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Securities Code 4151  
March 1, 2017

Dear Shareholders,

Nobuo Hanai  
Executive Director of the Board,  
President and Chief Executive Officer  
Kyowa Hakko Kirin Co., Ltd.  
1-6-1 Ohtemachi, Chiyoda-ku, Tokyo

### **Notice of Convocation of the 94th Ordinary General Meeting of Shareholders**

Please be advised that the 94th Ordinary General Meeting of Shareholders (the “**Meeting**”) of Kyowa Hakko Kirin Co., Ltd. (the “**Company**”) will be held as set forth below. You are cordially requested to attend the Meeting.

If you are unable to attend the Meeting in person, you may exercise your voting rights in either of the following methods. Please review the attached “Reference Documents for the General Meeting of Shareholders” and exercise your voting rights.

#### Exercising voting rights by postal mail

Please indicate your approval or disapproval of each of the proposals on the enclosed Voting Form and return it to reach us by 5:40 p.m. on Wednesday, March 22, 2017 (JST).

#### Exercising voting rights via the Internet, etc.

Please indicate your approval or disapproval of each of the proposals via the Internet, etc., by 5:40 p.m. on Wednesday, March 22, 2017 (JST).

## Details of the Meeting

### 1. Date and Time:

March 23, 2017 (Thursday), at 10:00 a.m. (JST)

### 2. Venue:

“Aoi,” 2F, PALACE HOTEL TOKYO  
1-1-1 Marunouchi, Chiyoda-ku, Tokyo

### 3. Agenda:

Matters to be reported:

1. Business Report, Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Board of Company Auditors on the Consolidated Financial Statements, for the 94th fiscal year (from January 1, 2016 to December 31, 2016)
2. Non-consolidated Financial Statements for the 94th fiscal year (from January 1, 2016 to December 31, 2016)

Matters to be resolved:

- Proposal No. 1: Appropriation of surplus
- Proposal No. 2: Election of eight (8) Directors of the Board
- Proposal No. 3: Election of one (1) Company Auditor
- Proposal No. 4: Revision of remuneration amount for Directors of the Board
- Proposal No. 5: Revision of remuneration amount of stock compensation-type stock options for Directors of the Board (excluding outside Directors of the Board and other non-executive Directors of the Board)
- Proposal No. 6: Authorization for the Board of Directors to determine the offering terms (*boshu jiko*) of stock acquisition rights (*shinkabu yoyakuken*) as stock compensation-type stock options

### 4. Other Decisions on the Convocation of the Meeting:

In the case that voting rights are exercised in duplicate, via both postal mail and the Internet, etc., the vote via the Internet, etc. shall be deemed valid.

In the case that multiple votes are received via the Internet, etc., the last vote shall be deemed valid.

End

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- If attending the Meeting in person, please present the enclosed Voting Form at the reception of the meeting venue. In addition, please bring this “Notice of Convocation” with you to conserve paper. We would appreciate it if you could arrive ahead of time to avoid congestion at the reception.
  - Of the documents to be provided to shareholders with this convocation notice, matters to be stated or presented in the notes to the Consolidated Financial Statements and the notes to the Non-consolidated Financial Statements are deemed to have been provided to shareholders in writing by means of posting on the website of the Company, pursuant to the provisions of relevant laws and regulations and the Company’s Articles of Incorporation. The Consolidated Financial Statements and the Non-consolidated Financial Statements that were audited by the Company Auditors and the Accounting Auditor consist of the documents stated in the documents attached to the Notice of Convocation of the Ordinary General Meeting of Shareholders, as well as the notes to the Consolidated Financial Statements and the notes to the Non-consolidated Financial Statements posted on the Company’s website.
  - If any changes are required in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, the changes will be posted on the Company’s website.

Please kindly note that, as of last year, presents are no longer prepared for the shareholders who attend the General Meeting of Shareholders. We greatly appreciate your understanding.
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The Company’s website: <http://ir.kyowa-kirin.com/en/>

## Reference Documents for the General Meeting of Shareholders

### Proposals and References:

#### **Proposal No. 1:** Appropriation of surplus

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.

Based on this policy, the Company intends to pay a year-end dividend of ¥12.50 per share for the 94th fiscal year, as described below. Combined with the interim dividend of ¥12.50 per share, this will result in an annual dividend of ¥25 per share.

#### Year-end dividend

- (1) Type of dividend property: Cash
- (2) Allocation of dividend property and total amount thereof:  
¥12.50 per share of the Company's common stock  
Total amount: ¥6,840,275,813
- (3) Effective date of dividends of surplus:  
March 24, 2017

**Proposal No. 2:** Election of eight (8) Directors of the Board

As of the conclusion of the Meeting, the terms of office of all eight (8) Directors of the Board will expire. Accordingly, based on the report from the Nomination Consultative Committee, which is chaired by an outside Director of the Board and made up of three (3) outside Directors and Company Auditors and two (2) internal Directors and Company Auditors, shareholders are requested to elect eight (8) Directors of the Board including two (2) outside Directors of the Board.

The candidates for the positions of Directors of the Board are as follows:

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
1.	<u>Reelection</u>  Nobuo Hanai (Apr. 30, 1953)	<p>Apr. 1976: Joined Kyowa Hakko Kogyo Co., Ltd. Feb. 2003: President and Chief Executive Officer, BioWa, Inc. Jun. 2006: Executive Officer, Kyowa Hakko Kogyo Co., Ltd. Oct. 2008: Executive Officer, Head, Development Division, Kyowa Hakko Kirin Co., Ltd. Apr. 2009: Managing Executive Officer, Head, Development Division, Kyowa Hakko Kirin Co., Ltd. Jun. 2009: Director of the Board, Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd. Mar. 2010: Director of the Board, Senior Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd. Mar. 2012: Executive Director of the Board, President and Chief Executive Officer, Kyowa Hakko Kirin Co., Ltd. (to present)</p> <p><u>Reasons for appointing him as a candidate for Director of the Board:</u> Mr. Nobuo Hanai was selected as a candidate for Director of the Board because the Company has judged that he is the right person to promote the Group's five-year Medium-term Business Plan from 2016 aiming for leaping forward to become a global specialty pharmaceutical company, by focusing on operating and presiding the Board of Directors and invigorating thereof as Executive Director of the Board, President and Chief Executive Officer, with his strong leadership based on his extensive experience and achievements as a management executive.</p>	18,300 shares

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
2.	<p><u>Reelection</u></p> <p>Hiroyuki Kawai (Jan. 17, 1954)</p>	<p>Apr. 1979: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited)</p> <p>Mar. 2004: General Manager, Development Division of Pharmaceutical Division, Kirin Brewery Company, Limited</p> <p>Jul. 2007: Director, Executive Officer, Head, Development Division, Kirin Pharma Company, Limited</p> <p>Mar. 2008: Representative Director, Executive Vice President, Executive Officer, Head, Production Division, Kirin Pharma Company, Limited</p> <p>Oct. 2008: Managing Executive Officer, Head, Production Division, Kyowa Hakko Kirin Co., Ltd.</p> <p>Mar. 2010: Director of the Board, Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd.</p> <p>Mar. 2013: Director of the Board, Senior Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd.</p> <p>Mar. 2014: Executive Director of the Board, Executive Vice President, Kyowa Hakko Kirin Co., Ltd. (to present)</p> <p><u>Position and areas of responsibility:</u> Overall Management Assistant, Internal Audit Department, Procurement Department</p> <p><u>Reasons for appointing him as a candidate for Director of the Board:</u> Mr. Hiroyuki Kawai was selected as a candidate for Director of the Board because the Company has judged that he is the right person to perform the role of decision making on material matters of management and supervising the execution of operation as Director of the Board, using his extensive experience and high level of insight regarding overall business management, and to further promote enhancing compliance and corporate governance.</p>	17,000 shares

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
3.	<p><u>Reelection</u></p> <p>Kazuyoshi Tachibana (Jan. 21, 1956)</p>	<p>Apr. 1978: Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Apr. 2005: General Manager, Pharmaceutical Strategic Planning Division and Pharmaceutical Manufacturing Strategy Department, Kyowa Hakko Kogyo Co., Ltd.</p> <p>Jun. 2005: Executive Officer, General Manager, Pharmaceutical Strategic Planning Division and Pharmaceutical Manufacturing Strategy Department, Kyowa Hakko Kogyo Co., Ltd.</p> <p>Oct. 2008: Executive Officer, Kyowa Hakko Kirin Co., Ltd.</p> <p>Apr. 2009: Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd.</p> <p>Jun. 2009: Director of the Board, Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd. (to present)</p> <p><u>Position and areas of responsibility:</u> Finance &amp; Accounting Department, Information Systems Department</p> <p><u>Reasons for appointing him as a candidate for Director of the Board:</u> Mr. Kazuyoshi Tachibana was selected as a candidate for Director of the Board because the Company has judged that he is the right person to perform the role of decision making on material matters of management and supervising the execution of operation as Director of the Board, using his extensive experience and high level of insight regarding overall business management, and to facilitate swift responses to changes in the economic and business environment and promote the efficiency of management at global level from a financial perspective.</p>	28,140 shares

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
4.	<p><u>Reelection</u></p> <p>Toshifumi Mikayama (Jul. 18, 1957)</p>	<p>Apr. 1983: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited)</p> <p>Mar. 2004: General Manager, Planning Division of Pharmaceutical Division, Kirin Brewery Company, Limited</p> <p>Jul. 2007: Director, Executive Officer, Head, Research Division, Kirin Pharma Company, Limited</p> <p>Oct. 2008: Executive Officer, Head, Research Division, Kyowa Hakko Kirin Co., Ltd.</p> <p>Apr. 2010: Executive Officer, General Manager, Corporate Strategy &amp; Planning Department, Kyowa Hakko Kirin Co., Ltd.</p> <p>Mar. 2012: Managing Executive Officer, General Manager, Overseas Business Department, Kyowa Hakko Kirin Co., Ltd.</p> <p>Mar. 2014: Director of the Board, Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd. (to present)</p> <p><u>Position and areas of responsibility:</u> General Manager, Overseas Business Department</p> <p><u>Reasons for appointing him as a candidate for Director of the Board:</u> Mr. Toshifumi Mikayama was selected as a candidate for Director of the Board because the Company has judged that he is the right person to perform the role of decision making on material matters of management and supervising the execution of operation as Director of the Board, using his extensive experience and high level of insight regarding overall business management, and to promote overseas business, driving the Company forward to a global specialty pharmaceutical company.</p>	30,700 shares

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
5.	<div data-bbox="245 338 443 376" style="border: 1px solid black; padding: 2px;">New Candidate</div> <p data-bbox="245 416 443 517">Masashi Miyamoto (Jul. 16, 1959)</p>	<p data-bbox="480 338 1225 398">Apr. 1985: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited)</p> <p data-bbox="480 409 1225 510">Apr. 2011: Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd.</p> <p data-bbox="480 521 1225 645">Mar. 2012: Executive Officer, Director, Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd.</p> <p data-bbox="480 656 1225 824">Jul. 2014: Executive Officer, Director, Strategic Product Portfolio Department and Regulatory Affairs Department of Pharmacovigilance and Quality Assurance Division, Kyowa Hakko Kirin Co., Ltd.</p> <p data-bbox="480 835 1225 936">Apr. 2015: Executive Officer, Director, Strategic Product Portfolio Department, Kyowa Hakko Kirin Co., Ltd. (to present)</p> <div data-bbox="480 976 1225 1037" style="border: 1px solid black; padding: 2px;"> <p data-bbox="480 976 1225 1037">Reasons for appointing him as a candidate for Director of the Board:</p> </div> <p data-bbox="480 1048 1225 1641">Mr. Masashi Miyamoto was newly selected as a candidate for Director of the Board because of the following. The Company has judged that, in light of his expertise in scientific area as well as his extensive insight regarding management, pharmaceutical regulatory affairs, healthcare administration and marketing gained from such experiences in Japanese and overseas research institutes, corporate planning and pharmaceutical regulatory affairs, he is the right person capable of adequately performing the role of decision making on material matters of management and supervising the execution of operation as Director of the Board. The Company has also judged that he is the right person to promote CSV management* by leading the Corporate Strategy Planning Department which is to be newly established in April 2017, and make the leap forward to become a global specialty pharmaceutical company and bring about sustainable growth.</p> <p data-bbox="480 1653 1225 1744">*CSV management: Management that seeks corporate growth through providing solutions to challenging issues in society. (CSV: Creating Shared Value)</p>	900 shares

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
6.	<div data-bbox="245 338 443 376" style="border: 1px solid black; padding: 2px;">New Candidate</div> <p data-bbox="245 416 443 483">Noriya Yokota (Feb. 3, 1961)</p>	<p data-bbox="480 338 1225 405">Apr. 1984: Joined Kirin Brewery Company, Limited (presently Kirin Holdings Company, Limited)</p> <p data-bbox="480 412 1225 445">Mar. 2006: Managing Director, Kirin Australia Pty. Ltd.</p> <p data-bbox="480 452 1225 519">Mar. 2011: General Manager, Sendai Plant, Production Division, Kirin Brewery Company, Limited</p> <p data-bbox="480 526 1225 616">Mar. 2014: General Manager, Production Department of Production Division, Kirin Brewery Company, Limited</p> <p data-bbox="480 622 1225 801">Apr. 2015: Executive Officer, General Manager, Personnel &amp; General Affairs Department, Kirin Company, Limited and Director of Group Personnel &amp; General Affairs, Kirin Holdings Company, Limited (to present)</p> <p data-bbox="480 808 1225 1010">Mar. 2017 Director of the Board, Senior Executive Officer, Kirin Company, Limited, and Senior Executive Officer, Director, Group Corporate Strategy, Kirin Holdings Company, Limited (scheduled to assume the positions on March 30)</p> <div data-bbox="480 1048 1225 1115" style="border: 1px solid black; padding: 2px;">Reasons for appointing him as a candidate for Director of the Board:</div> <p data-bbox="480 1122 1225 1711">Mr. Noriya Yokota was newly selected as a candidate for Director of the Board because of the following. The Company has judged that, in light of his abundant knowledge and insight accrued in such areas of human resource management, the frontline of manufacturing operations, and overseas company management, he is the right person capable of adequately performing the role of decision making on material matters of management and supervising the execution of operation as Director of the Board. The Company has also judged that, because he concurrently serves as Director of Group Corporate Strategy at Kirin Holdings Company, Limited, he is the right person to promote tight-knit cooperation with Kirin Group companies aimed at facilitating contribution to health and well-being of people by providing solutions responding to various medical needs, through making use of our various business bases.</p>	0 shares

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
7.	<div data-bbox="245 344 384 376" style="border: 1px solid black; padding: 2px;">Reelection</div> <p data-bbox="245 421 432 517">Koichiro Nishikawa (Jul. 12, 1947)</p> <div data-bbox="245 555 453 629" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director of the Board</div> <div data-bbox="245 667 453 712" style="border: 1px solid black; padding: 2px;">Candidate for Independent Director</div>	<p data-bbox="475 338 1214 1227"> Apr. 1970: Joined Hitachi, Ltd.  Aug. 1995: Vice President, Hitachi America, Ltd.  Apr. 1999: General Manager, Business Development Office, Hitachi, Ltd.  Apr. 2001: General Manager, Global Business Development Division, Hitachi, Ltd.  Apr. 2003: Managing Officer, Business Development, Hitachi, Ltd.  Jun. 2003: Executive Officer, Business Development, Hitachi, Ltd.  Jan. 2006: Vice President and Executive Officer, Hitachi, Ltd.  Apr. 2007: Senior Vice President and Executive Officer, Hitachi, Ltd.  Apr. 2010: Senior Vice President and Executive Officer, Hitachi Cable, Ltd.  Apr. 2012: Senior Advisor, Hitachi Research Institute  Jun. 2013: International Affairs Committee member, Japan Association of Athletics Federations  Oct. 2013: President, Japan Industrial Track &amp; Field Association (to present)  Mar. 2014: Director of the Board, Kyowa Hakko Kirin Co., Ltd. (to present)  May 2015: Audit &amp; Supervisory Board Member, J. FRONT RETAILING Co., Ltd. (to present) </p> <div data-bbox="480 1267 1230 1339" style="border: 1px solid black; padding: 2px;"> Reasons for appointing him as a candidate for outside Director of the Board: </div> <p data-bbox="480 1346 1214 1720"> Mr. Koichiro Nishikawa was selected as a candidate for Director of the Board because the Company has judged he will contribute toward reinforcing the Company's governance function by supervising the execution of operations from an independent standpoint and reflecting in the Company's management a perspective of protecting the rights of the general shareholders. The Company expects that he will continuously utilize his extensive international experience and knowledge in such areas as business alliances and management reform, gained over many years, in the management of the Company. </p>	2,000 shares

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
8.	<div data-bbox="245 338 384 376" style="border: 1px solid black; padding: 2px;">Reelection</div> <p data-bbox="245 416 424 517">Yoshiko Leibowitz (Sep. 2, 1945)</p> <div data-bbox="245 551 453 629" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director of the Board</div> <div data-bbox="245 663 453 719" style="border: 1px solid black; padding: 2px;">Candidate for Independent Director</div>	<p data-bbox="475 338 1222 439">Apr. 1968: RN, St. Luke's International Hospital, Tokyo Sep. 1977: Instructor, Intercollegiate College of Nursing, Washington State University</p> <p data-bbox="475 450 1150 551">May 1981: Nursing Supervisor, Thomas Jefferson University Hospital Ford Road Campus (FRC)</p> <p data-bbox="475 562 1177 663">Jul. 1984: Assistant Director, Nursing Service Department, Thomas Jefferson University Hospital, FRC</p> <p data-bbox="475 674 1166 730">Apr. 1995: Founder and Director, Continuous Home Care Inc. (Philadelphia, Pennsylvania)</p> <p data-bbox="475 741 1214 797">Apr. 1998: Adult Nursing Chief Professor, Oita Medical University</p> <p data-bbox="475 808 1190 864">Apr. 2002: Professor, Department of Nursing, Aomori University of Health and Welfare (AUHW)</p> <p data-bbox="475 875 1046 931">Apr. 2003: Professor &amp; Chair, Intercultural Communication, AUHW</p> <p data-bbox="475 943 1182 999">Apr. 2006: Professor &amp; Department Head of Nursing, AUHW</p> <p data-bbox="475 1010 879 1043">Apr. 2007: President, AUHW</p> <p data-bbox="475 1055 1214 1133">Apr. 2008: Chair of the Board of Trustees and President, Public University Corporation, AUHW</p> <p data-bbox="475 1144 1150 1178">Jun. 2014: Professor Emeritus, AUHW (to present)</p> <p data-bbox="475 1189 1190 1245">Mar. 2015: Director of the Board, Kyowa Hakko Kirin Co., Ltd. (to present)</p> <div data-bbox="475 1267 1230 1335" style="border: 1px solid black; padding: 2px;">Reasons for appointing her as a candidate for outside Director of the Board:</div> <p data-bbox="475 1346 1222 1760">Ms. Yoshiko Leibowitz was selected as a candidate for Director of the Board because the Company has judged she will contribute toward reinforcing the Company's governance function by supervising the execution of operations from an independent standpoint and reflecting in the Company's management a perspective of protecting the rights of the general shareholders. The Company expects that she will continuously utilize her long-standing experience in medical treatment both in Japan and overseas and her insight as a Chair of the Board of Trustees and President of an incorporated educational institution, in the management of the Company.</p>	800 shares

- (Notes)
1. No special interests exist between the Company and each candidate.
  2. Kirin Holdings Company, Limited, which holds 50.10% of the Company's total number of issued shares, is the Company's parent.
  3. Kirin Company, Limited is a subsidiary of Kirin Holdings Company, Limited, which is the Company's parent.

4. Kirin Australia Pty. Ltd. was a subsidiary of Kirin Brewery Company, Limited. However, all of its shares were transferred to GrainCorp Limited's subsidiary Barrett Burston Malting Co. Pty. Ltd. in April 2011.
5. Of the candidates for Directors of the Board, Mr. Koichiro Nishikawa and Ms. Yoshiko Leibowitz are candidates for outside Directors of the Board.
6. Although Ms. Yoshiko Leibowitz has not been directly engaged in corporate management, the Company has judged from her experience as a Chair of the Board of Trustees and President at a university and other qualities that she can appropriately perform her duties as an outside Director of the Board.
7. Mr. Koichiro Nishikawa and Ms. Yoshiko Leibowitz are currently outside Directors of the Board of the Company. As of the conclusion of the Meeting, their terms of office as outside Directors of the Board are as follows: three (3) years for Mr. Koichiro Nishikawa and two (2) years for Ms. Yoshiko Leibowitz.
8. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Mr. Koichiro Nishikawa and Ms. Yoshiko Leibowitz to limit their liability for damages stipulated in Article 423, Paragraph 1 of the same Act. The said agreements limit their liability for damages to the higher of ¥5 million or the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act. If this proposal is approved as proposed at the Meeting, the Company intends to continue the same liability limitation agreements with Mr. Koichiro Nishikawa and Ms. Yoshiko Leibowitz, and the Company intends to enter into the same kind of agreement with Mr. Noriya Yokota, who is a non-executive Director of the Board.
9. The Company has notified the Tokyo Stock Exchange of the statuses of Directors of the Board, Mr. Koichiro Nishikawa and Ms. Yoshiko Leibowitz as independent directors under Tokyo Stock Exchange regulations. The Company intends to notify the Tokyo Stock Exchange of their statuses again if their election as outside Directors of the Board is approved as proposed. Both meet the "Criteria for the Independence of Outside Directors and Outside Company Auditors" established by the Company (on pages 16 and 17).

**Proposal No. 3:** Election of one (1) Company Auditor

As of the conclusion of the Meeting, the term of office of Company Auditor Mr. Hiroaki Nagai will expire. Accordingly, based on the report from the Nomination Consultative Committee, which is chaired by an outside Director of the Board and made up of three (3) outside Directors and Company Auditors and two (2) internal Directors and Company Auditors, shareholders are requested to elect one (1) Company Auditor.

The Board of Company Auditors has consented to this proposal.

The candidate for the position of Company Auditor is as follows:

Name (Date of birth)	Career summary and position in the Company, and significant positions concurrently held at other organizations	Number of shares of the Company held by the candidate
<p data-bbox="188 645 389 680"><b>New Candidate</b></p> <p data-bbox="188 721 389 792">Jun Arai (Feb. 28, 1959)</p> <p data-bbox="188 824 389 896">Candidate for Outside Company Auditor</p> <p data-bbox="188 927 389 999">Candidate for Independent Auditor</p>	<p data-bbox="421 645 1166 1527">                     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. (to present)                      (scheduled to retire from office on March 31,                      2017)                      Apr. 2016: Director, Daiwa SB Investments Ltd. (to                      present)                 </p> <p data-bbox="421 1536 1166 2047"> <b>Reasons for appointing him as a candidate for outside                      Company Auditor:</b>                      Mr. Jun Arai was newly selected as a candidate for Company                      Auditor 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.                 </p>	<p data-bbox="1225 1335 1326 1370">0 shares</p>

- (Notes)
1. No special interests exist between the Company and the candidate.
  2. Mr. Jun Arai is a candidate for an outside Company Auditor.
  3. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company intends to newly enter into an agreement with Mr. Jun Arai to limit his liability for damages stipulated in Article 423, Paragraph 1 of the same Act, if this proposal is approved as proposed at the Meeting. The said agreement limits his liability for damages to the higher of ¥5 million or the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act.
  4. The Company intends to notify the Tokyo Stock Exchange of the status of Mr. Jun Arai as an independent company auditor under Tokyo Stock Exchange regulations, if his election as an outside Company Auditor is approved as proposed. Mr. Jun Arai meets the “Criteria for the Independence of Outside Directors and Outside Company Auditors” established by the Company (on pages 16 and 17).

(Reference) “Criteria for the Independence of Outside Directors and Outside Company Auditors”

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

1. Director (*torishimariyaku*), company auditor (*kansayaku*), executive officer (*shikkoyakuin*), manager (*shihainin*) 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.
2. Director, company auditor, 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.
3. Director, company auditor, 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)
4. 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.
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  
“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.
6. Major business counterparty of the Company  
“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.
7. Executive director, corporate officer, executive officer, manager or other employee of a company that is a major business counterparty of the Company  
“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 company auditor, 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, company auditor, 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, company auditor, 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

**Proposal No. 4:** Revision of remuneration amount for Directors of the Board

The maximum remuneration amount for Directors of the Board of the Company at 50 million yen per month (excluding, however, the salary for employees for the Directors of the Board concurrently serving as employees and stock compensation-type stock options) was approved at the 64th Ordinary General Meeting of Shareholders held on March 30, 1988, and has remained unchanged to date.

However, in order to strengthen the motivation among Directors of the Board to contribute to the Company's further sustainable growth and the enhancement of corporate value, to take a leap forward to become a global specialty pharmaceutical company, and to realize a remuneration system that can be developed into a globally standardized system, as well as to ensure greater transparency, the Company proposes that the remuneration system for executive Directors of the Board be revised to consist of three parts: (1) base compensation, (2) performance-linked annual bonus, and (3) stock compensation as a medium- to long-term incentive.

In accordance with the above, to make it possible to raise the ratio of stock compensation in the remuneration for executive Directors of the Board and to secure the payment of performance-linked annual bonus, the Company intends to change the maximum monetary compensation amount for Directors of the Board from monthly basis to annual basis, while not increasing the current maximum total amount of remuneration per year (total amount of monetary compensation and stock compensation-type stock options); and set the maximum monetary compensation amount, including base compensation and performance-linked annual bonus, at 500 million yen per year (12 times the current monthly amount of 50 million yen, deducting 100 million yen, which shall be added to the annual maximum remuneration amount of stock compensation-type stock options), and requests for the approval of this matter. Regarding outside Directors of the Board, from the perspective of ensuring that they perform their role of supervising management from objective standpoint that is independent from business execution, they shall be eligible to receive only base compensation and ineligible for performance-linked annual bonus; and of the above-mentioned annual maximum monetary compensation amount of 500 million yen, the maximum compensation amount that the outside Directors of the Board may receive shall be 50 million yen.

Remuneration amount for Directors of the Board shall, as before, not include the salary and bonuses for employees for the Directors of the Board concurrently serving as employees.

The number of Directors of the Board subject to the revision shall be seven (7) persons (including two (2) outside Directors of the Board), if Proposal No. 2 is approved as proposed.

**Proposal No. 5:** Revision of remuneration amount of stock compensation-type stock options for Directors of the Board (excluding outside Directors of the Board and other non-executive Directors of the Board)

The maximum remuneration amount of stock compensation-type stock options for Directors of the Board of the Company at 55 million yen per year, separately from the maximum remuneration amount of 50 million yen per month was approved at the 83rd Ordinary General Meeting of Shareholders held on June 28, 2006, and has remained unchanged to date. However, in order to make it possible to raise the ratio of stock compensation in accordance with the scheduled revision of the remuneration system for Directors of the Board, the Company intends to set the maximum remuneration amount of stock compensation-type stock options for Directors of the Board (excluding outside Directors of the Board and other non-executive Directors of the Board), in addition to the maximum monetary compensation amount under Proposal No. 4, at 155 million yen per year (total of the current annual amount of 55 million yen and 100 million yen, a portion shifted from the current monetary compensation amount under Proposal No. 4), while not increasing the current maximum total amount of remuneration per year (total amount of monetary compensation and stock compensation-type stock options), and requests for the approval of this matter.

Differently from the stock compensation-type stock options of the Company in place of the retirement benefit system, which were approved at the 82nd Ordinary General Meeting of Shareholders held on June 28, 2005, the stock compensation-type stock options to be introduced shall be regarded as stock compensation as a medium- to long-term incentive, as explained in Proposal No. 4.

**Proposal No. 6:** Authorization for the Board of Directors to determine the offering terms (*boshu jiko*) of stock acquisition rights (*shinkabu yoyakuken*) as stock compensation-type stock options

The Company requests authorization for the Board of Directors of the Company to determine the offering terms of stock acquisition rights as stock compensation-type stock options for Directors of the Board (limited to executive Directors of the Board; the same shall apply hereinafter in this proposal), Executive Officers of the Company and certain Directors of the Board of the Company's subsidiaries. The number of Directors of the Board of the Company eligible to receive the stock compensation-type stock options in this proposal shall be five (5) persons if Proposal No. 2 and Proposal No. 5 are approved as proposed.

1. Reason for the need to solicit subscribers for stock acquisition rights on particularly favorable terms

The objective of granting stock acquisition rights to Directors of the Board, Executive Officers of the Company, and certain Directors of the Board of the Company's subsidiaries is to raise their interest in the Company's stock price and financial results while also boosting their incentive to enhance corporate value and motivation to steer the Group toward becoming a global specialty pharmaceutical company by strengthening the linkage between the Company's financial result and stock price with their remuneration, thereby having them share the benefits and risks of stock price fluctuations with shareholders. Stock acquisition rights will be granted without contribution, as stock compensation-type stock options under which shares are granted upon exercise of stock acquisition rights at an exercise price of ¥1 per share.

The exercise period of the stock acquisition rights starts on the day after at least three (3) years from the issuance date of the stock acquisition rights. This, the Company considers, will serve as an incentive to realize improved business performance and higher stock prices in a medium- to long-term.

These stock compensation-type stock options are not granted to non-executive Directors of the Board including outside Directors of the Board.

2. Details and maximum number of stock acquisition rights for which offering terms may be determined based on the matters resolved at the Meeting

(1) Maximum number of stock acquisition rights for which offering terms may be determined based on this authorization:

The maximum number of the stock acquisition rights shall be 1,523 (the "**Maximum Number of Stock Acquisition Rights**"), with the terms specified in (3) below, and the allocation thereof will be executed within one (1) year of the date of the Meeting. The maximum number to be allocated to Directors of the Board of the Company shall be 512, and such allocation shall be within the maximum amount to be approved under the Proposal No. 5, on condition that the relevant revision of the stock option remuneration amounts is approved and adopted as proposed.

The upper limit of the aggregate number of shares to be granted upon exercise of the stock acquisition rights shall be 152,300 shares of common stock of the Company. In the event that the number of shares to be granted is adjusted pursuant to (3) i) below, the upper limit of the aggregate number of shares to be granted upon exercise of stock acquisition rights shall be the number obtained by multiplying the Number of Granted Shares after Adjustment (as defined in (3) i) below) by the Maximum Number of Stock Acquisition Rights as provided above.

(2) Monetary payment is not required for the stock acquisition rights for which offering terms may be determined based on this authorization.

(3) Details of the stock acquisition rights for which offering terms may be determined based on this authorization

i) Class and number of shares to be granted upon exercise of stock acquisition rights

The class of shares to be granted upon exercise of the stock acquisition rights shall be shares of common stock. The number of shares to be granted upon exercise of each stock acquisition right (hereinafter the “**Number of Granted Shares**”) shall be 100 shares.

Notwithstanding the foregoing, in the event that the Company carries out a stock split (including any allotment of common stock of the Company without contribution; the same shall apply hereinafter in relation to stock splits) or a consolidation of the common stock after the date of the resolution at the Meeting (hereinafter the “**Resolution Date**”), the Number of Granted Shares shall be adjusted according to the following formula. Any fraction less than one share resulting from this adjustment shall be rounded down.

$$\begin{array}{l} \text{Number of Granted} \\ \text{Shares after} \\ \text{Adjustment} \end{array} = \begin{array}{l} \text{Number of Granted} \\ \text{Shares before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of stock split} \\ \text{or consolidation} \end{array}$$

In addition, the Number of Granted Shares shall be adjusted to an extent reasonable in the unavoidable event where an adjustment of the Number of Granted Shares is required after the Resolution Date.

ii) Amount of assets to be contributed upon exercise of stock acquisition rights

The amount of assets to be contributed upon exercise of each stock acquisition right shall be the amount obtained by multiplying ¥1, which is the exercise price per one (1) share to be granted upon exercise of stock acquisition rights, by the Number of Granted Shares.

iii) Exercise period of stock acquisition rights

The exercise period is three (3) years from the day on which three (3) years have passed since the day following the allocation date of the stock acquisition rights. The specific term shall be determined by resolution of the Board of Directors of the Company.

iv) Matters concerning the amount of increase in stated capital and legal capital surplus resulting from issuance of shares upon exercise of stock acquisition rights

a) The amount of increase in stated capital resulting from the issuance of shares upon exercise of the stock acquisition rights shall be one-half of the maximum amount of increase in capital stock as calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules. Any fraction of less than ¥1 shall be rounded up to the nearest yen.

b) The amount of increase in legal capital surplus resulting from the issuance of shares upon exercise of stock acquisition rights shall be the maximum amount of increase in stated capital as provided in a) above less the amount of increase in stated capital as determined in a) above.

v) Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of the stock acquisition rights through transfer shall require approval by resolution of the Board of Directors of the Company.

vi) Any fraction of less than a whole share in the number of shares to be granted to the holder of the stock acquisition rights upon exercise of the stock acquisition rights shall be rounded down.

vii) Other terms of exercise of stock acquisition rights

Partial exercise of one (1) stock acquisition right is not permitted.

End