



# ANNEX - SECOND PARTY OPINION

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## KIRIN HOLDINGS COMPANY, LIMITED. SOCIAL FINANCE

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

Date: 14 February 2025

Ref. Nr.: RJN-60868-2024-ANX-JPN-01

This opinion is prepared based on the Kirin Holdings Company, Limited. Kirin Social Finance Framework Second Party Opinion (hereafter, "Master SPO") (Ref. Nr.: PRJN-608685-2023-AST-JPN-01\_Rev1 \*14 February 2025), which was assessed against to Kirin Social Finance Framework (hereinafter, the "Framework.")

\*For more information on the ANNEX - Second Party Opinion, see following DNV website:

<https://www.dnv.jp/news/page-227965> Release of a new evaluation service (Master SPO + ANNEX)

## Executive Summary

DNV Business Assurance Japan K.K. (hereinafter, "DNV") confirmed that Social Finance to be implemented by Kirin Holdings Company, Limited. (hereinafter, "Kirin Holdings") meets the various principles and guidelines requirements for the implementation of such finance based on the Framework<sup>\*1</sup>, which has already been assessed its eligibility<sup>\*2</sup> and that is planned to be implemented and managed through appropriate internal processes.

\*1: Kirin Social Finance Framework

\*2: Kirin Social Finance Framework Second Party Opinion

Table-1 provides an overview of Social Finance to be implemented and ANNEX - Second Party Opinion. The additional items to be assessed in the ANNEX - Second Party Opinion are Element-1 (Use of Proceeds) and Element-4 (Reporting) for finance with use of proceeds (response to the four elements). The conformance to the criteria for the rest of other elements has already been assessed its eligibility in accordance with Framework.

Table-1 Social Finance ANNEX - Second Party Opinion

Target finance	Social Finance	
Target organization	Kirin Holdings Company, Limited.	
Target framework	Kirin Social Finance Framework	
Target external review	Kirin Social Finance Framework Second Party Opinion Ref. Nr.: PRJN-608685-2023-AST-JPN-01_Rev1 Issued on 14 February 2025	
Target criteria	Criteria for Social Finance <ul style="list-style-type: none"> <li>- Social Bond Principles (International Capital Market Association, 2023)</li> <li>- Social Loan Principles (Loan Market Association and other, 2023)</li> <li>- Social Bond Guidelines (Financial Services Agency, 2021)</li> </ul>	
Finance with specific use of proceeds (response to the four elements)	Element-1 (Use of Proceeds)	<ul style="list-style-type: none"> <li>- Confirmed reliance on the Framework. Additional assessments conducted as follows:               <ul style="list-style-type: none"> <li>• Acquisition of the shares in FANCL</li> </ul> </li> </ul>
	Element-2 (Process for Project Evaluation and Selection)	<ul style="list-style-type: none"> <li>- Confirmed reliance on the Framework</li> </ul>
	Element-3 (Management of Proceeds)	<ul style="list-style-type: none"> <li>- Confirmed reliance on the Framework</li> </ul>
	Element-4 (Reporting)	<ul style="list-style-type: none"> <li>- Confirmed reliance on the Framework. Additional assessments conducted as follows:               <ul style="list-style-type: none"> <li>• Social benefits: Access to FANCL products</li> </ul> </li> </ul>

DNV, as an external reviewer, provided an additional eligibility assessment on the use of proceeds and reporting of Social Finance to be implemented by Kirin Holdings, based on an assessment of the Framework and other relevant documents and information provided by Kirin Holdings. In addition, DNV confirmed that there were no changes to the other items (in accordance with the Framework).

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### Revision History

Date of Issue	Remarks
14 February 2025 This report (initial)	Prepared and issued as ANNEX - Second Party Opinion to Social Finance to be implemented

### Disclaimer

Our assessment relies on the premise that the data and information provided by Issuer to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per Scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

### Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

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<sup>1</sup> DNV Code of Conduct is available from DNV website ([www.DNV.com](http://www.DNV.com))



## I. Scope and Objectives

Kirin Holdings has been commissioned DNV to conduct a pre-fundraising assessment on Social Finance to be implemented. The objective of the pre-fundraising assessment of DNV is to conduct an assessment to confirm that Kirin Holdings meets the criteria established in SBP/SLP/SBGL for finance with specific use of proceeds described below and to provide this ANNEX - Second Party Opinion on its eligibility.

DNV, as an independent external reviewer, identified no real or perceived conflict of interest associated with the delivery of this ANNEX - Second Party Opinion for Kirin Holdings.

In this paper, no assurance is provided regarding the financial performance of Social Finance to be implemented or other finance implemented in the future based on the Framework, the value of any investments, or the long-term environmental benefits of the transaction.

### (1) Scope of review\*

The review assessed the following elements and confirmed their alignment with four core elements of SBP/SLP/SBGL.

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Use of Proceeds | <input type="checkbox"/> Process for Project Evaluation and Selection |
| <input type="checkbox"/> Management of Proceeds     | <input checked="" type="checkbox"/> Reporting                         |

\* DNV has already reviewed "Process for Project Evaluation and Selection" and "Management of Proceeds" and has exposed our opinion below. DNV also confirmed through our assessment with Kirin Holdings that there were no changes in Social Finance to be implemented and no additional assessment is required.

"Kirin Social Finance Framework Second Party Opinion"

Ref. Nr.: PRJN-608685-2023-AST-JPN-01\_Rev1 Issued on 14 February 2025

### (2) Role(s) of review provider

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Second Party Opinion  | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification                     | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

### (3) Standards/guidelines to be applied

No.	Standards/guidelines	Scheme owner
1.	Social Bond Principles (SBP)	International Capital Market Association (ICMA), 2023
2.	Social Loan Principles (SLP)	Loan Market Association and other, 2023
3.	Social Bond Guidelines (SBGL)	Financial Services Agency, 2021



## **II. Responsibilities of Kirin Holdings and DNV**

Kirin Holdings has provided the information and data used by DNV during the delivery of this review. DNV's ANNEX - Second Party Opinion represents an independent opinion and is intended to inform Kirin Holdings and other interested stakeholders in Social Finance to be implemented as to whether the established criteria have been met, based on the information provided to us. In our work, we have relied on the information and the facts presented to us by Kirin Holdings. DNV is not responsible for any aspect of the nominated activities referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect based on the information and facts provided by Kirin Holdings. Thus, DNV shall not be held liable if any of the information or data provided by Kirin Holdings and used as a basis for this assessment were not correct or complete.



### III. Basis of DNV's Opinion

To provide a more flexible ANNEX - Second Party Opinion for the fundraiser, Kirin Holdings, DNV identified the key assessment targets and carried out assessments in accordance with its protocol.

DNV, as an independent external reviewer, provides ANNEX - Second Party Opinion according to the protocol.

Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principle behind social finance with specific use of proceeds as the basis for the opinion are as follows:

"enable capital-raising and investment for new and existing projects with social benefits"

As per our Protocol, the criteria against which Social Finance to be implemented has been grouped into common elements bellow.

The additional assessment for this ANNEX - Second Party Opinion covers Element 1 and Element 4 out of the four common elements of (1) SBP/SLP/SBGL.

The eligibility assessment for particular parts of (1) has already been completed. Details of the results of the eligibility assessment for (1) can be found in the "Kirin Holdings Social Finance Framework Second Party Opinion" (Ref. Nr.: PRJN-608685-2023-AST-JPN-01\_Rev1, issued on 14 February 2025).

#### (1) Four common elements of SBP/SLP/SBGL

**Principle One: Use of Proceeds** *\*Subject to additional assessment of ANNEX - Second Party Opinion*

The Use of Proceeds criteria are guided by the requirement that a fundraiser of a social finance must use the proceeds to eligible activities. The eligible criteria should produce clear social benefits.

**Principle Two: Process for Project Evaluation and Selection**

The Process for Project Evaluation and Selection criteria based on the eligible criteria are guided by the requirements that a fundraiser of a social finance should outline the process it follows when determining eligibility of an investment using Social Finance proceeds and outline any impact objectives it will consider.

**Principle Three: Management of Proceeds**

The Management of Proceeds criteria are guided by the requirements that a social finance should be tracked within the fundraising organization, that separate portfolios should be created when necessary and that a declaration of how unallocated proceeds will be handled should be made.

**Principle Four: Reporting** *\*Subject to additional assessment of ANNEX - Second Party Opinion*

The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the Social Finance contributors should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.



#### **IV. Work Undertaken**

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by the fundraiser in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us during the assessment before fundraising.

The work undertaken to form our opinion included:

##### **i. Pre-Fundraising Assessment (ANNEX - Second Party Opinion)**

- Assessment of documentary evidence provided by the fundraiser on Social Finance and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with the fundraiser, and review of relevant documentation.
- Documentation of findings against each element of the criteria for additional assessment.

##### **ii. Post-Fundraising Assessment (periodic review) (*\*not included in this report*)**

- Interview with the fundraiser's managers, and review the relevant documentation.
- Field research and inspection (if necessary).
- Document creation of post-fundraising assessment result.



## V. Findings and DNV’s Opinion

DNV's findings and opinion are as described below.

For more information, see Schedule-1 for details.

### SBP/SLP/SBGL-1 Use of Proceeds

DNV confirmed that the proceeds from Social Finance are planned to be allocated to the following eligible projects (Table-2) as indicated in the SBP/SLP/SBGL. Specifically, it is the acquisition of the shares in FANCL CORPORATION (hereinafter, “FANCL”) to enable Kirin Holdings to create further economic and social value by solving more health issues for people worldwide.

The social finance proceeds will be allocated to a portion of the acquisition price of the shares in FANCL, which will be estimated and set as the amount available for allocation by dividing proportionally the sales of business segments and products that match SBP/SLP/SBGL.

DNV confirmed the result of Kirin Holdings' estimation of the amount available for allocation and that it intends to conduct fundraising within the estimated amount.

Table-2 Social Project (see Schedule-1 for details)

No.	Social Project			Social Issues
	Social Project Overview	Target Population	Social Benefits	
1	Acquisition of the shares in FANCL	General public People who require specific nutrients due to illness	“Raise the number of healthy people, lower the number of sick people, and contribute to the people who are involved in healthcare,” and contribute to solve more health challenges for people all over the world	<ul style="list-style-type: none"> <li>- Achievement of a society of health and longevity</li> <li>- Response to super-aging society</li> <li>- From “Treatment” to “Prevention” (management of pre-symptomatic disease)</li> <li>- Empowerment of women</li> </ul>

### Outline of FANCL’s products

FANCL Group is committed to eliminating negatives from the world, with a focus on beauty and health. In the beauty segment, FANCL operates the cosmetics business and the undergarments and sundries goods business, while in the health segment, FANCL operates the nutritional supplements business, Hatsuga Genmai business, and Kale Juice business, primarily in Japan and China.

FANCL has upheld the founding philosophy of "Eliminate the 'Negatives' with a Sense of Justice," striving to eliminate negative elements like worry, inconvenience, and dissatisfaction from the world. Back in the year 1980, skin problems caused by cosmetics were becoming a widespread issue. FANCL's Mutenka Cosmetics were born out of the desire to deliver genuine cosmetics that could beautify people’s skin without using any





damaging additives. Additionally, FANCL has worked to change that deep-rooted perception in Japan that nutritional supplements were expensive, becoming the first in Japan to use the word “supplements,” establishing itself as a provider of high value-add products including kale juice and Hatsuga Genmai (germinated brown rice).

### **Relevance of using the proceeds to acquisition**

M&A is an example of an appropriate capital expenditure under international ESG finance standards, which allow for the part of the expenditure that corresponds to some market value to be considered an appropriate expenditure, and Kirin Holdings has adopted this approach.

Kirin Holdings plans to allocate social finance proceeds to a portion of estimated amount available for allocation by, for example, proportionally distributing all product sales by the sales of the main product categories that match SBP/SLP/SBGL among the business segments developed by FANCL and its products.

Through its review, DNV concluded that it is reasonable that the full amount of social finance proceeds will be allocated to a portion of the capital for the acquisition of the shares in FANCL, given that Kirin Holdings' valuation process is appropriate and that it plans to raise proceeds within the estimated amount.

### **Use of Proceeds Categories as per SBP/SLP/SBGL:**

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security and sustainable food systems  | <input checked="" type="checkbox"/> Socio-economic advancement and empowerment  |
| <input type="checkbox"/> Areas that are considered to meet the SBP classification or are not listed in the SBP but are eligible | <input type="checkbox"/> Other ( <i>please specify</i> ):                       |



**SBP/SLP/SBGL-4 Reporting**

DNV confirmed that Kirin Holdings will publish the allocation status (allocated and unallocated amount) of the proceeds from Social Finance to be implemented on its website on an annual basis until the full amount of the proceeds has been allocated. The first reporting will be published in the year following the implementation. If any significant event, such as a major change, occurs after full allocation of the proceeds, Kirin Holdings will disclose such information in a timely manner.

**<Allocation Status of Proceeds>**

- ◆ Eligible projects for allocation and the amount of allocated proceeds
- ◆ Management methods and the balance of unallocated proceeds

**<Social Benefits>**

The reporting indicators currently assumed by Kirin Holdings are as stated in the table below. At present, the assumed indicator is the awareness of FANCL’s nutritional supplements, but Kirin Holdings plans to report on its initiatives to the extent practicable, depending on future business development with FANCL.

Table-3 Reporting indices

Eligible Project	Output	Outcome	Impacts
Acquisition of the shares in FANCL	Subsidiarization of FANCL	Improved access to FANCL’s products (awareness of FANCL’s nutritional supplements)	“Raise the number of healthy people, lower the number of sick people, and contribute to the people who are involved in healthcare,” and contribute to solve more health challenges for people all over the world



### Use of Proceeds Reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual finance
- Other (*please specify*):

### Information Reported:

- Allocated amounts
- Social finance allocated share of total investment
- Other (*please specify*):

### Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

### Impact Reporting (Social Benefits):

- Project-by-project
- On a project portfolio basis
- Linkage to individual finance
- Other (*please specify*):

### Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

### Information Reported (Expected or Post-Fundraising):

- Number of continuous users of the product
- Other ESG evaluation item (*please specify*):  
Access to FANCL's products  
(awareness of FANCL's nutritional supplements)

### Means of Disclosure:

- Information published in financial report (Integrated Report)
- Described in sustainability report
- Information published in ad hoc documents
- Other (*please specify*): Disclosing on website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):



## VI. Assessment Conclusion

On the basis of the information provided by Kirin Holdings and the work undertaken, it is DNV's opinion that Social Finance to be implemented meets the criteria established in the Protocol, and is aligned with the stated definition or purpose of finance with specific use of proceeds within SBP/SLP/SBGL, which is to "enable capital-raising and investment for new and existing projects with social benefits."

DNV Business Assurance Japan K.K.

14 February 2025

A handwritten signature in black ink, appearing to read "M Kanedome".

**Masato Kanedome**

Technical Reviewer

DNV Business Assurance Japan K.K.

A handwritten signature in black ink, appearing to read "Naoki Maeda".

**Naoki Maeda**

Representative Director /

SCPA Senior Vice President

DNV Business Assurance Japan K.K.

A handwritten signature in black ink, appearing to read "Akira Tsukasaki".

**Akira Tsukasaki**

Project Leader

DNV Business Assurance Japan K.K.

A handwritten signature in black ink, appearing to read "Yasuaki Miyamoto".

**Yasuaki Miyamoto**

Assessor

DNV Business Assurance Japan K.K.

### About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

### Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV: The management of Issuer has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete.

## Schedule-1 Social Finance Eligible Projects

No.	Social Project Categories		Social Projects			Social Issues	Contribution to the SDGs
	Business Categories	Subdivision of Business Categories	Social Project Overview	Target Population	Social Benefits		
1	<p>Access to essential services</p> <p>Food security and sustainable food systems</p> <p>Socio-economic advancement and empowerment</p>	<ul style="list-style-type: none"> <li>- Health, health care</li> <li>- Physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements</li> <li>- Improvement of eating habits and management of pre-symptomatic disease</li> </ul>	Acquisition of the shares in FANCL	<ul style="list-style-type: none"> <li>- General public</li> <li>- People who require specific nutrients due to illness</li> </ul>	<p>“Raise the number of healthy people, lower the number of sick people, and contribute to the people who are involved in healthcare,” and contribute to solve more health challenges for people all over the world</p>	<ul style="list-style-type: none"> <li>- Achievement of a society of health and longevity</li> <li>- Response to super-aging society</li> <li>- “Treatment” to “Prevention” (management of pre-symptomatic disease)</li> <li>- Empowerment of Women</li> </ul>	  