

Basic Approach to Corporate Governance

We have conducted our business based on the Kyowa Hakko Kirin Group Management Philosophy of striving to contribute to the “human health and well-being worldwide by creating new value through the pursuit of advances in life sciences and technologies.” We have established the management organization and structures to implement the necessary measures to realize this philosophy. We recognize that increasing management transparency and strengthening management supervision are essential for continuous growth of corporate value and, therefore work to enhance corporate governance.

Strengthening Corporate Governance and Internal Control

The Board of Directors and the Board of Auditors are the foundation of Kyowa Hakko Kirin’s system of management institutions. The Board of Directors consists of seven directors, of whom one is an outside director, and five corporate auditors, of whom four are outside corporate auditors (as of June 25, 2009). In accordance with audit policies determined by the Board of Auditors, the corporate auditors attend important meetings, including meetings of the Board of Directors. They also audit the performance of the directors’ duties by surveying corporate operations and finances. The Company has established the Group Management Meeting and introduced an executive officer system to ensure efficient management decisions and rapid decision-making and has established the Advisory Board (consisting of four outside advisors) to strengthen the management structure and increase management transparency and soundness.

The Board of Directors periodically reviews its policies on system development to ensure the appropriateness of business operations (internal control systems), promote their progress and foster continuous system evolution. The Internal Audit Department, which controls internal auditing, works with the corporate auditors to conduct audits of business operations in the Kyowa Hakko Kirin Group with regard to compli-

ance with laws, regulations and the Articles of Incorporation, and from the perspective of management efficiency. It reports the audit results and offers advice and proposals for improvements and greater efficiency.

Managing Risk through In-house Committees

Kyowa Hakko Kirin has in-house committees to develop responses to a variety of potential risk factors. These committees perform risk management and improve corporate governance, and periodically report on their activities to the Board of Directors. The principal roles of the in-house committees are described below.

CSR Committee: Deliberates on basic policies concerning Corporate Social Responsibility (hereafter “CSR”) and important matters concerning CSR, such as the group-wide CSR strategy and activities policy.

Group Risk Management Committee: Deliberates on group-wide risk management to identify potential management risks, assess risks and implement a risk response from a group-wide perspective. Deliberates on a basic policy for the protection and handling of confidential information. Deliberates on basic compliance policies and ensures compliance.

Risk Management Committee: Assesses risks at Kyowa Hakko Kirin Co., Ltd. and implements a risk response. Deliberates on a basic policy for the protection and handling of confidential information. Deliberates on basic compliance policies and ensures compliance.

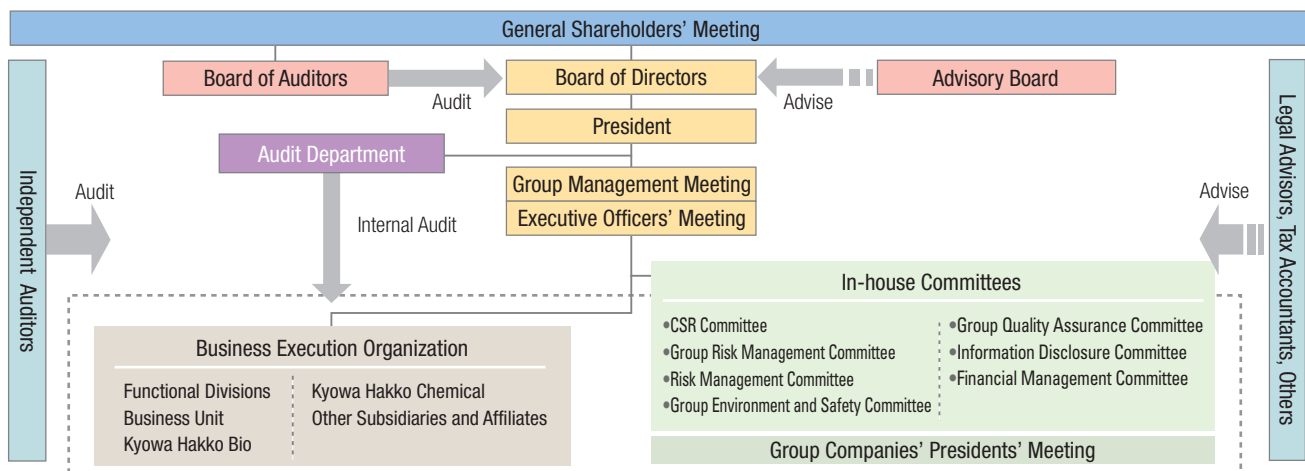
Group Environment and Safety Committee: An advisory group to the President that deliberates on basic policies relating to environmental protection and safety.

Group Quality Assurance Committee: An advisory group to the President that deliberates on basic policies relating to quality assurance.

Information Disclosure Committee: Comprehensively deliberates on basic information policies and important matters relating to information disclosure.

Financial Management Committee: Deliberates on efficient financial activities and risks attendant on financial activities.

Corporate Governance Organization



Basic Policy and Compliance Management

The Kyowa Hakko Kirin Group regards compliance as a top management priority. We believe the foundation of Corporate Social Responsibility (CSR) is not only to comply with regulations, but also to promote compliance to respond to social demands.

In accordance with the Kyowa Hakko Kirin Group Compliance Guidelines, we continue to promote compliance throughout the Group. We also continue to pursue thorough compliance by using the PDCA cycle as part of risk management.

Establishment of the Kyowa Hakko Kirin Group Compliance Guidelines

To ensure the sharing of the Kyowa Hakko Kirin Group's compliance mind-set among all Group employees, in March of this year we established the Kyowa Hakko Kirin Group Compliance Guidelines. The aim of the guidelines is to increase awareness of CSR matters, including the observance of rules and consideration of the environment and human rights.

We prepared a booklet and wallet card for employees to use as a basis for judgment when in doubt about their actions or the actions of others.

The Kyowa Hakko Kirin Group Compliance Guidelines (Excerpt)

Guided by the Kyowa Hakko Kirin Group Management Philosophy, "The Kyowa Hakko Kirin Group companies strive to contribute to human health and well-being worldwide by creating new value through the pursuit of advances in life sciences and technologies." We aspire to be a corporate group that behaves in accordance with high ethical principles and enjoys the trust of society.

Observance of Rules: We observe laws and other rules of society and act in good faith.

Relationship with Society: As a responsible member of society, we build good relationships with all our stakeholders.

Respect for Human Rights: We respect the human rights and individuality of all people.

Environmental Protection: We actively undertake preservation of the global environment for future generations.

Information Management: We properly manage information and engage in timely, appropriate information disclosure.

Education and Awareness Activities

We emphasize education and awareness activities to ensure that all employees, including corporate officers, recognize the importance of compliance and attend to their duties with high ethical values. We engage in the following cornerstone education and awareness activities annually. Also, we continually provide education about related regulations and rules in each division.

Corporate Ethics Lectures: We hold lectures for corporate officers and employees at the head office and nearby business sites, engaging attorneys, university professors and other outside experts as instructors according to the topic. We record the lectures to provide DVDs for viewing by employees at other business sites.

Corporate Ethics Lectures Held in 2009

Theme: *The Future of Companies that Blaze the Trail in Compliance—How to Make the Most of Team Power*

Instructor: Mr. Nobuo Gohara, Meijo University professor and Compliance Research Center director

Human Rights and Compliance Training: This is group training for Kyowa Hakko Kirin corporate officers and employees and the employees of certain affiliated companies conducted through the joint sponsorship of the Human Resources Department. Employees of the CSR Management Department or business sites serve as instructors, conducting training centered on group work.

E-learning Instruction: We provide instruction centered on PC-based case studies for Kyowa Hakko Kirin corporate officers and employees and the employees of certain subsidiaries. Once a year, we use the e-learning system to conduct an ethics check (a monitoring activity) by which participants review their own day-to-day behavior.



A training session

Establishment and Operation of Hotlines

Kyowa Hakko Kirin operates a hotline system for use in reporting or consultation in the event of the discovery of the commission or attempted commission of acts that violate laws or ethics. In October 2008 we newly established the Human Rights Hotline, which connects to the Human Resources Department, the fourth hotline in the system. The hotlines are available for use not only by corporate officers and employees, but also by occasional employees, part-time workers and temporary staff.

We also strive to create a work environment that encourages hotline use by distributing to all employees eligible to use the hotline system a pocket-sized booklet listing contact information and by posting posters on company premises to publicize the system.



Poster to familiarize employees with the hotline