



February 5, 2019

To Whom It May Concern:

Company Name: KIRIN HOLDINGS COMPANY, LIMITED  
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Code Number: 2503  
Head Office:  
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## **Notice Regarding Acquisition of Shares in Kyowa Hakko Bio**

Kirin Holdings Company, Limited (President and CEO: Yoshinori Isozaki; hereinafter, “Kirin Holdings”) hereby announces that, at a meeting held on February 5, 2019, the Board of Directors resolved that Kirin Holdings will acquire 95% of all outstanding shares in Kyowa Hakko Bio Co., Ltd. (President & Chief Executive Officer: Takeshi Minakata; hereinafter, “Kyowa Hakko Bio”) from Kyowa Hakko Kirin Co., Ltd. (President and COO: Masashi Miyamoto; hereinafter, “Kyowa Hakko Kirin”) (hereinafter referred to as “the Share Acquisition”) and concluded a share transfer agreement with Kyowa Hakko (hereinafter referred to as “the Agreement”) on the same date.

### **1. Purpose of the Share Acquisition**

Kirin Holdings has aimed to co-achieve sustainable growth with societies by addressing social issues through its businesses and realizing value creation for the customers under its “New Kirin Group Vision 2021,” long-term management vision for 2021 by utilizing its unique business portfolio, centered on the Alcoholic and Non-Alcoholic Beverages businesses and the Pharmaceuticals and Bio-Chemicals businesses, as well as its strengths in technology and marketing. The Kirin Group identified “Health and Well-being”, “Community engagement”, and “the Environment” as CSV priority issues, and expects new value creation by addressing “Health and Well-being” issues through its businesses to be one of potential growth drivers of the Kirin Group.

The Kyowa Hakko Kirin Group companies, which are in charge of the Kirin Group’s Pharmaceuticals and Bio-chemicals businesses, possess the Management Philosophy “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.” In accordance with this philosophy, its businesses cover Bio-Chemicals and other businesses around the core Pharmaceuticals business. Kyowa Hakko Bio was established in 2008 by Kyowa Hakko Kogyo Co., Ltd. (now Kyowa Hakko Kirin) as a spin-off of the Bio-Chemicals business. As the subsidiary of the Kyowa Hakko Kirin Group companies responsible for the Bio-Chemicals business, it has leveraged its wide-ranging knowledge of fermentation and synthesis to supply a variety of products, such as amino acids, nucleic acids, vitamins, peptides and synthetic compounds to customers in Japan and overseas, providing goods and services that meet the health needs of people around the world.

Kirin Holdings and the Kyowa Hakko Kirin Group has been facilitating collaboration with each other. For example, in 2017, “iMuse” was launched by Kirin Holdings as a group-wide brand to commercialize the “Lactococcus lactis strain plasma,” which has been the fruit of joint development between three companies of Kirin Company, Limited, Koiwai Dairy Products Co., Ltd., and Kyowa

Hakko Bio. Against the backdrop, as a result of considering and discussing the possibility for further collaboration in the business domain of “Health and Well-being” on which Kirin Holdings is focusing as a future growth driver, Kirin Holdings and Kyowa Hakko Kirin came to the decision that by making Kyowa Hakko Bio a direct subsidiary of Kirin Holdings, it would be possible to more effectively use each other’s strengths and management resources, as well as raise the speed of business development, beginning with the “Health and Well-being” domain, and so open the way to maximizing group synergies and the corporate value of Kyowa Hakko Bio. In addition, the Share Acquisition would allow Kyowa Hakko Kirin to concentrate management resources on the Pharmaceuticals business, primarily new drug development, and to further accelerate the pace of growth, leading in turn to the maximization of corporate value of the Kirin Group. Accordingly, it was decided that part of the Kyowa Hakko Bio shareholding would be sold to Kirin Holdings.

## 2. Description of Kyowa Hakko Bio (As of December 31, 2018)

2. Description of Kyowa Hakko Bio (As of December 31, 2016)

|     |                                                                                                                              |                                                                                                                                    |                                                                                                                                 |                     |
|-----|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------|
| (1) | Company name                                                                                                                 | Kyowa Hakko Bio Co., Ltd.                                                                                                          |                                                                                                                                 |                     |
| (2) | Address                                                                                                                      | 1-9-2 Otemachi, Chiyoda-ku, Tokyo                                                                                                  |                                                                                                                                 |                     |
| (3) | Title and name of representative                                                                                             | Takeshi Minakata, President & Chief Executive Officer                                                                              |                                                                                                                                 |                     |
| (4) | Business description                                                                                                         | Research, development, manufacture and sale of raw materials for pharmaceutical and industrial use, healthcare products and others |                                                                                                                                 |                     |
| (5) | Capital                                                                                                                      | 10,000 million yen                                                                                                                 |                                                                                                                                 |                     |
| (6) | Establishment                                                                                                                | October 1, 2008                                                                                                                    |                                                                                                                                 |                     |
| (7) | Major shareholders (interests)                                                                                               | Kyowa Hakko Kirin Co., Ltd (100%)                                                                                                  |                                                                                                                                 |                     |
| (8) | Relationship between Kirin Holdings and Kyowa Hakko Bio                                                                      | Capital                                                                                                                            | Kyowa Hakko Kirin, in which Kirin Holdings owns 50.10% shares, owns 10 issued shares (100%) in Kyowa Hakko Bio.                 |                     |
|     |                                                                                                                              | Personnel                                                                                                                          | Six employees of Kirin Holdings are posted to Kyowa Hakko Bio, and 6 employees of Kyowa Hakko Bio are posted to Kirin Holdings. |                     |
|     |                                                                                                                              | Business                                                                                                                           | Kirin Holdings makes transactions for the consignment of manufacturing of consumer healthcare products.                         |                     |
|     |                                                                                                                              | Related party status                                                                                                               | Kyowa Hakko Bio is a consolidated subsidiary of Kirin Holdings, and comes under the category of related party.                  |                     |
| (9) | Consolidated results of operations and consolidated financial position of Kyowa Hakko Bio within the past three years (IFRS) |                                                                                                                                    |                                                                                                                                 |                     |
|     | Fiscal year closing months                                                                                                   | Dec. 2016                                                                                                                          | Dec. 2017                                                                                                                       | Dec. 2018           |
|     | Total assets                                                                                                                 | 131,443 million yen                                                                                                                | 130,024 million yen                                                                                                             | 130,847 million yen |
|     | Revenue                                                                                                                      | 81,807 million yen                                                                                                                 | 81,136 million yen                                                                                                              | 78,204 million yen  |
|     | Core operating profit                                                                                                        | 5,556 million yen                                                                                                                  | 7,189 million yen                                                                                                               | 8,128 million yen   |

(Note 1) Figures in the above consolidated operating results and consolidated financial position for the fiscal year ended December 31, 2018 have not been audited by an accounting auditor.

(Note 2) Core operating profit was calculated by deducting “selling, general and administrative expenses” and “research and development expenses” from “gross profit,” and adding “share of profit (loss) of investments accounted for using equity method” to the amount.

### 3. Description of the counterparty of the share acquisition (As of December 31, 2018)

|      |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                            |
|------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1)  | Company name                                              | Kyowa Hakko Kirin Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                            |
| (2)  | Address                                                   | 1-9-2 Otemachi, Chiyoda-ku, Tokyo                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                            |
| (3)  | Title and name of representative                          | President and COO: Masashi Miyamoto                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                            |
| (4)  | Business description                                      | Manufacturing and marketing of pharmaceuticals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                            |
| (5)  | Capital                                                   | 26,745 million yen                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                            |
| (6)  | Establishment                                             | July 1, 1949                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                            |
| (7)  | Total equity (Consolidated)                               | 616,028 million yen (Fiscal year ended December 31 2017)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
| (8)  | Total assets (Consolidated)                               | 708,295 million yen (Fiscal year ended December 31 2017)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
| (9)  | Major shareholders (interests) (As of December 31, 2018)  | <ul style="list-style-type: none"> <li>• Kirin Holdings Company, Limited 50.10%</li> <li>• The Master Trust Bank of Japan, Ltd. (Trust Account) 6.91%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account) 3.47%</li> <li>• The Norinchukin Bank 1.86%</li> <li>• STATE STREET BANK WEST CLIENT – TREATY 505001 1.19%</li> <li>• Mizuho Trust &amp; Banking Co., Ltd. (Retirement Benefit Trust for Mizuho Bank, Ltd) 1.18%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account 5) 0.85%</li> <li>• Goldman Sachs &amp; Company Regular Account 0.85%</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                            |
| (10) | Relationship between Kirin Holdings and Kyowa Hakko Kirin | Capital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Kirin Holdings holds 288,819 thousand shares in Kyowa Hakko Kirin, equivalent to 50.10% of the total number of shares issued by it.                                                                                                                                                                                                                                                        |
|      |                                                           | Personnel                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | One Director of the Board from Kirin Holdings concurrently serves as a Director of the Board in Kyowa Hakko Kirin, and one Audit & Supervisory Board Member concurrently serves as an Audit & Supervisory Board Member in Kyowa Hakko Kirin. Moreover, 17 employees of Kirin Holdings are posted to Kyowa Hakko Kirin, and 11 employees of Kyowa Hakko Kirin are posted to Kirin Holdings. |
|      |                                                           | Business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Kyowa Hakko Kirin lends funds to Kirin Holdings.                                                                                                                                                                                                                                                                                                                                           |
|      |                                                           | Related party status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Kirin Holdings is the parent of Kyowa Hakko Kirin and falls under the category of related party.                                                                                                                                                                                                                                                                                           |

### 4. Number of shares to be acquired, acquisition price and percentage of shareholding before and after the acquisition

|     |                                 |                                                                                         |
|-----|---------------------------------|-----------------------------------------------------------------------------------------|
| (1) | Shares owned before change      | 0 shares<br>(Number of voting rights: 0)<br>(Voting rights ownership percentage: 0%)    |
| (2) | Number of shares to be acquired | 95 shares<br>(Number of voting rights: 95)                                              |
| (3) | Acquisition price               | Approximately ¥128.0 billion                                                            |
| (4) | Shares owned after change       | 95 shares<br>(Number of voting rights: 95)<br>(Voting rights ownership percentage: 95%) |

(Note 1) The number of shares issued by the target company as of the time of this release (February 5, 2019) is 10 shares, but the target company intends to conduct a 1:10 stock split before the Share Acquisition takes place, so that at the time of the Share Acquisition, the number of shares issued will be 100 shares.

Furthermore, the number of shares and the number of voting rights in the above table use figures from after the stock split.

- (Note 2) The acquisition price will be adjusted in accordance with the dividends of surplus cash paid to Kyowa Hakko Kirin by Kyowa Hakko Bio up to the date on which the Share Acquisition is executed, and in accordance with the state of Kyowa Hakko Bio's net assets as of the last day of the month prior to which the Share Acquisition will be executed.
- (Note 3) The acquisition price is for consideration of Kyowa Hakko Bio's shares and does not include the advisory fees, for which Kirin Holdings is obliged to maintain confidentiality.
- (Note 4) Kyowa Hakko Kirin retains a put option to sell the remaining 5 percent of Kyowa Hakko Bio's shares to Kirin Holdings after 3 years from the date on which the Share Acquisition is executed (or on a date that Kirin Holdings and Kyowa Hakko Kirin separately agree on).

## 5. Schedule

|                                                |                          |
|------------------------------------------------|--------------------------|
| (1) The date of Board of Directors' resolution | February 5, 2019         |
| (2) The date of contract execution             | Same date as above       |
| (3) Expected date of share transfer            | April 24, 2019 (planned) |

## 6. Prospects going forward

The financial impact of this transaction will be insignificant.