



May 12, 2020

To Whom It May Concern:

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**Notice Regarding the Disposal of Treasury Shares through Third-party Allotment  
in Line with the Introduction of the Trust-type Stock Compensation System**

Kirin Holdings Company, Limited (the “Company”) hereby announces that its Board of Directors, at the Board meeting held on May 12, 2020, resolved to dispose of its treasury shares through third-party allotment (the “Treasury Share Disposal”), as follows.

1. Outline of the disposal

(1) Date of disposal	May 27, 2020
(2) Type and number of shares to be disposed of	Common shares: 388,000 shares
(3) Disposal value	¥2,078 per share
(4) Total disposal value	¥806,264,000
(5) Party to which the treasury shares are scheduled to be disposed of	The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account)
(6) Other matters	The Treasury Share Disposal shall be conducted subject to the effectiveness of the registration statement submitted under the Financial Instruments and Exchange Act.

## 2. Purpose of and reason for the disposal

The Company, at its Board meeting held on February 14, 2020, resolved to introduce a trust-type stock compensation system (the “Trust Plan”) for Directors (excluding Non-executive Directors) and Executive Officers (excluding those concurrently serving as Directors as well as those in an employment relationship with the Company) of the Company (excluding, in both cases, those who are non-residents of Japan; collectively, the “Eligible Directors and Officers”), adopting a scheme called Board Incentive Plan Trust (the “BIP Trust”), with a view to ensuring the stable and efficient operation of the remuneration system, while incentivizing the Eligible Directors and Officers of the Company to improve its medium to long-term performance and increase its corporate value. Meanwhile, proposals on the “Revision in the Limit and Framework of Officers’ Remuneration in Line with Revision of Performance-linked Remuneration System for Directors and Officers,” including matters relating to the Trust Plan, were approved by resolution at the 181<sup>st</sup> Ordinary General Meeting of Shareholders held on March 27, 2020.

The Treasury Share Disposal shall be carried out in the form of disposal of treasury shares through third-party allotment to The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account), which is the joint trustee under the trust agreement for the Board Incentive Plan concluded between the Company and Mitsubishi UFJ Trust and Banking Corporation (hereinafter, the “Trust Agreement,” with the trust created based on the Trust Agreement hereinafter referred to as the “Trust”).

The number of shares to be disposed of shall be the number of shares reasonably expected to be delivered to the Eligible Directors and Officers during the trust period pursuant to the Share Delivery Rules, and its dilution shall be limited in scale to 0.04% (rounded off to two decimal places) of the total number of shares outstanding, which, in terms of voting rights, corresponds to 0.05% (rounded off to two decimal places) of the total number of voting rights at 8,381,573, as of March 31, 2020.

As the shares of the Company allotted through the Treasury Share Disposal shall be delivered to the Eligible Directors and Officers pursuant to the Share Delivery Rules, we believe that its impact on the secondary market shall be insignificant, and that the number of shares disposed of, as well as its scale of dilution shall be within a reasonable range.

For an outline of the BIP Trust, please refer to the “Notice Regarding Revision in the Limit and Framework of Officers’ Remuneration in Line with the Revision of Performance-linked Remuneration System for Directors and Officers, as well as the Revision of Non-executive Directors’ Remuneration Limit,” announced on February 14, 2020.

### Outline of the Trust Agreement

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|-----------------------|---|
| 1) Type of trust      | Money trust other than individually managed designated money trust<br>(third party benefit trust)                           |
| 2) Objective of trust | Provision of incentives for the Eligible Directors and Officers   |
| 3) Trustor            | The Company   |
| 4) Trustee            | Mitsubishi UFJ Trust and Banking Corporation (tentative)<br>Joint trustee: The Master Trust Bank of Japan, Ltd. (tentative) |

5) Beneficiaries	The Eligible Directors and Officers having received the grant of points pursuant to the Share Delivery Rules, who acquired beneficiary rights
6) Trust administrator	A third party without interest in the Company (certified public accountant)
7) Trust agreement date	May 15, 2020 (tentative)
8) Trust period	From May 15, 2020 to June 30, 2022 (tentative)
9) Exercise of voting rights	Not to be exercised
10) Type of shares to be acquired	Common shares of the Company
11) Total amount of shares acquired	¥806,264,000
12) Method for acquiring shares	To be acquired through third-party allotment of treasury shares of the Company
13) Holder of vested rights	The Company
14) Residual assets	At the termination of the trust, if any residual shares remain after all beneficiaries have received delivery of shares of the Company held as trust assets, as well as payment of the proceeds from sales of shares of the Company, they shall be realized. If the amount of cash held as trust assets exceeds the total amount of the trust fund less the share acquisition fund (equivalent to the trust expenses reserve), such excess shall be donated to the organization specified in the Trust Agreement, while the cash not exceeding the trust expenses reserve shall be paid to the Company, as the holder of vested rights.

### 3. Basis of calculation of the disposal value and the specific details

By taking into consideration recent stock price movements, and with a view to eliminating arbitrariness in determination of the value, the disposal value shall be either the closing price of the shares of the Company on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) on the business day immediately preceding the date of resolution at the Board of Directors regarding the Treasury Share Disposal (May 11, 2020), or the average of the closing prices of the shares of the Company on the Tokyo Stock Exchange in the one month period immediately preceding the date of the aforementioned resolution at the Board of Directors (from April 13, 2020 to May 11, 2020), whichever is higher (rounded up to a whole yen).

As a result, the disposal value was determined at the closing price of the shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the aforementioned resolution at the Board of Directors (May 11, 2020), at the amount of ¥2,078 (rounded up to a whole yen; 100.39% compared to the average of the closing prices of the shares of the Company on the Tokyo Stock Exchange in the one month period immediately preceding the date of the aforementioned resolution at the Board of Directors (from April 13, 2020 to May 11, 2020) (¥2,070)).

The Company decided to adopt the higher of the two values, between the closing price of the shares of the Company on the business day immediately preceding the date of the aforementioned resolution at the Board of Directors, and the average of the closing prices of the shares of the Company in the one month period immediately preceding the date of the aforementioned resolution at the Board of Directors, based on the judgement that adoption based on a comparison between a single share price at a particular point in time and a leveled price in the form of the average share price during a certain period of time will be able to provide a more objective and reasonable basis for calculation, compared to adoption based on the former alone.

The aforementioned disposal value is an amount calculated by multiplying ¥2,134 (rounded down to a whole yen), namely the average of the closing prices of the shares of the Company on the Tokyo Stock Exchange, in the three month period immediately preceding the date of the aforementioned resolution at the Board of Directors (from February 12, 2020 to May 11, 2020), by a coefficient of 97.38% (based on a discount rate of 2.62%), which is equivalent to an amount calculated by multiplying ¥2,299 (rounded down to a whole yen), namely the average of the closing prices of the shares of the Company on the Tokyo Stock Exchange, in the six month period immediately preceding the date of such resolution (from November 12, 2019 to May 11, 2020), by a coefficient of 90.39% (based on a discount rate of 9.61%).

All Audit & Supervisory Board Members have announced their unanimous opinion, to the effect that the above disposal value was not considered to particularly favor any concerned party.

#### 4. Procedure under the Code of Corporate Conduct

In view of the fact that the dilution rate of shares is less than 25%, without involving any change in the controlling shareholders, the procedures for obtaining an opinion from an independent third party, and for confirming the intentions of the shareholders, as stipulated in Article 432 of the Securities Listing Regulations established by the Tokyo Stock Exchange, are not required.

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