



Kirin Group  
2022 - 2024  
Medium-Term Business Plan

# New growth track

February 14, 2022

## ➤ **Basic Strategy**

Strategy by  
Business Domain

Financial Strategy

Appendix

**Implemented strategies ahead of schedule in response to changes in the environment.  
Formed the foundation for the next MTBP\***

## Food & Beverages Domain

- › Development of high value-added products
- › Beverage Business featuring Health Science
- › Sale of dairy & drinks business in Australia, etc

## Health Science Domain

- › Vertical integration of the value chain
- › Expansion of *Lactococcus lactis* strain Plasma (LC-Plasma) products
- › Investment in next-generation strategic materials

## Pharmaceuticals Domain

- › Launch of three global strategic brands in multiple regions
- › Establishment of a global management system

## Corporate

- › Streamline BS\*\* by reorganizing business portfolio and selling cross-shareholdings, etc.
- › Underpin Normalized EPS through share buybacks
- › Improve quality of corporate governance (diversity of the board of directors, compensation system, risk management)

The foundation for growth in the next MTBP (2022-24) is in place

\* Medium-term Business Plan

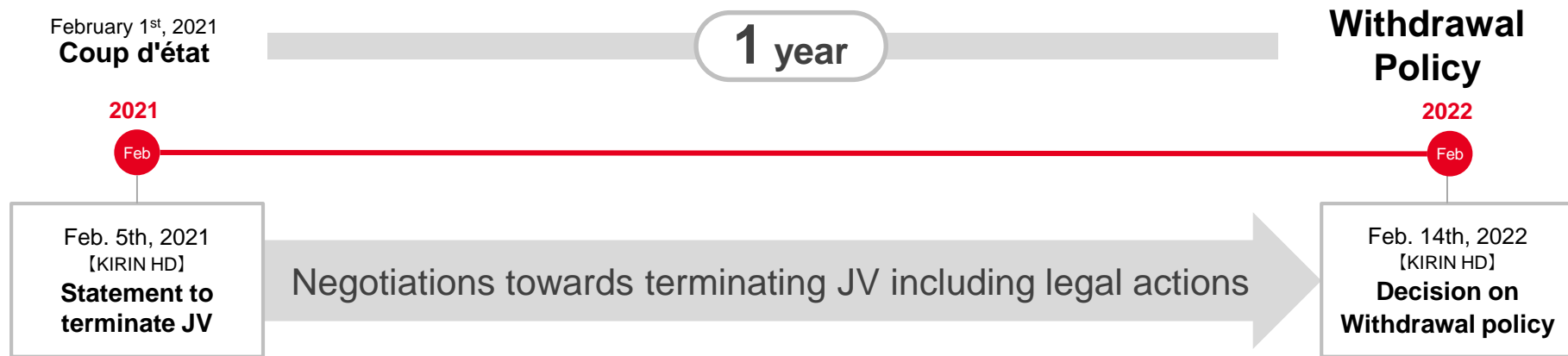
\*\* Balance Sheet

## Kirin Group Vision 2027 (KV2027)

A global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals



## Decided Withdrawal Policy of Myanmar Business



- Since the announcement of the JV termination in February 2021, Kirin Holdings has implemented every option including legal actions on the premise of continuing operations.
- Both parties having been negotiating for about a year. Failing to reach an agreement, Kirin Holdings determined that it would be difficult to quickly terminate the JV in the manner it desires (continuing local operations by its own).
- Kirin Holdings will prioritize divestment and proceed with discussions while giving due consideration to stakeholders including employees.

## Business Portfolio Transformation

**Divest  
Non-core Businesses**



**Invest strategically in  
Core Businesses**

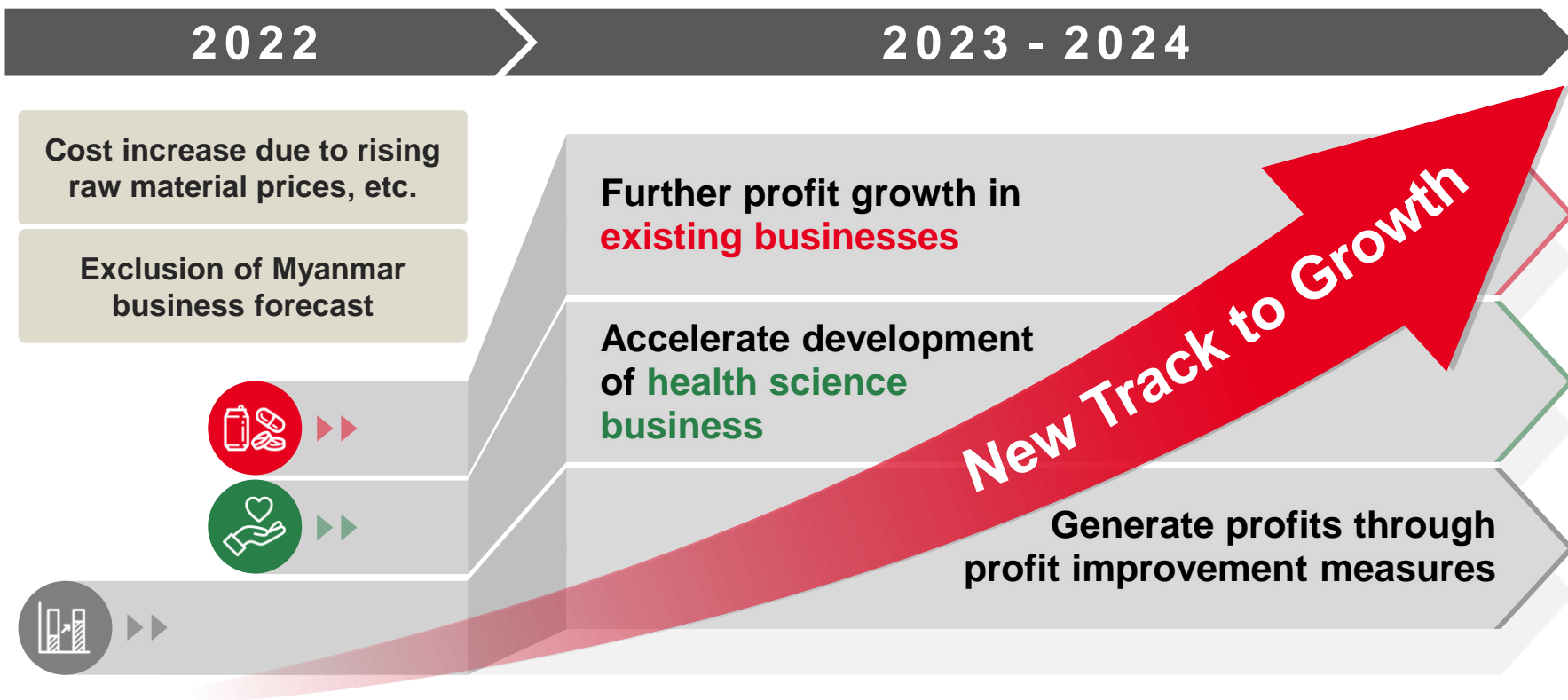
## Share Buyback

- Base decision on M&A investment opportunities, EPS goal achievement, stock price, capital structure, expected use of cash reserves, etc.

For this time...

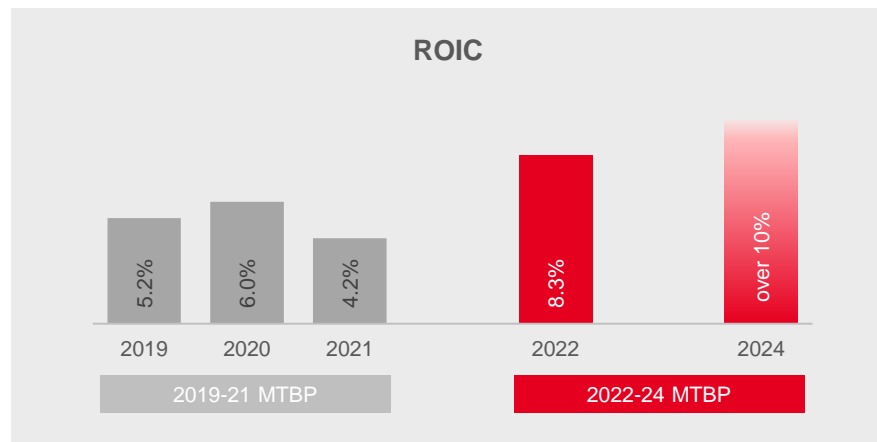
**Additional shareholder returns by  
repurchasing up to 50 bn yen**

# Put the company on a new track to growth through sound measures



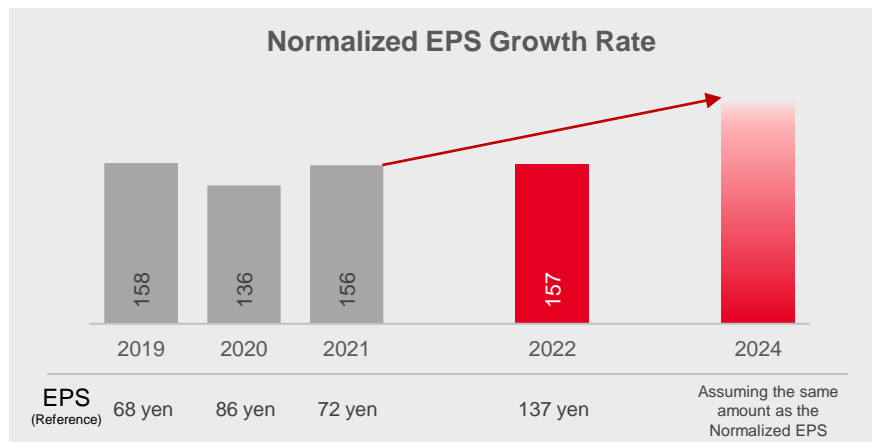
## Capital Efficiency

ROIC  
**10%+**



## Shareholder Value

Normalized EPS Growth Rate (CAGR)  
**11%+**



\* Base year FY2021. Excludes the impact of 50.0bn yen share buyback announced in FY2022.

Guidance

Normalized OP Growth Rate (CAGR) 13%+

Base year FY2021

# Change non-financial indicators to be more directly linked to economic value

## Before

Items	Themes	Non-financial Targets
CSV Commitment	ARP	<b>CSV Commitment</b> Approx. 20 Commitments Approx. 40 Performance Indicators
	Health	
	Community	
	Environment	
Brand	Organizational Capabilities	<b>Corporate Brand Value</b> Scores from nterbrand Japan
Employees	Organizational Culture	<b>Employee Engagement</b> Employee engagement score

Indicators linked to economic value more directly

## After

Items	Themes	Non-financial Targets <sup>New</sup>	Links to Economic Value
Environment	Climate Change	<b>GHG</b> Reduction rate of GHG emissions (Scope1+2 vs. 2019)	Reduction of cost increases when introducing carbon tax with energy saving effect
	Containers and Packaging	<b>PET bottles</b> Recycling rate of resin for PET bottles	Profit generation through value creation and stable procurement of PET raw materials
	Water resources	<b>Water</b> Water use intensity at manufacturing sites with high water stress	Reduction of production cost and production risk due to drought
Health	Progress of mid-term health science strategy	<b>Support Maintenance of Immune Function</b>	Increase in revenue and operating profit
		<b>Create new value in three priority areas and synergies with pharma-domain</b>	Profit generation by satisfying unmet needs and creating new health value
Employees	Organizational Culture	<b>Employee Engagement</b> Employee engagement score	Profit generation through value creation and productivity improvement
	Diversity	<b>Increasing Diversity</b> Ratio of female managers in Japan Ratio of career hires in Japan	Profit generation through value creation and productivity improvement
	Occupational health and safety	<b>Occupational Injury</b> Lost time injury frequency rate	Raise motivation and productivity by improving working environment

Basic Strategy

➤ **Strategy by  
Business Domain**

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Appendix

# Profit structure reform by enhancing brands in existing businesses **AND** exploring new businesses

## Food and Beverages Domain

### Kirin Brewery

- Enhance main brands
- Driven growth of high value-added products and services

### Lion

- Enhance core brands through marketing transformation
- Accelerate growth of craft beer business in Australia and North America

### Kirin Beverage

- Revitalize *Gogo-no-Kocha* and *Nama-cha*
- Expand health science-related product line



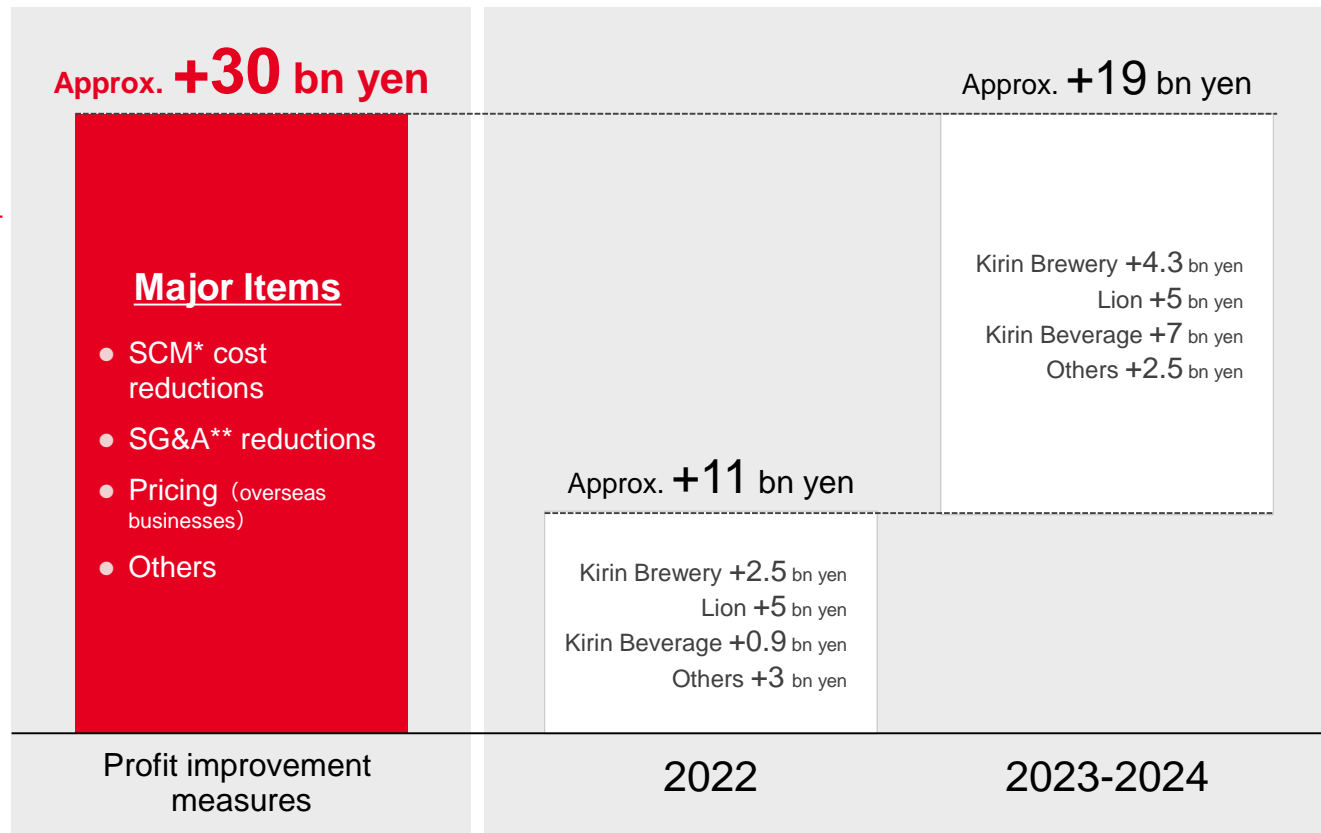
Fermentum



## Plan to improve profitability by approximately 30 bn yen over the next three years to realize profit growth

### Profit improvement measures for next three years in food & beverages domain

(as compared to FY2021)



## Health Science Domain

### Kirin Holdings

- Enhance awareness and sales of *LC-Plasma*
- Explore new growth opportunities and continue collaboration with FANCL
- Expand scale through M&A

### Kyowa Hakko Bio

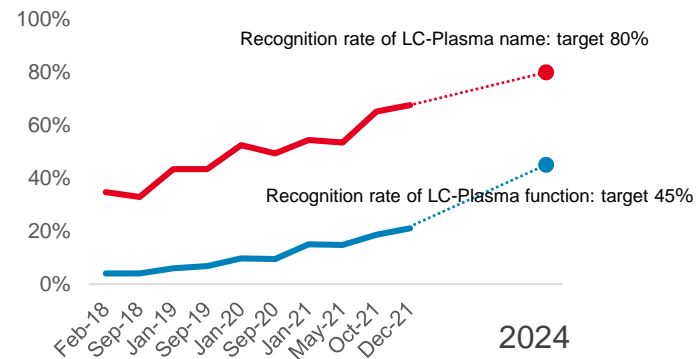
- Establish production base for next-generation strategic materials and overseas development

### Synergies with pharmaceuticals business

- Strengthen API business with Kyowa Hakko Bio's initiative



### Consume Awareness of LC-Plasma



### Next-generation Strategic materials

Immunity	Brain function
LC-Plasma	Citicolin
Human Milk Oligosaccharides	

# Strengthen API business with Kyowa Hakko Bio's initiative

Before

Value creation by multiplying the use of Group assets



Advantage

Industrial production of APIs using unique fermentation technology

Decisions made in accordance with KV2027

Transferred Kyowa Hakko Bio directly to Kirin Holdings

Kyowa Kirin

Focus on in-house drug development in areas where advantages can be leveraged as a GSP\*

**Kyowa Kirin**



Kirin Holdings

Establish and foster health science businesses

**KIRIN**



Invest in API development for external use by leveraging Kyowa Hakko Bio's advantages, which could not be realized under Kyowa Kirin.



KYOWA

Proprietary process development capabilities through fermentation biotechnology

Portfolio management that enables maximum utilization of Group assets



**KIRIN**

**Kyowa Kirin**

Knowledge of global drug development (CMC\*\*, Pharmaceuticals affairs)

Development of high value-added APIs for new drugs in collaboration with pharmaceutical companies and global deployment

- As a CDMO\*\*\*, it works as not just a contract manufacturer, but is responsible for process development and manufacturing of APIs for clinical trials in collaboration with pharmaceutical companies to develop APIs for new drugs.
- Develop high value-added APIs for new drugs using proprietary fermentation technology.
- Differentiate by APIs that have high social value through manufacturing methods with low environmental impact.

2022 Construct investigational drug manufacturing facilities  
2025 Start operation  
2029 Manufacture and sell APIs for marketing

Aim for 100 bn yen of Sales Revenue

\* Global Specialty Pharmaceutical company

\*\* CMC=Chemistry, Manufacturing, and Control

\*\*\* CDMO=Contract Development and Manufacturing Organization

## Accelerate growth of health science businesses and establish a stable profit structure as a Global Specialty Pharma Company

### Pharmaceuticals Domain

#### Kyowa Kirin

- Drive growth of three global strategic brands
- Continue to invest in global operating base including sales channels and production lines for mid-to-long term growth
- Make steady progress of Next-generation Strategic Products



- MSCI's ESG rating went up from A to AA, putting the company on par with the world's leading CSV companies

## Environment

### Environmental investment of approx. 10 bn yen over three years

- Approx. 10 bn yen will be invested in environmental investments that will lead to GHG reduction, mainly to achieve the SBT 1.5°C target during 2022-2024.
- ICP\* will also be used to make environmental investment decisions on GHG reduction.

### Compliance with TCFD new guidance

- Move ahead with disclosures that comply with the TCFD new guidance, announced in October, 2021.
- Assess the risks, opportunities and resilience of strategies of climate change to society and companies, and work on deepening scenario analysis and response measures to lead to positive impact.

Kirin Group  
Environmental Report  
2021 TCFD Section



## Social

### Investment in human capital to enhance job satisfaction

- Increase the attractiveness of working at Kirin Group by working to improve the labor conditions of domestic Group companies based on their performance results during MTBP period.
- In addition, actively invest in human capital through examination of comprehensive working conditions, including skills development and working environment improvement.

### Long-term plan to promote active role of women

- Formulated the Long-Term Plan for the Promotion of Women's Activities 2030.
- Promote diversity with the aim of achieving a 30% ratio of female management in Japan and a 30% ratio of female executives in Kirin Holdings.

## Governance

### Improve the effectiveness of the Board

- Focused areas in FY2022 are (1) "Business portfolio"; (2) "Formulation and implementation of strategy and its monitoring"; (3) "Thorough understanding and implementation of the Kirin Group Corporate Philosophy which promotes CSV management and infiltration thereof"; (4) "Disseminating of wholesome company ethics"; and (5) "Risk management".

### Further address to sustainability issues

- The number of meetings of the Kirin Group CSV Committee and the frequency of reporting to the Board of Directors will be increased from once to three times a year.
- Under the umbrella of the Kirin Group CSV Committee, Group Environmental Council, Group Human Rights Council, Group Health Management Promotion Council, etc. will be established to strengthen discussion and response to the Group's materiality.

\*Internal Carbon Pricing: A carbon price that is set and used within a company.

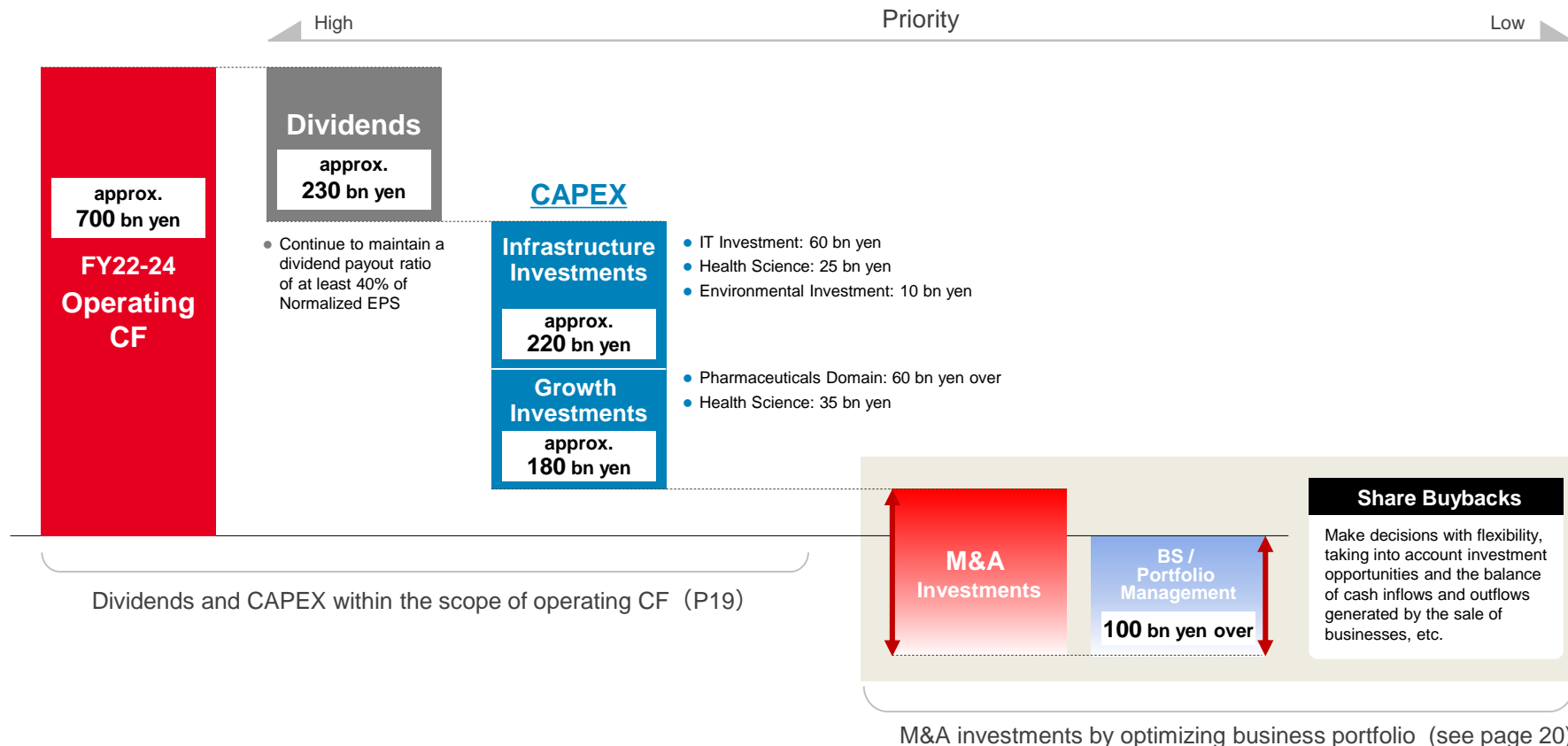
Basic Strategy

Strategy by  
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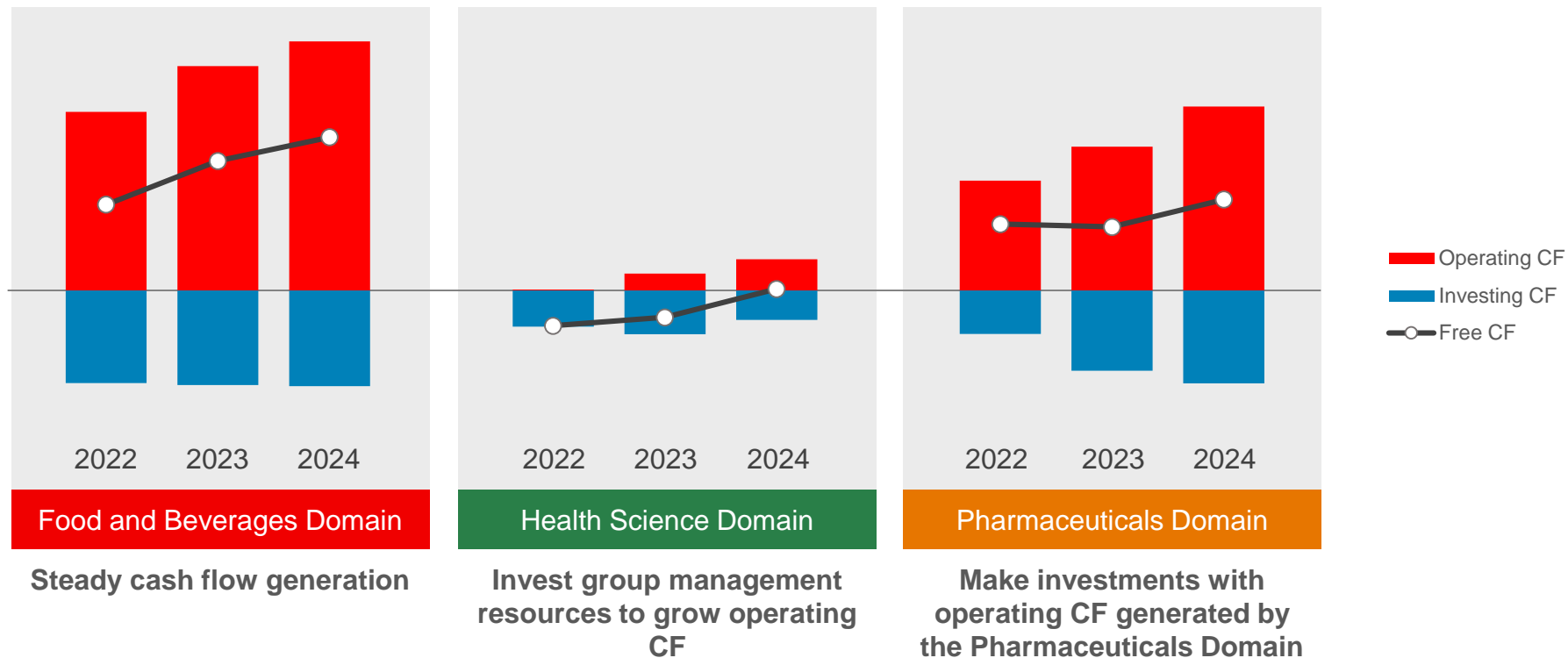
➤ **Financial Strategy**

Appendix

# Allocate approx. 700 bn yen of operating CF in definitive priorities



## Secure entire Group's cash balance through investment strategies that match each stage of the business\*



## Outline of Finance Strategy



### Cash generation through BS / PF\* management

- Asset reduction of 100 bn yen or more (global CMS\*\* implementation, CCC\*\*\* improvement through SCM efficiency improvement, etc.)
- Divest non-core businesses



### Disciplined investment to acquire growth drivers

- Accelerate investment for growth with a focus on health science
- Put a premium on investment efficiency to achieve ROIC target



### Flexible shareholder return policy

- Prioritize investment for growth, but flexibly implement share buybacks



ROIC (Capital Efficiency)	Normalized EPS (Stockholder Value)	OP amount/rate (Profit Growth)
✓		
✓	✓	✓
	✓	

\* BS: Balance Sheet, PF: Portfolio  
 \*\* CMS: Cash Management System  
 \*\*\* CCC: Cash Conversion Cycle

Basic Strategy

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**➤ Appendix**

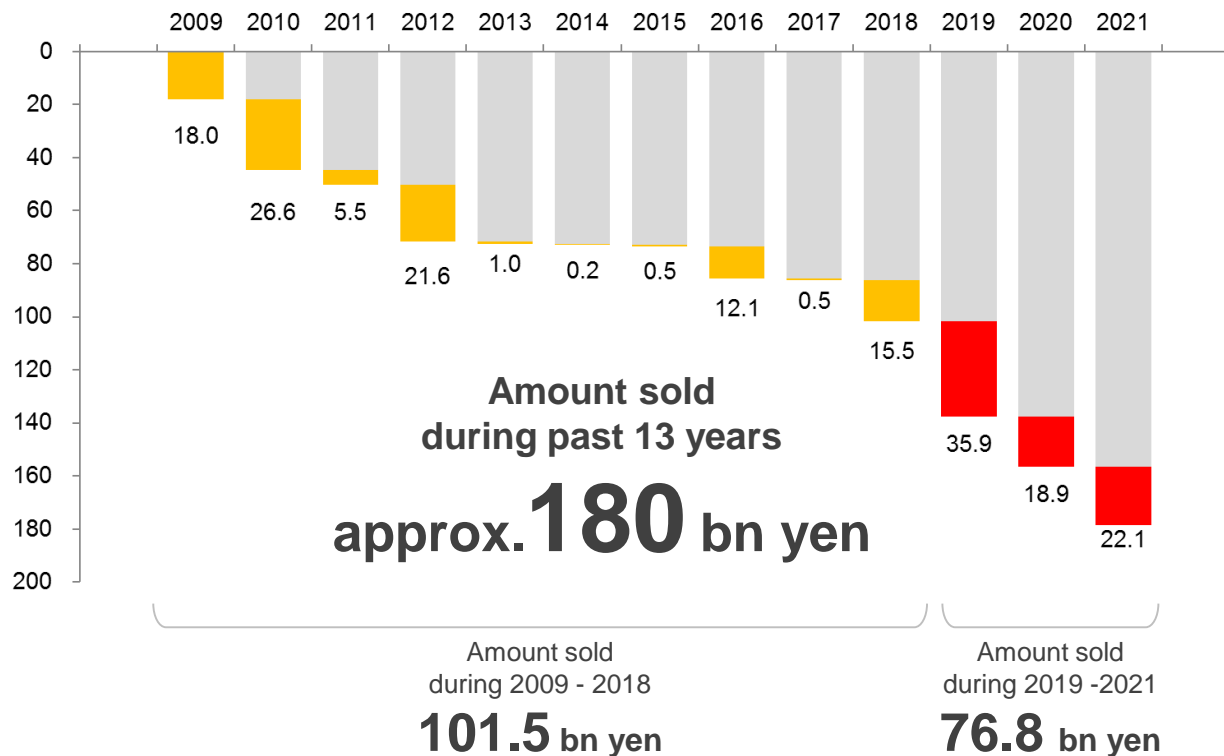
# Review of 2019-2021 MTBP

	KPI	Targets	Status
Financial Targets	Normalized EPS	CAGR as compared to 2018 5% +	-2.2% (156 yen)
	ROIC	By FY2021 10% +	4.2%
Non-financial Targets	CSV Commitments*	19 Commitments (47 Performance Indicators)	Some of other targets were not due to COVID-19-related movement restrictions while environment targets were steadily addressed and achieved while.
	Corporate Brand Value	By FY2021 US\$ 2.2 bn+	US\$ 2.476 bn
	Employee Engagement Score	By FY2021 72% +	72%



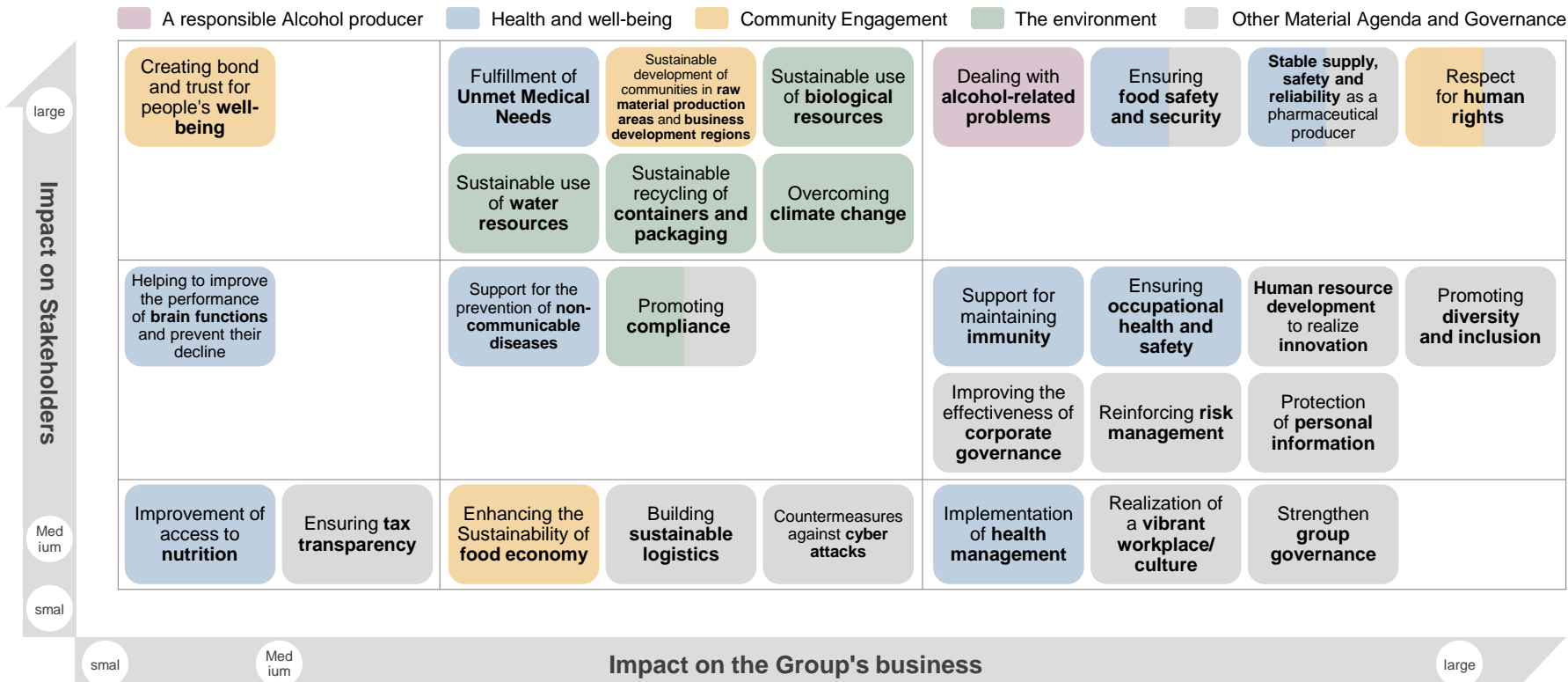
See our website for  
detailed results of  
CSV Commitments

## Sold About 77 bn yen of cross-shareholdings during 2019-2021 MTBP





- Updated management issues, which are revised every three years and are a prerequisite for the formulation of the MTBP. Strengthen management resilience by growing our business through sustainability.



# Revision of CSV Purpose, CSV commitment

Kirin HD Website  
(CSV Purpose)



Joy brings us together



- Kirin Group established a CSV Purpose corresponding to each of its four CSV key issues "A Responsible Alcohol Producer," "Health and Well-being," "Community Engagement," and "The Environment".
- Updating the "Community engagement" section in CSV Purpose due to the impact of Covid-19.
- Based on GMM and CSV Purpose, CSV commitments are set to be achieved over the period of the Mid-Term Business Plan.

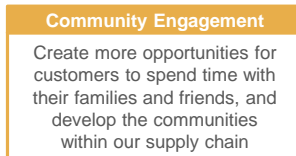
## CSV Purpose



## After / 2022 MTBP



## Before / 2019 MTBP



## CSV Commitments

Advancement from 2019 MTBP

<b>A responsible Alcohol producer</b>	<ul style="list-style-type: none"> <li>Performance indicators will not be added or changed, but targets will be set and disclosed for each operating company (currently, only group targets are disclosed)</li> </ul>
<b>Health and well-being</b>	<ul style="list-style-type: none"> <li>Set for a <b>wide range of social issues, including brain function</b> as well as immune function</li> </ul>
<b>Community Engagement</b>	<ul style="list-style-type: none"> <li><b>Human rights</b> added in response to revision of GMM</li> <li>Reviewed the <b>social value to be created</b> in response to the revision of CSV Purpose</li> </ul>
<b>The Environment</b>	<ul style="list-style-type: none"> <li>Set and disclose targets by operating company for climate change and biological resources (currently, only group targets are disclosed)</li> <li>Newly set <b>targets for water resources</b></li> </ul>

# Non-financial Indicators List in 2024

Items	Themes	Non-financial Indicators	Target Level in 2024
Environment	Climate Change	<b>Reduction rate of GHG emissions</b> (Scope1+2 vs. 2019)	<b>23%</b> (50% in 2030)
	Containers and Packaging	<b>Recycling rate of resin for PET bottles</b>	<b>38%</b> (50% in 2027)
	Water Resources	<b>Water use intensity at manufacturing sites with high water stress</b> Lion (Australia) (Water use intensity = Water usage / Production amount)	<b>Under 3.0 kL/kL</b> (Under 2.4kL/kL in 2025)
Health	Progress of mid-term health science strategy	<b>Achievement level in supporting the maintenance of immune function</b> 1. Recognition rate of LC-Plasma function in Japan 2. Number of people continuing to take LC-Plasma	<b>1. 45% 2. 1,900,000 people</b> (1. 50% in 2027)
		<b>Achievement level of new value creation in the immunity, brain function, and intestinal environment domains and Achievement level of promotion of collaboration with pharmaceuticals domain</b>	<b>Not disclosed<sup>*1</sup></b>
Employees	Organizational Culture	<b>Employee engagement score</b>	<b>75%</b>
	Diversity	<b>Achievement level in “Increasing diversity”<sup>*2</sup></b> 1. Ratio of female managers in Japan 2. Ratio of career hires in Japan	<b>1. 15% 2. 30%</b>
	Occupational health and safety	<b>Lost time injury frequency rate<sup>*3</sup></b>	<b>0.95</b> (0.40 in Japan)

<sup>\*1</sup> Specific indicators and target levels are not disclosed for strategic reasons, as they include content related to intellectual property.

<sup>\*2</sup> The target group is employees of Kirin Holdings.

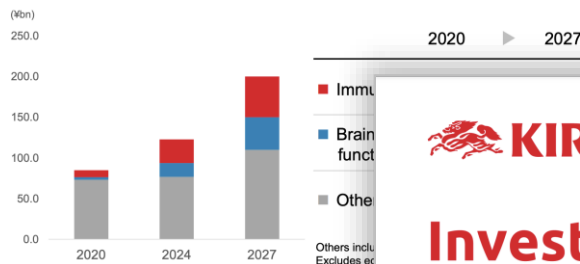
<sup>\*3</sup> Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included.

# Continue the basic strategy demonstrated on Investor Day toward MTBP that generate results



## Revenue targets in Health Science

In 2027, aim to achieve revenue of ¥200.0bn and a Normalized OP margin of 15%



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## Investor Day 2021

Overall strategy and future possibilities for the Health Science Business

March 3, 2021 Kirin Holdings Company, Limited

## Priory areas within the Health Science domain

### Priory areas

Create a body that is strong against disease

Enhance daily life

## What is the Health Science domain?

Domain in which the group will create new economic and social value by providing solutions to "health and well-being issues" while utilizing the group's core competencies

Fermentation and biotechnology are the core competencies linking the domains

Encompass consumer needs for health and well-being, pre-disease and medical treatment



See presentation slides (health science part) from Investor Day on Mar. 3<sup>rd</sup>, 2021



# Joy Brings Us Together

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