

KIRIN



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Kirin Beverage Business Strategy for 2024

Thursday, January 25, 2024
Kirin Beverage Company, Limited

The soft drink market is expected to settle at 100% of the previous year's level.

Although the market environment remains challenging, the health category is performing well thanks to the introduction of products by various companies.

1

Major impact of soaring raw material and logistics costs

Increased raw material and fuel costs due to the impact of international affairs, depreciation of the yen, and other factors. Customer's tendency to spend more liberally only on the few goods and services they value the most while only spending the bare minimum on other necessities has progressed with the rise in prices of food, daily necessities, and other items.

2

High levels of health consciousness continue after the reclassification of COVID-19 as a Class 5 infectious disease, leading to health market growth

Lifestyle has returned to normal, including increased opportunities to go out. Meanwhile, non-COVID-19 infectious diseases risks continue, including an unseasonal influenza pandemic

3

Increased demand due to heat wave and lingering summer heat

Historic heat wave and severe lingering summer heat have boosted demand, especially with prolonged seasonal peaks in thirst-quenching beverages.

Recap of Activities in 2023

In line with the “Pledge to Consumers” sales of beverages containing LC-Plasma and the core brand “*Gogo-no-Kocha*” grew.

Steady progress is being made toward realizing the “healthy and good taste (*oishii kenko*)” concept with the strengthening of the Health Science domain resulting in high profitability, as well as high value-added, high unit price products from core brands receiving high acclaim.

Building a strong brand portfolio

Initiatives in the Health Science Domain

- The growth of beverages containing LC-Plasma has been driven by year-round habit formation, including immune care during the summer months, driving the expansion of the immune care market
- Accelerated collaboration with FANCL to expand product lineup



Base Brand Initiatives

- Summer ice tea initiatives succeeded in stimulating demand in the black tea category during the peak beverage season
- High value-added, high-unit price products “*Nama-cha Rich*” and “*Gogo-no-Kocha Tea Selection*” series performed well
- Challenges include further expansion of the black tea category and making the green tea category more attractive



Development and Establishment of Business Infrastructure

- New production line in operation improves production capacity at Shonan Plant
- Improvement of production ratio in the Tohoku area, establishment of efficient and stable supply system

Sales performance in 2023



Sales in 2023: 191.67 million cases, YoY: 95%

Health Science domain share expanded to 13% (10% in 2022)

beverages containing LC-Plasma grew by 136% YoY; *Gogo-no-Kocha* grew by 102% YoY, and *Nama-cha* by 99%

Sales Volume in 2023

		Sales volume	Year-on-year	Market forecast	
Health Science area		2.469 million cases	118%	Health Beverage Market	Approx. +8%
Beverages with LC-Plasma		8.96 million cases	136%	(FOSHU/Food with Functional Claims)	
Total soft drinks		191.67 million cases	95%	Soft Drink Market	Approx. ±0%
By Brand	<i>Kirin Gogo-no-Kocha</i>	50.46 million cases	102%	Black tea market	Approx. ±0%
	<i>Kirin Nama-cha</i>	27.77 million cases	99%	Unsweetened tea market	Approx. -2%
	<i>Kirin FIRE</i>	22.00 million cases	101%	Coffee market	Approx. -2%

*The results for *Kirin Gogo-no-Kocha Milk Tea Plus*, and *Kirin Nama-cha Immune Care* are included in both *Kirin Gogo-no-Kocha* or *Kirin Nama-cha* and beverages containing LC-Plasma Included in Health Science area but not in the Existing Beverages area.

Although the market is expected to shrink in the medium-to long-term, we expect the category to be revitalized through market creation, achieved, for example, through new proposals.

"Health" is not a temporary fad, but an ongoing concern for the public.



Short-term forecast

- Expectations of increased consumption due to rising real wages and inbound demand, etc.
- Expanding consumption of high value-added products and services that readily enhance the quality of daily life
- Immunity needs for infectious disease control continue
- Implement and promote measures to address the challenges of 2024



Medium-to long-term forecast

- Continued contraction trend in the beverage market due to declining domestic population
- Ongoing uncertainty about the future, including climate change risk, geopolitical risk, and rising prices
- Long-term health needs and growing health consciousness

Implementing "**Kirin Beverage's Unique CSV**" to Achieve Sustainable Business Growth

<div>Pledge to Consumers</div> Health with good taste for everyone's daily life.			
Outcome	Community	Health	Environment
	Communities are developing sustainably, and human and social connections are being strengthened	Customers' health and wellbeing is improved, and their lives are healthier	A recycling-oriented society is developing, and both society and business are becoming more sustainable
Commitment (part)	Gogo-no-Kocha HAPPINESS Project	Formation of "immune care" habits	Reduction of GHG emissions
	Sustainable development of areas where raw materials are produced (Sri Lanka)	Health without overconsumption (Reduction of sugar use, etc.)	Measures for plastic use ● Promotion of the use of recycled PET ● Reduced use
	Mental and physical health through our brands		
Brands	  		

—Business Policy for 2024—

Accelerate the transition to a strong business portfolio with health science as its strength, and thus seek to achieve sustainable growth based on the "Promise to Our Customers." Aim to **build a robust brand and **improve profitability based on CSV**.**

Priority Issue 1

**Realize the “Health with good taste” concept
Build a robust brand**

1. High profitability through new value propositions
2. Increase category attractiveness through new value propositions

Priority Issue 2

**Strengthen our business base
in order to support continued growth**

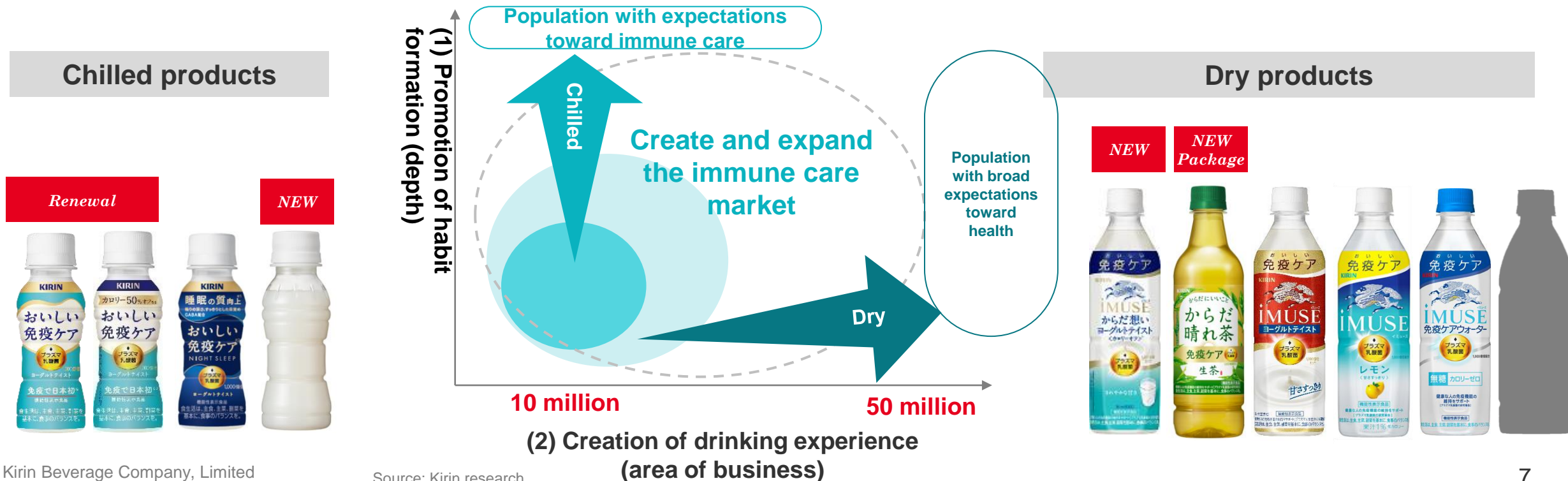
1. Solve production and SCM issues, bolster competitiveness
2. Promoting CSV through vending machines
3. Containers and packaging for a recycling-oriented society

Priority Issue 1: Realize the "Health with good taste" Concept Build a Robust Brand

1. High profitability through new value proposition - beverages containing LC-Plasma

"Immune care" is a daily health habit necessary for "building the foundations of health"
Create and expand the market with Kirin's unique approach to both chilled and dry foods

**Sales target for 2024: 12.4 million cases of beverages containing LC-Plasma
(up 38% from the previous year)**

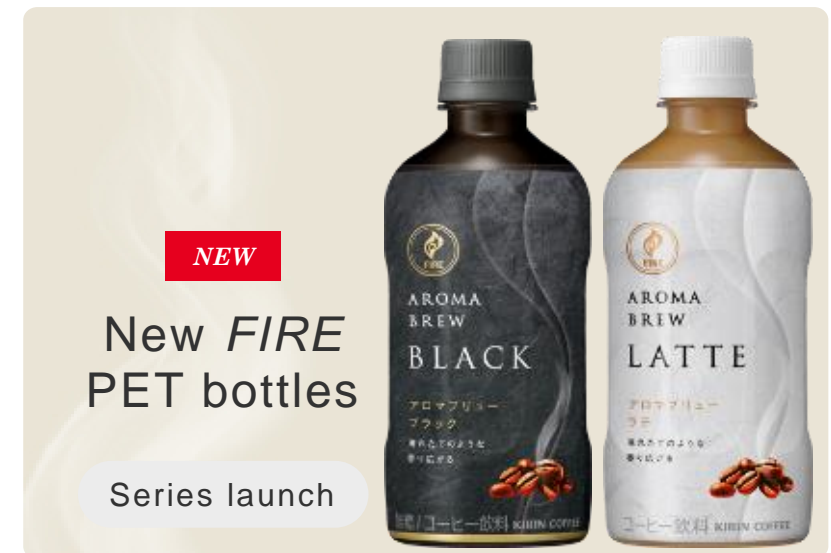
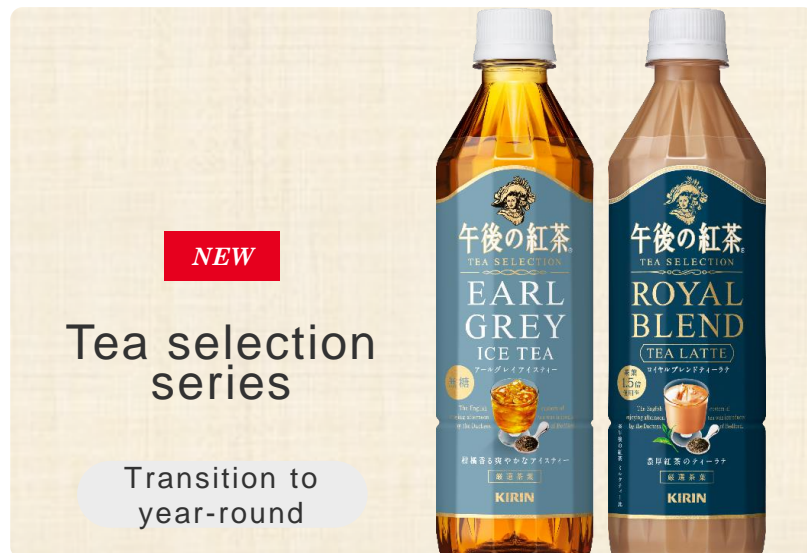


Priority Issue 1: Realize the "Health with good taste" Concept Build a Robust Brand

1. High profitability through new value propositions

Create a market with high value-added and high-unit price products to meet the needs of people who want to improve their quality of life

- To make the "Gogo-no-Kocha Tea Selection" series available year-round to make the black tea category more appealing and expand sales.
- Starting Sales at Vending machines for "Nama-cha Rich" (planned for the first half of 2024)
- Introduced a new PET bottle series from the "FIRE" brand that pursues the delicious taste of coffee.



Priority Issue 1: Realize the "Health with good taste" Concept Build a Robust Brand

2. Increase category attractiveness through new value propositions

- The No. 1 brand in the category, "*Gogo-no-Kocha*," proposes a year-round drinking experience with the "premium experience" and "rewarding taste" that black tea has to offer.
- We will further expand the "*Gogo-no-Kocha Oishii Muto* (sugar-free)" series, to achieve growth for the 13th consecutive year
- We will revamp the "*Nama-cha*" brand as a new PET green tea and hojicha that is distinctly different from existing green tea products, and make the unsweetened tea category more appealing, breaking away from commoditization

Expand the
black tea
category
through quality
experiences



13th consecutive year
of growth for the
Oishii Muto (sugar-
free) series



Revamp the image
of PET green tea
and hojicha



Priority Issue 2: Strengthen Our Business Base in Order to Support Continued Growth

1

Solve production /SCM issues, bolster competitiveness

- Consideration of wage revision
- Acceleration of response to the issues of 2024
 - ↳ Started test operation of ICT-based delivery leveling system (January) **NEW**
 - ↳ Automated picking system at Ebina Distribution Center begins operation (scheduled for December)
- Kirin Beverage Shiga Plant switched to purchasing 100% renewable energy in January **NEW**
- Solar panels installed at the Shonan Plant begin operation (February).



2

Promoting CSV through vending machines

- Introduce "green power vending machines" that reduce GHG emissions to effectively zero
 - Contribute to local communities through expansion of MIMAMORI vending machines
 - Expand "KIRIN naturals"* wellness stands and strengthen proposals for health science products
- *Corporate services to support health management



green power vending machines

3

Containers and packaging for a recycling-oriented society

- Expand use of recycled PET
- Promote bottle-to-bottle (horizontal recycling) in cooperation with local governments and companies
- Reduce plastic usage (weight reduction, etc.)

Sales Plan for 2024



Aim for total revenue of more than +5% and an increase of more than +20% in the Health Science domain in 2024 (compared to 2023*1); accelerate transformation to high profitability

Sales target for beverages containing LC-Plasma in 2024: 12.4 million cases, +38% YoY

		Sales volume	Year-on-year	Market forecast	
Total soft drinks		193.2 million cases	101%	Soft Drink Market	About -1%
Health science area*2		28.2 million cases	114%	Health Beverage Market (FOSHU, Food with Functional Claims)	+8% approx.
Beverages with LC-Plasma		12.4 million cases	138%		
By Brand	Kirin Gogo-no-Kocha	50.8 million cases	101%	Black tea market	About +1%
	Kirin Nama-cha	27.5 million cases	99%	Unsweetened tea market	About -2%
	Kirin FIRE	21 million cases	95%	Coffee market	About -1%



(Sales volumes are on a single-company basis)