

FOR IMMEDIATE RELEASE

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Notice regarding the revision of the remuneration system for officers

Tokyo, February 17, 2017 – At a meeting held today, the Board of Directors of Kyowa Hakko Kirin Co., Ltd. (hereinafter, the “**Kyowa Hakko Kirin**”) resolved to submit proposals at the 94th Ordinary General Meeting of Shareholders (hereinafter, the “**General Meeting of Shareholders**”), to be held on March 23, 2017, to revise the remuneration system for executive directors and executive officers of Kyowa Hakko Kirin. The details are as follows.

1. Purpose of the revision of the remuneration system for officers

The purpose of the revision of the remuneration system for officers is to strengthen the motivation to contribute to Kyowa Hakko Kirin’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 standardized system to be used globally, as well as to ensure greater transparency. By also introducing this remuneration system at Kyowa Hakko Kirin’s certain subsidiaries, Kyowa Hakko Kirin aims to further enhance motivation to contribute to increases in consolidated operating performance and management emphasizing shareholders.

2. Overview of the remuneration system for executive directors and executive officers

The remuneration system for executive directors and executive officers shall consist of three parts: (1) base compensation, (2) performance-linked annual bonus, and (3) stock compensation as a medium- to long-term incentive. Ratios of fixed and variable compensation and ratios of performance-linked annual bonus and stock compensation as a medium- to long-term incentive within variable compensation have been determined with reference to data and advice from specialized outside companies to ensure a well-balanced remuneration system that is not excessively skewed toward one type of compensation.

- (1) Base compensation: Base compensation constitutes a fixed amount of compensation paid monthly, and is determined by executive position.
- (2) Performance-linked annual bonus: The performance-linked annual bonus is calculated by setting for each executive position a bonus amount, 100% of which is to be paid if certain established standard performance targets (composed of such items as budgets, and net sales and core operating income indicated in the Mid-term Business Plan) are reached. After financial results have been finalized, in principle amounts between 0% and 200% of this bonus amount shall be paid. In the event of reaching the highest performance benchmark, a maximum amount corresponding to 200% of the bonus amount is to be paid. In the event of achieving the minimum performance benchmark, 50% will be paid. If performance falls below the minimum performance benchmark, the bonus payment amount shall be 0%.
- (3) Stock compensation: Kyowa Hakko Kirin shall continue to grant the stock compensation-type stock options as a medium- to long-term incentive to executive directors and executive officers and additionally grant to certain directors of Kyowa Hakko Kirin’s subsidiaries in order to raise

their interest in Kyowa Hakko Kirin'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 group, thereby having them share the benefits and risks of stock price fluctuations with shareholders.

For details of these stock compensation-type stock options, please refer to the news release "Notice regarding stock acquisition rights for stock compensation-type stock options," disclosed today.

3. Overview of the proposals at the General Meeting of Shareholders

(1) Revision of remuneration amount for Directors of the Board

The maximum remuneration amount for Directors of the Board of Kyowa Hakko Kirin was approved 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) at the 64th Ordinary General Meeting of Shareholders held on March 30, 1988, and has remained unchanged to date. Kyowa Hakko Kirin intends to make it possible to secure the payment of performance-linked annual bonus to executive directors that is in accordance with the scheduled revision of the remuneration system for directors by submitting a proposal at the General Meeting of Shareholders to change the maximum monetary compensation amount for Directors of the Board from monthly amount to annual amount, while not increasing the current maximum total amount of remuneration (total amount of monetary compensation and stock compensation-type stock options); set the maximum monetary compensation amount at 500 million yen per year (12 times current monthly amount of the 50 million yen, of this amount 100 million yen shall be shifted to stock compensation-type stock options); and set the maximum remuneration amount in a way that enables a remuneration system made up of the base compensation and performance-linked annual bonus. 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.

(2) Increase of maximum remuneration amount of stock options for Directors of the Board (excluding outside Directors of the Board and other non-executive directors)

The maximum remuneration amount of stock compensation-type stock options for Directors of the Board of Kyowa Hakko Kirin was approved at 55 million yen per year, separately from the maximum remuneration amount of 50 million yen per month, at the 83rd Ordinary General Meeting of Shareholders held on June 28, 2006, and has remained unchanged to date. Kyowa Hakko Kirin intends to make it possible to raise the ratio of stock compensation in accordance with the scheduled revision of the remuneration system for officers by submitting a proposal at the General Meeting of Shareholders to set the maximum remuneration amount of stock compensation-type stock options for Directors of the Board of Kyowa Hakko Kirin (excluding outside Directors of the Board), which is apart from the maximum monetary compensation amount under (1) above, at 155 million yen per year (total of the current amount of 55 million yen and 100 million yen, a portion shifted from the current monetary compensation amount under (1) above), while not increasing the current maximum total amount of remuneration (total amount of monetary compensation and stock compensation-type stock options).

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