



KIRIN

Joy brings us together

Synergies from Health Science domain

March 2020
Kirin Holdings Company, Limited

Build a Strong Value Chain in Health Science



Construct a strong value chain combining industry-leading strengths of each business

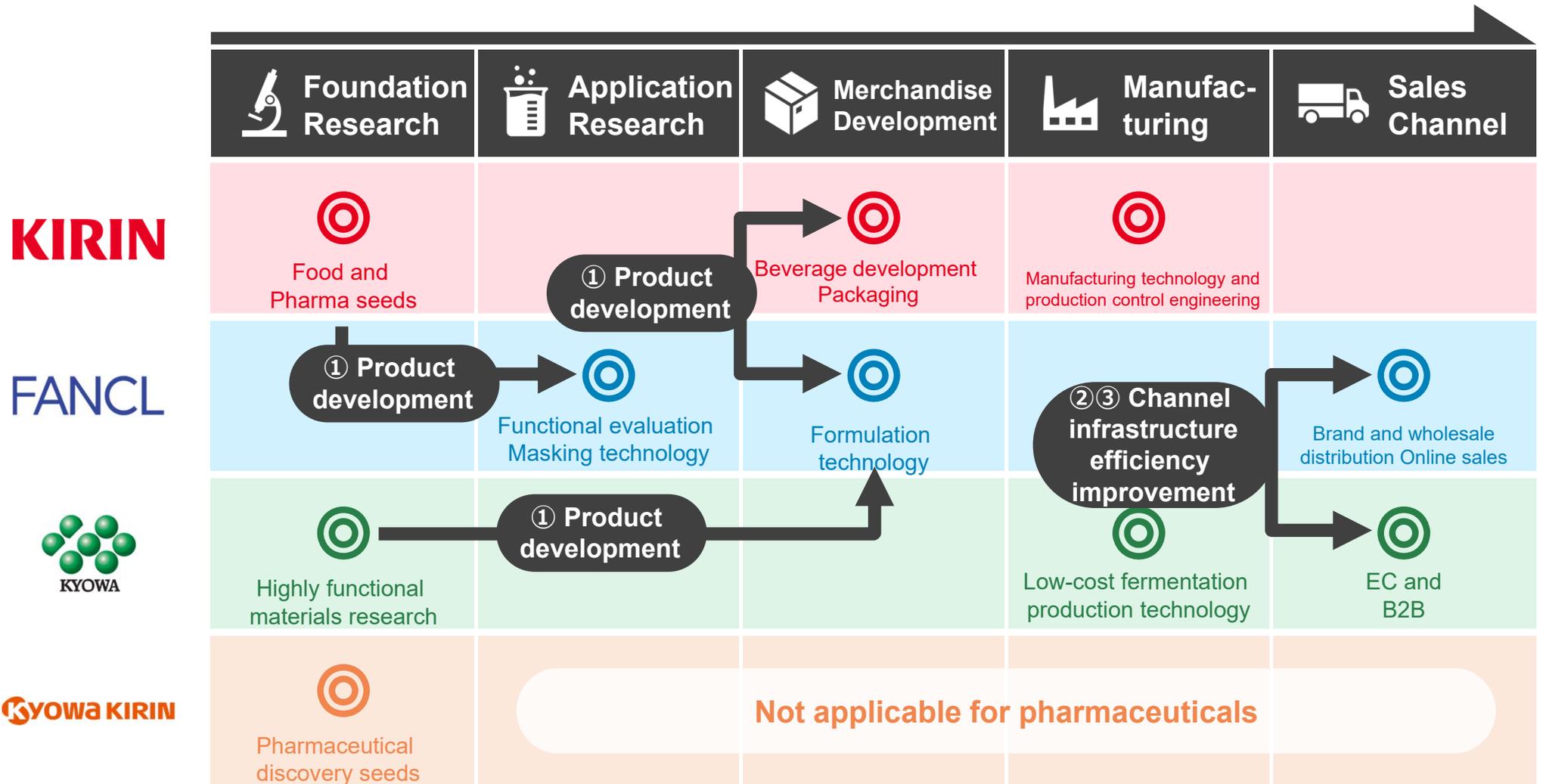
	 Foundation Research	 Application Research	 Merchandise Development	 Manufacturing	 Sales Channel
KIRIN	 Food and Pharma seeds		 Beverage development packaging	 Manufacturing technology and production control engineering	
FANCL		 Functional evaluation Masking technology	 Formulation technology	 Marketing expertise	
	 Highly proprietary materials research			 Low-cost fermentation production technology	 EC and B2B
KYOWA KIRIN	 Pharmaceutical discovery seeds	 Not applicable for pharmaceuticals			

Synergies with FANCL

FANCL Synergies: Complementary Relationship in the Value Chain



Near- and medium-term synergies in (1) product development, (2) channel infrastructure, and (3) functional efficiency

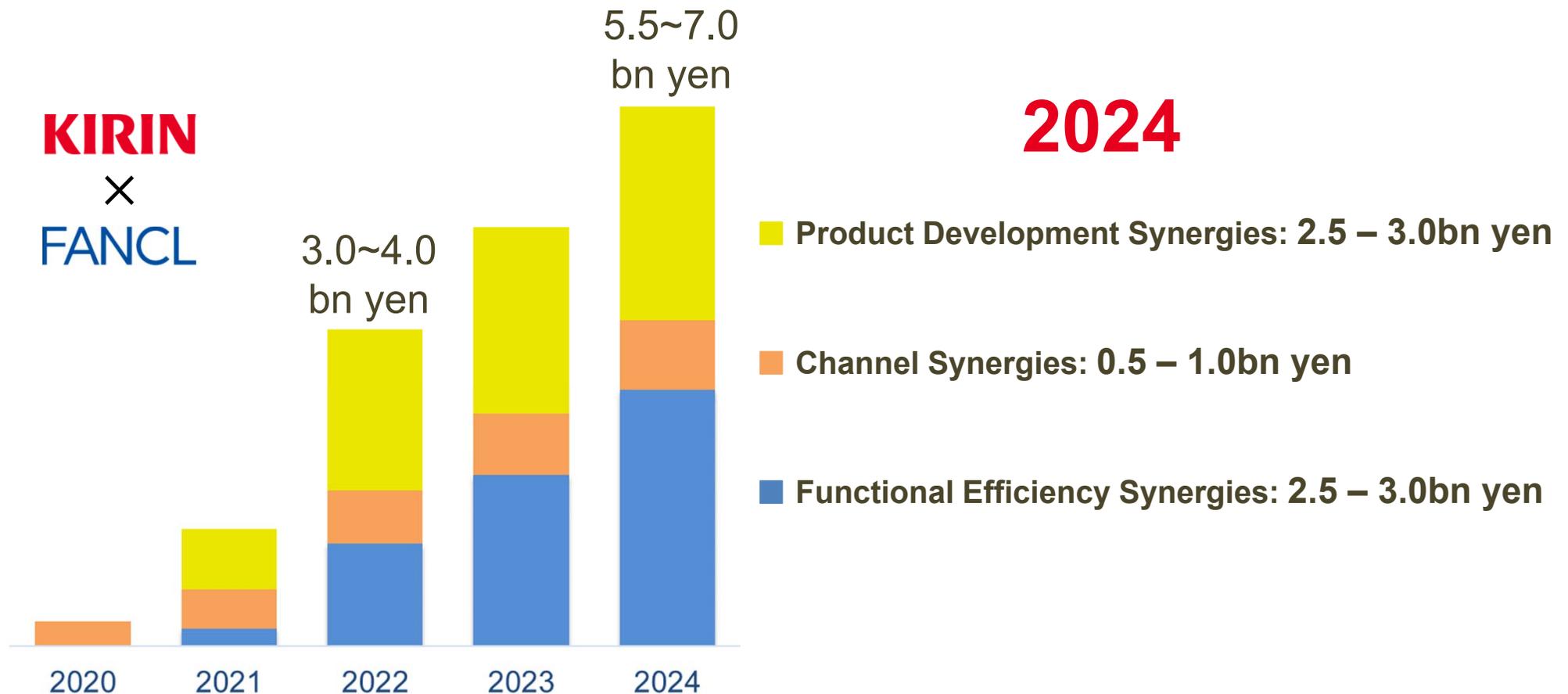


Synergies from FANCL Partnership



FANCL synergies to contribute ~5.5 to 7.0bn yen to Normalized OP by 2024

Contributions to Kirin Holdings' Normalized OP



Three Areas of Synergies and Specific Initiatives

Beginning in 2020

2021 and beyond

Normalized OP 2024
(for Kirin Holdings only)

① Product Development

Utilize both companies' materials and technologies

Leverage brands and materials to develop in the food and beverage fields according to customer needs

Develop supplements through FANCL and Kirin's channels through joint research

+2.5 to 3bn yen

② Channel

Leverage both companies' sales channels

Leverage KHB sales channel for FANCL's products

Leverage FANCL sales channel of mail-order / e-commerce and transboundary EC

Leverage FANCL sales channel for Kirin's products (Food domain)

+0.5 to 1bn yen

③ Functional Efficiency

Improve margins through cost synergies

Leverage e-commerce platform and customer data (Kirin and KHB) to reduce marketing costs by optimizing marketing spends

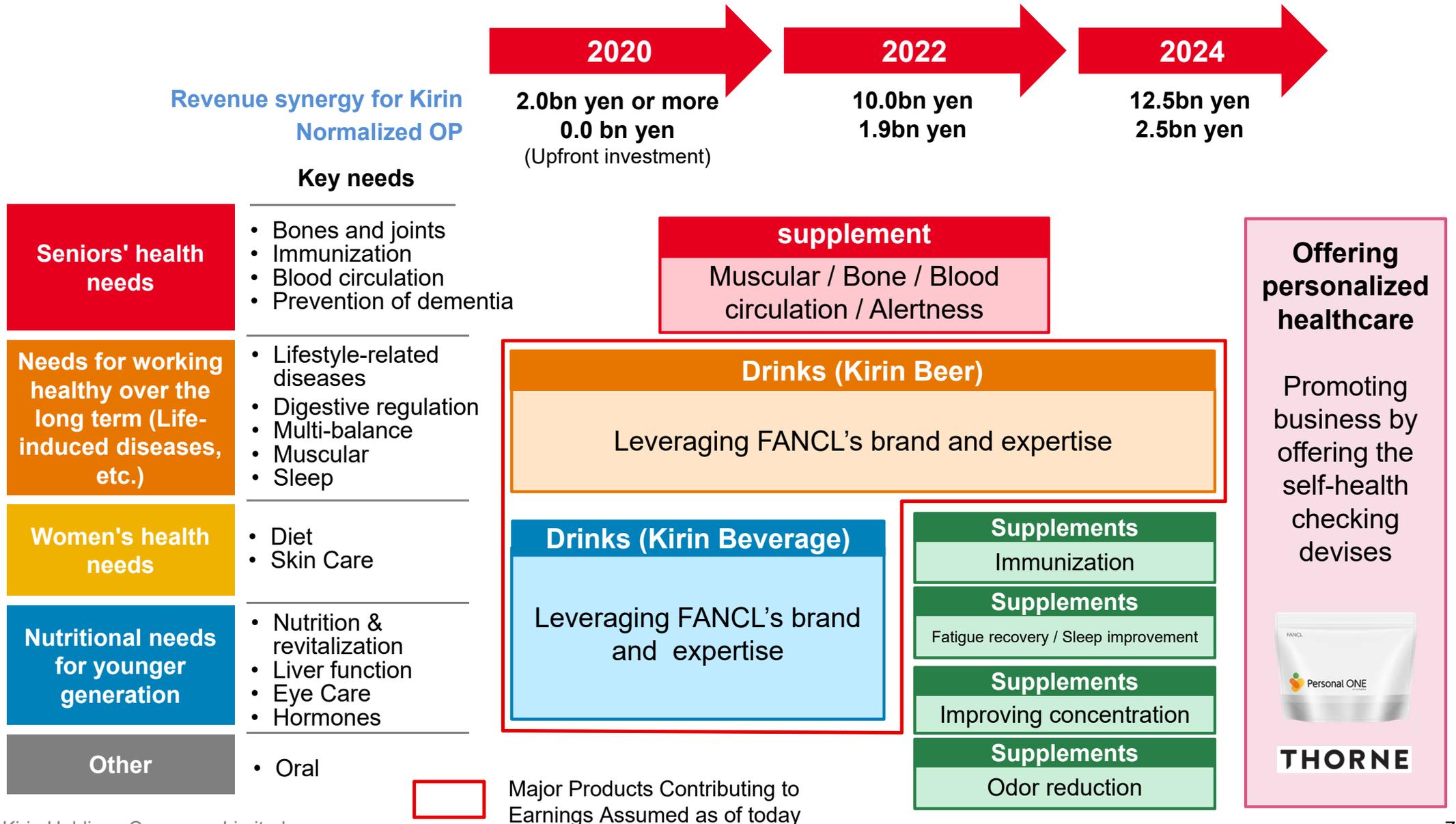
Efficient operation of R&D and manufacturing facilities, etc.

+2.5 to 3bn yen

1. Product Development Synergies: Roadmap



New products and supplements utilizing FANCL brands and proprietary materials

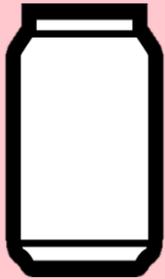


1. Product Development Synergies: Initiatives after Fall 2020

Joint product development targeting launch in Fall 2020

Kirin Beer

Non-alcohol beverage



Kirin Beverage

Leverage FANCL brands



FANCL

Utilize proprietary materials developed by Kirin

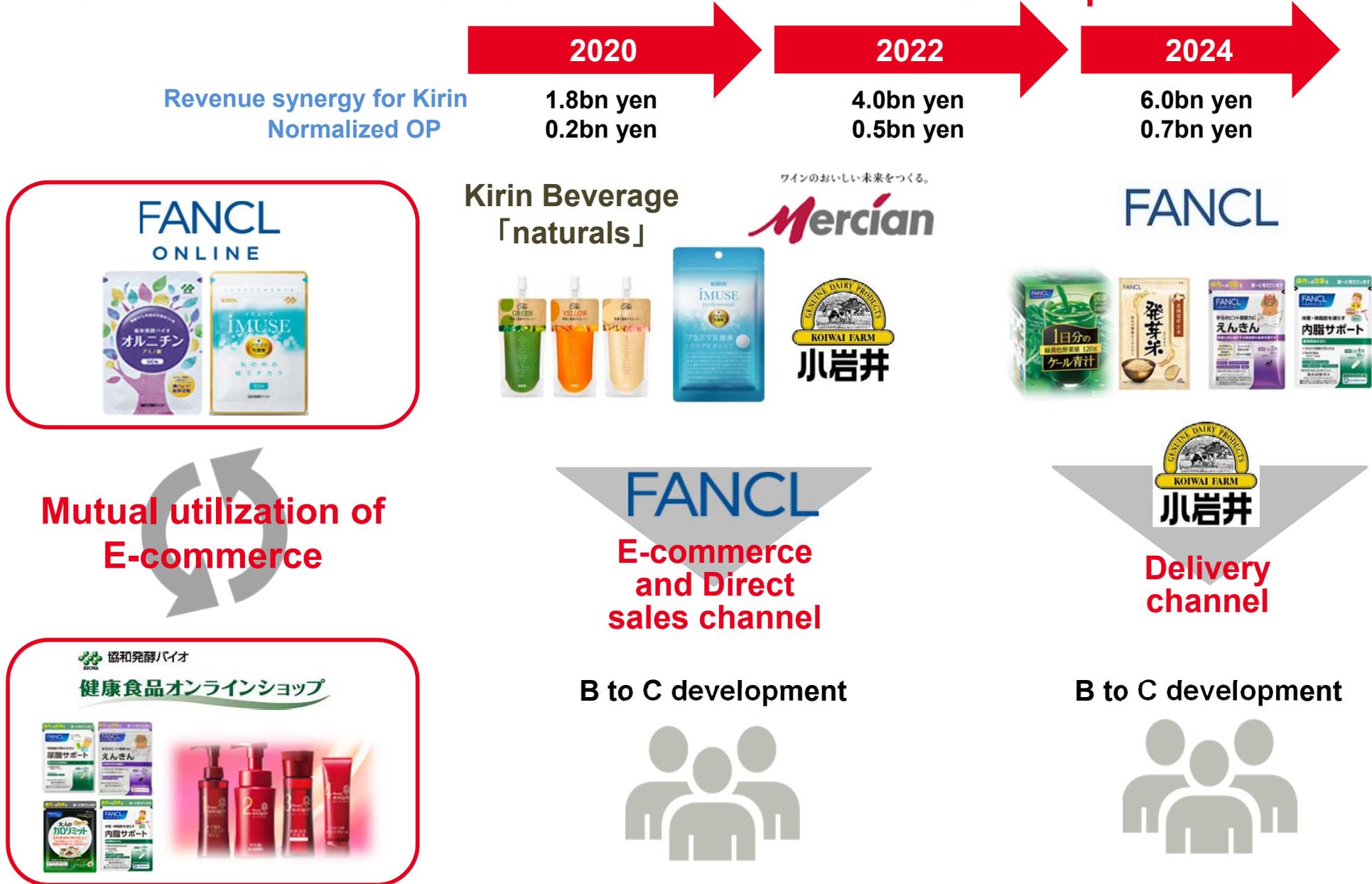


Fall 2020

2. Channel Infrastructure Synergies: Roadmap



Utilize Kirin and FANCL's sales and distribution channels to expand customer reach



2. Channel Infrastructure Synergies: FANCL and KHB



Expand customer base and sales through inclusion of Kirin products at FANCL stores and mutual utilization of e-commerce channels

Reach 3mn people

FANCL ONLINE + Direct managed stores



90% retention rate

協和発酵バイオ
健康食品オンラインショップ

Net sales*

FANCL Cosmetics: **56.7bn yen**
Supplements: **43.9bn yen** (same)

8.5bn yen

Customer base

Main users: **Women aged 30-50**
No. of active users: **3mn people**
% of regular mail order: **50%**

Main users: **Men aged 60+**
No. of active users: **240,000**
% of regular mail order: **90% or more**

Merchandise Portfolio

Cosmetics: Approximately 150 products
Supplements: Approximately 110 products

Approximately 25 products

Main Synergies to Kirin

<Increase in visitors to FANCL's e-commerce site>

Promotions on FANCL's e-commerce site that sends visitors to Kyowa Hakko Bio's online store



<Increase in sold products (SKUs) at KHB>

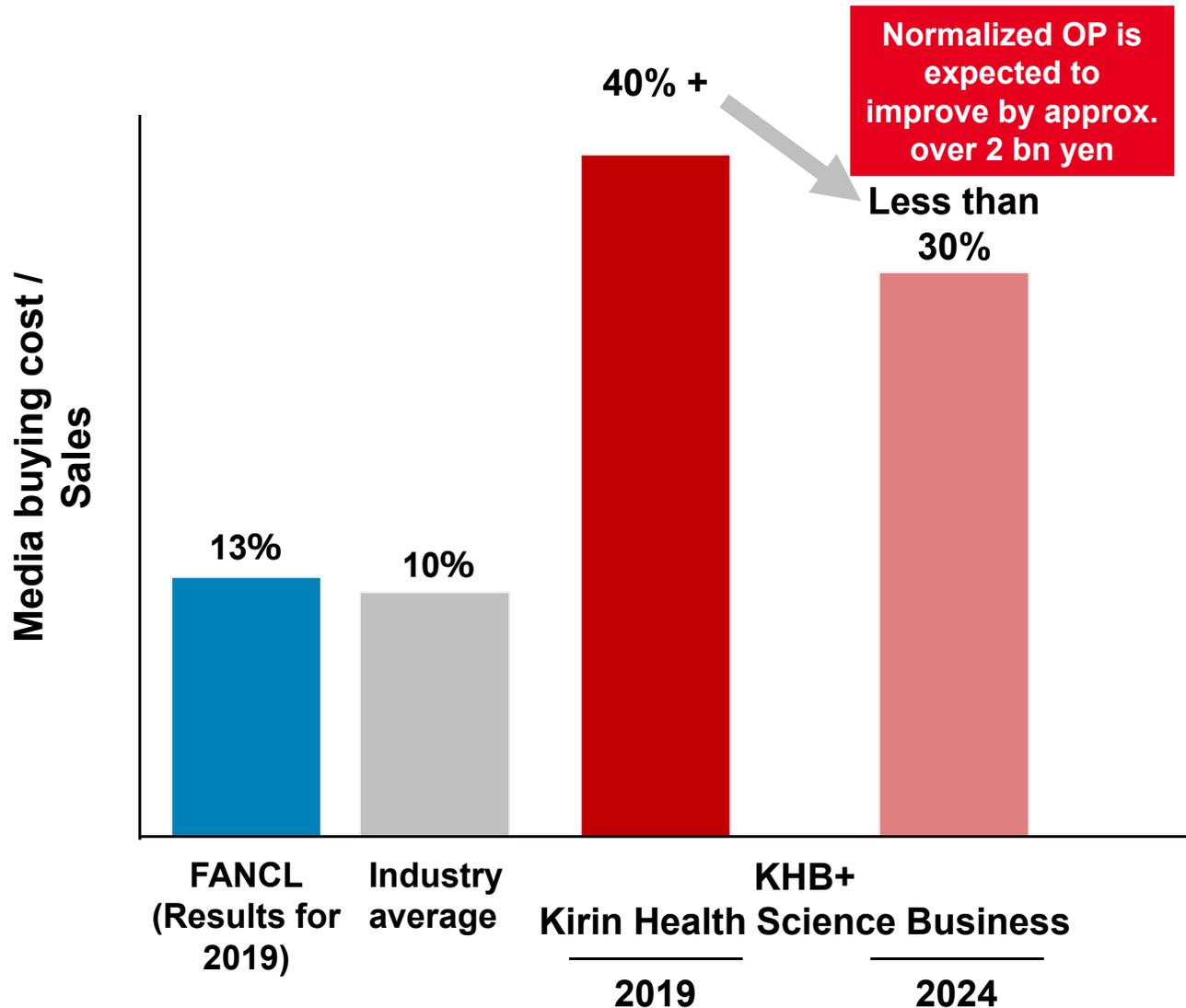
Develop tailored FANCL supplements for Kyowa Hakko Bio's customers



3. Functional Efficiencies: Cost Synergies



Reduce Health Science media buying costs by leveraging FANCL's marketing platform. Optimize marketing spend per customer by bundling existing products



Factors behind high Media Buying cost

Despite high product satisfaction...

- Product recognition remains low
Aggressive sales activities targeting new customers
- Media buying cost per active user is high
Small number of SKUs and difficulty in bundling products

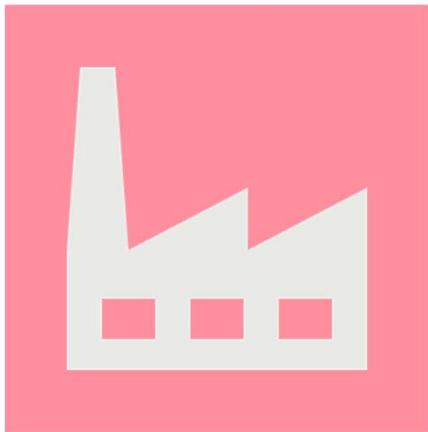
Cost reductions through collaboration with FANCL

- Improved marketing efficiency by leveraging FANCL's in-store sales and e-commerce platform:
Enhancing brand recognition of Kyowa Hakko Bio while saving marketing costs
- Expansion of Kyowa Hakko Bio's product portfolio (increase in SKUs):
Decrease media buying cost per customer

3. Functional Efficiencies: Joint Production Facilities

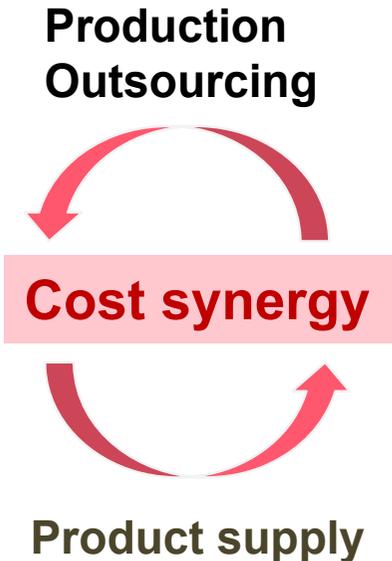


FANCL's new manufacturing plant, set to be operational in 2021, will produce proprietary products for exclusive sale on Kyowa Hakko Bio's e-commerce site. We are also evaluating cost-reduction initiatives including development of National Brand products manufactured by Kyowa Hakko Bio.



FANCL

Mishima Factory begins operations in Spring 2021



Launch proprietary products only available on KHB's e-commerce site from spring 2021

Realization of Speedy Output (1)

Sales through combined channels

Product Development Synergies in Food (January)

FANCL × *Kirin-City*



With their strong reputation, enriched vegetables will be included in the regular menu in the Kirin City (Kirin restaurant)!

Sales exceed forecast by 2x; 90% of consumers were new to FANCL

Customer referrals from Kirin's Institutional Sales Channel (February)

FANCL
ONLINE

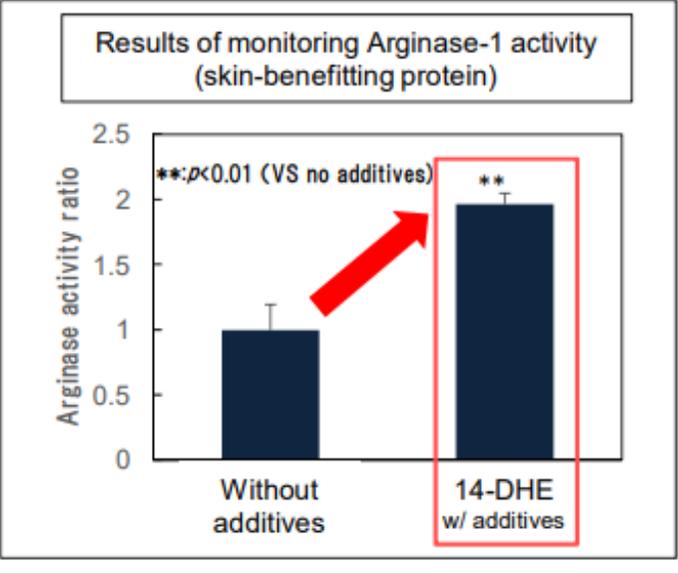
Joint R&D generated outcome

Skincare Synergies (January)

NEW *KojiSterol*

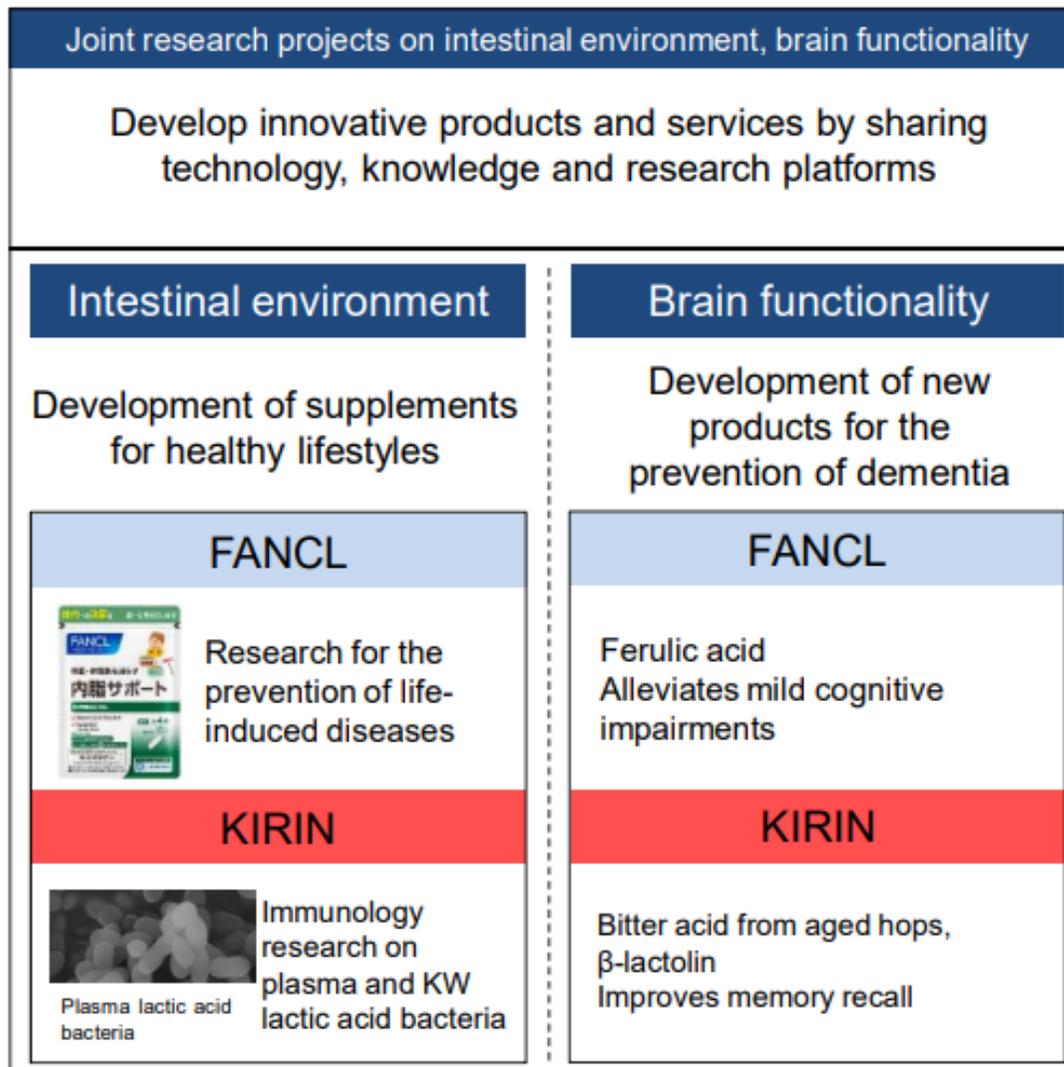
For use in anti-aging cosmetics

Discovered a component in white *koji* bacterium (14-DHE) that promotes the production of a protein (Arginase-1) associated with the functions of beautiful skin.



Realization of Speedy Output (2)

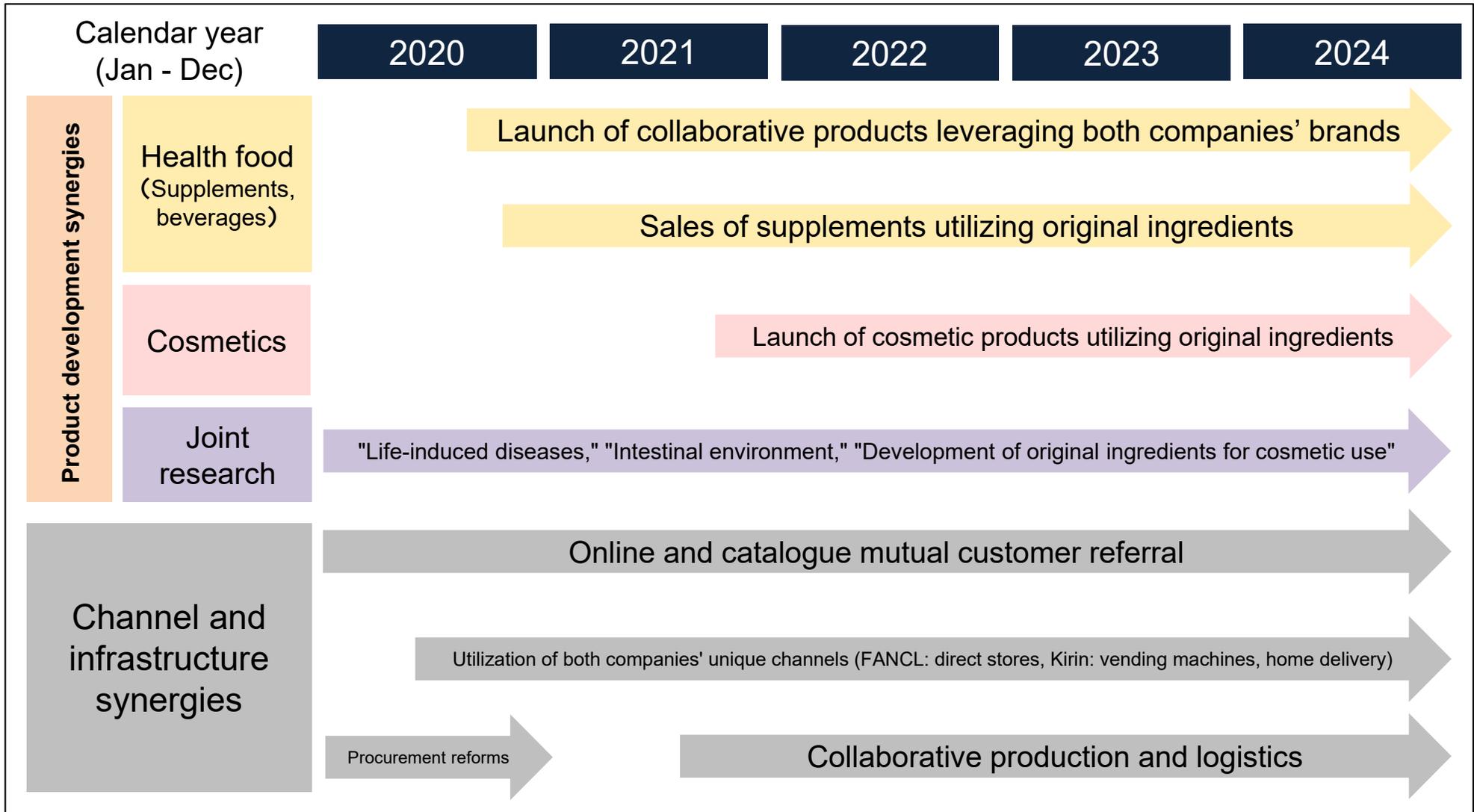
**Kirin's brain and immunology / intestinal business began research with FANCL.
Additionally considering joint renal research for Kyowa Kirin**



Initiatives With Kirin Holdings

Synergy effects
(FY Mar/2025)

FANCL as a single entity: net sales of approx. ¥13 billion,
operating income of approx. ¥2 billion



Effective use of research assets through integrated development of health foods and cosmetics

Examples of how health food ingredient research and technology is applied to the cosmetics field

Vitamin B

Reduction in fatigue



Regulates effects of acne and sebum



Cosmetics products for men
Mutenka Men

Silymarin

Improvement in liver function



Promotes skin turnover
Prevents wrinkles



Top of the range serum
Beauty Concentrate

Resveratrol (Viniferin)

Activation of longevity genes

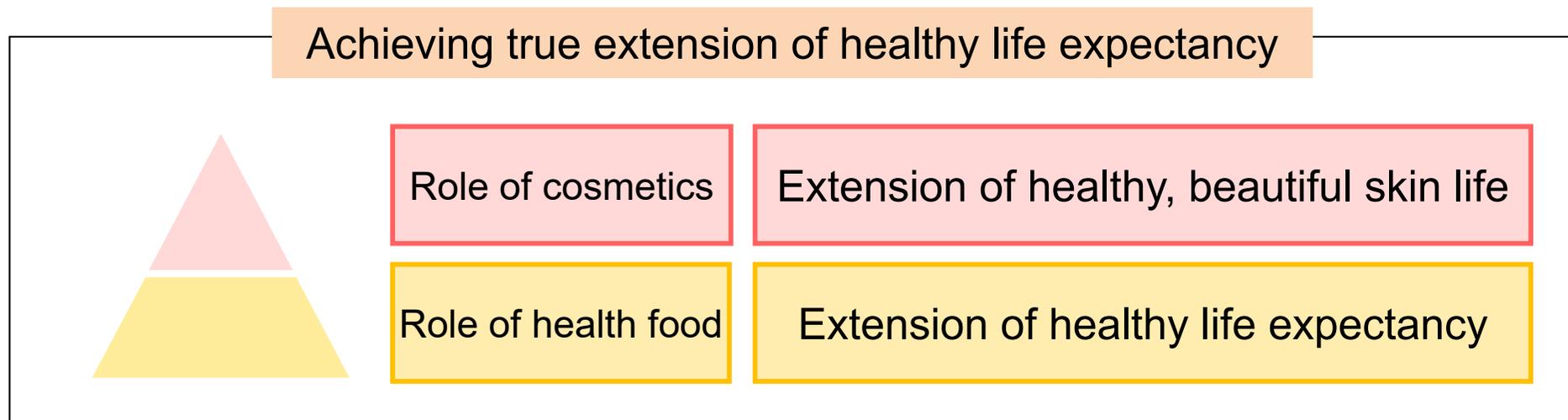
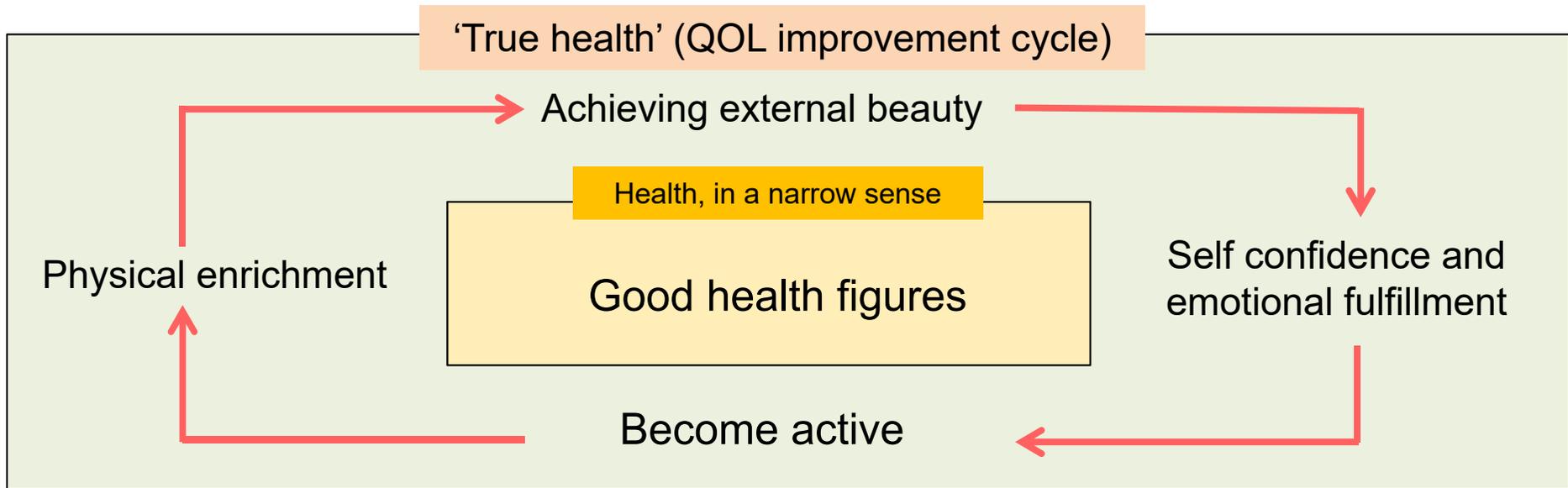


Boosts collagen and elasticity



Top of the range aging care
BC Line

Health and beauty are interlinked. Both are essential to extending healthy life expectancy

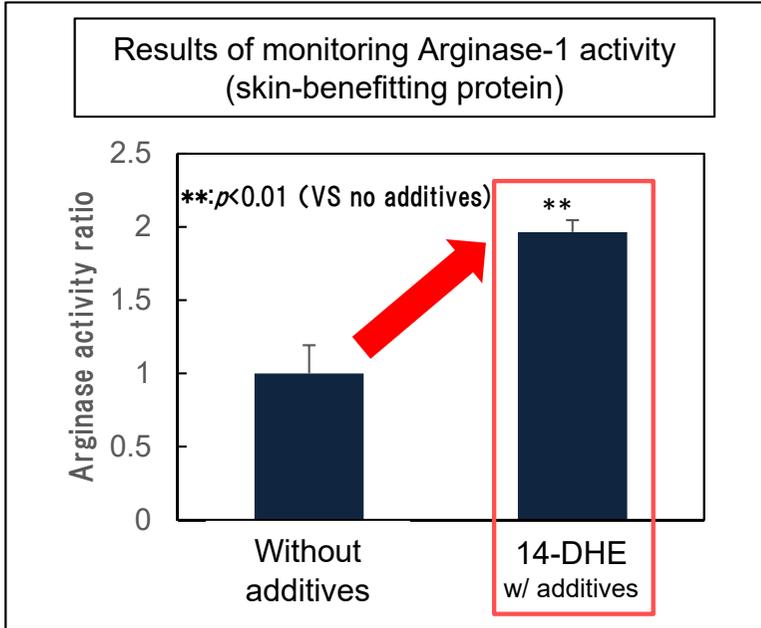


FANCL applying Kirin proprietary food sector ingredients in FANCL cosmetics

Discovery of a component in white *koji* bacterium that affects healthy skin functions

For use in anti-aging cosmetics

Discovered a component in white *koji* bacterium (14-DHE) that promotes the production of a protein (Arginase-1) associated with the functions of beautiful skin. Patent application filed in January



Launched approximately 10 projects. Currently assessing effects of ingredients as cosmetics ingredients

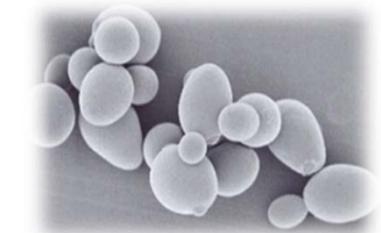
Matured hop extract



Ingredients found in black tea and green tea



Yeast used in fermentation



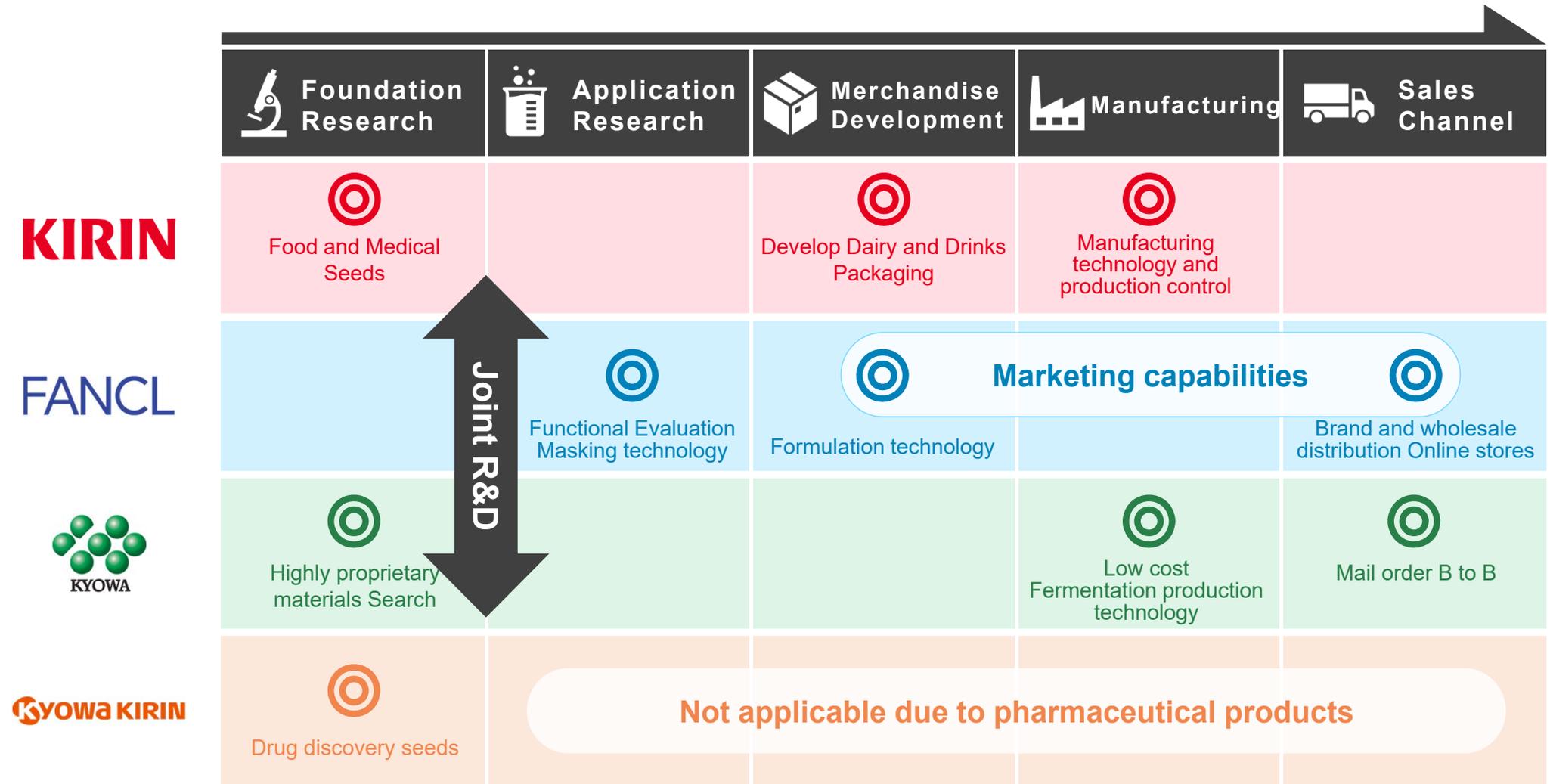
Etc.

Synergies with Kyowa Kirin

Opportunity in Foundation Research Centered on Seeds



Create medium- to long-term growth opportunity from Kirin Group R&D section joint research



Joint R&D to Drive Shareholder Value

New products development through joint R&D (brain, immunity, bowel, and nephrology)

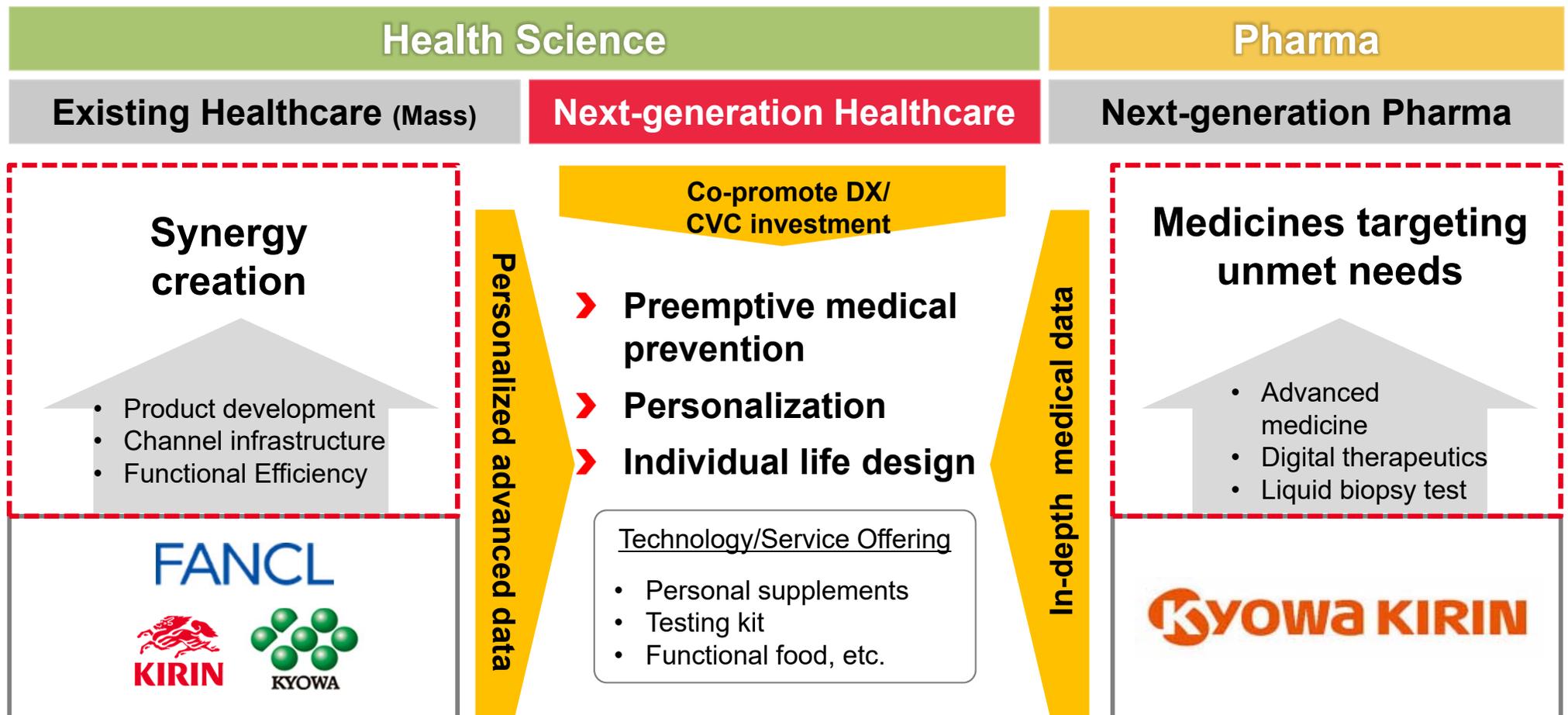


**Combine R&D in Food and Pharma to drive innovation.
Kyowa Kirin and Kirin Holding to leverage expertise in three growth areas:
brain health, digestive and immune systems care, and kidney health**

	Market size	Strengths	R&D	Product development		FY2024 Normalized OP
				2020-2024 years	FY2024 Subsequent years	
Brain	<ul style="list-style-type: none"> Brain : 104.3 bn yen One in five individuals 65 years or older has dementia 	 <ul style="list-style-type: none"> Food material with evidence 	<ul style="list-style-type: none"> Cutting-edge research utilizing Academic network Maturity hops, β-lactrine Ferulic acid 	Sales of food with functional labels in Kirin Holdings and FANCL	Brain health (Collaboration with a third party)	1 bn yen
Immunity / Digestive system	<ul style="list-style-type: none"> Immunity: 178.2 bn yen Digestive system: 412.6 bn yen 	 <ul style="list-style-type: none"> Evidence R&D facilities 	<ul style="list-style-type: none"> Kirin Holdings and FANCL Joint Study Lactococcus lactis strain Plasma, KW Lactobacillus Microbiome 	Collaboration with THORNE (GutBio Enterobacteria)	ProBio Sales of Tix/Skin Biome Products	0.5 bn yen
Kidney	<ul style="list-style-type: none"> Lifestyle-related diseases: 1,030.1 bn yen Chronic kidney disease: 13 mn people 	 <ul style="list-style-type: none"> Pharmaceutical share more than 5 percent Strong relationships with academic institutions 	<ul style="list-style-type: none"> Kirin Holdings /Kyowa Kirin Joint Research Prevention of Chronic Kidney Disease 		Licensing Introduce products/ Sales of foods with function claims	0.1-0.3 bn yen (after FY2027)

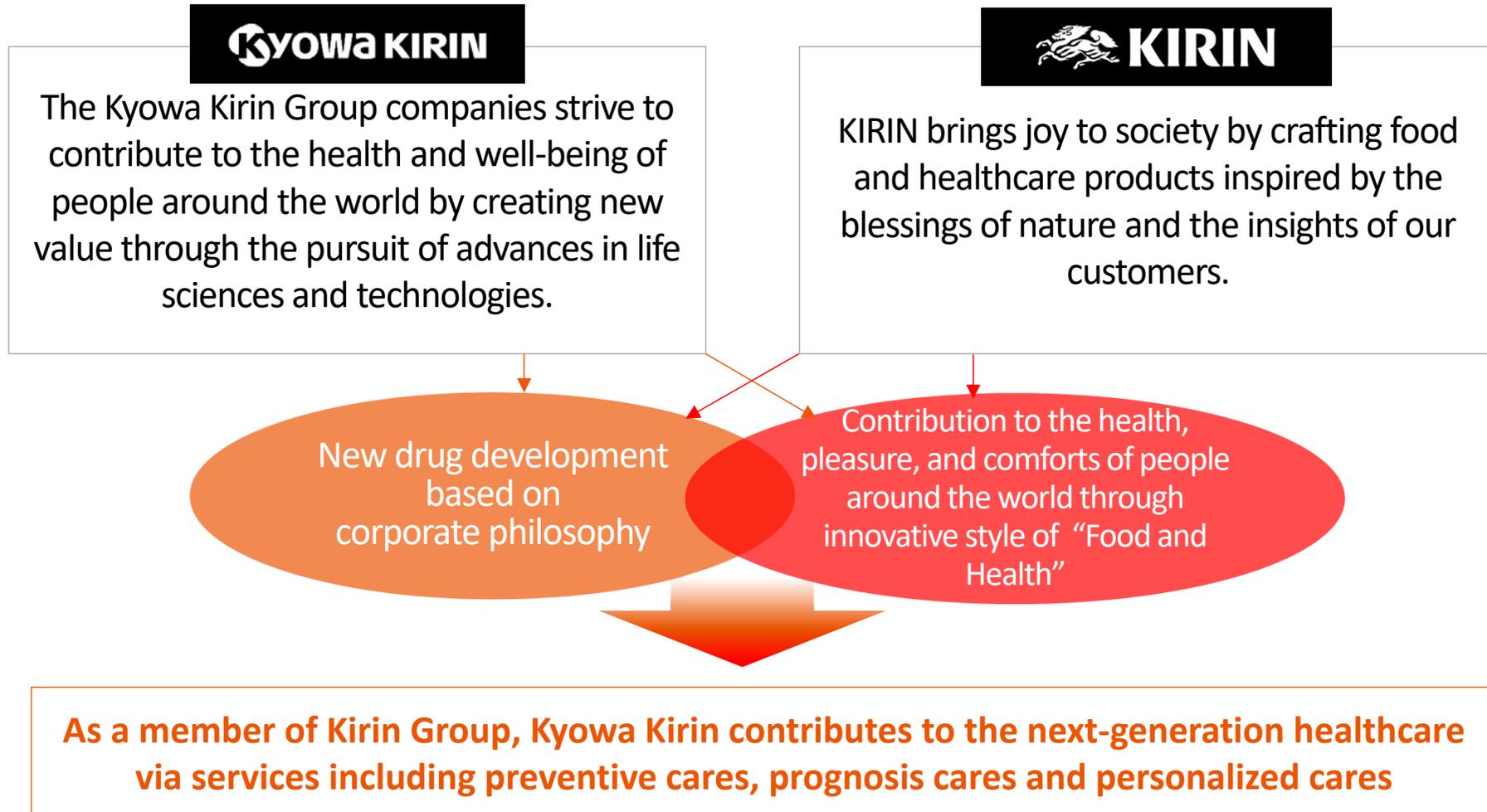
Next-generation healthcare including pre-symptomatic care, preventive medicine, personalized healthcare and solutions applicable across generations

- (1) Incorporate initiatives incl. THORNE, etc. with FANCL's personalized business launched in 2020
- (2) Co-promote Digital Transformation (DX) to contribute to business growth utilizing client data
- (3) Acquire required assets incl. Corporate Venture Capital (CVC) investment to establish and foster new businesses

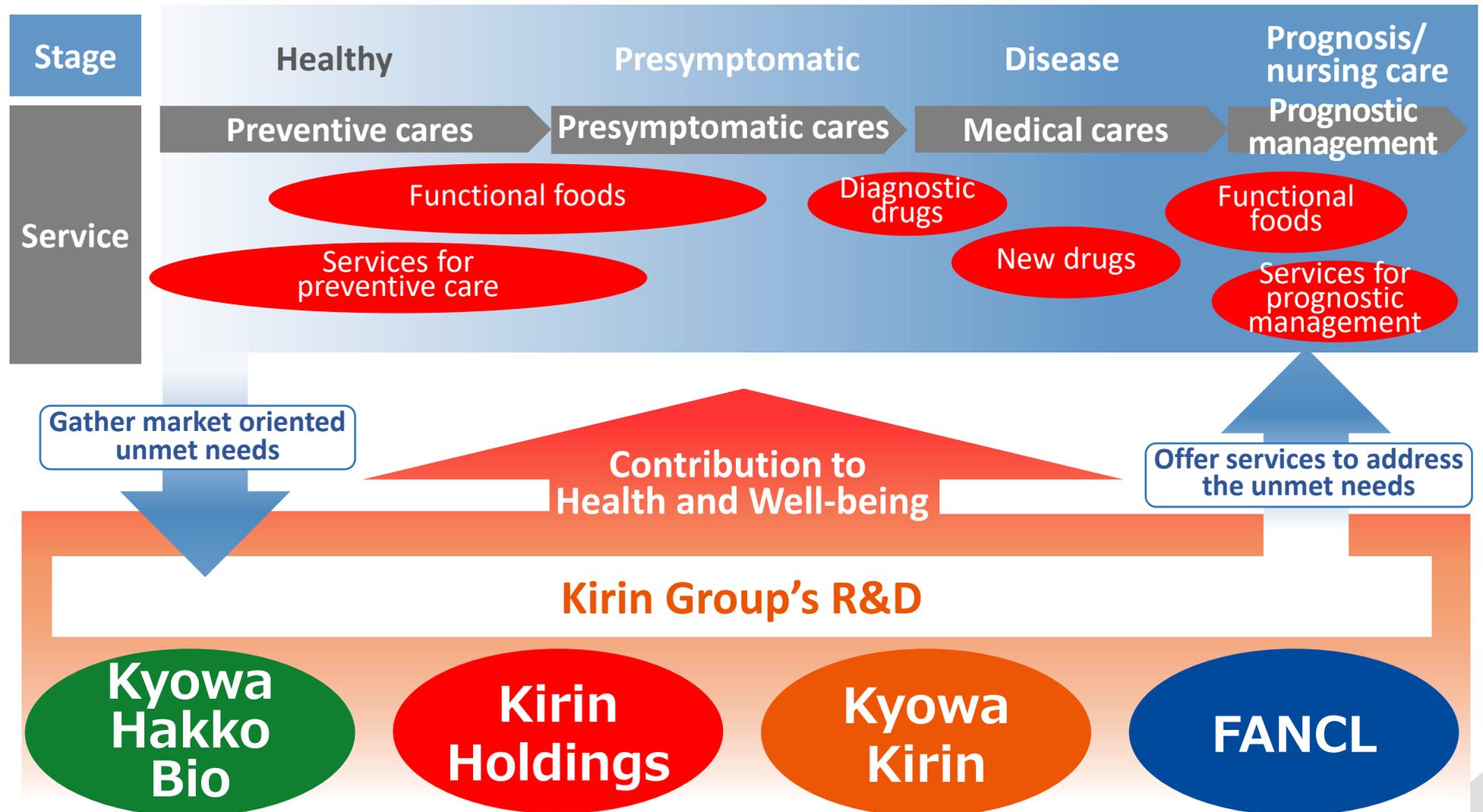


Kyowa Kirin - To Pursue Further Growth - Enhance Synergies within the Kirin Group

Enhance synergies within the Kirin Group - our shared philosophies -

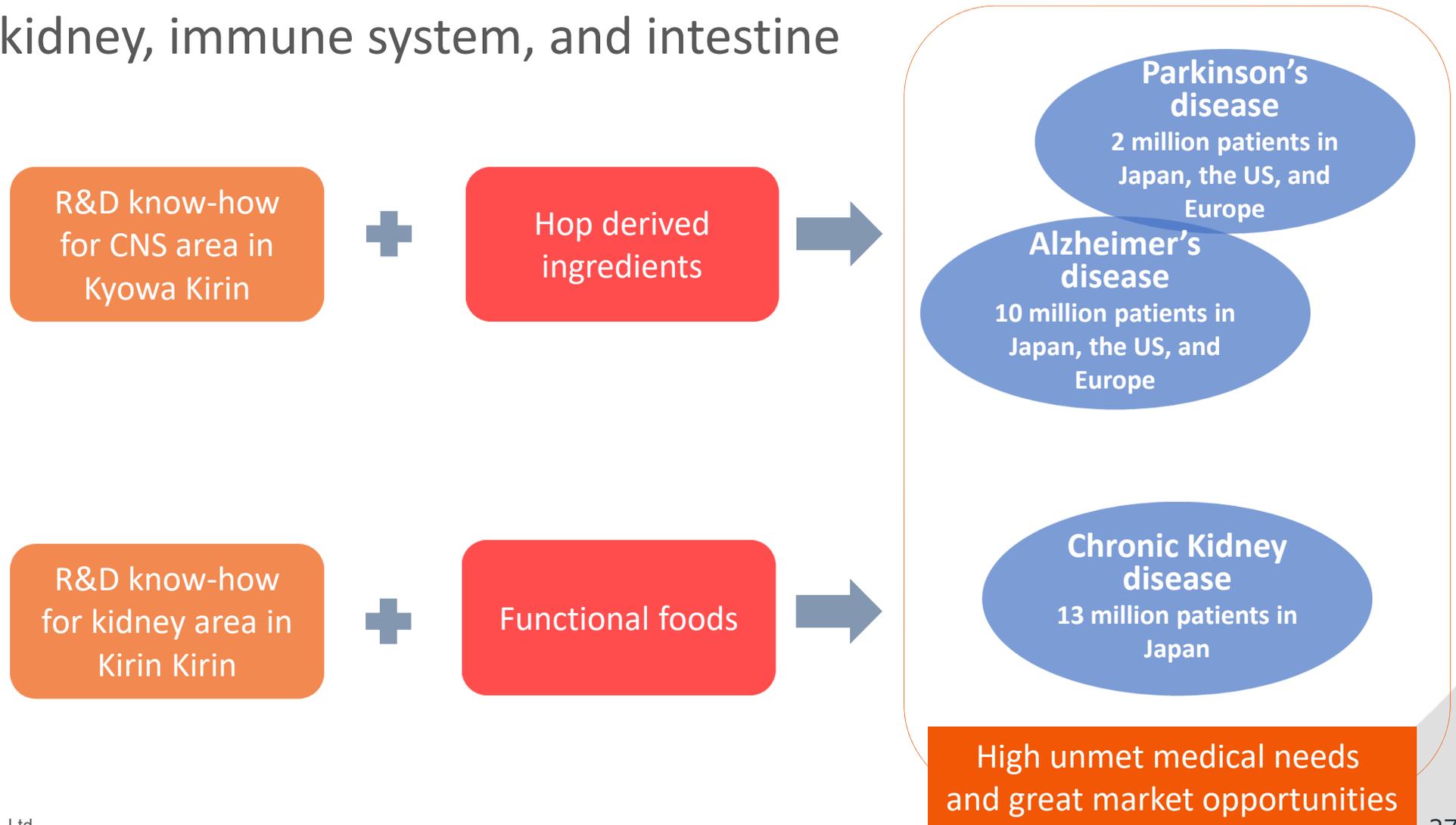


Contributions to the next-generation healthcare -



Enhance synergies within the Kirin Group

- ◆ Basic research collaborations targeting disease of brain, kidney, immune system, and intestine



Enhance synergies within the Kirin Group

- ◆ Basic research collaborations targeting disease of brain, kidney, immune system, and intestine
 - From 2016, research collaboration activities are conducted periodically to find new and cutting-edge approaches in healthcare services. (Kyowa Kirin, Kirin Holdings and Kyowa Hakko Bio)
 - Initiate projects after making contract agreement in each case to create new business values and secure intellectual properties

APPENDIX

What is Foods with Function Claims (FFC) under Japanese regulation?



Cannot label a function claim

Can label a function claim



Unlike FOSHU (or Tokuho), the product is not individually pre-approved by the Secretary General of the Consumer Affairs Agency, so operators must display their labeling at their own risk and based on scientific evidence from clinical trials.

Scientific evidence on safety / functionality and trust in the brand are critically important

Growth potential of FFC

