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[Q&A Session Minutes]
Briefing for investors and analysts

Date & Time:	February 17, 2025(Mon), 10:00 a.m. (JST)
Speakers:	Yoshinori Isozaki, CEO Shinjiro Akieda, Senior Executive Officer & CFO Hiroaki Takaoka, Executive Officer & GM of Corporate Strategy Dept. Hidefumi Matsuo, GM of Finance Dept.

[Question and Answer]

Q. What is the reason for the change of KPI from Normalized EPS to EPS? I have the impression that Kirin's OP and below are significantly different from the forecast due to impairment losses and other factors. Is it possible to increase the intention of each operating company to improve their ability to generate cash flow by changing the KPI? Also, how do Kirin Holdings have a grip on each operating companies?

A. The 2022-2024 Medium-Term Business Plan was a period of business portfolio transformation and a phase that required positive or negative decisions for profit, such as the structural reform of Kyowa Hakko Bio, so Normalized EPS, adjusted for the impact of impairment losses and other factors, was set as the KPI, but we recognized that the capital markets felt this KPI was not transparent. As a result of the decision to make FANCL a wholly owned subsidiary, Kirin has established business infrastructure for growth in Health Science, and entered a growth phase. Therefore, we will further promote management with conscious of bottom-line profits. Kirin Holdings' Corporate Strategy Department and the Finance Department take the lead in discussing not only Normalized OP but also bottom-line profit based on financial modeling to operating companies. We aim to further improve the execution of the plan through this KPI change.

Q. There was an impairment loss on the beer business in India again. You mentioned that the situation is improving, but what challenges were there in management so far?

A. Previously, we had engaged mainly in Normalized OP-based management. We feel strongly that we need to look at the true earnings power of the business, i.e., the ability to generate cash, since Normalized OP is affected by accounting treatment. Unfortunately, there was an impairment loss on the beer business in India, but that was a minority investment mainly with the expectation of market growth, which is a different situation from managing subsidiaries.

Q. It was stated that Kirin aims to achieve Normalized OP of 18.0 to 20.0 billion yen in the Health Science Business in FY2027. However, looking back at past M&As, I think it was difficult to see the added values created by Kirin's acquisitions. It seems there will be the integration of FANCL and Kirin's functions in Japan, etc. to achieve the NOP target. Tell us about the value creation initiatives when the target is achieved. I would like to know about the certainty of growth also because I don't think Kirin will achieve the Normalized OP target simply by reducing the deficit at Kyowa Hakko Bio.

A. We will manage each company as integrated one company rather than managing at Blackmores, FANCL, and Kirin in pieces. Common functions should be thoroughly integrated, and costs are reduced. In particular, there is room for improvement in the supply chain. As for growth, Kirin will continue to focus on Southeast Asia as our main growth market. We will proceed with the approach not only focus on supplements, but also on skincare products.

Q. Although I am comfortable with the idea of managing them as one company, Normalized OP will still be approximately 10.0 billion yen even if Kyowa Hakko Bio's deficit is eliminated. What are the fixed cost reductions over the three-year period associated with supply chain integration and added value creation?

A. Although specific amounts are not disclosed, initiatives to achieve our Normalized OP targets have been agreed internally. LC-Plasma products will be able to be sold in the APAC region by

FY2026 to FY2027 in terms of added value creation for the top line.

Q. I would like to know the assumptions for Lion's FY2025 forecast, separating US Craft and Australia & NZ. I have the impression that US continues to be solid in Q4 FY2024, despite the difficult situation for other companies. Kirin plans to make a significant recovery and improve margins in US this year. On the other hand, what are the assumptions behind the plan to increase revenue and decrease Normalized OP in Australia & NZ in FY2025?

A. We expect the market environment to remain challenging as the economy has not recovered in Australia. The situation of October-December FY2024 was better than expected, but we will keep a closer eye on the first half of this year as it may be a temporary trend. Although there are movements towards improvement in the economic environment, including interest rate cuts, we cannot be optimistic. The Australian market in FY2025 is expected to see a single digit% decline in sales volume.

In terms of US Craft, Lion performed well through September due to its Voodoo Ranger, strong brand, but struggled in October-December due to the difficult market. Normalized OP decreased by a high single-digit million AUD, mainly due to the inability to ship product as a result of the hurricane damage at Asheville Brewery. On the other hand, there is a positive impact YoY on Normalized OP in FY2025 from the recovery. The US craft beer market is expected to remain negative, but we aim to achieve growth by leveraging the strong Voodoo Ranger brand. Sales volume will not grow significantly, but we will look to increase the unit price. In addition, we will simultaneously expand RTD, which is growing as a market.

Q. I understood that 5 to 10 million AUD of the 14 million AUD Normalized OP increase for the US in the FY2025 forecast is the recovery from the brewery disaster. What is the reason for the 13 million AUD decrease in Normalized OP despite the revenue increase in Australia & NZ?

A. Although we expect a slight decline in sales volume, we aim to increase revenue by raising the unit prices. On the other hand, the cost of raw materials, labors, and transportations will continue to rise in FY2025. Structural reforms will also continue, but the incremental cost reduction will be smaller than before. As a result, Normalized OP will be slightly negatively impacted.

Q. I would like to ask about Kirin's initiatives to globalization and portfolio transformation in the financial strategy. What are the details of cost synergies and risk reduction initiatives in the US and APAC?

A. Currently, the cash-generating capacity of the US business is growing, and we will make its funds more efficient. On the other hand, investments in the Pharmaceuticals Business will increase, including the construction of a plant in North Carolina, US, etc. We will seek greater efficiency by managing cash by areas rather than by businesses, but this is expected to take two to three years to achieve. It's necessary to streamline the APAC, which has expanded through investments in Health Sciences Business. We will reduce total costs through comprehensive risk financing and captive management. We managed risks/costs by each operating company in the past, we consider the best way by picking up possible projects to improve efficiency from an area viewpoint in the future.

Q. The WACC is stated as 6% in the presentation materials about ROIC. However, I think interest rates are rising, and risk premiums will probably also rise in the future due to the impact of tighter alcohol regulations. ROIC is currently targeted to be 10% or more in the medium to long term, but is it necessary to increase ROIC a little more if WACC increase? Is it Kirin's assumption that WACC will rise in the future? Also, considering the further increase in ROIC levels in the future, what conditions would be expected to increase ROIC?

A. The long-term ROIC goal was set at 10% or more because the current WACC is just over 6%. Our basic concept is to raise the ROIC target as the WACC rises. At present, global interest are rising, and there is no optimism that the WACC will not rise at all. In addition, there is the impact of changes in the regional composition. For example, the WACC of the group as a whole will increase as the overseas ratio increases, and we will have to work to achieve a commensurate return. We are conducting revenue management and we assume that procurement cost, such as raw materials costs will increase. Then, by selling added value

products that are worth it, revenue is boosted, and the total return is increased. Of course, we also work on the cost side.

Q. Are the main initiatives to improve ROIC through proper pricing and increasing the composition of added value products? Or will Kirin also work on reorganizing the business portfolio?

A. Basically, we will add value to the product. In the Health Sciences Business, our products become commoditized if we just sell them. Initiatives to sell at higher prices will enhance corporate value. We will continue to discuss reorganization of the business portfolio, but basically, we aim to increase value through pricing in each business.

Q. Is it correct that the ROIC forecast will also be rolling in the future?

A. That is correct.

Q. Regarding enhancing corporate value, I think the most important thing is to achieve results in Health Science Business. But what else can Kirin work on? Kirin's valuation is cheap from various perspectives. What are the possible initiatives that could enhance corporate value in terms of business and financial strategy in the short term?

A. The TSR for the food sector in Japan is not necessarily high. Even globally, the food sector is struggling. Under these circumstances, we are working on the Health Science Business as a new business for the future. Beer and beverage are mature businesses, and it is better that competition does not intensify. We need to focus more on increasing profitability, but the reality isn't like that. In general, companies in the industry need to be consolidated. In addition, it is necessary to launch more innovative products in the existing businesses of Alcoholic & Non-Alcoholic Beverages and Pharmaceuticals Businesses. It is the same in Health Sciences Business. Another initiative is to promote globalization. If we cannot do this, we will not be able to expand our market, so it is needed to make progress as soon as possible. There are both short-term and long-term challenges that all companies are struggling with, but Kirin is considering what we can do.

We sold unprofitable businesses, and our share price and market capitalization reached record highs in 2018. Then, many investors asked us what Kirin would do for sustainable growth. And at that time, we decided to make a full-scale entry into the Health Science Business. Other companies in Japan are also entering new businesses, but there are many examples that have taken a long time to achieve results. We are working to manage our business ambidextrously, using both short-term and medium- to long-term strategies. We will work on what we have to do in the short term, but it is not enough to just do that. For example, cost reductions will produce certain results, but they will be temporary and short-term. We would like you to understand that Kirin is challenging Health Science Business as something to do in the medium to long term.

Q. You mentioned the need for industry consolidation in mature industries. Considering the industry consolidation, what initiatives can Kirin take?

A. Industry consolidation requires negotiation with a counterpart. In terms of us taking the initiative, one approach is a cooperation, that is, to form partnerships. With the market shrinking and no volume growth expected, there is the potential for significant cost reductions through alliances.

Q. You mentioned raising prices as a short-term measure that can be done, but is there any initiatives that Kirin can do, such as reorganizing business portfolio?

A. Price increases are not the only measure that can be taken. We are doing structural reforms and need to cut costs. On the other hand, there are growing uncertainties, such as the impact of rising interest rates and climate change on raw materials. It is therefore impossible to maintain a certain level of profit without raising prices.

Q. How do you deal with risks in US, where EPS contributions are expanding? There are new risks related to Kirin, such as alcohol regulations, and tariff hikes by the Trump administration, etc. How is Kirin trying to manage this?

A. Many companies are struggling to respond to the tariff hikes. What is important is how we respond to risks across our business portfolio, and our diverse business portfolio will play an

important role in this. In the case of Alcoholic Beverages Business, there has been a growing trend toward tighter regulation recently due to the link between alcohol and cancer risk. We joined IARD (International Alliance for Responsible Drinking) and discuss how to appeal to WHO with other companies. In the Pharmaceuticals Business, Kyowa Kirin is planning to establish a manufacturing site in the US and then shift to local production and sales, which will provide a risk hedge against tariff risks. In the Health Science Business, we will consider how we hedge and solve risks, not only in the US but also in other regions, and implement the initiatives. We aim to hedge risks across our entire business portfolio.

Q. What is your view of Alcoholic Beverages and Non-alcoholic Businesses in the US in terms of tariff risks?

A. Alcoholic and Non-alcoholic Beverages Businesses has local production and sales in the US, and the risk is considered minor. In Alcoholic Beverages Business, consumer's needs are diversifying, so we are strengthening not only beer, but also RTDs with a focus on Hard Charged Tea. In Non-alcoholic Beverages Business, Coke Northeast will continue to grow.

Q. How are alcohol regulations currently being discussed both Kirin's internal and external?

A. In US, a large amount of Alcoholic Beverages is consumed, and many Alcoholic Beverages companies are considering how to deal with alcohol regulations. However, the details of future regulatory actions for the Alcoholic Beverage industry as a whole have not yet been determined.

Q. Please tell us again what the similarities and differences are between FANCL and Blackmores' PMI.

A. As for premise, each company has its own characteristics. FANCL has strength in Japan and has entered the supplement business with its strength in skincare. Blackmores was founded in Australia and has expanded its supplement business throughout Asia. With different characteristics, they have different ways of approaching PMI. The collaboration of the two companies will be an opportunity to create added value. 3 brands including Kirin brand will develop the strengths of each, including the KIRIN brand, while compensating for weaknesses. It will take some time to see results, but we are working on it quickly.

Q. I do not see much affinity between FANCL's skincare business and Kirin's existing businesses. For example, is there any possibility that Kirin will leave the skincare business to a specialized company as a partner? Or is the best strategy that Kirin manage the skincare business? I would like to know Kirin's thoughts again.

A. FANCL is not cosmetics business, but skincare business. Rather than cosmetics, this skin care business is more closely related to the supplement business, which we also have, and is not outside its area of expertise. We also have an opportunity to add value to FANCL's main business. There are a number of marketing experts within the Kirin Group, and we have also been able to acquire Human Capital with skincare brand marketing experience from outside. We believe that such Human Capital working with FANCL will be beneficial to FANCL and will lead to growth.

Q. What is FANCL's profit growth plan for FY2025 in real terms? Also, please tell us about your assumptions for this fiscal year.

A. Although there was a red yeast rice issue, but it showed improvement in the October-December. New products such as "Premium Colimit" launched in October, etc. are selling well. Normalized OP is expected to grow by approximately 30% over the previous year as a result of revenue growth from various initiatives.

A. As disclosed, revenue is expected to increase by approximately 5.0 billion yen. Since the gross profit margin ratio is approximately 70%, approximately 70% of the 5.0 billion yen will be a positive factor for Normalized OP.

Q. Kirin Brewery forecasts double-digit % growth in Normalized OP. What initiatives and communications are Kirin considering as competitors also strengthen their strategies, such as taking Harekaze to the next level?

A. Normalized OP will increase significantly due to the price revision in April. In terms of sales, we will focus our marketing investments primarily on full malt beer, with the aim of strengthening *KIRIN ICHIBAN* and *Harekaze*. In addition to strengthening existing *KIRIN ICHIBAN* products, we will launch *KIRIN ICHIBAN White Beer* to meet diverse needs and promote overall brand growth. *Harekaze* was launched in April last year, so the sales until March will contribute to incremental increase. Kirin continues *Harekaze Action* and strengthens our relationship with the community by increasing the number of supporting municipalities. As for *Harekaze*, we will also launch products for on-premise and strengthen our brand by expanding our sales channel.

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