

FOR IMMEDIATE RELEASE

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Notice Regarding Introduction of Performance-linked Share-based Remuneration Plan

Tokyo, February 18, 2021 – Kyowa Kirin Co., Ltd. (Headquarters: Chiyoda-ku, Tokyo; President and CEO: Masashi Miyamoto; hereinafter, the “Company”) hereby announces that, at a meeting held today, the Board of Directors reviewed the remuneration plan for Directors of the Board and resolved to introduce a Performance-linked Share-based Remuneration Plan (hereinafter, the “Plan”), under which a number of the Company’s ordinary shares (hereinafter, the “Company’s Shares”) and an amount of cash are provided to Directors of the Board of the Company as remuneration depending on each Director of the Board’s individual position and degree of achievement of performance targets, and submit a proposal related to the Plan as a matter to be resolved at the 98th Ordinary General Meeting of Shareholders (hereinafter, the “Meeting”), to be held on March 24, 2021. The details are as follows.

1. Purposes, etc. for introducing the Plan

(1) Purposes for introducing the Plan

The Plan will be introduced for Directors of the Board who execute the Company’s business (hereinafter, “executive Directors of the Board of the Company”) with the aim to further clarify the linkage between (i) the remuneration for executive Directors of the Board of the Company and (ii) the Company’s performance and value of shares of the Company, and thereby to give incentives to Directors of the Board of the Company to strive for sustainable growth of corporate value, and to facilitate their sense of sharing value with shareholders.

(2) Structure of the Plan

The Plan is a share-based remuneration plan (so-called “Performance Share Unit”) whereby, as remuneration for the period from the conclusion of an Ordinary General Meeting of Shareholders of the Company to the conclusion of the Company’s Ordinary General Meeting of Shareholders to be held in the following year (hereinafter, the “Applicable Period”; the initial Applicable Period shall be from the conclusion of this 98th Ordinary General Meeting of Shareholders to the conclusion of the 99th Company’s Ordinary General Meeting of Shareholders to be held in the following year), the Company delivers a number of the Company’s Shares and provides an amount of cash determined in accordance with each Director of the Board’s degree of achievement of performance targets for the period of three consecutive fiscal years (hereinafter, the “Performance Evaluation Period”) upon the termination of the Performance Evaluation Period. The initial Performance Evaluation Period shall be three fiscal years from the fiscal year ending December 31, 2021, to the fiscal year ending December 31, 2023. The Company intends to implement Performance-linked Share-based Remuneration with succeeding Performance Evaluation Periods of three consecutive fiscal years, each beginning with the fiscal years following the fiscal year ending December 31, 2021, to the extent within the amount approved at this Ordinary General Meeting of Shareholders.

Specifically, the Company provides monetary remuneration receivables to Directors of the Board upon the termination of the Performance Evaluation Period, which are meant for the delivery of the Company’s Shares. The monetary remuneration receivables are calculated by the method set forth below. The Company delivers the Company’s Shares to Directors of the Board in exchange for their in-kind contribution involving the full amount of the monetary remuneration receivables when the Company implements a share issuance or disposal of treasury shares.

2. Overview of the Plan (Calculation method for monetary remuneration, etc.)

- (1) The upper limits on the total amount of monetary remuneration receivables and cash and the total number of shares under the Plan

Under the Plan, the total amount of monetary remuneration receivables and cash provided to each Director of the Board per each Applicable Period shall be no more than 300 million yen, and the total number of the Company's Shares allotted to each Director of the Board per each Applicable Period shall be no more than 200,000 Company's Shares. However, if the total number of issued shares of the Company increases or decreases as a result of a share consolidation or share split (including a gratis allotment of shares, etc.), the maximum number of shares shall be reasonably adjusted according to the respective ratio. In addition, in the event that the amount of cash to be provided and the number of the Company's Shares to be delivered as calculated using the formulas in (2) below are likely to exceed the above upper limit on the total amount of monetary remuneration receivables and cash or the above upper limit on the total number of the Company's Shares, the number of the Company's Shares to be delivered or the amount of cash to be provided shall be reduced through proportional distribution or other reasonable methods determined by the Board of Directors in a range that does not exceed the upper limits on the total amount of monetary remuneration receivables and cash and the total number of the Company's Shares.

- (2) Calculation method for the number of shares to be delivered and the amount of cash to be provided under the Plan

Under the Plan, the Company calculates the number of shares to be delivered and the amount of cash to be provided based on the formulas stated below in accordance with each performance targets and the degree of achievement thereof at the end of each Performance Evaluation Period and delivers or provides such calculated number of shares and the amount of cash.

[Calculation formula for the final number of shares to be delivered*]

$$\text{Reference number of shares to be delivered (i)} \times \text{Degree of achievement of performance targets (ii)} \times 50\%$$

- * This refers to the number of shares that will ultimately be delivered to Directors of the Board after the end of the Performance Evaluation Period. Fractional shares are rounded up to one share.

[Calculation formula for the amount of cash to be provided]

$$\{\text{Reference number of shares to be delivered (i)} \times \text{Degree of achievement of performance targets (ii)} - \text{Final number of shares to be delivered}\} \times \text{Share price at time of delivery (iii)}$$

- (i) Reference number of shares to be delivered

The reference number of shares to be delivered is calculated using the formula stated below.

Reference number of shares to be delivered	=	$\frac{\text{Reference amount of share-based remuneration based on Director of the Board's position}^* \text{ (a)}}{\text{Reference share price (b)}}$
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- * This refers to the share-based remuneration reference amount prescribed for each Director of the Board position.

- (a) Reference amount of share-based remuneration based on Director of the Board's position

For the reference amount of share-based remuneration based on Director of the Board's position used in the calculation method for the final number of shares to be delivered to the Director of the Board, a specific amount for each position is decided by the Board of Directors.

- (b) Reference share price

The reference share price is the closing price of the Company's ordinary trading of the Company's Shares on the Tokyo Stock Exchange on the business day immediately before the date of the resolution by the Board of Directors that determines the specific reference amounts of share-based remuneration based on Director of the Board's position mentioned above at the start of the Applicable Period (if there is no closing price on that date, the closing price on the closest preceding trading day).

(ii) Degree of achievement of performance targets

The degree of achievement of performance targets is calculated within the range of 0% to 150% using the performance indicators at the end of each Performance Evaluation Period. For the initial Performance Evaluation Period, the Company plans to use ROE which is a benchmark under the business plan, average annual revenue growth rate, and core operating profit ratio as the performance indicators.

(iii) Share price at time of delivery

The share price at time of delivery is the closing price of the Company's ordinary trading of the Company's Shares on the Tokyo Stock Exchange on the business day immediately before the date of the resolution by the Board of Directors that decides the share issuance or disposal of treasury shares for the relevant delivery of the Company's Shares, which is to be held within two months after the end of the relevant Performance Evaluation Period (if there is no closing price on that date, the closing price on the closest preceding trading day).

(3) Conditions for provision of the Company's Shares and cash to Directors of the Board

If all of the conditions for provision set forth below are satisfied as of the end of Performance Evaluation Period, the Company will provide monetary remuneration receivables (the amount of monetary remuneration receivables is determined by multiplying the final number of shares to be delivered by the share price at time of delivery as set forth in (2) above) to each Director of the Board, and a delivery of the final number of the Company's Shares to be delivered as set forth in (2) above and a provision of the amount of cash to be provided as set forth in (2) above will be conducted by an in-kind contribution involving the full amount of the monetary remuneration receivables.

- (i) The Director of the Board has been continually in the position of Director of the Board of the Company for his or her term of office (all of his or her term of office if the Director of the Board was reelected during the Applicable Period and Performance Evaluation Period).
- (ii) The Director of the Board has not committed any improper conducts specified by the Company's Board of Directors.
- (iii) The Director of the Board satisfies other conditions specified by the Company's Board of Directors which are necessary to attain the objectives of the Performance-linked Share-based Remuneration.

Provided, notwithstanding the condition of (i) above, if the Director of the Board retires from the position of Director of the Board during the Performance Evaluation Period due to unavoidable circumstances such as death or illness, the Company may provide cash reasonably calculated by the Board of Directors in place of the delivery of the Company's Shares and the provision of cash based on the Plan.

(4) Treatment in the event of reorganization, etc.

If, during the Performance Evaluation Period, a matter of a merger agreement whereby the Company becomes a dissolving company; a share exchange agreement or a share transfer plan whereby the Company becomes a wholly owned subsidiary of another company; an incorporation-type company split plan or an absorption-type company split agreement whereby the Company is the split company (limited to a split-off-type company split); share consolidation whereby the Company becomes subject to control by specific shareholders; acquisition of shares subject to class-wide call; or, a demand for a cash-out (hereinafter, the "Reorganization") has been granted approval (limited to the case where the effective date of the Reorganization is scheduled prior to the date of delivery of the Company's Shares or the date of provision of cash based on the Plan) by a General Meeting of Shareholders of the Company (or the Company's Board of Directors in cases where approval by a General Meeting of Shareholders is not required with respect to the Reorganization), the Company may provide, in place of delivering the Company's Shares and providing cash within the upper limits on the total amount of monetary remuneration receivables and cash and the total number of the Company's Shares under the Plan in (1) above, cash reasonably calculated by the Company's Board of Directors as an amount equivalent to the Company's Shares and cash prior to the effective date of the Reorganization.

(Reference)

Following the conclusion of the Meeting, the Company intends to introduce a plan for the Company's Executive Officers that is the same as the above Performance-linked Share-based Remuneration Plan.

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