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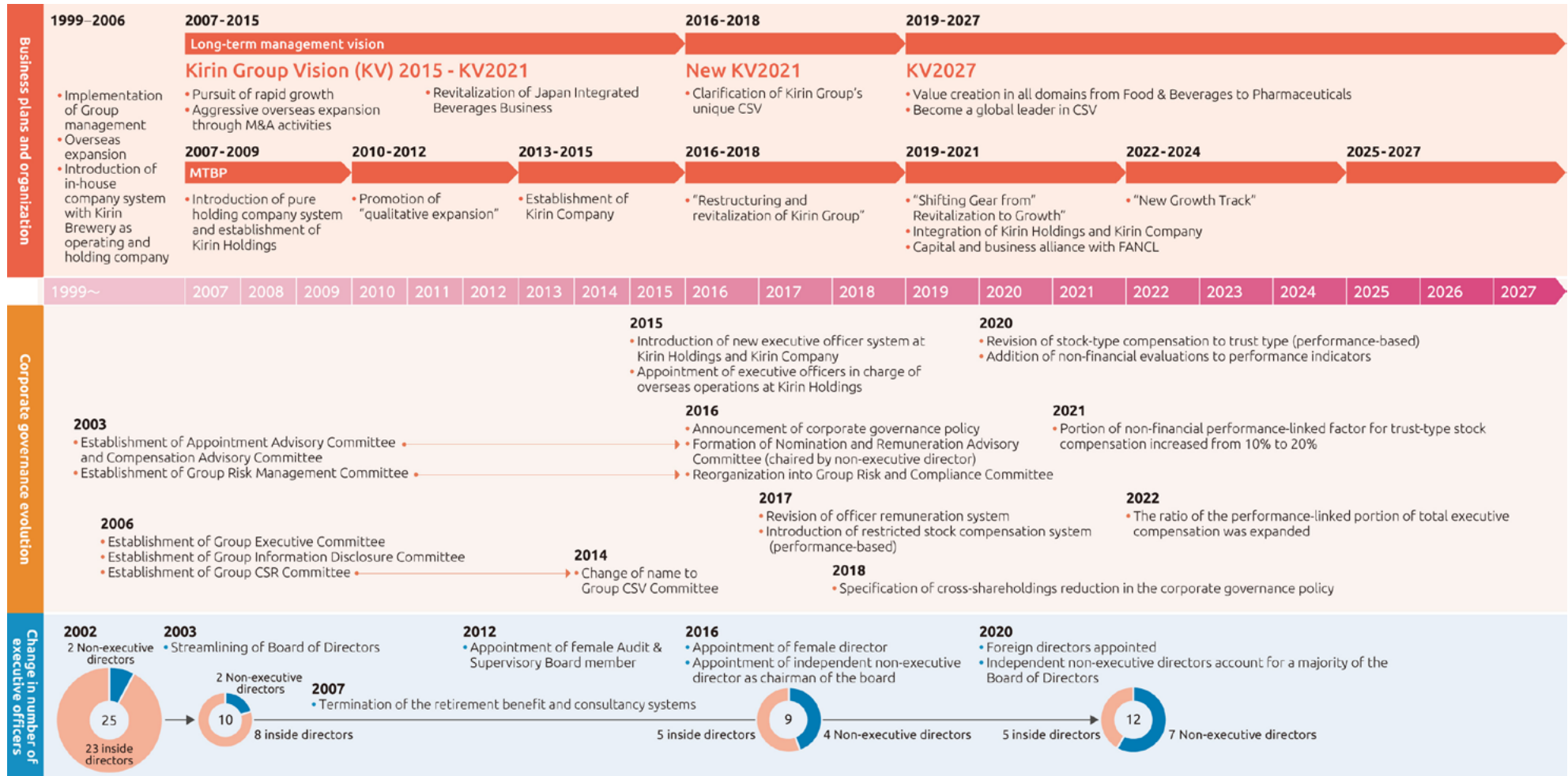
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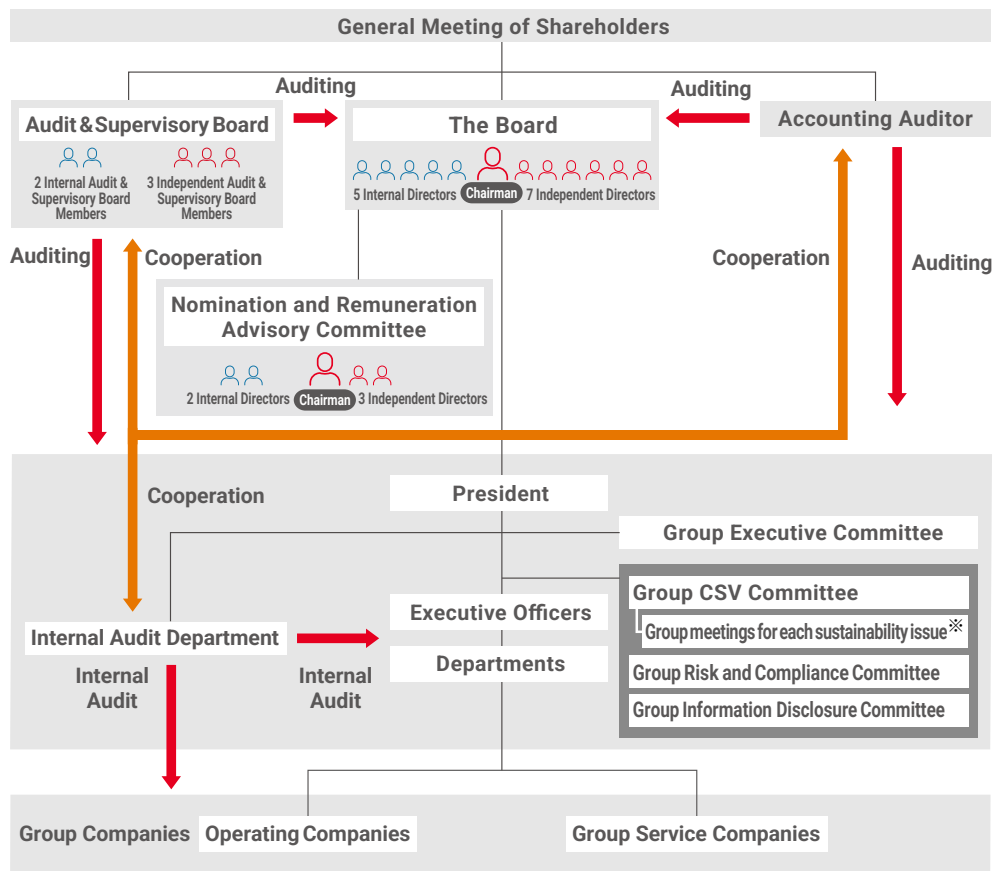
# Corporate Governance

## Evolution of Corporate Governance System



\* Chart represents total number of directors as of April 1 of each year.

# Corporate Governance Structure



※Group Environmental Meeting、Group Human Rights Meeting、Group Health and Safety Meeting、etc

- Kirin Holdings has adopted a pure holding company structure as a means of controlling its diverse and global business, which is centered on 3 domains such as food & beverages, pharmaceuticals and health science. As a pure holding company, Kirin Holdings takes on the role of devising and implementing the Group’s overall strategies, monitoring individual businesses, creating synergy, and responding to challenges surrounding sustainability through coordination across the Kirin Group.
- The Kirin Group’s individual companies conduct their business autonomously with a sense of speed, while maintaining close ties to the local customers and other stakeholders. Kirin Holdings grants appropriate authority to match the strategic stages of individual Kirin Group companies and improves governance through the Board of Directors and the Boards of individual group companies by dispatching directors to those companies. Directors or Executive Officers of Kirin Holdings serve concurrently as directors at the main companies in the Kirin Group.
- Kirin Holdings has adopted a Company with Audit & Supervisory Board system, and aims to maintain and improve on a highly transparent governance system for its stakeholders. The Board, which includes a number of Outside Directors, works closely with the Audit & Supervisory Board, which also includes a number of Outside Audit & Supervisory Board Members, and makes effective use of the statutory and other auditing function to take final decisions on important matters. At the same time, the Board endeavors to reinforce the monitoring function on management. Kirin Holdings has introduced an executive officer based system in order to implement strategies for each of its businesses and functions in an agile fashion and clarify executive responsibilities. The Board of Directors determines the scope of delegation to the Executive Officers based on their experience, track record, and expertise in their respective fields.

## Directors, Audit & Supervisory Board Members, and Executive Officers

### Directors



President & CEO  
(Member of the Nomination  
and Remuneration Advisory  
Committee)

#### Yoshinori Isozaki

April 1977 Joined the Company  
March 2015 President & Chief  
Executive Officer of the  
Company(Present Position)



Representative Director of the  
Board, Senior Executive Vice  
President

#### Keisuke Nishimura

Business Alliance and Investment  
Strategy, Overseas Business, Global  
Craft Beer

April 1980 Joined the Company  
March 2017 Representative Director,  
Senior Executive Vice  
President of the Company  
(Present Position)

**Major Concurrent Positions:**  
Director of Kirin Brewery Co., Ltd.  
Director of Lion Pty Ltd  
Director of San Miguel Brewery Inc.



Director of the Board, Senior  
Executive Officer  
Member of the Nomination  
and Remuneration Advisory  
Committee

#### Toshiya Miyoshi

Public Relations, Risk Management,  
Legal, Member of the Nomination and  
Remuneration  
Advisory Committee

April 1982 Joined the Company  
March 2015 Director of the Board, Senior  
Executive Officer of the  
Company (Present Position)

**Major Concurrent Positions:**  
Director of Kirin Beverage Co., Ltd.  
Director of San Miguel Brewery Inc.



Chairperson of the Board  
(Independent Non-executive  
Director of the Board)

#### Masakatsu Mori

April 1969 Joined Arthur Andersen,  
LLP  
February 1989 Japan Representative  
of Andersen Consulting  
(currently Accenture Japan  
Ltd.)

March 2015 Audit & Supervisory Board  
Member of the Company  
March 2019 Non-executive Director  
of the Company (Present  
Position)



Independent Non-executive  
Director of the Board  
Member of the Nomination  
and Remuneration Advisory  
Committee

#### Hiroyuki Yanagi

April 1978 Joined Yamaha Motor Co., Ltd.  
March 2010 President, Chief Executive  
Officer and Representative  
Director of Yamaha Motor Co., Ltd.  
January 2018 Chairman and Representative  
Director of Yamaha Motor Co., Ltd.  
March 2019 Non-executive Director of the  
Company (Present Position)  
June 2021 Outside Director of Japan  
Airlines Co., Ltd. (Present  
Position)



Independent Non-executive  
Director of the Board  
Chairperson of the Nomination  
and Remuneration Advisory  
Committee

#### Chieko Matsuda

April 1987 Joined The Long-Term Credit  
Bank of Japan, Limited  
April 2011 Professor of School of  
Business Administration,  
Faculty of Urban Liberal  
Arts (Currently Faculty of  
Economics and Business  
Administration) at Tokyo  
Metropolitan University  
(Present Position)

March 2016 Audit & Supervisory Board  
Member of the Company  
June 2020 Outside Director of IHI  
Corporation (Present Position)



Independent Non-executive  
Director of the Board  
Member of the Nomination  
and Remuneration Advisory  
Committee

#### Noriko Shiono

August 1983 Joined Japan New Media  
Co., Ltd.  
March 2010 Representative Director,  
President of SSP Co., Ltd.  
October 2017 President of Widex Japan  
(Present Position)  
March 2018 Non-executive Director of  
Kirin Company, Limited  
March 2020 Non-executive Director of the  
Company (Present Position)



Director of the Board, Senior  
Executive Officer

#### Takeshi Minakata

Strategy of Health Science Domain  
President of Health Science Division

April 1984 Joined the Company  
March 2020 Senior Executive Officer of  
the Company

**Major Concurrent Positions:**  
Director of Kyowa Kirin Co., Ltd.



Director of the Board, Senior  
Executive Officer

#### Junko Tsuboi

Personnel and General Affairs

April 1985 Joined the Company  
March 2023 Director of the Board, Senior  
Executive Officer (Present  
Position)

**In charge :**  
Outside Director of FANCL Corporation



Independent Non-executive  
Director of the Board

#### Rod Eddington

September 1979 Joined John Swire &  
Sons (H.K.)Ltd.  
April 1992 Managing Director of  
Cathay Pacific Airways  
Limited  
April 2000 Chief Executive Officer of  
British Airways plc  
March 2011 Director of Lion Pty Ltd  
March 2020 Non-executive Director  
of the Company (Present  
Position)



Independent Non-executive  
Director of the Board

#### George Olcott

July 1986 Joined S.G. Warburg & Co.,  
Ltd.  
June 2000 Managing Director, Equity  
Capital Market, UBS Warburg  
Tokyo  
March 2020 Non-executive Director of the  
Company (Present Position)



Independent Non-executive  
Director of the Board

#### Shinya Katanozaka

April 1979 Joined ALL NIPPON AIRWAYS  
CO., LTD. (currently ANA  
HOLDINGS INC.)

April 2015 Representative Director,  
President & Chief Executive  
Officer of ANA HOLDINGS  
INC.

March 2023 Non-executive Director of the  
Company (Present Position)



## Audit & Supervisory Board Members



**Audit & Supervisory Board Member**  
**Shobu Nishitani**

April 1987 Joined the Company  
March 2016 Director of the Board of Lion Pty Ltd.  
March 2022 Standing Audit & Supervisory Board Member of the Company (Present Position)  
Audit & Supervisory Board Member of Kyowa Hakko Bio Co., Ltd. (Present Position)



**Standing Audit & Supervisory Board Member**  
**Toru Ishikura**

April 1989 Joined the Company  
March 2020 Director of the Board, Kyowa Hakko Bio Co., Ltd.  
March 2023 Standing Audit & Supervisory Board Member of the Company (Present Position)  
Audit & Supervisory Board Member of Kyowa Kirin Co., Ltd. (Present Position)



**Audit & Supervisory Board Member**  
**Yoshiko Ando**

April 1982 Entered the Ministry of Labor  
April 2003 Lieutenant governor of Shiga prefecture  
July 2006 Director of Equal Employment Policy Div. of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare  
July 2017 Director-General for Human Resources Development of the Ministry of Health, Labour and Welfare  
March 2019 Audit & Supervisory Board Member of the Company (Present Position)



**Audit & Supervisory Board Member**  
**Kaoru Kashima**

November 1981 Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)  
June 2002 Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)  
July 2013 Representative Director of Ernst & Young Institute Co., Ltd.  
March 2020 Audit & Supervisory Board Member of the Company (Present Position)



**Audit & Supervisory Board Member**  
**Kenichi Fujinawa**

April 1980 Registered as lawyer in Japan  
January 2000 Joined Nagashima & Ohno  
January 2000 Partner of Nagashima Ohno & Tsunematsu  
January 2015 Chairman of Nagashima Ohno & Tsunematsu  
March 2022 Audit & Supervisory Board Member of the Company (Present Position)

## Executive Officer



**Senior Executive Officer**  
**Ryosuke Mizouchi**

CSV strategy  
Director of Lion Pty Ltd  
Director of Coca-Cola Beverages Northeast, Inc.  
Director of Mercian Corporation



**Senior Executive Officer**  
**Masao Maehara**

Supply Chain Management,  
Production Technology Strategy  
Director of Kirin Beverage Co., Ltd.



**Senior Executive Officer**  
**Shinjiro Akieda**

Chief Financial Officer, IR.



**Senior Executive Officer**  
**Koji Fukada**

R&D Strategy, Quality Assurance  
President of R&D Division  
Director of Kyowa Hakko Bio Co., Lt



**Senior Executive Officer**  
**Mitsuharu Yamagata**

Marketing, Corporate Brand Strategy  
Digital, Information Strategy  
Senior Executive Vice President of Kirin Brewery Co., Ltd.



**Senior Executive Officer**  
**Hideki Horiguchi**

President and CEO of Kirin Brewery Co., Ltd.



**Senior Executive Officer**  
**Toru Yoshimura**

President and CEO of Kirin Beverage Co., Ltd.



**Senior Executive Officer**  
**Yuki Kanzaki**

President and CEO of Kyowa Hakko Bio Co., Ltd.

## Interview with Independent Non-executive Directors



### Interview with Independent Non-executive Directors

## A conversation between external directors of the board Expanding the Scale of the Health Science Business Through Combined Internal and External Strengths

### Masakatsu Mori

Independent Non-executive Director of the Board  
(Chairperson of the Board)

Joined Arthur Andersen & Co. in 1969. Assumed the position of Japan president of Andersen Consulting (now Accenture Japan Ltd.) in 1989 and went on to be Chairman and then Chief Corporate Advisor. He also served as a member of the International Board at the company for 13 years. He then started working as President of the International University of Japan in 2009 and went on to become Vice Chairman before assuming his current position as Senior Advisor. He became an Audit & Supervisory Board member for our company in 2015 and Non-executive Director of the Board in 2019. He currently acts as Non-executive Director for STANLEY ELECTRIC Co., Ltd. and Audit & Supervisory Board member for FAST RETAILING Co., Ltd.

### Noriko Shiono

Independent Non-executive Director of the Board  
(Member of the Nomination  
and Remuneration Advisory Committee)

Joined Japan New Media Co., Ltd. in 1983. She then went on to work as Representative Director & President of SSP Co., Ltd. and President & Corporate Officer and Chairman & Director of Konami Sports & Life Co., Ltd. (Now Konami Sports Co., Ltd) before taking on her current role as president of Widex Japan. She assumed the position of Non-executive Director at Kirin Co., Ltd. in 2018. She became our Strategic Advisor in 2019 before taking her role as Non-executive Director in 2020.

## Strengthen the Group's Coordination to Accelerate Development of the Health Science Business

—What topics were discussed by the Kirin Holdings Board of Directors in 2022 and what did you deal with as a non-executive director?

**Mori:** The most important topic was that of the optimization of our business portfolio. We continuously discussed how we could create and improve value throughout the range of our group's business, from Food & Beverages to Pharmaceuticals.

Two topics brought up in the many discussions were the withdrawal from business in Myanmar and the structural reform of Kyowa Hakko Bio Co., Ltd. We have organized the handling and risk management of these for the current term.

**Shiono:** On top of that, in 2022 we also started discussing strategies based on function, such as R&D and marketing that would improve the execution of management strategies. At the board meetings, I feel we were able to hold fruitful discussions to effectively move the entire group toward accelerating CSV management.

—The Kirin Group is expanding business into the Health Science domain based on the knowledge of fermentation technology and biotechnology, a core competence, that it has accumulated since the foundation of its first company. What is your opinion on this?

**Shiono:** It is believed a company is not guaranteed growth through only the continuation of current businesses. Businesses must always be thinking about creating new value using their core competencies

(assets). From the perspective of our group, it is of great significance that we are applying fermentation technology and biotechnology, our core technologies, to newly enter the Health Science business. This is because the health science business is also a business development directly related to CSV in the sense that it solves health issues.

**Mori:** It's just as Ms. Shiono said: a business is like a plant. If it stops growing, it dies. Our group could perish if we only rely on existing business. For this reason, we as non-executive directors believe taking on the Health Science business as a growth area is the correct strategy.

The global health science market is expanding, and there are many companies aiming to join. The Kirin Group, however, is not engaged in just any ordinary health science, but we are developing an integrated business from ingredient development to product manufacturing and sales with fermentation technology and biotechnology, one of our core competencies, as the foundation. Additionally, for example, if we were to incorporate ingredients from the Health Science domain into products in our Food business, the entire group would align, and we would see our entire business' position changing.

## Build an Integrated System Ranging from Ingredient Development to Product Manufacturing and Sales, and Exercise our Strengths in the Health Area

—What does the speed and progress of Kirin's expansion in the Health Science domain look like?

**Shiono:** The business models and the process time in the Food, Pharmaceuticals, and Health Science businesses are different. In the Food business, lead time for the development of new products is comparably fast. On the other hand, the health science business can only be launched after various processes, including notification to and approval from the relevant ministries and agencies to demonstrate efficacy and effectiveness on the body. So, as you can see, the cycles of product development are different, and while analysts and investors in food-related industries may feel the process is slow, I think they will feel it is comparatively quicker compared to the development of pharmaceuticals in the same health industry.

That being said, we as the board are aware the market won't wait for us, no matter the business. It is crucial that we have an accurate understanding of consumer needs and quickly provide materials and products, which is why the focus of the board in 2022 was the important topic of Health Science business. We are especially proud of being able to sort out the connection between the provision of specialty ingredients and other raw materials by Kyowa Hakko Bio on a B-to-B basis and the B-to-C business model of the Food business the Kirin Group is familiar with. As a result, we were able to finalize the entire business strategy, and I think we will be able to expand faster.

**Mori:** It is taking us a bit of time to get moving, but I don't feel we are running behind. Furthermore, I think many of the world's businesses use a business model for mass consumption and mass production, not just ours. When thinking about the health area, it is necessary to split the market into multiple segments. We are connecting our ingredients and the markets with our different approach as an existing Food business and

creating new business focused on each segment from scratch, so it can't be helped it is taking some time.

**Shiono:** While we are aware of the various opinions of investors, from the perspective of group synergy, I think having a fellow Group company like Kyowa Kirin Co., Ltd., which is involved in the Pharmaceuticals business, will help to push us. I believe it is because of the existence of a company that makes pharmaceuticals that contribute to healing that we can commit to health as a group.

**Mori:** That's right. However, while Kyowa Kirin is a member of the Kirin Group, it is also an independent listed company. I think that we as non-executive directors of Kirin Holdings Company, Limited need to take note to keep the balance of independence and cooperation since each company has their own shareholders.

—We recently hear the word “BtoB/BtoC Linkage Model \*1,” which has allowed us to see the possibilities of Kirin Group's business development in the Health Science domain. What do you think about this model?

**Shiono:** We are moving forward towards establishing a model unique to the Kirin Group, the “B-to-B & B-to-C Link Model.” This model combines (1) the B-to-B model in which we provide Kyowa Hakko Bio's ingredients to businesses for them to commercialize and (2) the B-to-C model in which we commercialize other products, such as Kirin Beverage Company, Limited's beverages, and deliver them to consumers. In addition to *Lactococcus lactis* strain Plasma (LC-Plasma), which we have already begun working with, we intend to expand next with citicoline\*2 and human milk oligosaccharides (HMOs)\*3.

The important thing when it comes to business in the Health area is to broaden the scope of the business so the products can benefit a wide range of diverse people. Consumers choose health-related products based on whether they fit their lifestyle, so it is imperative we make our products accessible to a wide range of consumers. Our company creates good materials, and their effectiveness is proven, so if we also have partners who want to buy and commercialize them, we should broaden and grow the scope of the business by implementing the “BtoB/BtoC Linkage Model.”

**Mori:** FAST RETAILING, a company at which I am an Audit & Supervisory Board member, has transformed into an integrated system that does everything from material development, production and then sales. Through this, they have been able to understand their consumers’ needs and succeed in the development of products to meet those needs, resulting in a breakthrough in the apparel industry.

In the Health area, the Kirin Group won’t simply create an integrated system that does everything from material development to product production and sales, but we will look at each market’s segment separately, and our strength will be the ability to provide products developed from ingredients that optimize them for the target segments. There is significance in promoting the “BtoB/BtoC Linkage Model,” which will not only provide materials within the group but will expand our provision of raw materials to other businesses.

\*1 A business model in which businesses are linked, that utilizing the insights gained from selling the company’s own products in the BtoC business to create a new BtoB business that is not limited to ingredient sales.

\*2 An ingredient found in the body that maintains the cell membranes of the brain and nerve cells, and has been used for many years around the world in medicines for brain

diseases and health foods that support the improvement of cognitive functions. In Japan, it is currently classified as a pharmaceutical product.

\*3 A generic term for oligosaccharides contained in breast milk. More than 200 kinds are contained in breast milk, and the results of research contributing to immunity and brain function, among others, have been reported.

### —Where do you see certainty of growth in the Health Science business?

**Mori:** We have set a goal of 200 billion yen in net sales in our Long-Term Management Vision, “Kirin Group Vision 2027” (KV2027). It’s a bit of a lofty goal, but I believe we can reach it because we have Kirin Holdings’ Health Science Business Division leading the way and various companies handling health-related products, like Kyowa Hakko Bio, Kirin Beverage, and FANCL CORPORATION, have come together to work as one. The Health Science domain is a challenging area filled with competitors and new entrants, but I agree with the management’s decision to join the domain as part of our group’s growth strategy.

**Shiono:** I think there are a few benefits to the Kirin Group entering the Health area. First, if we have technical advantages, we will have a competitive advantage and entry into the area will be made difficult for others. For example, *iMUSE* (*IMMUSE* in some markets), which incorporates the use of LC-Plasma, was registered as a food with functional claims for immunity. Its safety and functionality have been proven with evidence, so it is difficult for other companies to join this domain, giving the Kirin Group a competitive advantage.

This year, this advantage has led us to providing LC-Plasma to Coca-Cola (Japan) Company, Limited. It is a competitive company in the Beverage business, so this is a groundbreaking initiative. If Kirin can exercise

the trust and power its KIRIN brand has cultivated in the Food business, I think reaching a net sales goal of 200 billion yen is fully within our reach.

## Incorporating Diversity to Develop Human Capital Capable of Overseas Business Management

### —What should the Kirin Group do to strengthen their presence overseas?

**Mori:** Looking back on the Kirin Group’s overseas business, like the withdrawals from business in Brazil, the beverage businesses in Australia, and business in Myanmar, I see we have caused a lot of trouble for shareholders. Lion Pty Ltd in Australia is still facing many challenges. Based on these experiences, the current challenge of overseas business for the Kirin Group is to develop global human capital that can manage local subsidiaries and implement the global strategy.

When a company advances into new territory, global human capital are necessary; however, the reality is there is a shortage of global human capital, and we believe it is urgent to foster them. The Health Science business has a growing opportunity particularly in North America and the Asia-Pacific region, so the development of human capital that can open the path to overseas markets is becoming even more important.

**Shiono:** I agree. As is often the case with Japanese companies, the Kirin Group is a homogeneous organization that lacks women in management, foreign employees, and human assets with overseas experience. I feel it might be difficult to manage the diverse values of foreign countries in this non-diverse state we are in. In fact, this is a popular topic amongst



non-executive directors.

In order to develop human assets that can manage the overseas business, it is necessary to bring in outside perspectives by appointing external human capital, including non-Japanese, and forming partnerships with other companies and incorporating values that differ from ours. We have been reforming the Kirin Group's human resources strategy since 2022. We are also considering proactively hiring foreign workers, and the plan is progressing as intended.

## Becoming a More Professional Group Through Change in Organizational Capabilities

—As non-executive directors, what are your opinions on the Kirin Group strengthening their “four organizational capabilities (drivers) for driving innovations”?

### 1) Diversity and inclusion, culture for innovation

**Shiono:** To be honest, I think it would be good to change the workforce in a more daring way. When developing human resources, the Kirin Group has mainly used the Japanese model of hiring fresh graduates in large numbers, giving them experiences in a wide range of areas, and then positioning them in a role they are likely to excel. If we are short on particular skills or experiences, we compensate by hiring experienced workers, but that alone isn't enough.

The important thing is to combine these methods. In other words, we need to create a work environment for transferring the knowledge and skills

of workers brought in from the outside to those who started with us. I believe this will also improve the entire team's expertise through the creation of horizontal and vertical relations. I think the most effective method for realizing this is to bring mid-career hires and international workers into middle management. I expect this will change our organization into one with greater speed of innovation by bringing in outside perspectives.

**Mori:** With the strengthening of organizational capability, we are now looking for highly specialized professionals instead of traditional generalists who understand everything in a broad sense. We want to evolve into a strong organization full of professionals who have advanced knowledge and skills in specialized fields and who can compete with those in the same field at other companies. If we do this, I think we will be able to hire and retain external professional human resources more easily, just as Ms. Shiono mentioned.

### 2) Core technology that assures value creation

**Shiono:** The Kirin Group prides itself on its commitment to basic research as a company in the beer business. We especially see promise in the biotechnology area, a focus area of the Kirin Group. In recent years the world has been focused on veganism, and going forward we predict there will be a growing importance of medicine and health products that are vegan, uncontaminated, and non-chemical. We believe that the Kirin Group's advanced research technologies in plants and microorganisms will support us in these conditions.

On the other hand, despite our strengths in basic research, and fermentation technology and biotechnology, I feel they are not fully recognized.

Humility is important, but I think we should freely promote our technological skills and development capabilities in the Health Science business.

### 3) Consumer-centric marketing

**Mori:** In the Health Science business, knowing the consumers is crucial. Digital marketing technology that allows us to visualize consumer needs is essential, and we are rapidly developing it, but there is still a lot of room for the Kirin Group to enhance itself in this domain. We must enhance our ability to develop merchandise strategy based on data we gain from connecting with and learning about consumers. In the beer business, with craft beer and *Home Tap* at the forefront, connections with individual consumers have become vital. I want to keep an eye on the changes in the digital marketing space.

### 4) ICT accelerating value creation

**Mori:** I feel it's necessary to enhance not only marketing but ICT (information and communication technology) as a whole. The Kirin Group has recently replaced our outdated accounting, production, and logistics system with SAP, but this is only a replacement of old technology. Going forward, we need to focus on the use of ICT in business. I believe it is necessary for us to look at ICT as a business reformation tool and to think of prioritizing the installment of ICT to areas where it can have significant benefits on business and where cost and risk can be minimized.

—In the Kirin Group 2022-2024 Medium-Term Business Plan (2022 MTBP), “focus on quality”

and “building an SCM system that balances efficiency and sustainability” were added as two additional organizational capabilities. What are your thoughts on these new capabilities?

**Mori:** I think it was a good decision. Strengthening SCM (supply chain management) is especially important. Manufacturing and logistics capabilities to maximize brewery/factory utilization and minimize inventory level are the keys for Kirin’s business. How quickly can we produce top sellers and how quickly can we stop producing the worst sellers? These skills should be developed as the basic strengths of our group. We expect the SCM system to be even further enhanced by being prioritized it as an important organizational capability.

## A Strong Governance System Built on the Trust of the Executives

—From the perspective of non-executive directors, does it look like the Kirin Group’s governance system is functioning?

**Mori:** I have been overseeing the Kirin Group since being appointed as an audit & supervisory board member in 2015, and I can confidently say that Kirin Holdings’ corporate governance is now first-class level. Over the past few years, many good changes were accelerated owing to a mutual trust between the non-executive directors and company executives.

CEO Isozaki and we have a deep mutual trust, and that allows us to have a CEO evaluation system led by non-executive directors. Non-executive directors can observe and evaluate the CEO and his team on how much value they are adding to the company in both the short- and long-term. For example, we make sure that

the company holds a clear future vision and they are working toward realizing that vision by making future-oriented investments and developing human capital.

Many companies focus on short-term achievements when determining the president’s remuneration, but Kirin Holdings evaluates them based on medium- to long-term achievements. At the same time, non-executive directors are not automatically reappointed but are evaluated every year by the Nomination and Remuneration Advisory Committee. This evaluation is also reflected in the report of the Board of Directors’ effectiveness. Therefore, we can confidently state that our board members are all highly qualified and not being constrained by the term of service.

**Shiono:** At board meetings, the non-executive directors are forward with their opinions when talking to the executives, including the CEO. As a member of the board, I really feel the governance is functioning.

**Mori:** As chairperson, the thing I am most concerned about is whether management issues within the group are being raised on the agenda in a timely manner. This is because we from outside the company have limited information, for example, if something important is happening in the company and no one brings it up. In that regard, Kirin Holdings is giving us point-by-point reports on important management issues within the group, so we are able to discuss solutions with good timing. I believe this shows our relationship of trust.

When it comes to business strategies and operating plans, final decisions are only made after repeated discussions with the board. The executives listen to and reflect on the opinions of the non-executive directors and then brush up their proposal for the final board decision. It is through this cycle that we are able

to make sound business decisions.

—What are the current governance-related issues?

**Mori:** One issue that comes to mind is the need to fortify a global governance system. This ties back to our discussion on human capital. We have to develop and appoint human capital capable of managing overseas businesses, we should enhance our system so that we can promptly understand the local conditions and quickly respond to any changes.

**Shiono:** If I was to bring something up, I would like to see the executives share more of their thoughts at board meetings. I understand the executives have discussed the issues at length within the company, but I would like to have more active discussions at board meetings.

I think we as non-executive directors need to be someone who can provide added value for executives. The non-executive directors bring a new perspective on results of discussions held within the company, offer respective opinions from their different fields, and help the board make better decisions. I hope to contribute to this process.

—Thank you for taking the time today to discuss your expectations and the issues within the Kirin Group. We hope to use today’s discussion to promote initiatives for further growth in the group.

# Enhancing Management Effectiveness

## Evaluation of the Board of Director's Effectiveness

The Board of Directors effectiveness evaluations conducted in fiscal 2016 defined the Board's two primary functions as making important corporate decisions and providing supervisory oversight. We continue to conduct regular evaluations of Board operations and meeting content to both ensure those functions are being fulfilled and to continually improve its efficiency by identifying points to make the meetings more effective in the next fiscal year.

### Fiscal 2022 discussion points

1. Discussion on "Business Portfolio"
2. Discussion on "strategy formulation, implementation and monitoring" that crosses business and functional strategies
3. Discussion on "Instillation of Kirin Group Corporate Philosophy to Promote CSV Management"
4. Discussion on "Ensuring that sound business ethics are known and practiced"
5. Discussion on "Risk Management"

## Fiscal 2022 evaluations

The Board of Directors discusses the results of the survey, which includes an evaluation perspective based on a survey by a third-party advisor, while taking into account the current status of efforts and improvements.

### Observations

- (1) Composition and operation of the Board of Directors
- (2) Strategy formulation, execution, and monitoring
- (3) Oversight of risk and crisis management
- (4) Oversight of decision-making, such as in business acquisitions and withdrawals
- (5) Oversight of executive compensation and successor development plans
- (6) Depths of awareness and oversight of sound corporate ethics
- (7) General oversight of disclosure to stakeholders
- (8) Overall effectiveness

### Evaluation results

As a whole, the Board of Directors is effective and functioning properly.

### Points receiving positive evaluations

1. The diversified Board of Directors enhances the effectiveness of important decision-making and provides multiple perspectives
  - The independent non-executive director majority has broadened the Board's range of expertise and strengthened the supervisory function over business execution
  - The Company has established a strong monitoring system to reinforce its status as a company with an Audit & Supervisory Board
2. Board of Directors discussion content is to the point and thorough
  - Discussion of the business portfolio covers various angles for generating sustaining growth
  - Discussion centered on topics that management should focus on, enabling deep discussion of management issues

3. The Board of Directors is operating properly, and steps are being taken to further improve its functionality

- Functionality has been vastly improved in agenda setting, time allocation, and opportunities to share information
- The amount of reports and open discussions about issues that are not part of the meetings is gradually increasing, and the deeper understanding of the business and strategies is improving the quality of the discussions

## Points to improve in fiscal 2023

Management has specified five points for improvement in fiscal 2022 based on the opinions and areas for improvement indicated in the evaluations in fiscal 2022 and with a view for the changing business environment.

The Company continually seeks to maintain and improve the effectiveness of the Board of Directors in accordance with the agenda set by Independent Non-executive Director and Chairman of the Board Masakatsu Mori and by providing more opportunities to share information and engage in open discussions.

1. Discussion on "Business Portfolio"
2. Discussion on "strategy formulation, implementation and monitoring" that crosses business and functional strategies
3. Discussion on "Instillation of Kirin Group Corporate Philosophy to Promote CSV Management"
4. Discussion on "Ensuring that sound business ethics are known and practiced"
5. Discussion on "Risk Management"

# Required skills for directors and Audit & Supervisory Board members

As of April, 2022, seven (7) Non-Executive Directors and three (3) Audit & Supervisory Board Members that satisfy the Company's independence criteria, with reference to the criteria for independence of officers as prescribed in the regulations of the Tokyo Stock Exchange, have been appointed as Independent Directors/Auditors in order to improve the fairness and transparency of corporate governance, ensure the Group's sustainable growth, and boost corporate value over the medium to long term.

## Criteria regarding the independence of Officers

[https://www.kirinholdings.com/en/purpose/files/pdf/e\\_independencecriteria\\_officer.pdf](https://www.kirinholdings.com/en/purpose/files/pdf/e_independencecriteria_officer.pdf)

## Independent Officers Notification

[https://www.kirinholdings.com/en/purpose/files/pdf/e\\_independentofficer.pdf](https://www.kirinholdings.com/en/purpose/files/pdf/e_independentofficer.pdf)

Kirin Holdings has adopted a pure holding company structure as a means of controlling its diverse and global business, which is centered on the three domains of food & beverages, pharmaceuticals, and health science. As the institutional design, we have adopted a Company with Audit & Supervisory Board system, and aim to maintain and improve on a highly transparent governance system for its stakeholders. The Board, more than half of which are Outside Directors, works closely with the Audit & Supervisory Board to take final decisions on important matters and reinforce the monitoring function on management. We have also introduced an executive officer based system in order to implement strategies for each of our businesses

and functions in an agile fashion and clarify executive responsibilities.

To ensure the effective functioning of our monitoring and management structure and achieve the Group's sustainable growth and corporate value

enhancement, it is essential that the directors and Audit & Supervisory Board members have the necessary skills and embrace diversity in terms of gender, nationality, and other characteristics. This same requirement applies to our management team.

		Expertise and Experience									
		Corporate Management	CSV / ESG	Finance / Accounting	HR / Organization Development	Legal / Risk Management	Manufacture / Quality Assurance	Brand Strategy / Marketing	Overseas Business	R&D / Health Science	ICT DX
President & CEO	Yoshinori Isozaki	●	●	●		●		●	●	●	
Representative Director of the board, Senior Executive Vice President	Keisuke Nishimura	●	●		●				●		
Director of the Board and Senior Executive Officer	Toshiya Miyoshi	●	●		●	●		●			
Director of the Board and Senior Executive Officer	Takeshi Minakata	●	●	●			●		●	●	
Director of the Board and Senior Executive Officer	Junko Tsuboi	●	●		●			●		●	
Independent Non-executive Director of the Board <sup>*1</sup>	Masakatsu Mori	●		●					●		●
Independent Non-executive Director of the Board <sup>*1</sup>	Hiroyuki Yanagi	●					●	●	●		
Independent Non-executive Director of the Board <sup>*1</sup>	Chieko Matsuda		●	●		●					
Independent Non-executive Director of the Board <sup>*1</sup>	Noriko Shiono	●						●	●	●	
Independent Non-executive Director of the Board <sup>*1</sup>	Rod Eddington	●							●		
Independent Non-executive Director of the Board <sup>*1</sup>	George Olcott		●	●	●				●		
Independent Non-executive Director of the Board <sup>*1</sup>	Shinya Katanozaka	●			●				●		●
Senior Executive Officer	Ryosuke Mizouchi		●	●				●	●		●
Senior Executive Officer	Masao Maehara		●	●			●		●		
Senior Executive Officer	Shinjiro Akieda	●	●	●		●		●	●		●
Senior Executive Officer	Koji Fukada		●				●		●	●	
Senior Executive Officer	Mitsuharu Yamagata		●					●	●	●	●
Senior Executive Officer	Hideki Horiguchi	●	●					●	●		
Senior Executive Officer	Toru Yoshimura	●	●	●			●		●	●	●
Senior Executive Officer	Yuki Kanzaki	●	●				●			●	
Standing Audit & Supervisory Board Member	Shobu Nishitani		●	●					●		
Standing Audit & Supervisory Board Member	Toru Ishikura		●							●	
Audit & Supervisory Board Member <sup>*2</sup>	Yoshiko Ando		●		●	●					
Audit & Supervisory Board Member <sup>*2</sup>	Kaoru Kashima			●	●						
Audit & Supervisory Board Member <sup>*2</sup>	Kenichi Fujinawa		●			●			●		

\*1 The appointment fulfills the requirements for designation as an independent officer as prescribed in regulations of the Tokyo Stock Exchange and complies with the Company's criteria for the independence of officers.

\*2 Outside Company Auditor as described in Article 2-16 of the Companies Act of Japan. Also fulfills the requirements for designation as an independent officer as prescribed in regulations of the Tokyo Stock Exchange and complies with the Company's criteria for the independence of officers.



# Basic Policy for the Remuneration of Executive Officers

## Basic Policy for the Remuneration of Executive Officers

The Nomination and Remuneration Advisory Committee will discuss the remuneration of Directors and Executive Officers, and report to the Board based on the following policy. The Committee will consider levels of the remuneration and linkage with performance by comparing them objectively with officers' remuneration survey data of an external research body, and incorporate findings in its report to the Board of Directors.

1. The Company shall establish a remuneration structure that emphasizes the linkage of remuneration with business performance and medium- to long-term corporate value and share value with the shareholders.
2. Remuneration levels shall be appropriate for the roles and responsibilities of the Kirin Group's officers.
3. Remuneration shall be deliberated by the Nomination and Remuneration Advisory Committee, in which Non-Executive Directors constitute a majority, in order to ensure objectivity and transparency.

### Composition of the Remuneration

In order to encourage awareness of achieving short-term performance targets and enhancing medium to long term corporate value, remuneration for Directors of the Board is composed of three parts: basic

remuneration (fixed remuneration), bonus (short-term incentive remuneration), and Stock Compensation (medium- to long-term incentive remuneration). The specific composition of remuneration is as follows according to the classification of officers eligible for the payment.

### Remuneration

<https://www.kirinholdings.com/en/purpose/governance/compensation/>

## Structure of performance-linked remuneration

### 1. Bonus

The performance evaluation indicators are the Company's corporate performance evaluation indicators (consolidated normalized operating profit), business performance evaluation (normalized OP of group

companies or revenue in the health sciences domain), and individual performance evaluation. The amount of paid ranges from 0% to 200% where 100% indicates the achievements of targets.

### Evaluation Weighting by each performance evaluation indicators (Fiscal 2022)

Performance indicators	President & CEO	Representative Director of the Board, Senior Executive Vice President	Executive Officer concurrently serving as operating company president, etc.	Other directors and executive officers
Company performance evaluation	70%	60%	20%	50%
Business performance evaluation	—	—	40%	—
Individual performance evaluation	30%	40%	40%	50%
	The Nomination and Remuneration Advisory Committee sets specific evaluation indicators and targets following interviews with the president & CEO and the chairman and outside directors of the Nomination and Remuneration Advisory Committee.		The Nomination and Remuneration Advisory Committee sets specific evaluation indicators, targets and results for individual priority areas, department and group company performance based on a draft proposal prepared by the president & CEO following interviews with the directors and executive officers.	

## Procedures for determining the remunerations of executive officers

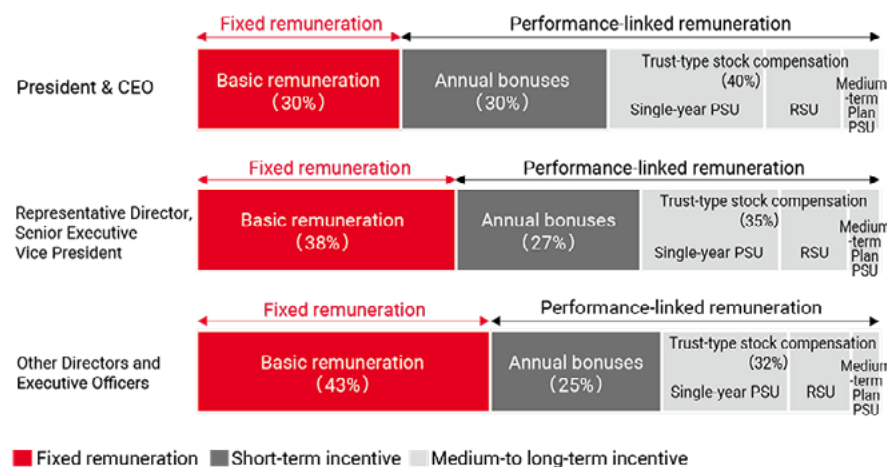
- In order to ensure fair and reasonable application of the process in line with the above-mentioned basic policy for executive remuneration, the executive remuneration shall be deliberated at the Nomination and Remuneration Advisory Committee of which the majority of the members are Non-Executive Directors and whose Chairperson is also an Non-Executive Director, and the result is reported to the Board of Directors.
- As for determining the specific amount of remuneration, remuneration for Directors shall be decided at the Board and that for Audit & Supervisory Board members upon consultation with Audit & Supervisory Board based on the report from the Nomination and Remuneration Advisory Committee and within the limits of the remuneration amount determined in advance at the general meeting of shareholders.
- Nomination and Remuneration Advisory Committee regularly deliberates on the setting of remuneration levels, the ratio of performance-linked remuneration and its mechanisms, and meets in response to changes in the the environment of laws and regulations related to executive remuneration, and submits a report to the the Board.

### Composition of the Remuneration

- In order to encourage awareness of achieving short-term performance targets and enhancing medium to long term corporate value, remuneration for Directors of the Board is composed of three parts: basic remuneration (fixed remuneration), bonus (short-term incentive remuneration), and Stock Compensation (medium- to long-term incentive remuneration). The specific composition of remuneration is as follows according to the classification of officers eligible for the payment.

Officer type	Fixed remuneration	Performance-linked remuneration		Purpose
	Basic remuneration	Bonus	Stock-based remuneration	
Directors of the Board(excluding Nonexecutive Directors) and Executive Officers	○	○	○	Because they are responsible for the execution of business, Kirin Holdings have established remuneration structure that takes into account the achievement of short-term consolidated performance targets and the improvement of corporate value over the medium to long term.
Non-executive Directors	○	—	—	Because they are responsible for supervising and advising Company and Group management from an objective position, only basic remuneration (fixed remuneration) is provided.
Audit & Supervisory Board Members	○	—	—	Because of their role of auditing the performance of directors' execution of their business from an objective position, only basic remuneration (fixed remuneration) is provided.

- The ratio of base remuneration to performance-linked remuneration for the President and Representative Director is designed to be approximately 30:70 (including 30 for bonuses and 40 for stock-based remuneration), with other directors and others following suit in consideration of their positions and responsibilities.



# Risk Management

## Approach to risk management

The Kirin Group defines risk as uncertainty with the potential to seriously impede the accomplishment of business targets or impact business continuity. The Group also defines crisis as risk manifested at a certain point and requiring urgent action. The Group’s fundamental risk management policy is to mitigate risk, prevent risk from being actualized, and keep risk within a manageable level so that we can earn trust of our stakeholders in a sustainable manner. By treating strategies and risks as two sides of the same coin, we assess and implement appropriate risk control measures by analyzing risks in the phases of selecting and implementing strategies, as well as risks that could develop into crises, from various perspectives. Risk information is disclosed in a timely and appropriate manner on our corporate website and other means.

## Risk management structure and process for determining and monitoring significant risk

The Group has established the Group Risk and Compliance Committee consisting of Kirin Holding’s Senior Executive Officers or higher and chaired by the Executive Officer in Charge of Risk. The committee oversees the Group’s risk management activities, including collecting risk information, controlling risks, setting risk policy for the medium-term business plans and for each fiscal year, preparing important items for compliance, introducing risk reduction measures, communicating the information and implementing countermeasures when a risk arises, and providing necessary instructions and support to Group companies. The Board also oversees the effectiveness of risk management through deliberations and reports on the Group’s major risks. (Figure 1)



## Kirin group significant risk

Major risks associated with the execution of Kirin Group’s strategies, businesses, and other activities are described here. Please refer to the following for details on measures for each risk, such as scenario analysis for ESG-related risks.

### Significant risks in each business domain

Business area	Main risk	Risk details and main potential impacts	Main countermeasures, related sections in this report, and risk awareness
Food & Beverages	<ul style="list-style-type: none"> <li>Risks related to responses to business environment changes</li> <li>Risks related to hikes in raw materials and fuel prices</li> </ul>	<ul style="list-style-type: none"> <li>Sales targets fall short due to changes in the market environment and preferences, fluctuations in product prices, or actions of competitor companies, etc.</li> <li>An increase in procurement costs due to hikes in raw materials and fuel prices affects manufacturing costs.</li> </ul>	<ul style="list-style-type: none"> <li>P.60~P.70 (Food and Beverages domain)</li> </ul>
Health Science	<ul style="list-style-type: none"> <li>Risk of not being able to provide differentiated products and services related to social issues</li> <li>Risk of inability to increase added value due to insufficient organizational capabilities</li> </ul>	<ul style="list-style-type: none"> <li>The sales plan falls short due to the inability to formulate an effective business model.</li> <li>A value-creating and highly profitable business model cannot be established due to a delay in establishing an organizational structure, as well as a delay in developing, acquiring, and strengthening human resources for business management, or inability to develop cooperation and synergies within the Group.</li> </ul>	<ul style="list-style-type: none"> <li>P.49~P.59 (Health Science domain)</li> </ul>
Pharmaceuticals	<ul style="list-style-type: none"> <li>Risk associated with maximizing the value of global strategic products</li> <li>Risk related to product quality and stable supply</li> <li>Risk related to research and development</li> </ul>	<ul style="list-style-type: none"> <li>The market penetration is not successful because of the expansion of the business area being slowed by delays in launch preparation and other factors, or difficulty in connecting with potential patients.</li> <li>Stable product supply is impeded due to safety or quality concerns or difficulty in maintaining stable supply due to a sharp increase in demand or a tight supply and demand balance.</li> <li>Growth potential and profitability in the future decline due to delayed enhancement of the pipeline.</li> </ul>	<ul style="list-style-type: none"> <li>P.71~P.72 (Pharmaceuticals domain)</li> </ul>

## Significant risks common to each business domain

Business area	Main risk	Risk details and main potential impacts	Main countermeasures, related sections in this report, and risk awareness
Securing and training of human resources	<ul style="list-style-type: none"> <li>Risk of inability to adequately secure and train human resources to advance Group management and with a high level of expertise necessary for business activities</li> </ul>	<ul style="list-style-type: none"> <li>Organizational capabilities with competitive advantage are not achieved.</li> <li>Stagnant transition to an assumed system results in a decline in organizational capabilities, causing adverse effect in accomplishing management strategies.</li> </ul>	<ul style="list-style-type: none"> <li>Secure and nurture the human resources required for executing our management strategies.</li> <li>Embraces diversity, and transforms differences into strengths.</li> <li>P.27~P.32 (Diversity and inclusion, culture for innovation)</li> </ul>
Information technology	<ul style="list-style-type: none"> <li>Risk that the Group will be inferior to competitors due to lack of progress in digital transformation (DX) initiatives</li> <li>Risk of falling behind in securing and training of DX experts</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate understanding of consumer trends and inability to provide products that meet customer needs limits sales and profits.</li> <li>A shortage of employees required to promote DX results in a delay in DX initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Autonomous DX promotion in each Group company and division.</li> <li>Developing and Securing DX Human Resources</li> <li>P.42~P.44 (ICT accelerating value creation)</li> </ul>
Quality	<ul style="list-style-type: none"> <li>Risk of unexpected quality issues beyond the scope of quality assurance measures</li> <li>Risk of receiving orders for improvement or administrative guidance from authorities concerned as a consequence of the use of inappropriate statements</li> </ul>	<ul style="list-style-type: none"> <li>Product discontinuation, recall, or compensation claims lead to incurrence of high costs or restriction on business activities.</li> <li>A loss of trust of customers erodes our brand value.</li> </ul>	<ul style="list-style-type: none"> <li>Foster an organizational culture that values customer-first and quality-first across all Group companies and divisions.</li> <li>P.33~P.38 (Core technology that creates accurate value: A competitive strategy combining R&amp;D expertise and IP strategies)</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>Risk of the Kirin Group's businesses, including those in each process of its value chain and those engaged by its business partners, adversely affecting human rights either directly or indirectly</li> </ul>	<ul style="list-style-type: none"> <li>Our corporate brand image is undermined or we are forced to scale down or withdraw from business.</li> <li>We may have to pay fines or face litigation in cases we have violated laws and regulations, or we are subject to other economic penalties.</li> </ul>	<ul style="list-style-type: none"> <li>Measures to ensure human rights based on the Kirin Group Human Rights Policy</li> <li>P.89~P.93 (Giving Back to the Community through Human Powered Business)</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Physical risks of climate change, transition risks to a decarbonized society</li> <li>Risks of a delay in the development of technologies, etc., which could impede or delay the solution of environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Procurement costs increase due to decreased yields of agricultural raw materials caused by global warming, droughts and floods, or operations are suspended due to droughts and floods.</li> <li>Fuel costs and agricultural product costs increase due to carbon taxes.</li> <li>Inability to adequately respond to the society's expectations results in a decline in corporate value.</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives to Achieve the Long-Term Strategy Kirin Group's Environmental Vision 2050</li> <li>P.94~P.97 (Creating Positive Impact on Society through Active Engagement with Natural Capital)</li> </ul>
Adverse effect of alcohol consumption	<ul style="list-style-type: none"> <li>Risk of globally strengthening restrictions on sales and marketing of alcoholic beverages</li> </ul>	<ul style="list-style-type: none"> <li>Alcohol consumption reduces.</li> <li>Corporate brand value declines.</li> </ul>	<ul style="list-style-type: none"> <li>Promote responsible drinking habits, Self-regulation of advertising and promotional activities</li> <li>P.8~P.9 (CSV Purpose)</li> </ul>
Supply chain	<ul style="list-style-type: none"> <li>Risk of supply chain disruption caused by large-scale natural disasters such as earthquakes and typhoons, infectious diseases, or impacts of geopolitical risks</li> </ul>	<ul style="list-style-type: none"> <li>Business sites are closed or business activities are reduced or suspended.</li> <li>Delays in distribution or stockouts occur due to procurement, production, and logistics capabilities being unable to meet demand due to regional conflicts or terrorism, or a sharp rise in sales volume during peak periods.</li> </ul>	<ul style="list-style-type: none"> <li>Develop an all-hazards BCP and improve its effectiveness</li> <li>Improve the accuracy of supply-demand forecasts through the use of digital ICT</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Risks related to hikes in raw materials and fuel prices</li> <li>Risk of inability to procure or delay in procuring raw materials due to impacts of geopolitical risks</li> </ul>	<ul style="list-style-type: none"> <li>Greater than expected procurement costs suppress profits from business operations.</li> <li>Inability to secure raw materials required or delay in their delivery affect our manufacturing plans, leading to supply and demand adjustment and its prolongation.</li> <li>We face difficulty in procuring raw materials, leading to negative consequences such as a decline in corporate image and consumer boycott.</li> </ul>	<ul style="list-style-type: none"> <li>Risk reduction through long-term contracts, derivatives, and currency hedging and efforts to build and strengthen a stable procurement structure</li> </ul>
Information security	<ul style="list-style-type: none"> <li>Risk of a cyber-attack, information security incident, or information leak</li> </ul>	<ul style="list-style-type: none"> <li>A leak of personal information or important trade secrets results in a loss of customer trust and incurrence of claims for damage compensation.</li> <li>A cyber-attack causes business operations to be suspended or to be delayed due to the extended time required for recovery.</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a security response system and implementing human, physical, and technical measures.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>Risk of behavior that is illegal or counter to social norms</li> </ul>	<ul style="list-style-type: none"> <li>Legal punishment, litigation, or social sanctions lead to a loss of customer trust.</li> </ul>	<ul style="list-style-type: none"> <li>Promote understanding and awareness through periodic training</li> </ul>
Finance and taxes	<ul style="list-style-type: none"> <li>Risk of fluctuations of value in Japanese yen due to exchange rate volatility</li> <li>Risk of inability to raise necessary funds due to changes in financial markets/rating, or risk of fluctuations in financing cost</li> </ul>	<ul style="list-style-type: none"> <li>Exchange rate fluctuations cause a change in the yen-translated value of financial statements denominated in local currencies and in the cost of procuring raw materials through foreign currency denominated transactions.</li> <li>Restrictions on fund procurement lead to a shortage of working capital and borrowings at high interest rates increase finance costs.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure tax compliance and tax transparency</li> </ul>



# Quality initiatives In 2022

The Kirin Group is pursuing Group-wide initiatives to foster a "Culture that values quality" as outlined in the 2022-2024 Mid-term Business Plan. The Group defines quality as "satisfying consumers by providing products and services that meet their expectations."

We have established the Kirin group Global Quality Management Principles (KGQMP), which represent the Kirin Group's Quality Policy and Action Principles based on the Kirin Group's management principles of "consumer-first approach" and "steady focus on quality" in order to achieve higher quality.

This principle is the basis of quality management that the Kirin Group values throughout the entire value chain, from raw material procurement, to delivery of products and services to consumers through product development, manufacturing, and logistics. This concept is reflected in the quality management systems of each Group company in the food & beverages domain, health science domain, and pharmaceutical domain, both in Japan and overseas, and leads to products and services of reliable quality.

The Quality Assurance Department of Kirin Holdings Company, Limited carries out activities to understand the quality assurance status of each Group company and pursue improvements through regular

dialogues on quality assurance with major Group operating companies in Japan and overseas, in order to further enhance the autonomous quality assurance activities of each company. We set common indicators (KH indicators) for quality assurance that are measurable across all entities, including input indicators such as the status of international certification and the sufficiency of resources for quality assurance operations, as well as output indicators such as the number of quality incidents and consumer complaints, and exchange opinions for monitoring and improvement. The status of each Group company is discussed by the Group Executive Committee and reported annually to the Board of Directors.

We have established "Guidelines for assurance of raw material safety in the Kirin Group (food business in Japan)" for the procurement of raw materials in the value chain that the Kirin Group is responsible for, and ensure the safety of the raw materials we use by assessing risks to raw materials handled by Group companies and taking appropriate measures based on a wide range of risk information, including information from government and research institutions in Japan and abroad that is regularly collected by the Quality Assurance Department of Kirin Holdings

Company, Limited. In addition, we operate food quality management systems (ISO9001) and food safety management systems (FSSC22000, etc.) that incorporate the concept of international standards as part of our quality assurance initiatives in development, manufacturing, and logistics, and define "Food Defense Guidelines" and "Microbial Assurance Guidelines" to ensure the quality and safety of the products we deliver to consumers.

In the quality management system for the alcoholic and beverage business in Japan, we horizontally deploy examples and measures to prevent recurrence through meetings attended by quality assurance managers of each operating company, so that quality problems that occur in a particular business are not kept within that particular company.

In addition, the Food Safety and Quality Assurance Center, a specialized organization within the Group responsible for product inspection and analysis, provides technical support for the Group's advanced quality assurance system.

We will continue to deliver safe and reliable products and services to our consumers through these Group-wide initiatives, as well as by fostering a culture that values quality.

Joy brings us together

