

## KIRIN GROUP SIGNIFICANT RISK

Below is a list of key matters presenting risk to the Kirin Group strategies, businesses, and other activities, which could significantly impact investor assessment of the Group. The risks listed below do not cover all risks of the Kirin Group. There are risks other than those listed below that may impact investor assessment. Significant risks are classified into “significant risks in each business domain” and “Significant risks common to each business domain.” Please note that matters determined to present potential risk in the future are based on the judgment of the Company as of the end of this fiscal year unless otherwise stated.

### 1) Significant risks in each business domain

Business area	Main risk	Risk details and main potential impacts
Food & Beverages	<ul style="list-style-type: none"> <li>Risks related to responses to business environment changes</li> <li>Risks related to hikes in raw materials prices</li> <li>Risks related to failure of new businesses</li> </ul>	<ul style="list-style-type: none"> <li>Potential for a shortfall to sales targets due to changes in the market environment and preferences, fluctuations in product prices, or actions of competitor companies</li> <li>Potential for higher procurement costs due to hikes in raw materials prices, which could affect manufacturing costs</li> <li>Potential for new businesses to fail to penetrate the market, resulting in a downturn in revenues and delaying business plans</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Food &amp; Beverages domain, as Kirin Group’s main business domain, has the potential for receiving serious impact in case of risk being actualized. We are reducing the actualization of risks by taking appropriate measures, as enhancing to reform business model of Foods &amp; Beverages domain by expanding the sales of highly profitable value-added products and our capability to face the risk based on findings to business environment changes. However, we assume that the on-premise (commercial market) market, such as on-premise establishments, and the vending machine business, will continue to be affected by the emergence of variant strains of COVID-19 and regulations based on the prevalence of the virus in the countries where we operate. In addition, we consider the potential direct impact of hikes in raw materials prices on revenue and the impact of the success or failure of domestic <i>Home Tap</i> and global development of craft beer business on our medium- to long-term business plans as significant risks.</p> <p>(Specific countermeasures are stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)</p>	

Business area	Main risk	Risk details and main potential impacts
Withdrawal from the business in Myanmar	<ul style="list-style-type: none"> <li>Risk of failure to terminate the joint venture and withdraw from the business in Myanmar</li> <li>Risk of not being able to recover funds for the business upon withdrawal</li> </ul>	<ul style="list-style-type: none"> <li>Potential that our efforts will not be properly communicated to each stakeholder</li> <li>Potential impact on consolidated financial results or inability to recover funds in local currency</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>We are committed to complete the withdrawal from the business in Myanmar by the end of June 2022. However, given the remaining high uncertainty and the immateriality of financial impact on the consolidated financial results of the Group, we have set our full-year 2022 forecast for both revenue and normalized operating profit of the Myanmar business at ¥0.0 billion.</p> <p>(This forecast is based on information as of the end of February 2022. This issue is also stated in “MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.” We will also announce the progress toward the withdrawal from the business on our corporate website and other media as appropriate.)</p>	

Business area	Main risk	Risk details and main potential impacts
Pharmaceuticals	<ul style="list-style-type: none"> <li>• Risk associated with maximizing the value of global strategic products</li> <li>• Risk related to product quality and stable supply</li> <li>• Risk related to government measures to reduce medical costs</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for products to not become fully established in a new market because price differential between the planned and actual prices in a country may cause sales to fall significantly below expectations, because expansion of the business domain may be slowed by delays in launch preparation or other factors, or due to difficulty connecting with potential patients</li> <li>• Potential for product recalls due to safety or quality concerns or for difficulty maintaining stable supply due to a sharp increase in demand or a tight supply and demand balance</li> <li>• Potential for product prices to be reduced due to pressure to lower medical costs in Japan and overseas and accelerate the ongoing shift to generic drugs</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>To maximize the value of global strategic products, Kyowa Kirin is implementing initiatives to spur market uptake and expanding its business reach, centered on the United States and Europe, under its global management structure. In order to expand our business globally, we believe it is important to strengthen our foundations such as product quality assurance system and stable production and supply system. In terms of product quality, we enhance to monitor by the Global Quality Assurance Committee and establish an independent, specialist audit unit to reinforce product quality audits within the Group and at contractors. Also, we are expanding its network of contractors, investing in Group plants, rolling out digital technology to enhance manufacturing operational efficiency, and increasing headcount and upgrading training systems in our production and quality control divisions. Japan and other countries are tightening control of medical care costs. The Kyowa Kirin Group closely monitors healthcare policy trends in each country while also forecasting post-launch pricing for development compounds and their anticipated impact on revenue. In order to deliver life-changing pharmaceutical products that meet the needs of patients, we also work to prepare strategic drug approval packages that highlight their value scientifically.</p> <p>(The details are stated in the Annual Securities Report of Kyowa Kirin Co., Ltd.)</p>	

Business area	Main risk	Risk details and main potential impacts
Health Science	<ul style="list-style-type: none"> <li>• Risk of not being able to provide differentiated products and services related to social issues</li> <li>• Risk of delayed response to changes in the external environment, such as competition in the rapidly changing Health Science domain</li> <li>• Risk of inability to increase added value due to insufficient organizational capability in new fields</li> <li>• Risk of issues related to product quality assurance, safety, or missing products</li> </ul>	<ul style="list-style-type: none"> <li>• Potential that the sales plan will not be achieved due to the inability to formulate an effective business model in the priority areas of Kirin's Health Science business: immunology, brain function, and intestinal environment.</li> <li>• Potential inability to construct a high-profit business model for creating new value due to delays establishing an organizational structure, delays developing, acquiring, and training human resources for business management, or inability to establish cooperation and synergies within the Group</li> <li>• Potential of product shortages if production does not proceed according to the production plan</li> <li>• Potential that Foods with Function Claims (FFCs) have adverse health effects or quality issues, lack sufficient evidence, or cause adverse reactions; or the potential of inaccurate information</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Health Science domain involves many new businesses, and we are strategically taking risks to expand our business. To search for and realize next-generation growth opportunities, we have begun operating the stage gate system and CVC investment to accelerate collaboration and synergies within the Group. In the immunology domain that involves FFCs, we aim to expand awareness of LC-Plasma, achieve outcomes through awareness building on FFCs, and early establish a business model, with the aim of establishing immune care habits in the daily lives of our customers. While promoting our business, we will improve our organizational capability and strengthen governance to ensure appropriate risk control.</p> <p>(Specific countermeasures are stated in "MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.")</p>	

## 2) Significant risks common to each business domain

Item	Main risk	Risk details and main potential impacts
COVID-19	<ul style="list-style-type: none"> <li>• Risk of the COVID-19 pandemic constraining business activity</li> <li>• Risk of employees contracting the virus and the virus spreading among employees</li> </ul>	<ul style="list-style-type: none"> <li>• Potential that business activities could be restrained by a rising number of infections and governments enforcing stronger regulations, such as state of emergency conditions and lockdown</li> <li>• Potential for clusters or spread of infection within the Company despite appropriate prevention measures, and inability to secure necessary workforce to carry out business activities due to increased number of employees standby at home due to illness or close contact with infected individuals</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Kirin Group created the task force for COVID-19 in January 2020 that collects information, judges the situation, considers and decides on countermeasures, shares information, and gives instructions to Group companies. Although the situation differs depending on the country or region, concerns remain over the spread of infections with the emergence of variant strains and other factors. We therefore assume that the business environment will not return to its pre-COVID-19 state. Backed by rising health awareness in the wake of COVID-19 pandemic, we will strive to achieve business growth by resolving social issues and promoting activities tailored to our customers. We have thoroughly implemented various infection prevention measures to address the risk of employee infection, and have established a reporting system and response flow in case of suspected infection.</p>	

Item	Main risk	Risk details and main potential impacts
Securing and training of human resources	<ul style="list-style-type: none"> <li>• Risk of inability to adequately secure and train human resources to advance Group management and with the expertise necessary for business activities</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for not achieving organizational capabilities with competitive advantage</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Kirin Group is working on reforming the organizational culture and creating a human resources management system to secure and develop top talent to promote Group management, based on the policy that human resources are necessary to execute business and realize innovations. In addition, we aim to improve organizational capabilities to accept diversity and realize value creation by gathering human resources with diverse values and expertise. We are also promoting the Job Satisfaction Reform project entitled KIRIN Work Style 3.0 as a new way of working while living with COVID-19. By reevaluating the meaning and purpose of our work, we work to improve productivity, creativity, and personal fulfillment that will lead to the sustainable growth of the Group. We will continue to implement initiatives from a medium- to long-term perspective based on the recognition that diversity and inclusion, culture for innovation are the foundation of the Company.</p>	

Item	Main risk	Risk details and main potential impacts
Information technology	<ul style="list-style-type: none"> <li>• Risk that Kirin's ICT utilization will be inferior to competitors in the market due to lack of progress in digital transformation (DX) initiatives</li> <li>• Risk of insufficient securing and training of DX experts</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for limited profit growth due to higher costs caused by a delay in the efforts to make supply chain more efficient</li> <li>• Potential for limited sales and profits due to inadequate understanding of consumer trends and inability to provide products that meet customer expectations</li> <li>• Potential for a shortage of staff to work on issues to be addressed in DX, resulting in failure to implement measures timely and promptly</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>With the promotion of DX, we are working to create new value by transforming business processes through the use of technology and data, improving the efficiency of existing operations, and transforming processes for customer understanding and product and service development. We are enhancing our organizational structure to realize autonomous DX promotion in each company and division, securing human resources capable of promoting DX, and developing human resources through our unique programs. Since January 2022, a standardized information system (ERP) has been in operation in three domains of accounting, logistics, and production, mainly in domestic operating companies. We will continue to replace the system outside of the three domains, aiming to build a base system suitable for each business.</p>	

Item	Main risk	Risk details and main potential impacts
Product safety	<ul style="list-style-type: none"> <li>Risk of unexpected quality issues beyond the scope of quality assurance measures</li> </ul>	<ul style="list-style-type: none"> <li>Potential high costs or constricted business activity due to product discontinuation, recall, or compensation claims</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	Based on our quality policy, the Kirin Group has declared that providing safe and reliable products and services to our consumers is our top priority. We have established a quality assurance system for products manufactured at our Group plants and those manufactured by other companies, including those manufactured by contract manufacturing plants and imported products. We are making utmost efforts to ensure quality by monitoring product quality and auditing the quality assurance system throughout the Group. In addition to having top management communicate the importance of quality as a message to the entire Group, we will continue our efforts to foster an organizational culture that values quality not only in the production division but also in all divisions by taking the initiative in education and training and allocation of management resources.	

Item	Main risk	Risk details and main potential impacts
Human rights	<ul style="list-style-type: none"> <li>Risk of human rights issues associated with the Kirin Group, its partners, or its procurement operations</li> </ul>	Potential substantial impact on business activities in the country or globally
	Main countermeasures, related sections in this report, and risk awareness	
	Based on the recognition that respect for human rights is the foundation of all business activities, the Kirin Group formulated the Kirin Group Human Rights Policy in 2018, which complies with the United Nations Guiding Principles on Business and Human Rights. In 2022, the Group established the Group Human Rights Committee as a meeting body under the Group CSV Committee, which oversees the Group's overall sustainability, to strengthen its efforts to promote respect for human rights. The Kirin Group prohibits all forms of discrimination based on race, ethnicity, nationality, social status, family origin, gender, disability status, health status, ideology and creed, sexual orientation and gender identity, and differences in job type and employment status, in addition to prohibiting slave labor, forced labor, and child labor, including human trafficking. We will continue to identify, prevent, and mitigate negative impacts on human rights related to the Kirin Group's business, along with the implementation of human rights due diligence. The Kirin Group expects all of its business partners to support the Kirin Group Human Rights Policy and is committed to ensuring that its suppliers comply with this policy.	

Item	Main risk	Risk details and main potential impacts
Environmental issues	<ul style="list-style-type: none"> <li>Physical risks of climate change and risks associated with the transition to a decarbonized society</li> <li>Risks related to resource recycling of plastic containers</li> </ul>	<ul style="list-style-type: none"> <li>Potential for increased procurement costs due to decreased yields of agricultural raw materials caused by physical risks of climate change, including global warming, droughts, and floods, as well as shutdowns due to such risks as droughts and floods, and potential for increased energy costs due to transition risks including carbon taxes</li> <li>Potential inability to adequately respond to social concerns and rising expectations of companies in environmental issues such as climate change and plastic containers</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	The Kirin Group has formulated the Kirin Group's Environmental Vision 2050, a long-term strategy for addressing various environmental issues, and is working to achieve its goal. For physical risks such as decreased yields of agricultural raw materials and transition risks such as carbon pricing due to climate change, we assess financial impacts and resilience of our strategies through scenario analysis based on the TCFD recommendations to make necessary revisions to our policies and strategies and deepen our efforts. As for the issue of plastic containers, we have initiated a joint project to study and achieve the practical use of technologies for recycling PET materials through chemical recycling, aiming to increase the recycled plastic ratio in Japan to 50% by 2027 (Kirin Group Plastic Policy). The Kirin Group will create a sustainable global environment for the next generation by viewing these environmental issues, in which climate change, biological resources, water resources, and containers and packaging are mutually related, in an integrated manner. (Specific countermeasures are stated in "MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.")	

Item	Main risk	Risk details and main potential impacts
Alcohol consumption-related issues	<ul style="list-style-type: none"> <li>Risk of future restrictions worldwide on alcohol sales</li> </ul>	<ul style="list-style-type: none"> <li>Potential decline in alcohol consumption and potential decrease in corporate brand value</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	Regarding the alcohol consumption-related issues, the WHO is discussing future global regulations on the sale of alcohol. In order to fulfill its social responsibility as an alcohol producer, the Kirin Group is making progress in its efforts to eradicate alcohol consumption-related issues in all countries where the Group operates its alcoholic beverages business. In advertising and promotion activities, we comply with the Kirin Group Global Marketing Code for Responsible Drinking and strict voluntary standards. We also promote activities in cooperation with IARD and other industry groups in Japan and overseas. In Japan, we use our website and other means to raise awareness of the prevention of drinking by those under 20 years old and to build awareness of responsible drinking. We will continue to make steady progress in our efforts to eradicate harmful alcohol consumption while responding to changes in social conditions in the era of living with COVID-19.	

Item	Main risk	Risk details and main potential impacts
Supply chain	<ul style="list-style-type: none"> <li>Risk of supply chain disruption due to large-scale natural disasters and accidents, such as earthquakes, unseasonable weather, cold summers, droughts, typhoons, torrential rains, forest fires, and infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>Potential need to close business sites or reduce or suspend business activities</li> <li>Potential distribution delays or shortages due to procurement, production, and logistics capabilities unable to meet demand due to a sharp rise in sales volume during peak sales periods</li> <li>Potential suspension or delay of deliveries due to disruptions in road and port transportation networks caused by natural disasters or infectious diseases</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	We have formulated business continuity plans (BCPs) for disasters and accidents. We are shifting from measures for specific cases, such as earthquakes and infectious diseases, to an all-hazard approach that focuses on management resources as the starting point. In the supply chain, in addition to the effects of disasters and accidents, securing human resources is a serious issue in Japan, including a shortage of truck drivers. In addition, overseas, there is a risk of supply chain disruption due to delays in shipping. In each business, we are working to reduce risks by improving the accuracy of supply and demand forecasts and strengthening logistics capacity. We recognize that our capability to respond to disasters and infectious diseases has improved through these ongoing efforts.	

Item	Main risk	Risk details and main potential impacts
Information security	<ul style="list-style-type: none"> <li>Risk of a cyber-attack, information security incident, or information leak</li> </ul>	<ul style="list-style-type: none"> <li>Potential to lose customer trust and incur claims for damage compensation due to a leak of personal information or important trade secrets</li> <li>Potential suspension of business or extended recovery time required after a cyber-attack</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	The Kirin Group has established the KIRIN-CSIRT (Computer Security Incident Response Team) to respond to the threat of cyber-attacks that are becoming more serious and is working on information security measures, which is one of the important risks in the Group. We are working to strengthen countermeasures against cyber-attack threats such as virus infection and unauthorized access from the outside by establishing a security response system within the Group and implementing human, physical, and technical measures. The details of our initiatives are stated in the Information Security Report. We are also taking measures including risk transfer, for example, by taking out insurance on a global basis to reduce the economic impact of cyber-attacks. We believe that these measures have reduced the risk to below a certain level. We will also continue to take measures against unknown cyber threats while gathering a wide range of information.	

Item	Main risk	Risk details and main potential impacts
Compliance	<ul style="list-style-type: none"> <li>Risk of behavior by employees, such as alcohol-related issues or bribery, that is illegal or counter to social mores</li> </ul>	<ul style="list-style-type: none"> <li>Potential of legal punishment, litigation, social sanctions, and loss of customer trust</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>The Kirin Group strives to reduce the possibility of employee violations of laws and regulations and acts that violate social norms by promoting compliance through risk management cycles and employee awareness training. We also prohibit the provision or receipt of improper money, gifts, entertainment, and other benefits to prevent bribery. We maintain hotlines for each Group company, as well as hotlines directly connected to the officer in charge of compliance and audit &amp; supervisory board members, respectively. Furthermore, we conduct an employee compliance awareness survey every year to identify potential risks and to reduce risks at the early stage by confirming the facts contained in the responses and taking appropriate measures. The survey results are reported to the Group Risk and Compliance Committee. Through these measures, we are working to reduce the impact of serious compliance violations and will continue to raise employees' awareness of compliance.</p>	

Item	Main risk	Risk details and main potential impacts
Finance and taxes	<ul style="list-style-type: none"> <li>Fund procurement risk, foreign exchange risk, tax risk</li> </ul>	<ul style="list-style-type: none"> <li>Potential increase in funding costs and fluctuation in yen conversion value due to exchange rates</li> <li>Potential for additional tax burdens or loss of social credibility due to revisions to tax systems in various countries, changes in tax administration, or differences in views with tax authorities on tax reporting</li> </ul>
	Main countermeasures, related sections in this report, and risk awareness	
	<p>In response to financial risks, the Kirin Group conducts appropriate cash management and mitigates financial risks in accordance with the Kirin Group Treasury Policy.</p> <p>In terms to tax affairs, we also comply with the tax laws of each country and have established the Kirin Group Tax Policy to ensure tax transparency with a variety of stakeholders.</p> <p>Although the effects of market environment and exchange rate fluctuations and tax risks cannot be eliminated, these measures reduce the possibility of having a significant impact on business performance and financial conditions.</p>	