisory Board Members, and Other Directors and Audit & Supervisory Board Members who also Serve as Directors, Audit & Supervisory Board Members or the Management at Other Companies]
We disclose information on significant concurrent positions held by Directors and Audit & Supervisory Board Members every year in the convocation notice of the ordinary general meeting of shareholders and the Securities Report.

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

To identify differences from expected roles and responsibilities of the Board of Directors set forth in the Corporate Governance Policy and the actual state of the Board of Directors in 2017-2018, we conducted an evaluation on the effectiveness of the Board of Directors. We conducted a survey with an external advisor in October 2018, for the purposes of reviewing the progress toward improvement targets identified in the previous year by using the PDCA cycle for the evaluation of the Board’s effectiveness, and identifying key issues to be addressed during the next year by focusing on challenges inherent in the growth of the Company and third parties’ concerns about the Company. The questionnaires were sent to all Directors and Audit & Supervisory Board Members, as well as Executive Officers who attend Board meetings in the capacity of observers.

<Category of Survey Questions>
1) Growth Strategy; 2) Group Management; 3) Risk Management; 4) Remuneration System; 5) Succession Planning; 6) Dialogue with Shareholders; 7) Listing of Parent and Subsidiary Companies; 8) Topics of Deliberations; and 9) Enhancing Information Provision and Discussion

Based on the analysis of the survey results, in November 2018, we held a review session, participants of which were mainly Directors and Audit & Supervisory Board Members, and exchanged opinions. Based on the survey scores, comments, external advisors’ opinion, and results of the opinion exchange, we assessed that the Board of Directors ensures its effectiveness. To realize “Leaping Forward for Global Specialty Pharmaceutical Company” as stated in the 2016-2020 mid-term business plan, the Board of Directors was required to have further in-depth discussion on “Growth Strategy,” “Group Management” and “Risk Management”; and themes identified in these categories were to be incorporated in “key themes” of 2019 Board meetings. The Board of Directors continues to clarify challenges during its meetings, and to follow up on such challenges, aiming at maintaining/improving the Board’s effectiveness.

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

We provide training and information necessary for Directors and Audit & Supervisory Board Members to fulfill their roles and responsibilities, as appropriate. When they come into office, we provide them with lectures and training by experts and relevant departments concerning the Companies Act, corporate governance, risk management and other necessary matters; and thereafter, continuously hold training or study sessions on legal changes and management issues, as necessary. Furthermore, when Outside Directors and Outside Audit & Supervisory Board Members come into office, we explain businesses of our Group, and conduct a tour to our key business locations. The details are stipulated in Section 2.6.5, Chapter 2 of our Corporate Governance Policy.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

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

- We believe that constructive dialogue with shareholders contributes to further enhancement of corporate governance, and, eventually, helps increase corporate value over the mid- to long-term. Therefore, while accepting requests for dialogue, we proactively create opportunities for constructive dialogue, based on the shareholding structure, which we identify on a regular basis.

- In case of shareholders’ requests for individual meetings, under the command of Investor Relations (IR) Officer, mainly IR Group of the Corporate Communications Department meets the shareholders. In case IR Officer considers that the presence of President and/or other Directors (including Outside
Directors) or Executive Officers is appropriate for meetings with certain shareholders, we will provide opportunities for such dialogue, where reasonably possible.

➢ We work on ensuring fulfilling dialogue with shareholders by collaborating with mainly the IR Officer and finance, corporate planning, legal and other relevant departments, as appropriate for purposes of dialogue.

➢ We plan and hold briefing sessions and visit shareholders and investors, in order to explain our long-term management vision, mid-term/annual business plans, management strategy, financial results, individual businesses, etc., aiming at facilitating their understanding of the Company and promoting dialogue.

When we have dialogue with shareholders, we strive to have two-way communications: we sincerely provide explanations, taking into account timeliness, appropriateness and fairness, and also listen to shareholders’ opinions. IR Officer, regularly or as necessary, reports on shareholders’ opinions and questions to President and other Directors, and Executive Officers.

2. Capital Structure

Foreign Shareholding Ratio: From 10% to less than 20%

[Status of Major Shareholders]

<table>
<thead>
<tr>
<th>Name / Company Name</th>
<th>Number of Shares Owned</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kirin Holdings Company, Limited</td>
<td>288,819,000</td>
<td>52.76</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>39,842,900</td>
<td>7.28</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>20,015,600</td>
<td>3.66</td>
</tr>
<tr>
<td>The Norinchukin Bank</td>
<td>10,706,958</td>
<td>1.96</td>
</tr>
<tr>
<td>State Street Bank Trust Company 505001 (Standing Proxy: Mizuho, Ltd., Settlement &amp; Clearing Services Division)</td>
<td>6,873,666</td>
<td>1.26</td>
</tr>
<tr>
<td>Mizuho Trust &amp; Banking Co., Ltd. (Retirement Benefit Trust for Mizuho Bank, Ltd.)</td>
<td>6,809,000</td>
<td>1.24</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>4,915,000</td>
<td>0.90</td>
</tr>
<tr>
<td>Goldman Sachs &amp; Company Regular Account (Standing Proxy: Goldman Sachs Securities Co., Ltd.)</td>
<td>4,901,365</td>
<td>0.90</td>
</tr>
<tr>
<td>State Street Bank West Client-Treaty 505234 (Standing Proxy: Mizuho, Ltd., Settlement &amp; Clearing Services Division)</td>
<td>4,488,797</td>
<td>0.82</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>4,282,000</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Controlling Shareholder (except for Parent Company): ----

Parent Company: Kirin Holdings Company, Limited (Listed: Tokyo, Nagoya, Sapporo and Fukuoka/ Code: 2503)
3. Corporate Attributes

<table>
<thead>
<tr>
<th>Listed Stock Market and Market Section</th>
<th>Tokyo Stock Exchange, First Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year-End</td>
<td>December</td>
</tr>
<tr>
<td>Type of Business</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>Number of Employees (consolidated) as of the End of the Previous Fiscal Year</td>
<td>More than 1000</td>
</tr>
<tr>
<td>Sales (consolidated) as of the End of the Previous Fiscal Year</td>
<td>From ¥100 billion to less than ¥1 trillion</td>
</tr>
<tr>
<td>Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year</td>
<td>From 10 to less than 50</td>
</tr>
</tbody>
</table>

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

Transactions with controlling shareholders, whether those be of goods and services provided by the Company or to the Company, are based on objective market information and other data, and as with ordinary transactions, rational terms are agreed and the transaction is conducted appropriately.

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

The Company is a consolidated subsidiary of Kirin Holdings, a non-operating holding company that holds 50.10% of the total number of the Company’s issued shares (as of December 31, 2018). In the Integration Agreement, dated October 22, 2007, it is agreed that both companies recognize that while observing core group management policies, the Company will operate as an autonomous company with independence and flexibility, ensure management independence as a listed company, strive to maximize value for all shareholders and achieve consistent growth of its corporate value. Further, it is agreed by Kirin Holdings and the Company that Kirin Holdings will in principle exert full and reasonable efforts to maintain the Company as a listed company.

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

1. Organizational Composition and Operation

<table>
<thead>
<tr>
<th>Organization Form</th>
<th>Company with Audit &amp; Supervisory Board</th>
</tr>
</thead>
</table>

[Directors]
<table>
<thead>
<tr>
<th>Maximum Number of Directors Stipulated in Articles of Incorporation</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term of Office Stipulated in Articles of Incorporation</td>
<td>1 year</td>
</tr>
<tr>
<td>Chairperson of the Board</td>
<td>Company Chairperson (except the case where the Chairperson concurrently assumes the position of President)</td>
</tr>
<tr>
<td>Number of Directors</td>
<td>8</td>
</tr>
<tr>
<td>Number of Outside Directors</td>
<td>3</td>
</tr>
<tr>
<td>Number of Independent Directors</td>
<td>3</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Attribute</th>
<th>Relationship with the Company*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kentaro Uryu</td>
<td>Lawyer</td>
<td></td>
</tr>
<tr>
<td>Akira Morita</td>
<td>Academic</td>
<td></td>
</tr>
<tr>
<td>Yuko Haga</td>
<td>From another company</td>
<td></td>
</tr>
</tbody>
</table>

* Categories for “Relationship with the Company”
  * "○" when the director presently falls or has recently fallen under the category;
  * "△" when the director fell under the category in the past
  * "●" when a close relative of the director presently falls or has recently fallen under the category;
  * "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

### Outside Directors’ Relationship with the Company (2)

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation as Independent Director</th>
<th>Supplementary Explanation of the Relationship</th>
<th>Reasons of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kentaro Uryu</td>
<td>Yes</td>
<td>---</td>
<td>We appointed Mr. Kentaro Uryu as Outside Director, expecting that his expertise and wealth of experience as a</td>
</tr>
<tr>
<td>Name</td>
<td>Yes</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>-----</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>Akira Morita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yuko Haga</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mr. Akira Morita has many years of academic background and extensive knowledge as a researcher of public administration, as well as experience in assuming various positions, including a council member, in central and local governments. We appointed Mr. Morita as Outside Director, expecting that his expertise and experience will be reflected in the Company’s management. He satisfies all requirements of our Criteria for the Independence of Outside Directors as well as the TSE’s criteria for independent directors/auditors, and we judged there is no concern about conflicts of interest with general shareholders.

Ms. Yuko Haga has many years of academic background and extensive knowledge as a researcher of corporate strategies, experience as a business consultant, and wealth of experience in medical care, caregiving, and health care. We appointed Ms. Haga as Outside Director, expecting that her expertise and experience will be reflected in the Company’s management. She satisfies all requirements of our Criteria for the Independence of Outside Directors as well as the TSE’s criteria for independent directors/auditors, and we judged there is no concern about conflicts of interest with general shareholders.

<table>
<thead>
<tr>
<th>Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee</th>
<th>Established</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Committee’s Name, Composition, and Attributes of Chairperson</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Committee Corresponding to Nomination Committee</th>
<th>Committee Corresponding to Remuneration Committee</th>
</tr>
</thead>
</table>
Committee’s Name | Nomination and Remuneration Consultative Committee | Nomination and Remuneration Consultative Committee
--- | --- | ---
All Committee Members | 7 | 7
Full-time Members | 3 | 3
Inside Directors | 3 | 3
Outside Directors | 3 | 3
Outside Experts | 0 | 0
Other | 1 | 1
Chairperson | Outside Director | Outside Director

**Supplementary Explanation**

➢ Although we did not adopt the organization form of “company with committee(s),” we established the Nomination and Remuneration Consultative Committee, consisting of the above-mentioned members, as an advisory committee for the Board of Directors. The Committee deliberates and makes decisions on the following matters from an objective and fair standpoint, and reports the results to the Board of Directors: policies for appointing/dismissing 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 of main companies in the Group; remuneration system/level, amounts, etc. for Directors, Executive Officers, and Audit & Supervisory Board Members as well as Presidents of main companies in the Group.

➢ A committee member who falls under “Other” category represents an Outside Audit & Supervisory Board Member.

**[Audit & Supervisory Board]**

<table>
<thead>
<tr>
<th>Establishment of audit &amp; supervisory board member Board</th>
<th>Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Number of audit &amp; supervisory board member Stipulated in Articles of Incorporation</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Number of audit &amp; supervisory board member</td>
<td>5</td>
</tr>
</tbody>
</table>

**Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments**

➢ In accordance with the audit policy formulated by the Audit & Supervisory Board and division of duties, Audit & Supervisory Board Members collaborate with our accounting auditor (KPMG AZSA LLC) and Internal Audit Department through exchange of information/opinions and discussions.

➢ Audit & Supervisory Board Members and the accounting auditor regularly exchange opinions on the audit plan, audit policy, and progress in auditing.

➢ Audit & Supervisory Board Members and Internal Audit Department exchange opinions on the audit plan, and key audit matters, etc.; and Audit & Supervisory Board Members regularly receive reports on audit results from Internal Audit Department.
Appointment of Outside audit & supervisory board member | Appointed
---|---
Number of Outside audit & supervisory board member | 3
Number of Independent audit & supervisory board member | 2

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Attribute</th>
<th>Relationship with the Company*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akira Shimizu</td>
<td>From another company</td>
<td>△ △</td>
</tr>
<tr>
<td>Jun Arai</td>
<td>From another company</td>
<td></td>
</tr>
<tr>
<td>Yuji Inoue</td>
<td>From another company</td>
<td></td>
</tr>
</tbody>
</table>

* Categories for “Relationship with the Company”
  * “O” when the director presently falls or has recently fallen under the category;
  * “△” when the director fell under the category in the past
  * “●” when a close relative of the director presently falls or has recently fallen under the category;
  * “▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Audit & supervisory board members of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a audit & supervisory board member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
k. Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
m. Others

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation as Independent Audit &amp; Supervisory Board member</th>
<th>Supplementary Explanation of the Relationship</th>
<th>Reasons of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akira Shimizu</td>
<td>---</td>
<td>---</td>
<td>Mr. Akira Shimizu has been selected as an Audit &amp; Supervisory Board Member because the Company has judged he applies to its audit operations his abundant experience as a Group internal auditor of Kirin Holdings Company, Limited, which included working as an</td>
</tr>
</tbody>
</table>
internal auditor as well as a company auditor of the Group’s subsidiaries. The Company also expects that he will bring to its auditing his broad-ranging knowledge based on experience in such fields as research and development, overseas business and corporate management.

Mr. Jun Arai has been selected as an Audit & Supervisory Board Member because, in light of his considerable knowledge in finance and accounting accrued during his long-standing service in charge of accounting and financial departments at Showa Shell Sekiyu K.K., and his experience in corporate management as a Representative Director and President, the Company has judged that he can apply his broad-ranging insight to guiding and auditing the Company’s overall management. The Company expects that he will adequately perform his auditing roles from an independent standpoint based on not only his standpoint as an expert in accounting, etc. but also his extensive experience as a management executive.

Mr. Yuji Inoue has been selected as an outside Audit & Supervisory Board Member because the Company has judged that he has a significant level of insights of finance and accounting through his experiences in important posts in accounting and finance division and Corporate Auditor in Ricoh Company, Ltd., as well as his abundant experience from his service as President and Chief Executive Officer, and in other roles at Ricoh Leasing Co., Ltd. and he will apply such insight and experience to the business management and audits of the Company. The Company expects that he will adequately perform his auditing and supervising roles from an independent standpoint based on not only his standpoint as an expert in accounting, etc. but also his extensive experience as a management executive.

<table>
<thead>
<tr>
<th>Independent Directors/ Audit &amp; Supervisory Board Member</th>
<th>Number of Independent Directors/ Audit &amp; Supervisory Board Member</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>
The Company designates all Directors and Audit & Supervisory Board Members who meet the qualification for independent officers as Independent Directors and Audit & Supervisory Board Members.

(The Company’s view on the current status of appointment)

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

With respect to the requirements for securing independence, we established our own “Criteria for the Independence of Outside Directors and Outside Audit & Supervisory Board Members” to secure the independence from our Group, with reference to the provision on independent officers stipulated in the “Enforcement Rules for Securities Listing Regulations” of the Tokyo Stock Exchange (TSE), as well as the “Model standards for appointing independent directors in rules of the Board of Directors” developed by the Japan Association of Corporate Directors in 2011. According to the Criteria, as of March 20, 2019, we designated 5 persons (3 Outside Directors: Mr. Kentaro Uryu, Mr. Akira Morita and Ms. Yuko Haga / 2 Outside Audit & Supervisory Board Members: Mr. Jun Arai and Mr. Yuji Inoue) as independent officers defined in the “Securities Listing Regulations” of the TSE, and notified the TSE of the matter.

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

In order for outside Directors of the Board and outside Audit & Supervisory Board Members of the Company to be judged as being independent, such outside Directors of the Board and outside Audit & Supervisory Board Members must not fall under any of the following items:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Director (torishimariyaku), audit &amp; supervisory board member (kansayaku), executive officer (shikkoyakuin), manager (shihainin) or other employee of a parent company or fellow subsidiary of the Company</td>
<td>“Fellow subsidiary” refers to another company that has the same parent company as the Company.</td>
</tr>
<tr>
<td>2. Director, audit &amp; 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)</td>
<td>“Major shareholder” refers to a shareholder who holds 10% or more of voting rights.</td>
</tr>
<tr>
<td>3. Director, audit &amp; 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)</td>
<td></td>
</tr>
<tr>
<td>4. Person whose major business counterparty is the Company or a subsidiary of the Company</td>
<td>“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.</td>
</tr>
<tr>
<td>5. Executive director (gyomushikko torishimariyaku), corporate officer, executive officer, manager or other employee of a company whose major business counterparty is the Company or a subsidiary of the Company</td>
<td>“Company whose major business counterparty is the Company or a subsidiary of the Company” refers to 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.</td>
</tr>
<tr>
<td>6. Major business counterparty of the Company</td>
<td>“Major business counterparty of the Company” refers to a person who receives or makes payments from or to the Company of 2% or more of the Company’s annual consolidated net sales in the most recent fiscal year.</td>
</tr>
<tr>
<td>7. Executive director, corporate officer, executive officer, manager or other employee of a company that is a major business counterparty of the Company</td>
<td></td>
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</table>

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“A company that is a major business counterparty of the Company” refers to a company which receives or makes payments from or to the Company of 2% or more of the Company’s annual consolidated net sales in the most recent fiscal year.

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

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

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

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

11. 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 Company’s financing and that the Company is dependent on to a degree that there is no substitute.

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

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

13. 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).

14. Person who has come under a category listed in either of items 1 and 2 in the past five years.

15. Person who has come under a category listed in any of items 4 through 8, and item 11 in the past three years.

16. 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 1 through 15; provided, however, that any mention of “manager or other employee” shall be deemed to be replaced with “manager or other important employee.”

17. Spouse, first- to second-degree relative, or other relative sharing same residence of Director of the Board, Executive Officer, manager or other important employee of the Company.

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

19. Spouse, first- to second-degree relative, or other relative sharing same residence of executive director or executive officer of the Company or a subsidiary of the Company in the past five years.

[Incentives]

| Incentive Policies for Directors | Performance-linked Remuneration / Stock Options |

- 13 -
Supplementary Explanation

➢ Basically, remuneration for Directors is paid for the purposes of raising their awareness of contributing to the Company’s sustainable growth and further increase in corporate value, securing human resources to make the leap forward to a Global Specialty Pharmaceutical Company, and motivating them to contribute to the Company through execution of their duties.

➢ The remuneration system for Executive Directors and Executive Officers consists of three parts: (1) base compensation, (2) performance-linked annual bonus, and (3) share remuneration-type stock options as a mid- to long-term incentive. Elements to be assessed for performance-linked remuneration include annual targets of revenue, profit (in case of Executive Directors) and core operating profit (in case of Executive Officers) and targets in the mid-term business plan. Non-Executive Directors (Outside Directors) and Audit & Supervisory Board Members receive only fixed compensation to ensure they fulfill their management supervision function.

➢ The Company has established suitable standards for compensation based on the category of the Company’s business and its scale, and data from surveys of other companies conducted by external survey organizations.

Recipients of Stock Options

<table>
<thead>
<tr>
<th></th>
<th>Other</th>
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</table>

Supplementary Explanation

“Other” indicates Executive Directors, Executive Officers and certain Directors of the Board of the subsidiaries.

[Director Remuneration]

<table>
<thead>
<tr>
<th>Disclosure of Individual Directors’ Remuneration</th>
<th>Selected Directors</th>
</tr>
</thead>
</table>

Supplementary Explanation

Compensation to Directors and Audit & Supervisory Board Members (January – December, 2018)

➢ Directors (excluding Outside Directors) (6): Total compensation 373 million yen (base compensation: 203 million yen, performance-linked annual bonus: 95 million yen, and stock options: 75 million yen)

➢ Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) (2): Total compensation 26 million yen (base compensation: 26 million yen)

➢ Outside Directors (3): Total compensation 27 million yen (base compensation: 27)

➢ Outside Audit & Supervisory Board Members (4): Total compensation 51 million yen (base compensation: 51 million yen)

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

Note 1. The amount of performance-linked annual bonuses represents the amount of provision for bonuses for directors for the current fiscal year.

Note 2. The amount of stock compensation is recorded as expense for the current fiscal year.
Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

➢ As for remuneration for Directors, the maximum total amount is 500 million yen per year (where the maximum amount to be paid to Outside Directors is 50 million yen), and the maximum amount of stock compensation for Directors is 155 million yen per year. Each amount was approved by resolution at the ordinary general meeting of shareholders.

➢ As for remuneration for Audit & Supervisory Board Members, the maximum total amount is 9 million yen per month, which was approved by resolution at the ordinary general meeting of shareholders.

➢ Although the Company is not a company with committee(s), we established the Nomination and Remuneration Consultative Committee, consisting of 3 inside directors and 4 outside officers, as an advisory body for the Board of Directors. The Committee deliberates such matters as the remuneration system for Directors, Audit & Supervisory Board Members, and Executive Officers, verification/review of the remuneration level, and calculation of stock compensation.

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

➢ The Secretariat for the Board of Directors routinely provides necessary information to Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, and also provides prior explanations about matters to be deliberated by and/or reported to the Board of Directors, as needed.

➢ When Outside Directors and/or Outside Audit & Supervisory Board Members request information necessary for executing the duties of Directors and Audit & Supervisory Board Members, executing organizations willingly provide such information.

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

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

<Directors and Board of Directors>
The Board of Directors of the Company makes decisions on important matters relating to corporate management and oversees business execution; the balance between knowledge, experience, ability, and insight of directors has led to the realization of a system that is transparent. Furthermore, by leveraging the objective and professional viewpoints of Outside Directors, the Board aims to make appropriate decisions and fulfill its supervisory function. The selection process and procedures for candidates to the Board of Directors are deliberated on in the Nomination and Remuneration Consultative Committee and determined by the Board of Directors.

As of March 20, 2019, the Board of Directors consists of 8 Directors (including 3 Outside Directors; 7 males and 1 female), and the Board of Directors makes decisions on such important matters as business policies, and supervises business execution. In FY2018, the Board of Directors met 15 times, and the Directors’ attendance ratio was 98.2%.
Audit & Supervisory Board Members and the Audit & Supervisory Board

Audit & Supervisory Board Members of the Company audit the performance of duties by Directors, by attending the Board meetings and other important meetings and inspecting business operations and financial situations, in accordance with its audit standards established by the Audit & Supervisory Board, as well as the audit policy and division of duties. Furthermore, by cooperating with accounting auditors and Internal Audit Department as well as Audit & Supervisory Board Members of Group companies, the Members strive to improve the audit function.

As of March 20, 2019, Audit & Supervisory Board consists of 5 Members (including 3 Outside Members; 5 males). Mr. Hiroshi Komatsu (full-time Audit & Supervisory Board Member), and Mr. Jun Arai and Mr. Yuji Inoue (Audit & Supervisory Board Members) have experience in accounting and finance divisions of business corporations, and thus have considerable knowledge of accounting and finance.

Executive Committee/Executive Officer System

The Company established the Executive Committee, which is a decision-making body capable of making adequate and efficient managerial decisions from the strategic viewpoint. The Company also introduced the Executive Officer system for faster execution of business strategies and for clarification of operating responsibilities.

Accounting Audit and Legal Compliance

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

Compliance/Risk Management

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

- Group CSR
  The Group CSR Committee discusses and makes decisions related to group-wide strategy and policy for matters of CSR such as risk management (including compliance and information security), environmental conservation and corporate value creation.

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

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

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

Internal Auditing

The Company has established the Internal Audit Department, which impartially and independently audits and reports on the status of the Group's operational execution with regard to the decision making process, risk management system and risk control activities from the perspectives of compliance with laws and regulations, and of efficient management. The department provides advice and proposals regarding
improvements and increased efficiency. In 2017, the Company underwent an external assessment, aiming at maintaining/improving the quality of auditing.

**<Corporate Ethics>**

To clarify the Group’s approach to compliance with corporate ethics in the conduct of business activities, the Company has established the “Kyowa Hakko Kirin Group Compliance Policy” and “Kyowa Hakko Kirin Group Code of Conduct,” and is working to ensure awareness of these guidelines among Group companies and all Group employees.

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Supplementary Explanations</th>
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<tbody>
<tr>
<td><strong>Early Notification of General Shareholder Meeting</strong></td>
</tr>
<tr>
<td><strong>Scheduling AGMs Avoiding the Peak Day</strong></td>
</tr>
<tr>
<td><strong>Allowing Electronic Exercise of Voting Rights</strong></td>
</tr>
<tr>
<td><strong>Participation in Electronic Voting Platform</strong></td>
</tr>
<tr>
<td><strong>Providing Convocation Notice in English</strong></td>
</tr>
</tbody>
</table>

Other We promote the visualization with respect to administration of ordinary general meetings of shareholders. We give due consideration to ease of reading the Notice of Convocation by using color printing and universal fonts. The Notice of Convocation was posted on our website on February 21, which was 8 days earlier than the date of dispatch (March 1). On the date of ordinary general meeting of shareholders, video was used for business reporting, and President made a presentation on issues that must be
addressed, keeping in mind to run the meeting in an easy-to-understand manner for shareholders.

Notice of Convocation
<https://ir.kyowa-kirin.com/en/stock/meeting.html>

2. IR Activities

<table>
<thead>
<tr>
<th>Supplementary Explanations</th>
<th>Explanation by Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation and Publication of Disclosure Policy</td>
<td>The Disclosure Policy, which is our basic policy concerning information disclosure, was established and posted on our website. <a href="https://ir.kyowa-kirin.com/en/disclosure.html">https://ir.kyowa-kirin.com/en/disclosure.html</a></td>
</tr>
<tr>
<td>Regular Investor Briefings for Individual Investors</td>
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</tr>
<tr>
<td>Regular Investor Briefings for Analysts and Institutional Investors</td>
<td>We hold results presentations after the announcement of the 2nd quarter and year-end results, and conference call presentations after the announcement of the 1st and 3rd quarter results. We also hold a separate briefing session when we announce such important matters as mid-term business plan. Yes</td>
</tr>
<tr>
<td>Regular Investor Briefings for Overseas Investors</td>
<td>We visit foreign investors in the United States and Europe once a year to have individual meetings. Yes</td>
</tr>
<tr>
<td>Posting of IR Materials on Website</td>
<td>Financial results, timely disclosure documents, presentation materials, Securities Report and Quarterly Report, Notice of Convocation of the Ordinary General Meeting of Shareholders, Kyowa Hakko Kirin Report (interim report), Annual Report (integrated report), etc. are posted on our website. In addition, on-demand audio replay of results presentations and conference calls are also available at the IR website.</td>
</tr>
<tr>
<td>Establishment of Department and/or Manager in Charge of IR</td>
<td>The department in charge of investor relations is IR Group of the Corporate Communications Department (3 staff members). Furthermore, the Group Information Disclosure Committee meets twice a year to have cross-functional discussions on information disclosure.</td>
</tr>
<tr>
<td>Other</td>
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3. Measures to Ensure Due Respect for Stakeholders

<table>
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<tr>
<th>Supplementary Explanations</th>
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</thead>
<tbody>
<tr>
<td>Stipulation of Internal Rules for Respecting the Position of Stakeholders</td>
</tr>
<tr>
<td>Kyowa Hakko Kirin Group Compliance Policy</td>
</tr>
<tr>
<td><a href="https://www.kyowa-kirin.com/sustainability/group_policy/">https://www.kyowa-kirin.com/sustainability/group_policy/</a></td>
</tr>
<tr>
<td>Implementation of Environmental Activities, CSR Activities etc.</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Development of Policies on Information Provision to Stakeholders</td>
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<tr>
<td>Other</td>
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### IV. Matters Related to the Internal Control System
1. Basic Views on Internal Control System and the Progress of System Development

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

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

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

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

➢ Establish an organization to supervise compliance, which undertakes developing awareness of compliance among employees through educational programs and awareness-raising activities, and also clarify procedures in case of compliance violations and make the procedures well-known to any of the Kyowa Hakko Kirin Group.

➢ Ensure that a department dedicated to internal audit shall conduct audits into the design and operation of the compliance system.

➢ Establish an internal control reporting system to ensure reliability of the financial reports, and conduct and evaluate its effective and efficient operation.

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

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

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

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

➢ Establish a basic policy on risk management of the Kyowa Hakko Kirin Group, and maintain an organization and regulations to materialize the policy.

➢ Establish an organization to supervise risk management, which ensures the effectiveness of risk management through risk management activities all at each of the Kyowa Hakko Kirin Group. Also, clarify procedures in case of disclosure of risk factors and responses to the occurrence of a crisis situation, and make the procedures well-known to any of the Group.

➢ Ensure that the department dedicated to internal audit shall conduct audits into the design and operation of the system for risk management.

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

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

➢ Establish organizational regulations and standards on allocation of duties, limits of authority and decision making.

➢ Appoint Executive Officers in charge of the execution of operations by a resolution of the Board of Directors. Also, as necessary, dispatch Director(s) to each Group company to oversee appropriate execution of operations and decision making.

➢ Establish the Executive Committee and accelerate decision making.

➢ Ensure, regarding the limits of authority and responsibility in the execution of duties by the Directors of the Group subsidiaries, that each Group subsidiary shall stipulate own regulations on allocation of duties, limits of authority and others and shall execute efficient operations.

➢ Periodically manage the Kyowa Hakko Kirin Group’s business performance in comparison to their annual plans through performance monitoring tools.

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

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

➢ Establish a relevant department in charge of each Group subsidiary, which receives regular reports concerning the business conditions of such subsidiary, and which provides with guidance and advice such as prior consultations for important issues as necessary, while continuing to respect the autonomy of the subsidiaries.

➢ Establish responsibilities and limits of authority relating to the execution of operations of the Group subsidiaries and make the department dedicated to internal audit conduct audits on operations of each Group subsidiary.

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

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

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

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

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

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

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

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

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

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

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

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

<Development of Internal Control System>
The Company has been steadily developing and implementing the internal control system. The progress of
the development/implementation was reported to and confirmed by the Board of Directors on January 22,
2019.

2. Basic Views on Eliminating Anti-Social Forces

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

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

V. Other
1. Adoption of Anti-Takeover Measures

<table>
<thead>
<tr>
<th>Adoption of Anti-Takeover Measures</th>
<th>Not Adopted</th>
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</table>

Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

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

Corporate Governance Structure (As of March 20, 2019)
System of Information Disclosure (Timely Disclosure Rules)

1) Including subsidiaries