

Evaluations of the Board of Directors' effectiveness

Kirin Holdings routinely conducts evaluations of the management of the Board of Directors, the content of its discussions, and strives to ensure important decision-making and monitoring functions.

<div style="background-color: #e67e22; color: white; padding: 10px; text-align: center;">Fiscal 2016</div> <p style="background-color: #e67e22; color: white; padding: 5px;">Discussions were held among the Board of Directors based on self-evaluation surveys and the Board conducted an overall review.</p> <div style="background-color: #f1c40f; padding: 10px;"> <p>Evaluation Criteria</p> <ol style="list-style-type: none"> 1. Relationship between the Board of Directors and management 2. Composition of the Board 3. Proceedings and discussions at Board meetings <p>Evaluation Results</p> <ul style="list-style-type: none"> • It was determined that the Board of Directors was generally effective • The desired functions of the Board of Directors were reaffirmed </div> <div style="background-color: #f1c40f; padding: 10px;"> <p>Enhancement Policy</p> <ol style="list-style-type: none"> 1. Expand discussions from the viewpoint of Group management Shift from monitoring each individual project to monitoring each Group strategy issue 2. Expand the sharing of management information Report the progress of monthly performance of principal companies in a timely manner <p>Enhancement Result</p> <ol style="list-style-type: none"> 1. Exchanged views about partnering and financial strategies in a timely manner to reflect changes in the managerial environment and expanded discussions about important issues from a Group management perspective 2. Facilitated quarterly monitoring through greater sharing of Group management information </div>	<div style="background-color: #e67e22; color: white; padding: 10px; text-align: center;">Fiscal 2017</div> <p style="background-color: #e67e22; color: white; padding: 5px;">Conducted a survey that included evaluation criteria based on the research of third-party advisers and discussed it at the Board meeting in light of existing initiatives and improvements</p> <div style="background-color: #f1c40f; padding: 10px;"> <p>Evaluation Criteria</p> <ol style="list-style-type: none"> 1. Supervision of development, execution, and monitoring of strategies 2. Risk management and supervision of crisis control 3. Thorough understanding and implementation of healthy corporate ethics and supervision thereof 4. Supervision of decision-making such as business acquisition/withdrawal 5. Supervision of executive remuneration and plans such as succession planning for next-generation leaders 6. Supervision of overall disclosure to stakeholders 7. Structure and management of the Board of Directors <p>Evaluation Results</p> <ol style="list-style-type: none"> 1. It was determined that the Board of Directors functions properly overall 2. It was determined that the Board of Directors was generally effective </div> <div style="background-color: #f1c40f; padding: 10px;"> <p>Enhancement Policy</p> <p>We will strive to maintain and improve the effectiveness of the Board of Directors through constructive discussion as outlined below:</p> <ol style="list-style-type: none"> 1. Discussion from the standpoint of non-financial topics including the environment, society, and governance (ESG) 2. Discussion on enterprise risk management (ERM) adapted to complicated global risks </div>
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Governance and performance evaluation of Group companies

Operational execution and monitoring system for Group companies

Kirin Holdings, a pure holding company, fulfills the function of formulating and promoting Group strategy, monitoring each business, and creating synergies across the Group.

Each company of the Kirin Group is managed autonomously and speedily in locations that are close to stakeholders including customers. Kirin Holdings grants business execution authority tailored to the strategy stage of each company while working to improve governance through the Board of Directors meetings of each company by sending directors to each Group company. Please note that regarding principal Group companies, Kirin's

directors or executive officers concurrently serve as directors of each company.

Performance evaluation of each Group company

Performance evaluation indicators of Group companies are ROA linked to ROE, a quantitative target, and the normalized operating profit of each company is directly linked to normalized operating profit guidance. In accordance with the voluntarily application of International Financial Reporting Standards (IFRS), the performance indicators of Group companies have been replaced with IFRS. ROA is calculated based on normalized operating profit/total assets.

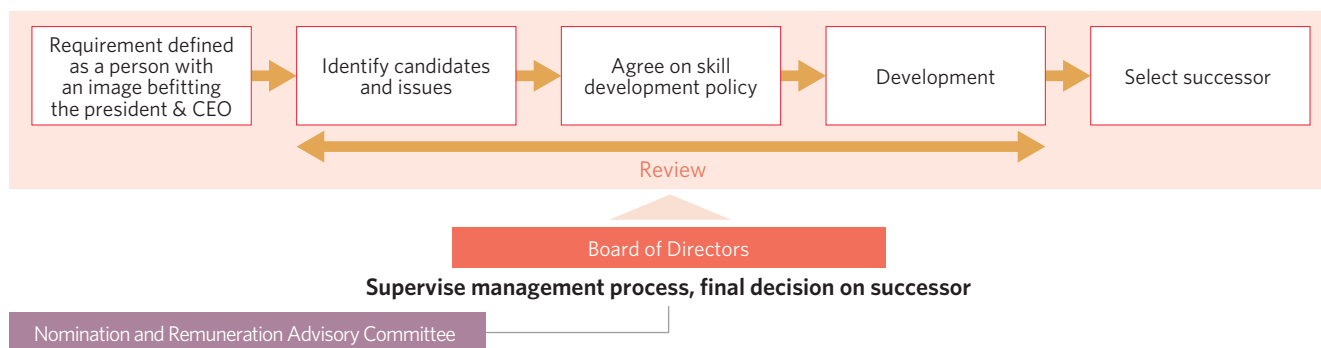
Candidate plan for president & CEO (succession planning)

Kirin Holdings' Nomination and Remuneration Advisory Committee deliberated on the formulation of policy for the President & CEO Succession Planning in 2016 and reported on the requirement (an image befitting the President & CEO of Kirin Holdings) and the decision process for candidates to the Board

of Directors.

Based on this report, we have been selecting, evaluating and training candidates since 2017 under the supervision of the Board of Directors in order to determine the future successor in a highly objective and transparent process.

Management process of succession planning



Remuneration system for executive officers

Kirin Holdings introduced a new remuneration system for executive officers in March 2017 in order to more strongly motivate officers to achieve the management plan and to further promote medium- and long-term value sharing with shareholders and investors.

Basic policy

1. Remuneration shall emphasize the link to business performance and corporate value in the medium to long term, and shall encourage the sharing of value with shareholders.
2. Remuneration shall be at a level commensurate with the roles and responsibilities of Director of the Group.
3. Executive remuneration shall be reviewed by the Nomination and Remuneration Advisory Committee in which Outside Directors account for the majority of the Committee members, in order to ensure objectivity and transparency.

Decision process

- Deliberated on in the Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors, and whose chairman is an outside director, and then reported to the Board of Directors.
- Specific decisions concerning remuneration are based on the

report of the Nomination and Remuneration Advisory Committee. The Board of Directors decides director remuneration and Audit & Supervisory Board Members deliberate to decide Audit & Supervisory Board Member remuneration within a range of the total remuneration previously decided at the General Meeting of Shareholders.

Remuneration of position

Directors (excluding outside directors)

Because they are responsible for the execution of business, we 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.

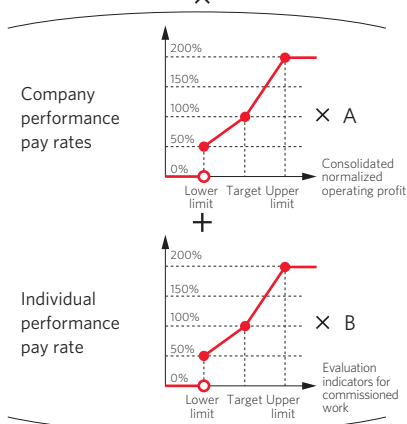
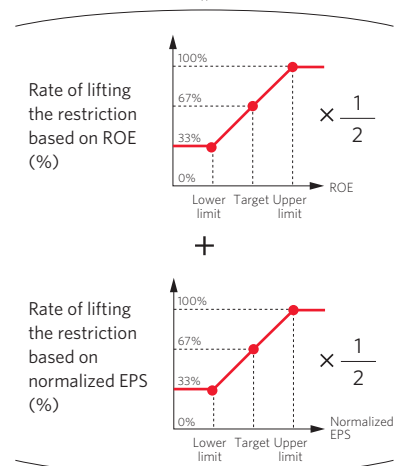
Outside directors

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.

Overview of remuneration system for executive officers

	Fixed remuneration Approximately 50%	Performance-linked remuneration Approximately 50%	
	Basic remuneration	Yearly bonus	Restricted stock compensation
	Basic remuneration	Yearly bonus	Restricted stock compensation (performance-based)
Position	Fixed remuneration	Short-term incentive remuneration	Medium- to long-term incentive remuneration
Those receiving payment	<ul style="list-style-type: none"> ● Directors (excluding outside directors) ● Outside directors ● Audit & Supervisory Board members 	Directors (excluding outside directors)	Directors (excluding outside directors)
Allocation policy	Cash	Cash	Stock (monetary compensation receivables for the allocation of restricted stock)
Evaluation indicators	—	<ul style="list-style-type: none"> ● Consolidated normalized operating profit ● Individual performance evaluation (excluding chairman of the Board and president & CEO) 	<ul style="list-style-type: none"> ● ROE ● Normalized EPS
Allocation policy	Establish remuneration for each role and duty	Remuneration is 100% when targets are achieved and varies within a range of 0 to 200%	<ul style="list-style-type: none"> ● Shares with transfer restrictions will be allocated each fiscal year, in principle ● The rate at which shares with restrictions that are to be lifted is set within the range of 33% to 100% according to the achievement of targets in the first year of the transfer restriction period (in principle, three years).
Calculation formula	—	<p>Calculation formula of individual remuneration</p> $\frac{\text{Individual remuneration}}{\text{Standard bonus}} \times$  <ul style="list-style-type: none"> ● A standard bonus is set for each officer based on internal regulations ● "A" is the ratio of the part that is linked to company performance, and "B" is the ratio of the part that is linked to individual performance. Each ratio is set for each position based on internal regulations. 	<p>Calculation formula for the rate of lifting the restrictions</p> $\frac{\text{Rate of lifting the restrictions}}{\text{Rate of lifting the restriction based on ROE (\%)} + \text{Rate of lifting the restriction based on normalized EPS (\%)}} \times \frac{1}{2}$ 



Please refer to the Corporate Governance Report for details about director and Audit & Supervisory Board member compensation in fiscal 2017. https://www.kirinholdings.co.jp/english/ir/policy/pdf/e_governance_report.pdf