

KIRIN GROUP MAJOR RISKS

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. These major risks are described in categories of “Risks in each business domain” and “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) Risks in each business domain

Business area	Assumed risks	Major impacts in the event of risk occurrence
Food & Beverages	<ul style="list-style-type: none"> • Risks related to responses to business environment changes • Risks related to hikes in raw materials and fuel prices • Risks related to failure of new businesses 	<ul style="list-style-type: none"> • Sales targets fall short due to changes in the market environment and preferences, fluctuations in product prices, actions of competitors or other factors. • An increase in procurement costs due to hikes in raw materials and fuel prices affects manufacturing costs. • New businesses fail to penetrate the market, resulting in a downturn in sales and profits and a delay in business plans.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>The Food & Beverages domain, as Kirin Group’s main business domain, is expected to be seriously affected in the case of risk being actualized. For existing businesses in the Food & Beverages domain, we have implemented measures against risks based on the knowledge we have amassed on changes in business environments. Further, while, in new businesses, we are working to reduce risk by assuming the possibility of facing new risks that differ from those we have faced in the past and implementing countermeasures. Moreover, we consider the potential direct impact of hikes in raw materials and fuel prices attributable to geopolitical risks on our revenue and the impact of the success or failure of the expansion of high value-added products on our medium- to long-term business plans as the Group’s major risks. We will continue to closely monitor the situation and take appropriate risk control measures. (Specific countermeasures are stated in “1. MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.”)</p>	

Business area	Assumed risks	Major impacts in the event of risk occurrence
Pharmaceuticals	<ul style="list-style-type: none"> • Risk associated with maximizing the value of global strategic products • Risk related to product quality and stable supply • Risk related to research and development • Risk related to government measures to reduce medical costs 	<ul style="list-style-type: none"> • The market penetration is not successful because of the expansion of the business area being slowed by delays in launch preparation and other factors, or difficulty in connecting with potential patients. • Stable product supply is impeded by a sharp increase in demand or a tight supply and demand balance that raises concerns about product safety or quality. • Growth potential and profitability in the future decline due to delayed enhancement of the pipeline • Product prices are reduced due to pressure to lower medical costs in Japan and overseas and the ongoing shift to generic drugs is accelerated.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>In the Pharmaceuticals domain, to maximize the value of global strategic products, we are implementing initiatives to spur market uptake and expanding business reach, centered on the United States and Europe. We believe it is also important that we strengthen our foundations such as a product quality assurance system and a stable production and supply system. More specifically, we have worked to secure product quality through monitoring by the Global Quality Assurance Committee and implementing products quality audits by an independent team specialized in audit within the Group and contractors. Also, we are expanding its network of contractors, investing in Group plants, visualizing a demand and supply plan, rolling out digital technology to enhance manufacturing operational efficiency. Japan and other countries are under growing pressure to curb medical costs. We closely monitor healthcare policy trends in each country and are strategically exploring ways to evaluate the value of products from various perspectives to ensure that we deliver life-changing pharmaceuticals and other products to patients. We are also assessing how the pricing of products put on the market impacts our business to earn reasonable revenues and continue to create innovative pharmaceutical products in compliance with rules and regulations in each country, while also gaining the understanding of our stakeholders. (Further details are stated in the Annual Securities Report of Kyowa Kirin Co., Ltd.)</p>	

Business area	Assumed risks	Major impacts in the event of risk occurrence
Health Science	<ul style="list-style-type: none"> • Risk of not being able to provide differentiated products and services related to social issues • Risk of delays in complying with laws and regulations in countries where we carry out overseas operations • Risk of lack of human resources and organizational capabilities to conduct business • Risks associated with product quality assurance, safety, or stockouts 	<ul style="list-style-type: none"> • The sales plan falls short due to the inability to formulate an effective business model. • Global expansion is restricted, and plans to venture into overseas markets and expand business are delayed. • Brands and reputations are damaged by product shortages, quality problems, insufficient evidences, inappropriate information dissemination, and other factors. • The Group is unable to create synergy and build a high-profit model that involves the creation of new value.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>In the Health Science domain, we contribute to the more effective and efficient resolution of our customers' health issues. We do so by helping them build a foundation for health to tackle well-being issues that arise in response to medium- to long-term changes in the social environment and enhancing the natural abilities of the human body. With the growth of newly acquired Blackmores Limited and FANCL CORPORATION and the creation of synergies within the Group as our top priorities, we are working to establish a business model that will enable us to achieve sustainable growth. In promoting business in domains other than our main business of food, we will enhance our organizational capability and strengthen governance from a risk management viewpoint to ensure prompt and bold decision-making and also to enable timely and appropriate risk control. (Specific countermeasures are stated in "1. MANAGEMENT POLICY, BUSINESS ENVIRONMENT, AND FUTURE CHALLENGES.")</p>	

2) Risks common to each business domain

Item	Assumed risks	Major impacts in the event of risk occurrence
Securing and training of human resources	<ul style="list-style-type: none"> • Risk of inability to adequately secure human resources to advance Group management and with a high level of expertise necessary for business activities • Risk of the human resource management system not progressing as planned 	<ul style="list-style-type: none"> • Organizational capabilities with competitive advantage are not achieved and management strategies cannot be promoted. • Stagnant transition to an assumed system results in a decline in organizational capabilities, causing adverse effect in accomplishing management strategies.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>The Kirin Group sees human resources as a source of value creation and competitive advantage. To acquire and nurture the human resources required for executing our management strategies, we will introduce a human resources management system that places greater emphasis on professional expertise centered on function. In addition, we aim to nurture a corporate culture that brings together human resources with diverse values and expertise, who are interested in everything and act accordingly, and who turn their failures into learning opportunities, and who proactively practice creativity and value creation. We will strengthen the linkage between our management strategies and human resources strategies from a medium- to long-term perspective and will strive to achieve the Group's sustainable growth and improve its corporate value.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Accelerating the use of digital technology	<ul style="list-style-type: none"> • Risk that the Group will be inferior to competitors due to lack of progress in the use of digital technology, including AI • Risk of falling behind in acquiring and training of DX experts 	<ul style="list-style-type: none"> • The inability to solve business issues leads to a decline in competitiveness and increased costs, resulting in a decrease in sales and profits. • A shortage of employees required to promote DX results in a failure to increase organizational capability, delaying the achievement of positive outcomes of efficiency improvement and value creation.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>With the promotion of DX, the Kirin Group has been working to create new value by transforming business processes through the use of digital technology and data, improving the efficiency of existing operations, and promoting the use of the technology, including AI, even in the processes for ensuring customer understanding and product and service development. We will strive to enhance our organizational structure and strengthen organizational capabilities to realize autonomous DX promotion in each Group company and division, by promoting internal human resource development through our unique programs and by securing specialized human resources necessary for DX promotion from outside the Group. We will continue to utilize and promote digital technology in all domains throughout the Group, leading to the creation of innovation.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Quality	<ul style="list-style-type: none"> • Risk of unexpected quality issues beyond the scope of quality assurance measures • Risk of receiving orders for improvement or administrative guidance from authorities concerned due to failure to detect deficiencies in compliance with various quality-related laws and regulations 	<ul style="list-style-type: none"> • Product discontinuation, recall, or compensation claims lead to incurrence of high costs or restriction on business activities. • A loss of trust of customers erodes our brand value.
	Main countermeasures, awareness of risk situation, and other considerations	
	Based on a “customer-first and quality-focused” approach, which forms the starting point of our business, we have established in the Kirin Group’s Quality Policy that providing safe and reliable products and services to our customers is our top priority and have declared its actions and approach to achieving this in the Standards of Conduct. In January 2024, the Standards of Conduct were revised in light of environmental changes. By reflecting them in the quality management system retained by each Group company in the Food & Beverages, Health Science, and Pharmaceuticals domains through the Principles of the Kirin Group’s Global Quality Management, we are continuously improving our quality assurance systems and operations to provide products and services of reliable quality. To comply with laws and regulations, we are building a quality assurance system by keeping abreast of trends in quality-related law amendments in each domain and taking the necessary measures, as well as introducing a centralized management and traceability system for raw material information at our main domestic operating companies. We will continue our efforts to foster an organizational culture that values “customer-first and quality-focused” across the Group.	

Item	Assumed risks	Major impacts in the event of risk occurrence
Human rights	<ul style="list-style-type: none"> • Risk of direct or indirect adverse effect on human rights for all people involved with the Kirin Group, including employees and business partners 	<ul style="list-style-type: none"> • Our corporate value is undermined or we are forced to scale down or withdraw from business. • We may have to pay fines or face litigation in cases we have violated laws and regulations, or we are subject to other economic penalties.
	Main countermeasures, awareness of risk situation, and other considerations	
	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 2023, the Group revised the policy in line with international human rights norms. As before, we prohibit all forms of discrimination based on race, color, ethnicity, nationality, social status, family origin, gender, disability status, health status, religion, ideology and creed, sexual orientation and gender identity, and differences in job type and employment status, and we do not tolerate human trafficking, slave labor, forced labor, and child labor in any part of our value chain. The revised version is more specific, including a clear statement of the key human rights issues assumed for each type of stakeholder. We are committed to respecting human rights and making a positive impact on society by seeking understanding of and compliance with this policy from all employees of Group companies in Japan and overseas as well as from various business partners involved in the value chain.	

Item	Assumed risks	Major impacts in the event of risk occurrence
Environment	<ul style="list-style-type: none"> • Physical risks of climate change • Transition risks to a decarbonized society • Risks of a delay in the development of technologies, etc., which could impede or delay the solution of environmental issues 	<ul style="list-style-type: none"> • Procurement costs increase due to decreased yields of agricultural raw materials caused by global warming, droughts and floods, or operations are suspended due to droughts and floods. • Fuel costs and agricultural product costs increase due to carbon taxes. • Inability to adequately respond to society’s expectations results in a decline in corporate value.
	Main countermeasures, awareness of risk situation, and other considerations	
	The Kirin Group has formulated the Kirin Group’s Environmental Vision 2050 for comprehensively addressing various environmental issues, and is working to achieve its goal. For physical risks such as decreased yields of agricultural raw materials, transition risks such as carbon pricing, and impacts on assets resulting from 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 are steadily working towards our goal of increasing the recycled plastic ratio in Japan to 50% by 2027 (Kirin Group Plastic Policy). We are also working on a joint future-oriented project with outside partners to recycle various PET materials through chemical recycling. The Kirin Group will solve interrelated environmental issues on biological resources, water resources, containers and packaging, and climate change in an integrated manner, so we can pass a sustainable global environment on to the next generation. (Specific countermeasures are stated in “2. APPROACHES TO AND INITIATIVES FOR SUSTAINABILITY.”)	

Item	Assumed risks	Major impacts in the event of risk occurrence
Adverse effect of alcohol consumption	<ul style="list-style-type: none"> Risk of globally strengthening restrictions on sale and advertisement/promotion of alcoholic beverages 	<ul style="list-style-type: none"> Alcohol consumption reduces. Corporate value declines.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>Regarding the adverse effect of harmful alcohol consumption, the WHO is discussing the tightening of global regulations on the sale and marketing of alcohol. In addition, in February 2012 the Ministry of Health, Labor and Welfare issued guidelines on drinking alcohol in a way that is good for health, and interest in the relationship between drinking and health is also increasing in Japan. The Kirin Group is promoting initiatives to eradicate harmful alcohol consumption as a responsible corporate group engaged in the alcoholic beverage business. In developing the alcoholic beverages business, we comply with laws and regulations, the Kirin Group Global Marketing Code for Responsible Drinking and strict voluntary standards, and promote activities in cooperation with IARD and other industry groups in Japan and overseas. We have also expanded the lineup of non-alcoholic and low-alcoholic beverages and have worked to spread knowledge and raise awareness of appropriate ways of drinking alcoholic beverages. We will continue to make steady progress in our efforts to eradicate harmful alcohol consumption in line with changes in social conditions.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Supply chain	<ul style="list-style-type: none"> Risk of supply chain disruption caused by large-scale natural disasters such as earthquakes and typhoons, infectious diseases, impacts of geopolitical risks, or damage to subcontractors 	<ul style="list-style-type: none"> A disaster may force the closure of business sites, or cause a reduction or suspension of business activities. External environmental factors such as a sharp rise in sales volume due to abnormal weather and a shortage of drivers may cause delays in distribution or stockouts due to a lack of procurement, production, and logistics capabilities to keep up with supply.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>In the supply chain, in addition to the effects of disasters and accidents, there are concerns about the emergence of the 2024 logistics problem and future driver shortages in Japan, and the disruption of supply chains due to terrorism or political unrest overseas. In each business, we are working to reduce risks by improving the accuracy of supply and demand forecasts, strengthening logistics capacity, and considering alternative strategies. To respond to disasters and accidents, the Kirin Group has formulated a business continuity plan (BCP) with an all-hazard approach that focuses on management resources as the starting point to develop countermeasures. We have provided a BCP drill to multiple Group companies to check whether logistics operations function properly. We will continue to strengthen our ability to respond to critical events and improve our resilience.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Procurement	<ul style="list-style-type: none"> Market and exchange rate fluctuation risks Geopolitical and disaster risks Risk of violating laws and regulations such as the Subcontract Act Human rights and environmental risks in the supply chain 	<ul style="list-style-type: none"> Greater than expected procurement costs suppress profits from business operations. Inability to secure raw materials required or delay in their delivery affects our manufacturing plans, leading to supply and demand adjustment and its prolongation. We face difficulty in procuring raw materials, leading to negative consequences such as a decline in corporate image and consumer boycott.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>To address market and exchange rate fluctuation risks, we are working to reduce and stabilize costs through long-term contracts and currency hedging. To address geopolitical and disaster risks, we are diversifying suppliers and raising raw material inventory levels. We also monitor trends in the implementation and revision of laws and regulations related to procurement work, such as the Subcontract Act and work with related departments to take appropriate action. In addition, recognizing responses to risks associated with human rights and the environment in our supply chain as one of our key management issues, we have been making efforts to establish a robust corporate structure and strengthen our organizational capabilities to fully meet growing expectations, such as by implementing human rights due diligence and using grievance mechanism. We have provided suppliers with an explanation of the Kirin Group Sustainable Supplier Code, requesting them to submit written consent to the code, and regularly confirming their status of compliance. Moreover, with a hotline and grievance mechanism for suppliers to report issues in place, we have been promoting sustainable procurement, by building close ties with suppliers.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Information security	<ul style="list-style-type: none"> Risk of a cyber-attack, information security incident, or information leak 	<ul style="list-style-type: none"> A leak of personal information or important trade secrets results in a loss of customer trust and incurrence of claims for damage compensation. A cyber-attack causes business operations to be suspended or to be delayed due to the extended time required for recovery.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>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 Group's major risks. 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. We are also taking measures including risk transfer, for example, by taking out cyber 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. (The details of our initiatives are described in the Information Security Report.)</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Compliance	<ul style="list-style-type: none"> Risk of behavior that is illegal or counter to social norms 	<ul style="list-style-type: none"> Legal punishment, litigation, or social sanctions lead to a loss of customer trust.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>The Kirin Group defines compliance as "fulfilling both legal and ethical responsibilities that society expects from us, not to mention adhering to laws, internal and external regulations and rules." We regularly hold training on compliance related matters, such as human rights, prevention of harassment and acts of corruption (including bribery), and responsible drinking, thereby facilitating the understanding and raising awareness of related rules. We also conduct an employee compliance awareness survey each year, which helps identify potential risks. Depending on the feedback from respondents, we verify and investigate the feedback and implement necessary measures, seeking to reduce risks. We also have put in place a whistleblowing system so that we can early detect potential risk events. This system includes a reporting desk in each Group company, direct lines to officers in charge of compliance or Audit & Supervisory Board Members, and global hotlines available to employees of overseas Group companies. We will continue to raise employees' awareness of compliance so that we can nurture a strong sense of ethics as expected by society, as well as complying with relevant laws and regulations.</p>	

Item	Assumed risks	Major impacts in the event of risk occurrence
Finance and taxes	<ul style="list-style-type: none"> Risk of fluctuations of value in Japanese yen due to exchange rate volatility Risk of inability to raise necessary funds due to changes in financial markets/rating, or risk of fluctuations in financing cost Risk of greater than expected tax expenses due to changes in taxation system in each jurisdiction or a disagreement with tax authorities in filing tax returns 	<ul style="list-style-type: none"> Exchange rate fluctuations cause a change in the yen-translated value of financial statements denominated in local currencies and in the cost of procuring raw materials through foreign currency denominated transactions. Restrictions on fund procurement lead to a shortage of working capital and borrowings at high interest rates increase finance costs. Additional tax burdens will worsen business performance and social credibility.
	Main countermeasures, awareness of risk situation, and other considerations	
	<p>Although the impact of changing market environments and exchange rates cannot be fully eliminated, the Kirin Group has managed to lower the probability that such changes significantly impact its operating results and financial position by using derivatives and other hedging instruments. Specifically, we have reduced the potential impact of these changes on risks associated with funds by diversifying the sources of funding and improving capital efficiency by centrally controlling the Group's cash position. We have also lowered the probability of significant tax risks by thoroughly fulfilling our tax payment obligations in compliance with the applicable taxation system.</p>	

We are exposed to a variety of risks other than the above, including reputational risks, geopolitical risks, risks associated with business investments, and risks associated with a revision to laws and regulations. By recognizing these risks, we will strive to prevent them from occurring and ensure prompt response.