

## Basic policy for the internal control system

We hereby establish the fundamental principles of a system (an internal control system) to ensure appropriate performance of duties within Kirin Holdings and its constituent subsidiaries (hereinafter referred to as the Kirin Group).

(1) System to ensure compliance of performance of duties by Kirin Group Directors, etc.\* and employees with laws and the articles of incorporation (“Compliance System”)

\* Directors, etc. refers to directors, executive officers and other business administrators. Also hereinafter.

Kirin Holdings Directors shall establish basic policy on the compliance of Kirin Group and promote the policy by maintaining an organization and provisions to execute the policy and integrating them with the activities in each Kirin Group company. In addition, the Directors shall carry out educational programs on compliance, clarify procedures concerning responses to breaches of compliance, and make those procedures well-known within each Kirin Group company. The Kirin Holdings Internal Audit Department (including internal audits at each Kirin Group company) shall carry out internal auditing to ensure that these systems are properly developed and applied.

Also, the Directors shall establish an internal control reporting system to ensure reliability of the financial reports and conduct their operation and evaluation effectively and efficiently.

(2) System to ensure the proper preservation and maintenance of information regarding the performance of duties by Kirin Holdings Directors (“System of Information Preservation and Maintenance”)

The Kirin Holdings Directors shall preserve the following documents (including electromagnetic records) together with the related materials for at least ten (10) years and make them available for inspection as necessary.

- Minutes of Meetings of Shareholders
- Minutes of Board of Directors Meetings
- Minutes of the Group Executive Committee Meetings and other significant meetings
- Approval applications (approval authority of General Manager and above)
- Financial statements, business reports, and their detailed statements

(3) Regulations and other systems related to the control of the risk of Kirin Group loss (“Risk Management System”)

The Kirin Holdings Directors shall establish basic policy on the risk management of

Kirin Group and promote the policy by maintaining an organization and provisions to execute the policy and integrating them with activities in each Kirin Group company. In addition, the Directors shall carry out educational programs on risk management, clarify procedures concerning the disclosure of risks and responses to the occurrence of crises, and make those procedures well-known within each Kirin Group company.

The Kirin Holdings Internal Audit Department (including internal audits within each Kirin Group company) shall carry out internal auditing to ensure that these systems are properly developed and applied in each Kirin Group company.

(4) System to ensure the efficient performance of duties by the Kirin Group Directors, etc. (“Efficient Performance System”)

The Kirin Holdings Directors shall maintain a management control system comprising the following items to ensure the efficient performance of duties by Kirin Group Directors, etc.

- In addition to Board of Directors Meetings, the Group Executive Committee shall be organized to deliberate significant matters affecting the entire Group, thereby ensuring that decisions are reached carefully based on considerations of multi-dimensional aspects.
- Along with the appointment of executive officers, who are responsible for business administration at Kirin Holdings, as necessary Kirin Holdings shall dispatch Directors to each Kirin Group company to oversee appropriate and efficient performance of duties and decision making
- Ensure appropriate and efficient performance of duties according to the limits of authority and decision-making rules based on the Regulations on Work Authority
- Establish quantitative and qualitative targets in the annual plan by business category and monitor performance, including quarterly monitoring at each Kirin Group company

(5) System to ensure appropriate operations including a system for reporting performance of duties by Kirin Group Directors, etc. (“Group Internal Control System including Reporting Performance of Duties”)

In order to ensure appropriate operations including reporting performance of duties by Kirin Group Directors, etc., the Kirin Holdings Directors shall establish rules and standards to be applied to each Kirin Group company, including the following items, and carry out operation in compliance with these rules and standards.

- Items related to the governance and monitoring of each Kirin Group company

- Items related to guidance and management concerning the maintenance of the internal control system for each Kirin Group company
- Items related to the communication system\* linking the Kirin Group companies
- Items related to the Kirin Group internal auditing system operated by the Kirin Holdings Internal Audit Department

\* The system to share information within the Kirin Group, the compliance hotline system, and other related items.

(6) Items regarding assignment of employees as support staff for Kirin Holdings Audit & Supervisory Board Members when Audit & Supervisory Board Members request support staff (hereinafter, "Audit & Supervisory Board Member System")

Kirin Holdings Directors shall assign employees as support staff for Kirin Holdings Audit & Supervisory Board Members.

(7) Items related to the assurance that employees assigned as support staff as mentioned in the preceding provision remain independent from the Kirin Holdings Directors and to ensure the effectiveness of directions by Kirin Holdings Audit & Supervisory Board Members to these employees

In order to ensure independence from Kirin Holdings Directors of the employees assigned as support staff as mentioned in the preceding provision, the consent of the Kirin Holdings Audit & Supervisory Board Members shall be required for any decision related to personnel affairs, including the appointment, transfer and assessment of such employees. Such employees shall not simultaneously assume any other appointment related to the operation of business and shall only follow instructions of the Kirin Holdings Audit & Supervisory Board Members.

(8) System to ensure reporting to Kirin Holdings Audit & Supervisory Board Members by Kirin Group Directors, Audit & Supervisory Board Members and employees

The Kirin Holdings Directors shall report to the Kirin Holdings Audit & Supervisory Board Members on matters specified by the Audit & Supervisory Board Members in advance in accordance with the provisions of the Kirin Holdings Audit & Supervisory Board Members' audit standard. Principal items are as follows.

- Any matter that may cause material damage to any Kirin Group company, when the Audit & Supervisory Board Members find such a matter
- Legal matters that require the consent of Kirin Holdings Audit & Supervisory Board Members

□ The status of maintenance and application of Kirin Group's internal control system  
Notwithstanding the items listed above, a Kirin Holdings Audit & Supervisory Board Member may request the Directors, Audit & Supervisory Board Members and employees of each Kirin Group company to report on other matters any time as necessary.

The Directors, Audit & Supervisory Board Members, and employees of each Kirin Group company (including those who receive reports from these Directors, Audit & Supervisory Board Members and employees) may directly report matters that they judge to be appropriate to Kirin Holdings Audit & Supervisory Board Members in order to ensure appropriate performance of duties at each Kirin Group company.

Kirin Holdings Audit & Supervisory Board Members shall receive an update each quarter on the operation of the internal reporting system. Also, where they personally feel it is necessary, they can immediately report on the operation of the said system.

(9) System to ensure that someone who makes a report to the Audit & Supervisory Board Members as outlined in the preceding provision is not subjected to unfair treatment

The Kirin Holdings Directors have prepared common regulations for the Kirin Group worldwide to ensure that someone who makes a report to the Directors as outlined in the preceding provision is not subjected to unfair treatment for this reason, and shall make those procedures well-known within each Kirin Group company.

(10) Policy for pre-payment or reimbursement of expenses incurred in the performance of Kirin Holdings Audit & Supervisory Board Members' duties

After discussions with Kirin Holdings Audit & Supervisory Board Members, Kirin Holdings Directors have deemed that expenses incurred in the performance of Kirin Holdings Audit & Supervisory Board Members' duties shall either be pre-paid or reimbursed.

(11) Other systems to ensure effective auditing by Kirin Holdings Audit & Supervisory Board Members

Kirin Holdings Audit & Supervisory Board Members shall hold a regular meeting with the Kirin Holdings Directors and External Directors for the exchange of opinions. Also, Kirin Holdings Directors shall establish systems to ensure effective auditing by Kirin Holdings Audit & Supervisory Board Members. This will include ensuring that Kirin Holdings Audit & Supervisory Board Members have the opportunity to attend the meetings of each Kirin Group company, at the request from the Kirin Holdings Audit &

Supervisory Board Members.