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 though 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
Position and basic policy of 2022 MTBP

Accelerate growth by implementing business restructuring and create new value

Kirin Group Vision 2027 (KV2027)
A global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals

New growth track
Focusing management resources on three domains

- Increase profit in Food & Beverages domain
- Scale up business in Health Science domain
- Strengthen global base in Pharmaceuticals domain

Built the foundation of transformation

2019-2021 MTBP

2022-2024 MTBP

Achieving KV2027

2025-2027 MTBP
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.
Enhancing Corporate Value

Divest Non-core Businesses and Optimizing Business Portfolio

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
Roadmap to 2024

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

**2022**
- Cost increase due to rising raw material prices, etc.
- Exclusion of Myanmar business forecast

**2023 - 2024**
- Further profit growth in existing businesses
- Accelerate development of health science business
- Generate profits through profit improvement measures

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Financial Targets

Aim for 10%+ ROIC, 11%+ CAGR of Normalized EPS by 2024

**Capital Efficiency**

**ROIC**

10%+

- 2019: 5.2%
- 2020: 6.0%
- 2021: 4.2%
- 2022: 8.3%
- 2024: over 10%

**Shareholder Value**

**Normalized EPS Growth Rate (CAGR)**

11% +*

- 2019: 68 yen
- 2020: 86 yen
- 2021: 72 yen
- 2022: 137 yen
- 2024: Assuming the same amount as the Normalized EPS

* 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
Non-financial Targets

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

**Before**

<table>
<thead>
<tr>
<th>Items</th>
<th>Themes</th>
<th>Non-financial Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSV Commitment</td>
<td>ARP</td>
<td>CSV Commitment approx. 20 commitments approx. 40 performance indicators</td>
</tr>
<tr>
<td></td>
<td>Health</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Community</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environment</td>
<td></td>
</tr>
<tr>
<td>Brand</td>
<td>Organizational Capabilities</td>
<td>Corporate Brand Value Scores from Interbrand Japan</td>
</tr>
<tr>
<td>Employees</td>
<td>Organizational Culture</td>
<td>Employee Engagement Employee engagement score</td>
</tr>
</tbody>
</table>

**After**

<table>
<thead>
<tr>
<th>Items</th>
<th>Themes</th>
<th>Non-financial Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Climate Change</td>
<td>GHG Reduction rate of GHG emissions (Scope 1+2 vs. 2019)</td>
</tr>
<tr>
<td></td>
<td>Containers and Packaging</td>
<td>PET bottles Recycling rate of resin for PET bottles</td>
</tr>
<tr>
<td></td>
<td>Water</td>
<td>Water use intensity at manufacturing sites with high water stress</td>
</tr>
<tr>
<td>Health</td>
<td>Support Maintenance of Immune Function</td>
<td>Increase in revenue and operating profit</td>
</tr>
<tr>
<td></td>
<td>Progress of mid-term health science strategy</td>
<td>Create new value in three priority areas and synergies with pharma-domain</td>
</tr>
<tr>
<td>Employees</td>
<td>Organizational Culture</td>
<td>Employee Engagement Employee engagement score</td>
</tr>
<tr>
<td></td>
<td>Diversity</td>
<td>Increasing Diversity Ratio of female managers in Japan Ratio of career hires in Japan</td>
</tr>
<tr>
<td></td>
<td>Occupational health and safety</td>
<td>Occupational Injury Lost time injury frequency rate</td>
</tr>
</tbody>
</table>

**Links to Economic Value**

<table>
<thead>
<tr>
<th>Items</th>
<th>Themes</th>
<th>Links to Economic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>GHG</td>
<td>Reduction of cost increases when introducing carbon tax with energy saving effect</td>
</tr>
<tr>
<td></td>
<td>PET bottles</td>
<td>Profit generation through value creation and stable procurement of PET raw materials</td>
</tr>
<tr>
<td></td>
<td>Water</td>
<td>Reduction of production cost and production risk due to drought</td>
</tr>
<tr>
<td>Health</td>
<td>Support Maintenance of Immune Function</td>
<td>Increase in revenue and operating profit</td>
</tr>
<tr>
<td></td>
<td>Progress of mid-term health science strategy</td>
<td>Profit generation by satisfying unmet needs and creating new health value</td>
</tr>
<tr>
<td>Employees</td>
<td>Organizational Culture</td>
<td>Profit generation through value creation and productivity improvement</td>
</tr>
<tr>
<td></td>
<td>Diversity</td>
<td>Profit generation through value creation and productivity improvement</td>
</tr>
<tr>
<td></td>
<td>Occupational health and safety</td>
<td>Raise motivation and productivity by improving working environment</td>
</tr>
</tbody>
</table>

For key quantitative targets of non-financial indicators, please refer to Appendix page 26.
Basic Strategy

Strategy by Business Domain

Financial Strategy

Appendix
Food and Beverages Domain

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

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
### Profit improvement measures for Food and Beverages Domain

**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)

<table>
<thead>
<tr>
<th>Major Items</th>
<th>2022</th>
<th>2023-2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCM* cost reductions</td>
<td>Approx. +11 bn yen</td>
<td></td>
</tr>
<tr>
<td>SG&amp;A** reductions</td>
<td>Approx. +30 bn yen</td>
<td></td>
</tr>
<tr>
<td>Pricing (overseas businesses)</td>
<td>Approx. +19 bn yen</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>Kirin Brewery +4.3 bn yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lion +5 bn yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kirin Beverage +7 bn yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others +2.5 bn yen</td>
</tr>
</tbody>
</table>

* Supply Chain Management  
** Selling, General, and Administrative Expenses
Health Science Domain
Accelerate growth of health science businesses

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

Health Science Domain

Consume Awareness of LC-Plasma
Recognition rate of LC-Plasma name: target 80%
Recognition rate of LC-Plasma function: target 45%

Next-generation Strategic materials
<table>
<thead>
<tr>
<th>Immunity</th>
<th>Brain function</th>
</tr>
</thead>
<tbody>
<tr>
<td>LC-Plasma</td>
<td>Citicolin</td>
</tr>
<tr>
<td>Human Milk Oligosaccharides</td>
<td></td>
</tr>
</tbody>
</table>
Collaboration with Kyowa Kirin in Health Science Domain

Strengthen API business with Kyowa Hakko Bio’s initiative

**Value creation by multiplying the use of Group assets**

**Before**

- **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*

- **Kirin Holdings**
  - Establish and foster health science businesses

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

**Proprietary process development capabilities through fermentation biotechnology**

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

**Portfolio management that enables maximum utilization of Group assets**

**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.

**Decisions made in accordance with KV2027**

- **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

As the pharmaceutical sector becomes more polarized, we aim to demonstrate our value as a GSP through new drug discovery capabilities.
Further Accelerate ESG Initiatives through CSV Management under new MTBP

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.

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.

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Kirin Group Environmental Report 2021 TCFD Section

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

Strategy by Business Domain

Financial Strategy

Appendix
Cash Allocation

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

High

- Dividends
  - approx. 230 bn yen

- Infrastructure Investments
  - approx. 220 bn yen

- Growth Investments
  - approx. 180 bn yen

CAPEX

- IT Investment: 60 bn yen
- Health Science: 25 bn yen
- Environmental Investment: 10 bn yen
- Pharmaceuticals Domain: 60 bn yen over
- Health Science: 35 bn yen

Low

- Share Buybacks
  - Make decisions with flexibility, taking into account investment opportunities and the balance of cash inflows and outflows generated by the sale of businesses, etc.

Dividends and CAPEX within the scope of operating CF (P19)

M&A investments by optimizing business portfolio (see page 20)
Steady cash flow generation

Three-year cash flow plan by domain (excluding M&A investment)

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

*Investment CF include projects in the planning stage at the time the MTBP was formulated. Plans and timing of implementation may vary.
Financial Strategy of 2022-2024 MTBP

Enhance corporate value through financial strategies

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

<table>
<thead>
<tr>
<th>ROIC (Capital Efficiency)</th>
<th>Normalized EPS (Stockholder Value)</th>
<th>OP amount/rate (Profit Growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

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

Strategy by Business Domain

Financial Strategy

Appendix
## Review of 2019-2021 MTBP

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

See our website for detailed results of CSV Commitments.
Sale of cross-shareholdings

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

Amount sold during past 13 years
approx. 180 bn yen

Amount sold during 2009 - 2018
101.5 bn yen

Amount sold during 2019 - 2021
76.8 bn yen
**Group Materiality Matrix (GMM)**

**Revision of Management Issues for Sustainable Growth**

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.

<table>
<thead>
<tr>
<th>Impact on Stakeholders</th>
<th>Health and well-being</th>
<th>Community Engagement</th>
<th>The environment</th>
<th>Other Material Agenda and Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creating bond and trust for people’s well-being</strong></td>
<td><strong>Fulfillment of Unmet Medical Needs</strong></td>
<td><strong>Sustainable development of communities in raw material production areas and business development regions</strong></td>
<td><strong>Sustainable use of biological resources</strong></td>
<td><strong>Dealing with alcohol-related problems</strong></td>
</tr>
<tr>
<td><strong>Sustainable use of water resources</strong></td>
<td><strong>Sustainable recycling of containers and packaging</strong></td>
<td><strong>Overcoming climate change</strong></td>
<td><strong>Ensuring food safety and security</strong></td>
<td><strong>Stable supply, safety and reliability as a pharmaceutical producer</strong></td>
</tr>
<tr>
<td><strong>Helping to improve the performance of brain functions and prevent their decline</strong></td>
<td><strong>Support for the prevention of non-communicable diseases</strong></td>
<td><strong>Promoting compliance</strong></td>
<td><strong>Support for maintaining immunity</strong></td>
<td><strong>Human resource development to realize innovation</strong></td>
</tr>
<tr>
<td><strong>Improvement of access to nutrition</strong></td>
<td><strong>Ensuring tax transparency</strong></td>
<td><strong>Enhancing the Sustainability of food economy</strong></td>
<td><strong>Building sustainable logistics</strong></td>
<td><strong>Implementation of health management</strong></td>
</tr>
<tr>
<td><strong>Countermeasures against cyber attacks</strong></td>
<td><strong>Implementation of health management</strong></td>
<td><strong>Realization of a vibrant workplace/culture</strong></td>
<td><strong>Strengthen group governance</strong></td>
<td><strong>Protection of personal information</strong></td>
</tr>
<tr>
<td><strong>Promoting diversity and inclusion</strong></td>
<td><strong>Improving the effectiveness of corporate governance</strong></td>
<td><strong>Reinforcing risk management</strong></td>
<td><strong>Strengthen group governance</strong></td>
<td><strong>Promoting diversity and inclusion</strong></td>
</tr>
</tbody>
</table>

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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**

- **A Responsible Alcohol Producer**
  - Make steady progress toward eradicating the harmful use of alcohol in all countries of operation (Zero Harmful Drinking)

- **Health and Well-being**
  - Raise the number of healthy people, lower the number of sick people, and contribute to the people who are involved in healthcare

- **Community Engagement**
  - Create positive forces for people’s well-being and society by developing communities
  - Create more opportunities for customers to spend time with their families and friends, and develop the communities within our supply chain

- **The Environment**
  - Enrich a sustainable Earth for future generations through positive impact

**CSV Commitments**

- **A responsible Alcohol producer**
  - 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)

- **Health and well-being**
  - Set for a wide range of social issues, including brain function as well as immune function

- **Community Engagement**
  - Human rights added in response to revision of GMM
  - Reviewed the social value to be created in response to the revision of CSV Purpose

- **The Environment**
  - Set and disclose targets by operating company for climate change and biological resources (currently, only group targets are disclosed)
  - Newly set targets for water resources

Before / 2019 MTBP

Create positive forces for people’s well-being and society by developing communities

After / 2022 MTBP

Create positive forces for people’s well-being and society by developing communities

Kirin HD Website
(CSV Purpose)
## Non-financial Indicators List in 2024

<table>
<thead>
<tr>
<th>Items</th>
<th>Themes</th>
<th>Non-financial Indicators</th>
<th>Target Level in 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td></td>
<td><strong>Reduction rate of GHG emissions (Scope 1+2 vs. 2019)</strong></td>
<td>23% (50% in 2030)</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Recycling rate of resin for PET bottles</strong></td>
<td>38% (50% in 2027)</td>
</tr>
</tbody>
</table>
|             |                                             | **Water use intensity at manufacturing sites with high water stress**  
Lion (Australia)  
(Water use intensity = Water usage / Production amount)                                                                                   | Under 3.0 kL/kL (Under 2.4kL/kL in 2025)                                           |
| Health      |                                             | **Achievement level in supporting the maintenance of immune function**  
1. Recognition rate of LC-Plasma function in Japan  
2. Number of people continuing to take LC-Plasma                                                                                       | 1. 45%  2. 1,900,000 people (1. 50% in 2027)                                        |
|             |                                             | **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** | Not disclosed*1                                                                  |
| Employees   |                                             | **Employee engagement score**                                                                                                                                                                                                  | 75%                                                                             |
|             |                                             | **Achievement level in “Increasing diversity”**  
1. Ratio of female managers in Japan  
2. Ratio of career hires in Japan                                                                                                                     | 1. 15%  2. 30%                                                                   |
|             |                                             | **Lost time injury frequency rate**  
*3 Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included. | 0.95 (0.40 in Japan)                                                               |

*1 Specific indicators and target levels are not disclosed for strategic reasons, as they include content related to intellectual property.  
*2 The target group is employees of Kirin Holdings.  
*3 Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included.
Basic Strategy of Health Science Domain

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

See presentation slides (health science part) from Investor Day on Mar. 3rd, 2021.
Joy Brings Us Together

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