

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

[Q&A Session Minutes]
Presentation on 1Q FY2023 Financial Results

Date & Time:	May 11, 2023 (Thur), 6:00-7:00 pm (JST)
Presenters:	Hiroaki Takaoka, Senior Executive Officer & General Manager of Corporate Strategy Dept., Hidefumi Matsuo, General Manager of Finance Dept.

Q. Regarding the situation in Australia, what were the sales volumes for both on and off premise channels? Last year there was flooding, based on this, 1Q's volume seems slightly weak. Please explain how you performed against the market. Further, it seems that profits decreased in the 1Q due to the strengthening of sales promotion. How will you catch up this year since you are planning to increase profits?

A. Sales volumes for on premise channel has recovered by about 20%, and is back to 90% of the pre-COVID level. Sales volumes for off-premise was on a par with the previous year. The market share has not changed significantly compared to the previous year. It's true we were affected by the flooding last year, and this year we have not yet recovered all of the negative impact from it. This year, we will increase investments in marketing, but we hope to set off the increase in raw material costs and marketing costs by reducing costs and price revision to increase profits.

Q. If your market share has not changed since last year, does that mean that your marketing has not yet been effective and your market share has not recovered?

A. We are increasing marketing investment to strengthening the brand, but it takes time for the effect to appear. We would like to continue to invest in order to enhance the brand value over the medium to long term.

Q. How did the sales volume compare to annual plan?

A. Almost in-line with the plan.

Q. Do you have any concerns about the consumption environment in Australia?

A. It seems that consumer confidence is weakening in some areas due to price hikes and other factors, but given the fact that 1Q sales grew slightly year-on-year, we think the impact on the beer market will not be so great.

Q. Will the effect of marketing measures appear in the second half of the year?

A. That's right.

Q. Please explain the 1Q progressed against the annual plan. There are ups and downs by segments, but Kirin Brewery seems to make a good start. Please include in your explanation the fact that Kirin Brewery did not spend much on sales promotion this 1Q despite the plan to increase it for the year.

A. Compared to the plan, our results were firm. Kirin Brewery appears to have grown significantly compared to the plan, but there is a timing discrepancy in spending marketing expenses. If you look at the sales volume, it is slightly lower than planned. Therefore, the growth in the 1Q will not continue, so please be aware that the full year results are almost in-line with the plan.

Q. Regarding the beer price revision, competitor has announced that they will revise prices again starting in October. Please explain how Kirin will respond to this.

A. We are studying the price revision and will let you know as soon as we decide how we will revise the price in preparation for the liquor tax revision in October, especially to what extent we will revise the price in response to soaring raw material prices.

Q. Please explain how you progressed in the 1Q? Previously you mentioned that Kirin Brewery and Lion were in line with plans, but which business performed well? Please also explain how Kirin Beverage, Kyowa Hakko Bio, and Mercian performed.

A. The company that made good progress was Coke Northeast in North America. They performed well year-on-year as well as against the plan. Although the sales volume growth is slightly slowing down, the effect of the price revision is having a significant impact.

As to Kirin Beverage, they are behind schedule in terms of volume and revenue, but Normalized OP is almost in line-with the plan, due in part to the postponement of expenses.

A. Kyowa Hakko Bio is slightly behind the plan. As the society is recovering from COVID-19, demand for culture medium for COVID-19 vaccines is decreasing, and this will have an impact on profits as sales are delayed. Mercian may also appear to be a little behind, but we believe that it will be returning to profit this year.

Q. What is your perception of the Japanese Beer Market environment? Competitors have launched low-priced beer, but do you think there are changes to consumers' price awareness? Are there changes to demand for new genres, and *happo-shu*? Are there any changes to Kirin's premiumization strategy considering the consumer's saving aspirations?

A. We recognize that the Japanese Beer Market is facing a severe competitive environment. Competitors have launched new products as well as competitive pricings, and this is having an impact on our sales volume. We are aware that the market has been partially influenced by price, but we do not expect a major change in the overall structure of the market. We will continue to invest in *Kirin Ichiban*, the renewal of *Kirin Ichiban Zero Sugar*, and craft beers centered on *Spring Valley Brewery*.

Q. Do you see any risk that consumers will become more price conscious in the future? What is your outlook for the future?

A. As the liquor tax revision progresses and changes, we believe that beer will be divided into premium, mainstream, and economy categories. There will be a certain level of demand within the economy brand, and strong brands will survive within that category. That said, we do not believe that premium and mainstream will be severely damaged, and we believe that the categories can be segregated. It will be important to determine what brand strategy will be used in each price range.

Q. There is a term gap in Kirin Brewery's market expense spendings. Please explain the timing of marketing spends peak and to which brands you are planning to invest heavily. It would be nice to understand when and where you will use this 1Q's decreased marketing expenses.

A. Rather than a large decrease in marketing expenses in 1Q, there was a reaction to last year's increase. Basically, we will invest in our main growth brands such as *Kirin Ichiban* brand family and *Spring Valley* brand for the coming peak season.

Q. When is the time to invest in Market?

A. Investing for the coming peak period (2Q).

Q. Lion is in the phase of investing in marketing to capture market share. How do you see the progress?

A. If you look by brand, we launched a sugar-off product of *Hahn*, and it has shown a 20% increase in sales volume in 1Q which is a positive response. We are continuing to invest in other brands as well, while keeping an eye on leading indicators. There are good results in the leading indicators.

Q. Is the Oceania consumer market situation healthy?

A. Yes. We think that it is quite solid in the sense that on-premise channel has recovered from the Omicron situation last year and off-premise channel has not dropped that much.

Q. Looking at p.17 of the presentation material, U.S. craft sales increased by 7.5%, which I assume includes the effect of price revision, but what do you see as the impact on the craft beer market and Lion, given the poor economic outlook in U.S.? Also, are there any negative effects from foreign exchange or other factors which lead to this 7.5%? Please elaborate on this point.

A. The U.S. craft market is softening, but New Belgium Brewing's Voodoo Ranger is growing at double-digit % year-on-year. While the market is softening, Lion's U.S. Craft is performing well. Our U.S. Craft etc. disclosure includes our U.S. wines and other products, so the total percentage seems to look a little weak, but the top line is growing due to volume growth and the impact of price revision.

Q. Coke Northeast appears to be performing well, but can you tell us about its sustainability in the second quarter and beyond?

A. The volume itself is showing signs of stabilizing, and we think it is difficult for such a large growth to continue after 2Q, therefore it should perform as planned for the full year.

- END -