



Kirin Group

FY2022 Results & FY2023 Plan

February 14, 2023
Kirin Holdings Company, Limited

FY2022 Results and FY2023 Plan

Joy brings us together

- First, I would like to explain our full-year financial results for FY2022 and our plan for FY2023.

FY2022 Results

- Consolidated Revenue increased by +9.2% YoY, and consolidated Normalized operating profit (OP) increased by +15.6% YoY.
- Profit before tax increased by +92.1%, mainly due to the gain on the sale of China Resources Kirin Beverages, despite recognition of impairment losses in Kyowa Hakko Bio etc.
- Profit attributable to owners of the Company increased by +85.7% due to higher profit before tax.
- Normalized EPS increased by 15 yen YoY to a record high of 171 yen, mainly due to an increase in consolidated Normalized OP and the impact of the share buyback completed in September. Annual dividend per share is expected to be 69 yen, an increase by 4 yen (dividend payout ratio on Normalized EPS of 40%). ROIC improved to 8.5%.

FY2023 Forecast

- Consolidated Revenue is expected to increase by +6.3%, while Normalized OP and Profit attributable to owners of the Company are planned to increase slightly.
- ROIC outlook is 8.5% against 10%+ target in *2022-2024 Medium-Term Business Plan (MTBP)*.
- Normalized EPS is expected to be 171 yen, the same as the previous year.

FY2022 Results

- Achieved increase in all profit levels. Normalized EPS reached a record high and ROIC improved.

(bn yen)	FY2022 Actual	FY2021 Actual	YoY	%
Revenue	1,989.5	1,821.6	167.9	9.2%
Normalized OP *1	191.2	165.4	25.7	15.6%
Profit before tax	191.4	99.6	91.8	92.1%
Profit attributable to owners of the Company	111.0	59.8	51.2	85.7%

Quantitative Target	FY2022 Actual	FY2021 Actual	YoY	%
ROIC	8.5%	4.2%	-	-
Normalized EPS *2	171 yen	156 yen	15 yen	9.6%

	FY2022 Actual	FY2021 Actual	YoY	%
Dividend per share	69 yen	65 yen	4 yen	6.2%

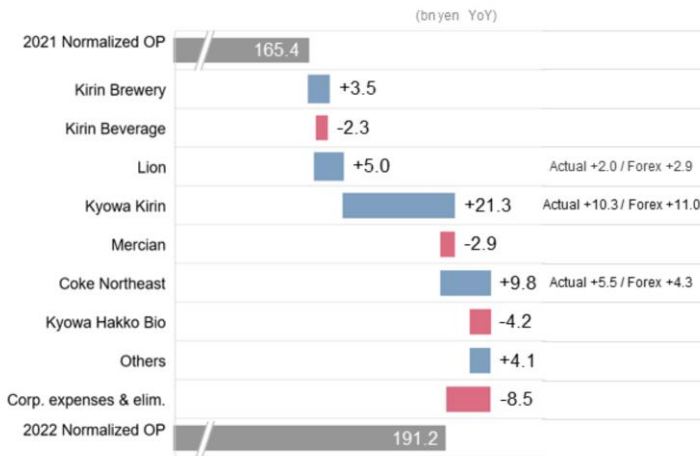
*1 A profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
*2 See page 28 for details.

- Consolidated revenue increased by 9.2% year-on-year to 1,989.5 billion yen, and Normalized operating profit (OP) increased by 15.6% year-on-year to 191.2 billion yen.
- Profit before tax increased by 92.1% year-on-year to 191.4 billion yen, mainly due to the gain on the sale of China Resources Kirin Beverages recorded in the third quarter, which offset impairment losses related to Kyowa Hakko Bio.
- Profit attributable to owners of the Company was 111.0 billion yen, up by 85.7% from the previous year, achieving in increase in all profit levels.
- ROIC, a financial KPI, was 8.5%, a significant improvement from the previous year, and Normalized EPS, another financial KPI, increased by 15 yen to a record high of 171 yen.
- As a result, we plan to increase the dividend by 4 yen to 69 yen.

Changes in Consolidated Normalized OP by Company



- Significant increase due to recovery in the alcoholic beverages business, strong performance in the pharmaceuticals domain and North American beverages business, and the impact of foreign exchange rates etc.



Kirin Brewery

- Despite a decrease in sales volume in addition to the impact of higher raw material costs etc., Normalized OP increased due to the effect of price revision and controlling of selling expenses.

Kirin Beverage

- Despite reductions in SG&A and other expenses, Normalized OP decreased due to the impact of higher raw material costs etc.

Lion

- Normalized OP increased due to recovery in the on-premise channels and US Craft growth as well as cost reductions by supply chain optimization etc.

Kyowa Kirin

- Normalized OP increased due to higher overseas sales revenue despite increases in SG&A and R&D expenses.

Coke Northeast

- Normalized OP increased due to higher sales volume even after the implementation of price revisions.

Kyowa Hakkō Bio

- Normalized OP decreased due to soaring raw material and fuel costs and the transfer of BtoC business to Kirin Holdings, etc.

Other

- Includes strong performance of Four Roses Distillery and impact of Myanmar Brewery.

Corporate Expenses and Segment Eliminations

- Information system expenses increased.

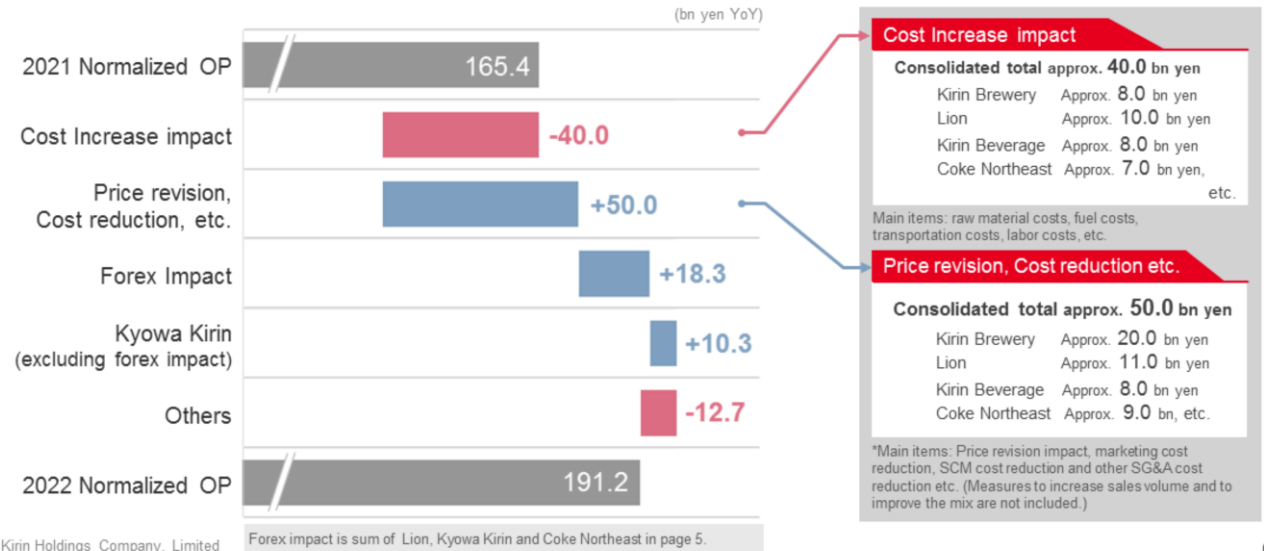
Other* includes "Other" within the "Japan Beer & Spirits" segment. Myanmar Brewery* is included in "Other" from FY2022.

- Regarding Normalized OP by company, Kyowa Kirin in the pharmaceuticals domain and Coke Northeast in the North American beverages business performed particularly well, driving profit growth.
- In the alcoholic beverages business, including Kirin Brewery and Lion, despite a difficult business environment due to soaring raw material prices, we were able to secure an increase in profits through a recovery in on-premise channels, price revisions, and cost reductions.

Changes in Consolidated Normalized OP by Factor



- Rising costs of raw materials, etc. were offset by price revisions and cost reductions. Achieved significant increase in profit for the entire Group



- Looking at Normalized OP increase/decrease by factor, the negative 40 billion yen impact of soaring costs was offset by positive 50 billion yen due to price revisions and cost reduction measures, which more than compensated for the deterioration in business performance.
- In addition, the sharp depreciation of the yen had a push-up effect of 18.3 billion yen, resulting in a consolidated Normalized OP of 191.2 billion yen, which is higher than the pre-COVID-19 Normalized OP of 190.8 billion yen.

- Impairment loss was recognized due to deterioration in profitability of the amino acid business as a result of cost increases, etc.
- Accelerate downsizing of the amino acid business while fulfilling supply responsibilities and specialization in specialty materials.

Cost increases beyond the level that can be passed on to customers

- Heavy fixed cost situation in the process of narrowing down the products
- Profit squeeze due to increased costs of raw materials and fuel etc.

Possible measures

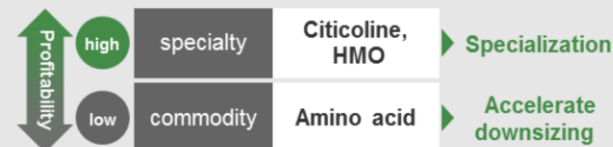
- Price revisions
- Absorb fixed costs through increased production volume

Decision made that expected earnings will not be achieved

Decided to select and concentrate management resources

Impairment loss of approx. 43.0 bn yen recognized in fixed assets and goodwill of the amino acid business

Accelerate downsizing amino acid business and specialization in specialty materials



- Regarding the impairment of Kyowa Hakko Bio, we have decided to recognize it in this fiscal year of 2022.
- For the low-profit amino acid business, we had originally been liquidating items on the premise of downsizing, and the fixed cost burden tended to gradually become heavier.
- Against this backdrop, earnings were severely squeezed by sharply rising raw material and fuel prices, which exceeded the level at which it was possible to pass on increased costs to customers through price increases.
- Even if we improve the amino acid business by conventional countermeasures, we have determined that it will not reach the expected earnings we seek in the future. We have decided to downsize the amino acid business ahead of schedule to focus on highly profitable specialty materials and select and concentrate management resources.
- As a result, the Company recognized an impairment loss of approximately 43 billion yen on fixed assets of the amino acid business and goodwill.

Completion of Myanmar Business Withdrawal and Financial Impact (realization of foreign currency translation adjustment)



- Regarding all MBL* shares transfer to MBL, the approval of the Myanmar government authorities has been obtained and the legally required procedures have been completed.
- Completed the share transfer agreement on January 23rd in 2023, and the transfer was completed on the same day.

FY2023 Financial Impact

- Myanmar business is deconsolidated from Kirin Group and a foreign currency translation adjustment** of approx. -19.0 billion yen is realized.
- Financial results of the Myanmar business will not be included from 2023.

* Myanmar Brewery Limited

** IFRS name is "Foreign currency translation differences on foreign operations."
Exchange rate difference when converting BS of overseas subsidiaries into yen.

Normally, the accumulated amount is recorded in the equity section of BS every year,

but when the company is sold or liquidated, the accumulated amount is recorded in other operating expenses section of PL.

- For two years since the political upheaval in Myanmar on February 1, 2021, we had been negotiating to dissolve our joint venture.
- Last month, on January 23, we were able to sign a share transfer agreement, allowing us to exit the business in Myanmar.
- With the completion of the withdrawal, in addition to no longer capturing future results, a loss of approximately 19 billion yen will be realized in FY2023 as a result of the deconsolidation process.

Forecast for FY2023

- Normalized OP, Normalized EPS and ROIC are expected to remain flat YoY due to brand investment etc, despite a steady increase in Revenue.

(bn yen)	FY2023 Forecast	FY2022 Actual	YoY	%
Revenue	2,115.0	1,989.5	125.5	6.3%
Normalized OP *	192.0	191.2	0.8	0.4%
Profit before tax	196.0	191.4	4.6	2.4%
Profit attributable to owners of the Company	113.0	111.0	2.0	1.8%

Quantitative Target	FY2023 Forecast	FY2022 Actual	YoY	%
ROIC	8.5%	8.5%	-	-
Normalized EPS	171yen	171 yen	-	-

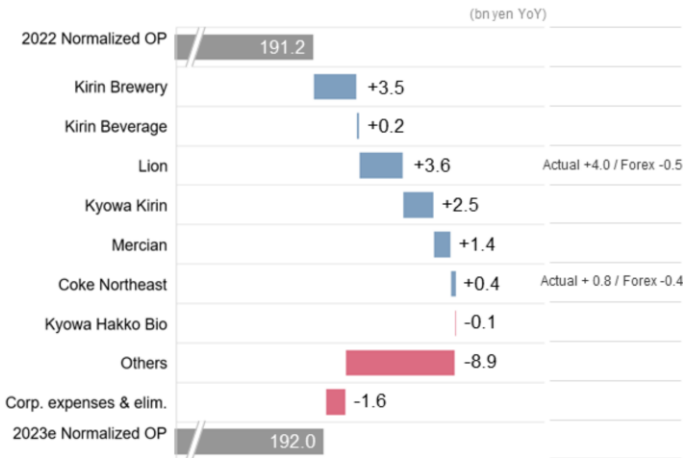
	FY2023 Forecast	FY2022 Actual	YoY	%
Dividend per share	69 yen	69 yen	-	-

*Normalized operating profit is a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue

- We are aiming for an increase in both revenue and profit, with consolidated revenue of 2,115 billion yen, up by 6.3% from the previous year, and consolidated Normalized OP of 192 billion yen, up slightly from the previous year.
- ROIC is projected to be 8.5%, and Normalized EPS is also projected to be 171 yen, both on par with the previous year.

Changes in Consolidated Normalized OP by Company

- Achieve profit growth in each business despite an uncertain business environment and offset the impact of the Myanmar business withdrawal.



Other includes *Other* in the "Japan Beer & Spirits" segment.



Kirin Brewery

- Normalized OP is expected to increase by higher pure beer sales with high unit prices while earning funds for responding to high costs and sales promotion expenses through the effect of price revision.

Kirin Beverage

- Normalized OP will increase due to the effect of price revision and an improved mix resulting from an increase in the percentage of small PET products despite the expected sharp rise in raw material costs and increase in sales promotion expenses to nurture brands.

Lion

- While strengthening investments in main brands, Normalized OP is expected to increase by higher sales volume in AU and growing US Craft, as well as by reducing supply chain costs.

Kyowa Kirin

- Although R&D expenses for the next-generation pipeline will increase, growth in global strategic brands will offset this increase, resulting in an increase in Normalized OP.

Coke Northeast

- Normalized OP is expected to increase due to price revisions, efforts to improve the mix, and control of SG&A expenses.

Kyowa Hakko Bio

- Normalized OP is expected to decrease due to soaring raw material and fuel costs etc.

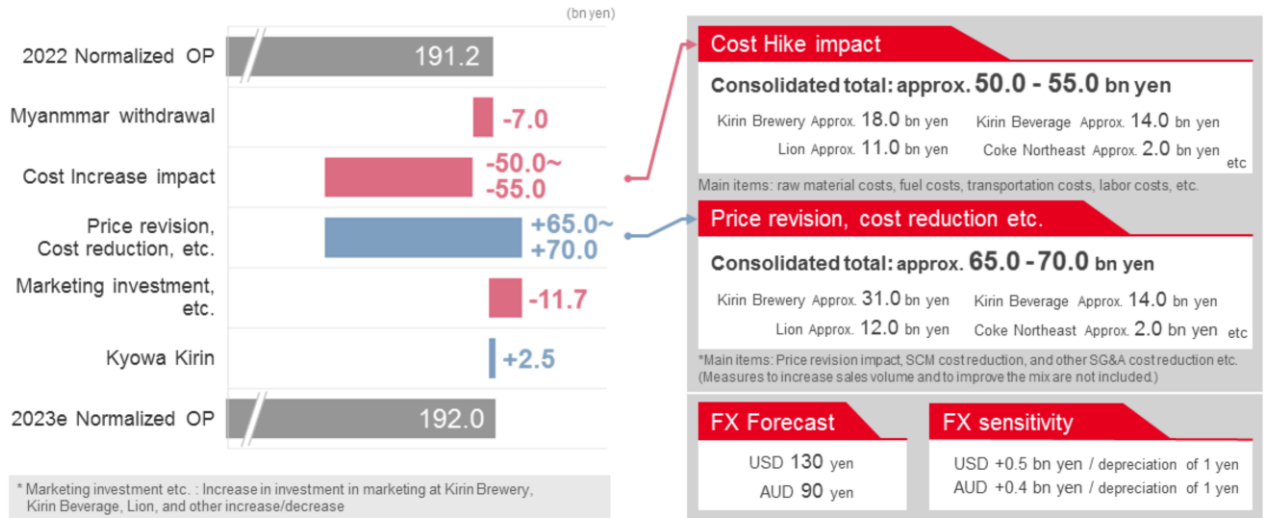
Other

- Includes impact of Myanmar business deconsolidation by -7.0 bn yen.

Corporate Expenses and Segment Eliminations

- Corporate expenses and intersegment eliminations will increase.

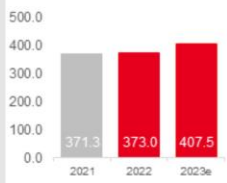
- ▶ Despite the Myanmar withdrawal and the impact of higher costs, the Group will earn funds for future investment through price revisions and cost reductions, etc.



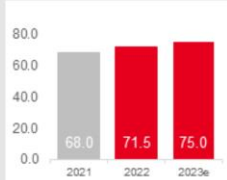
- Looking at Normalized OP by factor, we expect a negative impact of 7 billion yen due to the exclusion of the Myanmar business from consolidation, and another negative impact of 50 to 55 billion yen due to higher costs than last year, which we plan to cover through price revisions and cost reduction measures.
- On the other hand, last fiscal year we did not invest enough in marketing, especially in the alcoholic beverages and non-alcoholic beverage businesses, and this year we will make solid brand investments for future growth.
- As a result, we target Normalized OP of 192 billion yen, a slight increase over the previous year.

Results / Forecast

Liquor tax-excluded
Revenue (bn yen)



Normalized OP (bn yen)



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In addition to the recovery of the on-premise channels, efforts to improve profitability through price revision etc., led to increases in both Revenue and Normalized OP. Continue to challenge initiatives to achieve higher profitability while strengthening our main brands.

2022

2023

Enhancing core brands

KIRIN ICHIBAN brand family total +3%* **KIRIN ICHIBAN brand family total (can) -10%***

- Jan-Dec : KIRIN ICHIBAN family brand (keg) + 50%*
- Softness in Q4 was due to a reaction to temporary demand for price revision etc.

Stimulation of demand after price revision

KIRIN ICHIBAN brand family total +11%*

- KIRIN ICHIBAN renewal.
- Focus on investment in KIRIN ICHIBAN family brand

Expand Craft beer business

SPRING VALLEY Brand total +16%* **Home Tap Achieved profitability**

Establishing Craft beer category

SPRING VALLEY Brand Total over +70%*

- SPRING VALLEY <Houjun 496> renewal
- Implement an integrated approach to all consumer contact points, including On/Off premise, Direct Business (Home Tap), etc.

Initiatives to improve profitability

Price revision implementation, SCM improvement

- Implemented price revision in October, expected to absorb cost increase in 2023.
- Distribution cost reduction by utilizing RTD line at Sendai brewery

Increasing productivity

Strengthening efforts to improve profitability of RTDs
Promoting SCM efficiency

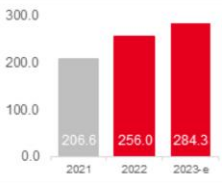
*Year on year growth(sales volume)

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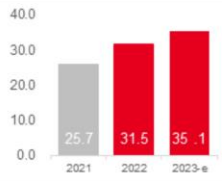
- With regard to Kirin Brewery, in addition to a recovery in the on-premise channels, steady price revisions enabled the company to overcome a sharp increase in costs and secure an increase in profit.
- This year, we will step up investment in our core *KIRIN ICHIBAN* brand in order to stimulate demand after the price revision, and to prepare for the revision of the liquor tax.
- As for the craft beer market, which is steadily growing, we will establish the craft beer category by taking an integrated approach to off-premise channels, on-premise channels, and direct business (Home Tap), capturing the polarization of consumption.

Results / Forecast

Revenue (bn.yen)



Normalized OP (bn.yen)



Dairy & Drinks results excluded in 2021.

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Increased in both Revenue and Normalized OP due to recovery in the on-premise channels in AU and strong performance of US craft. Accelerate brand investment in core brands and growth of craft business in AU and US under new management.

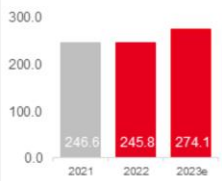
	2022	2023
Australia	> Growing premium brands and improving channel mix	
	On-premise channels over +20%* • Jan. - Dec. Total : Flat from the previous year • Dec. Off premise: Recovering to the previous year	Off-premise channels -5%*
	Craft/International Category Total +16%* • Steady growth in newly acquired Fermentum	
	> Aiming for growth by enhancing brands	
US	> Enhancing US Craft beer strategy	
	New Belgium Brewing Bell's Brewery Total over +50%* • Exceeded plan by Voodoo Ranger family's strong performance and Bell's integration	
	> Maximizing US Platform	
	New Belgium Brewing Bell's Brewery Total over +8%* • Start brewing Voodoo Ranger family at Bell's Brewery	
		On/Off premise Total +4 -6%* • Plan to outperform AU beer market
		Revitalize core brands +3 -5%*
		Expand craft beer category over +20%*

*Year on year growth(sales volume)

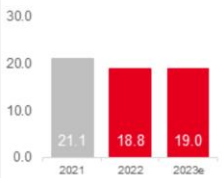
- As for Lion, we were able to improve profits thanks to a recovery in the on-premise channels and growth in the craft category.
- For 2023, since each brand has a different area of strength, we will aim for growth in each region by differentiating the brands to be strengthened in each state, and make brand investments effectively.
- In the craft category, we have achieved growth thanks to the contribution of Fermentum, which we acquired, and we will continue to further refine our attractive brands this year.
- In North America, we achieved growth that exceeded our plan due to the growth of Voodoo Ranger and the integration of Bell's. This year, we will further promote the utilization of the platform, including the production of Voodoo Ranger at Bell's plant.

Results / Forecast

Revenue (bn.yen)



Normalized OP (bn.yen)



Achieved profit targets through core brands growth and solid cost management.
Accelerate brand investment to achieve higher profitability through the health science domain.

2022

2023

> Focusing on health science area

Lc-Plasma beverages **+26%***

- Year-on-year increase for the third consecutive year

Sales revenue for Health Science domain **over +50%***

- Renewal of Immune care product in ultra-small PET
- Development of the FANCL Calolimit brand



> Steady growth of main brands

Gogo-no-Kocha **+3%*** Nama-cha **+2%***

> Strengthening Gogo-no-Kocha and Nama-cha

Sales revenue growth rate for both brands **+18%****

- Nama-cha renewal

From Volume-Based to Value-Based



> Initiatives to Improve Profit Margins

Composition ratio increase in Small PET (Total of 600ml or less PET) **+1.9ppt**

Vending machine profitability structure reform **Steady progress**

Composition ratio increase in Small PET **+3~4ppt**

- Sales promotion of ultra-small PET (total of 100 ml or less PET)



- Kirin Beverage achieved its profit target for the last fiscal year through growth of its main brands and solid cost management.
- For this year, we will change the target index from volume-based to value-based, and work to improve margins.
- By developing the FANCL brand in addition to Lc-Plasma, we will increase sales in the health science domain and lead to growth in marginal profit.
- And, we will grow sales and earnings by strengthening our brands, including the launch of sugar-free milk tea for our core brand *Gogo-no-Kocha*, and a full renewal of our *Nama-cha*.
- Furthermore, as part of efforts to improve profit margins, we will promote sales of ultra-small PET to raise the composition ratio of small PET bottles.

Results / Forecast



Aggregate figures for administrative purposes, including health science related products of Kirin Brewery and Kirin Beverage

Lc-Plasma has been growing while Kyowa Hakko Bio struggles. Aiming for early return to profitability in the domain total through early realization of structural reform of the amino acid business and concentration of resources on specialty materials.

2022	2023
<p>> Lc-Plasma business expansion</p> <p>Lc-Plasma related sales revenue (YoY) +40%</p> <p>Recognition rate of Lc-Plasma name * 70% as planned</p> <p>Recognition rate of Lc-Plasma function** Record high 32%</p>	<p>> Accelerating growth of Lc-Plasma</p> <p>Lc-Plasma related sales revenue (YoY) over+30%</p> <p>Recognition rate of Lc-Plasma function ** 40%</p> <ul style="list-style-type: none"> Immunity market expansion through needs creation marketing Accelerate out-licensing business to domestic and overseas markets
<p>> Kyowa Hakko Bio</p> <p>Decided to quickly downsize the amino acid business and specialize in specialty materials</p> <ul style="list-style-type: none"> Decided to select and concentrate management resources due to the impact of cost increases that exceeded the level at which price transfers were possible. 	<p>> Steady progress in specialty materials</p> <p>Citicoline Cognizin US customer development</p> <p>Human Milk Oligosaccharide (HMO) Steady progress toward market launch in 2023</p>

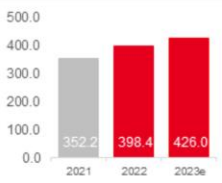
*Percentage of respondents who know the name **Percentage of respondents who know specific functions and benefits

***Cognizin is our brand name of citicoline

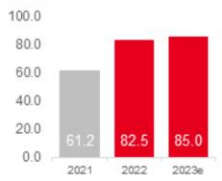
- As for the Lc-Plasma business, the name recognition rate and function recognition rate steadily improved, and sales grew.
- This year, we will continue to create needs and expand the immunization market by further improving recognition of the functions of Lc-Plasma, which we have been working on.
- As for Kyowa Hakko Bio, as I explained earlier, its performance deteriorated.
- In 2023, we will continue to strengthen specialty materials, which will be explained later.

Results / Forecast

Revenue (bn.yen)



Normalized OP (bn.yen)



Achieve growth as a global specialty pharmaceuticals company by maximizing the value of global strategic brands, continuing to create innovative drugs and expanding next-generation pipeline.

2022

2023

Maximize value of global strategic brands



Crysvita

+49%*



Poteligeo

+40%*

Achieved sales of over 100 billion yen in 5 years after launch

+17%*

+22%*

Continuous creation of innovative drugs



- KHK4083: Ph3 program Initiation
- Development discontinued: KW-6356, ME-401 (U.S. and Europe)

- KHK4083: Promotion of development in collaboration with Amgen
- Accelerate development of next-generation pipeline
- Strategic investments to enhance the development pipeline

Investment to quickly establish business foundation



- Steady preparation for the transition of Crysvita's sales in the US
- Capital investment in Takasaki Plant for stable supply of medical products

- Start of own sales of Crysvita in the US
- Investment in human capital, digital and other infrastructure to realize life-changing value creation

- As for Kyowa Kirin's results for 2022, due to the impact of the weaker yen and not having reached to meet R&D expenses due to the discontinuation of the development of KW-6356 and ME-401, Normalized OP increased significantly.
- For 2023, we will strengthen R&D to accelerate the development of our next-generation pipeline, and we will also invest to strengthen our foundation, such as by starting our own sales of Crysvita in the U.S.

Toward Achieving KV2027

Joy brings us together

Achieving the Kirin Group Vision 2027

Responded to rapid changes in the environment, and convinced that we are in the right direction toward the future we aim for.



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- Four years have passed since we announced our Long-Term Management Vision KV2027 in 2019.
- Our goal is to become a global leader in CSV, creating value across our world of Food & Beverage to Pharmaceuticals based on fermentation and biotechnology, and we have been working to establish the health science domain as a new challenge.
- Looking back, we have experienced environmental changes that could not have imagined when we started climbing this mountain.
- These include the COVID-19 pandemic, and geopolitical risks represented by the Myanmar political upheaval and Russia's invasion of Ukraine.
- There are many specific changes in the business environment that we have to deal with in the short term, such as changes in consumers' behavior, fluctuations in the market prices of raw materials and fuel, exchange rate fluctuations, and inflation, but we have solved them one by one, confident that the future we are aiming for and the direction we should go in are right.
- Although we took many detours due to the extremely rapid changes in the environment, we were able to recover to the pre-COVID-19 Normalized Operating Profit level in FY2022.
- However, there are many areas where the business infrastructure must be strengthened in order to reach the 2027 goal.
- As you know, we no longer have financial result from Myanmar Brewery as we completely withdrew from Myanmar this January.
- Furthermore, we must overcome the higher cost of raw materials and inflation than last year.
- In addition, considering the realization of the Long-Term Management Vision, it is necessary to strengthen the foundation for growth and solidify it by the 2024 Mid-Term Business Plan period.
- I will now explain specific directions for each domain.

Initiatives for 2023-2024

	Strategic Issues I Promote Premiumization Strategy	Strategic Issues II Increase Productivity
Kirin Brewery 	Craft beer Integrate all consumer contact points, such as Off-premise, On-premise, Direct Business (<i>Home Tap</i>) etc. Others Expand Japanese Whiskey domestically and internationally	SCM Optimize production lines, distribution networks, etc., according to production volume and category composition Others Optimize the sales organization - Aim for an organization that is appropriate for market demand and composition
Lion 	Craft beer Further development of market-leading brands Others Development of premium spirits and RTDs	SCM Increase efficiency and agility in supply chain to improve customer service and cost reductions Others Optimize Head Office functions - Aim for Corporate functions to be better suited to the alcoholic beverage business
Lion & Four Roses 	Craft beer Accelerate US expansion while respecting its own craft identities Others Enhance the premium category of bourbon whiskey	SCM Maximize sales opportunities by increasing manufacturing capacity Others Promote the establishment of US craft beer business platform

- Regarding the Food & Beverage domain, let me first talk about the future strategy of the alcoholic beverages business.
- Now that we have withdrawn from Myanmar, our major markets in the group will be Japan, Australia, and U.S.
- These markets are mature and share the same main challenges.
- The entire group will work to solve common issues while satisfying local needs tied to history and culture.
- Although rapid top-line growth is not expected in mature markets, we believe it is possible to achieve sustainable profitable growth by promoting premiumization strategies and improving productivity while learning from each other's successful experiences in each market.
- Kirin Brewery will continue to focus on craft beer as part of its premiumization strategy.
- Our efforts over the past few years have included the growth of craft beer in the off-premises channels, the recovery of the on-premises channels to expand the experience of craft beer, and the acquisition of a high-quality customer base in the direct channel, Home Tap.
- By taking an integrated approach to customer contacts developed through each of these channels, we will communicate the appeal of craft beer and work to expand the market.
- Furthermore, we will expand exports of Japanese whisky to overseas markets, it is highly appreciated.
- With regard to productivity, we will optimize our supply chain in response to market declines and changes in product category composition due to environmental changes.
- In terms of sales organization, we will also build a lean sales structure suitable for customer contact points in line with changes in consumer behavior.
- As for LION, it is the market leader in craft beer, and we will further strengthen this highly profitable category where we have a competitive advantage by nurturing leading brands.
- Furthermore, we will expand our premium spirits business, which has been growing in recent years, and also strengthen RTDs in the Australian market by deploying the knowledge we have developed in Japan.
- In terms of productivity, we will continue to improve the efficiency of our supply chain, starting with factory reorganization, and strive to improve processes to achieve an optimal operating model.
- In addition, the sale of the dairy & drink business has changed the scope of our business, so we are reviewing our head office functions to make them more suitable for the alcoholic beverage business, and we are streamlining operations.
- As for U.S, we will create a market by offering new craft beer value such as Voodoo Ranger, which is different from traditional craft beers, and by developing different customer bases.
- In addition to New Belgium Brewing, we have also acquired Bell's. We will not only consolidate functions, but also increase production capacity to create a stronger platform.

Initiatives for 2023-2024

	Strategic Issues I Promote Premiumization Strategy	Strategic Issues II Increase Productivity
Kirin Beverage 	Margin improvement Expand product mix in health science domain Others Development of products utilizing FANCL's brands, original technologies, and knowhow	SCM Strengthen cost competitiveness of production and logistics - Self-manufacturing of 100ml PET bottled beverages etc. Others Optimize the sales organization - Improve sales process using ICT
Coke Northeast 	Margin improvement Improve margins per case through focus on core brands and appropriate pricing and promotion strategies Others Selection and concentration of areas and channels to focus on	SCM Establish optimal production and logistics system - Increase delivery efficiency by adding automated warehouses Others Process improvement in each function by utilizing ERP etc.

- For the Non-alcoholic beverage business, the main markets are Japan and U.S.
- Profit growth is a challenge in mature markets, but the key is same as the alcoholic beverages business, to improve productivity with a premiumization strategy.
- For Kirin Beverage, as we are currently working on, focusing on health and strengthening the products of the high value-added health science domain will directly lead to improved margins.
- And, as the health science domain in Kirin Beverage expands, it is important to develop an optimal business infrastructure.
- We will start self-manufacturing of ultra-small PET bottle products and increase productivity by increasing the ratio of self-manufacturing.
- As for the sales organization, while strengthening the sales structure for selling high value-added products, we will also work on improving the sales process by utilizing ICT to promote a leaner sales organization in total.
- The challenge is the same for Coke Northeast in U.S.
- While focusing on our core brands, we will increase margins per case by appropriately combining pricing and promotional strategies.
- Furthermore, we will maintain a high level of profitability within U.S. bottler business by continuing to improve processes through utilizing ERP, in addition to improving delivery efficiency by constructing a new automated warehouse.



* A disease in which the macula is affected by abnormal angiogenesis. Rapid progression leads to significant vision loss. Number of drug-treated patients Domestic: approx. 0.2 million, Global: approx. 1.6 million
 ** This is the total addressable market potential expected from the sum of all products and is not a sales forecast or target that can be achieved by our products alone.
 *** Final year of Kyowa Kirin's medium-term business plan

- In the pharmaceuticals domain, we will continue to establish a strong global business foundation as a global specialty pharmaceutical company.
- As for Crysvita, it has become a blockbuster in both name and reality, with a level of sales revenue of 150 billion yen targeted for 2023.
- In order to achieve steady sales and earnings growth in the future, it will be essential to build a solid business foundation capable of global production and sales.
- This year, in addition to starting our own sales of Crysvita in North America, we will also be looking into establishing a global supply system that is optimal for the expanding scale of our business.
- Most importantly, we are expanding our pipeline. For KHK4083, which we are co-developing with Amgen, we will also proceed with Phase 3 trials on a large scale.
- In addition, we will promote the development of KHK4951 as a new pipeline.
- Through these efforts, we aim to achieve an average growth rate of at least 10% in sales revenue and a Normalized operating profit margin of at least 24%.

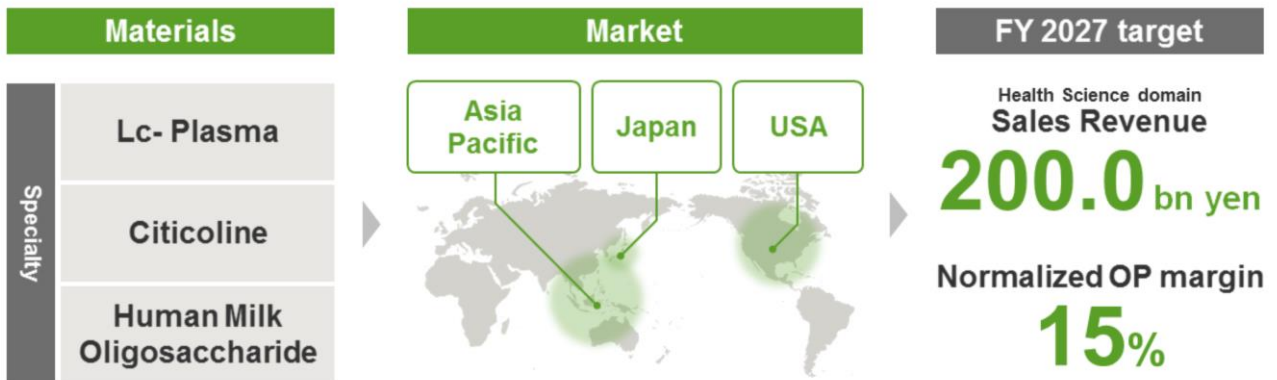
Previous Strategy

Improve profitability of amino acid business and expand specialty materials



Achieve profitability by 2024
Steadily improve profitability onward

- Regarding the health sciences domain, I will first explain the structural reform of Kyowa Hakko Bio.
- In 2019, Kyowa Hakko Bio was transferred directly to Kirin Holdings and started the health science business.
- In order to sell specialty materials globally through the fermentation and biotechnology, we are aiming for a highly profitable business model that sells specialty materials for which scientific evidence is available.
- From the beginning, we planned to downsize our low-profit amino acid business because amino acids, a commodity material, must be produced in large volumes to be profitable. However, the vulnerability of the low-profit amino acid business surfaced following the lockdown caused by COVID-19 and the sudden change in the business environment due to the war in Ukraine.
- Therefore, the decision was made to write down the assets of the amino acid business and reform the business structure ahead of schedule.
- We aim to return to profitability by 2024 by implementing radical structural reforms ahead of schedule in order to shift to a highly profitable business specializing in specialty materials.



**Create economic and social value
by solving health issues**

- Specialty materials include LC-plasma, Citicoline, and Human Milk Oligosaccharide, for which evidence of benefits to immune function and brain function, etc. are available. By providing value-added materials, we will solve people's health issues.
- The markets to be developed include not only Japan, but also Asia-Pacific, which is related to the Food and Beverage domain, and U.S., which is the largest market for the health science business.
- We will develop a combination of sales of final products and out-licensing to partner companies, and will utilize the channels in which we excel in each region to sell our materials.
- There is no change to our goals of 200 billion yen in sales revenue and 15% Normalized operating profit margin by 2027.

 Lc- Plasma	 Citicoline 	Human Milk Oligosaccharide 
<p>Aggressive marketing investments to expand the immune-care market</p> <ul style="list-style-type: none"> ➤ Accelerate development of Lc-Plasma* related products <ul style="list-style-type: none"> - Expand in-house product lineup - Expand out-licensing partners ➤ The 11th Technology Management and Innovation Award Minister of Education, Culture, Sports, Science and Technology Award <ul style="list-style-type: none"> - Evaluated not only for research, but also for commercialization. 	<p>Developing the US market with the strength of scientific evidence</p> <ul style="list-style-type: none"> ➤ Accelerate customer acquisition <ul style="list-style-type: none"> - Develop customers in the growing beverage market in addition to the supplement market ➤ Start production at the expanded production facility within the year. 	<p>Steady preparation for market launch</p> <ul style="list-style-type: none"> ➤ Pass safety evaluation in China <ul style="list-style-type: none"> - Passed the first stage of screening for launch in the Chinese market ➤ Start production sequentially at a new plant in Thailand

*Lactococcus lactis strain Plasma

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- I will explain the current status of each initiatives of the Specialty Materials.
- As for Lc-Plasma, we are on track to achieve Revenue of 50 billion yen by 2027, and we will aggressively invest in marketing while expanding our own product lineup.
- In terms of sales of Lc-Plasma, we will further accelerate alliances, including the out-licensing of Lc-Plasma to Coca-Cola products this year, and aim for a 30% increase in revenue from Lc-Plasma-related sales.
- Also, an award ceremony was held this past Monday, and we received the Minister of Education, Culture, Sports, Science and Technology Award for Technology Management and Innovation.
- We were evaluated not only on the strength of our research and development and evidence of Lc-Plasma, but also on the results we have achieved as a business, is a recognition of our CSV management practice of solving health issues.
- As for Citicoline, we are off to a good start with the acquisition of a customer handling beverage products in the U.S., where we have been planting seeds.
- The production line for Citicoline, which has been further expanded, has been completed, and we will start production by the end of this year to strengthen our manufacturing and sales base to meet the expanding needs of our customers.
- Although sales of human milk oligosaccharides are still in the early stages, we were able to obtain a safety evaluation in China, the largest market for this product, and at this point we are on par with the world's top runners as an ingredient manufacturer.
- We will prepare for the product launch by the end of this year and establish a foundation for growth in the health science domain.

Index rating / External evaluation	MSCI ESG Ratings : Earned AA for the 2nd year in a row following last year.		CDP : Climate Change and Water Security Highest A-list		Nikkei SDGs: Strategy and Economic Value Award & Highest overall ranking for four consecutive years	
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<div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">Environment</div> <div style="background-color: #444; color: white; padding: 5px;">2022 Highlights</div> <p>SBT Net Zero certification obtained for the first time in the world in the food industry</p> <p>World's first to disclose natural capital information based on TNFD's LEAP approach</p> <div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">NEW!</div> <p>Participation in the 30 by 30 Alliance for Biodiversity</p> <p>Mariko Vineyard's Environment Becomes Equivalent to Certification as a Site in Harmony with Nature*</p> <p>Promoting 100% renewable energy at group company plants</p> <ul style="list-style-type: none"> ➤ All electricity purchased at Kirin Brewery's Okayama and Fukuoka breweries, Kyowa Kirin's Takasaki plant, and Lion's Australia/NZ plants will be 100% renewable energy. 	<div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">Social</div> <div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">NEW!</div> <p>Withdrawal from Myanmar business completed in January 2023</p> <p>Join "Japan Center for Engagement and Remedy on Business and Human Rights" (JaCER) as its first member.</p> <ul style="list-style-type: none"> ➤ Establish a human rights grievance mechanism** for all stakeholders (acceptance to begin at the end of February 2023)  <p>Research Update on AMED*** Project to Promote COVID-19 Drug Development</p> <ul style="list-style-type: none"> ➤ In vitro study confirms mechanism of inhibition of COVID-19 growth by Lc-Plasma
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* Names of areas certified by the Ministry of the Environment as "areas where biodiversity is being conserved through the efforts of the private sector and others."
 **Mechanisms to ensure that access to appropriate and effective remedies is provided in the event of human rights violations
 *** Japan Agency for Medical Research and Development

- Finally, I would like to speak from an ESG perspective.
- On the environmental front, Mercian's Mariko Vineyard has been certified by the Ministry of the Environment as a nature-symbiosis site under the 30 by 30 (Thirty by Thirty) Alliance for Biodiversity.
- In addition, we will gradually switch to 100% renewable energy at our domestic and overseas plants.
- Regarding Social, progress was made in joint research with the National Institute of Infectious Diseases, and we were able to confirm the growth inhibition mechanism of COVID-19 by LC-Plasma in an in vitro test.
- We believe that this could be an effective means to protect people around the world from infectious diseases and contribute to the great social issue of "health," and we will vigorously pursue our research.
- We will continue to strive to solve social issues without being satisfied with the status quo. By building on our dialogue with investors and solving issues one by one, we aim to become one of the world's leading CSV companies. Please look forward to the future growth of the Kirin Group.

This material is intended for informational purposes only and is not a solicitation or offer to buy or sell securities or related financial instruments.



- Please refer to the separately disclosed presentation material if you would like to see the subsequent appendix slides.