



Supporting value creation through more effective governance

Kimie Iwata

Outside director

Ms. Iwata is chairman of the Nomination and Remuneration Advisory Committee. She has served as an outside director at Kirin Holdings since 2016. From 2008 to 2012 she held the position of representative director and executive vice president at Shiseido Co. Ltd. She retired from her post as director-general of equal employment, Children and Families Bureau of Ministry of Health, Labour & Welfare in 2003, after serving the ministry since 1971.

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As chairman of the Remuneration Advisory Committee, how do you rate Kirin Holdings' corporate governance system?

Kirin has been committed to reinforcing its corporate governance system for many years. Due to enactment of Japan's Corporate Governance Code of 2015, the company advanced these efforts. Kirin's Nomination and Remuneration Advisory Committee has formulated an improved performance-related remuneration system and a succession plan for top executives.

To promote awareness of business goals and corporate value, Kirin's new remuneration system, effective 2017, boosts performance-linked remuneration to 50%. More than a yearly bonus system tied to corporate profit targets, this introduces stock-based remuneration to promote medium-term shared value with shareholders.

Details of the system have been disclosed through IR activities and explained at the shareholders meeting. I see this executive remuneration system as a highly desirable improvement in governance. Going forward, I expect the committee to continuously re-evaluate which indicators are best and what percentage of the total payment package is appropriate for performance-related remuneration.

Regarding succession, the committee has taken the time to thoroughly discuss the qualities required in the CEO of Kirin Holdings and how to configure a highly transparent decision-making process for candidates.

At many Japanese firms, the CEO selection process is a black box when viewed from outside. Kirin's succession plan calls for the Nomination and Remuneration Committee to apply due diligence in deliberating whether the candidate suggested by operating officers is the right person for the job.

When outside officers are central to the task of nominating successors, the benefits are twofold. One is impartiality and objectivity in evaluating individual candidates. The other is the range of viewpoints committee members bring to the process, reflecting their specialized knowledge of diverse fields and industries. Moreover, the succession plan provides for systematic cultivation of successor candidates over time, a valuable advantage.

Q How is Kirin doing in terms of diversity and inclusion?

A When I was an executive at another publicly listed company, the Kirin Group asked me to be an instructor for their female management candidate development program. I was impressed that Kirin was one of the few firms back then that was serious about promoting female advancement. The Kirin Group's progressive stance has won independent acclaim, as evidenced by its inclusion in the New Diversity Management Selection 100 project of Japan's Ministry of Economy, Trade and Industry (METI).

Some issues remain. To promote female advancement we must enable employees to give birth and raise children while holding onto their jobs. In Kirin's supportive system, we take it for granted that women will be able to return to their positions after taking child-rearing leave. When it comes to career path support, we are committed to professional development leading to key positions for women. More time is required, however, before we achieve significant results.

That said, we are proud to have our first female executive officer, as well as women in such positions as general managers of plants and general managers of regional sales head offices. The Company is also committed to increasing the number of female leaders to 300 by 2021, a ratio of 12%. I hope that Kirin will give solid support to guide promising young employees on a career path to leadership.

Q In conclusion, please share your opinion on the effectiveness of the board of directors, and issues to be addressed going forward.

A Regarding evaluation of the board's effectiveness, in FY2016 we conducted and disclosed self-evaluation surveys of directors of the board and Audit & Supervisory Board members.

Survey results consistently confirm the board's effectiveness as a whole. To continuously improve operations we are using the PDCA cycle. This has helped us, for example, to narrow down the agenda of the board of directors to Group oversight and weighty decisions from the viewpoint of Group management. As a result, the board can now allot more time to productive deliberation on high-priority issues.

In my two years as an outside director, the biggest issue we faced was the sale of Brasil Kirin shares. It was a difficult decision for the board, requiring many discussions to decide whether or not to sell and what conditions to impose upon the sale. We then reassessed all processes, from acquisition to sale, regarding Brasil Kirin. By devoting time to discussing what the case had to teach us, the board was able to discuss and comprehend matters in greater depth.

Going forward, the board is dedicated to in-depth discussion of important issues such as formulation of the next long-term management plan, medium term plans, and fiscal year plans. For Group growth, we must articulate a clear strategy. As an outside director, I hope to contribute to continuous long-term growth and increased corporate value through decision making concerning matters of importance and oversight of business matters.

