

## Masakatsu Mori

Non-executive Director  
Chairman of the Board

An Audit & Supervisory Board Member of Kirin Holdings since 2015, Masakatsu Mori has been a Non-executive Director since 2019. He has served as Japan Representative of Andersen Consulting (currently Accenture Japan Ltd.) and President of International University of Japan, among other important posts.



# Strengthening effectiveness of the Board's internal control to enhance value creation

## Stimulate discussion by setting agendas and seeking clarification

As chairman of the Board of Directors I have the important responsibility of setting Board meeting agendas to match the Company's circumstances. To encourage lively dialogue we ask management to clarify as much as possible the issues and alternatives related to each item of business.

At Kirin Holdings, agenda items, including issues and alternatives, are presented to the Board only following thorough discussion at the Group Executive Committee.

This facilitates a nuanced exchange of views by non-executive directors drawing from their diverse backgrounds and knowledge, thereby assuring that resolutions evolve from comprehensive discussion. For example, in formulating the Long-Term Management Vision, Kirin Group Vision 2027 (KV2027) and its first stage, the 2019–2021 Medium-Term Business Plan (2019 MTBP), we followed the above process, spending about ten months from initial review to final resolution.

I also make a practice of eliciting the views of as many members as possible. Although Board meeting discussions are, in the main, between non-executive directors and top

management, I encourage participation by inside directors and executive member observers, as well, to further expand our perspective.

## Actionable resolutions depend upon metrics-based discussion

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In Board meetings we rely on verifiable facts and figures to maintain evidence-based objectivity in our discussions. As an example, the Board evaluates business initiatives, investments, and cash allocations in light of ROIC as a KPI. Basing discussions on metrics helps non-executive directors judge a proposal on its merits and encourages the executive side to provide concrete rationale.

In addition, the Group's Accounting Department evaluates investment proposals, while our Legal Department examines contractual agreements and advises on legal risks. Financial and legal reviews of business proposals are reported to the Board to identify issues requiring discussion.

To ensure Board effectiveness, non-executive directors need a comprehensive understanding of the

Group's businesses. Besides visits to operating company sites, we take a variety of opportunities to deepen our knowledge, including agenda-related presentations by subsidiary executives and on-site inspection reports by auditors. The Company's corporate auditors' participation in Board meetings helps further strengthen governance. This is because auditors understand the realities of the executive side through their on-site inspections and other on-the-ground assessments.

Annual self-evaluations and interviews of all Board members add further support to our effectiveness. In fiscal 2019, Kyowa Hakko Bio received an administrative sanction for pharmaceutical manufacturing. In fiscal 2020, therefore, we will monitor efforts to increase transparency in production processes, as well as enforcement of compliant behavior and functioning of our internal compliance hotlines.

## Continuous oversight to carry out growth strategy

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In the past, Board deliberations concerned the long-term vision, business domains, and action plans for the entire Group. Now, however, we are called upon to oversee implementation to check that it stays aligned with this vision and progresses according to plan. Herein lies the key to creating value.

We will regularly review M&A transactions to confirm PMI progress and the emergence of synergies. Our increasing investment in health sciences, notably FANCL, makes such oversight all the more important. My fellow non-executive directors and I have learned from experience that ongoing post-investment monitoring is essential. We believe that the Company is now prepared to take on this challenge, as we have requested.

Significant changes in the corporate management environment highlight the importance of fortifying and adapting governance in line with a new vision. Governance depends, in essence, upon a relationship of mutual trust between the executive side and the Board members, along with intra-management cooperation. To do otherwise opens the door to governance risks, such as



## Interview with the Non-executive Director

tardiness in bringing critical issues to the Board's attention. While we believe that the Board's relationship with the executive side, particularly the CEO, and cooperation within management are currently healthy, we also recognize that it is our duty as non-executive directors to maintain the vigilance necessary to continuously reinforce the Board's effectiveness.



### Evaluations of the Board of Director effectiveness

Kirin Holdings regularly evaluates the operation and discussion content of the Board of Directors and strives to ensure the important decision-making and supervisory functions of the Board. In fiscal 2019, Kirin Holdings conducted a survey based on an assessment by a third-party advisor, and the Board of Directors discussed and evaluated the survey results, current related measures, and the status of improvements in eight areas: (1) strategy formulation, execution, and monitoring, (2) oversight of risk and crisis management, (3) depths of awareness and oversight of sound corporate ethics,

(4) oversight of decision-making, such as in business acquisitions and withdrawals, (5) oversight of executive compensation and successor development plans, (6) general oversight of disclosure to stakeholders, (7) composition and operation of the Board of Directors, and (8) overall effectiveness. Based on the conclusions, Kirin Holdings determined that the Board of Directors is generally functioning properly and maintaining its effectiveness.

In fiscal 2020, we will seek to maintain and improve the effectiveness of the Board of Directors through the following discussions.

#### Fiscal 2020 discussion points

- 1 Discuss "composition and operation of the Board of Directors" that enables oversight and advising on health science domain, etc. from a specialized and objective standpoint
- 2 Discuss ways to ensure "thorough awareness of sound corporate ethics," as it relates to the Corporate Philosophy system, degrees of employees' understanding and awareness of ethics rules, etc.
- 3 Discuss how "risk management" should be conducted to address risks that have become more globalized and more complex
- 4 Discuss the environment-, society-, and governance- (ESG) related issues from the "non-financial targets (CSV Commitment, etc.)" viewpoint
- 5 Discuss "strategies for individual functions" that are essential for executing overall strategies aimed at enhancing corporate value over the medium-to-long term, taking into consideration rival and retail trends