



Maximizing group synergy to gain a conglomerate premium

Chieko Matsuda

Outside Audit & Supervisory Board Member

Ms. Matsuda was appointed as a member of the Outside Audit & Supervisory Board of Kirin Holdings in 2016. She had joined The Long-Term Credit Bank of Japan, Ltd., in 1987, after which she worked for Moody's Japan, Ltd. Corporation, Corporate Directions, Inc., and Booz & Co., Inc. Ms. Matsuda is also a professor on the faculty of the Economics and Business Administration and the Graduate School of Management of Tokyo Metropolitan University.

More effective governance requires a more diverse board

Many companies have been focusing on corporate governance in recent years. Superficial changes cannot, however, ignite the frank and open boardroom discourse that would enhance oversight. At Kirin Holdings, our Board of Directors and Audit & Supervisory Board meetings benefited from engaged outside members who contributed their honest opinions based on personal experience and specialized knowledge. This kind of discussion gives our decision-making and

supervisory functions a consistent level of effectiveness.

Auditing offers many opportunities to visit a company and observe operations. By gathering information on the spot, an outside auditor learns first-hand about a firm's inner workings.

At Kirin Holdings, the Audit & Supervisory Board arranges inspections of manufacturing sites and other facilities, inviting the outside directors as well, so they may gain a valuable addition to their formal duties.

Outside auditors and directors need to take an independent, third-party view of management. On-site inspections and conversations with employees deepen our objective

understanding of the business and its operations. Creating such learning opportunities at Kirin Holdings has enhanced effective governance.

Diversity of board members is also essential to assure effective governance. Diversity is often discussed as gender diversity, that is, appointment of female executives. This simplistic formula is not enough. The important point here is to expand the definition of diversity to include each individual's knowledge, expertise, experience, and values.

The diversity of Kirin Holdings' outside directors and outside auditors shows breadth and balance spanning the legal sector, government sector, corporate management and other areas. Looking ahead to overseas expansion, diversity of the board could, possibly, be further reframed to encompass nationality, ethnicity, and more.

Skillful investment for maximum synergies

In January 2019 the Kirin Group began executing Kirin Group Vision 2027 and the 2019-2021 Medium-Term Business Plan (2019 MTBP). In the planning process the board held spirited discussions focusing on CSV management as the core of our long-term-management vision and on growth scenarios in regard to the medium-term plan.

It is common for firms to bring in their outside directors only after a plan has been more or less finalized internally. Kirin Holdings distinguishes itself by involving outside directors in many discussions from the start. Giving outside directors many chances to share their thoughts with management is also worthy in terms of the governance goals of enhancing transparency and fairness.

A major pillar of our 2019 MTBP is launching and growing businesses bridging pharmaceuticals and food & beverages. Progress in this direction will mean further diversification for the Group. From an investor's viewpoint, I think the unstated

theme of our new Medium-Term Business Plan is to earn a conglomerate premium. This calls for Kirin Holdings to optimize its business portfolio and leverage the Group's management resources, such as capital, human resources, and customer base. Here, it is important to maximize intra-business synergies in unique ways, as only a diversified business can.

Worldwide we are seeing that skillful business portfolio management is crucial to a diversified company's performance and its attractiveness to investors. Since Kirin Holdings itself is an investor in its several business domains, the financial markets demand a finely honed ability to gauge risk and return. Again, investors also expect Kirin as a whole to strive for intra-business synergies. Above all, the Kirin Group must firmly establish its identity as a model of CSV management.

I think we will win the support of stakeholders in general and investors in particular by actively engaging them in positive dialogue about matters of concern to them. As an outside auditor, I am committed to carrying out my duties in a way that fulfills society's expectations for the Kirin Group.

