

### **Kirin's view on Reports Issued by Proxy Advisory Firms**

TOKYO – March X, 2020 – Kirin Holdings Company, Limited (“Kirin” or “the Company”) today made the following statement in response to reports issued by proxy advisory firms Institutional Shareholder Services Inc. (“ISS”) and Glass Lewis regarding the election of directors to Kirin’s Board of Directors (“Board”) and other proposals at the Company’s Ordinary General Meeting on March 27, 2020.

We appreciate that ISS and Glass Lewis recognize the incremental skills and strong independent perspectives that our recommended directors will bring to the Board. We are also pleased that ISS and Glass Lewis acknowledge our proactive efforts to strengthen governance by refreshing the Board and our commitment to continuously evaluate the Company’s strategy and performance to ensure it maximizes value creation for all shareholders.

Additionally, we welcome ISS and Glass Lewis’ agreement with us that Independent Franchise Partners’ (“FP”) proposal for additional share buybacks funded by divestitures introduces several significant issues.

We strongly believe that this buyback proposal is reckless and a case of short-term financial engineering. In KV2027 (Long-Term Management Vision “Kirin Group Vision 2027”), recognizing the structural challenges within the Japan beer market and social trends promoting health and well-being, we believe continuing to invest judiciously in adjacent markets – across the food, health science, and pharmaceuticals – that leverage the Company’s core competencies in fermentation and biotechnology will best position Kirin for growth over the long term. We are not building a conglomerate of disparate businesses, but instead a company with inter-connected and synergistic businesses rooted in our long-standing expertise.

Furthermore, we are encouraged that Glass Lewis recognizes that Kirin’s proposed director remuneration is appropriate. The Nomination and Remuneration Advisory Committee appreciates the importance of continuous review of the remuneration system, following an extensive review of industry best practices with the assistance of external compensation consultants. We believe our proposed remuneration system already has a high ratio of performance-based to total pay of remuneration.

Following are additional comments addressing the various recommendations made by ISS and Glass Lewis.

#### Our position on ISS' recommendations

<Proposal 2: Our Views on the Appointment of Directors (Company Proposal)>  
*Regarding the Nomination of Toshiya Miyoshi.*

We disagree with ISS’ decision to recommend against Toshiya Miyoshi. ISS’ report notes that its recommendation is due to its belief that his area of responsibility is less critical to the issues

surrounding FP's proxy contest. However, Mr. Miyoshi brings strong human resources expertise that plays a critical role in supporting our strategy.

Mr. Miyoshi has abundant business experience and deep knowledge in human resources, labor relations, and marketing. Since joining the Board, he has provided meaningful counsel on Kirin's marketing and brand strategies as well as its human resources and employee engagement initiatives.

Additionally, Mr. Miyoshi has made significant contributions to Kirin's structural and management reforms, including the strengthening of the Company's corporate governance. He is also a member of the Nomination and Remuneration Advisory Committee.

Given his human resources and personnel management expertise, Mr. Miyoshi provides invaluable contributions to our company's medium- to long-term value creation strategy and our commitment to Creating Shared Value (CSV).

ISS mentions that the reason of the recommendation to vote against Mr. Miyoshi is to nominate one of the dissident's nominees, which we believe it's rather a passive approach. We believe that Mr. Miyoshi will continue to be an integral part of our efforts to enhance shareholder value.

<Proposal 4: Our Views on Proposed Changes to Director Remuneration (Company Proposal)>

ISS recommended against the Company's proposed changes to director remuneration (Proposal No. 4) which would introduce a trust-type stock-based remuneration system with a limit of 600 million yen for directors, while endorsing FP's proposed compensation changes (Proposal No. 7) which would increase the ceiling to 1.2 billion yen per year for the stock remuneration with restriction of transfer, in addition to the base pay and bonuses paid to our directors.

The Nomination and Remuneration Advisory Committee proposed a new trust-type stock compensation system, following consultation with external advisors and an extensive review of peer and industry best practices.

Our newly proposed trust-type stock compensation system will greatly reduce the burden of the Board resolutions compared with the past restricted stock compensation system and will enable us to concentrate on management supervision.

The underlying metrics determining performance-based remuneration are transparent and closely linked to the Company's ability to create value for its shareholders and execute its strategy. These include ROIC and normalized EPS as well as the newly introduced non-financial performance metrics critical to the Company's CSV initiatives.

We believe the Company's proposed director remuneration system better supports long-term value creation relative to FP's proposed program, which simply calls for an increase in the shareholding compensation ceiling for directors.

The system will be continuously monitored by the Board and The Nomination and Remuneration Advisory Committee and amended, following comprehensive discussion among them.

## Our position on Glass Lewis' recommendations

### <Proposal 2: Our Views on the Appointment of Directors (Company Proposal)>

Glass Lewis recommended that shareholders oppose two of the Company's non-executive director candidates, Hiroyuki Yanagi and Noriko Shiono.

#### *Regarding the Nomination of Hiroyuki Yanagi*

We believe that Glass Lewis has misunderstood Hiroyuki Yanagi's ability to contribute to the Board in characterizing him as "overboarded." This ignores his strong record as an engaged director – last year Mr. Yanagi attended all 12 Kirin board meetings and was actively involved in boardroom discussions on matters important to the Company.

Given Mr. Yanagi's high level of engagement and deep understanding of Kirin's business, as well as his strong business management expertise, we believe he is well suited to continue to contribute to our Board.

#### *Regarding the Nomination of Noriko Shiono*

We are disappointed with Glass Lewis' decision to recommend against Noriko Shiono due in large part to her role as a strategic advisor to the Company.

Ms. Shiono was appointed to this position, which is equivalent to non-executive director, following the reorganization of Japan Integrated Beverages company, in which she previously served as a non-executive director. We believe Glass Lewis' recommendation is in part based on the incorrect belief – stated in its report – that Ms. Shiono played an integral role in the development of Kirin's KV 2027. Rather, her role was truly independent to the company and we believe there are no underlying conflicts.

We are confident given Ms. Shiono's strong track record as Representative Director of pharmaceuticals manufacturer SS Pharmaceuticals Co., Ltd. that she will take an unbiased, critical view in evaluating the Company's strategic direction. Ms. Shiono will bring valuable expertise in health sciences and pharmaceuticals that will be critical as we continue to drive incremental synergies from our existing businesses and pursue high-growth opportunities in these fields that leverage Kirin's strength and long-standing expertise in fermentation and biotechnology.

Importantly, Glass Lewis' report supports Ms. Shiono's status as an outside independent director. The report stated that seven outside director members are all independent, and that the Board structure, in which outside director accounts for the majority, is rare among Japanese companies. We believe Ms. Shiono will be a strong independent voice on the Board, and that her knowledge and experiences in health science and pharmaceuticals will contribute to maximizing shareholder value.

We urge our shareholders to consider the above when exercising their voting rights.

While Kirin disagrees with some aspects of Glass Lewis and ISS' conclusions, their reports made important points on Board independence, governance, remuneration, FP's proposals and Company performance for Kirin shareholders to consider in advance of voting at the Company's Ordinary General Meeting, including<sup>1</sup>:

### Independence

*"At the forthcoming annual general meeting of shareholders, the Company has nominated twelve directors to the board, including seven outside directors, all of whom we consider to be truly independent. We commend the Company for proposing to have majority of its board to be comprised of truly independent directors, a practice which is rare in Japan."* (Glass Lewis)

*"As classified by ISS, independence (excluding statutory auditors) increases from 33 percent to 50 percent. As a reference, Asahi has nine board members, including three independents, according to ISS. The proposed Kirin board would include two women and two foreigners, vs. none a year ago."* (ISS)

### Governance

*"We note that the Company released its convocation notice on February 25, more than four weeks prior to the shareholder meeting. We commend the Company for disclosing this important information pertaining to the annual meeting in advance."* (Glass Lewis)

*"Though under Japanese law, companies are only required to disclose attendance records of external board members, the Company has voluntarily released attendance records for all directors, including inside directors, for board meetings held during the last fiscal year. We commend the Company for such practices and encourage it to continue to improve director attendance disclosure."* (Glass Lewis)

### Remuneration

*"We believe that the Company's existing compensation scheme is appropriate."* (Glass Lewis)

*"We believe that the Company should retain the flexibility to create compensation packages for its directors and auditors that are in line with their peers and commensurate with their services."* (Glass Lewis)

### Buyback Proposal

*"We believe the resolution (surrounding [FP]'s alternative share buyback proposal) introduces a number of significant issues."* (Glass Lewis)

*"We consider the implications of [FP]'s buyback resolution are problematically ambiguous, and the resolution is, at best, an inefficient mechanism for purposes of expressing more granular concern with KV2027."* (Glass Lewis)

*"It seems premature to support the shareholder buyback proposal based on selling the stakes in Kyowa Kirin and FANCL at this time."* (ISS)

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<sup>1</sup> Permission to quote from report was neither sought nor obtained.

Company Performance and TSR

*“In particular we acknowledge Kirin did indeed outperform its domestic and international rivals from the time of Mr. Isozaki's appointment through the last trading date prior to emergence of [FP].”  
(Glass Lewis)*

*“Kirin should be credited for a successful turnaround and return to profitability.” (ISS)*

Kirin's board reminds shareholders that their vote is extremely important, no matter how many or how few shares they own. Kirin urges shareholders to vote **FOR ALL** the Company's proposals.