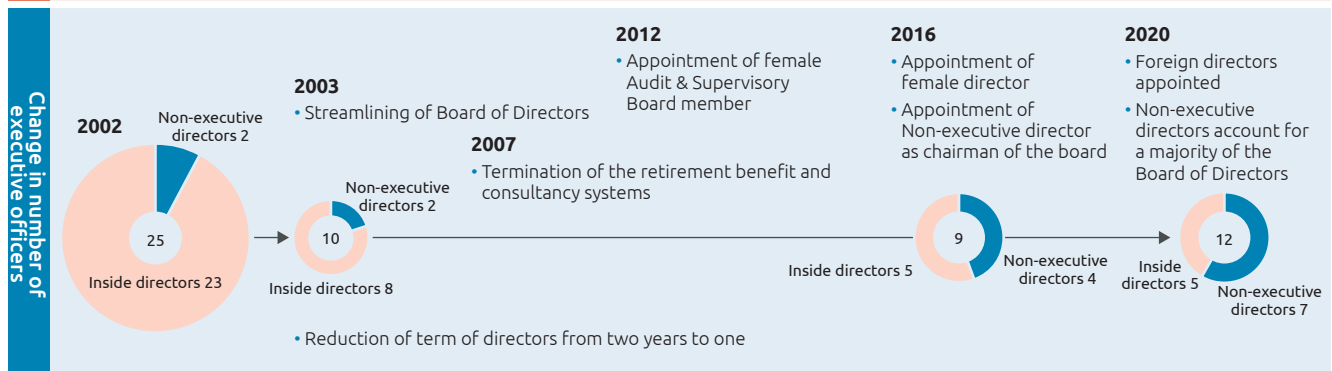
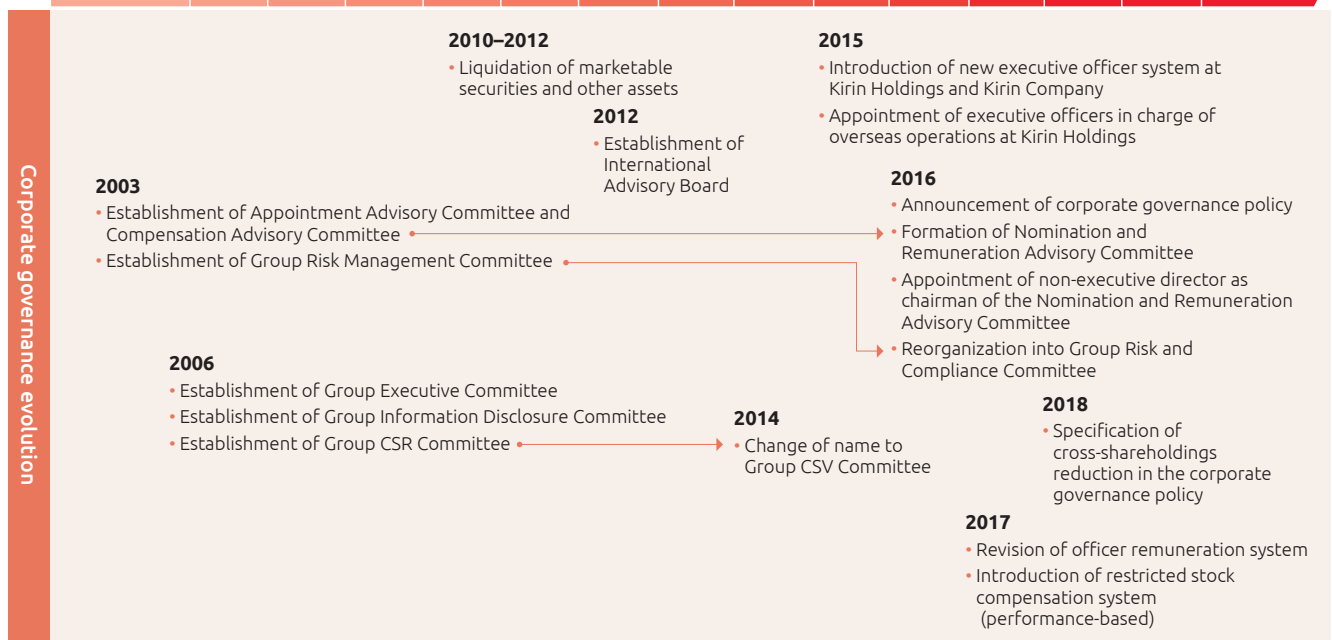
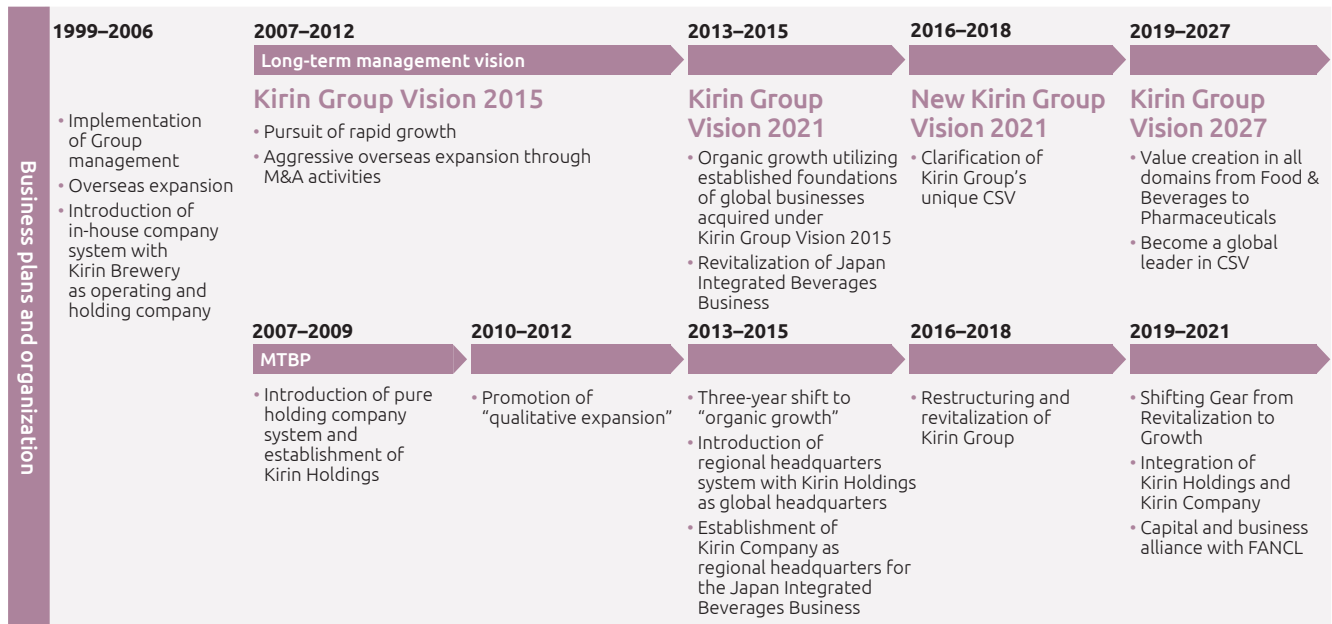
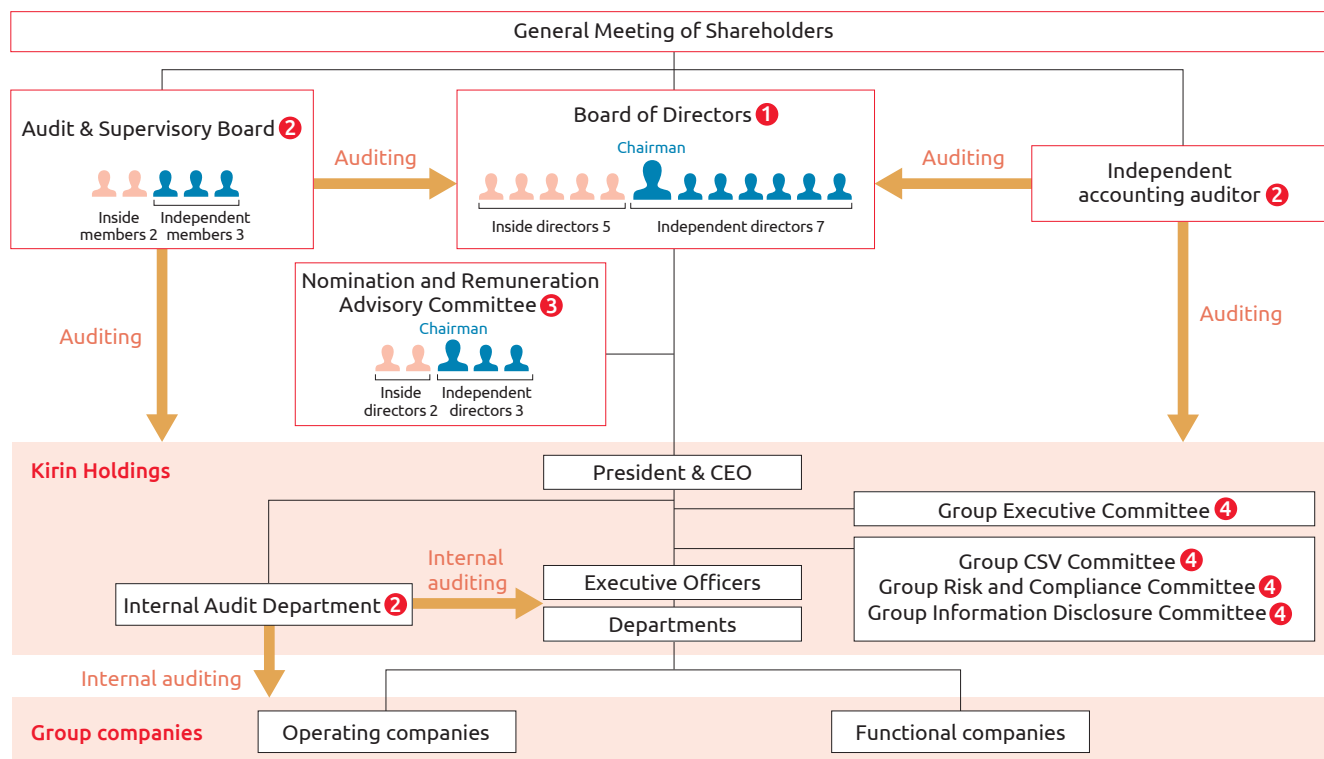


# Evolution of the Corporate Governance System



\* Number of directors. Indicates the number as of April 1 of each year

# Corporate Governance Systems



### 1 Desired functions of the Board of Directors of the Kirin Group

Enhance medium-to-long term corporate value by making important corporate decisions and providing supervisory functions through verifying executive and business company strategies (proposals), making sound recommendations from a broad perspective, and providing oversight.

#### Important decision-making

- Focus on important matters and discuss them from a medium-to-long term management perspective by using a compact decision-making structure that delegates responsibility to executing managers

#### Oversight

- Establish corporate governance policy and enhance performance evaluations and other monitoring activities
- Boost supervisory functions with input from non-executive directors with expertise and objective perspectives

### 2 Mutual cooperation between Audit & Supervisory Board members, independent accounting auditor, and internal control divisions

- Audit & Supervisory Board members regularly attend Board of Directors meetings and other important corporate meetings, and visit Group companies in Japan and overseas to audit directors in the performance of their duties. Members also work closely with corporate auditors of Group companies to enhance the effectiveness of audits.
- The Internal Audit Department audits the Group's major risks and internal control system. The Internal Audit Department, Audit & Supervisory Board members, and independent auditors exchange information and views and hold discussions when necessary. The Internal Audit Department and Audit & Supervisory Board members obtain pertinent information by attending meetings of the internal control divisions and the independent accounting auditor interviews internal control division staff as necessary to conduct an effective audit.

### 3 Advisory body to the Board of Directors

**Nomination and Remuneration Advisory Committee:** An advisory body to the Board of Directors; the committee is responsible for discussing from an objective and fair perspective the appointment/removal and remuneration of directors, Audit & Supervisory Board members, and executive officers of major Group companies. The committee is also responsible for the Kirin Holdings CEO successor plan.

As for the composition of the committee, the chairman and the majority of committee members are non-executive directors, thus ensuring objectivity and transparency. The term of office is one year.

Independent directors: Shoshi Arakawa (Chairman), Hiroyuki Yanagi, Chieko Matsuda

Inside directors: Yoshinori Isozaki, Toshiya Miyoshi

### 4 Advisory bodies to the president

**Group Executive Committee:** The Group Executive Committee assists the president & CEO in decision-making on matters related to strategies and investments that will have a significant impact on the Kirin Group.

**Group Information Disclosure Committee:** Delegated by the president, the committee deliberates and decides the importance of information including its timely disclosure and the necessity of timely disclosure.

**Group CSV Committee:** Refer to page 38.

**Group Risk and Compliance Committee:** Refer to page 64.

#### International Advisory Board

The International Advisory Board (IAB) was set up as a consultative body to the CEO to offer advice and proposals regarding the Group's global growth strategies, risk management, and corporate governance. The IAB comprises members with abundant international experience, along with directors and executive officers from Kirin Holdings.

#### Strategic advisors

Strategic advisors are outside experts with extensive experience and expertise who are appointed to provide specialized and global perspectives. The advisors attend meetings of the Group Executive Committee, an advisory body to the president (CEO).

Directors



**Yoshinori Iozaki**

President & CEO  
Member of the Nomination and Remuneration Advisory Committee

1977 Joined the Company  
2015 President & CEO of the Company (current position)



**Keisuke Nishimura**  
Representative Director of the Board, Senior Executive Vice President

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

1980 Joined the Company  
2017 Representative Director of the Board, Senior Executive Vice President of the Company (current position)

**Major Concurrent Positions**  
Director of Lion Pty Ltd  
Director & Vice Chairman of Myanmar Brewery Limited  
Director of San Miguel Brewery Inc.  
Director of China Resources Kirin Beverages (Greater China) Co., Ltd.



**Toshiya Miyoshi**

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

HR and General Affairs

1982 Joined the Company  
2015 Director of the Board, Senior Executive Officer of the Company (current position)

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



**Noriya Yokota**

Director of the Board, Senior Executive Officer

Chief Financial Officer, IR, IT, Business Transformation

1984 Joined the Company  
2018 Director of the Board, Senior Executive Officer of the Company (current position)

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



**Noriaki Kobayashi**

Director of the Board, Senior Executive Officer

R&D Strategy, Quality Assurance

1983 Joined the Company  
2019 Director of the Board, Senior Executive Officer of the Company (current position)

**Major Concurrent Positions**  
Director of Kyowa Hakkō Bio Co., Ltd.



**Shoshi Arakawa**

Non-executive Director of the Board\*<sup>1</sup>  
Chairman of the Nomination and Remuneration Advisory Committee

1968 Joined Bridgestone Corporation  
2006 CEO and President, Representative Board Member of Bridgestone Corporation  
2012 Chairman of the Board of Bridgestone Corporation  
2013 Advisor of Bridgestone Corporation  
2015 Non-executive Director of the Company (current position)



**Masakatsu Mori**

Non-executive Director of the Board\*<sup>1</sup>  
Chairman of the Board

1969 Joined Arthur Andersen, LLP  
1995 Japan Representative of Andersen Consulting (currently Accenture Japan Ltd.)  
2015 Audit & Supervisory Board Member of the Company  
2018 Senior Advisor of International University of Japan (current position)  
2019 Non-executive Director of the Company (current position)



**Hiroyuki Yanagi**

Non-executive Director of the Board\*<sup>1</sup>  
Member of the Nomination and Remuneration Advisory Committee

1978 Joined Yamaha Motor Co., Ltd.  
2007 Executive Officer of Yamaha Motor Co., Ltd.  
2009 Senior Executive Officer of Yamaha Motor Co., Ltd.  
2010 President, CEO, and Representative Director of Yamaha Motor Co., Ltd.  
2018 Chairman and Representative Director of Yamaha Motor Co., Ltd. (current position)  
2019 Non-executive Director of the Company (current position)



**Chieko Matsuda**

Non-executive Director of the Board\*<sup>1</sup>  
Member of the Nomination and Remuneration Advisory Committee

1987 Joined The Long-Term Credit Bank of Japan, Limited  
2011 Professor of School of Business Administration, Faculty of Urban Liberal Arts (currently Faculty of Economics and Business Administration) at Tokyo Metropolitan University (current position), Professor of Department of Business Administration, Graduate School of Social Sciences (currently Graduate School of Management) at Tokyo Metropolitan University (current position)  
2016 Audit & Supervisory Board Member of the Company  
2020 Non-executive Director of the Company (current position)



**Noriko Shiono**

Non-executive Director of the Board\*<sup>1</sup>

1983 Joined Japan New Media Co., Ltd.  
2010 Representative Director, President of SSP Co., Ltd.  
2017 President of Widex Japan (current position)  
2018 Non-executive Director of Kirin Co., Ltd.  
2020 Non-executive Director of the Company (current position)



**Rod Eddington**

Non-executive Director of the Board\*<sup>1</sup>

1979 Joined John Swire & Sons (H.K.) Ltd.  
1992 Managing Director of Cathay Pacific Airways Limited  
2000 Chief Executive Officer of British Airways plc  
2012 Chairman, Independent Non-executive Director of Lion Pty Ltd (current position)  
2020 Non-executive Director of the Company (current position)



**George Olcott**

Non-executive Director of the Board\*<sup>1</sup>

1986 Joined S.G. Warburg & Co., Ltd.  
2000 Managing Director, Equity Capital Market, UBS Warburg Tokyo  
2014 Guest Professor, Faculty of Business and Commerce, Keio University (current position)  
2020 Non-executive Director of the Company (current position)

## Audit & Supervisory Board members



**Akihiro Ito**  
Standing Audit &  
Supervisory Board Member

1983 Joined the Company  
2015 Director of the Board, Senior Executive Officer of the Company  
2018 Standing Audit & Supervisory Board Member of the Company (current position)  
2019 Audit & Supervisory Board Member of Kyowa Hakko Bio Co., Ltd.



**Keiji Kuwata**  
Standing Audit &  
Supervisory Board Member

1985 Joined the Company  
2019 Standing Audit & Supervisory Board Member of the Company (current position)  
Audit & Supervisory Board Member of Kyowa Hakko Kirin Co., Ltd. (currently Kyowa Kirin Co., Ltd.) (current position)



**Nobuo Nakata**  
Audit &  
Supervisory Board Member\*<sup>2</sup>

1985 Admitted to the Japanese Bar and joined Ishiguro Law Office as an associate  
1987 Associate of Masuda & Ejiri (currently Nishimura & Asahi)  
1991 Admitted to the New York Bar  
1992 Partner of Masuda & Ejiri (currently Nishimura & Asahi)  
2007 Partner of Allen & Overy  
2012 Representative Partner of Hibiya-Nakata (current position)  
2018 Audit & Supervisory Board Member of the Company (current position)



**Yoshiko Ando**  
Audit &  
Supervisory Board Member\*<sup>2</sup>

1982 Entered the Ministry of Labor  
2003 Lieutenant Governor of Shiga Prefecture  
2007 Director of Equal Employment Policy Division of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare (MHLW)  
2013 Director-General of Industrial Accident Compensation Department of Labour Standards Bureau, MHLW  
2014 Director-General of Equal Employment, Children and Families Bureau, MHLW  
2015 Director-General for Labour Policy Planning, MHLW  
2016 Director-General for Statistics and Information Policy, MHLW  
2017 Director-General for Human Resources Development, MHLW  
2019 Audit & Supervisory Board Member of the Company (current position)



**Kaoru Kashima**  
Audit &  
Supervisory Board Member\*<sup>2</sup>

1981 Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)  
1985 Registered as a certified public accountant  
2010 Managing Director of Ernst & Young ShinNihon LLC In charge of Corporate Culture Promotion Office, Public Relations Office  
2012 General Manager of Knowledge Headquarters, Managing Director of Ernst & Young ShinNihon LLC  
2013 Representative Director of Ernst & Young Institute Co., Ltd.  
2020 Audit & Supervisory Board Member of the Company (current position)

## Executive officers



**Hiroshi Ogawa**  
Senior Executive Vice  
President

Public Relations,  
Risk Management, Legal  
Director of Kirin Brewery  
Co., Ltd.



**Ryosuke Mizouchi**  
Senior Executive Officer

CSV, North America  
Beer Business  
Director of Lion Pty Ltd  
Director of Coca-Cola Beverages  
Northeast, Inc.  
Director of Mercian Corporation



**Toru Yoshimura**  
Senior Executive Officer

General Manager of Corporate  
Strategy Department,  
Health Business Strategy,  
Digital Strategy  
Director of Kirin Beverage  
Co., Ltd.



**Junko Tsuboi**  
Senior Executive Officer

General Manager of  
Strategic Branding Department,  
Marketing, Strategic Branding



**Masao Maehara**  
Senior Executive Officer

Supply Chain Management  
(Production, Logistics,  
and Procurement)  
Director of Kirin Beverage  
Co., Ltd.



**Takayuki Fuse**  
Senior Executive Officer

President and CEO,  
Kirin Brewery Co., Ltd.



**Hideki Horiguchi**  
Senior Executive Officer

President and CEO,  
Kirin Beverage Co., Ltd.



**Takeshi Minakata**  
Senior Executive Officer

President & CEO,  
Kyowa Hakko Bio Co., Ltd.

Information on matters related to the nomination of directors and Audit & Supervisory Board members can be found on the Company's corporate website.



Management (profile and reasons for nomination)  
<https://www.kirinholdings.co.jp/english/company/board/>



Criteria regarding the independence of Officers  
[https://www.kirinholdings.co.jp/english/ir/governance/pdf/e\\_independencecriteria\\_officer.pdf](https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_independencecriteria_officer.pdf)

\*<sup>1</sup> Non-executive Director as described in Article 2-15 of the Companies Act of Japan. Also fulfills the requirements for designation as an independent officer as prescribed in the regulations of the Tokyo Stock Exchange and complies with the Company's Criteria regarding the independence of Officers

\*<sup>2</sup> 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 the regulations of the Tokyo Stock Exchange and complies with the Company's Criteria regarding the independence of Officers

## 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

---

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

---

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

## Enhancing Management Effectiveness

### Expertise and experience of directors, Audit & Supervisory Board members, and executive officers

Kirin Holdings appoints directors, audit & supervisory board members, and executive officers with abundant experience, deep insight, and high specialization with the aims of ensuring appropriate and high-level decision-making and management of the Group and achieving continual growth in corporate value.

We also use the results of the Board of Directors effectiveness evaluations to identify the areas of

knowledge and experience that are important for deliberation and decision-making of the Board of Directors. Considering those areas along with the diversity represented by its members, we seek to create an overall balance on the Board and to strengthen its ability to execute group business and provide management oversight, including monitoring and strategic review.

|   |                   | Expertise and Experience |                      |                      |                             |                                      |     |                                    |                   |                                     |
|---|-------------------|--------------------------|----------------------|----------------------|-----------------------------|--------------------------------------|-----|------------------------------------|-------------------|-------------------------------------|
|   |                   | Corporate Management     | ESG / Sustainability | Finance / Accounting | HR Management / Development | Legal / Compliance / Risk Management | SCM | Brand Strategy / Marketing / Sales | Overseas Business | R&D / New Business / Health Science |
| President & CEO   | Yoshinori Isozaki | ●                        | ●                    |                      |                             | ●                                    |     | ●                                  | ●                 |                                     |
| Representative Director of the Board, Senior Executive Vice President | Keisuke Nishimura | ●                        |                      |                      | ●                           |                                      |     |                                    | ●                 |                                     |
| Director of the Board, Senior Executive Officer                       | Toshiya Miyoshi   |                          | ●                    |                      | ●                           |                                      |     | ●                                  |                   |                                     |
| Director of the Board, Senior Executive Officer & CFO                 | Noriya Yokota     |                          | ●                    | ●                    | ●                           |                                      | ●   |                                    | ●                 |                                     |
| Director of the Board, Senior Executive Officer                       | Noriaki Kobayashi |                          |                      |                      |                             |                                      | ●   |                                    | ●                 | ●                                   |
| Director (non-executive)  | Shoshi Arakawa    | ●                        |                      |                      |                             |                                      | ●   |                                    | ●                 |                                     |
| Director (non-executive)  | Masakatsu Mori    | ●                        |                      | ●                    |                             |                                      |     |                                    | ●                 |                                     |
| Director (non-executive)  | Hiroyuki Yanagi   | ●                        |                      |                      |                             |                                      | ●   | ●                                  | ●                 |                                     |
| Director (non-executive)  | Chieko Matsuda    |                          | ●                    | ●                    |                             | ●                                    |     |                                    |                   |                                     |
| Director (non-executive)  | Noriko Shiono     | ●                        |                      |                      |                             |                                      |     | ●                                  | ●                 | ●                                   |
| Director (non-executive)  | Rod Eddington     | ●                        |                      |                      |                             |                                      |     |                                    | ●                 |                                     |
| Director (non-executive)  | George Olcott     |                          | ●                    | ●                    | ●                           |                                      |     |                                    | ●                 |                                     |
| Standing Audit & Supervisory Board Member                             | Akihiro Ito       |                          |                      | ●                    |                             |                                      |     |                                    | ●                 |                                     |
| Standing Audit & Supervisory Board Member                             | Keiji Kuwata      |                          |                      |                      |                             |                                      | ●   | ●                                  |                   |                                     |
| Audit & Supervisory Board Member                                      | Nobuo Nakata      |                          |                      |                      |                             | ●                                    |     |                                    | ●                 |                                     |
| Audit & Supervisory Board Member                                      | Yoshiko Ando      |                          | ●                    |                      |                             | ●                                    |     |                                    |                   | ●                                   |
| Audit & Supervisory Board Member                                      | Kaoru Kashima     |                          |                      | ●                    | ●                           |                                      |     |                                    |                   |                                     |
| Senior Executive Vice President                                       | Hiroshi Ogawa     |                          |                      |                      | ●                           | ●                                    |     |                                    |                   |                                     |
| Senior Executive Officer  | Ryosuke Mizouchi  |                          | ●                    |                      |                             |                                      |     | ●                                  | ●                 |                                     |
| Senior Executive Officer  | Toru Yoshimura    |                          |                      |                      |                             |                                      | ●   |                                    | ●                 | ●                                   |
| Senior Executive Officer  | Junko Tsuboi      |                          | ●                    |                      |                             |                                      |     | ●                                  |                   |                                     |
| Senior Executive Officer  | Masao Maehara     |                          |                      |                      |                             |                                      | ●   |                                    | ●                 |                                     |
| Senior Executive Officer  | Takayuki Fuse     | ●                        | ●                    |                      |                             |                                      |     | ●                                  |                   |                                     |
| Senior Executive Officer  | Hideki Horiguchi  | ●                        |                      |                      |                             |                                      |     | ●                                  | ●                 |                                     |
| Senior Executive Officer  | Takeshi Minakata  | ●                        |                      |                      |                             |                                      | ●   |                                    | ●                 | ●                                   |

### Independent directors

To increase the fairness and transparency of corporate governance, support the Group's continuing growth, and enhance the Group's corporate value over the medium-to-long term, as of April 2020 the Company has designated seven (7) independent directors and three (3) independent audit & supervisory board members.



Criteria regarding the independence of Officers  
[https://www.kirinholdings.co.jp/english/ir/governance/pdf/e\\_independencecriteria\\_officer.pdf](https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_independencecriteria_officer.pdf)



Independent Officers Notification  
[https://www.kirinholdings.co.jp/english/ir/governance/pdf/e\\_independentofficer.pdf](https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_independentofficer.pdf)





## Enhancing Management Effectiveness

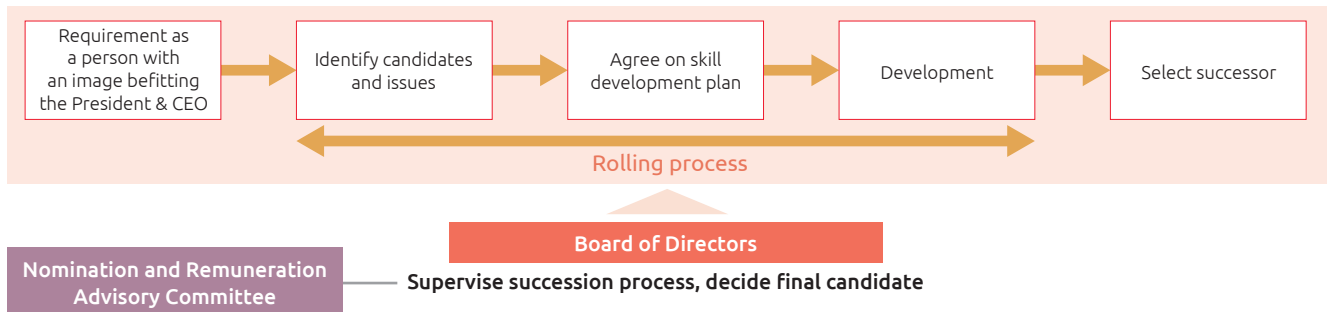
### Candidate plan for President & CEO (succession planning)

The Kirin Holdings Nomination and Remuneration Advisory Committee deliberated on the formulation of policy for the President & CEO succession planning in 2016 and reported the requirements (an image befitting the President & CEO of Kirin Holdings) and the decision

process for candidates to the Board of Directors.

Based on this report, since 2017 we have been using a highly objective and transparent process supervised by the Board of Directors for selecting, evaluating, and training successor candidates.

#### Succession planning process



### Cultivating candidates for the next generation management

The Kirin Group has formulated an original human resource management system and is strengthening the development of key personnel in the Group who are candidates to serve as the next generation of managers (see page 33 for details).

Employees who achieve high results and show initiative are provided opportunities to tackle challenging assignments, in the form of new or difficult jobs. By proactively placing employees based on their talents and abilities, the Kirin Group is seeking to quickly develop the core human resources that will lead the Group in Japan and overseas.

#### Roadmap for strengthening and developing human resources



## Stance on listed subsidiary

Kirin Holdings is aware of importance of the relationship between the parent company and the listed subsidiary Kyowa Kirin in terms of business portfolio management and Group administration. The Corporate Governance Report published in April 2020 presents the Company's policies, determined by discussion of the Board of Directors, regarding the significance of retaining a listed subsidiary and ensuring the effectiveness of the governance system.

Kirin Holdings will regularly review and actively disclose information concerning the appropriateness of retaining Kyowa Kirin as a listed subsidiary from the perspectives of raising the corporate value of the Group, capital efficiency, governance effectiveness, and protection of minority shareholders.



Corporate Governance Report  
[https://www.kirinholdings.co.jp/english/ir/governance/pdf/e\\_governance\\_report.pdf](https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_governance_report.pdf)



## Group company governance and performance assessment

### Operational execution and monitoring system for Group companies

Kirin Holdings formulates and promotes Group strategy, monitors all Group businesses, and creates synergies across the Group.

Each Kirin Group company is located close to its customers and stakeholders and administers its operations autonomously and speedily with full authority to make business execution decisions tailored to their specific strategies. Kirin Holdings seats a director on each

company's Board of Directors to help maintain a high level of corporate governance.

### Group company performance evaluations

The indicators used to evaluate the performances of Group companies are the quantitative targets of return on assets (ROA), which is directly linked to return on invested capital (ROIC), and earnings before income tax (EBIT), which directly affects guidance for the growth rate of normalized operating profit.

## Remuneration system for executive officers

Kirin Holdings revised the remuneration system for executive officers in March 2017 with the aim of providing stronger incentive for officers to achieve the business plan and to further promote medium- and long-term value sharing with shareholders and investors. Remuneration levels are reviewed each year versus those at other major domestic corporations and using data for the period gathered by third-party agencies.

The performance evaluation benchmark for stock-based compensation with transfer restrictions was changed from ROE to ROIC upon the launch of 2019 MTBP. Non-financial indicators were added in 2020.

### 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 a director of the Kirin Group.
3. Executive remuneration shall be reviewed by the Nomination and Remuneration Advisory Committee. To ensure objectivity and transparency, non-executive directors shall account for the majority of the committee members.



Remuneration System for Executive Officers  
<https://www.kirinholdings.co.jp/english/ir/governance/compensation.html>

| Classification of Officers                    | Basic Remuneration | Yearly Bonus | Restricted Stock Compensation | Purpose  |
|---|--------------------|--------------|-------------------------------|--|
| Directors (excluding non-executive directors) | ○                  | ○            | ○                             | 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.  |

# Enhancing Management Effectiveness

## Overview of remuneration system for executive officers

|                       | Fixed remuneration<br>Approximately 50%   | Performance-linked remuneration<br>Approximately 50%   |   |   |      |   |      |   |      |   |     |   |     |
|-----------------------|---|--|---|---|------|---|------|---|------|---|-----|---|-----|
|                       | Basic remuneration  | Yearly bonus   | Trust-type stock compensation   |   |      |   |      |   |      |   |     |   |     |
|                       | Basic remuneration  | Trust-type stock compensation (performance-based)  |   |   |      |   |      |   |      |   |     |   |     |
| Position              | Fixed remuneration  | Short-term incentive remuneration  | Medium- to long-term incentive remuneration   |   |      |   |      |   |      |   |     |   |     |
| Eligible recipients   | <ul style="list-style-type: none"> <li>• Directors (excluding non-executive directors)</li> <li>• Non-executive directors</li> <li>• Audit &amp; Supervisory Board members</li> </ul> | Directors (excluding non-executive directors)  | Directors (excluding non-executive directors)   |   |      |   |      |   |      |   |     |   |     |
| Type of remuneration  | Cash  | Cash   | Stock (trust-type stock compensation)   |   |      |   |      |   |      |   |     |   |     |
| Evaluation indicators | —   | <ul style="list-style-type: none"> <li>• Consolidated normalized operating profit</li> <li>• Individual performance evaluation (excluding President &amp; CEO)</li> </ul>  | <ol style="list-style-type: none"> <li>1. ROIC</li> <li>2. Normalized EPS</li> <li>3. Non-financial evaluation*</li> </ol>  |   |      |   |      |   |      |   |     |   |     |
| 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"> <li>• Points are provided in a range of 50 to 150% in accordance with the degree of progress toward the performance targets for the year following a performance evaluation period.</li> <li>• In principle, stocks are awarded in accordance with the points received at a set period three years after the start of the performance evaluation period.</li> </ul>  |   |      |   |      |   |      |   |     |   |     |
| Calculation formula   | —   | <p>Calculation formula for individual remuneration</p> <div style="text-align: center;"> <p><b>Individual remuneration</b></p> <p>II</p> <p><b>Standard bonus</b></p> </div> <p>×</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Company performance pay rates</p> <p>× A</p> </div> <div style="text-align: center;"> <p>Individual performance pay rate</p> <p>× B</p> </div> </div> <p>+</p> <p>• A standard bonus is set for each officer based on internal regulations.</p> <p>• "A" is the ratio of the part linked to company performance, and "B" is the ratio linked to individual performance. The ratios are set for each position based on internal regulations.</p> | <p>Calculation formula for performance-linked factors</p> <div style="text-align: center;"> <p><b>Performance linked factors</b></p> <p>II</p> </div> <p>(1) ROIC pay rate (%)</p> <p>× 45%</p> <p>+</p> <p>(2) Normalized EPS pay rate (%)</p> <p>× 45%</p> <p>+</p> <p>(3) Non-financial evaluation* pay rate</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>A</td> <td>150%</td> </tr> <tr> <td>B</td> <td>125%</td> </tr> <tr> <td>C</td> <td>100%</td> </tr> <tr> <td>D</td> <td>75%</td> </tr> <tr> <td>E</td> <td>50%</td> </tr> </table> <p>× 10%</p> | A | 150% | B | 125% | C | 100% | D | 75% | E | 50% |
| A                     | 150%  |  |   |   |      |   |      |   |      |   |     |   |     |
| B                     | 125%  |  |   |   |      |   |      |   |      |   |     |   |     |
| C                     | 100%  |  |   |   |      |   |      |   |      |   |     |   |     |
| D                     | 75%   |  |   |   |      |   |      |   |      |   |     |   |     |
| E                     | 50%   |  |   |   |      |   |      |   |      |   |     |   |     |

\* Non-financial evaluation is an overall evaluation of progress and achievement with the CSV Commitments, where initiatives in the four key areas of "a responsible alcohol producer," "health and well-being," "community engagement," and "the environment" are comprehensively evaluated.

Please refer to the Corporate Governance Report for details about director and Audit & Supervisory Board member compensation in fiscal 2019. [https://www.kirinholdings.co.jp/english/ir/governance/pdf/e\\_governance\\_report.pdf](https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_governance_report.pdf)