



INTEGRATED REPORT 2023

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Contents

About Kirin Group ...4

The Origin and Progress of CSV Management ...4
 Corporate Policy ...6
 Key Issues ...7
 The Long-term Management Vision,
 Medium-Term Business Plan, and 2023 Strategy ...8
 KPIs ...17

KIRIN's HISTORY ...18

Message from Top Management ...23

Yoshinori Isozaki
 President & CEO
 Kirin Holdings Company, Limited



Value Creation Model

INPUT ...26

Diversity and inclusion, culture for innovation ...27

Junko Tsuboi

Senior Executive Officer, Human Resources & General Affairs
 Kirin Holdings Company, Limited

Core technology that creates accurate value: A competitive strategy combining R&D expertise and IP strategies ...33

Consumer centric marketing ...39

ICT accelerating value creation ...42

BUSINESS ...45

Message from Senior Executive Officer of Health Science Strategy ...46

Takeshi Minakata

Director of the Board, Senior Executive Officer
 Kirin Holdings Company, Limited

Health Science domain ...49
 Kirin Holdings Company, Limited / Kirin Beverage Company, Limited / Koivai Dairy Products Co., Ltd. / Kyowa Hakko Bio Co., Ltd.

Food and Beverages domain ...60
 Kirin Brewery Company, Limited / Lion Pty Ltd / Kirin Beverage Company, Limited / Mercian / Coca-Cola Beverages Northeast, Inc.

Pharmaceuticals domain ...71
 Kyowa Kirin Co., Ltd.

OUTPUT ...73

Message from the Chief Financial Officer ...74

Shinjiro Akieda

Senior Executive Officer
 Kirin Holdings Company, Limited

Financial and Non-financial Highlights ...77

Management Analysis Of Financial Position, Operating Results, And Cash Flows ...79

OUTCOME ...85

CSV Stories

Health and Well-Being

Spreading an Immune Care Habit and Contributing to the Consumers' Health and Well-Being ...86

Community Engagement

Giving Back to the Community through Human Powered Business ...89

The Environment

Creating Positive Impact on Society through Active Engagement with Natural Capital ...94

A Responsible Alcohol Producer

Lion's Commitment to Responsible Drinking and Innovation ...98

CSV Management ...100

Message from Senior Executive Officer of CSV Strategy ...101

Ryosuke Mizouchi

Senior Executive Officer
 Kirin Holdings Company, Limited

Disclosure Based on TCFD and TNFD Frameworks

Disclosure of Information on Climate Change ...105

Disclosure of Natural Capital ...111

Corporate Governance / Risk Management ...112

Corporate Governance ...113

Interview with Independent Non-executive Directors ...117

Masakatsu Mori

Independent Non-executive Director of the Board (Chairperson of the Board)

Noriko Shiono

Independent Non-executive Director of the Board (Member of the Nomination and Remuneration Advisory Committee)

Enhancing Management Effectiveness ...122

Required skills for directors and Audit & Supervisory Board members ...123

Basic Policy for the Remuneration of Executive Officers ...124

Risk Management ...126

Quality initiatives In 2022 ...128

Editorial Policy

The Kirin Group Vision 2027 (KV2027) sets the Long-Term Management Vision for the Group to become a global leader in CSV, creating value across our world of Food & Beverages and Pharmaceuticals domains. We hope this report will help readers understand how we are using our strengths in fermentation and biotechnology that have been cultivated through our beer business since its foundation, to create value in the Food & Beverages, Pharmaceuticals, and Health Science domains.

● Coverage

Kirin Holdings Company and the Kirin group companies

● Period

Period covered is fiscal 2022 (January 1, 2022 to December 31, 2022). Certain activities occurred in fiscal 2023.

● Contact

Kirin Holdings, Corporate Communications Department

● Referenced Guidelines

The integrated report was prepared with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry.

Cautionary statement regarding forward-looking statements

Statements in this report that are not historical facts are forward-looking statements based on plans and expectations for the future. Accordingly, these forward-looking statements are subject to risks, uncertainties and other unpredictable factors, and may differ considerably from actual results, business performance, and other future events. In addition, forecasts of fiscal 2023 financial results were decided as of the disclosure of financial results on February 14, 2023.

Publications Available on Kirin's Global Website

● Environmental Report (Publication every June)

The report details the Kirin Group's annual environmental activities as well as unique business-driven initiatives. It presents the Kirin Group's annual environmental activities and how it makes use of the unique characteristics of its businesses in environmental initiatives.

https://www.kirinholdings.com/en/investors/library/env_report/

● Consolidated Financial Statements (Publication every March 31)

Compiled in accordance with Article 24-1 of the Financial Instruments and Exchange Act of Japan, the report includes Kirin Holding's financial statements along with an overview of its recent performance, business results, facilities, and operations.

https://www.kirinholdings.com/en/investors/library/financial_results/

● Corporate Governance Report (Publication Every April)

The report provides information on the Group's approach to and system of corporate governance, maintained in compliance with the Corporate Governance Code of Japan.

https://www.kirinholdings.com/en/purpose/files/pdf/governance_report.pdf

● 2022-2024 Medium-Term Business Plan webpage (Published in February 2022)

The webpage features the 2022-2024 Medium-Term Business Plan, the Group's first three-year plan focused on realizing the KV2027 long-term management vision.

https://www.kirinholdings.com/en/purpose/management_plan/#headline-1615513803

● ESG Data (Periodically updated)

Kirin Holdings presents environment, society, and governance (ESG) data for recent years at the following website.

<https://www.kirinholdings.com/en/investors/esg/esg/>

● Data Book (Periodically updated)

The book presents data about the Group's business markets, pharmaceuticals development pipeline, and historical financial data.

https://www.kirinholdings.com/en/investors/library/databook/beer_region/

About Kirin Group



The Kirin Group, starting with the fermentation and biotechnology we have elaborated over a century in our founding business—the beer business—has a unique global business portfolio that spans across three domains: Food & Beverages, Pharmaceuticals, and Health Science.

In 2013, we were the first Japanese company to place its strategic pivot on CSV Management*, with a goal to realize sustainable growth, together with society. Then, in 2019 we formulated our new Long-Term Management Vision, Kirin Group Vision 2027 (KV2027). Under our three growth scenarios of “Strengthening the earnings capability of Food & Beverages businesses,” “Leaping of Pharmaceuticals business,” and “Establishing and fostering the Health Science business,” we will strive to become a global leader in CSV by 2027.

*A management strategy unique to the Kirin Group in which we aim to create economic value through the resolution of social issues and continue sustainably growing, together with society. It is an initiative to meet social needs and solve social issues to create economic value and make that value our driver for further growth.

01 The Origin and Progress of CSV Management

Reverence for Life: A Brewing Philosophy that fostered fermentation and biotechnology

Fermentation and biotechnology support the Kirin Group’s unique business portfolio. The birth of this unique technology is heavily tied to our Brewing Philosophy “Reverence for Life,” which has been passed down from generation to generation in the beer business, our founding business.

“Reverence for Life (Ehrfurcht vor dem Leben),” was advocated by Dr. Albert Schweitzer, who was awarded the Nobel Peace Prize in 1952. Dr. Schweitzer

said, “I am life that wills to live, in the midst of life that wills to live” and “He accepts as good: preserving life, promoting life, developing all life that is capable of development to its highest possible value.”

Dr. Schweitzer’s words suggest that we humans are a part of life in the natural world, and that all plants, animals, and microorganisms coexist in an interconnected world. Additionally, they suggest that improving all lives and developing them into the best they can be is of the highest value. This concept, Reverence for Life, deeply resonates with the Kirin Group, whose business is relying on the blessings of the nature, such as agricultural products (barley, hops),



The Brewing Standard, established in 1977. The beginning of this document describes “Reverence for Life.”

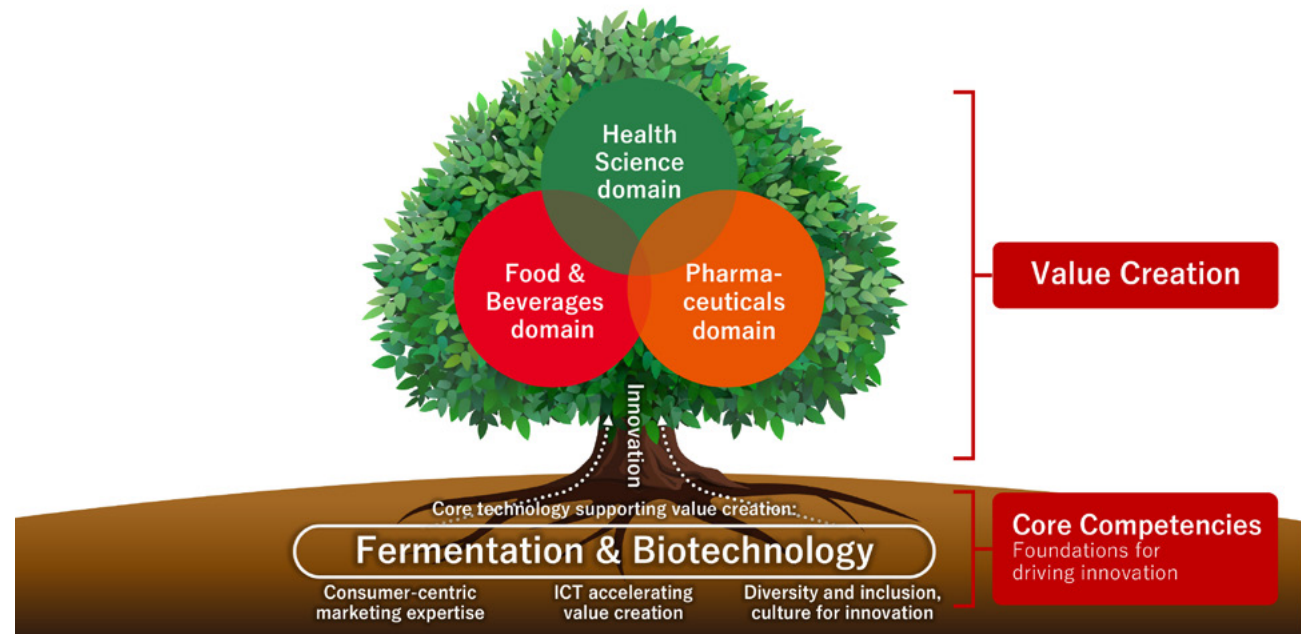


water, and yeast.

This philosophy of respecting life, learning from its mysteries, and maximizing its value has driven the Kirin Group's life science research and fostered our current organizational culture, which puts value on technological and research and development (R&D) capabilities. It was in this rich environment that we spent many years fostering the root of our technological competences: fermentation and biotechnology.

The entry into the life science business (currently the pharmaceuticals business) under our "Long-Term Management Vision," formulated in 1981, was a management strategy to leverage the fermentation and propagation technologies accumulated in the beer business, the origin of our business, to develop pharmaceuticals through biotechnology, with the aim of contributing to solving the social issue of the aging population. Back then, the term "CSV" had not been coined yet, but the current concept of CSV is the idea of realizing corporate growth through the solving of social issues through innovation. Through our partnership with Amgen Inc., we introduced new medicines in the 1990s, and we became the world's only brewer to organically expand into the biopharmaceutical business. Kyowa Kirin Co., Ltd. (Kyowa Hakko Kirin at the time) was established in 2008 through a partnership with Kyowa Hakko Kogyo, and a goal was set to become a Japan-based global specialty pharmaceutical that leverages its cutting-edge biotechnology. They continue, to this day, to contribute to the health of people.

In addition to the Food & Beverages and Pharmaceuticals businesses, we started the Health Science business as a domain between these two to address people's health issues in the second half of the 2010s. We believe the social issue of health will only



continue to grow with the aging population, increase in chronic diseases, and heightened risk of infection. The Kirin Group will leverage the scientific knowledge and experiences we cultivated through pharmaceutical development and the points of customer contact developed through the Foods & Beverages business to create value unique to our Group.

Fermentation and biotechnology, the unique strengths of the Kirin Group, are the foundation of our three businessdomains. We believe, that by engaging in all three of these domains, we can create our own unique value.

On the other hand, the mutualism referred to in "Reverence for Life," is the philosophy of CSV

Management and environmental management, which aim to achieve both corporate growth and prosperity of society as a whole.



02 Corporate Policy

Corporate Philosophy

KIRIN brings joy to society by crafting food and healthcare products inspired by the blessing of nature and the insights of our customers.

We pride ourselves on offering products based on what people want. We pride ourselves on our ability to harness the blessings of nature through innovative technology. We pride ourselves on delivering tangible satisfaction and quality in everything we make. All of which ensures that we exceed customers' expectations. And naturally, we do not stop there. As we look forward with vision and dreams, we aim to continue offering food and healthcare products that bring new joy to people's lives everywhere. Always a step ahead, the Kirin Group supports health, pleasure and comfort in your life.

“One KIRIN” Values

Passion. Integrity. Diversity.

As members of the Kirin Group, our three values are Passion, Diversity, and Integrity.

Passion

Our determination to continuously provide our customers and society with new value propositions based on innovative ideas, and our enthusiasm to meet goals with pride in the companies we work for and the brands we offer.

Integrity

Our gratitude to our stakeholders for always helping us move forward, and our promise to remain honest and humble in every business activity to serve them better.

Diversity

Our respect for different perspectives and values that enable constructive discussions, and our belief that the “differences” have the power to change the world and create better solutions.

Corporate Data

| | | |
|-----------------------------|-----------------------|-------------------------|
| Established on | Share capital | Revenue |
| Feb 23rd, 1907 | ¥102.0 billion | ¥1,989.5 billion |
| Normalized Operating Profit | Group Companies | Number of Employees |
| ¥191.2 billion | 178 companies | 30,538 |

(FY2022 Results)

03 Key Issues

Management Issues for Sustainable Growth—Group Materiality Matrix (GMM)

Kirin Holdings has organized its Management Issues for Sustainable Growth (Kirin Holdings Materiality Matrix (GMM)), which outlines the challenges it should address to operate and develop sustainably in partnership with society. The Group evaluates the GMM from the two perspectives of impact on its business and impact on stakeholders. As the Group considers that the GMM will

change over time, it re-evaluates and revises the GMM every time it formulates a three-year Medium-Term Business Plan.

In line with the formulation of the 2022–2024 Medium-Term Business Plan, Kirin Holdings made the GMM better meet social demands by refining the aspects of the GMM and re-evaluating the importance of it in light of changes to the business environment, including the COVID-19 pandemic, and stakeholder expectations.

Identifying management issues

Identify issues based on reporting guidelines (ISO26000, GRI, SASB), ESG assessments (FTSE, MSCI, Sustainalytics) and targets of SDGs, etc



Implementation of internal reviews

Discussing the impact of social issues on business activities and the impact of business activities on society at the Group Executive Committee, based on objective information on social issues, including reports from NGOs and NPOs and media information



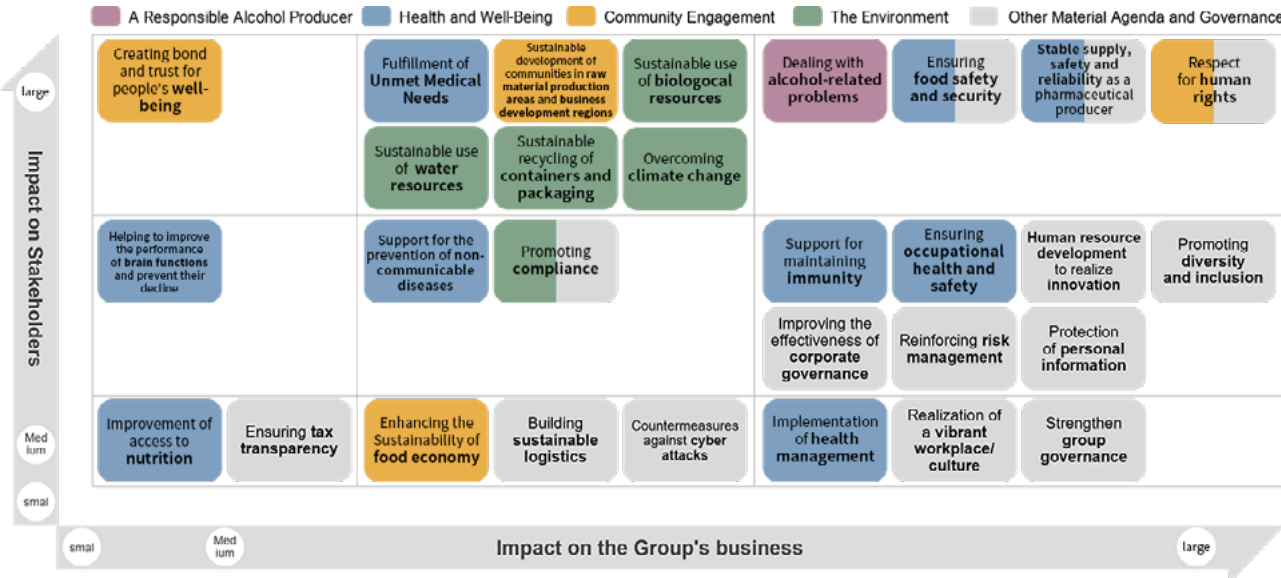
Implementation of stakeholder engagement

Engagement with investors, NGOs, NPOs, and employees (labor unions) based on the results of internal reviews to reflect their opinions



Selecting the Materiality

The results reflecting the opinions of stakeholders were approved by the Board meeting after the Group CSV Committee



04 The Long-term Management Vision, Medium-Term Business Plan, and 2023 Strategy

Long-Term Vision KV2027

Our vision for 2027

Create value across our world of Food & Beverages to Pharmaceuticals, and become a world-leading company in CSV.

CSV Management, which creates economic value through solving social issues, is effective in realizing sustainable growth in this era of unpredictability. We are taking on the challenge of expanding our business through the resolution of social issues under the three growth scenarios in KV2027: Strengthening the earnings capability of Food & Beverages businesses,” “Leaping of Pharmaceuticals business,” and “Establishing and fostering the Health Science business,”

CSV Purpose

Health and Well-Being

Community Engagement

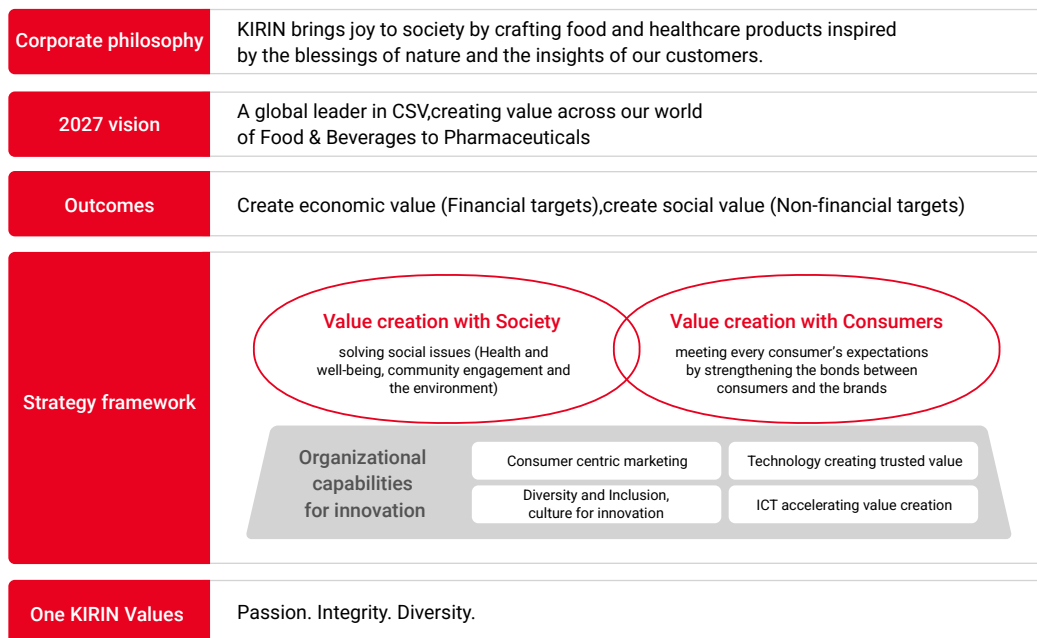
The Environment

A Responsible Alcohol Producer

Our “CSV Purpose” is guiding principles aimed at sustainable growth and creating value together with people and society.

The “CSV Purpose” is based on the GMM, which outlines the key issues that must be addressed in order to exist sustainability and develop together with society. The respective principles are a set of guidelines for the role and purpose expected to us in society for each of the four priority issues: “A Responsible Alcohol Producer,” Health and Well-Being,” Community Engagement,” and “The Environment.” Each business segment makes efforts toward our “CSV Commitment,” an action plan to realize these guidelines.

Long-term Vision Statement: Kirin Group Vision 2027(KV2027)



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.

We develop safe, secure products in our food and beverages businesses that both taste great and support self-care. We also provide new products and services and new drug creation that leverage the strengths of our pharmaceutical and bio-chemical businesses. Through these actions, we help our customers develop physical and mental health and improve their quality of life.

Community Engagement

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

Connecting with other people makes people positive.

That force makes people’s minds and bodies healthy and creates vitality in society.

The Kirin Group, through its products and services, co-creates a society that connects customers and all people engaged in the value chain with joy, thereby contributing to developing future.

The Environment

Enrich a sustainable Earth for future generations through positive impact.

As a company that benefits from the many blessing of nature, including water and agricultural products, we recognize that the sustainability of the global environment is essential to ensuring the continuity of

our business. By reducing the environmental burden in our value chain through such means as creating eco-friendly containers and packaging and addressing the issue of global warming, we are able to strengthen our business foundation.

Under the Kirin Group Environmental Vision 2050, revised in 2020, we aim to enrich the sustainable Earth for future generations through positive impact.

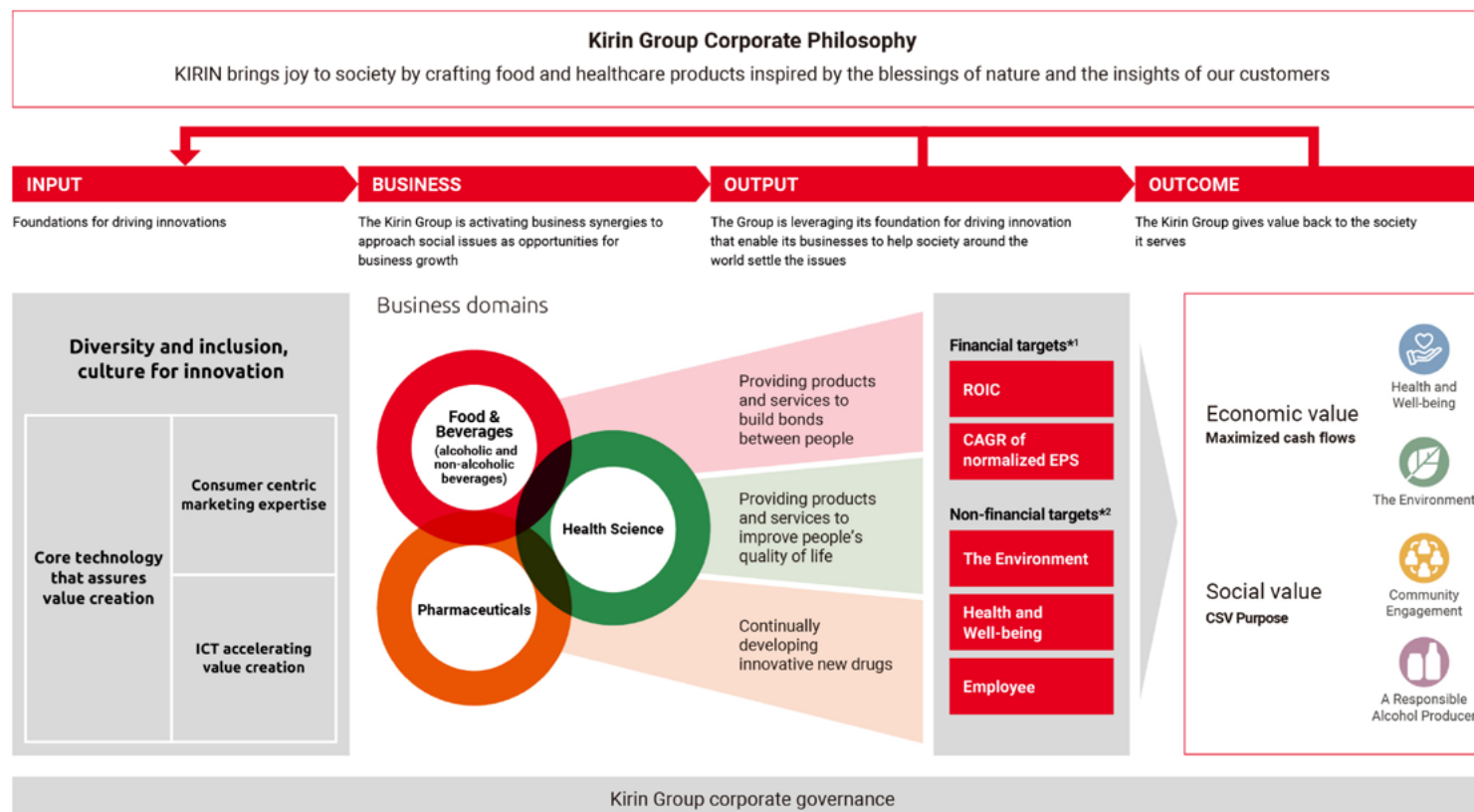


Value Creation Model

We create social value and economic value by solving social issues through our business activities in the Group.

The Value Creation Model is our business model that amplifies the two values through a sustainable cycle of reinvesting the economic value in our drivers.

Kirin Group is aiming to partner with society in achieving mutual growth by placing CSV at the core of its management.



2022 MTBP

In the 2019–2021 Medium-Term Business Plan (2019 MTBP), we established the foundation for change, such as by organizing our business portfolio and improving the quality of governance. The 2022–2024 Medium-Term Business Plan (2022 MTBP), which will solidify the story of our journey to realizing KV2027, is the next step toward new growth following the 2019 MTBP. Specifically, our strategy is centered around three important commitments: (1) increase profit in the Food & Beverages domain, (2) Strengthen global base in the

Pharmaceuticals domain, and (3) Scale up business in the Health Science domain. We aim to grow the three businesses to improve corporate value by concentrating management resources through strengthening portfolio management and clarifying investment priorities.

Meanwhile, we will build a solid organizational foundation by strengthening our organizational capabilities to achieve innovation, thoroughly utilizing Kirin Holdings’DNA of focusing on quality, building an SCM (Supply Chain Management) system that balances efficiency and sustainability, and strengthening governance to support value creation.

Basic Policy

- Implementing business structure reforms with an eye to post-COVID-19
- Creating new value

Important Commitments

1. Increase profit in the Food & Beverages domain that leads cash generation
2. Strengthen global base in the Pharmaceuticals domain that establishes our position as a Global Specialty Pharmaceutical Company
3. Scale up business in the Health Science domain that will become a large pillar of the future

Kirin Group 2022-2024 Medium-Term Business Plan
~Three-year plan for the second stage of KV2027~



Financial targets*1

Normalized*2 EPS
CAGR
(vs FY2021)
11%+

ROIC*3
Fiscal year 2024
10%+

Non-financial targets

| Item | Theme | |
|-------------|--|--|
| Environment | Climate change | GHG |
| | Containers and Packaging | PET bottles |
| | Water resources | Water |
| Health | Progress of mid-term health science strategy | Supporting the maintenance of immune function New value creation in the immunity, brain function, and intestinal environment domains. And collaboration with pharmaceuticals domain |
| | Organizational culture | Employee engagement |
| Employees | Diversity | Increasing diversity |
| | Occupational health and safety | Lost time injury frequency |

*1 Financial indicators are evaluated by excluding the impact of exchange rate fluctuations when overseas subsidiaries are consolidated, etc.

*2 By removing other operating income or expenses, etc and other non-recurring items, it is adjusted to reflect actual earnings more accurately

*3 ROIC=Earnings before interest and after tax / (Average interest bearing debt between the beginning and the end of the FY+ average total equity between the beginning and the end of the FY)

2022–2024 CSV Commitments

The CSV Commitment is a medium- to long-term action plan for each business to realize the CSV Purpose, which is the translation of the Group's management philosophy into a social purpose based on the GMM.

For internal management purposes, annual targets are set, and the status of their implementation is monitored on a quarterly basis and reported to the Board of Directors of Kirin Holdings.

A Responsible Alcohol Producer

| Group Materiality Matrix | | Particularly contribute to SDG targets | CSV Commitment | | | | | |
|---------------------------------------|--|--|--|---|-----------------------------------|--------------------------------|----------------------------|----------------------------------|
| Medium items | Theme | | approach | Our Achievements | Company/ Department | Target Value | Target Year | Latest Achievements (2022) |
| Dealing with alcohol-related problems | Raising awareness of responsible drinking | 3.5 | By providing customers with information on responsible drinking and raising awareness, we aim to eradicate the harmful use of alcohol. In addition we will fulfill our social responsibility as an alcohol producer, and maintain the alcoholic beverage business environment. | Participation of responsible drinking programs and number of visitors to the awareness raising content on the website | Kirin Brewery | 750,000 participants / viewers | Cumulative total 2022-2024 | 1,060,000 participants / viewers |
| | | | | | Mercian | 7,200 participants / viewers | Cumulative total 2022-2024 | 4,530 participants / viewers |
| | | | | | Lion | 100,000 participants / viewers | Cumulative total 2022-2024 | 42,223 participants / viewers |
| | | | | | Kirin Holdings CSV Strategy Dept. | 135,000 participants / viewers | Cumulative total 2022-2024 | 81,554 participants / viewers |
| | Expansion of sales of non and low alcohol products | 3.5 | Strengthening non and low alcohol products will expand the range of options available to meet customers' objectives and enable customers to control their alcohol consumption. This will also lead to business growth of non and low alcohol products | Sales volume growth ratio of non-alcohol beverages | Kirin Brewery | 117% (compared to 2021) | 2024 | 93%(compared to 2021) |
| | | | | | Mercian | 115% (compared to 2021) | 2024 | 79%(compared to 2021) |
| | | | | | Lion | NZ: 4% Australia: 7% | 2024 | NZ: 2.7% Australia: 4% |
| | Labelling of alcohol content | 3.5 | Labelling with the amount of alcohol will help customers understand and control their alcohol intake. In addition, we will fulfill our social responsibility as an alcohol producer, and maintain the alcoholic beverage business environment. | Percentage of products with alcohol content labelling | Kirin Brewery | To be started in 2022 | 2022 | started |
| | | | | | Lion | 100% | 2024 | 100% |

Health and Well-being

| Group Materiality Matrix | Particularly contribute to SDG targets | CSV Commitment | | | | | |
|---|---|--|--|---|-------------------------------|----------------------------|--|
| | | approach | Our Achievements | Company/Department | Target Value | Target Year | Latest Achievements(2022) |
| Ensuring food safety and security | 2.4 | We promote hygiene management and food safety management systems globally using international certification (GFSI recognized scheme and ISO 22000 scheme) to ensure the safety and security of our customers. | Acquisition rate of international food safety certification (GFSI certification and ISO 22000) | Kirin Holdings Quality Assurance Dept. | 96% | 2024 | 87% |
| Provide pharmaceuticals for Unmet Medical Needs | 3.8 | By providing Crysvida as a life changing value to as many patients as possible and contributing to their health and well-being, we will lead to the expansion of our business. | Number of countries/regions where Crysvida has launched | Kyowa Kirin | 50 or more countries/regions | 2025 | 40countries/regions |
| Support for maintaining the immune system Support for the prevention of non-communicable diseases | 3.3 | We will contribute to global health by implementing Japan-originated immunological research in society. We will use Lactococcus lactis stain Plasma to support the maintenance of customers' immune function, promote the development of proper immune care habits, and develop new markets in Japan and overseas through product development that leverages the Group's assets. | Recognition rate of the function of Lactococcus lactis strain Plasma | Kirin Holdings Health Science business Dept. | 50% 45% | 2027 2024 | 32% |
| | | | Number of people who continue to consume Lactococcus lactis strain Plasma in Japan and overseas. | | 1.9 million people | 2024 | 0.64 million people |
| | 3.3 3.4 | By developing, and expanding products in the health domain, we will contribute to the maintenance of customers' health through their daily eating habits, leading to business growth. | Sales composition ratio of products that contribute to health(sugar-free / low-sugar products, health science domain products) | Kirin Beverage | 49% | 2024 | 45% |
| | | | Sales of sugar-free / low-sugar products | | 110% (compared to 2021) | 2024 | 101% (compared to 2021) |
| Sales of health science domain products | 145% (compared to 2021) | 2024 | 107% (compared to 2021) | | | | |
| 3.3 3.4 | Through products using Lactococcus lactis stain Plasma that supports the maintenance of immune functions and sugar-free, non and low fat products that support the prevention of lifestyle-related diseases, we will contribute to the maintenance of customers' health and lead to the growth of our business. | Sales of products that contribute to health | Koiwai Dairy Products | 120% (compared to 2021) | 2024 | 106% (compared to 2021) | |
| | | | | | | | |
| Support for maintaining the immune system Helping to improve the performance of brain function and prevent decline Improvement of access to nutrition | 2.2 3.3 3.4 9.5 | By supplying high-quality Human Milk Oligosaccharide (HMO) to a wide range of markets, from infant formula to health foods, we will contribute to the improvement of customers' health in a wide range of regions and age groups, leading to the growth of our business. | Number of users of HMO-containing products (infant formula, health foods, etc.) in Japan and overseas | Kyowa Hakko Bio | 2 million people | 2027 | Completion of HMOs production facility |
| Implementation of health management | 3.4 | As a corporate group that delivers "health" to customers, we aim to create an environment where employees and their families can spend the rest of their lives in good health and mental well-being, and where employees can demonstrate their individual abilities. | Survey score of presenteeism*2 in targeted companies*1 | Kirin Holdings People & Culture Dept. | Improvement from 2022 | 2024 | 62.55 |
| | | | Percentage of people who maintain appropriate weight in targeted companies*1 | | Improvement from 2020 (63.8%) | 2024 | 63.9% (2021) |
| | | | Percentage of employees of domestic business companies with responsible alcohol consumption (Percentage of people whose score is less than 8 on AUDIT) | | 73% or more | 2024 | 72.5% |
| Helping to improve the performance of brain function and prevent decline | 2.2 3.4 9.5 | By supplying Citicoline, a brain-health nutrient, we will be able to support our customers' healthy lifestyles and expand our market by prescribing it to patients and meeting the needs of the health food market for brain function. | Number of users of Citicoline-containing products (pharmaceuticals, health foods, etc.) in Japan and overseas | Kyowa Hakko Bio | 4 million people | 2027 | 1.53 million people |

*1 Target Company: Kirin Holdings, Kirin Brewery, Kirin Beverage, Mercian, Kyowa Hakko Bio, Kyowa Kirin

*2 presenteeism: A condition in which a person is working while having health problems.

Community Engagement

| Group Materiality Matrix | Particularly contribute to SDG targets | CSV Commitment | | | | | |
|--|--|---|--|--|--|----------------------------|------------------------------|
| | | approach | Our Achievements | Company/ Department | Target Value | Target Year | Latest Achievements (2022) |
| Respect for human rights | 8.7 8.8 12.7 | We will comply with the Australian Modern Slavery Act to address human rights and modern slavery in the supply chain. | Compliance rate with the Australian Modern Slavery Act | Lion | 100% | 2024 | 100% |
| | 8.7 8.8 12.6 | We will work to reduce the risk of human rights issues and prevent crisis in the supply chain of major raw materials, leading to the sustainable procurement of raw materials. | Number of initiated human rights due diligence on supply chains for agricultural products with high human rights risk | Kirin Holdings Procurement Dept. | 3 cases | Cumulative total 2022-2024 | 1 case |
| Sustainable development of communities in raw material production areas and business development regions | 2.3 17.17 | By resolving issues surrounding the cultivation of Japanese hops, we will contribute to the revitalization of communities and economies, leading to the sustainability of raw material production and the growth of our business. | Japanese hop production volume | Kirin Brewery | 100t | 2027 | 105t |
| | 2.3 4.5 17.16 | By expanding our support for acquiring Rainforest Alliance certification for "KIRIN Gogo-no-Kocha", we will contribute to the sustainable development and stable procurement of tea leaves in Sri Lanka. | Number of farms supported to obtain RA Certification for sustainable development of Sri Lankan tea plantations | Kirin Beverage | Farms: 15 Small farms: 5,350 | Cumulative total 2022-2024 | Farms : 4 Small farms : 9 |
| | 2.3 15.4 17.17 | Through the cultivation of high-quality grapes and the expansion of vineyards, we will contribute to environmental conservation and the revitalization of local agriculture and economies, leading to the sustainability of raw material production and stable procurement. | Grape yield from company-managed vineyards | Mercian | 160t | 2024 | 167t |
| | 12.6 17.17 | With our business partners, we will increase the transparency of our raw material and other goods/services procurement and improve the sustainability of our supply chain. | SEDEX (or equivalent) compliance rate of key suppliers | Lion | 95% | 2024 | 68% |
| Creating bonds and trust for people's well-being | 11.a | Through "KIRIN Gogo-no-Kocha HAPPINESS Project", we will bring joy to society by connecting people who are moving forward with reconstruction with the support of the entire country, which will lead to the growth of "KIRIN Gogo-no-Kocha" brand. | Sales volume of "KIRIN Gogo-no-Kocha HAPPINESS Project" | Kirin Beverage | 115% (compared to 2021) | 2024 | 120% (compared to 2021) |
| | 11.a | Through creating connections between people with wine, we will provide our customers with enjoyable times filled with smiles, thereby enhancing our brand value and strengthening our business foundation. | Consumption rate of wine in Japan | Mercian | 32.3% | 2024 | 30.7% |
| | 11.a | With our community investment partners, we will contribute to the mental health of people through the communities of our customers and local communities. | Number of people reached by community investment programs | Lion | 8,000 people | Cumulative total 2022-2024 | 2,498 people |
| | 11.a | By supporting people's mental and physical health through sponsorship, events, and community football activities, we will bring joy to society and enhance our corporate brand value. | <ul style="list-style-type: none"> "Kirin Family Challenge Cup" to be held throughout Japan, KIRIN's corporate imagescore "Connections with People and Society" through the participant Survey | Kirin Holdings Strategic Marketing Dept. | <ul style="list-style-type: none"> Held at 4 venues throughout Japan Averagescore over 70% | 2024 | - |
| Enhancing the sustainability of food economy | 8.9 11.a 17.17 | Through the expansion of the craft beer category, we will spread the joy of beer drinking and contribute to the revitalization of business partners and industries while developing beer and food culture, and lead to business growth. | Market size of Japanese craft beer | Kirin Brewery | 150% (compared to 2021) | 2024 | confirming |
| | 2.3 4.5 17.16 | By growing the Japanese black tea market through the brand activities of "KIRIN Gogo-no-Kocha", we will increase the purchase of Sri Lankan tea leaves and contribute to the development of the tea industry and the growth of our business. | Black tea market share within Japanese soft drink market | Kirin Beverage | 4.91% | 2024 | 4.81% |
| | 8.9 11.a 17.17 | Through the creation and energizing of communities where Château Mercian wineries are located, we will contribute to the regional development and the Japanese wine industry, leading to the growth of our business. | Awareness of Japanese wine | Mercian | 31.4% | 2024 | Setting the target |

The Environment

| Group Materiality Matrix | | Particularly contribute to SDG targets | CSV Commitment | | | | | |
|---|--|---|--|---|--|-----------------------------------|----------------------------|---|
| Medium items | Theme | | approach | Our Achievements | Company/Department | Target Value | Target Year | Latest Achievements(2022) |
| Sustainable use of biological resources | Tea leaves | 2.3 4.6 15.4 | We will expand our support for acquiring Rainforest Alliance certification, which will lead to the stable procurement of tea leaves by solving environmental problems in production areas. | Number of farms supported to obtain Sri Lanka RA certification | Kirin Beverage | Farms : 15 Small farms : 5,350 | Cumulative total 2022-2024 | Farms : 4 Small farms : 9 |
| | Paper | 15.4 | Through the procurement of FSC® certified paper and other means, we will work to ensure the sustainability of raw materials that may otherwise be destroyed by deforestation. | Usage ratio of FSC-certified paper or recycled paper for paper containers and packaging*3 | Kirin Brewery | 100% | 2024 | 100% |
| | | | | | Mercian | 100% | 2024 | 100% |
| | | | | | Koiwai Dairy Products | 100% | 2030 | Implementation of switching of 4 products |
| | | | | | Kyowa Hakko Bio | 100% | 2030 | 80% |
| | | | | | Kyowa Kirin | 100% | 2030 | 50% |
| | Kirin Holdings Health Science Business Dept. | ①Adoption of FSC-certificated paper : 100% ②Switch to FSC-certified paper: 4 products ③Switch to non-metallic packaging materials: 2 products | Cumulative total 2022-2024 | ①100% ②2 Products ③1 Product | | | | |
| | Food waste | 12.3 | We will promote the reduction of product disposal and recycling, which will lead to a reduction in food waste generated by production activities. | Amount of product waste reduction rate | Kirin Brewery | 50%(compared to 2015) | 2024 | confirming |
| | | | | | Kirin Beverage | 50% or more(compared to 2015) | 2030 | 50% or more achieved |
| Sustainable use of water resources | | 6.4 | By reducing the amount of water used in our business activities, we will ensure the sustainability of water resources by conducting water resource preservation activities and other measures. | Water intensity | Kirin Brewery | 5.6m ³ /kl or less | 2024 | 5.6m ³ /kl or less |
| | | | | | Mercian *Fujisawa Plant | 3.41m ³ /kl or less | 2024 | 3.54m ³ /kl |
| | | | | | Lion | Less than 2.4kl/kl | 2025 | 3.6kl/kl |
| | | | | Reduction rate of water use volumes | Kirin Beverage *Shonan Plant, Shinshu Beverage | Less than 2023 | 2024 | 1,977,000m ³ |
| | | | | | Kyowa Hakko Bio | -32%(compared to 2015) | 2030 | -51.7% |
| | | | | | Kyowa Kirin | -40%(compared to 2019) | 2030 | 33% |

*3 Paper containers and packaging handled by each operating company, with targets determined by each operating company.
Kirin Beverage will continue to use 100% of FSC-certified paper for paper containers and packaging.
Overseas target companies will check the status of sustainable paper resource procurement and set targets for the future.

| Group Materiality Matrix | | Particularly contribute to SDG targets | CSV Commitment | | | | |
|---|-----------------------------------|--|---|-----------------------------------|---|--------------|--------------|
| Medium items | Theme | | approach | Our Achievements | Company/ Department | Target Value | Target Year |
| Sustainable recycling of containers and packaging | 12.4 14.1 | In addition to the use of recycled materials and biomass, and the development of new containers and services, we will help improve the sustainability of the PET resource cycle by building recycling systems and developing resource recovery and recycling infrastructure in the regions where we operate. | Percentage of plastic bottle recycled resin used | Kirin Brewery | 50% | 2027 | 8% |
| | | | | Kirin Beverage | | | |
| | | | | Mercian | | | |
| | | | Reduction of one-way plastic volume Reduction of PET volume | Mercian | PET bottles 93t Other plastic bottles 34.5t (compared to 2020) | 2024 | 66t 13.2t |
| Percentage of containers and packaging materials that can be reused, recycled, or composted | Lion | 100% | 2025 | 99% | | | |
| Percentage of container materials that can be recycled | Lion | More than 50% | 2030 | 62% | | | |
| Overcoming climate change | 7.2 13.1 | In addition to achieving RE100 at an early stage and making 100% of the energy used by our company come from renewable energy sources, we will expand the use of renewable energy in society and work with stakeholders to build a business model that contributes to a decarbonized society. | GHG (Green House Gas) emission reduction rate: Scope 1+2 | Kirin Brewery | 55%(compared to 2019) 30%(compared to 2019) | 2030 2024 | 10% |
| | | | | Kirin Beverage | 55%(compared to 2019) 17%(compared to 2019) | 2030 2024 | 11% |
| | | | | Mercian | 55%(compared to 2019) 25%(compared to 2019) | 2030 2024 | 6% |
| | | | | Lion | 55%(compared to 2019) 35%(compared to 2019) | 2030 2024 | 26% |
| | | | | Kyowa Hakko Bio | 55%(compared to 2019) 32%(compared to 2019) | 2030 2024 | 32% |
| | | | | Kyowa Kirin | 55%(compared to 2019) 51%(compared to 2019) | 2030 2024 | 42% |
| | | | Ratio of renewable energy to electricity used by the entire Group | Kirin Holdings CSV strategy Dept. | 100% | 2040 | 27% |
| GHG (Green House Gas) emission reduction rate: Scope 3 | Kirin Holdings CSV strategy Dept. | 30%(compared to 2019) | 2030 | 1% | | | |

2023 Strategy

While social activities are recovering from the effects of COVID-19, outbreaks of infectious diseases will continue to be unavoidable. In addition, heightened geopolitical risks may cause raw material and fuel prices to soar and other commodity prices to rise, making the business environment increasingly unpredictable. Against this backdrop, the Kirin Group will work to grow in the Pharmaceutical and Health Science domains and to improve profitability in the Food & Beverages domain while facing social issues head-on.

The Kirin Group’s growth is supported by four organizational capabilities: human resources, ICT, marketing, in addition to technological capabilities based on fermentation and biotechnology. In the area of human capital, which has been attracting increasing attention in recent years, Kirin Holdings will increase the number of highly specialized and diverse human capital and reform the Group’s human capital strategy to foster an organizational culture that enables growth through taking on challenges. Under the new strategy, Kirin Holdings will link investment in human capital to increased corporate value.

Kirin Holdings will also strengthen human rights initiatives in its global supply chain and reduce human rights risks. In addition, Kirin Holdings will promote initiatives aimed at creating a positive impact on a global level to address environmental issues that must be addressed on a global scale.

Strategies by domain

05 KPIs

Financial indicators*1

| | | |
|------------------|--------|------|
| ROIC*2 | FY2024 | 10%+ |
| Normalized EPS*3 | CAGR | 11%+ |

*1 Financial indicators are evaluated by excluding the impact of exchange rate fluctuations when overseas subsidiaries are consolidated, etc.

*2 ROIC = Profit after tax before interest / (Average total interest-bearing liabilities at beginning and end of the period + Average total equity at beginning and end of the period)

*3 Normalized EPS = Normalized profit / Average number of shares outstanding during period

Normalized profit = Profit attributable to owners of the Company ± Other operating income and expenses and other items after income taxes

Non-financial indicators

| Items | Themes | Non-financial Indicators | Links to Economic Value | Target Level in 2024 |
|-------------|--|--|--|---|
| Environment | Climate Change | Reduction rate of GHG emissions | Reduction of cost increases when introducing carbon tax with energy saving effect | 23% (50% in 2030) |
| | Containers and Packaging | Percentage of recycled resin used in PET bottles | Profit generation through value creation and stable procurement of PET raw materials | 38% (50% in 2027) |
| | Water resources | Water use intensity at manufacturing sites with high water stress*5 | Reduction of production cost and production risk due to drought | 3.0kL/kL (Under 2.4kL/kL in 2025) |
| Health | Progress of mid-term health science strategy | Achievement level in supporting the maintenance of immune function 1. Recognition rate of Lactococcus lactis strain Plasma function in Japan 2. Number of people continuing to take Lactococcus lactis strain Plasma | Increase in revenue and operating profit | 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 | Profit generation by satisfying unmet needs and creating new health value | Not disclosed*4 |
| Employees | Organizational Culture | Employee engagement score | Profit generation through value creation and productivity improvement | 75% |
| | Diversity | Achievement level in "Increasing diversity"*6 1. Ratio of female managers in Japan 2. Ratio of career hires in Japan | Profit generation through value creation and productivity improvement | 1. 15% 2. 30% |
| | Occupational health and safety | Lost time injury frequency rate*7 | Raise motivation and productivity by improving working environment | 0.95 (0.40 in Japan) |

*4 Specific indicators and target levels are not disclosed for strategic reasons, as they include content related to intellectual property.

*5 Tooheys Brewery, Castlemaine Perkins, James Boag Brewery (LION).

*6 The target group is employees of Kirin Holdings.

*7 Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included.

KIRIN'S HISTORY

This section chronicles the Kirin Group's history of challenges and achievements spanning more than a century.

Over its history of more than a century, Kirin Group has grown from a Japan-based brewer to a global enterprise with a diverse range of businesses. Kirin has established itself as one of the prominent beer brands in Japan and overseas, and is continuing to expand its brewing business globally by acquiring leading beer brands in Asia and Oceania. The Group has leveraged its wealth of experience and expertise gained from the brewing business to diversify into the soft drink business and other areas of the Food & Beverages Business. Furthermore, since the 1980s onward, we have made inroads into the Pharmaceuticals and Health Science Businesses.

Kirin Group's Three Business Domains

Food & Beverages

This business domain, which includes our founding brewing business, constitutes the backbone of the Group. Since the 1990s onward, we have expanded our Food & Beverages Business into Asia, Oceania, and other parts of the world, manufacturing and marketing products under a broad range of value-added brands.

Health Science

Our years of research in the Food & Beverages domain into naturally derived materials as well as into fermentation and cultivation has led to discoveries of *Lactococcus lactis* strain Plasma (LC-Plasma) and other substances proven to be beneficial to human bodies. We intend to continue to make the best use of these assets to evolve the Health Science Business into a growth driver for the Group.

Pharmaceuticals

We combined our proprietary fermentation and cultivation technologies acquired from the brewing business with biotechnologies to launch research and development of pharmaceutical products in the 1980s. The Pharmaceuticals Business has since grown to one of the Group's core businesses, marketing biomedicines and other products in the global arena.

1907-1980

Spanning the years from the foundation of Kirin Brewery to the expansion of the Food & Beverages Business

Kirin Brewery was established in 1907, taking over the business of Japan Brewery Company, which had been founded in 1885. When Japan began to enjoy soaring economic growth in the mid-1950s, consumer demand for beer skyrocketed at an average annual rate of 20.6% from 1956 to 1964. Riding on the success of the brewing business, the company began to diversify its business in the Food & Beverages domain, under its long-term management plan "A Transformation Initiative: Laying the Groundwork for Achieving Consistent Growth" announced in 1975.

KIRIN'S HISTORY

1907 Food

Kirin Brewery Co., Ltd. established.

Kirin Beer was well received by Japanese consumers for its authentic German beer taste, which had been made possible by a brewing process operated by German engineers using raw materials imported from Germany. (Kirin Brewery Yokohama Yamate Plant in its earliest days)



1928 Food

Kirin Lemon introduced.

Kirin Lemon, a lemon-flavored carbonated drink, marked our foray into the soft drink business. It was sold in a translucent glass bottle, which was unheard of in the beverage industry those days, to visually demonstrate our commitment to never using artificial coloring for beverages. Every bottle of *Kirin Lemon* was wrapped in paper when shipped from the factory to preserve the quality of the contents.



1943 Food

Kirin Science Institute (the forerunner of Kirin Central Research Institute) established.

Kirin Brewery's research department history dates back to 1918 when a research department was established. In 1943, this department gained independence and was renamed the Kirin Science Institute.



1907-1980

KIRIN's HISTORY

1963 Food

Vending Machine Services Co., Ltd. (the forerunner of Kirin Beverage Co., Ltd.) established.

A subsidiary (currently known as Kirin Beverage) was established, responsible for selling soft drinks through vending machines. (*Kirin Lemon* vending machine)



1972 Food

Kirin Seagram Co., Ltd. (the forerunner of Kirin Distillery Co., Ltd.) established.

We launch a whisky business. Kirin Seagram (currently known as Kirin Distillery) introduces *Robert Brown*, the first whisky made in Japan.



1976 Food

Koiwai Dairy Products Co., Ltd. established.

We make a foray into the food business. Koiwai Dairy Products starts marketing cheese, butter, and other dairy products nationally.



1977 Food

KW Inc. (the forerunner of Coca-Cola Bottling Company of Northern New England, Inc.) established.

KW Inc. (currently known as Coca-Cola Beverages Northeast) starts the Coca-Cola bottling business in New England, the United States.



1981-2005

Diversifying into the Pharmaceuticals and Health Science Businesses

Following two oil crises in the 1970s, it became obvious that the Japanese beer market had reached maturity. Faced with this reality, we formulated the Long-Term Management Vision in 1981. In this go-forward plan, we established the goal of expanding our businesses into areas related to food & beverages, health, and culture to become a company that offered customers beer and other comforts of life that made their lives more fulfilling and enjoyable. To achieve this goal, we chose to diversify our business lines—reducing an overdependence on the brewing business so as to build and maintain a well-balanced portfolio expected of a financially sound enterprise. Under this vision, we diversified into the Pharmaceuticals and Health Science Businesses.

KIRIN's HISTORY

1982 Pharma

Research and Development Division established.

An idea proposed by Kirin Brewery employees materializes into a pharmaceutical research and development project focused on biotechnologies.



1983 Health Science

A health food project team is formed under Kirin Brewery's Business Development Division.

We leverage our wealth of technologies and expertise accumulated from years of experience in the brewing and soft drink businesses to make a foray into the Health Science Business with the launch of a project team tasked with using yeast to develop health food.



1983 Food

Kirin City Co., Ltd. established.

We start a restaurant business with the opening of Kirin City restaurants that serve draft beer from barrels using a triple-pouring process, which is a traditional way of pouring German pilsner beer from the tap into a glass.



1981-2005

KIRIN'S HISTORY

1984 Pharma

Kirin-Amgen, Inc. established

Kirin-Amgen, a joint venture company established by Kirin and Amgen, Inc., a U.S. biotech company, starts mass-production of erythropoietin (EPO), following research conducted by our R&D Division.

*The joint venture was dissolved in 2017.



1988 Health Science

Supported the establishment of La Jolla Institute for Immunology (the forerunner of La Jolla Institute for Allergy and Immunology)

Research on immunity led to *Lactococcus lactis* strain Plasma, *Lactobacillus paracasei* KW3110.



1990 Pharma

Kirin Brewery introduces ESPO[®], an erythropoietin (EPO) medicine effective on nephrogenic anemia.

The first medicine we introduced—just eight years after starting pharmaceutical research in 1982.



1998 Food

Acquires a stake in Lion Nathan Limited (the forerunner of Lion Pty Limited) in New Zealand.

We acquire a stake in Lion Nathan (current Lion) to gain a foothold in Oceania.



2002 Food

Acquired the business rights of *Four Roses*.

We acquire the business rights to *Four Roses* bourbon, born in Kentucky, the United States, in 1888.



1981-2005

KIRIN'S HISTORY

2002 Food

Acquires a stake in San Miguel Corp. in the Philippines.

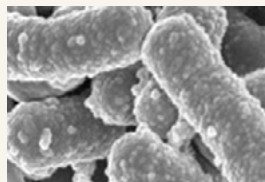
We establish a foothold in the Philippines in the middle of surging economic and population growth.



2002 Health Science

Kirin Brewery's Fundamental Technology Research Laboratories, in collaboration with Koiwai Dairy Products and Showa Women's University Graduate School of Life Sciences, discovers *Lactobacillus paracasei* KW3110., which improves allergy symptoms.

The Kirin Group's immunological research was recognized for its excellence when the development and commercialization of *Lactobacillus paracasei* KW3110 was awarded the 2022 Technology Award for Agricultural Chemistry from the Japan Society for Bioscience, Biotechnology, and Agrochemistry.



2006-2015

Aggressively pursuing M&A opportunities to become a major player in the global arena

We unveil the Kirin Group Vision 2015 (KV2015) long-term management plan in 2006, which outlines initiatives to achieve quantum-leap growth by broadening and strengthening our business foundation. In the Pharmaceuticals Business, Kirin Pharma merges with Kyowa Hako Kogyo, a Japanese biotechnology company, to become Kyowa Hako Kirin (current Kyowa Kirin). We also expand our Food & Beverages Business through mergers and acquisitions—making the Japanese wine maker Mercian Corporation one of our consolidated subsidiaries, bolstering our Australian business, and gaining a foothold in Brazil.

KIRIN'S HISTORY

2006 Food

Makes Mercian Corporation a consolidated subsidiary.

We add a wine business to our alcoholic beverage business portfolio as part of our efforts to become an integrated beverage group which covers both the alcoholic beverage and the soft drink businesses.



2006-2015

KIRIN's HISTORY

2007 Pharma

Kirin Pharma Co., Ltd. established.

Kirin Pharma was established as a pharmaceutical manufacturing and sales company to take over Kirin Brewery's pharmaceutical business.



2008 Health Science

Kyowa Hakko Bio Co., Ltd. established.

The biochemical business of Kyowa Hakko Kogyo is spun off to pursue greater result by working with Kirin Group.



2008 Pharma

Kyowa Hakko Kirin Co., Ltd. (the forerunner of Kyowa Kirin Co., Ltd.) established.

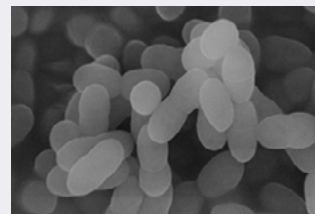
Kyowa Hakko Kogyo and Kirin Pharma merge to pursue a pharmaceuticals business based on antibody and other leading-edge biotechnologies.



2010 Health Science

Lactococcus lactis strain Plasma discovered.

Kirin Holdings Company and Koiwai Dairy Products discover a lactic acid bacterium that activates the immune cells responsible for virus infection defense (later named "LC-Plasma")



2015 Health Science

Kyowa Hakko Bio's Thai subsidiary, Thai Kyowa Biotechnologies Co., Ltd. completes construction of amino acid production plant.

In November 2022, this plant also completed production facilities for HMO (Human Milk Oligosaccharide) and started commercial production.



2016-2018

Restructuring and revitalizing Kirin Group

The fast growth of groupwide net sales comes with profitability of widely varying degrees among business units. In addition, Kirin Brewery, one of the core companies in the Group, struggles as its sales of beer slows. To overcome these challenges, we update KV2021, originally announced in 2012, to a new KV2021 in 2016 and set out to restructure and revitalize Kirin Group.

KIRIN's HISTORY

2016

Formulates corporate governance policy.

We have since been stepping up our efforts to enforce robust corporate governance practices as a basis of sound corporate management.



2017 Food

Transfer of Brasil Kirin's Shares

As part of implementing strategic initiatives outlined in KV2021, we sell the struggling Brasil Kirin.



2017 Health Science

Launches a new brand *iMUSE*.

We launch a new brand, *iMUSE*, for products that contain our proprietary LC-Plasma. In 2020 *iMUSE*-branded products are authorized, for the first time in the Japanese food industry, registered as functional foods with immune support function, which helps bolster their sales substantially.



2019~

Evolving to become a global leader in CSV

The completion of strategic initiatives to restructure and revitalize Kirin Group, including sales of unprofitable businesses and bolstering profitability across the board, set the stage for a new round of growth under Kirin Group Vision 2027 (KV2027). The key objective outlined in KV2027 is to resolve social issues to achieve sustainable growth and become a global leader in CSV. In addition to the two core businesses—the Food & Beverage Business and the Pharmaceuticals Business—we have been establishing and fostering the Health Science Business to turn it into another core of the Group.

KIRIN's HISTORY

2019

Kirin Group defines CSV Purpose.

We define our CSV Purpose as a guiding principle to achieve sustainable growth and create value together with people across society.



2017 Health Science

Kirin Holdings Company establishes the *iMUSE* Health Science Factory, a new base for manufacturing lactic acid bacteria raw materials, and commences production.

In response to the increased demand for LC-Plasma, Kirin Holdings Company announced the expansion of this manufacturing site in 2021, leading to expanded annual production capacity of LC-Plasma.



2019~

KIRIN's HISTORY

2017 Health Science

Make a capital and business alliance with FANCL Corporation.

We enter into alliance with FANCL, which complements our capabilities in the Health Science domain.

FANCL
正直品質。

2020 Health Science

iMUSE accepts notification as Japan's first* foods with functional claims for immune support function

Kirin Holdings Company accepted a notification from the Consumer Affairs Agency that *iMUSE* was accepted for the "Foods with Functional Claims for Immune support function" label under the Foods with Functional Claims System.

*Japan's first registered brand with the "Foods with Functional Claims for Immune support function" label on its products



TOP MESSAGE



Message from Top Management

Accelerating the Kirin Group's Growth by Refining the Business Portfolio to Create Shared Value

Yoshinori Isozaki

President & CEO
Kirin Holdings Company, Limited

A Decade of CSV Management

Ten years have passed since the Kirin Group adopted CSV management in January 2013.

Today, CSV is widely accepted by our employees

and has become the Kirin Group's compass. However, initially, it was not easy to gain the understanding of all parties inside and outside the company, and we received a variety of opinions. We took note of that valuable advice, but continued to move forward with faith. As a result, Kirin Group employees are now working together as one to solve societal challenges, while also viewing

them as business opportunities that generate returns. Seeing them in action, I believe that our faith in our compass was well placed.

In 2022, we restored our performance to pre-COVID profit levels. Since announcing our Kirin Group Vision 2027 (KV2027) in 2019, our social systems and business foundations have faced significant environmental changes, including the COVID-19 pandemic, political upheaval in Myanmar, and Russia's invasion of Ukraine. Despite these challenges, we maintained our confidence in the direction of our CSV management policy and continued to address each issue one by one. This approach enabled us to achieve these results.

Our goal is to become a global leader in CSV, but this cannot be achieved by setting a numerical target alone. While we will set proper goals in line with international standards, it's akin to the high jump, where the bar gets raised higher as you go along. Our pursuit of this goal will continue, always responding to society's ever-increasing expectations. As a global company, we recognize that Japan is not the only place where we can demonstrate our worth. Through our CSV management, which generates both social and economic value, we aspire to be a company that stands on the global stage and positively impacts people around the world.

Solving social issues through fermentation and biotechnology

As previously mentioned, the Kirin Group operates in three domains: Food & Beverages, Pharmaceuticals, and Health Science. Although there are many companies that are larger than us in each of these areas, we believe that by leveraging our foundational core technologies



of “fermentation and biotechnology” to generate social and economic value in all three areas, we can establish ourselves as a unique and distinctive company, creating new value for society.

The Kirin Group has ventured into various new businesses, and I myself have been involved in several since joining the company. While most of these ventures were eventually discontinued, the ones that have survived to this day all share a reliance on the Kirin Group’s expertise in “fermentation and biotechnology.” This expertise is based on generations of technology, knowledge, and unwavering dedication. We are confident that by enhancing and leveraging this strength, we can maintain our competitive advantage in all of our businesses.

The Health Science domain newly launched in KV2027 aligns perfectly with this core technology. Leveraging our superior fermentation and biotechnology, we aim to grow our Health Science business and contribute to solving social issues related to people’s health. We believe that this move will enable us to achieve sustainable growth and ensure our existence as



a company for the next 100 years.

Strategic issues and direction in the three domains

While the foundation of our business portfolio has been established, we acknowledge the need to enhance the earning power of each business to achieve our KV2027 goals.

After withdrawing from Myanmar, our main markets in the Food & Beverages domain are now Japan, Australia, and North America. These markets are mature and share common issues, so we can learn from each other’s successful experiences to promote premium strategies and improve productivity, thereby increasing profits. For instance, specific initiatives of the premium strategy include craft beer initiatives in the alcoholic beverages business and expanding the product mix in the high value-added Health Science domain with a focus on health in the beverages business. We’re also optimizing our sales organization in light of changes in market and consumption trends and improving sales

processes using ICT (information and communication technology) to improve productivity and enhance our operating base.

Our focus in the Pharmaceuticals domain is to establish a solid global business foundation as a specialty pharmaceutical company. Our mainstay drug, Crysvida, has grown to the point where it can now be considered a blockbuster, with a sales revenue target of 150 billion yen by 2023. We’re actively exploring ways to establish a global supply system suitable for the expanding scale of our business while also expanding our next-generation pipeline. For instance, we’re currently co-developing KHK4083 (generic name: Rocatinlimab) for atopic dermatitis with Amgen and planning to proceed with Phase 3 trials on a large scale. Additionally, we’re promoting the development of KHK4951 (generic name: tivozanib), a new pipeline drug for the treatment of ocular vascular disorders (exudative age-related macular degeneration).

In the Health Science domain, we’re committed to solving people’s health issues by delivering specialty materials that contribute to good health, including *Lactococcus lactis* strain Plasma (LC-Plasma), to a wider audience. Our target markets include Japan, Asia-Pacific, where we also run businesses related to the Food & Beverages domain, and North America, the largest market. LC-Plasma, for which we’re making aggressive marketing investments, is performing well with a sales revenue target of 50 billion yen by 2027. We’re also actively creating and expanding the immune market by promoting alliances with partner companies that share our ideals. For example, we supply the LC-Plasma ingredient (postbiotic) for Coca-Cola (Japan) Company, Limited products (not Coca-Cola worldwide). Moreover, we’re establishing a global

manufacturing and sales structure for Kyowa Hakko Bio's specialty ingredients, such as Citicoline*1 and human milk oligosaccharides (HMOs*2), to strengthen our foundation for growth in the Health Science domain. Our stated goals of 200 billion yen in sales revenue and 15% normalized operating profit margin by 2027 remain unchanged.

- *1 An ingredient found in the body that maintains the cell membranes of the brain and nerve cells, and has been used for many years around the world in medicines for brain diseases and health foods that support the improvement of cognitive functions. In Japan, it is currently classified as a pharmaceutical product.
- *2 A generic term for oligosaccharides contained in breast milk. More than 200 kinds are contained in breast milk, and the results of research contributing to immunity and brain function, among others, have been reported.

Looking back on the past, the Pharmaceuticals business was launched in the 1980s in anticipation of Japan's declining birthrate and aging population in the future. However, the decision faced opposition at the time from many who believed that it would take too long to become profitable. While it did take a full 10 years to



achieve profitability, the Pharmaceuticals business is now the most profitable venture in the Kirin Group. If we only think about the next 5 to 10 years, it may be better to focus on growing existing businesses. However, thinking about sustainable growth and increased corporate value over the next 20 to 30 years, I believe that we must do our utmost to ensure that the Health Science business flourishes and becomes a “third pillar” of our business.

Enhancing the Kirin Group's ability to execute and show results

To ensure future growth, strengthening the organizational capabilities of the Kirin Group is essential. Among the four organizational capabilities for innovation, we have combined our R&D expertise in the Food & Beverages and Pharmaceuticals domains with intellectual property strategies in health science to establish a new Institute of Health Sciences with the aim of creating further value. In marketing, we are working to support our operating companies by enhancing our central marketing function for the purpose of developing new marketing capabilities and human resources and utilizing know-how across the Group, and our efforts in this area are already starting to bear fruit. In addition, Group employees are increasingly aware of the importance of promoting ICT usage and DX (digital transformation). We are working on business transformation using technology and data from the three perspectives of transforming the value chain of existing businesses, transforming corporate functions, and developing new business models, and we are increasingly receiving ideas for streamlining and improving operations from not only the departments

promoting DX but also from the field. To build a solid track record in each business area, we are committed to establishing an SCM (supply change management) system that achieves both efficiency and sustainability while maintaining a strong focus on quality.



Human capital is indispensable for advancing these activities. In addition to actively acquiring specialized human capital from outside the company, we will also focus on the development of internal human capital who are well-versed in each function, leading to an increased number of highly specialized and diverse personnel, and ultimately to the creation of innovation. Above all, we will create an organization culture in which each and every employee can excel through challenges, thereby enhancing our ability to execute.

We will continue striving to meet the expectations of our shareholders and other stakeholders and earn their further trust. We recognize that to do so, we must demonstrate our commitment through solid achievements. The Kirin Group is confident that its CSV management is right and will continue to move forward with it in 2023. By solving social issues and simultaneously reinvesting the cash generated by economic growth into further group growth, we will create a cycle that maximizes corporate value not only in the short term but also in the medium to long term. We are committed to achieving both sustainable growth as a company while contributing to the sustainability of society.

We look forward to your continued support.

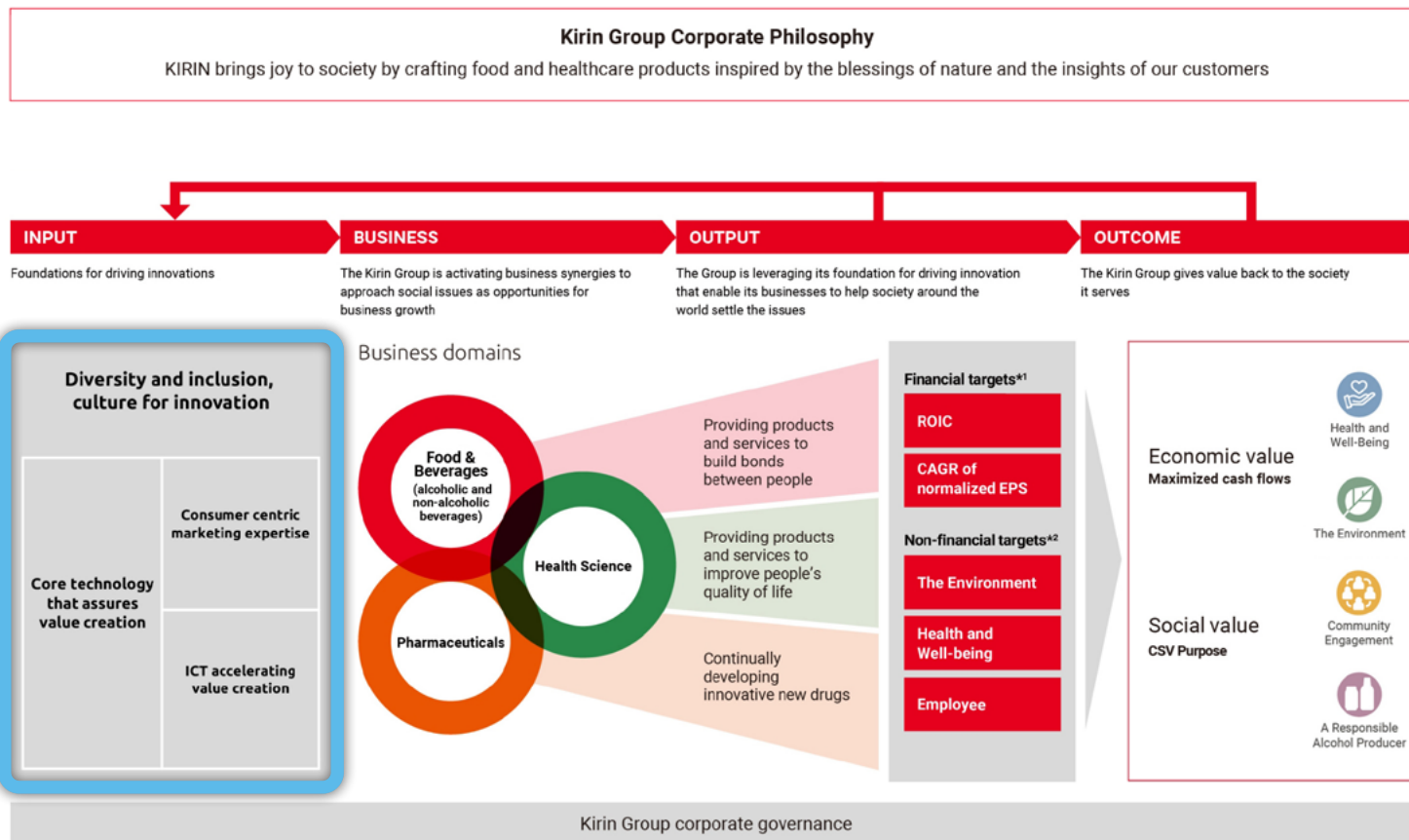
Value Creation Model INPUT

Diversity and inclusion,
culture for innovation >

Core technology that
creates accurate value:
A competitive strategy
combining R&D expertise
and IP strategies >

Consumer centric marketing >

ICT accelerating value creation >



Diversity and inclusion, culture for innovation



Junko Tsuboi

Senior Executive Officer, Human Resources & General Affairs
Kirin Holdings Company, Limited

Junko Tsuboi took the position of General Manager in the Corporate Communication Dept. of Kirin Beverage in 2005. From 2010 through 2012, she managed Yokohama Akarenga as the President and CEO. From 2014 she assumed position as General Manager at the Strategic Branding Dept., CSV Division of Kirin Company Ltd.. Since 2019 she has been a Senior Executive Officer and General Manager of the Strategic Branding Dept. of Kirin Holdings. In April 2022, she became in charge of Human Resources & General Affairs of the Kirin Group. (She has also been an Outside Director of FANCL Corporation from 2020 (concurring)).

Achieving sustainable growth and value creation through innovation driven by high expertise and diversity

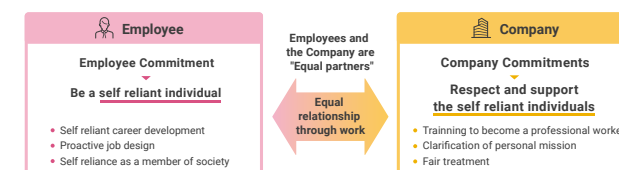
The environment surrounding human capital strategies is changing significantly, both in and out of the company, and the Kirin Group's human capital strategy is also undergoing a major transition. Coupled with the changing living environment and the diversifying individual values, the labor market environment, including working styles, is also changing dramatically. Furthermore, the kind of human capital our Group desires for the implementation of our management strategy is changing due to the transformation of our business portfolio. The need to transform businesses and challenge new domains is true for not only the Health Science domain, which is our growth driver, but also for the existing businesses in the Food & Beverage and Pharmaceutical domains. It is also necessary for all Group members to become agents of change toward ambidextrous management. Once again, by placing importance on human capital as the source of value creation and our competitive advantage and maximizing their value, our Group will strengthen our businesses and realize the Long-Term Management Vision, Kirin Group Vision 2027 (KV2027); our Group's sustainable growth; and value creation.

Kirin Group's Basic Philosophy on Human Capital Management

At the foundation of the Kirin Group's human capital strategy, is our Basic Philosophy on Human Capital Management. While the human capital strategy is undergoing a significant transformation, our Basic Philosophy on Human Capital Management, "Respect for Humanity," will remain the same. Our belief in valuing the infinite possibilities of humans also aligns with Kirin Brewery Company, Limited's brewing philosophy, "Reverence for Life." With boundless potential, each employee can grow through work by challenging themselves to create new value and actively working, and we can provide a continuously expanding environment.

Basic philosophy of human capital = "Respect for humanity"

Create a place where each and every employee can fully develop and grow with **boundless potential**, respecting their efforts and individuality (human nature), and proactively create a place where they can work to their fullest.



The goal of the Kirin Group’s unique human capital strategy: "a company where human capital grows and wins through human capital"

By placing importance on human capital as the source of value creation and our competitive advantage and investing in them, we aim to become a company where human capital grows and wins through human capital.

At the Kirin Group, we believe that our management strategies define the direction we take in terms of our human capital strategies. At the same time, we also believe that our human capital capabilities constitute an important element when it comes to the formulation of management strategies and serve to expand the potential of our management strategies. As a source of competitive advantage, we will go about developing human capital that are characterized by diversity and expertise while at the same time having said talent accumulate a diverse array of business experience through our unique business portfolio (which spans from the Food & Beverages domain to the Health Science domain and Pharmaceuticals domain) and help them improve their expertise when it comes to marketing, R&D, and ICT.

Furthermore, we will go about creating an

environment which fosters an organizational culture that embraces diversity and supports the nurturing of people who are motivated to grow. Efforts to that end will include hiring external human resources and people with disabilities and promoting the active participation of women in the workplace. By doing this, we will increase the motivation of each individual when it comes to taking on challenges and subsequently increase opportunities to spur innovation.

This is how the emergence of innovation through the combination of human capital and the development of human capital in the context of a diverse business portfolio, is something which can be described as a human capital strategy that is unique to the Kirin Group. By improving the value of human capital, we will better our organizational capabilities, strengthen our businesses, and realize our business plan and the sustainable growth and value creation of the Group.

Recognizing human capital strategy issues from the perspective of Group management issues

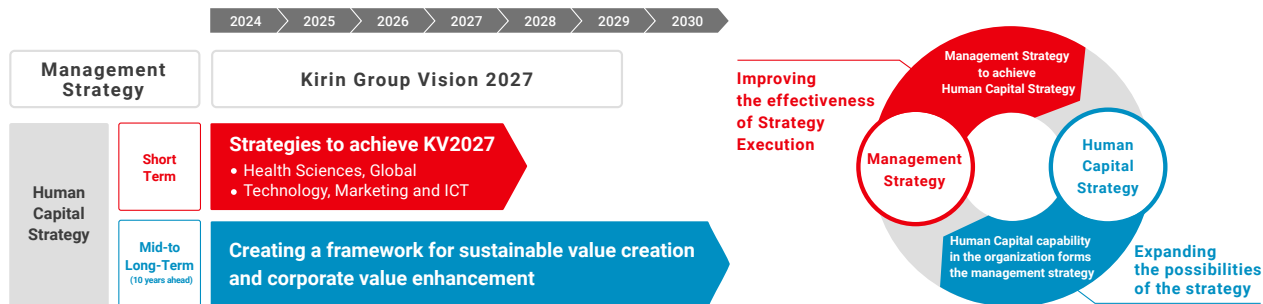
The short-term goals of the human capital strategy are to strengthen organizational capabilities and improve

the effectiveness of strategy execution in line with the transformation of the business portfolio. In the medium-term, we will improve future corporate value by producing specialized and diverse human resources. At this time, we are focused on the five following issues:

- ① Strengthen organizational capabilities in line with the business portfolio transformation (Health Sciences, New Businesses, etc.)
- ② Human capital management focused on expertise and diversity is required when looking ahead in times of an uncertain future
- ③ Create a culture that supports and strengthens human capital who can accomplish and innovate = capability to execute the strategy to achieve the advanced strategies
- ④ Create job satisfaction in response to changes in the labor market and individual values
Strategic evolution through communication with the stakeholders, with an opportunity on attention on human capital
- ⑤ Strategic evolution through communication with the stakeholders, with an opportunity on attention on human capital

Expertise and diversity are the keys to accelerating initiatives to realize sustainable growth and improved value from both the aspects of human capital and the organization

The keys to implementing the human capital strategy are expertise and diversity. In the VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) generation, it is necessary to better the expertise and diversity of both human capital and the organization to accelerate innovation. In doing this, it is important to look at



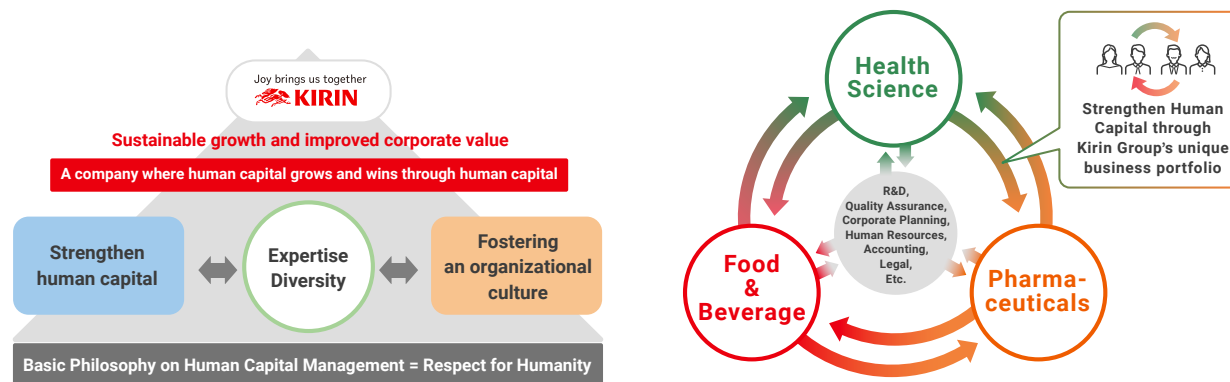
everyone’s motivation to grow and the collaboration and co-creation of diverse human capital.

Regarding human capital, by sympathizing with the Group Corporate Philosophy and Purpose, which are important to the Kirin Group, and promoting Will-driven self-reliant growth, which will lead to their own growth and contribute to the Group, they will invoke their motivation to grow through self-reliant learning and challenging and will raise their expertise. Additionally, by refining diverse perspectives and values through cross-business secondments based on expertise, opportunities to challenge advanced and wide-spread issues, etc., we will enhance our ability to strengthen our human capital as an organization.

Furthermore, we will take advantage of our unique business portfolio, which is expanding globally in a wide range of domains from the Food & Beverages domain to the Health Science and Pharmaceuticals domains, to raise the mobility of diverse human capital with cross-business expertise. We will also provide more opportunities for collaboration and co-creation among diverse human capital to enhance expertise and diversity as an organization that is more than just its individuals and teams. By doing all of the above, we aim to acquire the organizational capabilities and to foster an organizational culture that allows us to continue innovating.

In this way, the story that connects the enhancement of the motivation of individuals, who continue to autonomously learn and challenge themselves, as well as the collaboration and co-creation of diverse human resources to innovation, will be reflected in our future efforts to create challenges unique to the Kirin Group.

Overview of the Kirin Group’s human capital strategy



Important points of the human capital strategy

Strengthening of human capital

In aim of sustainable business growth, the Group will pursue the type of human capital management that facilitates the development of human capital who satisfy our requirements in terms of both expertise and diversity and excel in making decisions, adapting to changes, and creating ideas.

Initiative examples:

- The Group will transition to function-centered talent management so as to develop specialized talent conducive to executing the Group’s strategies (recruitment, development, and assignment).
- The Group will identify human resources who have been successful on a functional basis and build a candidate pool of top management members including young employees. Top management and the People & Culture Department will work together to foster such candidates based on the criteria required.
- The Group will establish an environment that supports employees’ growth based on their self-reliant career development (by increasing opportunities for employees to apply for new positions offered via an in-house recruitment system, initiatives to enhance the support for fostering leadership candidates, etc.) and accelerate our personnel development cycle which helps employees to produce outcomes and growth through business experience to improve the support of leaders and growth started from autonomous career formation.

Fostering an organizational culture

The Group will foster an environment/culture that helps human capital with diverse values and expertise to grow by taking on new challenges as well as attracts such human capital.

Initiative examples:

- In order to transform into an organizational culture that supports and strengthens human capital who can accomplish and innovate, diverse human resources will pool together their wisdom to work toward our goal, and we will transform into an organization that is valued for taking on challenges and the results of those challenges by practicing leadership roles (target achievement and human capital training) at a high level.
- To build an environment where diverse human capital transform their differences into strengths and it feels easy to take on new challenges, the Group will make a step forward from “Diversity & Inclusion” to “Diversity, Equity & Inclusion.”
- With the aim of building an organizational culture where each and every one of our employees can feel they have grown (Career realization, community connections, contributions to the company) by working with the Kirin Group, the Group will intensify our efforts to forge an empathy among our employees to the Group’s Corporate Philosophy and Purpose, as well as a sense of attachment to and pride in the organization.

Example**Invoke motivation to grow and provide opportunities to co-create with diverse human capital**

We are creating opportunities for employees to talk with top management to invoke everyone's motivation to grow in aim of becoming a company where human capital grows and wins through human capital. Additionally, we are making efforts to provide opportunities for our Group's diverse human capital to co-create.

Dialogue to promote the Group Corporate Philosophy

We are promoting communication among employees and executives through sharing messages from the executives and roundtable meetings so Group employees and top management can come together and work as one to realize our Group's vision.

As part of this initiative, we are hosting "Conversations with the Kirin Group's Top Leaders," an online event in which Kirin Holdings Company, Limited's executives discuss and communicate with the employees. By doing this, we have created a place to exchange ideas on Group values, the meaning of diversity in business, CSV management, and more, and these events are attended by numerous employees from various portfolio companies and overseas, with the help of simultaneous interpretation.

On the day of the event, directly answering questions and comments received on zoom in addition to the pre-gathered questions brought the participants closer together. We have also received comments saying they feel closer to management and that the events have

sparked something inside of and motivated them. We will continue to host such events to discuss about what our Group believes is important and our vision.

*The event was held three times in FY2022. Each event is restricted to 1,000 employees and pre-registration is required.

Achieving diversity of the organization and self through cross-boundary learning

We aim to develop individuals' self-reliant careers and diversity of the organization and individual through cross-boundary learning. Without limiting ourselves to the experiences and values of only our company, we will gain new perspectives and values through connections with the community. Furthermore, by bringing in human capital with differing values, our organization will become more diverse.

Specifically, in 2019 we started the Work-abroad program, and in 2020 we lifted the ban on side jobs and started to accept people to work side jobs with us (105 employees currently hold side jobs).*

In 2022 and 2023, we have been participating in the Consortium for Career Ownership and the Future of Work, a mutual side job initiative between companies. Additionally, we are participating in the Consortium for Human Capital Management, established in August 2022, and, with the support of the Ministry of Economy, Trade and Industry, promoting the sustainable value creation of Japanese companies.

*The number of approved side jobs between July 2020 and December 2022 (includes employees from Kirin Holdings; Kirin Brewery; Kirin Beverage Company, Limited; and Mercian Corporation)

"Conversations with the Kirin Group's Top Leaders"
An event aimed to provide a place to communicate with Group employees

An online event in where the Kirin Group's executives discuss the Group's vision

The Work-abroad program, a cross-boundary learning initiative


Providing early training of human capital to support CSV management by dispatching young employees who volunteered themselves to non-profit organizations, etc., for first-hand experience in tackling social issues

Human capital disclosure index

Viewed from Group Management Issues Recognition of Human Capital Strategy Issues

- 1 **Strengthen organizational capabilities** In line with the business portfolio transformation (Health Sciences, New Businesses, etc.)
- 2 **Human capital management focused on expertise and diversity** is required when looking ahead in times of an uncertain future
- 3 Create a culture that supports and strengthens human capital who can accomplish and innovate = **capability to execute the strategy** to achieve the advanced strategies
- 4 **Create job satisfaction** In response to changes in the labor market and Individual values
- 5 **Strategic evolution through communication with the stakeholders**, with an opportunity on attention on human capital

Key Initiatives for Human Capital Strategy

| | |
|--|----------------------------|
| <ul style="list-style-type: none">  Improvement of professional skills required to execute the strategy  Discover and foster group management human capital who will be responsible for future management  Improvement of leader support and promotion of Will-driven self reliant growth and career development | Human Capital Improvement |
| <ul style="list-style-type: none">  Evolving into a culture of challenge and commitment  Diversity, Equity & Inclusion that transform the differences into strength  Pride and attachment to the organization, understanding toward the company philosophy and purpose | Organizational Improvement |

Disclosure indicators

| Uniqueness | Comparable |
|--|---|
| <p>Development of human capital with both expertise and diversity (Talent management on a function basis & exchanges between the three businesses)</p> | <p style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">Value improvement</p> <ul style="list-style-type: none"> Employee engagement score Female management ratio Percentage of mid-career hires Turnover rate Reinstatement rate after maternity / childcare leave Rate of male employees taking paternity leave Gender wage difference Average length of service |
| <p>Discover and foster group management human capital (Pool of next-generation talent)</p> | |
| <p>Create challenges unique to the Kirin Group *Comming soon (Understanding and attachment toward the corporate philosophy and purpose, each and every individual' s motivation to grow through self-reliant learning and challenging)</p> | |
| <p>Number of individuals taking part in cross-boundary learning (People with side jobs, secondments outside the Group, and cross-industry training participants)</p> | |
| <p>Indicators of the embodiment of the corporate philosophy and purpose (KIRIN Group Award applicants)</p> | |
| | <p style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">Defense value</p> <ul style="list-style-type: none"> Labor practices Number of complaints resolved around labor practices and human rights Percentage of employees covered by collective bargaining agreements (%) Lost Time Incident Rate (LTIR) Employee fatalities due to accidents at work Attendance rate of human rights training *Plans to strengthen diversity, human rights & safety, and compliance going forward |

| | Indicator | Supplementary information |
|------------|---|---|
| Uniqueness | Development of human capital with both expertise and diversity ① Talent management on a function basis(Building a human capital development system) ② Number of participants in the exchanges between the Food & Beverages, Health Science, and Pharmaceuticals domains | ① Organize the desired human resource requirements by function and the training process in aim of improving expertise ② Appoint human resources so specialized human resources can gain diverse experiences within the Kirin Group |
| | Discover and foster group management human capital | Create a database (talent pool) of future Group management human resources to grasp the sufficiency of human resources |
| | Create challenges unique to the Kirin Group *Starting soon | Set indicators for understanding and attachment toward the Group's Corporate Philosophy and Purpose and each and every individual's motivation to continue to grow through autonomous learning and challenging |
| | Number of individuals taking part in cross-boundary learning | Set the number of people who can have side jobs and be full-time workers as well as the number of participants allowed to partake in cross-industry training to enhance the organization's and individuals' expertise and diversity |
| | Indicators of the embodiment of the corporate philosophy and purpose | The number of Kirin Group Award applicants is set as the number of people who embody the Kirin Group's vision |

*Human capital figures to be disclosed will be set at a later date

*ESG data reference: <https://www.kirinholdings.com/en/investors/esg/esg/>

*1 Referred to as the "Number of grievances about labor practices or human rights impacts filed, addressed, and resolved through formal grievance mechanisms" in the ESG data

| | Indicator | 2022 results | Scope and supplementation |
|---|---|---|--------------------------------|
| Comparability | Employee engagement score (%) | 70% | The Kirin Group |
| | Female management ratio (%) | 10.6% | Kirin Holding's original hires |
| | Percentage of mid-career hires (%) | 27.3% | Kirin Holding's original hires |
| | Gender wage difference (%) | ① All employees 70.5% ② Full-time employees 71.2% ③ Non-regular workers 44.9% | Kirin Holding's original hires |
| | Percentage of male employees taking paternity leave (%) | 73% | Kirin Holding's original hires |
| | Reinstatement rate after maternity/ childcare leave (%) | 93.3% | The Kirin Group |
| | Average length of service (years/employee) | 16.2 | Domestic Group companies |
| | Turnover rate (%) | 10.6% | Domestic Group companies |
| | Lost time injury rate (LTIR) (number/million hours) | 1.00 | The Kirin Group |
| | Average number of actual hours worked per year | Confirming | The Kirin Group |
| | Employee fatalities due to accidents at work (people) | 0 | The Kirin Group |
| | Number of complaints resolved around Labor Practices and Human Rights*1 | 98 | The Kirin Group |
| | Attendance rate of human rights training (%) | 89.5% | The Kirin Group |
| Percentage of employees covered by collective bargaining agreements (%) | 53.1% | The Kirin Group | |

Core technology that creates accurate value: A competitive strategy combining R&D expertise and IP strategies

At the Kirin Group, “Core technology that creates accurate value” is one of our organizational strength that supports our innovation. In the coordination with business, research and development (R&D), and intellectual property (IP), we will make our competitive advantage and contribute to our sustainable growth.

R&D based on fermentation and biotechnology

We at the Kirin Group have developed technological capabilities and expanded our businesses, ranging from the Food and Beverages domain to the Pharmaceuticals domain, with fermentation and biotechnology as our foundation. In the Health Science domain, we have used the brewing technology and knowledge of raw material processing cultivated in the beer brewing business to draw out the health benefits of microorganisms and plants and create new products. We developed *iMuse*, a brand of soft drinks and supplements infused with *Lactococcus lactis* strain Plasma (LC-Plasma),

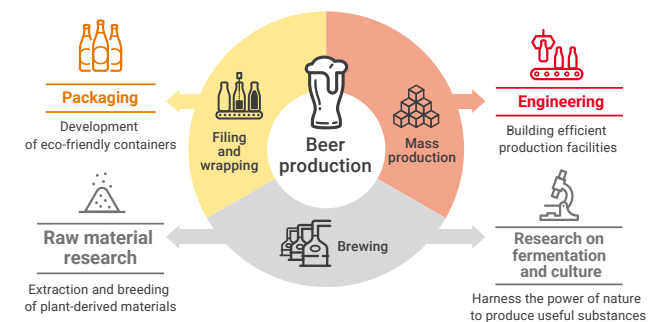
and our focus on the functionality of hops led to the development of *KIRIN KARADA FREE*, an alcohol-free, beer-flavored beverage, and other foods with functional claims. Furthermore, Kyowa Hakko Bio is using fermentation technology that uses the power of microorganisms to mass-produce functional materials, including specialty materials such as Citicoline*1 and human milk oligosaccharide*2 (HMO), and expanding overseas as a B2B business. Kyowa Kirin’s development of their proprietary technologies, such as POTELLIGENT® and human antibody production technologies that produce therapeutic antibodies, has led to creating business through the creation of global products Crysvita and Poteligeo.

We are investing R&D resources in priority domains based on the Group Materiality Matrix (GMM), which outlines key issues that must be addressed in order to exist sustainably and develop together with society. In 2022, the entire Group’s R&D expenses increased approximately 20%, but they increased approximately 30% when comparing only the Food &

Beverages and Health Science domains, compared to 2016 when we were focused on the domestic alcoholic and non-alcoholic beverage businesses. Going forward, we will continue to invest R&D resources in the areas of health science and the environment, two areas in which consumers and society have high expectations for scientific evidence.

*1 A naturally occurring substance in the body that helps maintain cell membranes in brain and nerve cells. It is used around the world to treat brain diseases and in health foods that support cognitive function

*2 *Oligosaccharides* found in human breast milk. There are over 200 varieties in human breast milk, and studies have shown they contribute to immunity, brain function, and more



An R&D system that improves commercialization success

In the Food & Beverages and Health Science domains, basic research and applied research for commercialization are being performed at the Kirin Holdings' Kirin Central Research Institute, Institute for Future Beverages, and Institute for Packaging Innovation. On the other hand, at each operating company's or division's research institute, R&D directly connected to business, such as product development that makes use of the technologies born there, are being performed. Additionally, in the Pharmaceuticals domain, most R&D activities are handled by Kyowa Kirin, who is promoting collaborative efforts with Kirin Holding's Kirin Central Research Institute in an effort to provide value that is not limited to pharmaceuticals.

Regarding the Health Science domain, the Institute of Health Sciences was established in April 2023. Part of the short-term and medium- to long-term developments

that were previously being handled by the Kirin Central Research Institute were combined with the R&D functions of the Health Science Business Department and are now being handled directly by the Health Science Business Division. By newly establishing the institute responsible for the health materials in the process of business development (LC-Plasma, HMOs, Citicoline, etc.), we can perform functional development that is more closely linked to marketing activities, create functional products with more speed, and enhance our ability to implement business strategies. Additionally, the Kirin Central Research Institute will focus on basic research for creating new value for the future. It is precisely because the development of functional materials takes time from the start of R&D to product launch that the Institute of Health Sciences, which coordinates marketing and R&D strategies and works closely with the business, and the forward-looking Kirin Central Research Institute will work together to continuously create new functional products and services.

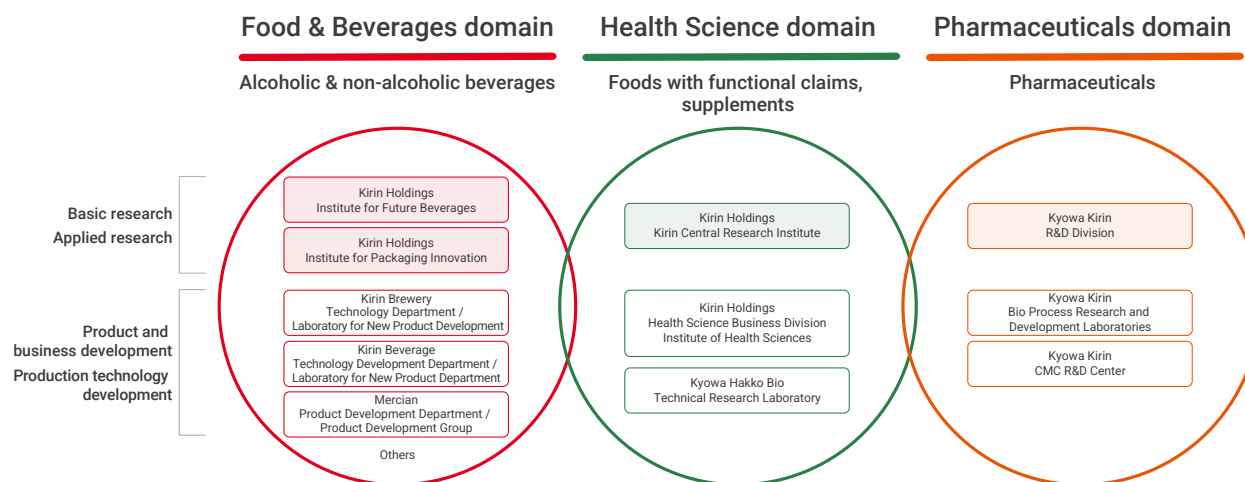
IP strategy compatible with the characteristics of the Group business

In coordination with our Group's R&D activities, we promote IP activities by Kirin Holdings' Intellectual Property Strategy Department in the Food & Beverages domain and by Kirin Holdings' and FANCL Corporation's IP Departments in the Health Science domain, with business and R&D, respectively. IP activities in the Pharmaceuticals domain are promoted by Kyowa Kirin's IP Department.

Each domain requires IP activities that match its business characteristics and markets. In the Food & Beverages domain, we are working to maintain a level of freedom in business and development through multifaceted production of our various IP rights, such as production technology, product composition, and packaging design. In the Health Science domain, we are working to realize market expansion and business growth through acquiring and utilizing intellectual property consisting of primarily patent rights related to health functions of materials, production technology, and product composition. The growth of the LC-Plasma business, which is currently the most developed business of the Health Science domain, could be said to be due to the coordination of the business, R&D, and IP departments.

Human capital supporting the competitive advantage

Our Group achieves sustainable growth by implementing a competitive strategy that combines our R&D capabilities and our ability to commercialize the value



we have created with our IP strategy. The reason for our competitive advantage is our human capital. Particularly when it comes to foundation research, it is important to have highly specialized human capital, and there are 224 employees with doctorates in our Group (as of 2022). In the IP departments, we are improving the Group's IP literacy by promoting the hiring and training of human capital who are specialists in IP while also enhancing company education and a training system to acquire the skills required for promoting IP activities. An example of this is assigning human capital who gained experiences in production and quality assurance at Kyowa Hakko Bio to the Kirin Central Research Institute or other locations. By periodically rotating our people between operating companies and divisions and involving those who understand the business in R&D aimed at commercialization in the research institutes and IP departments, we are creating a system in which it is easier to achieve commercialization in the various domains, ranging from Food & Beverages to Pharmaceuticals.

Going forward, we will continue contributing to the growth of the Group by training and hiring with a focus on expertise and assigning human capital who understand the business.

Example

The strategic process of filing for and obtaining patents related to LC-Plasma

Kirin Holdings' research on lactic acid bacteria started as foundation research in the 2000's. In 2011, we presented findings on the effects of LC-Plasma on plasmacytoid dendritic cells (pDC) at a meeting of the Japanese Society for Virology and filed for a basic patent.*3 Product development began in 2012, but there have so far been three turning points related to IP utilization in the product life cycle of the LC-Plasma business.

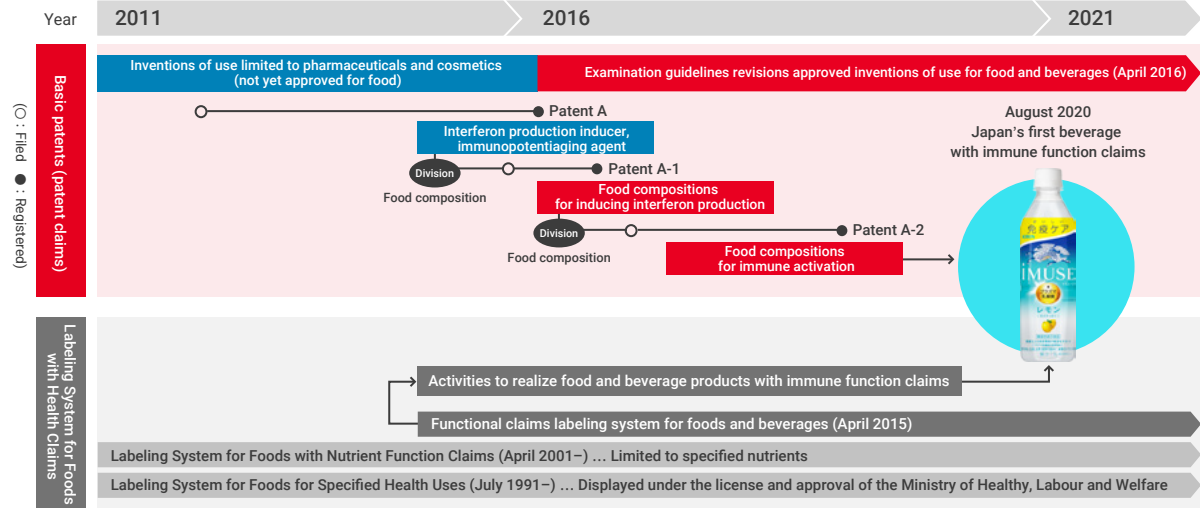
*3 Patents related to technologies, etc. that must be used to implement a particular product or service. Received the Imperial Invention Prize at the FY2023 National Commendation for Invention for a basic patent on LC-Plasma(see p. 37).



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1) Primary phase: Obtaining use patents related to food and beverage uses in conjunction with activities to obtain functional claims

The labeling System for Foods with Functional Claims began in 2015, and inventions of use in food and beverages*4 were approved the following year. We took this change in the environment as an opportunity and took on the challenge of obtaining immune function claims, which required high expertise that includes a deep understanding of research content, familiarity with laws and regulations, and an understanding of trends. As a result of the coordination of the business, quality assurance, R&D, and IP departments, we were able to realize the immune function claims of LC-Plasma, which would become the key to our business' expansion, and we successfully obtained a basic patent.

*4 Due to the revision of the Examination Guidelines for Patent and Utility Model in April 2016, inventions of use that were previously limited to pharmaceuticals and cosmetics, were now approved for food and beverages.

2) Growth phase 1: Obtaining the necessary IP from analysis

In 2020, during a time when people's interest in immune function began to grow, the notification of functional claims for immunity was accepted by the Consumer Affairs Agency and we expanded our LC-Plasma series product lineup. The IP departments, based on our future business plan, shared the IP we should acquire with business and R&D departments. We worked to secure a stable business foundation by collaboratively filing and obtaining the necessary IP in Japan and overseas.

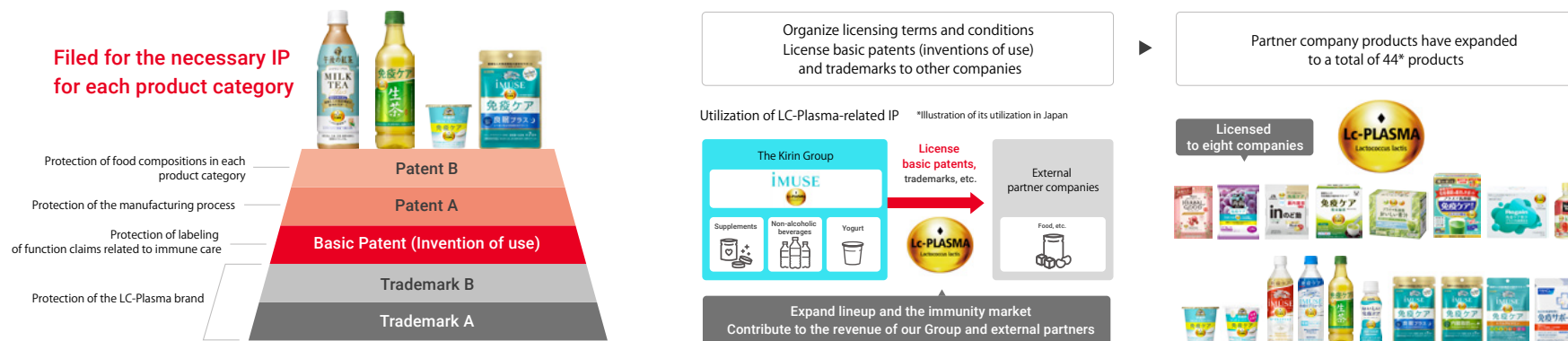
3) Growth phase 2: Promoting an open strategy and expanding the business overseas

Our partner companies in Japan and overseas have been selling LC-Plasma series products, which claim immune care functions, since 2021. Prior to this initiative, we strategically and quickly built a cross-departmental system

and proceeded with a license based on the basic patents. When selling the LC-Plasma bacterial cell overseas, we actively publish research papers on LC-Plasma, protect it with patent rights, and promote its functional aspects in order to differentiate it from similar materials sold by other companies. Furthermore, the business, legal, and IP departments work together to build a cooperative system in concluding contracts with partner companies. As a result, we contribute to not only the promotion of our business but also to market expansion.

Patent analysis of immune-related lactic acid bacteria patents

Using the patent analysis tool PatentSight®, we analyzed the patents related to immune-related lactic acid bacteria technology of other Japanese food and beverage companies. The graph on the left reveals that for 10 years since 2012 Kirin's Patent Asset Index (PAI) and Technology Relevance (TR) have risen every year and closer to the scale of other companies that are ahead of



*The number of products for sale or set to go on sale as of the end of March 2023. At the same point in time, we had also licensed basic patents for 44 products to 8 companies.

us in the development of lactic acid bacteria. Although we entered the lactic acid bacteria field as a latecomer, we believe that the results reflect our accumulation of research activities and steady acquisition and utilization of IP. The graph on the right reveals that our LC-Plasma basic patent's TR is rising sustainably, and that our basic patent currently attracts higher technical attention than the lactic acid bacteria patents of competing products by comparing our TR to those of other companies.

Based on these results, if we continue to invest in IP in preparation for future business crossroads and expand the business model that utilizes IP, the relative value of our patents, one of our intangible assets, will improve and we will be able to reach the position we are aiming for. Finally,

it would be contributed to the realization of a growth scenario of our LC-Plasma business.

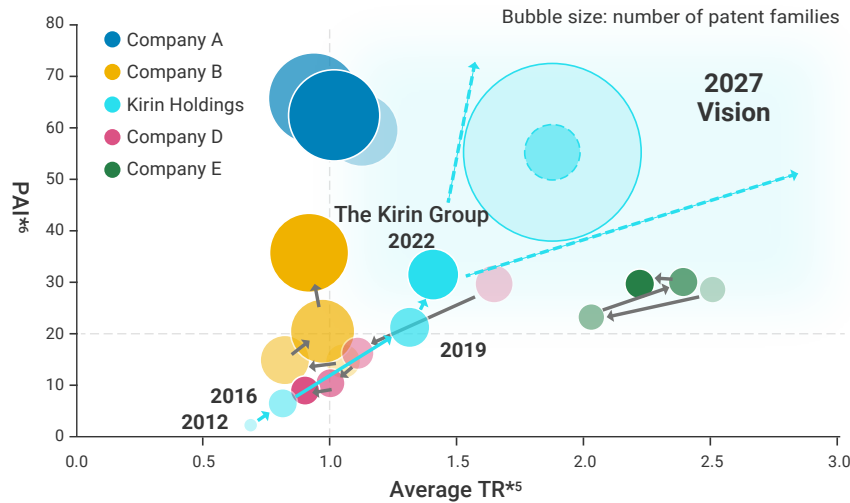
In this way, in the LC-Plasma business, we believe the acquisition of IP based on the basic patents of inventions of use and the handling of the labeling system for foods with functional claims meshed well, allowing us to build a growth model for the Health Science domain. In the 20 years since we started research and development, the business, R&D, and IP departments have come together and accumulated IP rights, like patents and trademarks, as well as the organizational capabilities to promote the business.

Going forward, we will promptly seize opportunities of external environmental changes, utilize our Group locations in Japan and overseas, and make use of our experiences expanding the business to create new business in the Health Science domain under a business model that leverages our IP.

*5 TR (Technology Relevance) is an indicator of the technological value of a patent calculated based on the number of citations received and indicates the level of technical attention from the patent-holding company, competitors, and academic societies.

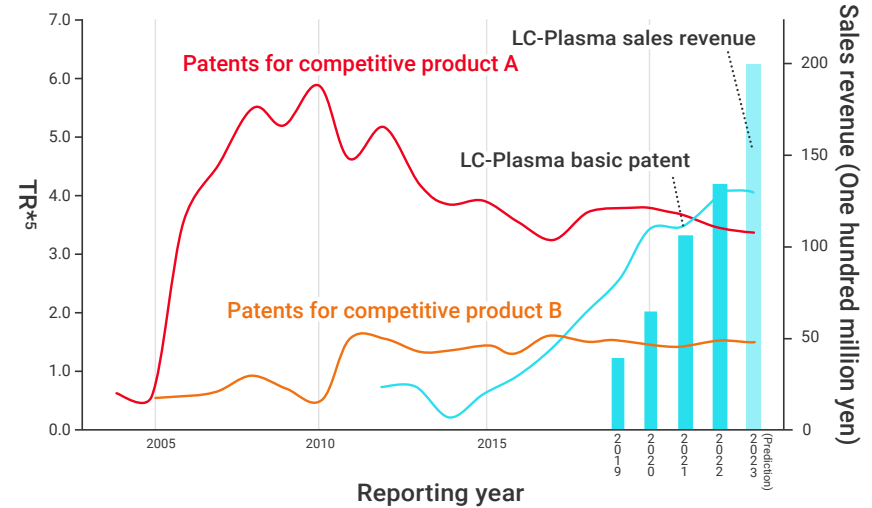
*6 PAI (Patent Asset Index) is the sum of the number of each patent's Technology Relevance and Market Coverage and shows the overall strength of the patent portfolio.

Each company's immune-related lactic acid bacteria patent:
Changes in PA and TR



*Prepared for our company using LexisNexis Japan's patent analysis tool, LexisNexis® PatentSight®

Each company's main lactic acid bacteria patent:
Changes in TR



First time in 59 years as a food company, External awards received in recognition of the success of LC-Plasma

At the FY2023 National Commendation for Invention (hosted by the Japan Institute of Invention and Innovation), Kirin Holdings Company, Limited and Koiwai Dairy Products Co., Ltd. received the Imperial Invention Prize for our invention of food compositions for immunostimulation containing lactic acid bacteria (Japanese patent number 6598824), which was awarded to our employees, the inventors for their efforts in the discovery and commercialization of LC-Plasma. This is the first time this prize has been given to a health food ingredient and the first time in 59 years to a food company. Our representatives of enterprises also received

the Distinguished Service Prize for Employment of Invention.

The National Commendation for Invention is hosted by the Japan Institute of Invention and Innovation (JIII) and is held annually to honor inventions that have made significant achievements and those that are expected to make significant contributions in the future. In particular, the Imperial Invention Prize is given to inventions that have made significant contributions to the promotion of science and technology and the development of Japan's industrial economy. This Prize is also the symbolic award of the National Commendation for Invention, which is given with

a gift from the Imperial Household, and is presented to the person whose invention is recognized as the most outstanding.

Additionally, at the 11th Technology Management & Innovation Awards (hosted by the Japan Techno-Economics Society), which recognize outstanding innovations that will change the world, we received the Minister of Education, Culture, Sports, Science and Technology Award for our discovery, research, and commercialization of LC-Plasma.



*For information on previous prize winners, please visit the of the Japan Institute of Invention and Innovation (JIII) website (Japanese only).

http://www.koueki.jiii.or.jp/hyosho/zenkoku/zenkoku_jusho_pastichiran.html



Consumer centric marketing

Kirin Group has been promoting "consumer-centric marketing expertise" built around its operating companies to enhance its organizational capability in marketing to achieve innovation.

Marketing functions of the Kirin Group

Kirin Group's initiatives to strengthen consumer-centric marketing capabilities are only halfway complete. We have set the following opportunities to further improve the capabilities and are making steady efforts.

- Raise our "ability to understand customers," which is the foundation of CSV management, to an even higher level throughout the Group
- Create marketing capabilities in new business domains
- Develop and utilize human capital across the Group for the future
- Provide support in resolving operating companies' challenges and create collaboration across the Group

Enhance Corporate Value by further evolving consumer-centric marketing



In order to turn these opportunities into growth for the Group, we have established a Marketing Central Team and strengthened its function as a group headquarters. The team horizontally links the marketing departments of Kirin Group companies, enhances the Group's consumer-centric marketing expertise, and is committed to promoting transformation through swift decision-making and business execution based on current circumstances.

Further strengthening and utilizing human capital development across the Group

Human capital development is particularly important in the new Health Science business area. Upon realizing this, in addition to developing specialized programs and competencies to raise our ability to understand consumers, we are actively recruiting outside specialists

to make a stronger marketing organization at a rapid pace. Furthermore, we utilize our knowledge in the healthcare field to improve business performance by promoting personal exchanges and utilization of human resources among Kyowa Hakko Bio, Fancl, and other operating companies engaged in the Health Science business. We will continue to accelerate our growth through forward-looking human resource development and the strategic utilization of those human resources.

Communication that conveys the significance of tackling the Health Science business

As values are changing in response to rapid environmental changes, it is becoming increasingly important for us to ensure that not only our products and services but also visions and attitudes resonate with and are trusted by consumers. We are strengthening communication to establish awareness regarding the significance of our Group’s commitment to the Health Science business, which contributes to the health of people, through various touchpoints, such as advertisements, websites, and social media. We will work to enhance our corporate brand value by making people aware that we are a partner that stands by society and our customers.

We will continue our efforts to “reinforce growth and collaboration of operating companies,” “accelerate marketing capability improvement,” and “further strengthen human capital development across the Group” through strengthening marketing central capabilities.

Example

Evolve marketing capabilities of the Health Science business

From spring 2022, Kirin Holdings established a central function to oversee marketing for the entire Group. We will continue to evolve our marketing organizational capabilities by raising our “ability to understand consumers,” which is the foundation of CSV management, to an even higher level throughout the Group.



Keita Yamamoto
Strategic Marketing Department
Kirin Holdings Company, Limited

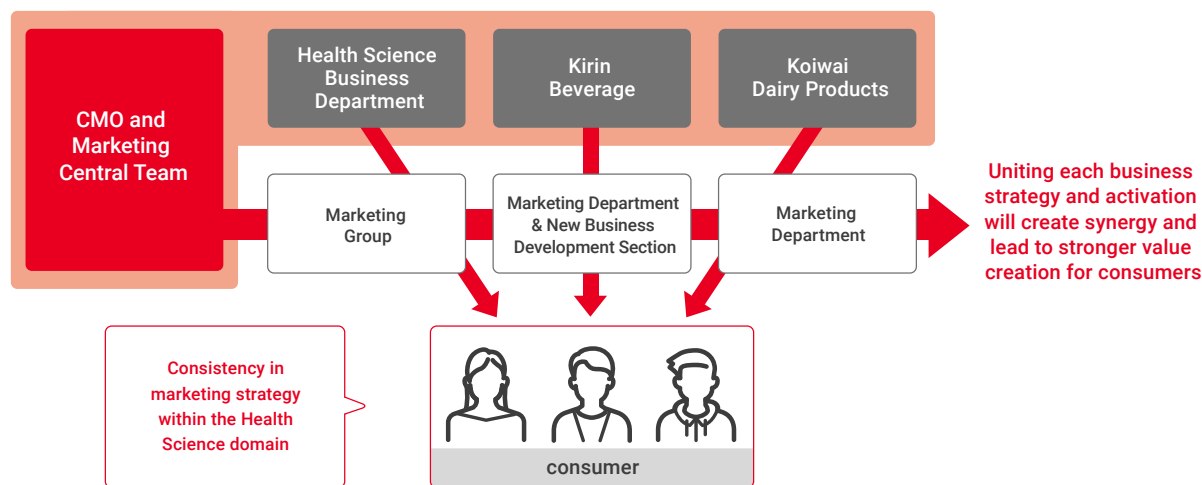
Contribute to a consistent marketing strategy and initiatives for consumers

In the Health Science domain, which is a focus of our Group, we are developing a consistent marketing strategy by providing direct support to each operating company through the Marketing Central Team. We are uniting our efforts to create consumer-centric value across the Group.

This enables the standardization of marketing activities, which often vary from company to company, allowing the Group to work together to address common market issues set from the consumer’s point of view.

Although mass marketing is possible for the existing Food & Beverages domain, which handles beer and soft drinks and whose markets have already matured, in the Health Science business, the immune health market is not sufficiently developed. This is why we need to tap

The Group unites to create value from consumer’s point of view



the potential demand for these products, and to do so, the Group should unite to create value instead of each operating company approaching consumers separately. The Kirin Group has developed and is operating a holistic plan that integrates the entirety of the Group. For the 2022 fall and winter seasons, we have formulated and implemented, for the first time, a marketing plan that comprehensively designs consumer contact points that go beyond the borders of categories and operating companies.

Specifically, we provided consistent marketing activities from advertising and PR to in-store promotions in supermarkets and drug stores by matching the timing and the contents of Kirin Holdings' Health Science Business

Department's communication for increasing public awareness of immune care and marketing communication for products of Kirin Beverage and Koiwai Dairy Products. We also see business opportunities outside of the epidemic season in winter, the peak season for the immune care products industry, and the Group is working together to create consumer needs in other seasons.

Business strategies over a medium- to long-term perspective are essential to create and develop an immune-care market. Looking not just one year but multiple years ahead, we are working to further enhance our product portfolio by expanding our development pipeline.



Holistic plan

Accelerate marketing capability improvement

We are speeding up the growth of operating companies by providing them practical consultations through the Marketing Central Team to help them acquire the expertise needed in the new business domains and to quickly build the organizational capabilities necessary for the businesses' success.

For example, although Kirin Beverage's "Oishii Immune Care" was developed as a product to mainly be sold in the chilled food section, they did not have enough knowledge about the chilled food & beverage category. That's why we helped them acquire the necessary knowledge and organizational capabilities by utilizing information on the chilled food & beverage category and chilled food section in sales strategies, in-store promotions, and better business negotiations through the training programs provided by the Marketing Central Team, thereby developing marketing capabilities that the operating companies should have.



ICT accelerating value creation

The Kirin Group accelerates group-wide digital transformation (DX) by using ICT technology and continuously creates new value with the aim of sustainable growth.

Accelerating group-wide DX and continuously creating new value

“Information and Communication Technology (ICT) accelerating value creation” is an organizational capability to help us realize new innovations in the Long-Term Management Vision Kirin Group Vision 2027

(KV2027), and we are working on business reform in every area throughout our group by revising business processes using digital technology and implementing other activities.

Realizing sustainable growth by continuously promoting DX

In recent years, due to the acceleration of the trend to apply evolving digital ICT technology to business, new technology-based services are continuously being released. The spread of digital technology has dramatically changed people's values, so there is a risk that we will not be able to provide the value that our consumers require if we continue to conduct business processes based on conventional ways of thinking, methods, and technology.

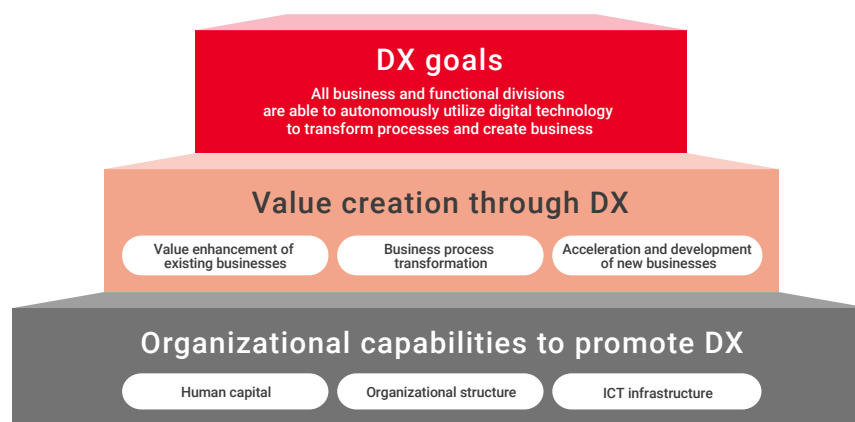
At the same time, consumer touch points have expanded through digital technology. We recognize that through a deep understanding of the changes in the markets and the diversification of market preferences, the possibility of providing consumers with high satisfaction products and services is expanding.

We believe that DX promotion is essential in an

The Kirin Group's DX Strategy

2027 Vision

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



increasingly uncertain world in order to reduce business continuity risks and realize sustainable growth, so the Kirin Group has been promoting the utilization of ICT. To carry out permanent business transformation in a dramatically changing society, we will continue to commit to DX in all businesses and divisions throughout the group.

Organizational capabilities to promote DX

Our group aims to create a work environment that allows front-line employees in businesses and divisions to identify business issues, use digital ICT technology for planning and designing solutions, and autonomously promote DX. For that reason, we are striving to build an organizational structure and secure and develop the talent that will be responsible for leading it, cultivating planning and conceptualization skills to envision what the issues should be, and focusing on proactively promoting DX on the frontlines rather than by digital ICT departments.

As for our organizational structure, in 2021 we established the Group DX Promotion Committee, in which the employees in charge of DX promotion at each operating company and their divisions participate. Through this committee, front-line employees have started playing a lead role in DX promotion, such as by expanding the initiatives of the Kirin Group to each group company and division, in aim of solving issues and sharing information across operating companies. In addition, in 2022 we established sectional committees focusing on our group's important business domains to work on solving issues in each area across the group, including sales, direct to consumer (D2C) business, marketing, and supply chain management (SCM). The

sectional committees will accelerate DX initiatives of each domain by sharing and discussing issues that our group companies have difficulty solving alone, with the participation of the employees in charge of DX initiatives for each domain at the operating companies.

As an initiative to secure human resources, we newly established a digital ICT course for new recruits in April 2021. We continue to hire mid-career employees and new recruits and to secure the necessary professional human resources for DX promotion. Meanwhile, as for internal human resource development, we have been hosting the Kirin DX Dojo, a unique DX human resource development program for our group employees, since July 2021. Group employees can choose from three course levels (white belt, black belt, or expert) and aim to pass a certification exam after finishing the course. This provides a way for employees to develop their skills autonomously and steadily.

As of the end of 2022, the number of white belts was approximately 1,200 and that of black belts was approximately 600. Employees were progressing faster than we had expected. When the course launched in 2022, there was only room for 400 participants, but we received more than double that number of applications, so we increased the program's capacity. Shared awareness that our group's DX promotion is not an initiative in only limited areas of digital ICT divisions is spreading throughout the group.

Going forward, we will grow the number of human resources who can plan and design DX promotion on the front lines, with the cooperation of the above-mentioned mid-career hires and new recruits, and strive to provide support, such as by offering opportunities for program participants to play an active role by using the knowledge they gained from the program.

Value creation through autonomous DX promotion

Our group aims for value creation through “business process transformation,” “value enhancement of existing businesses,” and “acceleration and development of new businesses.”

In regard to business process transformation, we are pursuing productivity improvement throughout the entire value chain, using digital solutions and data across divisions and domains, including the optimization of production and logistics systems through efficient AI-based product development and simulations.

As for the value enhancement of existing businesses, by utilizing consumer data and the latest technology, deepening consumer understanding, and digitizing the development processes and consumer contact points of existing products and services, we are creating new added value.

For the acceleration and development of new businesses, we aim to launch new services using digital technology across the Food & Beverages, Pharmaceuticals, and Health Science domains without being bound by our conventional business model.

Through these initiatives, as an example, front-line employees are currently starting to create ideas for enhancing and streamlining business operations, so the development of organizational structure and human resources for DX promotion is steadily in progress. We hope to gain competitively advantageous organizational capabilities for our group and to create new value through the accumulation of small successes that lead to problem solutions for our employees and organization and through a more proactive promotion of DX. We will work on business transformation in every domain of our group toward the realization of KV2027.

Example**Kirin Brewery started the MJ Project to promote DX in the SCM domain**

In October 2022 Kirin Brewery, with the cooperation of BrainPad Inc., started the three-year MJ (Supply and Demand Process Innovation) Project to accelerate DX in its SCM business operation processes. As the first step, the company launched its material supply and demand management application, which was jointly developed with BrainPad, in December 2022.

**Koji Tanaka**

Planning Section
SCM Department
Kirin Brewery Company, Limited

Due to rapid changes in the market environment, consumer preferences and values are diversifying. In response to this situation, we need to diversify our products and deal with increasing restrictions in production, logistics, and more. In such an environment, we must rapidly respond to changes in the market and build a stronger supply system to ensure the stable delivery of our products to customers in the future. For this reason, in April 2022 our company newly established the SCM Department with the goal of achieving both a stable product supply and cost optimization.

The SCM Department is responsible for preparing production plans and material (cans, paperboard, etc.) procurement plans based on demand forecasts following our previous sales records and the recent market trends. Our supply and demand operations are characterized by

current demand and demand forecasts of the next several months so we can prepare for production and procure the necessary raw materials. However, with the ongoing product diversification in the current sales environment, we not only have difficulty forecasting demand, but we also need to prepare an optimal plan that takes into account the capacity and restrictions of production, storage, and delivery. As a result, the complexity of business operations is increasing and our existing system can't handle all of them, so we are currently handling and adjusting many daily operations manually. The situation is not only increasing workload but also creating a lot of operations that can only be performed by employees with a certain level of experience. Therefore, we concluded that if this went on, we would have difficulty maintaining supply and demand operations and there would be business continuity risks for the future.

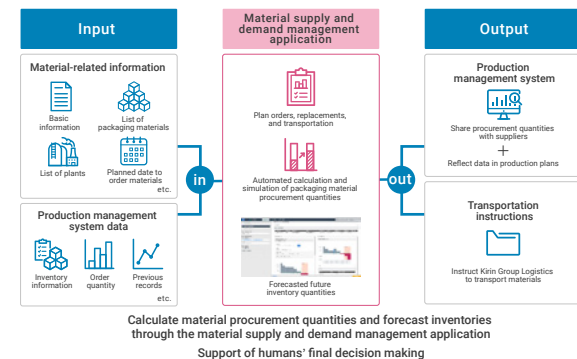
To deal with the situation, we started the MJ (Supply and Demand Process Innovation) Project in October 2022. By expanding the range of automated operations of the existing supply and demand operations system, we are planning to improve the efficiency of operations previously handled manually by employees and aiming to realize more stable, sustainable supply and demand operations. Members of digital ICT divisions are participating in this project, which was launched mainly by front-line employees, to promote and support the project.

Through the promotion of this project, we will establish a solid business operation system that will continue to provide a steady product supply for the future to reduce business continuity risks. At the same time, we also aim to improve the job satisfaction of employees in charge of supply and demand operations by eliminating the individualization of work and promoting labor-saving, breaking away from the situation in which time is spent on

manual operations, and shifting the focus to higher added-value operations.

We started using materio, our self-developed material supply and demand management application, in January 2023. This application can automatically calculate optimal order quantities for materials based on desired inventory levels and scheduled delivery dates, taking into account production timing and lot size. Additionally, the application visualizes inventory changes after order placements and supports the final decision-making process of employees. We anticipate that this will reduce the amount of material supply and demand management operations that was performed by humans by 75% annually, saving a total of over 1,400 hours of work time.

We consider this material supply and demand management application as a small success, and we will reform operations to produce more effective results. In addition to automation through the system, we will also eliminate issues and restrictions of the supply chain, creating greater social and economic value.



*Replacement: Replacing destination plants from suppliers
*Transportation: Transportation and delivery between Kirin Brewery's plants

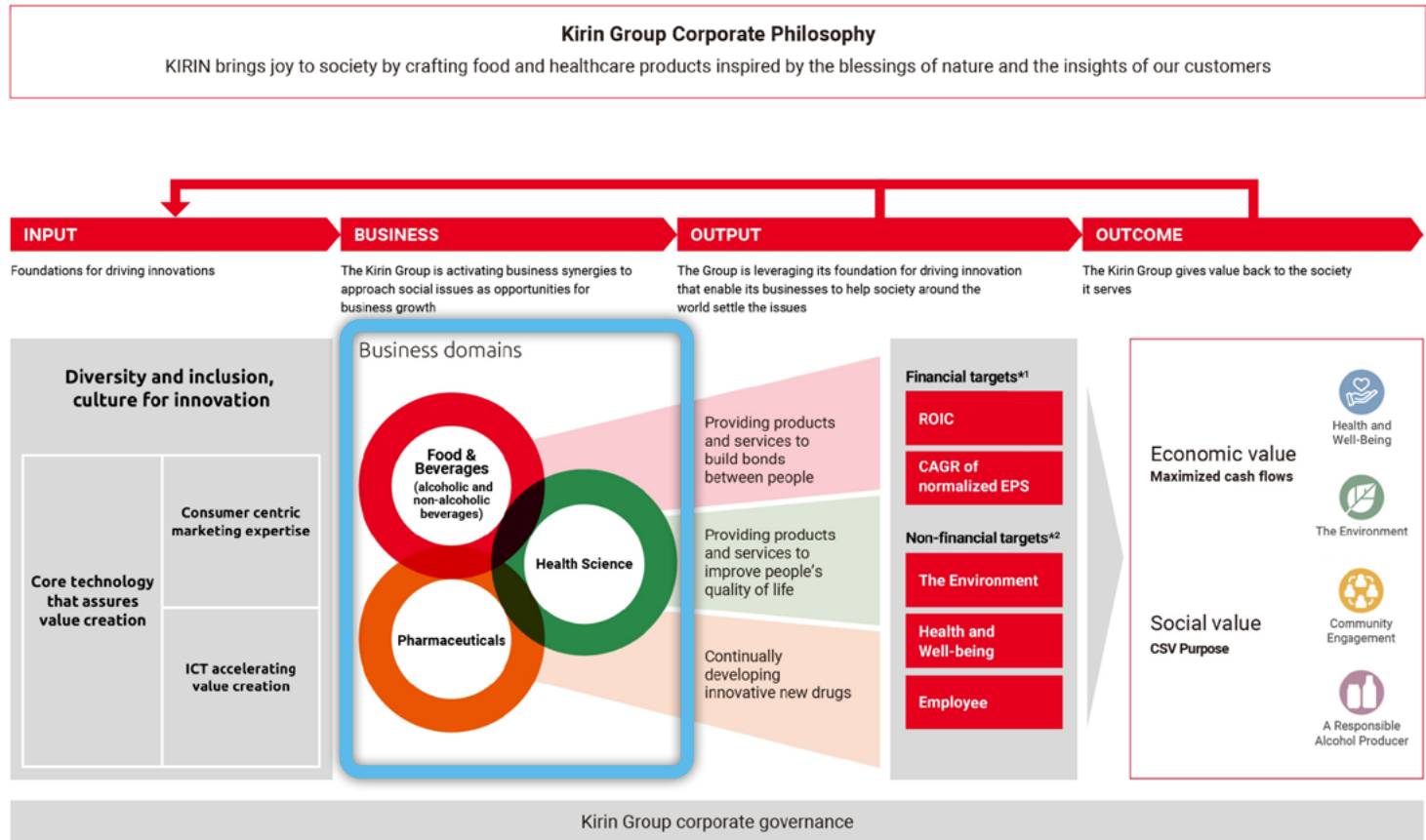
Value Creation Model BUSINESS

[Message from Senior Executive Officer of Health Science Strategy](#)
[Maximizing the Value of *Lactococcus Lactis* strain Plasma \(LC-Plasma\) and Other Specialty Materials through a Unique BtoB/BtoC Linkage Model](#) >

[Health Science domain](#) >
[Kirin Holdings Company, Limited](#) >
[Kirin Beverage Company, Limited](#) >
[Koiwai Dairy Products Co., Ltd.](#) >
[Kyowa Hakko Bio Co., Ltd.](#) >

[Food and Beverages domain](#) >
[Kirin Brewery Company, Limited](#) >
[Lion Pty Ltd](#) >
[Kirin Beverage Company, Limited](#) >
[Mercian](#) >
[Coca-Cola Beverages Northeast, Inc.](#) >

[Pharmaceuticals domain](#) >



Message from Senior Executive Officer of Health Science Strategy



Message from Senior Executive Officer of Health Science Strategy

Maximizing the Value of *Lactococcus Lactis* strain Plasma (LC-Plasma) and Other Specialty Materials through a Unique BtoB/BtoC Linkage Model

Takeshi Minakata

Director of the Board, Senior Executive Officer
Kirin Holdings Company, Limited

Using fermentation and biotechnology to solve health issues

—Why is the Kirin Group getting involved in the field of health science?

Since 2013, the Kirin Group has made Creating Shared Value (CSV) a cornerstone of its management, striving to address social issues through its business. With the COVID-19 pandemic raising global awareness

on health concerns, we recognize the importance of the health sector, which holds significant social and economic value. Our group's expertise in fermentation and biotechnology, honed through more than a century of experience in the beer industry, enabled us to enter the pharmaceutical market 40 years ago. Now, we are applying these technologies to the Health Science domain to tackle global health challenges. We are working with a strong sense of purpose to establish the Health Science business as the third pillar of support

for the Kirin Group, following Food & Beverages and Pharmaceuticals.

Until last year, our focus was on addressing health issues related to immunity, brain function, and gut health. However, in 2023, we are reassessing our approach and restructuring it as the Kirin Group's unique strategy to enhance innate human capabilities. This strategy involves pursuing both the "building foundation of health" approach that targets immunity, and the resolution of "individual health issues" such as lifestyle diseases and brain function.

Our group's vision is to be a "Become a partner for healthy and happy lifestyle in the 100-year life." Leveraging our expertise in fermentation and biotechnology, we aim to enhance human beings' innate capabilities through science-based products and services. This, in turn, will lead to happier lives and enable us to deliver smiles and joy to the world.

—One year has passed since you were put in charge of strategy for the Health Science Domain. What results have you seen over this period?

The Health Science Business Division was launched in April 2022 in order to tackle the health science business in earnest and establish a collaborative structure to foster mutual learning and make speedy progress toward common goals with each operating company. One year has passed since the launch, and we are pleased to report that a strong sense of unity has developed between the division and our operating companies, including Kyowa Hakko Bio and Koiwai Dairy Products. The smooth coordination among these companies has allowed us to establish a structure for implementing individual business strategies, which has significantly increased our decision-making speed.



Apart from restructuring our unique approach to addressing health issues, our most notable accomplishment since I assumed this role has been the creation of a roadmap to establish a BtoB/BtoC Linkage Model*¹, which we have applied to our LC-Plasma products. The model aims to address health issues by deploying technologies and ingredients on a broad scale (BtoB) and providing consumer touch points with solutions to a variety of health issues through technology platforms (BtoC). This resulted in a significant 40% increase in the value of LC-Plasma sales in 2022 over the previous year. Achieving this goal has given us confidence, and we are thrilled to see more consumers choosing the products containing LC-Plasma at supermarkets, drugstores, and other channels. This success is due to the renewed advertising for LC-Plasma, the development of in-house products like “Morning Immune Care” in small bottles, expanded coverage at drugstores, and the licensing of materials to external companies, which has significantly increased the number of consumer touch points.

*1 A business model in which businesses are linked, that utilizing the insights gained from selling the company’s own products in the BtoC business to create a new BtoB business that is not limited to ingredient sales.

Another result is that our partner companies have recognized the value of LC-Plasma and are now using it in their own product promotion activities. We place a great deal of importance on quality assurance when we out-license ingredients. We don’t simply stop at selling materials to partner companies; we also conduct a thorough evaluation of the activity of LC-Plasma in their final products.

The reason we out-license our proprietary ingredients, including LC-Plasma, to our partner companies instead of keeping them in-house is to fulfill our social responsibility of contributing to global health issues and achieve our vision. By increasing the number of partner companies and products and expanding our consumer touch points, we can create a larger market for immune care than what our group alone can achieve. Our ultimate goal is to make immune care an everyday activity. Although there is interest in immune care in Japan, only about 10% of people make it a habit, as revealed by our surveys. The market has a latent need for immunity, which has yet to become apparent. That is why we want to collaborate with our partners to create this market.

Fostering researchers with a commercialization mindset to speed up time to market

—Please tell us about the challenges that the Health Science business is facing.

One challenge is that we have not achieved our sales

targets for specialty ingredients other than LC-Plasma. Specifically, we haven’t achieved our sales targets for Citicoline*², and although three strains of Human Milk Oligosaccharide (HMOs*³) have passed safety screening in China, commercial production has only just begun at our plant in Thailand, so sales are not yet possible. Consequently, we believe that the scale of our Health Science business is insufficient.

The Health Science Division has set a sales revenue goal of 200 billion yen for 2027. To achieve this goal, it is crucial to maximize the value of our specialty ingredients. First and foremost, we need to conduct human clinical trials steadily and persistently to optimize the value of our three specialty ingredients: LC-Plasma, HMOs, and Citicoline. Next, we plan to leverage Kyowa Hakko Bio’s expertise in ingredient development to discover new specialty ingredients. To achieve this, we must increase the amount of data on the contribution of our developed ingredients to health issues through thorough human clinical trials and analysis.

To accelerate the speed of our Health Science business, we established the Institute of Health Sciences within the Health Science Business Division in April 2023. This integration involved combining part of the Health Science Business Department with certain functions of the Kirin Central Research Institute. By linking the business and R&D divisions closely, we aim to speed up the PDCA cycle from ingredient development to commercialization and foster researchers with a commercialization mindset. Meanwhile, the Kirin Central Research Institute will continue to focus on promoting basic and applied research in the Health Science domain over the medium to long term, with a view to creating seeds for future developments. We are excited about the opportunity for both research institutes to

collaborate in developing and commercializing new ingredients with a sense of urgency.

Another challenge is the deteriorating profitability of Kyowa Hakko Bio's amino acid business. Despite its large sales, this segment has been struggling with low profitability due to commoditization of products and intense price competition. The situation worsened last year with soaring raw material and fuel prices and the suspension of manufacturing at our Shanghai plant in China, caused by COVID-19 lockdowns. As a result, we recorded an impairment loss in fiscal 2022. Recognizing the increasing pace of change in the business environment, we have downsized the amino acid business earlier than initially planned and are redirecting our focus towards specialty ingredients. We are optimistic that this shift will help us return to profitability by next year.

*2 An ingredient found in the body that maintains the cell membranes of the brain and nerve cells, and has been used for many years around the world in medicines for brain diseases and health foods that support the improvement of cognitive functions. In Japan, it is currently classified as a pharmaceutical product.

*3 A generic term for oligosaccharides contained in breast milk. More than 200 kinds are contained in breast milk, and the results of research contributing to immunity and brain function, among others, have been reported.

Developing specialty ingredients worldwide through a “BtoB/BtoC Linkage Model.”

—What are the strengths of the Kirin Group in the Health Science domain?

We believe that our business model is a unique strength of our group. The BtoB model involves out-licensing our specialty ingredients to other companies, while the BtoC

model focuses on commercializing products ourselves and delivering them to consumers through our group company's products. LC-Plasma was a leading example of this approach.

When attempting to out-license LC-Plasma as an ingredient, our group's knowledge in developing and marketing various products contributes to negotiations with partner companies and aids in the development of their product.

Leveraging this strength, we plan to first accelerate the growth of our Health Science business with LC-Plasma. Additionally, we intend to utilize the knowledge we have accumulated through this product to expand global sales of specialty ingredients like HMOs and Citicoline in the future.

In addition, we have been considering the utilizing M&A to solve the challenges and realize the discontinuous growth. In April 2023,, we announced that we will proceed with the process of making Blackmores, an Australian natural health company, a subsidiary. It could be expected to help us to realize growth globally by leveraging Kirin's specialty ingredients, and Blackmores brand which obtains a high market share in Oceania, South East Asia, and China. After the completion of the deal, both of us will aim to achieve the creating social value and economic value by tackling solving the social issues of 'health' together.

—Please tell us about the future prospects of the Health Science business.

In the past, it was thought that innovation was difficult for established companies, but for the past decade or so, such companies have been rapidly producing innovation. The principles of innovation are said to include conception, nurturing, and mass production. At



the mass production stage, an established company can utilize its existing platform. We will leverage the platforms of each of our group's operating companies to accelerate the growth of our new Health Science business. Our group is already following this trend.

The Health Science business is still in its early stages, but we have the advantage of a diverse range of human resources and the ability to utilize the wide variety of know-how accumulated in the existing businesses of the Kirin Group. This is our greatest strength.

Our group is characterized by its passion. We have the full support of the entire organization in our efforts to join forces and grow our Health Science business, which motivates us to continue pushing forward. While we recognize that growing a new business takes time, we are committed to taking the necessary steps to do so properly. Building on the success of LC-Plasma, we will further promote the use of new ingredients to expand the market. Our ultimate goal is to establish Health Science as a key contributor to the success of the Kirin Group.

Health Science domain



Having developed its expertise in fermentation and biotechnology through its beer business, the Kirin Group has been conducting research on microorganisms and plants for many years. This has led to the discovery and development of numerous ingredients that can help address health issues.

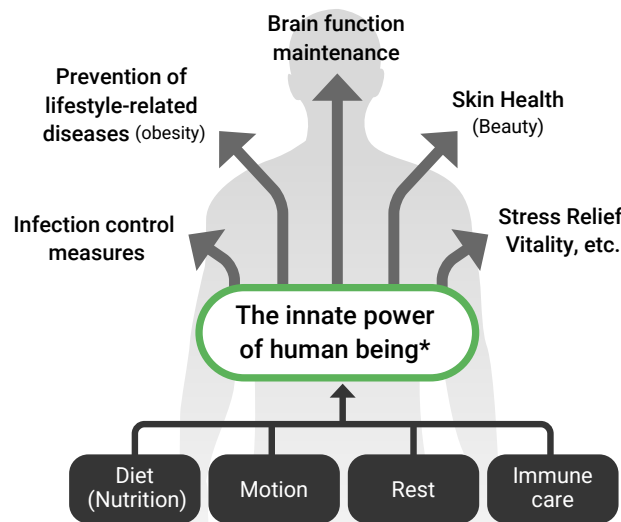
To achieve business growth, deliver evidence-based, high-value ingredients, and contribute to solving the health issues of even more consumers, we launched the Health Science domain in 2019.

The Health & Well-Being domain has attracted numerous companies due to the significant social issues related to it, and as a result, the market has been expanding domestically and internationally. Furthermore, with the remarkable technological innovations by startups and major companies entering the field, the market is undergoing rapid changes, and the speed of environmental change is extremely fast.

Our group's strengths lie in the development of functional ingredients using fermentation and biotechnology, mass productivity that leverages knowledge from Food & Beverages domain, and a wide range of consumer touchpoints domestically. We aim for sustainable growth by combining BtoB and BtoC in a unique business model called the BtoB/BtoC Linkage Model*.

*A linked model that utilizes the insights gained from selling products in the BtoC business to create a new BtoB business that goes beyond ingredient sales.

Solving health issues through unique approaches



*Essential to all people, regardless of race, gender, or age, like the software that controls health, among the innate powers of human beings

Individual health issues:

We resolve problems that impair health and well-being by leveraging the group's strengths in everything from materials to services.

Examples: Citicoline (brain function), Ornithine (vitality), etc.

Foundation:

We will build a foundation for health by approaching the power of immunity with materials and products such as *Lactococcus lactis* strain Plasma and HMO, and lifestyle support such as intestinal microflora testing.

Examples: Deployment of *Lactococcus lactis* strain Plasma and HMO, nutritional support such as amino acid business and dairy products, supplements to improve sleep quality and exercise purposes, intestinal microflora testing services, etc.

Solving our consumers' health issues and becoming a "Partner for a healthy and happy lifestyle in the 100-year life" through the growth of specialty ingredients

Building upon our group's ingredients and technology, which harness the power of fermentation in living organisms, we aim to contribute to our consumers' health more effectively by addressing not only specific health issues but also the innate power of the human body, which is the foundation of health.

The Kirin Group 2022-2024 Medium-Term Business Plan outlines our strategy to achieve growth in the immunology field by linking BtoB and BtoC, rehabilitating BtoB businesses, building a foundation for higher profits, expanding consumer touchpoints in BtoC (including Kirin Beverage and other existing businesses), and exploring M&A opportunities. We have also developed a human resources strategy to achieve these goals and improve our organizational capability.

In 2022, sales revenue increased to 103.6 billion yen due to strong sales of *Lactococcus lactis* strain Plasma (LC-Plasma, a postbiotic) products, although it

fell slightly short of the original plan at the beginning of the year.

In 2023, we will continue to aim for steady sales growth in Japan and focus on maintaining double-digit growth compared to the previous year by strengthening marketing activities to increase recognition of the functions of LC-Plasma. In addition, by collaborating with companies in Japan and overseas that license our products through BtoB marketing, we will create a virtuous cycle of increased recognition of the functions and sales growth.

Kyowa Hakko Bio, which has recorded an impairment loss, will focus on reducing the scale of its amino acid business, which consists of commonly consumed products, and instead focus on high-value-added specialty ingredients such as Citicoline and *Human Milk Oligosaccharides (HMOs)*.

Kirin Beverage will take measures to increase profitability, such as renewing highly profitable small-size products, while Koiwai Dairy Products will formulate a plan to include a greater percentage of Health Science products in its overall product composition. Both companies will aim for profitable growth in the Japanese market.

Aiming to establish and spread immune care habits through LC-Plasma

The Kirin Group aims to promote the habit of immune care worldwide through the use of LC-Plasma, to foster the perception that Kirin is the leading company in immune care. However, while over 80% of people understand the importance of immune care, only about 10% take action. Our surveys have shown that this is because consumers are not aware of how to perform immune care. To provide a simple immune care method, our group has been working on enhancing the attractiveness and expanding the lineup of our own products, as well as collaborating with partner companies to create an environment where LC-Plasma can be delivered to consumers who cannot be reached by our company alone, such as those who prefer snacks or green juices. Our goal is to make it easy for people to care for their immunity. By spreading the habit of immune care through LC-Plasma to more and more people, we will continue to contribute to the healthy and positive daily lives of people around the world.



Kirin Holdings Company, Limited

Health Science domain

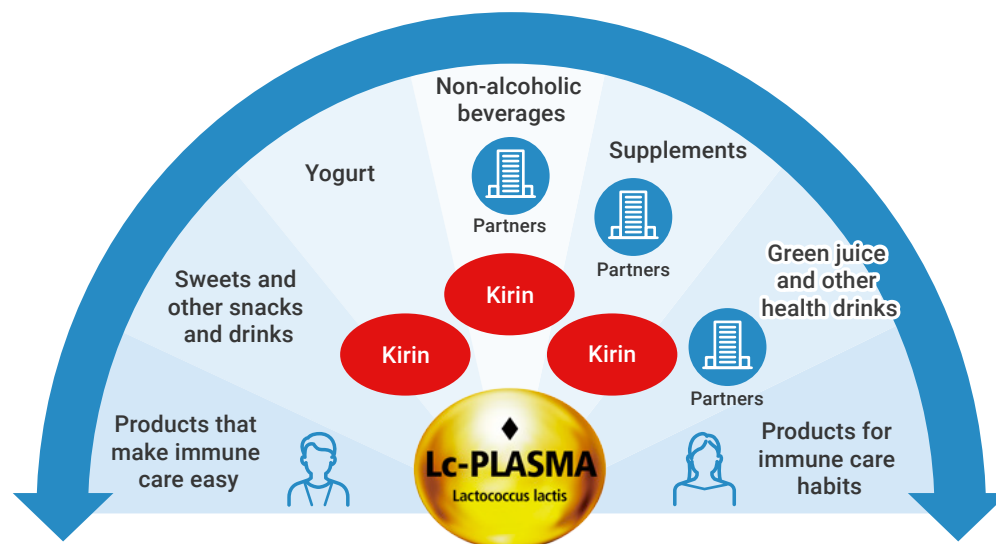


The Health Science Business Department, Kirin Holdings Company, Limited, is engaged in BtoB business, like selling specialty ingredients to partner companies, and BtoC business, like the selling of supplements online, under the Health Science Business Division.

Connecting BtoB and BtoC businesses, producing quick results in the immunity business

We will significantly expand touch points with consumers by cooperating with all partner companies. In addition, promotion of consumer understanding will lead to innovation, through which we will make

contributions to solving the health issues of even more consumers. We aim to double the current amount of *Lactococcus lactis* strain Plasma (LC-Plasma) Series foods with functional claims in the future.



2022 Year in Review

- In recent years in Japan, the growth of the health foods market has been limited. The immune-related product market temporarily expanded due to the spread of COVID-19, but the market shrunk in 2022. However, we think the various social issues, such as the growing aging population and the rising cost of social security, will create opportunities for market growth in the long-term. Furthermore, the global health foods market is continuing to grow.
- In 2022, we established the Health Science Business Division and remodeled our structure. We drafted a medium- to long-term strategy for the Health Science domain, applied it to each group company, and monitored them. We were also cooperating with Kirin Beverage and Kyowa Kirin, contemplating mergers and acquisitions, and working to improve organizational abilities.
- The LC-Plasma BtoB and BtoC businesses, which are directly controlled by Kirin Holdings, were working to make immunity care habits. The sales of LC-Plasma Series products were up 140% compared to last year.

Health Science domain

Kirin Holdings Company, Limited

2023 Initiatives

- In regard to the BtoB business, we will create an environment in which immune care will be accessible in all aspects of our lives by strengthening our coordination with partner companies to which LC-Plasma is licensed and further enhancing our product lineup.
- As for the BtoC business, in order to consistently carry out a strategy as a group, we will establish a shared forward-looking plan for the coming years with Kirin Beverage and other operating companies and implement strategic marketing activities. Further, we will continue developing academic information to improve functional recognition.
- By not only conducting our BtoC business but also involving the partner companies of our BtoB business to promote our “BtoB/BtoC Linkage Model,” which will improve the value of ingredients, we will normalize immune care habits and significantly expand the market.
- We will enhance our high value supplement lineup in our company’s DtoC channels.
- From a long-term perspective, enhancing the sales process of our specialty ingredients is essential. For this reason, we built the Institute of Health Sciences in our Health Science Business Division in April 2023, and the business and R&D departments will work together to focus more on the research and development of new ingredients.

Example

Launch of *Kirin iMUSE Immune Care Good Sleep Plus* and *Kirin iMUSE Immune Care Visceral Fat Down*

Ayako Tsukada

Marketing Group
Health Science Business Department
Health Science Business Division
Kirin Holdings Company, Limited



Although immunity plays an incredibly important role as the foundation of health, it is difficult to feel the effects of immune care products, and unlike the individual-based health issues of sleep and obesity, their needs were difficult to make apparent. The main issue for establishing immune care habits in Japan is figuring out how to approach and spark in interest in those who need immune care, especially those with low health awareness.

That’s why we launched *Kirin iMUSE Immune Care Good Sleep Plus* and *Kirin iMUSE Immune Care Visceral Fat Down* in the aim of developing immune care habits while tackling the tangible needs related to the health issues of sleep and visceral fat.

Actually, lack of sleep and increased visceral fat can raise the risk of decreased immune function. We aimed to help more consumers understand the necessity of immune care by raising awareness of the importance of double care. As a result, we received high praise from consumers, and through trial purchases, sales of *Kirin iMUSE Immune Care Good Sleep Plus* and *Kirin iMUSE Immune Care Visceral Fat Down* achieved approximately 170% and 230% of our 2022 targets, respectively. I truly feel we were able to contribute to the expansion of the consumer base in our aim to create immune care habits.



Kirin Beverage Company, Limited

Health Science domain

Kirin Beverage has been committed to creating a new beverage culture to meet consumer expectations through soft drinks based on the Kirin Group’s basic stance, a steady focus on quality and a consumer-first approach, which has been cultivated since our establishment almost half a century ago, in 1963. While Kirin Beverage provides unique products and offers consumers new value through consistent marketing that follows our Brand Purpose, we are also sharing the joy of food through our country-wide sales network and by creating sales floors based on a consumer perspective.

Working toward increasing revenue through the re-growth of core brands and expansion of the Health Science domain

As part of the Kirin Beverage Group 2022–2024 Medium-Term Business Plan (2022 MTBP), we are working to regrow existing non-alcoholic beverage core brands, with a focus on *Kirin Gogo-no-Kocha* and *Kirin Nama-cha*, and to expand the sales of *Lactococcus lactis* strain Plasma (LC-Plasma)-containing beverages in the Health Science domain. Through these efforts, we will build a strong brand portfolio that showcases

our strengths and improve revenue.

Furthermore, we are working to develop and establish a sustainable business infrastructure for the future and to promote the improvement of the cost competitiveness of our production and logistics systems. Through these initiatives, we are driving the Kirin Group’s CSV management and contributing to the resolution of social issues.

2023 Strategy

Provide “Health with good taste for everyone’s daily life” at the best touchpoints and achieve high profitability by creating a strong brand that is supported by consumers.

Drive the Kirin Group’s CSV management and contribute to solving social issues

| Strategic Issue 1 | Strategic Issue 2 |
|--|---|
| <p>Build a strong portfolio that contributes to everyday health</p> <ul style="list-style-type: none"> ① High profitability through LC-Plasma-containing beverages ② Re-growth through cultivation of core brands | <p>Contribute to daily health Develop and establish business infrastructure</p> <ul style="list-style-type: none"> ① Strengthen cost competitiveness of production and SCM |

2022 Year in Review

- Until March 2022, the Japanese beverage market was affected by the semi-emergency COVID-19 prevention measures, but from April 2022, the market grew larger than the previous year due to good summer weather and the revival of economic and human activities. Additionally, sales of functional and sugar-free teas grew*1 because of the increasing health consciousness from not being able to see a future free of COVID-19.
- Under such circumstances, the annual sales volume of “*Kirin Gogo-no-Kocha*” grew 3%, “*Kirin Nama-cha*” grew 2%, and “LC-Plasma-containing beverages” grew 26% year-on-year. That was due to our focus on core brands in the existing non-alcoholic beverage business, in addition to the launch of new products and the renewal of the existing LC-Plasma-containing beverage products in the Health Science domain.

*1 Source: Food Marketing Institute Co., Ltd. (2022 results)

2023 Initiatives

- We have newly established a pledge to consumers, “Health with good taste for everyone’s daily life,” as a broad concept to integrate and accelerate our growth strategy.

Health Science domain

Kirin Beverage Company, Limited

While focusing on health as the core of Kirin Beverage's competitive advantage and contributing to consumer's mental and physical health with good taste through health-driven products and services, we promote "sustainable recycling of containers and packaging" as part of the Kirin Group's Environmental Vision and contribute to future "communities" that connect people and society.

- As in our 2022 MTBP, in 2023 we will challenge ourselves to focus our resources and enhance investments into the Health Science domain, a driver of growth, to expand mid- and high-level price range products.
- We aim to achieve high profitability through strengthening our LC-Plasma-containing beverages portfolio and the acceleration of collaboration with FANCL.

Example

Promoting the personalization of immune care



Shoko Matsuoka

Marketing Department
Kirin Beverage Company, Limited



Mina Kuwahara

Sales Department
Kirin Beverage Company, Limited



Kirin iMUSE Morning Immune Care was created to spread immune care as a new health habit and to help everyone stay healthy. We realized that low-capacity yogurt drinks and lactic acid drinks are often consumed in the morning and that many people find it easier to make morning activities a habit. That is why we aimed to create a new market through the proposal of immune care by launching a new product with immune function claims that allows for the easy intake of LC-Plasma.

To make it easier for consumers to consume these products daily, we made product volume and taste our top priorities. We focused on creating a container that fit easily in the refrigerator and contained an amount of product that was easy to consume in addition to other breakfast items on busy mornings, so we adopted the use of 100ml PET bottles for the first time in our Group. We

also developed a refreshing yogurt flavor, making it easy to drink every day.

In addition to volume and taste, we also focused on distribution channels and selling methods. For this, it was essential for us to cooperate with the Sales Department and the SCM Department. Most low-volume yogurt and lactic acid drinks are sold as chilled products. Working toward the nationwide rollout of *Kirin iMUSE Morning Immune Care* in March 2022, we established a distribution system for chilled products and a system for business negotiations with buyers in aim of creating a new market through the promotion of new health habits by working directly with our partners.

Furthermore, from the beginning of development we had been planning to adopt a bulk purchase option to help promote new health habits. Although 10-packs are the norm for chilled products sold in bulk, we have received reports from our sales representative that 10-packs may become a factor that impedes the buying motivation of consumers, especially during the trial sales period. Therefore, we decided to adopt six-packs to strengthen trial sales and lower the hurdle for bulk purchases. As the formation of immune care habits spread due to the increase in awareness of immune care, the six-packs became popular with not only consumers concerned about their own health but also those concerned about the health of others, and sales of the low-volume lactic acid drink have steadily increased.

In March 2023, we made changes to the design and taste of *Kirin iMUSE Morning Immune Care* and launched *Kirin Oishii Immune Care* to better convey both function and good taste. We will further expand the immune-care market by instilling immune care habits in consumers.

Health Science domain

Kirin Beverage Company, Limited

Example

KIRIN x FANCL Calolimit Apple Sparkling



Shoko Matsuoka

Marketing Department
Kirin Beverage Company, Limited



Ayane Kakigi

Product Planning Group 2
Product Planning Department,
Health Food Business Division
FANCL CORPORATION



We decided to develop *KIRIN x FANCL Calolimit Apple Sparkling* together with FANCL to solve consumers' health issues and to help them enjoy healthy lives by providing delicious beverages. We made the decision during a discussion about further boosting synergy between our Group and FANCL, whose management philosophy includes eliminating the negatives from the world.

Apple Sparkling, a collaborative product with FANCL's long-selling supplement *Calolimit*, can be enjoyed alongside meals. Indigestible dextrin contained in the product can reduce the absorption of sugar and fat from food. The introduction of the product on the side of the package states "Satisfy your body and mind," which means that the product will "satisfy your body and mind by providing you the happiness of eating well."

Health drinks of this kind, including Food for Specified Health Use (FOSHU) and food with functional claims, are popular among people in their 40's and older,*2 and carbonated beverages registered as FOSHU and those with functional claims are increasingly being enjoyed alongside meals. Since the main buyers of these carbonated beverage products, men in their 40's to 50's,*3 have a relatively high rate of vending-machine use, we set vending machines as a main distribution channel of the product. We are also exploring new channels, such as over the counter.

*2 Source: Kirin Holdings

*3 Source: Intage SCI (includes people in their 70s), nationwide, January 1, 2022–December 31, 2022

Koiwai Dairy Products Co., Ltd.

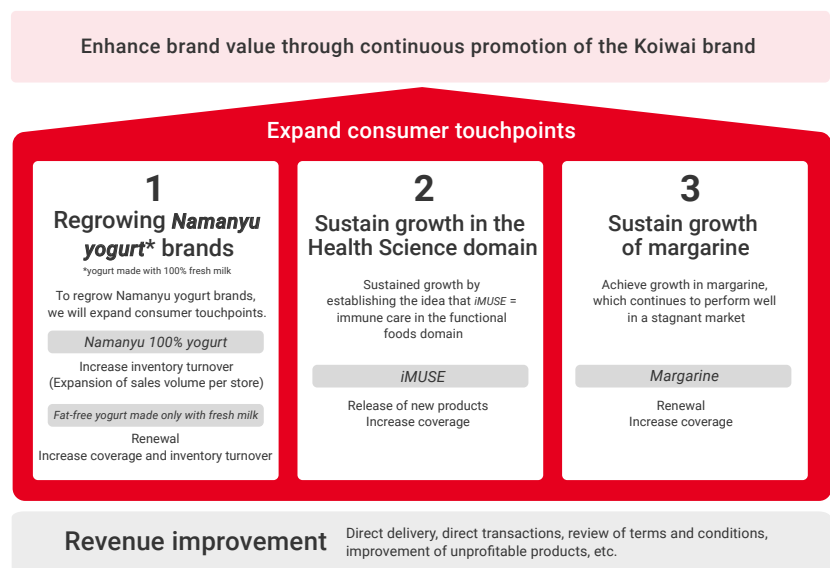
Health Science domain



Since its establishment in 1891 as Koiwai Farm, Koiwai Dairy Products Co., Ltd. has painstakingly developed the barren wilderness at the southern foot of Mt. Iwate into a lush green environment and pioneered livestock farming and dairy products in Japan. Over the last 120 years, we have cherished the indomitable challenger spirit of our predecessors and their sincere efforts cultivated in harmony with the environment. Through meticulous manufacturing, we deliver safe, secure, and valuable products. We strive to pursue “Koiwai’s unique value” and nurture relationships with our consumers while proposing creative, attractive, and valuable products that contribute to a rich dietary life by meeting more consumers’ expectations for delicious and delightful products.

Further enhancing the value of the Koiwai brand through efforts to solidify the earnings base and develop human resources

To address our inability to expand our customer base due to diminished brand value and limited opportunities for consumption, it is essential to continue effectively communicating product value and enhancing brand value. We will therefore focus on improving profitability and expanding consumer touchpoints.



2022 Year in Review

- Despite a slight decline in the markets for fermented milk (yogurt) and dairy products (butter, margarine, and cheese), our efforts to strengthen the Koiwai brand paid off, with our mainstay *Koiwai Namanyu 100% yogurt* series and two *Koiwai margarine* products growing at a steady pace.
- Sales of the *Koiwai iMUSE* yogurt series increased significantly, up approximately 40% from the previous year.
- We were able to increase sales despite rising prices of raw and packaging materials, logistics, and energy costs by swiftly implementing price revisions.

2023 Initiatives

- With our reliable manufacturing, which harnesses the blessings of milk cultivated since the establishment of Koiwai Farm, we will proactively work on enhancing brand value and nurturing personnel who support our goal of delivering unique deliciousness and creating healthy and enjoyable moments for our consumers.
- We will strive to grow fermented milk (yogurt) and improve profitability of dairy products (butter, margarine, and cheese).

Health Science domain

Koiwai Dairy Products Co., Ltd.

- For fermented milk, we aim to increase the number of new consumers and core users by promoting the taste, function, and quality of our products and creating more opportunities for consumers to try them.
- We will be offering recipes for our mainstay *Koiwai Namanyu 100% yogurt* with added fruit, as well as relaunching our *Koiwai Fat-free yogurt made only with fresh milk*, now with a less acidic and more delicious taste. Additionally, for our *Koiwai iMUSE yogurt* series, which contains 100 billion Kirin Holding's unique *Lactococcus lactis* strain Plasma (LC-Plasma), we will be launching the *Koiwai iMUSE yogurt Sugar-Free* line with three options: low sweetness, low fat, and sugar-free.
- With the growth of the LC-Plasma business, sales of ingredients as a BtoB enterprise have also been robust. To further enhance our LC-Plasma production capabilities, we will be operating a new LC-Plasma line at our Tokyo Plant.
- In dairy products, we will be relaunching margarine series to strengthen sales.
- To foster employee development and growth, we will visualize the necessary skills for each department and implement systematic human resource training programs to create workplaces where employees can work with energy and enthusiasm.

Example

Value proposition of products including *Koiwai Namanyu 100% yogurt*

Shohei Aoki
Sales Promotion Dept. No. 2
Metropolitan Area Branch
Koiwai Dairy Products Co., Ltd.



Daichi Miyoshi
Sales Planning Dept.
Metropolitan Area Branch
Koiwai Dairy Products Co., Ltd.



Yu Tsukawaki
Sales Planning Dept.
Metropolitan Area Branch
Koiwai Dairy Products Co., Ltd.



Saki Takahashi
Sales Planning Dept.
Metropolitan Area Branch
Koiwai Dairy Products Co., Ltd.



There is no doubt that price affects consumer purchases, and raising prices generally reduces demand. As a result of the recent rise in consumer prices, the importance of brand value has increased.

In such a difficult market environment, we assumed that some consumers who have been purchasing *Koiwai Namanyu 100% yogurt* might either stop buying or buy less frequently due to the price increase. Therefore, we did not rely solely on price policies but implemented measures to encourage as many consumers as possible to experience the deliciousness of the product and recognize its value, even if the price is a little higher.

First, we created an opportunity for consumers to taste the deliciousness of our product. We conducted sampling activities at feasible supermarkets where consumers could experience the low acidity, milkiness, and smoothness of our yogurt and its delicious taste. Since it is difficult to convey the taste in words, we believe it is important to have people try the yogurt.

Second, we strengthened recipe proposals in stores and on our media. In response to the growing momentum to use yogurt as an ingredient following the spread of COVID-19, we improved our website to make it easier for consumers to post and view comments on recipes and products. We also enhanced our proposal appeal through in-store advertising and Instagram.

We hope that consumers who are temporarily deterred by the price increase or who have not yet tasted our product will be motivated to purchase it by experiencing its great taste. We aim to contribute to the mental and physical health of our consumers and increase our sales through the value of the taste and functionality of 100% fresh milk.

Kyowa Hakko Bio Co., Ltd.

Health Science domain



Kyowa Hakko Bio Co., Ltd. was established as Kyowa Hakko Kogyo in 1949 and merged with the Kirin Group in 2008. Kyowa Hakko Bio manufactures pharmaceutical raw materials and healthcare ingredients represented by functional amino and nucleic acids and provides them to customers. These ingredients have a wide range of uses, spanning from health foods to active pharmaceutical raw materials, intermediates, cell culture medium, makeup, and more. Kyowa Hakko Bio aims to contribute to the health and wealth of the people of the world by developing functional ingredients that meet market needs and providing them to each industry.

Working to enhance sales of specialty ingredients

As a mid- to long-term strategy, Kyowa Hakko Bio is working to enhance the sales of specialty ingredients to realize profitability improvement. By keeping various options in mind, we will decisively and quickly implement structural reforms while downsizing the amino acid business. Additionally, we will focus our resources on two specialty ingredients: Citicoline*¹ and Human Milk Oligosaccharides*² (HMO).

*1 A naturally occurring substance in the body that helps maintain cell membranes in brain and nerve cells. It is used around the world to treat brain diseases and in health foods that support cognitive function.

*2 A generic name for oligosaccharides found in human breast milk. There are over 200 varieties in human breast milk, and studies have shown they contribute to immunity, brain function, and more.



2022 Year in Review

- In 2022, revenue and sales took a big hit from the spread of COVID-19 and the soaring prices of raw materials and other materials. Due to this, it has become necessary to accelerate changing the structure of the low profit amino acid business, which Kyowa Hakko Bio had planned to downsize, so a management decision was made to significantly detract assets.
- On the other hand, the promotion of the specialty ingredients that are responsible for the future growth of our business, Citicoline and HMOs, is going as planned. Regarding Citicoline, manufacturing plants have been expanded and the sales team in the large North American market has been reorganized. As for HMOs, a new manufacturing plant has been built in Thailand and preparations to get them on the market are steadily progressing.

2023 Initiatives

- Improve sales of Citicoline and HMOs and downsize the commodified amino acid business earlier than originally planned.
- The global citicoline market is expected to grow to 15 billion yen in 2023. New facilities are to be built at the Yamaguchi Production

Health Science domain

Kyowa Hakko Bio Co., Ltd.

Center (Hofu City), and test operations will begin in 2023 in preparation for the commercial production of health foods. Furthermore, focus will be put on the US, where the sales structure has been reorganized to specialize in the market; branding of *Cognizin*, a Citicoline product brand, will be enhanced; and the sales strategy will be improved.

- The growth of the market from 2022–2027 for baby formula with *HMOs* is expected to grow an average of about 20–30%*³ per year. Sales activities and regulatory compliance are being promoted in preparation for the launch of our products around the world while we strengthen research on the products' functionality. We aim to start selling in Southeast Asia by the end of this fiscal year. Through Thai Kyowa Biotechnologies' steady supply of safe, high-quality *HMOs*, they will contribute to the healthy development and growth of infants around the world.
- We will promote the development pipeline responsible for not only the above specialty ingredients but also future candidates by strengthening collaborations with the Institute of Health Sciences built in April 2023.

*³ Barclays, "HMOs the next frontier of Infant Formula innovation," March 2022

Example

Construction of the *HMOs* production facility completed

Hiroshi Nagano

President
Thai Kyowa Biotechnologies Co., Ltd.



Masayuki Ochiai

Sales & Marketing Department
Kyowa Hakko Bio Co., Ltd.

Thai Kyowa Biotechnologies' *HMOs* production facility

In the year 2000, Kyowa Hakko Bio established the world's first*⁴ *HMOs* production technology capable of mass production of *HMOs* at an industrial level.

HMOs are particular oligosaccharides*⁵ found in human breast milk. *HMOs* are the third most common solid component in human breast milk, after lactose

and lipids, and over 200 varieties of *HMOs* have been discovered. Because it is rarely found in milk derived from other mammals, such as cow's milk, but is particularly abundant in human colostrum, it is known to be important to infants. The European and North American markets for baby formula with *HMOs* are continuously growing, and the expansion of its consumption in China and South Asia is also expected to grow due to predicted population growth. The estimated average annual growth rate of consumption is around 20–30%.

After considering the expansion into Asia, where consumption is expected to expand, and the advantages of securing excellent human capital and the raw materials necessary for producing *HMOs*, we have integrated the knowledge and technology of the Kirin Group's Engineering Department and built an *HMOs* production facility at Thai Kyowa Biotechnologies. *HMOs* production began in 2022, and we aim to start selling *HMOs* to baby formula manufacturers in 2023 while the Kirin Group develops products to expand to countries where there is a higher demand for *HMOs*.

*⁴ Tetsuo Endo et. al., *Appl. Microbiol. Biotechnol.* 53, 257-261 (2000)

*⁵ A carbohydrate whose molecules are composed of a relatively small number of simple sugars (monosaccharides). *HMOs* are mainly composed of glucose, galactose, fucose, N-acetylglucosamine, and N-acetylneuraminic acid.

Food and Beverages domain



The Kirin Group, since its establishment in 1907, has expanded and grown its alcoholic and non-alcoholic beverages businesses over more than 100 years. We started accelerating our global expansion, focusing on Asia-Oceania, in the 1990's and have since welcomed Australia's Lion Pty Ltd. and the US's Four Roses Distillery, LLC and Coca-Cola Beverages Northeast into the group, developing various brands around the world. The food and beverage business, with our parent beer business at the center, remains one of our core business domains today.

Achieving sustainable profit growth by promoting our premium strategy and improving productivity

The main markets for the Kirin Group are Japan, Australia, and North America. These are all mature markets, and we do not foresee any significant sales growth happening in the near future. Thus, as a group, we are aiming to achieve top-line growth by promoting our premium strategy, in addition to the growth of our existing brands, while we fulfill local needs connected to history, culture, etc. Furthermore, we will realize sustainable profit growth by working to improve productivity in response to changes in the organization and the external environment.

In the alcoholic beverages business, our goal is the premiumization of our alcoholic beverages through promoting our craft beer business, which is expanding in various domains. Kirin Brewery Company, Limited is set on promoting the development of a craft beer platform in Japan, where the platform still has room to grow,

and Lion Pty Ltd. is doing the same in the Australian and North American markets. In regard to the mature market of North America, we are considering mergers and acquisitions with multiple breweries we feel we can synergize with.

The same issue applies to the non-alcoholic beverages business. We are working to improve the profit ratio by focusing on health in the Japanese market and enhancing our products in the Health Science domain, which have high added value. In North America, we are developing our bottling business, and we will maintain high profitability by improving margins through optimized pricing and promotion strategies.

Kirin Brewery Company, Limited

Food and Beverages domain



Since its founding in 1907, Kirin Brewery has taken on a variety of challenges to provide new value to its customers based on its “consumer-first approach” and “steady focus on quality.” Moving forward, we will continue to create high-value products that are supported by our consumers, such as *KIRIN ICHIBAN*, and promote the appeal of the beer category by proposing new value such as craft beer. Through these efforts, we will strive to become a familiar presence to our consumers and create a happy and prosperous future.

Working toward increasing revenue through the re-growth of core brands and expansion of the Health Science domain

We aim to achieve medium- to long-term growth by executing three core strategies.

The first is to develop our brands in existing businesses. In anticipation of the upcoming liquor tax revisions, we will carefully select which investments to focus on and work towards establishing a strong brand system.

The second is to strengthen new growth engine initiatives that will accelerate future profit growth. In

the craft beer market, which has high potential, we will develop craft beer products and services utilizing all available sales channels.

The third is to reform our profit structure. Our goal is to improve productivity by building an organizational structure and production and logistics systems that can adapt to various changes in the external environment, such as the impact of the COVID-19 pandemic and upcoming liquor tax revisions.

Achieve normalized OP margin of **25.0%*** by 2027 (2022: 19.2%)



2022 Year in Review

- In 2022, the “With Corona” lifestyle took root and the beer market grew significantly due to the recovery of restaurant consumption and other factors. In this environment, we aimed to maximize corporate value by focusing on two strategies: Build a robust brand portfolio and nurturing new growth engines.
- In the beer category, our *KIRIN ICHIBAN* and *SPRING VALLEY* brands led the way, achieving a year-on-year increase for the second year in a row with a ratio of approximately 104% compared to the previous year.

2023 Initiatives

- To respond to the expected increase in beer demand following the October liquor tax revisions, we will renew *KIRIN ICHIBAN* for the first time in two years to strengthen our brand. Furthermore, we will adopt a comprehensive approach that integrates consumer touchpoints in our craft beer business, nurturing it as a new growth engine.
- We will focus investments in the *KIRIN ICHIBAN* brand and craft beer to achieve further growth.
- We will create a unique craft beer experience by implementing a comprehensive approach that integrates the four points of (1) Recognition &

Food and Beverages domain

Kirin Brewery Company, Limited

Understanding, (2) Experiences, (3) Touchpoints, and (4) Quality. As a brand to lead this initiative, we will renew *SPRING VALLEY* Hojun 496 and focus on nurturing it.

- In the non-alcoholic category, we will promote the consumption of non-alcoholic beverages as a daily drink of choice, rather than just a substitute for beer. To achieve this, we will cater to consumer demand by offering a brand portfolio that meets their needs. This includes strengthening sales of *Kirin GREENS FREE* and *KIRIN KARADA FREE*, a food with functional claims.
- In the RTD category, we will establish a strong brand system by catering to diverse preferences through *Kirin Tokusei* and *Kirin Honshibori™ Chuhai*, while simultaneously strengthening our core brand, *Kirin Hyoketsu*.
- With the increasing demand for at-home drinking due to the COVID-19 pandemic, consumers are now seeking added value in RTD products and tend to prefer refreshing and crisp tastes to pair with their meals. In response, we will continue to focus on the *Hyoketsu Sugar-Free* product line, which has been expanding since last year, to meet the growing needs of our consumers.

Example

Initiatives to create a craft beer category



Tatsuro Makihara

Chief, Business Creation Department
Kirin Brewery Company, Limited



Ikuko Kubo

Chief, Business Creation Department
Kirin Brewery Company, Limited

In 2022, we collaborated with domestic craft breweries to expand the craft beer category and introduce the diverse world of craft beer to consumers. Our first step was to expand the lineup of our membership-based beer service, Home Tap, which offers customers the opportunity to choose from a variety of craft beers. We also sold products from affiliated craft breweries, such as *Yona Yona Ale* and *Aooni IPA* from YO-HO BREWING COMPANY and *Tokyo White* from Far Yeast Brewing Company, all of which were extremely well received. In addition, we launched a quality support program to enhance the quality of craft beer breweries across the country. Drawing on the brewing know-how cultivated by the Kirin Group, we have put a system in place to offer technical support and expertise for quality analysis and improvement, with the aim of raising overall industry standards. By focusing on improving quality, we hope to contribute to the sustained attractiveness and value of beer in society.

Furthermore, in 2022, we organized a taste-testing event at *SPRING VALLEY* Brewery Tokyo to introduce a “new way to enjoy beer” with the launch of

SPRING VALLEY Silk Ale [White]. The craft beer experience was received enthusiastically, with 713 consumers participating over two days and over 60% of them sharing their impressions on social media. Going forward, we will continue to strengthen our focus on the *SPRING VALLEY* brand in our craft beer efforts, creating experiences that appeal even to those who are not yet fans of beer, and showing them just how delicious beer can be.

Although our brand is performing well, we recognize that there is still untapped potential in raising awareness of the craft beer category. In 2023, we will be implementing a comprehensive approach that integrates consumer touchpoints around four key areas, to enhance the craft beer experience. To showcase the appeal of craft beer, we will focus on creating a value proposition through the first limited edition product of the *SPRING VALLEY* brand, *SPRING VALLEY Summer Craft Ale [Kaoru]*. We will also air a new TV commercial that highlights the charm of the craft beer category and host collaborative events with craft breweries, such as the Craft Beer Festival. Additionally, we will leverage all consumer touchpoints, such as restaurants and bars that use *Tap Marché* and collaboration shops located throughout the country. As we look toward the future of beer, our ultimate goal is to create a craft beer category that will be loved and appreciated for a long time to come.



Lion Pty Ltd

Food and Beverages domain



Lion Pty Ltd., whose headquarters is in Australia, has been working in the manufacturing, marketing, selling, and distributing of alcoholic and non-alcoholic beverages since its establishment over a century ago. They believe they are at the center of human connections, and therefore are taking social responsibility and making it their mission to connect people. In 2009, Lion joined Kirin Holdings and has expanded globally in Australia, New Zealand, and the United States.

Promote the re-growth of focus brands and our U.S. and Australian craft beer-centered premium strategy

Lion will strengthen marketing activities in priority brands such as XXXX. In the well-performing craft beer area, Lion will focus on strengthening its operating base

in Australia and the United States. Lion will also pursue sustainable growth through transformation to a new business operation model.



2022 Year in Review

- The Australian on-premise alcoholic-beverage market has been recovering from the impact of the COVID-19 pandemic, but the off-premise market has remained weak. Lion's on-premise sales have returned to the level they were before the pandemic, and due to their strengthening of marketing activities centered on their focus brand, XXXX, off-premise sales resembled those of the previous year.
- The craft beer category also performed well, thanks to the contributions of Fermentum Pty Ltd, whom we acquired in 2021.
- We achieved double-digit growth in the U.S. through the growth of New Belgium Brewing's *Voodoo Ranger* brand and our merger with Bell's Brewery.

2023 Initiatives

- Lion aims to generate top-line growth by strengthening marketing activities for focus brands, such as XXXX, *Tooheys*, and *Hahn*.
- Regarding well performing craft beers, Lion aims to grow by enhancing foundations through broadening their product lines in Australia and the U.S. and other activities.
- Lion aims to achieve sustainable growth by bettering customer services and lowering

Food and Beverages domain

Lion Pty Ltd

costs through improved efficiency and flexibility and by optimizing head office functions to strengthen corporate functions for the alcoholic beverage business.

Example**Expanding sales of the Fermentum's
Stone & Wood craft beer brand we
acquired in November 2021**

Lion, while a large manufacturer, has always respected the craft brewery founder's spirit, and has led the craft beer market by maintaining a high brand image while scaling up its operations. This gained them the sympathy of Australia's number one independent craft brewery, Fermentum, with whom they shared many common values when it came to business and brewing beer. Lion then determined they could synergize well with Fermentum and made them a wholly owned subsidiary in November 2021. In 2022, Lion successfully merged with Fermentum, achieving their goals amid a weakening off-premise market. Stone & Wood, Fermentum's focus brand, is expected to grow in the Australian market as a focus product of the Lion Group.

Kirin Beverage Company, Limited

Food and Beverages domain



Kirin Beverage has been committed to creating a new beverage culture to meet consumer expectations through soft drinks based on the Kirin Group's basic stance, a steady focus on quality and a consumer-first approach, which has been cultivated since our establishment almost half a century ago, in 1963. While Kirin Beverage provides unique products and offers consumers new value through consistent marketing that follows our Brand Purpose, we are also sharing the joy of food through our country-wide sales network and by creating sales floors based on a consumer perspective.

Working toward increasing revenue through the re-growth of core brands and expansion of the Health Science domain

As part of the Kirin Beverage Group 2022–2024 Medium-Term Business Plan (2022 MTMP), we are working to regrow existing non-alcoholic beverage core brands, with a focus on *Kirin Gogo-no-Kocha* and *Kirin Nama-cha*, and to expand the sales of *Lactococcus lactis* strain Plasma (LC-Plasma)-containing beverages in the Health Science domain. Through these efforts, we will build a strong brand portfolio that showcases our strengths and

improve revenue.

Furthermore, we are working to develop and establish a sustainable business infrastructure for the future and to promote the improvement of the cost competitiveness of our production and logistics systems. Through these initiatives, we are driving the Kirin Group's CSV management and contributing to the resolution of social issues.

2023 Strategy

Provide "Health with good taste for everyone's daily life" at the best touchpoints and achieve high profitability by creating a strong brand that is supported by consumers.

Drive the Kirin Group's CSV management and contribute to solving social issues

Strategic Issue 1

Build a strong portfolio that contributes to everyday health

- ① High profitability through LC-Plasma-containing beverages
- ② Re-growth through cultivation of core brands

Strategic Issue 2

Contribute to daily health Develop and establish business infrastructure

- ① Strengthen cost competitiveness of production and SCM

2022 Year in Review

- Until March 2022, the Japanese beverage market was affected by the semi-emergency COVID-19 prevention measures, but from April 2022, the market grew larger than the previous year due to good summer weather and the revival of economic and human activities.
- Sales of functional and sugar-free teas grew because of the increasing health consciousness from not being able to see a future free of COVID-19.
- Our core brands performed well in this environment because we promoted efforts toward the continual growth of the existing non-alcoholic beverages business and the Health Science domain. Compared to last year, the sales of *Kirin Gogo-no-Kocha* grew 3%, *Kirin Nama-cha* grew 2%, and LC-Plasma-containing beverages grew 26%.

2023 Initiatives

- We have newly established a pledge to consumers, "Health with good taste for everyone's daily life," as a broad concept to integrate and accelerate our growth strategy. While focusing on health as the core of Kirin Beverage's competitive advantage and contributing to consumer's mental and

Food and Beverages domain

Kirin Beverage Company, Limited

physical health with good taste through health-driven products and services, we promote “sustainable recycling of containers and packaging” as part of the Kirin Group’s Environmental Vision and contribute to future “communities” that connect people and society.

- As in our 2022 MTMP, in 2023 we will continue to promote the re-growth of our core brands and challenge ourselves to focus resources on *Kirin Gogo-no-Kocha* and *Kirin Nama-cha* and to expand mid- and high-level price range products.
- We will return to a customer-first approach and a steady focus on quality, cultivate a corporate culture that prioritizes quality, and promote our functional enhancement and our transformation into a proud and responsible organization. To be specific, we will promote initiatives to strengthen marketing-related organizational abilities and business processes, optimize our production and SCM systems, install and utilize ICT (Information and Communication Technology), and more.

Example

***Kirin Gogo-no-Kocha* initiatives****Shinpei Otakeno**Marketing Department
Kirin Beverage Company, Limited

Kirin Gogo-no-Kocha is one of the most consumer-supported brands of not only Kirin Beverage but also of Kirin Group, and it is the best-selling brand of black tea soft drink. When it comes to bottled Japanese black tea, we have continued to take on new challenges, like selling Japan’s first bottled black tea, since its release in 1986 and have been leading the black tea market. In 2022, we continued to provide consumers with the opportunity to enjoy black tea anytime and anywhere by following our Brand Purpose, “Happy Tea, *Gogo-no-Kocha*,” and prioritized *Kirin Gogo-no-Kocha Straight Tea*, *Kirin Gogo-no-Kocha Milk Tea*, and *Kirin Gogo-no-Kocha Lemon Tea* as our 3 mainstay products.

Further, we want to provide more opportunities for

consumers to drink black tea and to establish a culture of drinking black tea in Japan, so we are working to raise awareness of our sugar-free black tea, *Kirin Gogo-no-Kocha Oishii Muto (sugar-free)*. In Japan, the culture of drinking sugar-free tea, especially green tea, while eating, relaxing, etc., is widely rooted. We want to increase the opportunities to drink sugar-free black tea so that it can be enjoyed by everyone as equally as other sugar-free teas, and we thought we could provide consumers with new value in black teas, so in 2011 we launched *Kirin Gogo-no-Kocha Oishii Muto (sugar-free)*. Over approximately 11 years of raising awareness of the brand, the recognition and image of sugar-free black tea has been steadily spreading. Additionally, the rise in health-consciousness is causing a rise in the need of sugar-free beverages. In 2022, sales of the *Kirin Gogo-no-Kocha Oishii Muto (sugar-free)* series grew for the 10th year in a row and sold over 10 million cases for the second consecutive year thanks to efforts to fully renew *Kirin Gogo-no-Kocha Oishii Muto (sugar-free)* for the first time in 3 years and to renew *Kirin Gogo-no-Kocha Oishii Muto Kaoru Lemon*, the improvement of our products’ freshness, and our large-scale promotions of the brand as a black tea that goes well with bento.

Going forward, we will not only offer taste value in the form of black tea beverages but also various social values, mainly in the domains of Health, Community, and Environment, as a brand that contributes to the resolution of social issues.



Mercian

Food and Beverages domain

Under the wine business’s slogan, “Creating a pleasant future with wine,” Mercian conducts corporate activities to realize a spiritually rich society, valuing gratitude for society, the blessings of nature, and all stakeholders, including consumers, just as is stated by our company name, which combines the French words “Merci” (thank you) and “an” (person).

As a leading wine company, we continue to take on the challenges of promoting the appeal of the wine market and creating a new wine culture, always implementing consumer-based management, and continuously providing safe, secure, high-value added, and attractive products and services for consumers.

We have also received high praise over the years due to the expansion of the distilled spirit business, including single-distilled shochu and other shochu in Yatsushiro-Shiranuigura Distillery, and of the umeshu business by using technology cultivated from wine and shochu production.

Based on CSV management, and by understanding consumers’ insights, provide a valuable experience in enjoying a life with wine

The appeal of wine is its variety, and consumers select different types of wine depending on their level of interest in wine and the occasion. Each of our wine brands has a unique charm and serves as a door that

welcomes consumers, so by taking advantage of this, we can provide consumers with a rich life with wine and create a future in Japan where enjoying wine is commonplace.

Creating a pleasant future with wine



2022 Year in Review

- Following the lift of movement restrictions put in place during the COVID-19 pandemic, while the on-premise wine market is on track to recovery, the off-premise wine market is undergoing a sharp decline in consumption. Due to this, the Japanese wine market saw a 3% total decrease in wine sales, 7% for Domestically Produced wine sales and 1% for imported wine sales, in 2022 compared to 2021. Our company saw a total decrease of 6% in wine sales, 7% for domestic wine and 4% for imported wine, on a quantity base.
- *Bistro*, a Domestically Produced wine; imported wines, including the high-priced wine *Robert Mondavi* and a focus brand wine, *Casillero del Diablo*; and *Mercian Wines*, a new wine brand launched in 2022, all performed well.

2023 Initiatives

- We will expand the wine market by refining product value in each category and promoting the appeal of wine. More specifically, we will spread awareness of *Oishi-Sankaboushizai-Mutenka Wine*, a Domestically Produced wine for wine beginners; wine brands that expand the enjoyment of wine, including *Mercian Wines*, which was launched in 2022, and *Casillero del Diablo* from

Food and Beverages domain

Mercian

Chile's No. 1 winery;* and *Château Mercian*, a wine brand that promotes the appeal of wine.

- Through the *Mercian Wines* series that was launched in order to provide a new option of wine, we cooperated with producers across the world and released products that were co-created for Japanese consumers. We are creating and providing a new wine that has the appeal of sustainability. Additionally, we are promoting the added value of the brands of our overseas partners, along with their stories, through various information channels. We will expand the Japanese wine market by focusing on *Casillero del Diablo*, which sold particularly well.
- 2023, which marks the 145th anniversary of Japanese wine production and the 20th anniversary of the opening of Mariko Vineyard, will be an important year for Japan wine. We aim to further revitalize the Japanese wine market by using sales channels for commercial and industrial use as well as enrich contents for consumer experiences (events for community coexistence, a special tour, etc.) so Japan will be recognized as one of the world's foremost wine regions. In particular, we rebranded the Quality series (*Aiakane*, *Moegi*, and *Momoiro*) for the first time in five years, in April, and we aim to acquire trial users, increase the recognition of *Château Mercian*, and expand sales.

*INTELVID-Chile

Example

Starting consulting services for start-up wineries for the sustainable growth of Japan wine



Katsuhisa Fujino
Senior Winemaker
Château Mercian
Brand Group, Marketing Department
Mercian Corporation



Despite the Japanese wine market continuing to be stagnant, the share of Japan wines in the market increased by approximately 1.5 times from 2015 to 2021, and the number of wineries increased by approximately 1.5 times over the last five years. However, many start-up wineries have low revenue and are small-scale, and the number of places to systematically learn wine production is limited, so the wineries face big challenges in terms of quality, including cultivation, vinification technique, and more. In 2022, to solve these structural issues in the Japan wine industry, we started a consulting business for start-up wineries, taking advantage of our winemaking experts and 145 years of wine production knowledge.

Our company has provided appropriate support according to each winery's issues, from technical support for viticulture and vinification to a wide range of consulting services ranging from marketing to sales, by taking advantage of our human and intellectual assets. Currently, we mainly provide consulting services at four wineries in Miyagi and Iwate Prefectures. We believe that our consulting services will revitalize the whole Japan wine market and lead to the growth of our Japan wine. We will contribute to revitalizing the Japan wine market and increasing the appeal of the market by not only supporting Japanese wineries but also fulfilling our role to realize the sustainable growth of the Japan wine industry.

*Reference: Overview of the Alcohol Production Industry and Alcohol Wholesale Industry, National Tax Agency. Japanese only.

Coca-Cola Beverages Northeast, Inc.

Food and Beverages domain



Originating as a bottling business in New Hampshire in 1977, Coca-Cola Beverages Northeast has been operating in the northeastern United States for over 40 years. We were known as Coca-Cola Bottling Company of Northern New England until October 2019 when we changed our name to Coca-Cola Beverages Northeast, and are now one of the ten largest Bottlers in the United States. Coca-Cola Beverages Northeast not only provides consumers with delicious beverages but is also committed to our Values of quality, passion, integrity, diversity, and resourcefulness by investing in our people, our communities, and our customers' success.

Generate stable operating profits through pricing strategies and cost management

With the U.S. economy expected to slow down, we will develop aggressive pricing strategies and in-store promotions that leverage the strengths of the Coca-Cola

brand. Furthermore, we aim to generate stable profit by carefully managing operational and supply chain expenses.

2022 Year in Review

- We increased sales by implementing strategic price management.
- In response to the rise in raw material and labor costs, we implemented appropriate pricing strategies and cost control, achieving results that far exceeded our initial plan.
- One of the implemented pricing strategies was a price increase, which was implemented jointly by the Coca-Cola Company and its independent bottling partners. In doing this, price management tailored to the characteristics of each region was key. Coca-Cola Beverages Northeast conducted promotions at the appropriate times and managed the selling price increase strategically through close cooperation with the sales strategy team, sales representatives, and brand partners. This has boosted sales in retail stores during the COVID-19 pandemic, resulting in significant sales growth.

2023 Initiatives

- We will generate more operating profit than we did in 2022 by following through with appropriate pricing strategies and cost control while keeping an eye on inflation and consumer trends.

Food and Beverages domain Coca-Cola Beverages Northeast, Inc.

- We will develop pricing and promotional strategies for each category and improve profitability of each by focusing on profitable SKUs (returnables), for example.
- We will implement initiatives to control the risk of rising distribution and warehousing costs, by improving productivity and enhancing operating profits.
- We will aggressively make facility investments to expand the foundation for growth. For example, we will improve operational efficiency in the Boston sales center (sales and distribution center) by installing a semi-automatic picking system.

Example

Improving productivity based on data management that utilizes SAP



Paul Herring
Vice President of IT
Coca-Cola Beverages Northeast, Inc.



Jeffrey Alchowiak
Director of Business Intelligence
Coca-Cola Beverages Northeast, Inc.



David Dumont
Vice President of Operations
Coca-Cola Beverages Northeast, Inc.



Michael Adam
Sr. Director of Logistics
Coca-Cola Beverages Northeast, Inc.



Coca-Cola Beverages Northeast has been reinforcing data management that utilizes SAP. Through these efforts, we were able to not only improve the operational efficiency of HR, manufacturing, warehousing/distribution, sales, and other sectors, but were also able to reduce costs during a time of unprecedented inflation and supply chain disruption amid COVID-19. In particular,

we improved the speed of identifying and addressing challenges by constructing a system that visually depicts the performance of various departments, especially distribution, warehousing, and sales, to perform data comparison between sales centers. This has contributed to the improvement of productivity for each department.

Pharmaceuticals domain



In the 1980s, the Kirin Group ventured into pharmaceutical research and development by combining their expertise in microorganisms and cells from their original beer business with biotechnology. Today, this has become one of the group's core businesses, and we are expanding it globally with a focus on biopharmaceuticals.

In 2008, Kyowa Kirin was established through a merger between Kyowa Hakko Kogyo and Kirin Pharma. Since then, Kyowa Kirin has developed into a cutting-edge R&D company that leverages state-of-the-art biotechnology with a particular focus on antibody technology. As a leading Japanese life science company, Kyowa Kirin is committed to pursuing new possibilities and contributing to the health and well-being of people around the world by creating new value.

Maximizing the value of our global products and strengthening the pipeline as a Japan-based Global Specialty Pharmaceutical company

Based on the strategies outlined in the FY2021-2025 Medium-Term Business Plan, Kyowa Kirin aims to achieve a CAGR (Compound Annual Growth Rate) of 10% or higher in revenue and an operating profit margin of 24% or higher by 2025. In addition, the company intends to establish a foundation for sustainable growth beyond 2025. As a Japan-based Global Specialty Pharmaceutical company, Kyowa Kirin aims to establish a business foundation and achieve top-line growth by maximizing the value of global products and strengthening the pipeline to support our growth beyond 2025.

Kyowa Kirin's global strategic products are growing steadily. In particular, *Crysvita* sales reached 127 billion yen in revenue in 2022, becoming the first ever product to exceed sales of 100 billion yen. Since spring 2023, Kyowa Kirin has taken over sales activities for *Crysvita* in North America from Ultragenyx and is working

to maximize the value of the product by fully leveraging the evidence and know-how accumulated since the beginning of its launch in 2018.

Kyowa Kirin is committed to creating innovative pharmaceuticals for sustainable growth beyond 2025. The company will accelerate the progress of its pipeline including KHK4083/AMG 451 (generic name: rocatinlimab), which is currently in Phase 3 clinical trials in collaboration with Amgen Inc., and KHK4951 (generic name: tivozanib), which completed Phase 1 trials last year and will advance to Phase 2. In addition, the company will continue to focus on R&D investments for growth, including the clinical development of antibodies applied with its proprietary Regulgent bispecific antibody technology.

2021-2025 Medium-Term Business Plan strategies

| | |
|--|--|
| <p>Provide pharmaceuticals for UMN</p> <ul style="list-style-type: none"> Maximize the value of global products Continue to create groundbreaking new drugs | <p>Address patient-centric healthcare needs</p> <ul style="list-style-type: none"> Patient advocacy Provide value beyond pharmaceuticals |
| <p>Reinforce human resources and structures that support the creation of life-changing value</p> <ul style="list-style-type: none"> Human resource development, organizational strengths, digital foundations, and other factors | <p>Retain the trust of society</p> <ul style="list-style-type: none"> Ensure stable supplies of high-quality products in line with global expansion. Help to protect the global environment |

*UMN: Unmet Medical Needs

Pharmaceuticals domain

Kyowa Kirin Co., Ltd.

Example

Listening to patients and addressing unmet medical needs to drive patient advocacy on a global level



Lauren Walrath

VP, Public Affairs
Kyowa Kirin Inc.



Stacey Minton

SVP, Corporate Affairs
Kyowa Kirin International plc.



Yoshimi Gibbs

PR Group Associate Director
Corporate Communications Department
Kyowa Kirin Co., Ltd.

In its vision for 2030, Kyowa Kirin has made “addressing patient-centric healthcare needs” a one of the pillars of its strategy. To this end, the company has been globally expanding their patient advocacy activities on Rare Disease Day (RDD), which is on the last day of February each year, with the aim of providing patients with better environments for medical care and living. Through communication and collaboration with patient and healthcare professional communities, we aim to promote the correct understanding of diseases while working towards addressing unmet medical needs. Our ultimate objective is to make people who are facing diseases smile.

In Japan, Kyowa Kirin sponsored RDD Japan and participated in STEP,* a disease information community established by the NPO ASrid. Through STEP, the company is contributing to the promotion of a system that responds to the “want to know” needs of patients, their families, and other stakeholders. The company is also proactively working on internal awareness-raising activities. On its internal social media platform, numerous employees posted photos or videos demonstrating radio calisthenics for improving psoriasis symptoms and meal recipes for psoriasis patients.

Zebras are used as a symbol of rare diseases, and in the U.S., Kyowa Kirin collaborated with National Organization for Rare Disorders (NORD) to carry out the #ShowYourStripes campaign, aimed at deepening understanding of these diseases. In Europe, the company used various media channels, such as artworks, disease awareness advertisements in newspapers, and online news programs, to communicate its initiatives and the challenges that patients with rare and intractable diseases.

In Australia, Kyowa Kirin collaborated with XLH Australia, a support organization for patients with X-linked

Hypophosphatemia, to conduct the first survey on the challenges faced by patients, their families, and caregivers. By sharing the survey results, the company was able to raise awareness about the disease. In Singapore, the company participated in the Carry Hope 7.7 KM Challenge 2022 organized by the Rare Disorders Society and posted on social media to show our support, running, walking, and cycling the 7.7 km distance.

Kyowa Kirin will continue addressing rare and intractable diseases and providing support globally to realize our philosophy, “Contribute to the health and well-being of people around the world.”

*Strategic Translational action for Empowering Patients. A platform established with the aim of serving as a strategic bridge for patients and their families to empower themselves. Its goal is to empower stakeholders from various perspectives, including disease areas, patients and families, healthcare professionals, companies, and organizations.

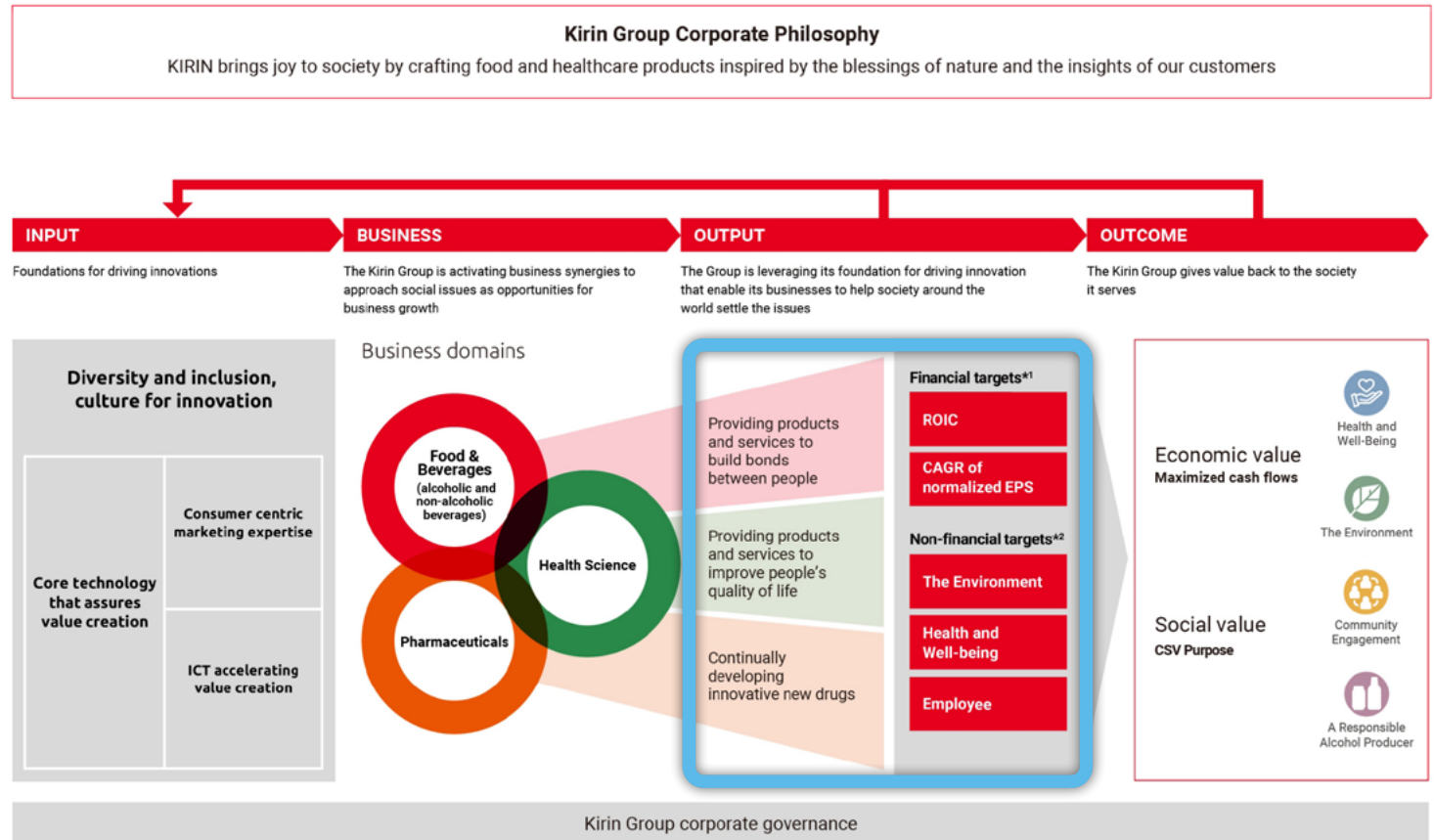
Value Creation Model OUTPUT

[Message from the Chief Financial Officer](#)

[Using cash generated from portfolio and balance sheet management to create new value and accelerate our growth](#)

[Financial and Non-financial Highlights](#)

[Management Analysis Of Financial Position, Operating Results, And Cash Flows](#)



Message from the Chief Financial Officer



Message from the Chief Financial Officer

Using cash generated from portfolio and balance sheet management to create new value and accelerate our growth

Shinjiro Akieda

Senior Executive Officer

Kirin Holdings Company, Limited

2022-2024 Medium-Term Business Plan (2022-2024 MTBP) Steady progression toward achieving our goals for the final year of the business plan

—Please briefly explain the 2022-2024 Medium-Term Business Plan.

The 2022-2024 MTBP is the second management plan aimed at achieving the Kirin Group Vision 2027 (KV2027)

long-term management plan. Our goal is to expand corporate value by scaling up the Health Science business, developing its revenue base, and utilizing a business portfolio that encompasses the three domains of Food & Beverages, Pharmaceuticals, and Health Science.

—What are the financial and non-financial Key Performance Indicators (KPI) for the 2022-2024 MTBP?

Our financial KPIs are a ROIC of 10% or more and

normalized EPS CAGR of 11% or more (compared to FY2021). Our guidance targets a normalized operating profit CAGR of at least 13% (compared to FY2021).

For non-financial KPIs, we have established eight indicators that are directly related to economic value in the three categories of “Environment,” “Health,” and “Employees.”

—Looking back at FY2022, please tell us about the progress of the 2022-2024 MTBP.

Our ROIC improved by 0.9% to 8.5% from the previous year's 7.6%, mainly attributed to an increase in consolidated normalized operating profit. Normalized EPS increased by 15 yen from the previous year to a record high of 171 yen, driven by the increase in consolidated normalized operating profit and the effects of share buyback, among others. Despite operating in a challenging business environment, we are proud to have delivered solid results.

We are generally making steady progress toward our goals for the end of 2024, the final year of the MTBP, including the guidance item of normalized operating profit CAGR and non-financial targets. We will continue striving to improve corporate value and achieve both financial and non-financial targets as a group.

Business Portfolio Responding to changes in the business environment while continuing to generate cash and investing in growth

—What is your philosophy with regard to the medium- to long-term business portfolio?

We are always striving to achieve the optimal business portfolio to achieve KV2027. Our policy is to utilize the

stable cash flow from our existing Food & Beverages domain to fund growth investments in the Health Science and overseas craft beer businesses. In the Pharmaceuticals domain, we will continue to invest in growth opportunities within the scope of our free cash flow.

The Board of Directors convenes at least twice a year to discuss our business portfolio and cash allocations. Our investments in the overseas craft beer business and the sale of China Resources Kirin Beverages, which was an equity method affiliate, were among the outcomes of these discussions. Our current business portfolio is largely centered around our core businesses, so for the time being, we will prioritize increasing our cash generation by improving the efficiency and growth potential of each business.

At the same time, the Board will continue to discuss growth investment in the Health Science domain and the overseas craft beer business.

—What are current challenges in each business domain?

Food & Beverages domain

Many of our businesses in the Food & Beverages domain operate primarily in mature markets, which are anticipated to contract in the future. To address this, we must prioritize premiumizing our products and improving operational efficiency. Our focus will be on expanding our most profitable products and services while simultaneously optimizing our sales organization and reducing costs through SCM (Supply Chain Management) reforms that utilize ICT (information and communication technology) and other methods to ensure we meet our normalized operating profit targets.

Pharmaceuticals domain

Our challenges are to improve production and sales infrastructure for our global strategic products and to expand our next-generation pipeline. While we will continue to steadily expand our global strategic product offerings, including establishing an independent sales system in North America, we will also prioritize the development and strategic investments in enhancing our next-generation strategic products, which will be the key driver of future growth.

Health Science domain

Our challenges are to expand the scale of our business and improve profitability. To achieve this, we will focus on sales growth of Lactococcus lactis strain Plasma (LC-Plasma) and organic growth of Kyowa Hakko Bio’s specialty ingredients, such as Citicoline*¹ and human milk oligosaccharides (HMOs*²), which are expected to secure high profitability. Additionally, we will collaborate

with FANCL Corporation and pursue M&A opportunities to convert all businesses in the Health Science domain into highly profitable ventures.

- *1 An ingredient found in the body that maintains the cell membranes of the brain and nerve cells, and has been used for many years around the world in medicines for brain diseases and health foods that support the improvement of cognitive functions. In Japan, it is currently classified as a pharmaceutical product.
- *2 A generic term for oligosaccharides contained in breast milk. More than 200 kinds are contained in breast milk, and the results of research contributing to immunity and brain function, among others, have been reported.

**Balance Sheet Management
Using GCMS to improve increase capital management efficiency while streamlining inventory**

—Please tell us about initiatives to improve the balance sheet.

To achieve a ROIC of 10%, we plan to conduct asset reduction of more than 100 billion yen during the 2022-2024 MTBP. In 2022, we expanded our Global Cash Management System (GCMS) to more Group companies. This system has enabled us to consolidate and transfer funds to and from overseas subsidiaries in a timely manner, resulting in a reduction of cash balances by approximately 40 billion yen.

With regard to the Cash Conversion Cycle (CCC), we were able to achieve working capital improvements of 10 billion yen by introducing SAP and improving our processes. Moving forward, we plan to continue reducing CCC by promoting further process improvement through SAP and DX (digital transformation), improving demand forecasting accuracy, and reducing inventory volume. Furthermore, we reduced cross-shareholdings to 4.5%

| Items | Themes | Non-financial Indicators | Target Level in 2024 |
|-------------|--|--|--|
| Environment | Climate Change | Reduction rate of GHG emissions <small>(Scope1+2 vs. 2019)</small> | 23% <small>(50% in 2030)</small> |
| | Containers and Packaging | Percentage of recycled resin used in PET bottles | 38% <small>(50% in 2027)</small> |
| | Water Resources | Water use intensity at manufacturing sites with high water stress <small>Lion (Australia) (Water use intensity = Water usage / Production amount)</small> | Under 3.0 kl/kl <small>(Under 2.4kl/kl in 2025)</small> |
| Health | Progress of mid-term health science strategy | Achievement level in supporting the maintenance of immune function <small>1. Recognition rate of LC-Plasma function in Japan 2. Number of people continuing to take LC-Plasma</small> | 1. 45% 2. 1,900,000 people <small>(1. 50% in 2027)</small> |
| | | 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 | Organizational Culture | Employee engagement score | 75% |
| | Diversity | Achievement level in “Increasing diversity” * ² <small>1. Ratio of female managers in Japan 2. Ratio of career hires in Japan</small> | 1. 15% 2. 30% |
| | Occupational health and safety | Lost time injury frequency rate * ³ | 0.95 <small>(0.40 in Japan)</small> |

*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.

of total capital in 2022, which attains the 2022-2024 MTBP target of less than 5%. In addition to growing our businesses, we will continue actively working to improve our balance sheet.

—How is cash allocation coming along for the 2022-2024 MTBP?

Despite the slightly weakened operating cash flow caused by the prolonged spread of COVID-19 and rising global costs, our overall cash allocation policy remains unchanged as we strive to generate a figure as close to 700 billion yen*³ as possible.

We are proceeding smoothly with cash generation of 100 billion yen through asset reduction, and in 2022, we used the proceeds from selling China Resources Kirin Beverages to buy back 50 billion yen of our own shares and to invest in our overseas craft beer business through M&A. Our goal is to achieve an ROIC of 10% or more and a normalized EPS CAGR of 11% or more by 2024, as outlined in the 2022-2024 MTBP, by continuing disciplined capital investment while returning profits to shareholders through stable dividends.

*³ We expect cash flows from operating activities of approximately ¥700.0 billion in total during the three-year period of the 2022–2024 MTBP.

—What is the status of investments in intangible assets?

To create corporate value, it is also essential to invest in intangible assets that will serve as the foundation for innovation. The Kirin Group focuses on (1) Brand development in the Food & Beverages domain, (2) R&D in the Pharmaceuticals domain, (3) ICT investments for utilization of digital technologies, and (4) Human capital investment.

In response to the COVID-19 pandemic and

soaring raw material and fuel costs, we reduced brand investments, focused on advertising expenses, in 2022. For 2023, we are implementing price revisions and cost reductions in all our businesses to secure our earnings base, and we will step up investments to nurture our brands over the medium to long term.

In R&D, we will invest in expanding our future pipeline in the Pharmaceuticals domain while increasing efforts to create and expand highly profitable specialty ingredients in the Health Science field.

In terms of investments in ICT, in addition to our efforts to streamline business processes, we will intensify our efforts to create value through the use of digital ICT for the future.

For human capital, we will achieve sustainable growth and value improvement through the development of specialized and diverse human resources, as well as enhancing our organizational capabilities. To accomplish this, we will expand our DX training programs and introduce human capital management for each function.

—Would you tell us your shareholder returns policy and thoughts on the current share price level?

The Kirin Group has always prioritized shareholder return. In 2022, based on our basic policy, we were able to maintain a dividend payment ratio of normalized EPS at 40% or more and increase the dividend by 4 yen to 69 yen. Going forward, our goal is to distribute our proceeds to shareholders stably and consistently. However, to ensure stable dividends in the long run, we believe that investing in growth is important. Therefore, we will flexibly review share buybacks, while considering the balance between generated cash and growth

investment.

We recognize that the current share price level doesn't meet our investors' expectations. Therefore, we will focus on achieving growth and improving profitability in each business area while reviewing our business portfolio to achieve KV2027. In particular, we aim to attain a share price level based on an appropriate valuation by ensuring that stakeholders understand the Kirin Group's future potential through the early expansion and profitability of our Health Science domain.

Conclusion Accelerating our growth toward KV2027

—Finally, please give us a message for our stakeholders.

To achieve sustainable growth for the Kirin Group, each operating company must independently enhance its organizational capabilities and implement the PDCA cycle to achieve short-term goals, while executing initiatives to create value for the future. We aim to work closely with our operating companies to identify any issues and implement specific solutions by engaging in dialogue from the unique perspective of a holding company. Additionally, we will contribute to maximizing corporate value by integrating management and financial strategies, continually reviewing future cash flows for each business, and optimizing the entire Group's business portfolio through ongoing management considerations.

Financial and Non-financial Highlights

Financial and Non-financial Highlights

Key financial performance indicators

ROIC

8.5%

2023Guidance → 8.5%

Normalized EPS

¥171

2023Guidance → ¥171

Key non-financial performance indicators

Environment Climate Change

Reduction ratio of GHG emission
(Scope 1 and 2) (compared with 2019)*1

18%

2024Target → 23%
2030Target → 50%

Environment Containers and Packaging

Percentage of recycled resin used
in PET bottles*2

8%

2024 Target → 38%
2027 Target → 50%

Environment Water Resources

Water use intensity at manufacturing
sites with high water stress*3
(Water use intensity = Water usage / Production amount)

3.7kl/kl

 Lion
(Australia)
2024 Target → Under 3.0 kl/kl
2025 Target → Under 2.4 kl/kl

Health Progress of mid-term health science strategy

Achievement level in supporting the maintenance of immune function

Recognition rate of
LC-Plasma function in Japan

32%

2024Target → 45%
2027Target → 50%

Number of people continuing to take LC-Plasma

640,000

 people

2024Target → 1,900,000 people

Employees Organizational Culture

Employee engagement score

70%

2024Target → 75%

Employees Diversity

Achievement level in “Increasing diversity”

Ratio of female managers in Japan*4

10.6%

2024Target → 15%

Ratio of mid-career hires in Japan*5

27.3%

2024Target → 30%

Employees Occupational health and safety

Lost time injury frequency rate*6

0.90

2024 Target → 0.95 (0.40 in Japan)

(Results in 2022)

Consolidated Financial Highlights

Revenue

¥1,989.5

 billion

Normalized Operating Profit

¥191.2

 billion

Profit attributable to owners of the Company

¥111.0

 billion

(FY2022, Actual)

*1 Supplemental information for the calculation of GHG emissions (Scope 1+2) for the Kirin Group is as follows.

(1) Calculation Method

- Emissions resulting from the use of fuel and steam are calculated the unit calorific values and emission factors stipulated in Japan's "Law Concerning the Promotion of the Measures to Cope with Global Warming" and "Law Concerning the Rational Use of Energy". However, for Lion, the unit calorific values and emission factors specified by the Australian, New Zealand, and U.S. governments are used for calculations.
- For electricity, the calculation is based on the amount of electricity purchased multiplied by the emission factor of each electric power company. In the case of Japan, adjusted emission factors for each electric utility are used. If emission factors for each electric utility are not available, national emission factors published by the IEA are used.
- GHG emissions include emissions associated with the generation of electricity sold.

(2) Boundary

- The following companies are targeted.

| Business | Company |
|---|--|
| Japan Beer and Spirits Business | Kirin Brewery, Kirin Distillery, Spring Valley Brewery, The Brooklyn Brewery Japan, Ei Sho Gen, Kirin Brewery (Zhuhai) |
| Japan Non-Alcoholic Beverages Business | Kirin Beverage, Shinshu Beverage, Hokkaido Kirin Beverage, Kirin Maintenance • Service, each site of Kirin Beverage Service (Hokkaido, Sendai, Tokyo, Chubu, Kansai), Kirin Vivax, Toukai beverage Service |
| Oceania Adult Beverages Business | Lion, New Belgium Brewing |
| Pharmaceuticals Business | Kyowa Kirin, Kyowa Kirin Frontier, Kyowa Medical Promotion, Kyowa Kirin Plus, Kyowa Kirin China Pharmaceutical, Kyowa Kirin (USA) |
| Other Businesses (all companies included) | Mercian, Nippon Liquor, Daiichi Alcohol, Wine Curation, Interfood, Vietnam Kirin Beverage, Four Roses Distillery, Kyowa Hakko Bio, Kyowa Pharma Chemical, Kyowa Engineering, BioKyowa, Shanghai Kyowa Amino Acid, Thai Kyowa Biotechnologies, Kirin Holdings, Kirin Business Expert, Kirin Business System, Koiwai Dairy Products, Kirin Echo, Kirin & Communications, Kirin Engineering, Kirin City, Kirin Techno-System, Kirin Group Logistics |

(3) Base Year Calculation

- GHG emissions for the base year (2019) have been retrospectively recalculated to reflect significant structural changes, including subsequent business acquisitions and divestitures.
- *2 PET resin used by Kirin Brewery, Kirin Beverage, and Mercian for product packaging is included in the calculation.
- *3 Manufacturing sites with high water stress are defined by us based on Aqueduct's Water Stress and WRF's Baseline Water Depletion. The identified sites breweries are Tooheys Brewery/James Boag Brewery/Castlemaine Perkins.
- *4 The ratio of female managers in Japan is based on the employees with a domicile at Kirin Holdings Co., Ltd. However, executive officers and rehired employees are not included.
- *5 The ratio of mid-career hires in Japan is based on the employees with a domicile at Kirin Holdings Co., Ltd. However, rehired employees are not included.
- *6 Main Group companies that have production and logistics functions within the Group are included. Partner companies within the factory premises are also included.

Management Analysis Of Financial Position, Operating Results, And Cash Flows

(1) Operating Results

① Overall business conditions

In 2022, in addition to the prolonged COVID-19 pandemic, the emergence of geopolitical risks, global inflation, and the weak yen, among others had a significant impact on corporate management. In terms of consumer behavior, it was a year of major changes in society, including a further increase in health consciousness and further polarization of consumption.

In this environment, the Kirin Group accelerated its efforts to respond to changes in society under its Kirin Group Vision 2027 (KV2027) long-term management plan, including increasing profits in the Food & Beverages domain, strengthening the global foundation of the Pharmaceuticals domain, and expanding the Health Science domain. Kirin Holdings has been developing its pharmaceutical business for more than 40 years on the strength of fermentation and biotechnology cultivated through the beer business, which has continued for more than 100 years since its foundation, and Kirin Holdings is promoting its health science business, newly launched under KV2027, by leveraging these core technologies. Kirin Holdings believes that using its superior fermentation technologies and biological knowledge to grow the health science business-leading to solutions to health issues-will ensure the future of the Kirin Group's continued existence and sustainable growth as a company.

Food & Beverages domain

While building a strong brand system by concentrating on its mainstay brands, Kirin Holdings also worked to expand products and services that offer new value propositions. In response to soaring raw materials and fuel prices, each Group company worked to improve profitability through productivity improvements and product price revisions.

Pharmaceuticals domain

As a Japan-based Global Specialty Pharmaceutical company, Kirin Holdings worked to strengthen the foundation in Japan as well as overseas. In addition to steadily growing global strategic products, Kirin Holdings promoted the development of next-generation strategic products.

Health Science domain

Kirin Holdings accelerated the development of *Lactococcus lactis* strain Plasma (LC-Plasma) to expand its business domain. In addition to the development of its own group products such as beverages and supplements, Kirin Holdings promoted sales of raw material to external partner companies and expanded the number of functional food products. As a result, the sales amount of LC-Plasma-related business increased 40% from the previous year. In addition, Kirin Holdings continued its efforts to raise awareness of "immune care" and contributed to solving consumers' health issues.

Kirin Holdings will use the strengths of the Kirin Group to solve not only health issues, but also other issues facing society, while at the same time creating economic value as a company and maximizing corporate value. During the fiscal year under review, Kirin Holdings pursued the following initiatives under the Kirin Group 2022–2024 Medium-Term Business Plan (2022–2024 MTBP), the second of three medium-term business plans toward achievement of KV2027.

Kirin Holdings has also received high praise from outside the company in terms of ESG. For the second year in a row, Kirin Holdings received an "AA" rating in the MSCI ESG Ratings by the U.S.-based Morgan Stanley Capital International (MSCI), Inc. on a par with the world's leading CSV companies. In a survey conducted

by CDP, an international non-profit organization, Kirin Holdings also received the highest rating of "A-List" in the two themes of "climate change" and "water security" for four consecutive years. In Japan, Kirin Holdings also received the highest overall ranking in the Nikkei SDGs Management Survey for four consecutive years, as well as the "SDGs Strategy and Economic Value Award" at the 4th Nikkei SDGs Management Grand Prix. In response to increasing demands for disclosure of non-financial information, Kirin Holdings has been proactive in disclosing non-financial indicators. Kirin Holdings has set non-financial targets in the areas of "Environment," "Health," and "Employees" as key performance indicators in the 2022-2024 MTBP, and has promoted specific initiatives.

② Management Analysis Of Financial Position, Operating Results, And Cash Flows

| | FY2022 | FY2021 | Change | |
|--|---------|---------|--------|-------|
| Consolidated revenue | 1,989.5 | 1,821.6 | 167.9 | 9.2% |
| Consolidated normalized operating profit | 191.2 | 165.4 | 25.7 | 15.6% |
| Consolidated operating profit | 116.0 | 68.1 | 47.9 | 70.4% |
| Consolidated profit before tax | 191.4 | 99.6 | 91.8 | 92.1% |
| Profit attributable to owners of the Company | 111.0 | 59.8 | 51.2 | 85.7% |
| (Key performance indicators) | | | | |
| ROIC | 8.5% | 4.2% | — | — |
| Normalized EPS (yen) | 171 | 156 | 15 | 9.6% |

Consolidated revenue for this fiscal year increased due to increases in sales of the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast. The Japan Non-alcoholic Beverages Business and Kyowa Hakko Bio Co., Ltd. posted a decrease in profits, but the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast saw an increase in profits, resulting in an overall increase in consolidated normalized operating profit. Profit attributable to owners of the Company increased mainly due to the sale of China Resources Kirin Beverages (Greater China) Company, Limited, despite the recording of an impairment loss related to Kyowa Hakko Bio Co.

Among the key performance indicators, ROIC improved from the previous year to 8.5% due to an increase in consolidated normalized operating profit. Normalized EPS increased 15 yen from the previous year to a record high of 171 yen, mainly due to an increase in consolidated normalized operating profit and the impact of treasury shares completed in September.

③ Performance by reportable segment

Results by segment are as follows.

(¥ billions, unless otherwise stated)

| | FY2022 | FY2021 | Change | |
|--|---------|---------|--------|---------|
| Consolidated revenue | 1,989.5 | 1,821.6 | 167.9 | 9.2% |
| Japan Beer and Spirits | 663.5 | 661.3 | 2.2 | 0.3% |
| Japan Non-alcoholic Beverages | 243.3 | 244.4 | (1.1) | (0.5%) |
| Oceania Adult Beverages | 255.9 | 216.3 | 39.6 | 18.3% |
| Pharmaceuticals | 397.9 | 351.7 | 46.2 | 13.1% |
| Others | 428.9 | 347.9 | 81.0 | 23.3% |
| Consolidated normalized operating profit | 191.2 | 165.4 | 25.7 | 15.6% |
| Japan Beer and Spirits | 74.7 | 70.5 | 4.1 | 5.8% |
| Japan Non-alcoholic Beverages | 18.8 | 21.1 | (2.3) | (11.0%) |
| Oceania Adult Beverages | 31.5 | 26.6 | 5.0 | 18.8% |
| Pharmaceuticals | 82.5 | 61.2 | 21.3 | 34.7% |
| Others | (16.3) | (14.0) | (2.3) | — |

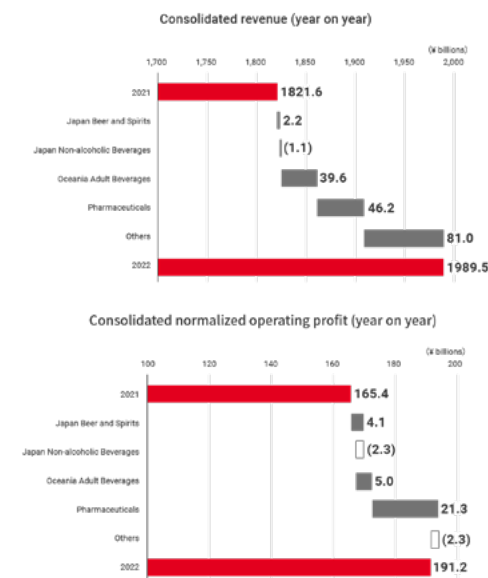
*Corporate expenses and inter-segment eliminations are included in Others.

Japan Beer and Spirits Business

The domestic alcoholic beverages market was affected by soaring raw material and fuel prices as well as the prolonged COVID-19, but overall the market was on a recovery trend. Kirin Brewery focused on its mainstay brand *KIRIN ICHIBAN* and *KIRIN ICHIBAN Zero Sugar*, to capture health-conscious consumers. As a result, overall sales volume of the *KIRIN ICHIBAN* brand increased 3% year-on-year. In the craft beer category, Kirin Brewery focused on efforts to broaden the appeal of a variety of beers. From the *SPRING VALLEY* brand, in addition to *SPRING VALLEY Hojun 496*, *SPRING VALLEY Silk Ale [White]* was newly launched. Kirin Home Tap, a beer server for home use that allows consumers to enjoy authentic draft and craft beer at home, delivered the taste of freshly brewed beer to consumers nationwide. The *Tap Marché* beer server for restaurants, which can

serve four kinds of craft beer from various regions of Japan, brought the enjoyment of a wide range of craft beer to consumers with 14 participating breweries. In addition, Kirin Brewery has been rolling out *TAPPY*, a next-generation beer server that maintains the freshness of beer and helps reduce food loss, and the number of restaurants that have installed *TAPPY* has surpassed 10,000. In the RTD category, the mainstay *Kirin Hyoketsu* brand sold well. In particular, the *Hyoketsu Sugar Free* series received strong support, with sales exceeding 14 million cases, approximately 1.2 times the target set at the beginning of the year. In the non-alcoholic beer-taste beverage category, Kirin Brewery revamped *Kirin GREENS FREE*, which helped revitalize the market.

As a result, revenue increased by 0.3% to ¥663.5 billion due to a recovery in sales of the on-premise channels, coupled with the impact of price revisions. Normalized operating profit increased by 5.8% to ¥74.7



billion due to the control of selling expenses.

Japan Non-alcoholic Beverages Business

The domestic beverage market is on a recovery trend due to increased opportunities to go out, but the external environment surrounding the market became more intense due to soaring raw material and fuel prices, etc. At Kirin Beverage, sales of mainstay brands were strong, with sales of both *Kirin Gogo-no-Kocha* and *Kirin Nama-cha* exceeding those of the previous year. In particular, sales of *Kirin Gogo-no-Kocha Oishii Muto (sugar free)* were up 17% from the previous year. In the Health Science area, where Kirin Beverage is focusing its efforts, *Kirin iMUSE Morning Immune Care*, a small-volume PET-bottled beverage, was launched nationwide to strengthen efforts to make “immune care” a habit in consumers. In addition, Kirin Beverage renewed and strengthened sales of *Kirin iMUSE Lemon* and *Kirin iMUSE Yogurt Taste*, resulting in a 23% year-on-year growth in sales volume of beverages containing LC-Plasma. On top of that, *KIRIN naturals*, a service for corporate consumers to promote health management, was renewed as a service to improve employees’ lifestyle habits and raise their health awareness.

However, revenue decreased by 0.5% to ¥243.3 billion. Normalized operating profit decreased 11.0% to ¥18.8 billion due to soaring raw material costs and other factors, despite efforts to reduce sales promotion and advertising expenses.

Oceania Adult Beverages Business

In the Australian alcoholic beverage market, while the on-premise market was recovering from the impact of COVID-19, the off-premise market remained soft. Lion strengthened marketing activities centered on its

mainstay XXXX (“four-ex”) and worked to revitalize the brand. In the craft beer business, which is positioned and focused as a growth area, Lion acquired Fermentum Pty Ltd. in Australia in 2021 and expanded its premium portfolio. In 2022, Lion acquired Bell’s Brewery, Inc. in the United States, and together with New Belgium Brewing Company, proceeded to build a craft platform in North America.

As a result, yen-based revenue increased by 18.3% to ¥255.9 billion. Yen-based normalized operating profit increased by 18.8% to ¥31.5 billion due to supply chain optimization and other cost reduction efforts.

Pharmaceuticals Business

In 2022, the second year of the company’s 2021-2025 Medium Term Business Plan, Kyowa Kirin continued its efforts to grow as a Japan-based Global Specialty Pharmaceutical company. While the global therapeutic environment is changing due to COVID-19, global strategic products Crysvida and Poteligeo continued to show steady growth. As for next-generation strategic products, development of KHK4083 (generic name: Rocatinlimab) and KHK7791 (generic name: Tenapanor Hydrochloride) made steady progress. On the other hand, the development of KW-6356 was discontinued, and the decision was made to discontinue the development of ME-401 outside Japan. In Kyowa Kirin’s “patient advocacy” activities, which aim to resolve business and social issues by listening to the voices of people facing illnesses, Kyowa Kirin actively promoted support for rare and intractable diseases in Japan and overseas, including participation in the community of ASrid, a Japanese non-profit organization.

As a result, revenue increased by 13.1% to ¥397.9 billion due to an increase in overseas pharmaceutical

sales, particularly of global strategic products. Normalized operating profit increased by 34.7% to ¥82.5 billion due to an increase in gross profit resulting from higher revenue, despite an increase in selling, general and administrative expenses and research and development expenses related to sales of global strategic products.

Other Business

Kyowa Hakko Bio Co., Ltd. (Kyowa Hakko Bio)

Kyowa Hakko Bio was forced to suspend manufacturing at its Shanghai plant in China (SHANGHAI KYOWA AMINO ACID CO., LTD.), one of its production bases, following the spread of a new COVID-19 strain, and sales were also constrained. In addition, sales of Citicoline, a key ingredient, were weak due to factors such as the impact of inflation in the United States, the largest dietary supplement market. Profitability was worsened due to soaring raw material and fuel prices. On the other hand, despite the severe business environment, Kyowa Hakko Bio completed a production facility for HMOs (human milk oligosaccharides)-for which demand is expected to grow worldwide-in its own factory in Thailand (THAI KYOWA BIOTECHNOLOGIES CO., LTD.). As a result, revenue decreased by 3.7% to ¥51.1 billion, and business loss amounted to ¥3.9 billion.

Mercian Corporation (Mercian)

At Mercian, while its mainstay wine business was greatly affected by the sharp depreciation of the yen, it worked to nurture its own highly profitable brands. Mercian began developing a new brand, *Mercian Wines*, co-created with winemakers around the world, and

responded to ethical consumption which has been on the rise in recent years. In Japanese wines, Mercian has strengthened its efforts with the *Château Mercian* flagship brand. Mercian also launched a consulting business to raise the standard of the Japanese wine industry as a whole. Mercian aims to grow *Château Mercian* while contributing to local economies. However, revenue increased by 4.5% to ¥60.5 billion, and business loss amounted to ¥0.6 billion.

Coca-Cola Beverages Northeast, Inc. (Coke Northeast)

In the United States, the beverage market grew significantly, as strong consumer demand continued despite rising inflation. Coke Northeast also worked to increase demand while revising product prices, and as a result, sales remained strong. The company also improved profitability by working on a more profitable product mix. As a result, revenue increased by 39.6% to ¥216.2 billion, and normalized operating profit increased 59.3% to ¥26.3 billion.

Myanmar Beverages Business

The Company reached an agreement with Myanmar Economic Holdings Public Company Limited (MEHPCL), a joint venture partner of the Company's consolidated subsidiaries Myanmar Brewery Limited (MBL) and Mandalay Brewery Limited (MDL), and transferred all the shares (51% of the total number of shares issued) of MBL and MDL held by Kirin Holdings Singapore Pte, Ltd., a consolidated subsidiary of the Company, to MBL and MDL (share repurchase by MBL and MDL) on January 23, 2023.

(2) FINANCIAL POSITION

① General overview

Total assets at the end of this fiscal year were ¥2,542.3 billion, an increase of ¥70.3 billion from the end of the previous fiscal year. Property, plant and equipment, and goodwill increased by ¥52.1 billion in total from the end of the previous year. This was primarily as a result of making Bell's Brewery, Inc., a subsidiary and the effect of foreign exchange rate fluctuations. Inventories increased by ¥42.9 billion from the end of the previous fiscal year. In contrast, equity-accounted investees decreased by ¥37.6 billion, mainly due to the sale of China Resources Kirin Beverages (Greater China) Company, Limited.

Equity increased by ¥105.2 billion from the end of the previous fiscal year to ¥1,253.2 billion due to an increase in retained earnings of ¥65.6 billion and an increase in reserves of ¥69.8 billion. The increase in reserve was mainly attributable to an increase in foreign currency translation differences on foreign operations of ¥72.5 billion due to a weak yen.

Liabilities decreased by ¥34.9 billion from the end of the previous fiscal year to ¥1,289.1 billion. Despite the issuance of straight bonds worth ¥20.0 billion in June 2022, bonds and borrowings decreased by ¥28.4 billion due to a reduction in interest-bearing liabilities. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system.

As a result, the equity ratio attributable to owners of the Company and the gross debt equity ratio stood at

38.5% and 0.53 times, respectively.

② Financial status of reportable segments

Japan Beer and Spirits

Segment assets of the Japan Beer and Spirits Business at the end of this fiscal year decreased by ¥0.7 billion to ¥432.1 billion from the end of the previous fiscal year

Japan Non-alcoholic Beverages

Segment assets of the Japan Non-alcoholic Beverages Business at the end of this fiscal year decreased by ¥6.0 billion to ¥133.2 billion from the end of the previous fiscal year mainly due to a decrease in other financial assets.

Oceania Adult Beverages

Segment assets of the Oceania Adult Beverages Business at the end of this fiscal year increased by ¥70.9 billion to ¥546.7 billion from the end of the previous fiscal year. This was mainly because goodwill and property, plant and equipment increased primarily as a result of making Bell's Brewery, Inc., a subsidiary and exchange rate fluctuations.

Pharmaceuticals

Segment assets of the Pharmaceuticals Business at the end of this fiscal year increased by ¥18.2 billion to ¥880.3 billion from the end of the previous fiscal year mainly due to increases in property, plant and equipment, trade and other receivables, and inventories, despite an impairment loss on intangible assets.

(3) Cash Flows

① Cash flows and liquidity status

The balance of cash and cash equivalents (hereinafter, “net cash”) at the end of this fiscal year was ¥88.1 billion, a decrease of ¥61.4 billion from the end of the previous fiscal year. Cash flows for each activity were as follows:

Cash flows from operating activities

Net cash provided by operating activities decreased by ¥83.7 billion year on year to ¥135.6 billion. Although profit before tax increased by ¥91.8 billion, a ¥12.6 billion increase in outflow of working capital, a ¥13.2 billion reversal of impairment loss, which is a non-cash item, and a ¥48.1 billion gain on sale of equity-accounted investees resulted in a decrease of ¥48.0 billion in the sub-total. Below the sub-total line, cash flows from operating activities decreased year on year due to a ¥39.2 billion increase in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities decreased by ¥46.0 billion year on year to ¥10.4 billion. The decrease was mainly because proceeds from sale of equity-accounted investees increased by ¥117.1 billion year on year to ¥122.2 billion as a result of the sale of China Resources Kirin Beverages (Greater China) Company, Limited in this fiscal year. Meanwhile, acquisition of shares of subsidiaries, net of cash acquired increased by ¥0.7 billion year on year to ¥46.2 billion as a result of making Bell’s Brewery a subsidiary in this fiscal year, while making Fermentum a subsidiary in the same period of the previous fiscal year. Outflow for acquisition of property, plant and equipment and intangible assets increased by ¥12.1 billion year on year to ¥98.5 billion. There was

inflow of ¥7.9 billion for sale of investments through our continuous efforts to reduce cross-shareholdings

Cash flows from financing activities

Net cash used in financing activities decreased by ¥12.6 billion year on year to ¥167.8 billion. The Company continued to provide dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. As a result, dividends paid, including to non-controlling interests, amounted to ¥65.5 billion. The Company also acquired ¥50.0 billion of treasury shares to increase shareholder returns. In addition, interest-bearing liabilities decreased by ¥36.9 billion in this fiscal year. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system.

These initiatives enabled us to stabilize our capital structure through stable and continuous shareholder returns and the reduction of interest-bearing liabilities, while investing in existing businesses and making growth investment.

The 2022–2024 MTBP sets out the outline of financial strategy, under which cash generated from “cash generation through BS (balance sheet) / PF (portfolio) management” will be allocated to disciplined investment to acquire growth drivers as well as a flexible shareholder return policy. By steadily implementing this strategy, we will achieve our financial targets of a normalized EPS CAGR of at least 11% by 2024 and ROIC of at least 10% as of 2024, so as to improve corporate value.

② Basic capital policy

Based on the capital policy formulated in the 2022–2024 MTBP, the Company will allocate resources to its

businesses and distribute profits to its shareholders as set out below.

Regarding resource allocation to businesses, giving top priority to growth investment with a focus on the Health Science domain, the Company will make investments that contribute to enhancement of existing businesses and profitability improvement. The Company will also implement a stable and continuous allocation of resources to intangible value (such as brands, research and development, information and communication technology (ICT), and human resources) as well as new business creation that sustain the growth of future cash flows. The Company will take a disciplined approach to investments in terms of maintaining and improving the Kirin Group’s capital efficiency.

We view the distribution of profits to shareholders as a key management matter. Since its foundation in 1907, the Company has continued to pay dividends to shareholders every financial year without fail. The Company has stably and continuously provided dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. In addition, we will consider opportunities to acquire treasury shares as additional shareholder returns, comprehensively taking into account various factors including optimum capital structure, market conditions and reserve funds after investments.

With regard to financing, priority is given to debt financing, while maintaining a high credit rating that is not affected by financial conditions, in preparation for rapid changes in the economic environment and other factors. The Company fulfills its accountability to its shareholders by carefully considering the impact on stakeholders and other factors when raising funds for investments required to achieve medium- to long-term goals, which may result in a change in control or a large-scale dilution, after verification and review by the Board.

10-Year Summary of Key Financial Data

(Millions of yen)

| Fiscal year | JGAAP | | | | | | IFRS | | | |
|--|-----------|-----------|-----------|--------------------|--------------------|--------------------|-----------|-----------|-----------|-----------|
| | 2013 | 2014 | 2015 | 2016 ^{*9} | 2017 ^{*9} | 2018 ^{*9} | 2019 | 2020 | 2021 | 2022 |
| Revenue*1 | 2,254,585 | 2,195,795 | 2,196,925 | 1,853,937 | 1,863,730 | 1,930,522 | 1,941,305 | 1,849,545 | 1,821,570 | 1,989,468 |
| Less Japanese liquor taxes | 310,798 | 301,365 | 305,697 | 296,029 | 289,433 | 294,028 | 292,153 | 276,932 | 285,600 | 284,435 |
| Net revenue | 1,943,786 | 1,894,429 | 1,891,227 | 1,557,909 | 1,574,296 | 1,636,494 | 1,649,151 | 1,572,613 | 1,535,969 | 1,705,033 |
| Normalized operating profit*2 | - | - | - | 181,982 | 194,609 | 199,327 | 190,754 | 162,115 | 165,430 | 191,159 |
| Operating profit | 142,818 | 114,549 | 124,751 | 196,590 | 211,000 | 198,322 | 87,727 | 102,919 | 68,084 | 116,019 |
| Operating profit (Before amortization of goodwill, etc.) | 198,086 | 171,542 | 158,537 | - | - | - | - | - | - | - |
| EBITDA*3 | - | - | - | - | - | - | - | - | - | - |
| Normalized EBITDA*4 | 301,486 | 273,183 | 258,922 | 257,612 | 272,301 | 279,907 | 272,619 | 243,959 | 245,879 | 277,695 |
| Ordinary income | 132,134 | 94,211 | 128,199 | - | - | - | - | - | - | - |
| Profit attributable to owners of the Company*1 | 85,656 | 32,392 | (47,329) | 148,918 | 241,991 | 164,202 | 59,642 | 71,935 | 59,790 | 111,007 |
| Cash flows from operating activities | 205,517 | 155,247 | 171,011 | 232,263 | 221,710 | 198,051 | 178,826 | 164,839 | 219,303 | 135,562 |
| Cash flows from investing activities | 85,526 | (139,397) | (70,659) | (82,656) | 63,214 | 47,389 | (175,619) | (115,981) | (56,408) | (10,399) |
| Cash flows from financing activities | (272,357) | (80,701) | (78,221) | (157,271) | (182,163) | (226,699) | (9,997) | (52,474) | (180,463) | (167,835) |

Fiscal year end

| | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total assets | 2,896,456 | 2,965,868 | 2,443,773 | 2,422,825 | 2,398,572 | 2,303,624 | 2,412,874 | 2,459,363 | 2,471,933 | 2,542,263 |
| Interest bearing debt | 858,911 | 873,003 | 821,478 | 668,212 | 486,475 | 414,994 | 530,851 | 642,644 | 551,471 | 523,121 |
| Equity attributable to owners of the Company*1 | 1,075,861 | 1,101,833 | 663,842 | 695,860 | 947,162 | 906,578 | 906,576 | 838,584 | 894,179 | 980,022 |

Per-share data

| | | | | | | | | | | |
|--|--------|--------|---------|--------|--------|--------|-------|-------|-------|--------|
| Earnings per share (EPS) (Yen) | 90.76 | 35.27 | (51.87) | 163.19 | 265.17 | 183.57 | 68.00 | 85.57 | 71.73 | 135.08 |
| Normalized EPS (Yen)*5 | 122 | 118 | 117 | 139 | 151 | 167 | 158 | 136 | 156 | 171 |
| EPS (Before amortization of goodwill etc.) (Yen) | 159.92 | 108.57 | (2.83) | - | - | - | - | - | - | - |
| Dividends per share (Yen) | 36.00 | 38.00 | 38.00 | 39.00 | 46.00 | 51.00 | 64.00 | 65.00 | 65.00 | 69.00 |

Value indicators

| | | | | | | | | | | |
|--|------|------|-------|------|------|------|------|------|------|------|
| Return on equity (ROE) (%)*6 | 14.0 | 8.6 | (0.3) | 22.2 | 29.5 | 17.7 | 6.6 | 8.2 | 6.9 | 11.8 |
| Return on invested capital (ROIC) (%)*7 | - | - | - | 10.8 | 16.3 | 12.0 | 5.2 | 6.0 | 4.2 | 8.5 |
| Operating profit (Before amortization of goodwill, etc.) / Net sales (%) | 10.2 | 9.1 | 8.4 | - | - | - | - | - | - | - |
| Net debt / Normalized EBITDA (times) | 2.25 | 2.76 | 2.67 | 2.21 | 1.19 | 0.86 | - | - | - | - |
| Gross debt-to-equity ratio (times) | - | - | - | - | - | 0.46 | 0.59 | 0.77 | 0.62 | 0.53 |
| Consolidated dividend payout ratio (%)*8 | 29.5 | 32.2 | 32.5 | 28.1 | 30.5 | 30.5 | 40.5 | 47.8 | 41.7 | 40.4 |

*1 Through fiscal 2015, revenue, profit attributable to owners of the Company, and equity attributable to owners of the Company were calculated based on Japanese GAAP and presented as sales, net income, and equity (net assets - non-controlling interests - stock acquisition rights). (Consolidated balance sheet).

*2 Normalized operating profit is a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

*3 EBITDA = Operating profit + Equity in earnings or losses of affiliates + Depreciation + Amortization of goodwill + Extraordinary gains and losses. (Losses on impairment regarding goodwill, etc., are excluded)

*4 Through to fiscal 2015: Normalized EBITDA = Operating profit + Depreciation + Amortization of goodwill + Dividends received from entities accounted for by the equity method
From fiscal 2016: Normalized operating profit + Depreciation and amortization (excluding depreciation of right-of-use assets fiscal 2019) + Dividends received from entities accounted for by the equity method

*5 Normalized EPS = Normalized profit (Normalized net income before fiscal 2016) / Average number of shares during the period
Through to fiscal 2015: Normalized net income = Net income + Amortization of goodwill ± Extraordinary gains and losses after tax adjustment
From fiscal 2016: Normalized profit = Profit attributable to owners of the Company ± Other operating profit and expenses and other items after tax adjustment

*6 ROE through to fiscal 2015 is the amount before amortization of goodwill, etc., and excludes losses with no effect on cash outflow.

*7 ROIC = Profit after tax before interest / Average interest-bearing debt of the start and end of the fiscal year + average total equity of the start and end of the fiscal year

*8 From fiscal 2010, figures for dividend payout ratio use EPS (before amortization of goodwill etc.), and these figures exclude losses with no effect on cash outflow.
From fiscal 2012, the consolidated dividend payout ratio is based on normalized EPS.

*9 The tax effect on intangible assets acquired in business combinations has been retroactively revised for fiscal 2016, 2017 and 2018 due to the change in accounting policy in fiscal 2019.

Value Creation Model **OUTCOME**

CSV Stories Health and Well-Being

Spreading an Immune Care Habit and Contributing to the Consumers' Health and Well-Being >

CSV Stories Community Engagement

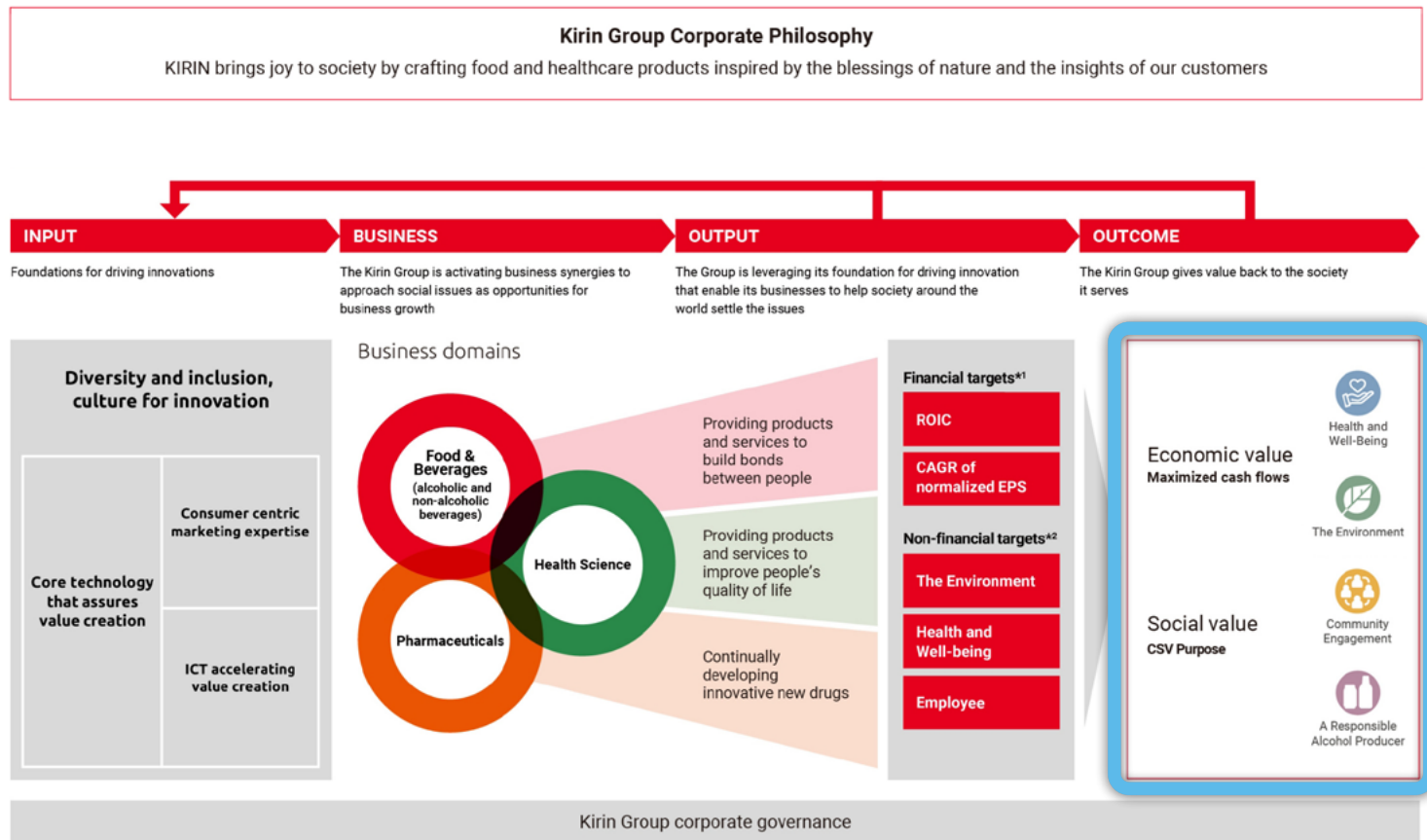
Giving Back to the Community through Human Powered Business >

CSV Stories The Environment

Creating Positive Impact on Society through Active Engagement with Natural Capital >

A Responsible Alcohol Producer

Lion's Commitment to Responsible Drinking and Innovation >





CSV Stories

Health and Well-Being



Spreading an Immune Care Habit and Contributing to the Consumers' Health and Well-Being

Tomohiko Fujita

Manager, Planning Group
Health Science Business Department,
Health Science Business Division
Kirin Holdings Company, Limited

Related Management Issues

- Support for maintaining immunity functions

Sustainable Development Goals



In the Long-Term Management Vision, Kirin Group Vision 2027 (KV2027), the Kirin Group has set a goal of creating value across our world of Food & Beverages to Pharmaceuticals as a global leader in CSV. To fulfill the KV2027 goal, we are expanding the scale of the Health Science domain and setting the area of immunity as our highest priority.

Immunity is an important function for living a healthy life. To humans, it could even be called the “foundation of health,” if the foundation crumbles, it will lead to various health issues. However, it is difficult to notice a functional decline in immunity, and the delay of treatment is a major health issue. We think solving this issue would be socially significant.

The world's first discovery of *Lactococcus lactis* strain Plasma (LC-Plasma) that directly activates the commander in chief of the immune system

During our research on immunity, we made the world's first discovery of LC-Plasma, which activates the commander in chief of the immune system that was previously thought to not exist, and published an article in 2012. We have accumulated a large amount of evidence in the form of 31 reports, including those on human studies. In August 2020, using the results of our research,

we successfully registered our iMUSE brand, which uses LC-Plasma, as foods with immunity function claims, a first for Japan. LC-Plasma is a lactic acid bacterium that supports the maintenance of the immune functions of healthy people, and it was first announced to the world* through an article that it activates plasmacytoid dendritic cells (pDC). While general lactic acid bacteria activate only some of the immune cells, the LC-Plasma directly activates the pDC, which is the commander in chief of the immune system. The activated pDC then orders the activation of all the immune cells (NK cells, killer T cells, B cells, and T helper cells), facilitating the defense system to work against foreign objects.

Additionally, in contrast to general lactic acid bacteria, LC-Plasma has an effect even when non-viable, which makes it easy to incorporate it into various foods. That's why we, along with our group and partner companies, have been developing various products in addition to yogurt that uses viable bacteria, such as beverages, supplements, and snacks, and providing the value of LC-Plasma for many consumers.

*World's first-ever published paper on the effects of Lactic acid bacterium on pDC (Based on ICHUSHI Web and PubMed)

LC-Plasma spreads in Japan and internationally

The Kirin Group expanded the variety of products infused with LC-Plasma (foods with function claims) to 26 by the end of 2022 (there were 17 at the end of 2021). In 2022 *L. lactis* strain Plasma Series sales grew 40% compared to the previous year due to the large contributions of the expansion of beverages, supplements, and yogurts.

The number of our partner companies in foods with function claims has grown to 6, and the number of products has grown to 12 (3 companies and 7 products at the end of 2021). In 2022 we newly partnered with Nihon Yakken Co., Ltd., Taisho Pharmaceutical Co., Ltd., and TOKIWA Pharmaceutical Co., Ltd., and the companies started selling five new foods with function claims. The products were praised for their good taste and variety, which make it easy to intake LC-Plasma, and it helped to establish an immune care habit and increased the sales of the LC-Plasma products.

As for foods without functional claims, Petio Corp. released 27 new snacks for pets, expanding the total number of products to 37 (10 products at the end of 2021). They are committed to helping us promote

immune care, which is also a growing need among consumers with pets.

Furthermore, LC-Plasma bacteria sales have spread internationally. In the US, there are currently seven companies selling nine products, and in Europe sales are expanding into Italy and other countries. Our target international markets are primarily those of North America and Southeast Asia, but there are some regions in Southeast Asia in which we cannot yet sell LC-Plasma due to religious beliefs, so we are aiming to expand into those regions by getting it certified as a Halal product. (We plan to start externally selling Halal raw materials by the end of 2023.)

Focusing on immune care awareness-raising activities and product lineup expansion

Kirin's research uncovered that about 85% of consumers understand immunity is important to their health. On the other hand, the number of people who answered saying they actually have immune care habits was only around 10%, so we see a big gap in those with knowledge and those taking action.

We believe the reason for this gap is that immunity's hard-to-notice function makes it difficult to feel the importance of immune care and take action, so in order to promote making a habit of caring for immunity, the foundation of health, the Kirin Group persistently works together with the above partner companies to raise awareness. We believe these awareness-raising activities are very significant to society. We also plan to continue expanding our product lineup to create an environment in which people can easily and habitually care for their immunity through our products.

(1) Awareness-raising activities

When it comes to immune care awareness-raising activities, we have been developing a marketing strategy based on consumer needs. We are planning to make a shift to a strategy that places importance on social issues rather than one that is centered around our products and information within the company. Through cooperating with Japanese governments and administrative agencies, and various businesses, organizations, schools, and more, we will spread the awareness of the importance of immune care to accelerate its normalization.

As an example of our efforts, in winter 2022 we partnered with various Japanese tourist organizations to promote safe immune care while traveling. In terms of our mid- to long-term awareness-raising initiatives, we are continuing to develop school classes on immunity to enhance knowledge about immunity among elementary school students.

We believe it is important to have scientific support for immune care so that consumers come to feel the importance of it. The credibility of LC-Plasma has been confirmed through various scientific journals, and we will aim to work on further research and gather more scientific evidence to gain more trust from consumers.

As a result of these initiatives in Japan, the percentage of people aware of the function of LC-Plasma reached 32% at the end of 2022, and the number of people who were consuming it regularly had climbed to 640,000.

(2) Product lineup expansion

In addition to raising awareness of the importance of immune care, we should work to expand our product

lineup to make it easier to develop immune care habits. Our partner companies and we are working to develop products of various kinds. We are also expanding the geography of international LC-Plasma bacteria sales.

With the prospect of the future market expansion in Japan and overseas, we are fortifying our production system. We are installing more cultivation tanks, centrifuges, and other equipment necessary to bacteria production at our LC-Plasma bacteria manufacturing plant, which will almost double the current yearly capacity to 28 tons in 2023.

The Kirin Group will continue to cooperate with partner companies to expand LC-Plasma both in Japan and internationally.

Spreading immune care habits together with partner companies and realizing fulfilled lives

As previously mentioned, the sales of L. lactis strain Plasma Series in 2022 grew 40% compared to the previous year. That being said, even though we have excellent technology and materials, the Kirin Group's efforts alone may not suffice to offer value to a diverse range of consumers. By collaborating with partner companies in various industries who share our aspiration

to solve health issues, we aim to develop a wide variety of LC-Plasma products and continue to increase people's choices and contact with the products, thereby making immune care more accessible to consumers. Going forward, we hope to contribute to the creation of a healthy society, in mind and body, by spreading immune care habits with our partner companies.

The cooperation of our partner companies and us is not limited to the selling of LC-Plasma bacteria. We also collaborate in product development so that we may deliver excellent products that lead to immune care habits for consumers. For example, during our partner companies' product planning stage, our Institute of Health Sciences offers advice from a technical perspective and provides support for the registration of foods-with-function labeling. This organizational capability to offer such scientific and technical knowledge is one of our strengths, and it allows us to further strengthen our cooperation with our partner companies.

We at the Kirin Group and those at our partner companies will continue to propose appealing products supported by scientific evidence and to promote immune care habits in line with awareness-raising activities. In particular, we will consistently cooperate with our partner companies from academia and research to marketing and work as one to solve health issues.

Immunity is the foundation of human health and is inherent in human nature. We hope that through spreading immune care habits, we will strengthen this innate power and contribute to helping people feel the joy of living to be 100 years old and to the realization of fulfilled lives. We believe that this is how we can truly contribute to the health and well-being of each and every one of consumers.



Tomohiko Fujita

Manager, Planning Group
Health Science Business Department,
Health Science Business Division
Kirin Holdings Company, Limited

Joined Kirin Brewery Company, Limited. He was in charge of domestic and international sales and marketing before joining the Health Science Business Department at Kirin Holdings through an internal recruitment process in 2021. He is currently promoting collaboration with partner companies as the one in charge of the strategy of expanding LC-Plasma and other immunity materials.





CSV Stories

Community Engagement

Giving Back to the Community through Human Powered Business

Meghan Oleson

Social Impact Senior Manager
New Belgium Brewing Company

Related Management Issues

- Respect for human rights
- Sustainable development of communities in raw material production areas and business development regions
- Creating bonds and trust for people’s well-being
- Enhancing the sustainability of food economy

Sustainable Development Goals



Through its products and services, New Belgium Brewing seeks to contribute to the creation and development of a society in which customers and all participants in the value chain are connected with joy. To achieve this goal, we contribute to community through the establishment of the “Human Powered Business” model.

Overview of New Belgium Brewing

New Belgium Brewing was founded in Fort Collins, Colorado in 1991 by Jeff Lebesch and his wife, Kim Jordan. Jeff, a homebrewer, had developed a recipe for a Belgian-style beer, and with Kim’s background in social work and business, they turned his passion into a successful venture. The following year, they introduced Fat Tire Amber Ale and other beers in Colorado, and the brand’s popularity quickly spread to other states. The company continued to grow and expand over the years, opening locations in Asheville, N.C. (2016), Denver, Colo. (2018), and San Francisco (2021). In 2022, we acquired

Bell’s Brewery, a like-minded pioneer in craft beer known for its quality and human-first approach to business.

Today, New Belgium’s lineup includes Fat Tire Ale (America’s first certified carbon neutral beer), Voodoo Ranger IPA (America’s #1 IPA brand family), Two Hearted IPA (voted best beer in America four years in a row), and Oberon Ale (which inspired an official Michigan state holiday).

New Belgium is a certified B Corporation; leads on climate with aggressive, science-based 2030 GHG reduction goals; has donated more than \$31 million to support positive social and environmental impact to date; maintains TRUE Zero Waste certification; and was the first craft brewery to achieve a perfect score on the Human Rights Campaign’s Corporate Equality Index.



With over 1,300 coworkers, New Belgium's pioneering and humanized approach to business has made it a top-performing brand in the U.S. craft beer market in terms of sales volume and growth.

A Human Powered Business

New Belgium was co-founded by a social worker who built the company the only way a social worker would: People first. Since then, we have pioneered and developed

a model we call Human Powered Business, based on a simple but radical truth: Business is a human endeavor. People drive our business forward, and, in return, the business puts coworker and community wellbeing at the center of everything we do. This fosters a self-fulfilling culture of individual empowerment and collaborative action that drives better business results in the long term. In other words, the business benefits when the people who power it prosper.

The result? We're at the top of the U.S. craft beer industry. We enjoy incredibly low turnover and consistently high engagement among our workforce. New Belgium didn't lay off a single coworker as a result of the COVID-19 pandemic. Our team comes to work every day invested in the quality of our product and the success of our company, because the company invests in the quality and success of their lives everywhere we can.

Four Principles of Human Powered Business

The Human Powered Business model is comprised of four core principles – all working together to drive outsized long-term success.

1. We Do Right by People

People are at the heart of New Belgium – and always have been. We support our coworkers and communities, promoting comprehensive wellbeing, including financial, social, environmental, and physical health. As we've grown, we've invested even more in our coworkers, with initiatives like financial transparency, pay equity, and quality healthcare, including an on-site wellness center. Our coworkers'

dedication to the company's health has only increased.

2. We Make World-Class Beer for Everyone

From the beginning, we've focused on our superpower – making great beer, and doing it responsibly. Our coworkers are skilled experts, with talents honed over time, who take pride in their craft. Over the years, we've won 34 medals at the Great American Beer Festival – starting with a Gold for our original Abbey Ale in 1993, and most recently winning Gold for our Trippel in 2021.

3. We Inspire Social & Environmental Change

We believe in using business as a force for good by addressing social and environmental challenges. Our commitment to accountability began in 2012 when we became a certified B Corporation. We have since used various tools, including a climate action plan, scalable philanthropy, advocacy, and brand mobilization to donate over \$30 million and support important movements for change.

4. We Have a Hell of a Lot of Fun

We prioritize fun in our business to foster connection, inclusivity, and innovation. We encourage risk-taking and authenticity because groundbreaking ideas come from diverse experiences. We cultivate an intentional culture through programs like custom bikes for one-year anniversaries and paid sabbaticals at 10- and 20-year milestones.

Our internal company norms, as developed collectively by coworkers, are as follows:

OUR VALUES

NEW BELGIUM | **BELL'S**

COMMITTING TO DO WHAT'S RIGHT, EVEN WHEN IT'S HARD

We look out for each other

- Prioritize the health and safety of ourselves and each other because our wellbeing is paramount
- Seek to understand and embrace our differences because diversity and inclusion make us better
- Assume good intent, be kind, and lean into curiosity because authentic relationships build trust

We own our work & our impact

- Share ideas, pose questions, and elevate solutions because everyone's voice matters
- Take pride in the quality of our work and improve from our mistakes because 'world-class' applies to all of us
- Practice stewardship of our planet and our communities because their health enables everyone's success

We succeed (& stumble) together

- Champion each other, express gratitude, and celebrate wins – big and small – because fun and recognition matter
- Think big, challenge the status quo, and embrace change because the world evolves constantly
- Work together to meet the myriad needs of the company, our coworkers, and our families because we are all interdependent

B Corp certification

B Corp is a certification granted to for-profit companies by B Lab, a non-profit organization, that recognizes companies committed to utilizing their operations to build a more inclusive and sustainable economy. B Corps aim to minimize inequality and poverty levels, while promoting healthier environments, stronger communities, and good jobs. Companies are assessed based on their impact on coworkers, communities, customers, and the environment, as well as how well their practices are anchored within company governance.

New Belgium has been a certified B Corporation since 2012, using the power of business to solve social and environmental problems since our founding. Our B Corp certification enables us to track our progress over time and compare ourselves to other values-driven companies, allowing us to continue protecting our culture and values. Our commitment to social and environmental accountability starts at the foundation of our corporate structure, and we leverage every tool at our disposal, including a leading climate action plan, a scalable philanthropy model, vocal advocacy in the policy arena, and a long tradition of using our brand to mobilize customers in support of the world's most pressing movements for change.

New Belgium key communities

Community involvement and partnering with community organizations have always been a part of New Belgium's ethos. We work with nonprofits across the country to positively impact communities where we do business, to give back to those who have supported us along the way, and to advocate for a future that's bright for all.

As a relationship-based company, we strive to do right by our customers and their communities, regardless of location, and we're particularly committed to supporting our hometown communities where our breweries are located and where most of our coworkers live. To that end, we provide quality healthcare, a living wage, and work daily to provide a welcoming and inclusive culture to our employees. Furthermore, we donate money and volunteer time to support the health of local watersheds and the communities we call home. In 2022 alone, we donated a total of \$566,729 to our hometown community partners and charitable organizations, with specific amounts of \$116,631 in Asheville, NC, \$181,225 in Fort Collins, CO, and \$268,873 in Michigan (Comstock, Kalamazoo, Escanaba).

We also prioritize key markets where we are driving racial/ethnic diversity, inclusion, and equity in craft beer. We recognize that Black, Indigenous, People of Color (BIPOC) are underrepresented in the craft beer industry, comprising only 15% of craft beer drinkers despite representing 41% of the total population. Moreover, BIPOC Americans continue to experience a lack of access to social services, employment opportunities, and representation among top decision-makers in government and business, which perpetuates

marginalization. As a key driver of the American economy, we believe that businesses have a role to play in improving equity among underrepresented citizens.

We have taken several initiatives to promote racial and ethnic diversity, inclusion, and equity in the craft beer industry. In 2018, we formed a multicultural marketing initiative, now led by a multicultural marketing manager and her team, to develop new relationships in underrepresented communities such as Atlanta, New York City, Miami, and Los Angeles. The multicultural marketing team works to introduce community members to craft beer, donate philanthropy dollars to



uplift the community into economic prosperity, and provide exposure to the careers available within craft beer. Additionally, in 2021 and 2022, our Brewed For All on-premise sales program brought our Human Powered Business Principles to the marketplace and supported LGBTQ+ rights and outreach. In 2023, in partnership with HospitableMe, we launched Poured for All, a completely free digital training available to any bar or restaurant that seeks to provide a welcoming and inclusive space for all.

We have also established several systems to encourage employees to make a difference as individuals. These include the New Belgium Coworker Assistance Fund, which provides financial support to coworkers experiencing personal hardship or catastrophic disaster, and the Beer Scouts Volunteer Program, which sponsors volunteer events and offers paid time off and funding for coworker participation. Additionally, the company has a direct giving program that involves a coworker grants committee allocating funds to worthy organizations and a practice at retail locations where coworkers decline tips and pool the money to support local charities. These programs are part of New Belgium's commitment to a high involvement culture that shares wealth, opportunity, and responsibility among its employees.

Outcomes in Climate action, DE&I, and Thriving Communities

Through our community engagement activities, we have achieved significant positive outcomes. Specifically, in terms of climate action, we have helped build the early stages of a transition from an extractive economy to a regenerative economy that prioritizes fairness and

equity for workers, communities, and the environment. Our efforts have also strengthened the resilience of social, economic, and ecological systems to withstand and recover from climate-related shocks and stresses, particularly related to our supply chain.

Regarding Diversity, Equity, and Inclusion, we have made strides in the early stages of diversifying the craft beer industry to accurately represent our country's diverse population. We have contributed to efforts



Employee volunteer service project with our partner Grid Alternatives, the leading voice in low-income solar policy and the nation's largest nonprofit solar installer. Grid Alternatives provides no-cost solar installations for households qualifying as low-income, and solar training to connect people to clean energy jobs for a more equitable economy.

ensuring fair participation in the economic system and protection of all citizens' ability to participate fully in society. Furthermore, our initiatives have promoted inclusive access to the outdoors for people of all ages, ethnicities, abilities, and income levels, making sure that our public lands and waters respect all cultures and engage all people actively.

Lastly, we have helped create sustainable, inclusive, connected, and fun local communities where everyone has better ability to thrive. We are committed to promoting resilience, relief, and recovery during times of disasters while also encouraging the responsible enjoyment of beer.

Leveraging our Human Powered Business model to meet the most pressing issues of our time

Our world faces historic challenges – including economic inequality, climate change, and racial injustice. Corporations must play a role in promoting real solutions. Unfortunately, despite well-publicized promises to change, corporate America continues to struggle to center the wellbeing of coworkers, communities, and the environment in their actions. The past four decades have seen corporate America become increasingly dehumanized.

Human Powered Business seeks to reverse these trends. If widely adopted, we believe Human Powered Business will greatly accelerate the pace of solutions to our biggest challenges – while also building stronger, more profitable, and more resilient businesses over the long term. We invest in our coworkers, and, in turn, they invest themselves in the business and our broader purpose. Our coworkers don't work for us; we

work for them.

These practices may seem costly at first glance. However, the cost of enormous challenges like climate change, widespread inequality, and systemic racial injustice are exponentially more expensive in the big picture for each company, and for society as a whole. And, in the long run, businesses that invest deeply in the wellbeing of people and our planet show more growth, greater resilience, and better financial performance overall.

No business is perfect, and that includes New Belgium. We're also a medium-sized company, and ultimately, we can only have a medium-sized impact. Our goal is to tell our story transparently – the ups and the downs – in the hopes that other companies may start adopting the Human-Powered Business model and join a movement for a more prosperous, equitable, and people-centric economy.

New Belgium's business as a Force for Good

New Belgium believes in being a force for good. Our philanthropy funds are not simply charity. These programs are about being in relationship with the communities in which we do business. In this way, we maintain a more humanized approach to business which we, our coworkers, and our communities find more meaningful and fulfilling. This approach deepens our customers' loyalty, attracts new customers, and ultimately benefits our business, making it a true win-win.

This was all inspired by our founder/former-CEO, who was a social worker prior to starting the brewery. She paid great attention to the human side of business. Instead of building the brewery in the industrial center

and creating an industrial culture, New Belgium chose a dilapidated piece of property that could be fixed up and beautified for our community. Our brewing locations are always in the center of town, allowing us to be not just a factory, but also a meaningful gathering place for our communities. This has inspired a community-centric way of doing business that ultimately operates in a way that drives both business value and social value.



Meghan Oleson

Social Impact Senior Manager
New Belgium Brewing Company

Meghan Oleson is a part of New Belgium's Environmental Social & Governance (ESG) team. She is responsible for leading and implementing social impact programs as they relate to community investment, volunteerism, corporate and coworker giving programs, and company purpose.

CSV Stories

The Environment



Creating Positive Impact on Society through Active Engagement with Natural Capital

Yoko Okonogi

CSV Strategy Department
Kirin Holdings Company, Limited

Related Management Issues

- Sustainable use of biological resources
- Sustainable use of water resources
- Overcoming climate change

Sustainable Development Goals



The Kirin Group aims to achieve sustainable growth by implementing the cycle of value creation, with CSV at the core of its business operations. One of the priority social issues we have identified is the environment. Kirin Group's Environmental Vision 2050, announced in 2020, aims to "Enrich the Earth with Positive Impact" and addresses four main issues: biological resources, water resources, containers and packaging, and climate change. We believe that these issues are interrelated and require a holistic approach.

The increasing importance of adopting a holistic approach to complex and interrelated environmental issues

Climate change affects global warming, shrinking daily temperature differences, and changes in rainfall, and will have consequences for natural capital*¹ such as crops and water. Climate change and natural capital are interconnected, and it is essential to address and resolve them in a holistic manner.

On the other hand, there is a difference between these impacts. While greenhouse gases (GHGs) are dispersed into the atmosphere, resulting in global

climate change regardless of where they are emitted, the impact on natural capital is location-specific. Altering land, for instance, can cause the loss of unique biodiversity that exists only in a particular place or river, and the consequences will vary from place to place. Addressing climate change requires global measures, whereas tackling natural capital demands understanding and addressing issues at a local level.

For over a decade, the Kirin Group has acknowledged the interrelatedness of environmental issues and the importance of a holistic approach, and has been conducting research to unveil the impact. This allowed us to quickly engage in TCFD*² scenario

analysis for climate change. In addition, we participated in The TNFD*³ Forum and disclosed information related to natural capital on a trial basis, based on the TNFD LEAP*⁴ Approach in July 2022.

- *1 Natural capital is the stock of natural assets that provide society with flows of renewable and non-renewable resources and ecosystem services.
- *2 TCFD, which stands for Task Force on Climate-related Financial Disclosures, was established by the Financial Stability Board (FSB) at the request of the G20 Finance Ministers and Central Bank Governors' Meeting. Its purpose is to develop guidance to help organizations understand and disclose the financial implications of risks and opportunities posed by climate change.
- *3 TNFD, which stands for Taskforce on Nature-related Financial Disclosures, was established to develop guidance for companies and other stakeholders to disclose nature-related risks and dependencies on nature. Its purpose is to redirect funding towards nature positive initiatives, with the goal of halting the decline of nature and setting it on a path to recovery by 2030.
- *4 LEAP (Locate, Evaluate, Assess, Prepare) is TNFD's recommended approach for assessing a company's nature-related risks and opportunities

Natural capital is the foundation of the Kirin Group's business

The Kirin Group has a brewing philosophy called "Reverence for Life." It recognizes that the Group's businesses—alcoholic and non-alcoholic beverages, and pharmaceuticals—rely on water and crops as raw materials of fermentation by microorganisms. We are in awe of the fact that they are made from life, which is why we humbly lean the science of life. As a company that operates with the blessings of nature, Kirin believes that its corporate culture is closely linked to its respect for the diversity of people and the natural environment. The loss of precious natural capital is a significant risk for the

Kirin Group.

For instance, *Kirin Gogo-no-Kocha* has been using Sri Lankan black tea leaves since its launch, which we proudly feature in our marketing. Similarly, the grape varieties used to make Japanese wines, as specified by the Japanese Wine Labeling Standards, are a natural capital specific to certain regions where they are harvested. As many of our products are location-dependent, the inability to use locally-sourced ingredients could potentially harm the product concept and marketing strategies.

Next, there is a risk of divestment by ESG funds, a type of long-term investment essential for stable business continuation. In recent years, ESG investments have gained significant attention, and their proportion of total investments is increasing globally. The Kirin Group has been continuously disclosing TCFD scenario analysis since 2018 to identify diverse risks upstream in the value chain, particularly in agricultural raw materials and water resources, and to firmly address them. By doing so, we have built a solid foundation to receive continued support from long-term investors, and we can manage our business strategically and stably.

The financial impact of natural capital risk

From a financial standpoint, the cost impact of reduced crop yields (barley, hops, grapes, black tea leaves, etc.) due to climate change, under the 4° C scenario, is estimated to range from approximately 2.5 to 9.7 billion yen. The cost of shutdowns caused by floods and droughts cannot be ignored either, with floods costing approximately 1 to 5 billion yen, and droughts costing approximately 30 to 600 million yen.

The first in the world to disclose natural capital on a trial basis based on the TNFD's "LEAP Approach".

In March 2022, the TNFD published the "LEAP Approach," a framework for companies to understand and evaluate nature-related risks and opportunities, in the first beta version (v0.1) of the proposed disclosure framework for nature-related financial information. In response, we applied this approach to disclose information in the Kirin Group Environmental Report 2022, which was published in July of the same year. The TNFD stated that we were the first company in the world to do so.

We were able to disclose this information in a relatively short period of time, about four months, due to our prompt efforts in addressing natural capital issues based on our brewing philosophy of "Reverence for Life." Our efforts began after the 10th Conference of the Parties (COP10) to the Convention on Biological Diversity held in Nagoya in 2010. Unlike many companies that focused on forestry and other activities, we chose agricultural raw materials and water as our target products based on our materiality analysis and began our full-scale efforts to address natural capital as an important activity for sustainable business continuity. In 2011, we conducted a risk survey and assessment of biological resources and, in 2013, announced the Kirin Group Action Plan for the Sustainable Use of Biological Resources. We established a policy of not using agricultural crops that could damage tropical rainforests and identified black tea leaves, paper, and palm oil as biological resources for which risks should be reduced. In 2021, we added coffee beans and soybeans to the list considering business and social issues after completing the aforementioned three initiatives.

With regard to agricultural raw materials, we have been supporting tea farmers in Sri Lanka to obtain Rainforest Alliance certification*5 since 2013. The certification training not only emphasizes the preservation of the ecosystem but also teaches the proper use of fertilizers and pesticides, and the planting of grasses that hold the soil together to prevent landslides and soil runoff during torrential rains caused by climate change. Every year, the Kirin Group representatives visit the area to build relationships of trust with tea estate managers and NGOs in charge of local training, as well as to understand local issues. The conservation of water sources within the tea plantations is one of the newly added activities. This February, Toru Yoshimura, CEO of Kirin Beverage, visited Sri Lanka.

We are also promoting the use of FSC®-certified paper in our paper containers to prevent the destruction of forests. These forests play a crucial role in absorbing and storing GHGs while also preserving biodiversity. In Japan, our beverage business has already achieved a 100% FSC-certified paper or recovered paper ratio for both paper containers and office paper, and we are working on expanding this initiative globally.

In addition, we have begun promoting the use of certified palm oil and supporting the acquisition of Rainforest Alliance certification for coffee beans in Vietnam.

Apart from that, we have been conducting an ecosystem survey at the Château Mercian Vineyard in collaboration with the National Agriculture and Food Research Organization (NARO). The transformation of idle and derelict land into a hedgerow and grass-cultivated vineyard has created a high-quality, extensive grassland environment that supports a diverse range of living creatures, and we are disseminating these

findings to the public through academic papers and other publications.

With regard to water risks, various measures have also been implemented based on risk/stress surveys conducted at the Kirin Group's global production sites. In Australia, where water stress is high, we have introduced advanced water treatment facilities with reverse osmosis membranes to prioritize water recycling, even if it increases energy consumption. Meanwhile, in Japan, where water stress is low, we have implemented water conservation measures that reuse and creatively save water, to the extent that energy consumption does not increase.



Kirin Gogo-no-Kocha Straight Tea, 250 ml LL Slim, using tea leaves from farms certificated by Rainforest Alliance FSC®C137754

In an effort to mitigate climate change, we are implementing renewable energy sources and energy conservation practices in our plants. Our ultimate goal is to realize a “society that continuously recycles plastics” that contributes to a circular economy, while simultaneously reducing GHG emissions and minimizing the negative impact on natural capital.

In this way, the Kirin Group has been promoting initiatives to resolve issues to lead a sustainable use of natural capital and a decarbonized society, taking into consideration trends in the international community, environmental impacts, and business materiality.

*5 Rainforest Alliance certification is granted to farms that demonstrate their dedication to sustainable farming practices while prioritizing environmental protection and the well-being of farm workers.

<https://www.rainforest-alliance.org/>

Sustainable use of natural capital through active engagement with the TNFD

The challenges posed by climate change and natural capital issues cannot be resolved by a single company; they must be tackled on a social level that expands beyond the boundaries of individual companies. Therefore, to ensure the sustainable use of natural capital, it is crucial to consider how companies, investors, and local communities are interconnected with, dependent on, and impacted by natural capital, in the same way as they are with climate change. TNFD provides the necessary framework to facilitate this consideration.

Unlike climate change, which has a straightforward measure in the form of GHG emissions, the challenge with natural capital lies in the fact that it cannot be measured by a single metric. To gain

acceptance among diverse stakeholders as TCFD does and make the disclosure of natural capital information mainstream, it is necessary to provide as many examples as possible. By leading the way, the Kirin Group can serve as a reference for other companies, and the widespread adoption of TNFD can contribute to creating a positive impact on society and the environment.

Contributing to society by participating in the creation of a framework

The Kirin Group's environmental management has been elevated through its adoption of excellent disclosure frameworks. The Kirin Group Long-Term Environmental Vision, announced in 2013, was formulated and disclosed as a vision for identifying material issues and resolving them in response to the disclosure of "risks and opportunities related to climate change" on the CDP questionnaire. The Kirin Group's Environmental Vision 2050, announced in 2020, reflects the challenges identified through scenario analysis conducted in response to TCFD's final recommendations that were disclosed in 2017.

Thus, by disclosing information through initiatives such as TCFD and CDP, the Kirin Group has gained a scientific understanding of its own risks and impacts and has been able to reflect and enhance this knowledge in its environmental management. The establishment of a shared framework for society has facilitated greater mutual understanding between investors and the company, while external evaluation and feedback have fostered a deeper internal understanding of the issues at hand.

However, the TCFD and CDP frameworks do not allow general companies to reflect their opinions within the frameworks, despite being required to disclose information. In contrast, the TNFD, which is currently under development, takes an open innovation approach by incorporating input from companies in the framework's development. LEAP's trial disclosure results are also fed back to the TNFD, and we aim to contribute to making the TNFD framework even better by continuously participating in various pilot programs.

Through our active involvement in TNFD, SBTs for Nature^{*6}, TCFD, CDP, and other initiatives, we will continue to contribute to international rulemaking for better disclosure and the diffusion of rules and make a positive impact to enhance the sustainability of natural capital.

^{*6} A movement aimed at establishing science-based targets for the sustainable use of natural capital, similar to the SBT initiative which sets targets for addressing climate change.



Yoko Okonogi

CSV Strategy Department Kirin Holdings Company, Limited

Joined Kirin Holdings in 2021. She majored in natural environmental studies and ecology, and since joining the company, she has been focusing on enhancing the sustainability of the Kirin Group's raw materials and biological resources. Furthermore, by participating in international rulemaking relating to natural capital, she aims to make the sustainable use of natural capital mainstream and create a positive impact.

CSV Stories

A Responsible
Alcohol Producer



Lion's Commitment to Responsible Drinking and Innovation

Justin Merrell

Sustainability Director
Lion Pty Ltd

Related Management Issues

- Dealing with alcohol-related problems

Sustainable Development Goals



As a leading beverage company in Australia and New Zealand, Lion is committed to promoting responsible drinking and enabling customers to make informed choices that suit their lifestyle. Our dedication to sustainability, innovation, and partnerships with industry colleagues and community organizations is at the heart of our mission.

Our commitment to responsible drinking

At Lion, we recognize the importance of eliminating the marketing, advertising, and sale of alcoholic beverages to minors. To this end, we've partnered with industry colleagues such as the International Alliance for Responsible Drinking (IARD) and are voluntarily rolling out "not for minors" labeling across our product range.

Additionally, over the past decade, Lion's Alcohol&Me program has been providing expert information on the effects of alcohol on the body and mind, helping New Zealanders make responsible choices and stay safe while drinking. The program is available as online modules and workplace workshops

and offers a variety of engaging educational materials, including videos, quizzes, interactive demonstrations, and personal reflection exercises.

Starting from humble beginnings as an internal workshop back in April 2013, Alcohol&Me has now helped to educate over 400,000 adult New Zealanders, equating to 10% of the country's population over the drinking age of 18, or an average of 100 people every day that are now equipped to make smarter drinking choices. The program has received high praise, with 89% of people who have done Alcohol&Me in New Zealand reporting making changes to their drinking behavior, and 95% saying they would recommend the program to others. Feedback from participants has been overwhelmingly positive, with comments such as "The workshop was extremely informative, interactive,



and engaging for our employees” and “I genuinely think it will be a powerful tool to change people’s perceptions and illusions about their drinking.” Following its success in New Zealand, Alcohol&Me has recently been launched in Australia. By continuously increasing the number of participants, we aim to contribute to a reduction in anti-social behavior and negative outcomes.

We also collaborate with industry and community organizations that share our vision. Since 2005, we have been a member of DrinkWise Australia, an independent not-for-profit that promotes safer drinking practices. In New Zealand, we partner with the Tomorrow Project, an industry-funded organization that supports the SMASHED Program, which uses live theatre to educate students and teachers on the dangers of underage drinking and how to cope with peer pressure and other risks associated with excessive drinking.

Expanding the low and non-alcoholic market through innovation and sustainability

As a company, we’re committed to innovation that empowers our customers to make choices that suit their lifestyle. In 2022, we announced a major innovation within the non-alcoholic beer category with the launch of XXXX Zero, Australia’s first carbon-neutral alcohol-free beer. We’ve consistently responded to consumer tastes, such as pioneering the mid-strength market with the launch of XXXX Gold, and the new XXXX Zero reflects the shift in Australians’ drinking habits towards moderation.

We understand the potential for alcohol misuse and want to be part of a changing drinking culture that includes a drive towards moderation. We believe we have a responsibility to ensure our products aren’t consumed in ways that foster anti-social behavior or result in negative health outcomes. Building our portfolio of low and non-alcohol options is a core element of this. We’ve made a significant commitment to the growing non-alcohol beer category, having invested \$6 million on a de-alcoholizing plant at our Tooheys Brewery in



New South Wales to support our growing range of non-alcohol options, which now includes *James Squire Zero*, *Steinlager Zero*, *Speights Summit Zero*, and *XXXX Zero*.

When enjoyed responsibly, our products can be part of the social connection and interactions that are essential to wellbeing. As a company, we’re open about the potential for misuse and want to be part of the solution by promoting responsible drinking and providing our customers with innovative options that meet their needs.



Justin Merrell
Sustainability Director
Lion Pty Ltd

Justin Merrell is currently part of Lion’s Supply Chain team, where he is responsible for developing the company’s Sustainability agenda as Sustainability Director. Prior to his current role, he was Lion’s Environmental Director, providing leadership in environment strategy and compliance.

CSV Management

[Message from Senior Executive](#)

[Officer of CSV Strategy](#)

[Securing a “Global Leadership
in CSV” through enhancing
Environmental Management
and Human Capital](#) >

[Disclosure Based on TCFD
and TNFD Frameworks](#) >



Message from the Senior Executive Officer of CSV Strategy



Message from Senior Executive Officer of CSV Strategy Securing a “Global Leadership in CSV” through enhancing Environmental Management and Human Capital

Ryosuke Mizouchi

Senior Executive Officer
Kirin Holdings Company, Limited

Reinforcing human rights measures while demonstrating our commitment as a global leader in environment

—Please give us a look back on 2022 in terms of the 2022-2024 Medium-Term Business Plan. In 2022, we made solid progress toward becoming a “global leader in CSV” set out in the Kirin Group Vision 2027 (KV2027) long-term management vision. This is a result of material achievements in environmental management.

In July 2022, the Kirin Group acquired a certification of SBTi Net Zero Standard by the Science Based Targets initiative – a world’s first in the food and beverage sector. This is in recognition of our long-term targets set out in the Kirin Group Environmental Vision 2050 being based on science matching the Paris Agreement standard. Currently, the Kirin Group is reducing GHG emissions in the value chain to achieve its mid-term targets by 2030*1.

In January 2023, Mercian Corporation’s Mariko Vineyard was selected as an approved socio-ecological production landscapes and seascapes (SEPLS) site by

the Japanese Ministry of the Environment. The ministry is certifying areas with high biodiversity as SEPLS sites in order to achieve the 30by30 target*2 based on the G7 2030 Nature Compact. Beginning in 2023, SEPLS are scheduled to be certified as OECMs (Other Effective area-based Conservation Measures) if they are deemed to be worthy of certification through the demonstration project.

While many of the SEPLS sites approved this time are covered in forests, mountains, and spring water ponds, Mariko Vineyard is the only farmland among them being used for business. In addition, Mariko Vineyard is highly praised as a winery, and it is the only Japanese winery to be recognized as one of the “World’s Best Vineyards” three consecutive years. In other words, Mariko Vineyard provides not only social value through its protection of biodiversity but also economic value as a winery, making it a perfect example of CSV in action.

In light of these achievements, the Kirin Group participated in the 15th Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity (CBD) held in Montreal, Canada, and had the opportunity to present to the world the nature positive initiatives of Mariko Vineyard. European countries and the United States were both pleasantly surprised and appreciated Japan’s and Asia’s unique perspective on nature, in which humans and nature co-exist, and its efficiency. In the field of natural capital, Japan has the potential to be a global leader. The Kirin Group will make best use of the knowledge it has gained over the years and participate in global initiatives as a leader in the field.

Lion Pty Ltd. in Australia participated in a pilot test for the Scope 3 reduction. The GHG emissions in Scope 3 are disclosed as an estimated value determined by multiplying item-specific usage by the standard emissions amount. Tracking actual performance values



Mariko Vineyard

would be ideal, but is not common yet as exchanging large amounts of data with a large number of business partners is heavy lifting. An additional disincentive to disclose accurate Scope 3 performance values is even if the supplier reduces GHG emissions through the reduction of raw materials and rationalization of production, buyers could use the reduction in resources as a reason to start negotiating lower prices.

Therefore, Lion worked with four key value chain partners to pool actual GHG emissions numbers in an independent third party on a confidential basis to other companies in order to accurately measure GHG emissions throughout the value chain. As a result, it turned out that the measured value was about 11% lower than the estimated value. In addition, by reflecting each company's reduction plans, Lion was able to lower the 2030 reduction prospect by 35% more than the original plan. This initiative was presented as an advanced case study by Lion's CEO at the United Nations Framework Convention on Climate Change's 27th Conference of the Parties (COP27) held in Sharm El Sheikh, Egypt in November 2022. I believe these contributions allowed the Kirin Group to become one of the world's leading

environmentally-advanced companies.

On the other hand, we are aware that our human rights measures are still in progress. In January 2023, we completed our withdrawal from the Myanmar business. We conducted human rights due diligence when starting business in Myanmar, but we never could have predicted the military's coup d'état. We want to utilize our experiences and lessons learned in Myanmar to improve our human rights initiatives. We joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) late last year and implemented a human rights grievance (report) system. This year, we plan to revise Kirin Group's human rights policy and to reinforce our human rights governance system.

As a part of our value chain human rights initiatives, the Kirin Group joined Sedex*³ (Supplier Ethical Data Exchange) on a global level. In Australia, 97% of Lion's primary procurement consists of Sedex-member suppliers. In Japan, there are not so many Sedex members yet, but more and more food and beverage companies are joining the system. We hope to collaborate with them in human rights-conscious procurement and create a positive impact.



Transforming business through growing immunity-related products and advancing non-financial disclosure

—Please tell us about your long-term outlook toward achievement of KV2027.

In 2022, the World Health Organization (WHO) strengthened regulations, including lifting the goal of its GAAP (Global Alcohol Action Plan) to reduce harmful drinking from 10% to 20% by 2030. It is expected that regulations will be further strengthened at the 4th High-level Meeting of the United Nations General Assembly on the Prevention and Control of on NCDs set for 2025, so expanding the volume of alcoholic beverages will become more difficult.

Meanwhile, the pandemic has made the world more conscious about immunity. The application of *Lactococcus lactis* strain Plasma (LC-Plasma), a core ingredient of our Health Science domain, is steadily expanding, not only within the Kirin Group, but being licensed to Coca-Cola (Japan) Company, Limited as well as being researched in order to develop a pharmaceutical.

The Kirin Group has worked on immunity for many years. It was involved in the foundation of the La Jolla Institute for Immunology, the world's top-class immunology research institute in the United States, which will welcome its 35th anniversary this year. We continue to support the Institute. The Institute contributed to the discovery of the lead antibody of KHK4083, a medicine for atopic dermatitis, which Kyowa Kirin is currently developing and of which Kyowa Kirin has made a co-development and co-marketing

agreement with Amgen.

These research achievements in immunology over the years have led to results in both the Pharmaceuticals and Health Science domains of today. We will continue growing steadily by cultivating LC-Plasma and other specialty ingredients such as HMOs as well as citicoline, expanding our business portfolio beyond alcoholic beverages while playing our role as a responsible alcohol producer.

In recent years, the disclosure of non-financial information has been attracting a lot of attention. In 2022 and 2023, the Government Pension Investment Fund (GPIF) published the results of “Excellent TCFD Disclosure” survey in which the asset managers for GPIF for Japanese domestic stocks voted for companies with excellent TCFD disclosures, and Kirin received the highest number of nominations for two consecutive years. We published a trial disclosure based on the LEAP approach in our *2022 Kirin Group Environmental Report* in July, 2022, conforming to the beta version of TNFD’s⁴ framework, and became the world’s first to apply the approach in corporate disclosures. As the world’s first case study, the disclosure was featured in the *Financial Times*.

In anticipation of the spread of disclosures adopting the TCFD framework, with the sustainability disclosure standards of the International Financial Reporting Standard (IFRS) Foundation’s International Sustainability Standards Board (ISSB) leading the way, we aim to establish a de facto standard by continuing to disclose information ahead of other companies. We believe this will lead to the Kirin Group’s structural advantage in ESG and non-financial information disclosure.

LEAP approach focusing on “Location”

The LEAP approach involves analytical activities in the following order: Discovering the nature interface (Locate), diagnosing dependencies and impacts (Evaluate), assessing risks and opportunities (Assess), and preparing to address nature-related risks and opportunities and reporting back to investors (Prepare). This is a new approach to assessing and prioritizing natural capital dependence and impacts, with a focus on “Location”.

The Kirin Group intends to use the LEAP framework to organize and deepen the initiatives it has been pursuing as a company dependent on natural capital, and to make appropriate disclosures.



The Japanese wine where “Location” determines the characteristics of the product. Mariko Vineyard (A)

Locate An important factor that determines the taste of wine is “terroir” or the character of the land. The vineyard is an area that remains natural and inhabited by rare species of plant and wildlife.

Evaluate Expansion of vineyards is necessary for the expansion of the Japanese wine, and the target is derelict land.

Assess Joint research with the National Agriculture and Food Research Organization (NARO) revealed that converting derelict land into vineyards creates high-quality grasslands and contributes to a rich ecosystem.

Prepare Contributing to Nature Positive and 30 by 30.

“Locations” where water risks are high and water resource management is particularly important. Production plants in Australia (B)

Locate All Kirin Group Australian brewery locations are in water-stressed watersheds.

Evaluate Water stress in Australia is very high both empirically and when measured with such tools as Aqeduct. Once every few decades, when flooding occurs due to torrential rains, the damage is significant.

Assess Water-saving technology is the best in the Group, but there remains a possibility that production could be disrupted in the event of a severe drought.

Prepare Contribute to the development of the SBTs for Nature methodology and set new goals in line with this. Widely publish joint research results in environmental reports, and on the Web..

“Locations” that have a significant impact on our businesses and are important in terms of the natural and social environment. Sri Lankan tea farms (C)

Locate The delicious taste of *Kirin Gogo-no-Kocha* is supported by tea farms in Sri Lanka.

Water sources of large coastal cities exist on the farms.

Evaluate Approximately 25% of the Sri Lankan tea leaves imported by Japan are used by *Kirin Gogo-no-Kocha*.

Tea production areas face increased water risk and stress due to climate change, while heavy rains run off fertile soils.

Assess If Sri Lankan tea leave on which Kirin is highly dependent, cannot be used sustainably, the product concept will fail.

Prepare Supporting Sri Lankan tea farms in obtaining The Rainforest Alliance certifications since 2013. Widely publish the number of farms obtained the certificate and the number of farms trained in environmental reports, and on the Web.



Strengthen the competitiveness of the Kirin Group and contribute to society by enhancing human capital

— Please tell us about the Kirin Group's initiatives from 2023 onward.

Focusing on the achievement of KV2027, we will continue to grow our Food and Beverages, Pharmaceuticals, and Health Science domains as outlined in the CSV Purpose.

In 2022, we were able to produce material results that could be communicated to the world in the areas of biodiversity and climate change. This is the result of our continued proactive response to a wide range of social issues. We will continue to proactively respond to changing circumstances and will work harder than ever to produce results and communicate them globally.

Regarding reinforcing human capital development, Kirin Holdings President & CEO Isozaki is working as promoter at the Human Capital Management Consortium, established in Japan in 2022. We are

steadily advancing our efforts, including forwarding the disclosure of human capital in our annual securities reports.

Expanding investment in human capital also means increasing the value of employees, which are assets entrusted to us by society. This is the basis of CSV, as it leads to the enhancement of a company's competitiveness as well as the society's assets. Through the betterment of human capital as well, we will achieve our goal of becoming a global leader in CSV.

*1 Reducing the total Group's Scope 1 and Scope 2 emissions by a total of 50%, and Scope 3 emissions by 30% by 2030, compared to numbers in 2019.

*2 A declaration to preserve 30% of the earth's land and marine areas by 2030 to contribute to the preservation of biodiversity.

*3 A nonprofit organization based in the United Kingdom that provides an online platform for businesses to manage and improve working conditions of the global supply chain. It is the world's largest supplier ethical information sharing platform for universal suppliers to conduct self-assessment questionnaires in the four fields of labor, health and safety, environment, and business ethics so that businesses and organizations can improve responsible and sustainable business practices and procurement activities. The platform is being used by more than 65,000 businesses, foundations, factories, and the self-employed, etc. in 180 countries and regions around the world.

*4 Abbreviation for Taskforce on Nature-related Financial Disclosures. An international organization that develops and provides frameworks for businesses to disclose information on nature-related risks, and so that the flow of funds can be redirected to bring about Nature Positive - a concept that aims to halt the decline of nature and set a course for recovery by 2030

Disclosure Based on TCFD and TNFD Frameworks

Disclosure of Information on Climate Change

Disclosure Based on TCFD Recommendations

For a detailed scenario analysis, including responses to the new TCFD guidance for 2021, please see “Disclosure Based on TCFD Recommendations” in the 2022 Environmental Report.

* New TCFD guidance

Guidance on Metrics, Targets, and Transition Plans (October 2021) Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021)
<https://www.fsb-tcf.org/publications/>

[Disclosure Based on TCFD Recommendations PDF: 1.3MB](#)

Business Impacts of Climate Change and Holistic Approach

The Kirin Group’s business, which generates value by utilizing ecosystem services, relies heavily on natural capital. As climate change becomes more severe due to greenhouse gases generated by business activities, the agricultural products and water that are the raw materials in Kirin’s business will be most affected. The containers and packaging required to deliver products also damage natural capital if we do not use appropriate container materials and reuse used containers. Based on these recognitions, we have been conducting a variety of risk surveys related to natural capital since around 2010, before the publication of the final TCFD recommendations. We are also taking a holistic approach with the understanding that material issues set out in our Environmental Vision—biological resources, water resources, containers and packaging, and climate change—are interrelated rather than independent issues.

Disclosure Framework

We started scenario analyses immediately after the publication of TCFD’s final recommendations in 2017 based on our many years of accumulated knowledge on the risk assessment of natural capital in the value chain and the impact of climate change, and were able to promptly disclose information in line with TCFD recommendations in the Kirin Group’s Environmental Report published at the end of June 2018.

Disclosure based on TCFD recommendations advanced scientific proof that climate change issues are closely linked to other environmental challenges, and reaffirmed the effectiveness of a holistic approach.

In this part, we explain how the Kirin Group assesses and analyzes the impacts of climate change and promotes transition strategies such as mitigation and adaptation in order to increase resilience to climate change and lead a decarbonized society, in accordance with the new guidance issued by the Task Force on Climate-related Financial Disclosures (TCFD) in October 2021.

Details are available in our Environmental Report and on our website.

Governance

● Supervisory structure

At the Kirin Group, the Board supervises the execution of operations addressing environmental issues, such as climate change, natural capital, and a recycling-oriented society. The Board also deliberates and makes resolutions on basic policies and material matters related to these and other environmental issues.

Specifically, the Board at least once a year receives reports on and reviews strategies, action plans, and the status of progress of environmental management. These involve business risks and growth opportunities associated with environmental issues, including material risks identified in the course of risk management, and the results of scenario analyses.

Disclosure of Information on Climate Change

Meanwhile, the Group Executive Committee deliberates and makes resolutions on material non-financial targets.

Excerpts from the 2022 Board reports (conducted twice)

● February 21

- The Corporate Governance Code has been revised, and it is expected that the Board will “deepen discussions to actively and proactively address sustainability issues.” and strengthening governance is necessary
- To strengthen our internal structure, multiple Group CSV Committee meetings will be held, and each meeting will require reporting to the Board. A new Group Environmental Meeting will be established, and it will be added to the governance structure along with the existing Group Human Rights Meeting
- To strengthen sustainability disclosure, we will disclose information in accordance with the new TCFD guidance and prepare for ISSB compliance

● December 19

- ESG integration is becoming mainstream in corporate valuations, and companies won't be valued by investors if they do not meet expectations for ESG compliance
- At a time when simultaneous disclosure of financial and non-financial information is required, accelerating the aggregation of non-financial information is a major challenge
- The Kirin Group is highly regarded for its progressive approach to TCFD and its trial disclosure under the TNFD, and will continue to take the lead in global disclosure initiatives

● Executive structure

The Senior Executive Officer in charge of CSV Strategy is responsible for environmental issues, including climate change, and also chairs the Group Environmental Meeting. Since FY2021, we have continued to participate in the Ministry of Economy, Trade and Industry's Study Group on Disclosure Policies for Non-financial Information, and have assisted in the making of rules for climate related financial disclosure.

The Group CSV Committee, which meets three times a year to discuss CSV issues, including environmental issues across the Kirin Group, is an advisory body to the President & CEO, which is chaired by President & CEO of Kirin Holdings and whose members consist of Presidents and CEOs of key Group companies and Senior Executive Officers of Kirin Holdings, submits any decisions it makes to the Board.

In 2022, we increased the number of meetings of the Group CSV Committee (from once a year to 3 times a year) and established a new Group Environmental Meeting (twice a year) under the Group CSV Committee.

| Committee | Chairperson | Committee Members | Main Agenda | Meeting Frequency |
|-----------------------------|--------------------------------|---|---|---|
| Group CSV Committee | KH President | <ul style="list-style-type: none"> • KH Internal Officers • Kirin Group • Presidents of key domestic and overseas operations | <ul style="list-style-type: none"> • Exchanging views on Group CSV policies, strategies, and action plans • Monitoring Group companies' implementation of CSV initiatives • Reports from affiliated meeting bodies | 3 times/year Of those, one held as a Group ESG Meeting |
| Group Environmental Meeting | Chief Officer in charge of CSV | <ul style="list-style-type: none"> • Chief Officer in charge of Supply Chain Management • KH Head of CSV Strategy • KH Head of Corporate Planning • KH Head of Accounting | <ul style="list-style-type: none"> • Monitoring progress on various road maps to realize the Kirin Group's Environmental Vision 2050 and exchanging views on policies, strategies, and plans | Twice/year |

● Performance linkage

In view of the importance of environmental issues, including climate change, executive compensation is set to be linked to the performance evaluation of non-financial metrics (the Group's Scope 1 + Scope 2 reduction targets, water consumption per unit at Lion production sites with high water stress, and recycling of PET bottles), one of the key management indicators in the Medium-Term Business Plan.

Environmental issues, including climate change, are included in the CSV commitment, one of the non-financial target for Group companies, and are reflected in their business plans and the performance evaluations of their top management.

Business Impact Assessment of Risks and Opportunities of Climate Change

Since 2017, continued scenario analyses have helped us improve our level of understanding and strategies for the risks and opportunities posed by climate change. In addition to our own manufacturing sites, we also analyze the yield of agricultural products, procurement costs, carbon pricing, etc. Businesses analyzed include Kirin Brewery, Kirin Beverage, Mercian, Lion, Kyowa Kirin, Kyowa Hakkō Bio, and Koiwai Dairy

Disclosure of Information on Climate Change

Products, which account for approximately 90% of the Kirin Group’s sales.

Scenario analyses use group scenarios that combine temperature scenarios (RCP) and socioeconomic scenarios (SSP), such as those of the IPCC. It is necessary to take into account the fact that the impact estimates analyzed and calculated are subject to uncertainties in the research results, information, and data used. We will continue to reflect new research findings, information, and data to improve accuracy.

● Financial impact

| | Business Risks/Social Issues | Financial Impact |
|------------------------|---|--|
| Physical risks | Decline in yields of agricultural products | 2° C scenario: Approx. 0.9 billion yen to 2.5 billion yen (2050) 4° C scenario: Approx. 2.5 billion yen to 9.7 billion yen (2050) |
| | Shutdowns due to floods | Approx. 1 billion yen (once-in-200-year disaster, a total of 20 locations in Japan) |
| | Shutdowns due to droughts | Approx. 30 million to 0.6 billion yen |
| Transition risks | Financial impact of carbon pricing on energy | 1.5° C scenario: Approx. 9.5 billion yen to 427 billion yen (2030) |
| | | 2° C scenario: Approx. 69 billion yen (2030) |
| | | 4° C scenario: Approx. 1 billion yen (2030) |
| | Financial impact of carbon pricing on agricultural products*1 | RCP2.6/SSP1: Approx. 0.7 billion yen to 3.0 billion yen (2050) RCP8.5/SSP3: Approx. 1.6 billion yen to 5.7 billion yen (2050) |
| Business opportunities | Spread of infectious diseases | Immunity & health supplements market: Approx. 28,961.4 million USD (2030) |
| | Increased heatstroke | Drinks for heatstroke market: Approx. 94 billion to 188 billion yen (2100, 4° C scenario) |

*1 If GHG emissions are not reduced.

•The financial impact of a decline in yields of agricultural products due to climate change and carbon pricing on agricultural products are assessed using the 25–75 percentile range of the distribution of forecast data for price fluctuations. Due to high uncertainty, estimates of carbon pricing under the 1.5° C scenario are included in the Environmental Report as reference values.

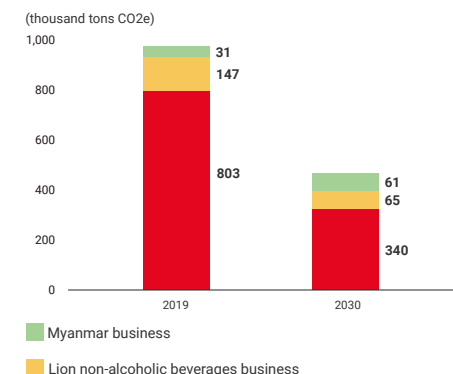
Analysis of impacts on assets

We estimated the impact of the sale of the Lion non-alcoholic beverages business in 2021 and the Myanmar business in 2023. There were no significant changes in the physical and transition risks, and although GHG emissions from the divested businesses were confirmed retroactively to the base year, we determined that there is no need to

change targets.

The estimated exposure of assets in a typical once-in-200-year disaster (a total of 20 locations in Japan) is as follows. While we believe it is unlikely that boilers, delivery trucks, etc., will be forced out of service before they reach their end of life due to laws and regulations, we have disclosed the book values below for reference although they are not material.

Impact of divestments on GHG emissions



Assets exposed to risk

| | Items Subject to Analysis | Impact |
|------------------------|--------------------------------------|-------------------------|
| Impact of divestment | Before business divestment | 515 thousand tons CO2e |
| | After divestment | 463 thousand tons CO2e |
| Assets exposed to risk | Exposure | Approx. 1 billion yen |
| | Residual value of related facilities | Approx. 1.1 billion yen |

Strategy

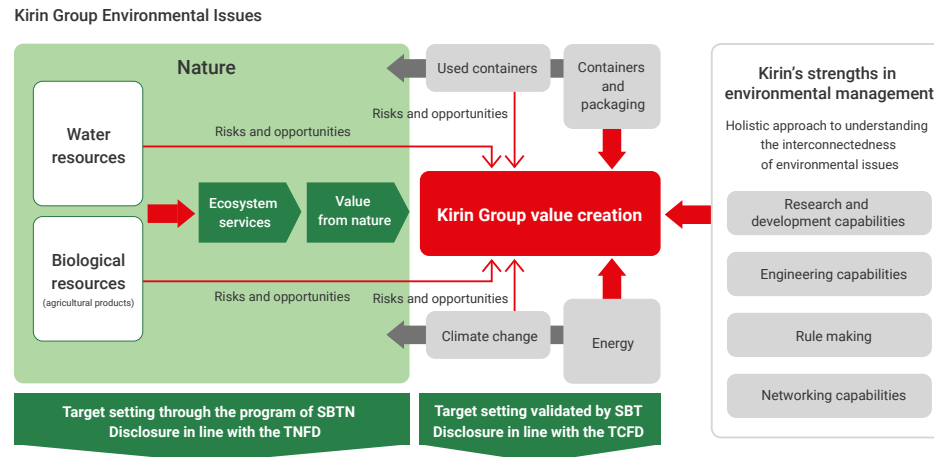
Considering the business characteristics of the Kirin Group, in order to sustainably create value, it is necessary to simultaneously respond to both the sustainable use of natural capital and increased resilience, as well as to minimize the challenges posed by climate change, containers, and packaging that impede this.

While the scenario analyses draw on multiple research findings and include different views, they generally indicate that climate change impacts on agricultural products and water are inevitable.

Although we have judged that there will be no major impact that will change the industrial structure, the impact will be considerable as a company that creates value through ecosystem services generated by natural capital. We believe that it is essential to continue to focus on reducing GHG emissions, making agricultural production areas sustainable, and addressing water risks and stresses.

We were also able to grasp social issues related to heat stroke and infectious diseases caused by climate change. We expect this can contribute to our business in the Health & Well-being domain, which the Kirin Group defines as a growth area.

Disclosure of Information on Climate Change

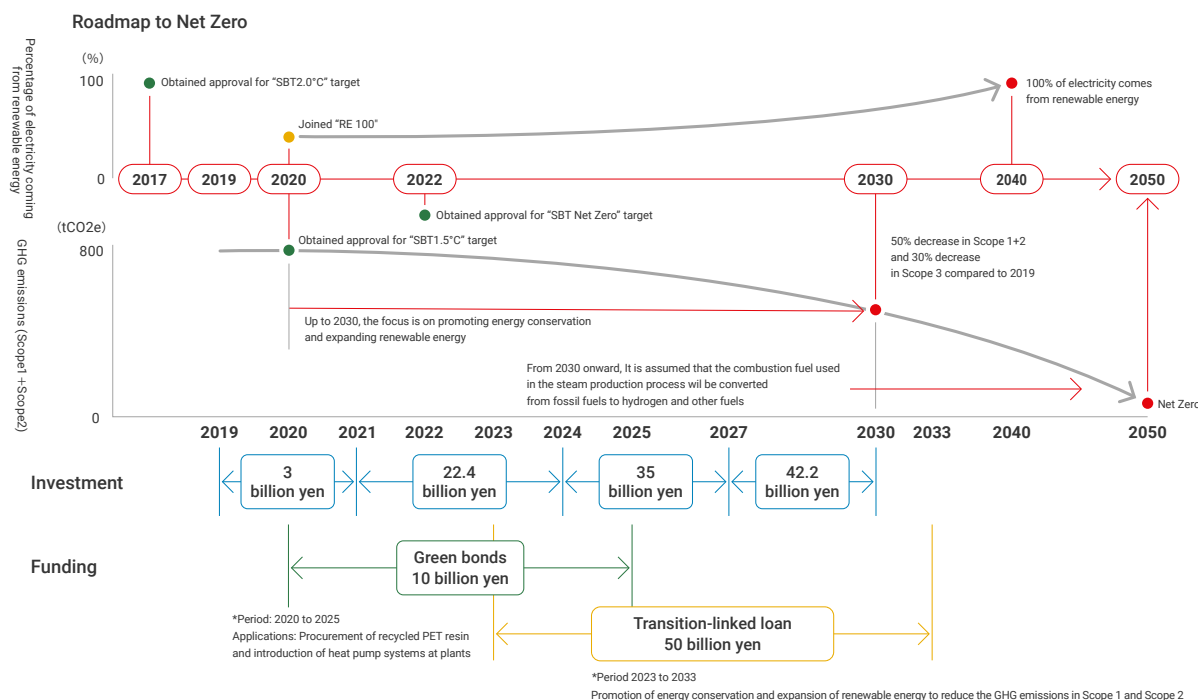


Transition Plan

The Kirin Group has formulated a roadmap for achieving science-based GHG emission reduction targets and net zero targets in order to limit the global average temperature increase to 1.5° C compared to pre-industrial levels. The roadmap was discussed and resolved by the Executive Committee, and has been in operation since January 2022. We have also developed and implemented investment plans and funding measures in response to our roadmap. Exploration and trials will continue for Scope 3, starting with reduction measures in the packaging and agricultural domains. As for climate change adaptation measures, we will expand the promotion of sustainable agriculture and forestry. We also plan to participate in a pilot program for international initiatives to develop natural capital target setting methodologies and disclosure frameworks to lead rule making. The roadmap will be reviewed regularly and updated appropriately in light of scientific advances, regulations, and other factors.

| | Significant Issues | Response Strategy | Progress |
|---|--------------------------|---|---|
| Adaptation (Sustainable use of natural capital) | Biological resources | <ul style="list-style-type: none"> Brewing technology that does not rely on barley Mass plant propagation technologies Support for farms to acquire certification for sustainable agriculture | <ul style="list-style-type: none"> Established mass propagation technology for hop seedlings Joined a corporate engagement program of the Science Based Targets Network (SBTN) for Nature and a pilot test of the Taskforce on Nature-related Financial Disclosures (TNFD) Commenced a survey on highly risky business sites, based on the results of natural disaster and flood simulations, to determine whether we need to take out insurance on these sites Implemented flood prevention and facilities measures at pharmaceutical plants that require a stable supply |
| | Water resources | <ul style="list-style-type: none"> Sharing of knowledge against floods Facilities to protect against floods Sharing of knowledge against droughts Development and deployment of water conservation techniques | |
| Mitigation (Minimizing impact on natural capital) | Containers and packaging | <ul style="list-style-type: none"> Promotion of PET-to-PET Lightweight containers | <ul style="list-style-type: none"> Joined Alliance To End Plastic Waste Increase use of 100% recycled plastic R100 PET bottles Practical application of chemical recycling Formulated a roadmap to reducing GHG emissions up to 2030 (in 2022). Finalized the reduction targets and paths for Group companies, and started to work toward these targets We have installed PPA-based (except for Yokohama Plant) large-scale solar power generation systems in all plants of Kirin Brewery (in 2021), Kyowa Kirin's Ube Plant, and Mercian's Fujisawa Plant (in 2023). We have also raised the percentage of renewable energy in the overall amount of energy procured to 100% at Kirin Brewery's Nagoya Plant (2020), Sendai Plant (2022), Okayama Plant, and Fukuoka Plant, Kyowa Kirin's Takasaki Plant, all production sites of Lion in Australia and New Zealand (2023), and all wineries of Chateau Mercian (2022). Kirin Holdings received SBT's net zero certification for the first time as a food company in the world (2022) |
| | Climate change | <ul style="list-style-type: none"> Achieving science-based GHG emission reduction targets Profit and loss neutral energy conversion (through 2030) | |
| Business opportunities | Infectious diseases | <ul style="list-style-type: none"> Providing corresponding products | <ul style="list-style-type: none"> Expanded product lineup Supply and provision of ingredients to partner companies Raising awareness of heatstroke |
| | Heatstroke | <ul style="list-style-type: none"> Providing drinks to address heatstroke | |

Disclosure of Information on Climate Change



● Reducing Scope 1 and Scope 2 emissions

(Unit: thousand tons CO2e)

| | 2021 | 2024 | 2030 | 2050 |
|-----------------|------|------|------|------|
| Kirin Brewery | 185 | 140 | 90 | 0 |
| Kirin Beverage | 40 | 37 | 20 | 0 |
| Mercian | 59 | 45 | 27 | 0 |
| Lion | 84 | 74 | 51 | 0 |
| Kyowa Kirin | 41 | 27 | 25 | 0 |
| Kyowa Hakko Bio | 201 | 165 | 109 | 0 |

● Investment amounts

(Unit: hundred million yen)

| | 2019-2021 MTBP | 2022-2024 MTBP | 2025-2027 MTBP | 2028-2030 MTBP |
|---|-------------------|-------------------|-------------------|-------------------|
| Investment in/ measures for energy conservation | 15 | 74 | 104 | 48 |
| Expansion of renewable energy | 15 | 150 | 237 | 362 |
| Energy transition | 0 | 0 | 9 | 12 |
| Total | 30 | 224 | 350 | 422 |

*Figures for MTBP from 2019 to 2021 are actual. The 2022-2023 plan was estimated at the time of planning the transition-linked loan and the figures may be revised.

*The investment value includes all cost related to install and procure the renewable energy.

● Scope 1 + 2 emissions reductions

For Scope 1 and Scope 2 reductions, we will combine three approaches: promoting energy conservation, expanding renewable energy, and transitioning energy. Up to 2030, we will increase energy efficiency and reduce its use, transitioning the energy mix from fossil fuels to electricity and utilizing electricity made from renewable energy sources.

After 2030, in order to achieve net zero in 2050, it will be necessary to switch the combustion fuel used in the steam production process from fossil fuels to hydrogen and other fuels that do not emit GHG. Infrastructure development and technological innovations are necessary, so there is uncertainty about achieving these goals. We will take the initiative in taking on the challenges of practical application and engage in appropriate policy proposals and rule making.

● Scope 3 emissions reduction

Of the categories defined in the GHG Protocol, we have identified the following categories as the areas of focus: Category 1 (manufacture of ingredients and materials) making up the largest proportion of the total emissions at approximately 60%, Category 4 (transport) making up the second largest proportion, and Category 9 (distribution). We will promote reductions through "encouragement of reduction at business partners" and "reducing our own independent emissions."

Lion has also shown in pilot tests that it can raise Scope 3 reduction targets by pooling actual GHG emissions with suppliers and customers with a third party, without mutual disclosure. This approach has

Disclosure of Information on Climate Change

been published by Australia's Climate Leaders Coalition as the Scope 3 Roadmap, which was presented by Lion's CEO at COP27.

| | |
|---|--|
| Encouragement of reduction at business partners | We plan to reduce emissions with an emphasis on engagement based on the emissions reduction plan and the status of progress in both quantitative and qualitative terms at each company, obtained through questionnaires to major suppliers |
| Reduction of our own independent emissions | We will make containers and packaging lighter and raise the percentage of recycled resin in PET bottles by leveraging the competence of our own research institute to develop containers and packaging in-house |

● Investment plan

Until 2030, our basic principle for environmental investment is profit and loss neutral. Specifically, we will offset increases in depreciation from investments and the cost of procuring renewable energy with cost benefits derived from energy saving. We use Net Present Value (NPV) as an indicator for environmental investments aimed mainly at reducing GHG emissions and have incorporated Internal Carbon Pricing (ICP: \$63/tCO₂e) into our framework for making investment decisions. We intend to accelerate the reduction of GHG emissions by reflecting ICP in the roadmap. In 2020, we issued green bonds (totaling 10 billion yen) to finance the procurement of recycled PET resin and the introduction of heat pump systems at plants. Then, in January 2023, we financed the projects related to energy saving and renewable energy, which we are promoting as part of initiatives to reduce Scope 1 and 2 GHG emissions, with a transition-linked loan (totaling 50 billion yen) for the first time as a food company in Japan. The loan is subject to the FY2022 subsidy for global warming countermeasures promotion project and the performance-linked interest subsidies program offered by the Ministry of Economy, Trade and Industry based on the Industrial Competitiveness Enhancement Act (financial support for promoting the transition towards achieving a carbon-neutral economy).

Risk Management

Climate change risks consist of two categories: physical risks and transition risks. Of these, areas producing raw materials and manufacturing sites are exposed to physical risks. Since 2013, the company has made various efforts to make its areas producing raw materials sustainable while accumulating knowledge on recovery from flood damage suffered by manufacturing facilities. To reduce GHG emissions, which is a significant transition risk, we are prioritizing the “additionality” of substantially increasing renewable energy and the “ethicality” of energy generation from the perspective of the environmental impact and human rights. We have promoted the installation of large-scale solar power generation at our plants and participation in the wind power generation business.

In addition, natural disasters of unprecedented scale and legal regulations that change the structure of industry are becoming a reality, and we believe that the approach of setting scenarios and analyzing and evaluating them is quite effective for risks that would have an extremely material impact on business if they occurred, regardless of the possibility of such events. We will apply this approach not only to climate change but also to other challenges to minimize risks and expand business opportunities.

Material risks, including those related to climate change, are managed by the Group Risk and Compliance Committee, which meets every quarter and is chaired by the Senior Executive Officer in charge of Risk Management. For the BCP, we have reviewed our traditional event-by-event approach and transitioned to an all-hazard approach to business continuity planning whereby we work out countermeasures with a focus on the loss of management resources, regardless of the event.

Metrics and Targets

| Response | Items | Targets | Results |
|---------------------|--|-----------------------------------|---------------------------------------|
| Mitigation measures | GHG emissions reduction targets (relative values) | Net zero (2050) | 4,411 thousand tons CO ₂ e |
| | Scope1+2 | 50% reduction (in 2030 from 2019) | 13% reduction |
| | Scope 3 | 30% reduction (in 2030 from 2019) | 722 thousand tons CO ₂ e |
| | Percentage of renewable energy in total energy consumption | 100% (2040) | 17% |
| Adaptation measures | Number of small farms that received training for the acquisition of certification in Sri Lanka | 10,000 farms (2025) | 2,120 farms |
| | Ratio of certified palm oil in Japan | Maintain 100% | 100% |
| | Lion water efficiency* | Less than 2.4 kl/kl (2025) | 3.8kl/kl |
| | Kyowa Hakko Bio water consumption | 32% reduction (in 2030 from 2015) | 52% reduction from 2015 |
| | Ratio of FSC-certified paper container used in the Japan Non-Alcoholic Beverages Businesses | Maintain 100% | 100% |
| | Proportion of recycled materials used in PET bottles in Japan | 50% (2027) | 4.9% |

*Tooheys Brewery, Castlemaine Perkins Brewery, James Boag Brewery, Pride

Disclosure of Natural Capital

In 2010, the year of the 10th Conference of the Parties (COP10) to the Convention on Biological Diversity held in Nagoya, we commenced a risk assessment of biological resources and acknowledged the dependency of our operations on natural capital of specific regions. Recognizing this, we have continued and expanded support tea farms for the acquisition of the Rainforest Alliance certifications in Sri Lanka, the main producing area of tea leaves for *Kirin Gogo-no-Kocha*. As for water resources, we are acting on our early recognition that water stress and risk vary widely by country and region given our experience conducting business in Japan where water resources are relatively abundant and in Australia where water stress is intense. Our non-financial information disclosure related to natural capital and our efforts toward achieving science-based targets are as follows:

| | |
|------------------------|---|
| Information disclosure | <ul style="list-style-type: none"> • Participated in the TNFD Forum as the first Japanese food and Pharmaceutical company. We also participated in TNFD consultation group in Japan. • Disclosed the LEAP approach (Locate-Evaluate-Assess-Prepare) proposed in the Beta 0.1v of the TNFD framework. It is in the Kirin Group's Environmental Report published in July 2022 as the first in the world on a trial basis. • Participated in the TNFD pilot program and contributed to the rule making • Mariko Vineyard has been selected as an approved site for the ministry of the environment's 30by30 alliance for biodiversity. The vineyard, which grows grapes for Japan Wine, was introduced as a nature positive example at the 15th Conference of the Parties (COP15) to the Convention on Biological Diversity. |
| Target setting | <ul style="list-style-type: none"> • Participated in the Corporate Engagement Program organized by Science Based Target Network for the first time as a Japanese food and Pharmaceutical company • Disclosed the AR3T framework on a trial basis in the Kirin Group's Environmental Report published in July 2022. We prioritized our production sites based on the proposed methodology presented by the SBTN in it. |

Corporate Governance / Risk Management

Corporate Governance >

Interview with Independent Non-executive Directors

A conversation between external directors of the board >

Expanding the Scale of the Health Science Business

Through Combined Internal and External Strengths

Enhancing Management Effectiveness >

Required skills for directors and Audit & Supervisory Board members >

Basic Policy for the Remuneration of Executive Officers >

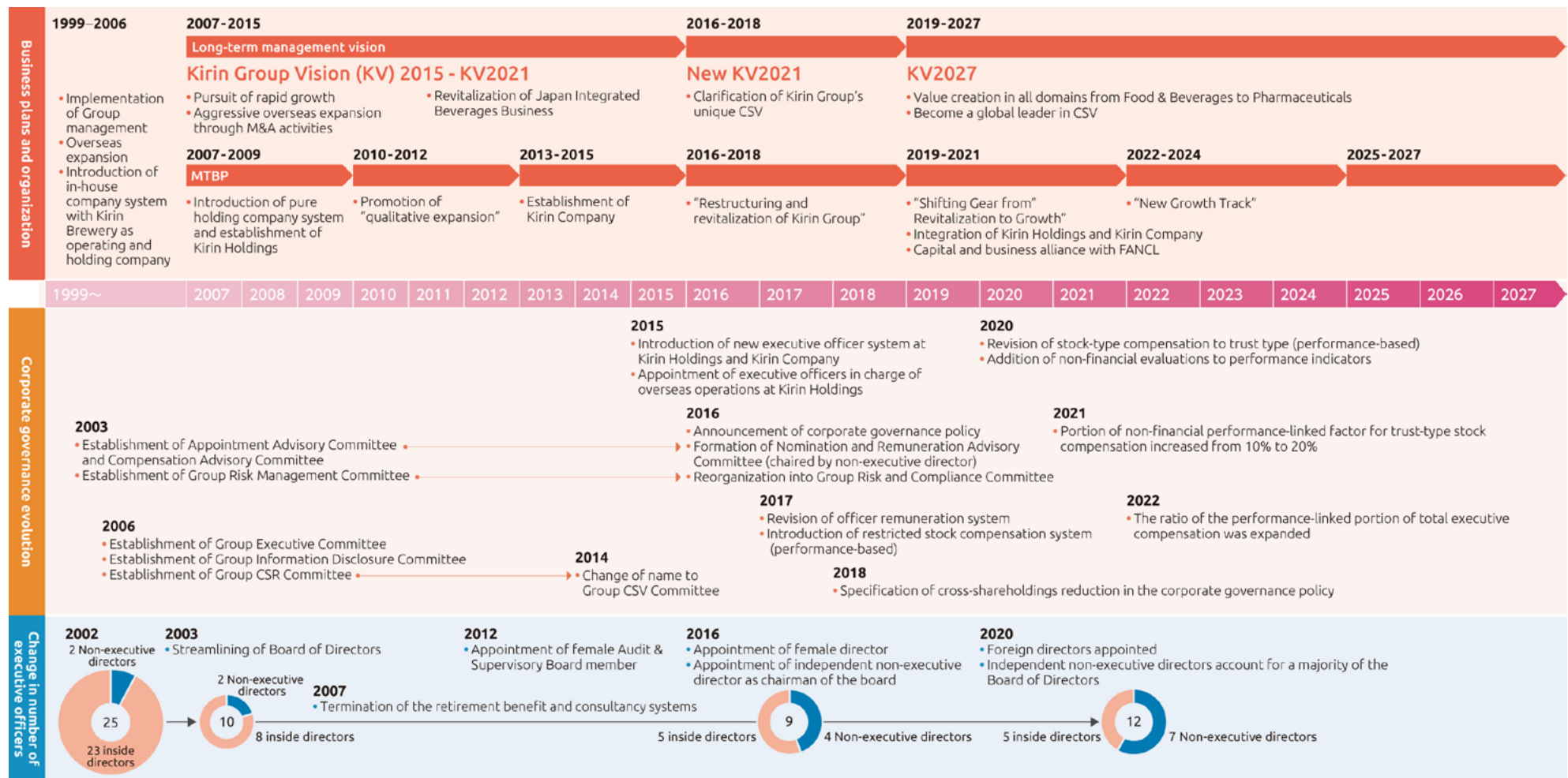
Risk Management >

Quality initiatives In 2022 >



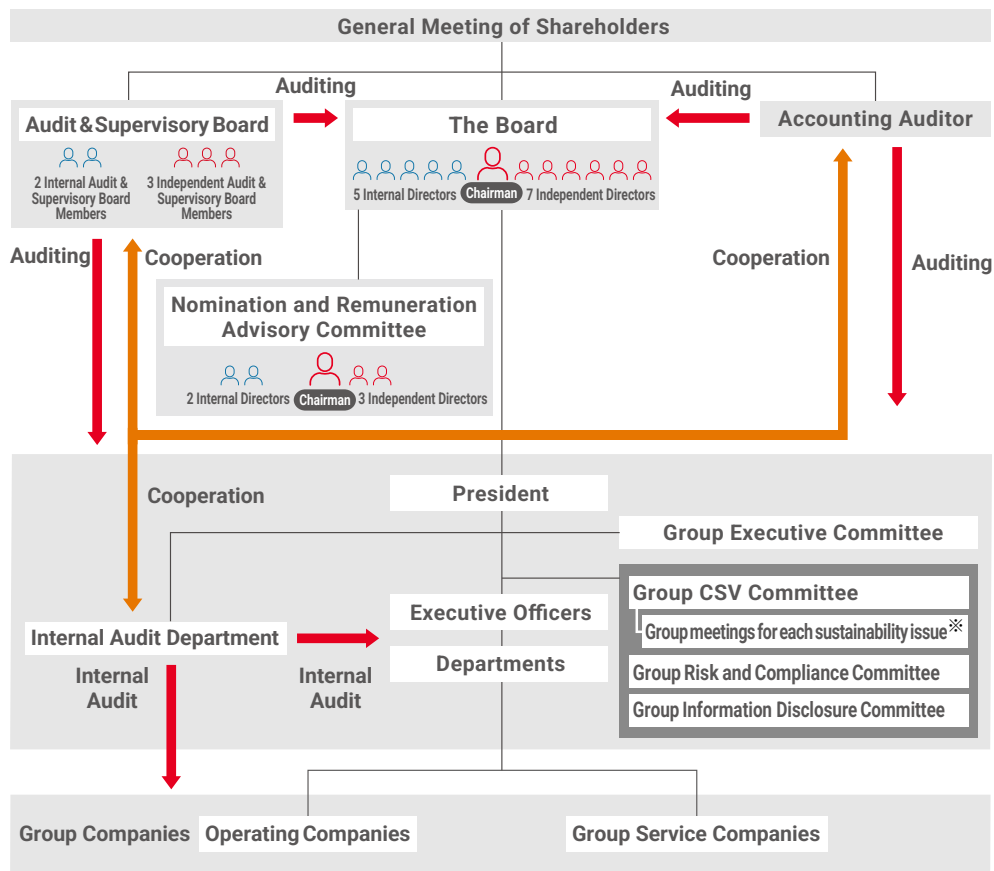
Corporate Governance

Evolution of Corporate Governance System



* Chart represents total number of directors as of April 1 of each year.

Corporate Governance Structure



※Group Environmental Meeting、Group Human Rights Meeting、Group Health and Safety Meeting、etc

- Kirin Holdings has adopted a pure holding company structure as a means of controlling its diverse and global business, which is centered on 3 domains such as food & beverages, pharmaceuticals and health science. As a pure holding company, Kirin Holdings takes on the role of devising and implementing the Group’s overall strategies, monitoring individual businesses, creating synergy, and responding to challenges surrounding sustainability through coordination across the Kirin Group.
- The Kirin Group’s individual companies conduct their business autonomously with a sense of speed, while maintaining close ties to the local customers and other stakeholders. Kirin Holdings grants appropriate authority to match the strategic stages of individual Kirin Group companies and improves governance through the Board of Directors and the Boards of individual group companies by dispatching directors to those companies. Directors or Executive Officers of Kirin Holdings serve concurrently as directors at the main companies in the Kirin Group.
- Kirin Holdings has adopted a Company with Audit & Supervisory Board system, and aims to maintain and improve on a highly transparent governance system for its stakeholders. The Board, which includes a number of Outside Directors, works closely with the Audit & Supervisory Board, which also includes a number of Outside Audit & Supervisory Board Members, and makes effective use of the statutory and other auditing function to take final decisions on important matters. At the same time, the Board endeavors to reinforce the monitoring function on management. Kirin Holdings has introduced an executive officer based system in order to implement strategies for each of its businesses and functions in an agile fashion and clarify executive responsibilities. The Board of Directors determines the scope of delegation to the Executive Officers based on their experience, track record, and expertise in their respective fields.

Directors, Audit & Supervisory Board Members, and Executive Officers

Directors



President & CEO
(Member of the Nomination
and Remuneration Advisory
Committee)

Yoshinori Isozaki

April 1977 Joined the Company
March 2015 President & Chief
Executive Officer of the
Company(Present Position)



Representative Director of the
Board, Senior Executive Vice
President

Keisuke Nishimura

Business Alliance and Investment
Strategy, Overseas Business, Global
Craft Beer

April 1980 Joined the Company
March 2017 Representative Director,
Senior Executive Vice
President of the Company
(Present Position)

Major Concurrent Positions:
Director of Kirin Brewery Co., Ltd.
Director of Lion Pty Ltd
Director of San Miguel Brewery Inc.



Director of the Board, Senior
Executive Officer
Member of the Nomination
and Remuneration Advisory
Committee

Toshiya Miyoshi

Public Relations, Risk Management,
Legal, Member of the Nomination and
Remuneration
Advisory Committee

April 1982 Joined the Company
March 2015 Director of the Board, Senior
Executive Officer of the
Company (Present Position)

Major Concurrent Positions:
Director of Kirin Beverage Co., Ltd.
Director of San Miguel Brewery Inc.



Chairperson of the Board
(Independent Non-executive
Director of the Board)

Masakatsu Mori

April 1969 Joined Arthur Andersen,
LLP
February 1989 Japan Representative
of Andersen Consulting
(currently Accenture Japan
Ltd.)

March 2015 Audit & Supervisory Board
Member of the Company
March 2019 Non-executive Director
of the Company (Present
Position)



Independent Non-executive
Director of the Board
Member of the Nomination
and Remuneration Advisory
Committee

Hiroyuki Yanagi

April 1978 Joined Yamaha Motor Co., Ltd.
March 2010 President, Chief Executive
Officer and Representative
Director of Yamaha Motor Co., Ltd.
January 2018 Chairman and Representative
Director of Yamaha Motor Co., Ltd.
March 2019 Non-executive Director of the
Company (Present Position)
June 2021 Outside Director of Japan
Airlines Co., Ltd. (Present
Position)



Independent Non-executive
Director of the Board
Chairperson of the Nomination
and Remuneration Advisory
Committee

Chieko Matsuda

April 1987 Joined The Long-Term Credit
Bank of Japan, Limited
April 2011 Professor of School of
Business Administration,
Faculty of Urban Liberal
Arts (Currently Faculty of
Economics and Business
Administration) at Tokyo
Metropolitan University
(Present Position)

March 2016 Audit & Supervisory Board
Member of the Company
June 2020 Outside Director of IHI
Corporation (Present Position)



Independent Non-executive
Director of the Board
Member of the Nomination
and Remuneration Advisory
Committee

Noriko Shiono

August 1983 Joined Japan New Media
Co., Ltd.
March 2010 Representative Director,
President of SSP Co., Ltd.
October 2017 President of Widex Japan
(Present Position)
March 2018 Non-executive Director of
Kirin Company, Limited
March 2020 Non-executive Director of the
Company (Present Position)



Director of the Board, Senior
Executive Officer

Takeshi Minakata

Strategy of Health Science Domain
President of Health Science Division

April 1984 Joined the Company
March 2020 Senior Executive Officer of
the Company

Major Concurrent Positions:
Director of Kyowa Kirin Co., Ltd.



Director of the Board, Senior
Executive Officer

Junko Tsuboi

Personnel and General Affairs

April 1985 Joined the Company
March 2023 Director of the Board, Senior
Executive Officer (Present
Position)

In charge :
Outside Director of FANCL Corporation



Independent Non-executive
Director of the Board

Rod Eddington

September 1979 Joined John Swire &
Sons (H.K.) Ltd.
April 1992 Managing Director of
Cathay Pacific Airways
Limited
April 2000 Chief Executive Officer of
British Airways plc
March 2011 Director of Lion Pty Ltd
March 2020 Non-executive Director
of the Company (Present
Position)



Independent Non-executive
Director of the Board

George Olcott

July 1986 Joined S.G. Warburg & Co.,
Ltd.
June 2000 Managing Director, Equity
Capital Market, UBS Warburg
Tokyo
March 2020 Non-executive Director of the
Company (Present Position)



Independent Non-executive
Director of the Board

Shinya Katanozaka

April 1979 Joined ALL NIPPON AIRWAYS
CO., LTD. (currently ANA
HOLDINGS INC.)

April 2015 Representative Director,
President & Chief Executive
Officer of ANA HOLDINGS
INC.

March 2023 Non-executive Director of the
Company (Present Position)

Audit & Supervisory Board Members



Audit & Supervisory Board Member
Shobu Nishitani

April 1987 Joined the Company
March 2016 Director of the Board of Lion Pty Ltd.
March 2022 Standing Audit & Supervisory Board Member of the Company (Present Position)
Audit & Supervisory Board Member of Kyowa Hakko Bio Co., Ltd. (Present Position)



Standing Audit & Supervisory Board Member
Toru Ishikura

April 1989 Joined the Company
March 2020 Director of the Board, Kyowa Hakko Bio Co., Ltd.
March 2023 Standing Audit & Supervisory Board Member of the Company (Present Position)
Audit & Supervisory Board Member of Kyowa Kirin Co., Ltd. (Present Position)



Audit & Supervisory Board Member
Yoshiko Ando

April 1982 Entered the Ministry of Labor
April 2003 Lieutenant governor of Shiga prefecture
July 2006 Director of Equal Employment Policy Div. of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare
July 2017 Director-General for Human Resources Development of the Ministry of Health, Labour and Welfare
March 2019 Audit & Supervisory Board Member of the Company (Present Position)



Audit & Supervisory Board Member
Kaoru Kashima

November 1981 Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
June 2002 Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)
July 2013 Representative Director of Ernst & Young Institute Co., Ltd.
March 2020 Audit & Supervisory Board Member of the Company (Present Position)



Audit & Supervisory Board Member
Kenichi Fujinawa

April 1980 Registered as lawyer in Japan
January 2000 Joined Nagashima & Ohno
January 2000 Partner of Nagashima Ohno & Tsunematsu
January 2015 Chairman of Nagashima Ohno & Tsunematsu
March 2022 Audit & Supervisory Board Member of the Company (Present Position)

Executive Officer



Senior Executive Officer
Ryosuke Mizouchi

CSV strategy
Director of Lion Pty Ltd
Director of Coca-Cola Beverages Northeast, Inc.
Director of Mercian Corporation



Senior Executive Officer
Masao Maehara

Supply Chain Management,
Production Technology Strategy
Director of Kirin Beverage Co., Ltd.



Senior Executive Officer
Shinjiro Akieda

Chief Financial Officer, IR.



Senior Executive Officer
Koji Fukada

R&D Strategy, Quality Assurance
President of R&D Division
Director of Kyowa Hakko Bio Co., Lt



Senior Executive Officer
Mitsuharu Yamagata

Marketing, Corporate Brand Strategy
Digital, Information Strategy
Senior Executive Vice President of Kirin Brewery Co., Ltd.



Senior Executive Officer
Hideki Horiguchi

President and CEO of Kirin Brewery Co., Ltd.



Senior Executive Officer
Toru Yoshimura

President and CEO of Kirin Beverage Co., Ltd.



Senior Executive Officer
Yuki Kanzaki

President and CEO of Kyowa Hakko Bio Co., Ltd.

Interview with Independent Non-executive Directors



Interview with Independent Non-executive Directors

A conversation between external directors of the board Expanding the Scale of the Health Science Business Through Combined Internal and External Strengths

Masakatsu Mori

Independent Non-executive Director of the Board
(Chairperson of the Board)

Joined Arthur Andersen & Co. in 1969. Assumed the position of Japan president of Andersen Consulting (now Accenture Japan Ltd.) in 1989 and went on to be Chairman and then Chief Corporate Advisor. He also served as a member of the International Board at the company for 13 years. He then started working as President of the International University of Japan in 2009 and went on to become Vice Chairman before assuming his current position as Senior Advisor. He became an Audit & Supervisory Board member for our company in 2015 and Non-executive Director of the Board in 2019. He currently acts as Non-executive Director for STANLEY ELECTRIC Co., Ltd. and Audit & Supervisory Board member for FAST RETAILING Co., Ltd.

Noriko Shiono

Independent Non-executive Director of the Board
(Member of the Nomination
and Remuneration Advisory Committee)

Joined Japan New Media Co., Ltd. in 1983. She then went on to work as Representative Director & President of SSP Co., Ltd. and President & Corporate Officer and Chairman & Director of Konami Sports & Life Co., Ltd. (Now Konami Sports Co., Ltd) before taking on her current role as president of Widex Japan. She assumed the position of Non-executive Director at Kirin Co., Ltd. in 2018. She became our Strategic Advisor in 2019 before taking her role as Non-executive Director in 2020.

Strengthen the Group's Coordination to Accelerate Development of the Health Science Business

—What topics were discussed by the Kirin Holdings Board of Directors in 2022 and what did you deal with as a non-executive director?

Mori: The most important topic was that of the optimization of our business portfolio. We continuously discussed how we could create and improve value throughout the range of our group's business, from Food & Beverages to Pharmaceuticals.

Two topics brought up in the many discussions were the withdrawal from business in Myanmar and the structural reform of Kyowa Hakko Bio Co., Ltd. We have organized the handling and risk management of these for the current term.

Shiono: On top of that, in 2022 we also started discussing strategies based on function, such as R&D and marketing that would improve the execution of management strategies. At the board meetings, I feel we were able to hold fruitful discussions to effectively move the entire group toward accelerating CSV management.

—The Kirin Group is expanding business into the Health Science domain based on the knowledge of fermentation technology and biotechnology, a core competence, that it has accumulated since the foundation of its first company. What is your opinion on this?

Shiono: It is believed a company is not guaranteed growth through only the continuation of current businesses. Businesses must always be thinking about creating new value using their core competencies

(assets). From the perspective of our group, it is of great significance that we are applying fermentation technology and biotechnology, our core technologies, to newly enter the Health Science business. This is because the health science business is also a business development directly related to CSV in the sense that it solves health issues.

Mori: It's just as Ms. Shiono said: a business is like a plant. If it stops growing, it dies. Our group could perish if we only rely on existing business. For this reason, we as non-executive directors believe taking on the Health Science business as a growth area is the correct strategy.

The global health science market is expanding, and there are many companies aiming to join. The Kirin Group, however, is not engaged in just any ordinary health science, but we are developing an integrated business from ingredient development to product manufacturing and sales with fermentation technology and biotechnology, one of our core competencies, as the foundation. Additionally, for example, if we were to incorporate ingredients from the Health Science domain into products in our Food business, the entire group would align, and we would see our entire business' position changing.

Build an Integrated System Ranging from Ingredient Development to Product Manufacturing and Sales, and Exercise our Strengths in the Health Area

—What does the speed and progress of Kirin's expansion in the Health Science domain look like?

Shiono: The business models and the process time in the Food, Pharmaceuticals, and Health Science businesses are different. In the Food business, lead time for the development of new products is comparably fast. On the other hand, the health science business can only be launched after various processes, including notification to and approval from the relevant ministries and agencies to demonstrate efficacy and effectiveness on the body. So, as you can see, the cycles of product development are different, and while analysts and investors in food-related industries may feel the process is slow, I think they will feel it is comparatively quicker compared to the development of pharmaceuticals in the same health industry.

That being said, we as the board are aware the market won't wait for us, no matter the business. It is crucial that we have an accurate understanding of consumer needs and quickly provide materials and products, which is why the focus of the board in 2022 was the important topic of Health Science business. We are especially proud of being able to sort out the connection between the provision of specialty ingredients and other raw materials by Kyowa Hakko Bio on a B-to-B basis and the B-to-C business model of the Food business the Kirin Group is familiar with. As a result, we were able to finalize the entire business strategy, and I think we will be able to expand faster.

Mori: It is taking us a bit of time to get moving, but I don't feel we are running behind. Furthermore, I think many of the world's businesses use a business model for mass consumption and mass production, not just ours. When thinking about the health area, it is necessary to split the market into multiple segments. We are connecting our ingredients and the markets with our different approach as an existing Food business and

creating new business focused on each segment from scratch, so it can't be helped it is taking some time.

Shiono: While we are aware of the various opinions of investors, from the perspective of group synergy, I think having a fellow Group company like Kyowa Kirin Co., Ltd., which is involved in the Pharmaceuticals business, will help to push us. I believe it is because of the existence of a company that makes pharmaceuticals that contribute to healing that we can commit to health as a group.

Mori: That's right. However, while Kyowa Kirin is a member of the Kirin Group, it is also an independent listed company. I think that we as non-executive directors of Kirin Holdings Company, Limited need to take note to keep the balance of independence and cooperation since each company has their own shareholders.

—We recently hear the word “BtoB/BtoC Linkage Model *1,” which has allowed us to see the possibilities of Kirin Group's business development in the Health Science domain. What do you think about this model?

Shiono: We are moving forward towards establishing a model unique to the Kirin Group, the “B-to-B & B-to-C Link Model.” This model combines (1) the B-to-B model in which we provide Kyowa Hakko Bio's ingredients to businesses for them to commercialize and (2) the B-to-C model in which we commercialize other products, such as Kirin Beverage Company, Limited's beverages, and deliver them to consumers. In addition to *Lactococcus lactis* strain Plasma (LC-Plasma), which we have already begun working with, we intend to expand next with citicoline*2 and human milk oligosaccharides (HMOs)*3.

The important thing when it comes to business in the Health area is to broaden the scope of the business so the products can benefit a wide range of diverse people. Consumers choose health-related products based on whether they fit their lifestyle, so it is imperative we make our products accessible to a wide range of consumers. Our company creates good materials, and their effectiveness is proven, so if we also have partners who want to buy and commercialize them, we should broaden and grow the scope of the business by implementing the “BtoB/BtoC Linkage Model.”

Mori: FAST RETAILING, a company at which I am an Audit & Supervisory Board member, has transformed into an integrated system that does everything from material development, production and then sales. Through this, they have been able to understand their consumers’ needs and succeed in the development of products to meet those needs, resulting in a breakthrough in the apparel industry.

In the Health area, the Kirin Group won’t simply create an integrated system that does everything from material development to product production and sales, but we will look at each market’s segment separately, and our strength will be the ability to provide products developed from ingredients that optimize them for the target segments. There is significance in promoting the “BtoB/BtoC Linkage Model,” which will not only provide materials within the group but will expand our provision of raw materials to other businesses.

*1 A business model in which businesses are linked, that utilizing the insights gained from selling the company’s own products in the BtoC business to create a new BtoB business that is not limited to ingredient sales.

*2 An ingredient found in the body that maintains the cell membranes of the brain and nerve cells, and has been used for many years around the world in medicines for brain

diseases and health foods that support the improvement of cognitive functions. In Japan, it is currently classified as a pharmaceutical product.

*3 A generic term for oligosaccharides contained in breast milk. More than 200 kinds are contained in breast milk, and the results of research contributing to immunity and brain function, among others, have been reported.

—Where do you see certainty of growth in the Health Science business?

Mori: We have set a goal of 200 billion yen in net sales in our Long-Term Management Vision, “Kirin Group Vision 2027” (KV2027). It’s a bit of a lofty goal, but I believe we can reach it because we have Kirin Holdings’ Health Science Business Division leading the way and various companies handling health-related products, like Kyowa Hakko Bio, Kirin Beverage, and FANCL CORPORATION, have come together to work as one. The Health Science domain is a challenging area filled with competitors and new entrants, but I agree with the management’s decision to join the domain as part of our group’s growth strategy.

Shiono: I think there are a few benefits to the Kirin Group entering the Health area. First, if we have technical advantages, we will have a competitive advantage and entry into the area will be made difficult for others. For example, *iMUSE* (*IMMUSE* in some markets), which incorporates the use of LC-Plasma, was registered as a food with functional claims for immunity. Its safety and functionality have been proven with evidence, so it is difficult for other companies to join this domain, giving the Kirin Group a competitive advantage.

This year, this advantage has led us to providing LC-Plasma to Coca-Cola (Japan) Company, Limited. It is a competitive company in the Beverage business, so this is a groundbreaking initiative. If Kirin can exercise

the trust and power its KIRIN brand has cultivated in the Food business, I think reaching a net sales goal of 200 billion yen is fully within our reach.

Incorporating Diversity to Develop Human Capital Capable of Overseas Business Management

—What should the Kirin Group do to strengthen their presence overseas?

Mori: Looking back on the Kirin Group’s overseas business, like the withdrawals from business in Brazil, the beverage businesses in Australia, and business in Myanmar, I see we have caused a lot of trouble for shareholders. Lion Pty Ltd in Australia is still facing many challenges. Based on these experiences, the current challenge of overseas business for the Kirin Group is to develop global human capital that can manage local subsidiaries and implement the global strategy.

When a company advances into new territory, global human capital are necessary; however, the reality is there is a shortage of global human capital, and we believe it is urgent to foster them. The Health Science business has a growing opportunity particularly in North America and the Asia-Pacific region, so the development of human capital that can open the path to overseas markets is becoming even more important.

Shiono: I agree. As is often the case with Japanese companies, the Kirin Group is a homogeneous organization that lacks women in management, foreign employees, and human assets with overseas experience. I feel it might be difficult to manage the diverse values of foreign countries in this non-diverse state we are in. In fact, this is a popular topic amongst

non-executive directors.

In order to develop human assets that can manage the overseas business, it is necessary to bring in outside perspectives by appointing external human capital, including non-Japanese, and forming partnerships with other companies and incorporating values that differ from ours. We have been reforming the Kirin Group's human resources strategy since 2022. We are also considering proactively hiring foreign workers, and the plan is progressing as intended.

Becoming a More Professional Group Through Change in Organizational Capabilities

—As non-executive directors, what are your opinions on the Kirin Group strengthening their “four organizational capabilities (drivers) for driving innovations”?

1) Diversity and inclusion, culture for innovation

Shiono: To be honest, I think it would be good to change the workforce in a more daring way. When developing human resources, the Kirin Group has mainly used the Japanese model of hiring fresh graduates in large numbers, giving them experiences in a wide range of areas, and then positioning them in a role they are likely to excel. If we are short on particular skills or experiences, we compensate by hiring experienced workers, but that alone isn't enough.

The important thing is to combine these methods. In other words, we need to create a work environment for transferring the knowledge and skills

of workers brought in from the outside to those who started with us. I believe this will also improve the entire team's expertise through the creation of horizontal and vertical relations. I think the most effective method for realizing this is to bring mid-career hires and international workers into middle management. I expect this will change our organization into one with greater speed of innovation by bringing in outside perspectives.

Mori: With the strengthening of organizational capability, we are now looking for highly specialized professionals instead of traditional generalists who understand everything in a broad sense. We want to evolve into a strong organization full of professionals who have advanced knowledge and skills in specialized fields and who can compete with those in the same field at other companies. If we do this, I think we will be able to hire and retain external professional human resources more easily, just as Ms. Shiono mentioned.

2) Core technology that assures value creation

Shiono: The Kirin Group prides itself on its commitment to basic research as a company in the beer business. We especially see promise in the biotechnology area, a focus area of the Kirin Group. In recent years the world has been focused on veganism, and going forward we predict there will be a growing importance of medicine and health products that are vegan, uncontaminated, and non-chemical. We believe that the Kirin Group's advanced research technologies in plants and microorganisms will support us in these conditions.

On the other hand, despite our strengths in basic research, and fermentation technology and biotechnology, I feel they are not fully recognized.

Humility is important, but I think we should freely promote our technological skills and development capabilities in the Health Science business.

3) Consumer-centric marketing

Mori: In the Health Science business, knowing the consumers is crucial. Digital marketing technology that allows us to visualize consumer needs is essential, and we are rapidly developing it, but there is still a lot of room for the Kirin Group to enhance itself in this domain. We must enhance our ability to develop merchandise strategy based on data we gain from connecting with and learning about consumers. In the beer business, with craft beer and *Home Tap* at the forefront, connections with individual consumers have become vital. I want to keep an eye on the changes in the digital marketing space.

4) ICT accelerating value creation

Mori: I feel it's necessary to enhance not only marketing but ICT (information and communication technology) as a whole. The Kirin Group has recently replaced our outdated accounting, production, and logistics system with SAP, but this is only a replacement of old technology. Going forward, we need to focus on the use of ICT in business. I believe it is necessary for us to look at ICT as a business reformation tool and to think of prioritizing the installment of ICT to areas where it can have significant benefits on business and where cost and risk can be minimized.

—In the Kirin Group 2022-2024 Medium-Term Business Plan (2022 MTBP), “focus on quality”

and “building an SCM system that balances efficiency and sustainability” were added as two additional organizational capabilities. What are your thoughts on these new capabilities?

Mori: I think it was a good decision. Strengthening SCM (supply chain management) is especially important. Manufacturing and logistics capabilities to maximize brewery/factory utilization and minimize inventory level are the keys for Kirin’s business. How quickly can we produce top sellers and how quickly can we stop producing the worst sellers? These skills should be developed as the basic strengths of our group. We expect the SCM system to be even further enhanced by being prioritized it as an important organizational capability.

A Strong Governance System Built on the Trust of the Executives

—From the perspective of non-executive directors, does it look like the Kirin Group’s governance system is functioning?

Mori: I have been overseeing the Kirin Group since being appointed as an audit & supervisory board member in 2015, and I can confidently say that Kirin Holdings’ corporate governance is now first-class level. Over the past few years, many good changes were accelerated owing to a mutual trust between the non-executive directors and company executives.

CEO Isozaki and we have a deep mutual trust, and that allows us to have a CEO evaluation system led by non-executive directors. Non-executive directors can observe and evaluate the CEO and his team on how much value they are adding to the company in both the short- and long-term. For example, we make sure that

the company holds a clear future vision and they are working toward realizing that vision by making future-oriented investments and developing human capital.

Many companies focus on short-term achievements when determining the president’s remuneration, but Kirin Holdings evaluates them based on medium- to long-term achievements. At the same time, non-executive directors are not automatically reappointed but are evaluated every year by the Nomination and Remuneration Advisory Committee. This evaluation is also reflected in the report of the Board of Directors’ effectiveness. Therefore, we can confidently state that our board members are all highly qualified and not being constrained by the term of service.

Shiono: At board meetings, the non-executive directors are forward with their opinions when talking to the executives, including the CEO. As a member of the board, I really feel the governance is functioning.

Mori: As chairperson, the thing I am most concerned about is whether management issues within the group are being raised on the agenda in a timely manner. This is because we from outside the company have limited information, for example, if something important is happening in the company and no one brings it up. In that regard, Kirin Holdings is giving us point-by-point reports on important management issues within the group, so we are able to discuss solutions with good timing. I believe this shows our relationship of trust.

When it comes to business strategies and operating plans, final decisions are only made after repeated discussions with the board. The executives listen to and reflect on the opinions of the non-executive directors and then brush up their proposal for the final board decision. It is through this cycle that we are able

to make sound business decisions.

—What are the current governance-related issues?

Mori: One issue that comes to mind is the need to fortify a global governance system. This ties back to our discussion on human capital. We have to develop and appoint human capital capable of managing overseas businesses, we should enhance our system so that we can promptly understand the local conditions and quickly respond to any changes.

Shiono: If I was to bring something up, I would like to see the executives share more of their thoughts at board meetings. I understand the executives have discussed the issues at length within the company, but I would like to have more active discussions at board meetings.

I think we as non-executive directors need to be someone who can provide added value for executives. The non-executive directors bring a new perspective on results of discussions held within the company, offer respective opinions from their different fields, and help the board make better decisions. I hope to contribute to this process.

—Thank you for taking the time today to discuss your expectations and the issues within the Kirin Group. We hope to use today’s discussion to promote initiatives for further growth in the group.

Enhancing Management Effectiveness

Evaluation of the Board of Director's Effectiveness

The Board of Directors effectiveness evaluations conducted in fiscal 2016 defined the Board's two primary functions as making important corporate decisions and providing supervisory oversight. We continue to conduct regular evaluations of Board operations and meeting content to both ensure those functions are being fulfilled and to continually improve its efficiency by identifying points to make the meetings more effective in the next fiscal year.

Fiscal 2022 discussion points

1. Discussion on "Business Portfolio"
2. Discussion on "strategy formulation, implementation and monitoring" that crosses business and functional strategies
3. Discussion on "Instillation of Kirin Group Corporate Philosophy to Promote CSV Management"
4. Discussion on "Ensuring that sound business ethics are known and practiced"
5. Discussion on "Risk Management"

Fiscal 2022 evaluations

The Board of Directors discusses the results of the survey, which includes an evaluation perspective based on a survey by a third-party advisor, while taking into account the current status of efforts and improvements.

Observations

- (1) Composition and operation of the Board of Directors
- (2) Strategy formulation, execution, and monitoring
- (3) Oversight of risk and crisis management
- (4) Oversight of decision-making, such as in business acquisitions and withdrawals
- (5) Oversight of executive compensation and successor development plans
- (6) Depths of awareness and oversight of sound corporate ethics
- (7) General oversight of disclosure to stakeholders
- (8) Overall effectiveness

Evaluation results

As a whole, the Board of Directors is effective and functioning properly.

Points receiving positive evaluations

1. The diversified Board of Directors enhances the effectiveness of important decision-making and provides multiple perspectives
 - The independent non-executive director majority has broadened the Board's range of expertise and strengthened the supervisory function over business execution
 - The Company has established a strong monitoring system to reinforce its status as a company with an Audit & Supervisory Board
2. Board of Directors discussion content is to the point and thorough
 - Discussion of the business portfolio covers various angles for generating sustaining growth
 - Discussion centered on topics that management should focus on, enabling deep discussion of management issues

3. The Board of Directors is operating properly, and steps are being taken to further improve its functionality

- Functionality has been vastly improved in agenda setting, time allocation, and opportunities to share information
- The amount of reports and open discussions about issues that are not part of the meetings is gradually increasing, and the deeper understanding of the business and strategies is improving the quality of the discussions

Points to improve in fiscal 2023

Management has specified five points for improvement in fiscal 2022 based on the opinions and areas for improvement indicated in the evaluations in fiscal 2022 and with a view for the changing business environment.

The Company continually seeks to maintain and improve the effectiveness of the Board of Directors in accordance with the agenda set by Independent Non-executive Director and Chairman of the Board Masakatsu Mori and by providing more opportunities to share information and engage in open discussions.

1. Discussion on "Business Portfolio"
2. Discussion on "strategy formulation, implementation and monitoring" that crosses business and functional strategies
3. Discussion on "Instillation of Kirin Group Corporate Philosophy to Promote CSV Management"
4. Discussion on "Ensuring that sound business ethics are known and practiced"
5. Discussion on "Risk Management"

Required skills for directors and Audit & Supervisory Board members

As of April, 2022, seven (7) Non-Executive Directors and three (3) Audit & Supervisory Board Members that satisfy the Company's independence criteria, with reference to the criteria for independence of officers as prescribed in the regulations of the Tokyo Stock Exchange, have been appointed as Independent Directors/Auditors in order to improve the fairness and transparency of corporate governance, ensure the Group's sustainable growth, and boost corporate value over the medium to long term.

Criteria regarding the independence of Officers

https://www.kirinholdings.com/en/purpose/files/pdf/e_independencecriteria_officer.pdf

Independent Officers Notification

https://www.kirinholdings.com/en/purpose/files/pdf/e_independentofficer.pdf

Kirin Holdings has adopted a pure holding company structure as a means of controlling its diverse and global business, which is centered on the three domains of food & beverages, pharmaceuticals, and health science. As the institutional design, we have adopted a Company with Audit & Supervisory Board system, and aim to maintain and improve on a highly transparent governance system for its stakeholders. The Board, more than half of which are Outside Directors, works closely with the Audit & Supervisory Board to take final decisions on important matters and reinforce the monitoring function on management. We have also introduced an executive officer based system in order to implement strategies for each of our businesses

and functions in an agile fashion and clarify executive responsibilities.

To ensure the effective functioning of our monitoring and management structure and achieve the Group's sustainable growth and corporate value

enhancement, it is essential that the directors and Audit & Supervisory Board members have the necessary skills and embrace diversity in terms of gender, nationality, and other characteristics. This same requirement applies to our management team.

| | | Expertise and Experience | | | | | | | | | |
|---|--------------------|--------------------------|-----------|----------------------|-------------------------------|-------------------------|---------------------------------|----------------------------|-------------------|----------------------|--------|
| | | Corporate Management | CSV / ESG | Finance / Accounting | HR / Organization Development | Legal / Risk Management | Manufacture / Quality Assurance | Brand Strategy / Marketing | Overseas Business | R&D / Health Science | ICT DX |
| President & CEO | Yoshinori Isozaki | ● | ● | ● | | ● | | ● | ● | ● | |
| Representative Director of the board, Senior Executive Vice President | Keisuke Nishimura | ● | ● | | ● | | | | ● | | |
| Director of the Board and Senior Executive Officer | Toshiya Miyoshi | ● | ● | | ● | ● | | ● | | | |
| Director of the Board and Senior Executive Officer | Takeshi Minakata | ● | ● | ● | | | ● | | ● | ● | |
| Director of the Board and Senior Executive Officer | Junko Tsuboi | ● | ● | | ● | | | ● | | ● | |
| Independent Non-executive Director of the Board ^{*1} | Masakatsu Mori | ● | | ● | | | | | ● | | ● |
| Independent Non-executive Director of the Board ^{*1} | Hiroyuki Yanagi | ● | | | | | ● | ● | ● | | |
| Independent Non-executive Director of the Board ^{*1} | Chieko Matsuda | | ● | ● | | ● | | | | | |
| Independent Non-executive Director of the Board ^{*1} | Noriko Shiono | ● | | | | | | ● | ● | ● | |
| Independent Non-executive Director of the Board ^{*1} | Rod Eddington | ● | | | | | | | ● | | |
| Independent Non-executive Director of the Board ^{*1} | George Olcott | | ● | ● | ● | | | | ● | | |
| Independent Non-executive Director of the Board ^{*1} | Shinya Katanozaka | ● | | | ● | | | | ● | | ● |
| Senior Executive Officer | Ryosuke Mizouchi | | ● | ● | | | | ● | ● | | ● |
| Senior Executive Officer | Masao Maehara | | ● | ● | | | ● | | ● | | |
| Senior Executive Officer | Shinjiro Akieda | ● | ● | ● | | ● | | ● | ● | | ● |
| Senior Executive Officer | Koji Fukada | | ● | | | | ● | | ● | ● | |
| Senior Executive Officer | Mitsuharu Yamagata | | ● | | | | | ● | ● | ● | ● |
| Senior Executive Officer | Hideki Horiguchi | ● | ● | | | | | ● | ● | | |
| Senior Executive Officer | Toru Yoshimura | ● | ● | ● | | | ● | | ● | ● | ● |
| Senior Executive Officer | Yuki Kanzaki | ● | ● | | | | ● | | | ● | |
| Standing Audit & Supervisory Board Member | Shobu Nishitani | | ● | ● | | | | | ● | | |
| Standing Audit & Supervisory Board Member | Toru Ishikura | | ● | | | | | | | ● | |
| Audit & Supervisory Board Member ^{*2} | Yoshiko Ando | | ● | | ● | ● | | | | | |
| Audit & Supervisory Board Member ^{*2} | Kaoru Kashima | | | ● | ● | | | | | | |
| Audit & Supervisory Board Member ^{*2} | Kenichi Fujinawa | | ● | | | ● | | | ● | | |

*1 The appointment fulfills the requirements for designation as an independent officer as prescribed in regulations of the Tokyo Stock Exchange and complies with the Company's criteria for the independence of officers.

*2 Outside Company Auditor as described in Article 2-16 of the Companies Act of Japan. Also fulfills the requirements for designation as an independent officer as prescribed in regulations of the Tokyo Stock Exchange and complies with the Company's criteria for the independence of officers.

Basic Policy for the Remuneration of Executive Officers

Basic Policy for the Remuneration of Executive Officers

The Nomination and Remuneration Advisory Committee will discuss the remuneration of Directors and Executive Officers, and report to the Board based on the following policy. The Committee will consider levels of the remuneration and linkage with performance by comparing them objectively with officers' remuneration survey data of an external research body, and incorporate findings in its report to the Board of Directors.

1. The Company shall establish a remuneration structure that emphasizes the linkage of remuneration with business performance and medium- to long-term corporate value and share value with the shareholders.
2. Remuneration levels shall be appropriate for the roles and responsibilities of the Kirin Group's officers.
3. Remuneration shall be deliberated by the Nomination and Remuneration Advisory Committee, in which Non-Executive Directors constitute a majority, in order to ensure objectivity and transparency.

Composition of the Remuneration

In order to encourage awareness of achieving short-term performance targets and enhancing medium to long term corporate value, remuneration for Directors of the Board is composed of three parts: basic

remuneration (fixed remuneration), bonus (short-term incentive remuneration), and Stock Compensation (medium- to long-term incentive remuneration). The specific composition of remuneration is as follows according to the classification of officers eligible for the payment.

Remuneration

<https://www.kirinholdings.com/en/purpose/governance/compensation/>

Structure of performance-linked remuneration

1. Bonus

The performance evaluation indicators are the Company's corporate performance evaluation indicators (consolidated normalized operating profit), business performance evaluation (normalized OP of group

companies or revenue in the health sciences domain), and individual performance evaluation. The amount of paid ranges from 0% to 200% where 100% indicates the achievements of targets.

Evaluation Weighting by each performance evaluation indicators (Fiscal 2022)

| Performance indicators | President & CEO | Representative Director of the Board, Senior Executive Vice President | Executive Officer concurrently serving as operating company president, etc. | Other directors and executive officers |
|-----------------------------------|--|---|---|--|
| Company performance evaluation | 70% | 60% | 20% | 50% |
| Business performance evaluation | — | — | 40% | — |
| Individual performance evaluation | 30% | 40% | 40% | 50% |
| | The Nomination and Remuneration Advisory Committee sets specific evaluation indicators and targets following interviews with the president & CEO and the chairman and outside directors of the Nomination and Remuneration Advisory Committee. | | The Nomination and Remuneration Advisory Committee sets specific evaluation indicators, targets and results for individual priority areas, department and group company performance based on a draft proposal prepared by the president & CEO following interviews with the directors and executive officers. | |

Procedures for determining the remunerations of executive officers

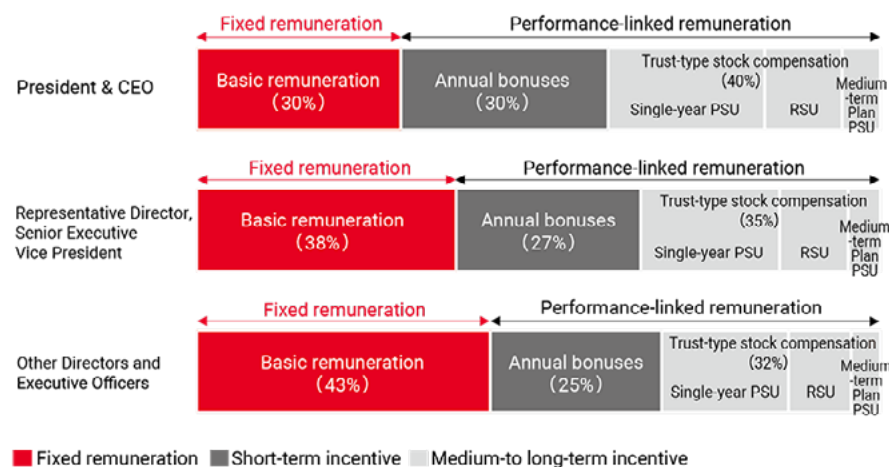
- In order to ensure fair and reasonable application of the process in line with the above-mentioned basic policy for executive remuneration, the executive remuneration shall be deliberated at the Nomination and Remuneration Advisory Committee of which the majority of the members are Non-Executive Directors and whose Chairperson is also an Non-Executive Director, and the result is reported to the Board of Directors.
- As for determining the specific amount of remuneration, remuneration for Directors shall be decided at the Board and that for Audit & Supervisory Board members upon consultation with Audit & Supervisory Board based on the report from the Nomination and Remuneration Advisory Committee and within the limits of the remuneration amount determined in advance at the general meeting of shareholders.
- Nomination and Remuneration Advisory Committee regularly deliberates on the setting of remuneration levels, the ratio of performance-linked remuneration and its mechanisms, and meets in response to changes in the the environment of laws and regulations related to executive remuneration, and submits a report to the the Board.

Composition of the Remuneration

- In order to encourage awareness of achieving short-term performance targets and enhancing medium to long term corporate value, remuneration for Directors of the Board is composed of three parts: basic remuneration (fixed remuneration), bonus (short-term incentive remuneration), and Stock Compensation (medium- to long-term incentive remuneration). The specific composition of remuneration is as follows according to the classification of officers eligible for the payment.

| Officer type | Fixed remuneration | Performance-linked remuneration | | Purpose |
|---|--------------------|---------------------------------|--------------------------|--|
| | Basic remuneration | Bonus | Stock-based remuneration | |
| Directors of the Board(excluding Nonexecutive Directors) and Executive Officers | ○ | ○ | ○ | Because they are responsible for the execution of business, Kirin Holdings have established remuneration structure that takes into account the achievement of short-term consolidated performance targets and the improvement of corporate value over the medium to long term. |
| Non-executive Directors | ○ | — | — | Because they are responsible for supervising and advising Company and Group management from an objective position, only basic remuneration (fixed remuneration) is provided. |
| Audit & Supervisory Board Members | ○ | — | — | Because of their role of auditing the performance of directors' execution of their business from an objective position, only basic remuneration (fixed remuneration) is provided. |

- The ratio of base remuneration to performance-linked remuneration for the President and Representative Director is designed to be approximately 30:70 (including 30 for bonuses and 40 for stock-based remuneration), with other directors and others following suit in consideration of their positions and responsibilities.



Risk Management

Approach to risk management

The Kirin Group defines risk as uncertainty with the potential to seriously impede the accomplishment of business targets or impact business continuity. The Group also defines crisis as risk manifested at a certain point and requiring urgent action. The Group’s fundamental risk management policy is to mitigate risk, prevent risk from being actualized, and keep risk within a manageable level so that we can earn trust of our stakeholders in a sustainable manner. By treating strategies and risks as two sides of the same coin, we assess and implement appropriate risk control measures by analyzing risks in the phases of selecting and implementing strategies, as well as risks that could develop into crises, from various perspectives. Risk information is disclosed in a timely and appropriate manner on our corporate website and other means.

Risk management structure and process for determining and monitoring significant risk

The Group has established the Group Risk and Compliance Committee consisting of Kirin Holding’s Senior Executive Officers or higher and chaired by the Executive Officer in Charge of Risk. The committee oversees the Group’s risk management activities, including collecting risk information, controlling risks, setting risk policy for the medium-term business plans and for each fiscal year, preparing important items for compliance, introducing risk reduction measures, communicating the information and implementing countermeasures when a risk arises, and providing necessary instructions and support to Group companies. The Board also oversees the effectiveness of risk management through deliberations and reports on the Group’s major risks. (Figure 1)



Kirin group significant risk

Major risks associated with the execution of Kirin Group’s strategies, businesses, and other activities are described here. Please refer to the following for details on measures for each risk, such as scenario analysis for ESG-related risks.

Significant risks in each business domain

| Business area | Main risk | Risk details and main potential impacts | Main countermeasures, related sections in this report, and risk awareness |
|------------------|--|--|---|
| Food & Beverages | <ul style="list-style-type: none"> Risks related to responses to business environment changes Risks related to hikes in raw materials and fuel prices | <ul style="list-style-type: none"> Sales targets fall short due to changes in the market environment and preferences, fluctuations in product prices, or actions of competitor companies, etc. An increase in procurement costs due to hikes in raw materials and fuel prices affects manufacturing costs. | <ul style="list-style-type: none"> P.60~P.70 (Food and Beverages domain) |
| Health Science | <ul style="list-style-type: none"> Risk of not being able to provide differentiated products and services related to social issues Risk of inability to increase added value due to insufficient organizational capabilities | <ul style="list-style-type: none"> The sales plan falls short due to the inability to formulate an effective business model. A value-creating and highly profitable business model cannot be established due to a delay in establishing an organizational structure, as well as a delay in developing, acquiring, and strengthening human resources for business management, or inability to develop cooperation and synergies within the Group. | <ul style="list-style-type: none"> P.49~P.59 (Health Science domain) |
| Pharmaceuticals | <ul style="list-style-type: none"> Risk associated with maximizing the value of global strategic products Risk related to product quality and stable supply Risk related to research and development | <ul style="list-style-type: none"> The market penetration is not successful because of the expansion of the business area being slowed by delays in launch preparation and other factors, or difficulty in connecting with potential patients. Stable product supply is impeded due to safety or quality concerns or difficulty in maintaining stable supply due to a sharp increase in demand or a tight supply and demand balance. Growth potential and profitability in the future decline due to delayed enhancement of the pipeline. | <ul style="list-style-type: none"> P.71~P.72 (Pharmaceuticals domain) |

Significant risks common to each business domain

| Business area | Main risk | Risk details and main potential impacts | Main countermeasures, related sections in this report, and risk awareness |
|--|--|---|--|
| Securing and training of human resources | <ul style="list-style-type: none"> Risk of inability to adequately secure and train human resources to advance Group management and with a high level of expertise necessary for business activities | <ul style="list-style-type: none"> Organizational capabilities with competitive advantage are not achieved. Stagnant transition to an assumed system results in a decline in organizational capabilities, causing adverse effect in accomplishing management strategies. | <ul style="list-style-type: none"> Secure and nurture the human resources required for executing our management strategies. Embraces diversity, and transforms differences into strengths. P.27~P.32 (Diversity and inclusion, culture for innovation) |
| Information technology | <ul style="list-style-type: none"> Risk that the Group will be inferior to competitors due to lack of progress in digital transformation (DX) initiatives Risk of falling behind in securing and training of DX experts | <ul style="list-style-type: none"> Inadequate understanding of consumer trends and inability to provide products that meet customer needs limits sales and profits. A shortage of employees required to promote DX results in a delay in DX initiatives. | <ul style="list-style-type: none"> Autonomous DX promotion in each Group company and division. Developing and Securing DX Human Resources P.42~P.44 (ICT accelerating value creation) |
| Quality | <ul style="list-style-type: none"> Risk of unexpected quality issues beyond the scope of quality assurance measures Risk of receiving orders for improvement or administrative guidance from authorities concerned as a consequence of the use of inappropriate statements | <ul style="list-style-type: none"> Product discontinuation, recall, or compensation claims lead to incurrence of high costs or restriction on business activities. A loss of trust of customers erodes our brand value. | <ul style="list-style-type: none"> Foster an organizational culture that values customer-first and quality-first across all Group companies and divisions. P.33~P.38 (Core technology that creates accurate value: A competitive strategy combining R&D expertise and IP strategies) |
| Human rights | <ul style="list-style-type: none"> Risk of the Kirin Group's businesses, including those in each process of its value chain and those engaged by its business partners, adversely affecting human rights either directly or indirectly | <ul style="list-style-type: none"> Our corporate brand image is undermined or we are forced to scale down or withdraw from business. We may have to pay fines or face litigation in cases we have violated laws and regulations, or we are subject to other economic penalties. | <ul style="list-style-type: none"> Measures to ensure human rights based on the Kirin Group Human Rights Policy P.89~P.93 (Giving Back to the Community through Human Powered Business) |
| Environment | <ul style="list-style-type: none"> Physical risks of climate change, transition risks to a decarbonized society Risks of a delay in the development of technologies, etc., which could impede or delay the solution of environmental issues | <ul style="list-style-type: none"> Procurement costs increase due to decreased yields of agricultural raw materials caused by global warming, droughts and floods, or operations are suspended due to droughts and floods. Fuel costs and agricultural product costs increase due to carbon taxes. Inability to adequately respond to the society's expectations results in a decline in corporate value. | <ul style="list-style-type: none"> Initiatives to Achieve the Long-Term Strategy Kirin Group's Environmental Vision 2050 P.94~P.97 (Creating Positive Impact on Society through Active Engagement with Natural Capital) |
| Adverse effect of alcohol consumption | <ul style="list-style-type: none"> Risk of globally strengthening restrictions on sales and marketing of alcoholic beverages | <ul style="list-style-type: none"> Alcohol consumption reduces. Corporate brand value declines. | <ul style="list-style-type: none"> Promote responsible drinking habits, Self-regulation of advertising and promotional activities P.8~P.9 (CSV Purpose) |
| Supply chain | <ul style="list-style-type: none"> Risk of supply chain disruption caused by large-scale natural disasters such as earthquakes and typhoons, infectious diseases, or impacts of geopolitical risks | <ul style="list-style-type: none"> Business sites are closed or business activities are reduced or suspended. Delays in distribution or stockouts occur due to procurement, production, and logistics capabilities being unable to meet demand due to regional conflicts or terrorism, or a sharp rise in sales volume during peak periods. | <ul style="list-style-type: none"> Develop an all-hazards BCP and improve its effectiveness Improve the accuracy of supply-demand forecasts through the use of digital ICT |
| Procurement | <ul style="list-style-type: none"> Risks related to hikes in raw materials and fuel prices Risk of inability to procure or delay in procuring raw materials due to impacts of geopolitical risks | <ul style="list-style-type: none"> Greater than expected procurement costs suppress profits from business operations. Inability to secure raw materials required or delay in their delivery affect our manufacturing plans, leading to supply and demand adjustment and its prolongation. We face difficulty in procuring raw materials, leading to negative consequences such as a decline in corporate image and consumer boycott. | <ul style="list-style-type: none"> Risk reduction through long-term contracts, derivatives, and currency hedging and efforts to build and strengthen a stable procurement structure |
| Information security | <ul style="list-style-type: none"> Risk of a cyber-attack, information security incident, or information leak | <ul style="list-style-type: none"> A leak of personal information or important trade secrets results in a loss of customer trust and incurrence of claims for damage compensation. A cyber-attack causes business operations to be suspended or to be delayed due to the extended time required for recovery. | <ul style="list-style-type: none"> Establishing a security response system and implementing human, physical, and technical measures. |
| Compliance | <ul style="list-style-type: none"> Risk of behavior that is illegal or counter to social norms | <ul style="list-style-type: none"> Legal punishment, litigation, or social sanctions lead to a loss of customer trust. | <ul style="list-style-type: none"> Promote understanding and awareness through periodic training |
| Finance and taxes | <ul style="list-style-type: none"> Risk of fluctuations of value in Japanese yen due to exchange rate volatility Risk of inability to raise necessary funds due to changes in financial markets/rating, or risk of fluctuations in financing cost | <ul style="list-style-type: none"> Exchange rate fluctuations cause a change in the yen-translated value of financial statements denominated in local currencies and in the cost of procuring raw materials through foreign currency denominated transactions. Restrictions on fund procurement lead to a shortage of working capital and borrowings at high interest rates increase finance costs. | <ul style="list-style-type: none"> Ensure tax compliance and tax transparency |

Quality initiatives In 2022

The Kirin Group is pursuing Group-wide initiatives to foster a "Culture that values quality" as outlined in the 2022-2024 Mid-term Business Plan. The Group defines quality as "satisfying consumers by providing products and services that meet their expectations."

We have established the Kirin group Global Quality Management Principles (KGQMP), which represent the Kirin Group's Quality Policy and Action Principles based on the Kirin Group's management principles of "consumer-first approach" and "steady focus on quality" in order to achieve higher quality.

This principle is the basis of quality management that the Kirin Group values throughout the entire value chain, from raw material procurement, to delivery of products and services to consumers through product development, manufacturing, and logistics. This concept is reflected in the quality management systems of each Group company in the food & beverages domain, health science domain, and pharmaceutical domain, both in Japan and overseas, and leads to products and services of reliable quality.

The Quality Assurance Department of Kirin Holdings Company, Limited carries out activities to understand the quality assurance status of each Group company and pursue improvements through regular

dialogues on quality assurance with major Group operating companies in Japan and overseas, in order to further enhance the autonomous quality assurance activities of each company. We set common indicators (KH indicators) for quality assurance that are measurable across all entities, including input indicators such as the status of international certification and the sufficiency of resources for quality assurance operations, as well as output indicators such as the number of quality incidents and consumer complaints, and exchange opinions for monitoring and improvement. The status of each Group company is discussed by the Group Executive Committee and reported annually to the Board of Directors.

We have established "Guidelines for assurance of raw material safety in the Kirin Group (food business in Japan)" for the procurement of raw materials in the value chain that the Kirin Group is responsible for, and ensure the safety of the raw materials we use by assessing risks to raw materials handled by Group companies and taking appropriate measures based on a wide range of risk information, including information from government and research institutions in Japan and abroad that is regularly collected by the Quality Assurance Department of Kirin Holdings

Company, Limited. In addition, we operate food quality management systems (ISO9001) and food safety management systems (FSSC22000, etc.) that incorporate the concept of international standards as part of our quality assurance initiatives in development, manufacturing, and logistics, and define "Food Defense Guidelines" and "Microbial Assurance Guidelines" to ensure the quality and safety of the products we deliver to consumers.

In the quality management system for the alcoholic and beverage business in Japan, we horizontally deploy examples and measures to prevent recurrence through meetings attended by quality assurance managers of each operating company, so that quality problems that occur in a particular business are not kept within that particular company.

In addition, the Food Safety and Quality Assurance Center, a specialized organization within the Group responsible for product inspection and analysis, provides technical support for the Group's advanced quality assurance system.

We will continue to deliver safe and reliable products and services to our consumers through these Group-wide initiatives, as well as by fostering a culture that values quality.

Joy brings us together

