

Refine CSV Management to Maximize Corporate Value from a Medium- to Long-term Perspective

Achieved record-high normalized operating profit through CSV-oriented business portfolio management

The year 2023 was also full of many environmental changes. In an unstable international situation with heightened geopolitical risks, soaring raw material and energy costs, global inflation, and significant exchange rate fluctuations are affecting operations. There is also a strong concern about the loss of natural capital and increased risk of disease outbreaks due to climate change. The COVID-19 pandemic has finally subsided, but the pandemic encouraged the diversification of people's consumption behaviors and work styles. Additionally, the rapid evolution of digital ICT (information and communication technology) is significantly changing the way we live and work.

In times of increasing uncertainty, the Kirin Group has set Creating Shared Value (CSV) as the compass of its management. We aim to maximize corporate value through CSV management, in which we use the Group's strengths to solve society's issues and at the same time create economic value as a corporation. In the Long-Term Management Vision, Kirin Group Vision 2027 (KV2027), we declared we would "become a global leader in CSV." We believe that a company should constantly evolve through continuous market creation by innovating in response to social changes and achieve sustainable growth while having a positive impact on society.

Now, regarding business performance, we have achieved our highest-ever normalized operating profit in 2023. We believe this is the result of our unique business portfolio of Alcoholic/Non-alcoholic Beverages, Pharmaceuticals, and Health Science businesses, leveraging our strengths in fermentation and biotechnology, and our flexibility in responding to severe changes in the operating environment.

In particular, Kyowa Kirin, which is responsible for the Pharmaceuticals business, was a major profit driver. Looking back, the Kirin Group entered the Pharmaceuticals business more than 40 years ago with an eye on the future of the domestic alcoholic beverage market, leveraging its strengths in genetic modification, fermentation, and biotechnology. Although not all were in favor of the move at the time, as it was not profitable for about 10 years, the current Kyowa Kirin was formed in 2008 and has grown to become a major contributor to the Kirin Group's business performance. This is the achievement of ambidextrous management, which is developing the Pharmaceutical business as the second pillar of our operations while the Alcoholic/Non-alcoholic Beverages business remains strong. The Pharmaceuticals business is an important business for the Kirin Group that embodies CSV management, as it solves social issues and at the same time creates economic value as a company.

Additionally, the Kirin Group has a history of taking on the challenge of expanding overseas from early on. We invested in what is now Coca-Cola Beverages Northeast more than 40 years ago and in Australia's Lion and the Philippines' San Miguel Brewery about 20 years ago. In addition, the Pharmaceuticals business is also growing overseas. Today, overseas operations account for more than half of the Group's normalized operating profit and EPS (earnings per share), and the Group's globalization is expected to accelerate in the future. We have not limited ourselves to the domestic Alcoholic/Non-alcoholic Beverage business, but have taken on the challenge of diversifying our business and expanding overseas in the past, which is why we have achieved the results we have today.

Yoshinori Isozaki

Representative Director
of the Board & CEO
Kirin Holdings Company, Limited

CEO Message

CEO Message

Pursuing an optimal business portfolio that maximizes corporate value

The Kirin Group's Alcoholic/Non-alcoholic Beverages, Pharmaceuticals, and Health Sciences businesses are all at different stages of their business development and play different roles in the short-, medium-, and long-term.

The Alcoholic/Non-alcoholic Beverage business supports the current group management, but since it mainly targets mature markets, we have long predicted that these markets would shrink due to a declining population and changing consumer values. Therefore, we started the Pharmaceuticals business and grew it to what it is now. Looking ahead to the next 10 to 20 years, we believed that nurturing the Health Science business as our third pillar would further ensure the Kirin Group's growth. We solved a big piece of the puzzle when we added Australia's Blackmores to our Group in 2023. With this, we think that we are now better positioned to execute our growth strategy not only in Japan, but also in the Asia-Pacific and other global markets, and to better define our path toward KV2027.

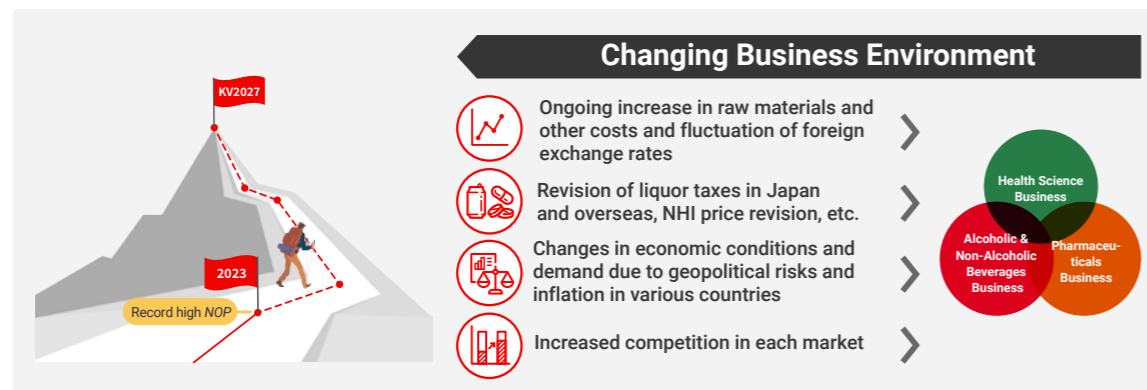
We will pursue an optimal business portfolio that maximizes corporate value by appropriately allocating management resources to each business at different stages. While maintaining financial discipline to achieve an ROIC of 10% or more* from the perspective of investment efficiency, we will execute M&A investments to achieve our medium- to long-term growth strategy and strengthen organizational capabilities through investments in intangible assets.

*We will aim for an ROE of approximately 15%



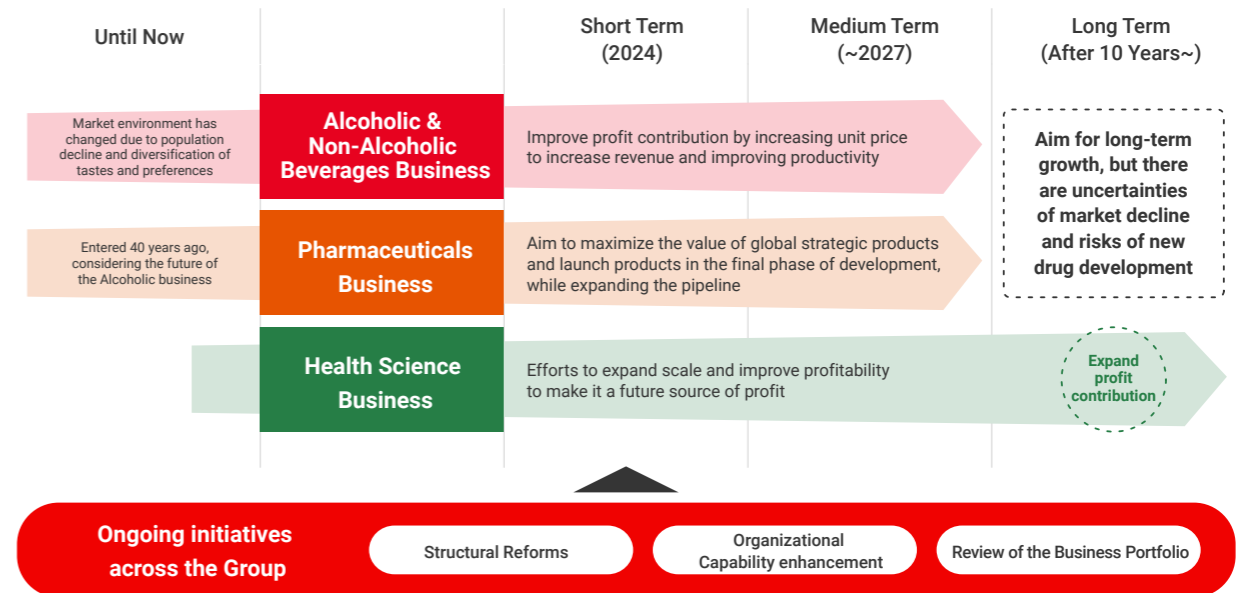
Value investments in the human capital responsible for executing strategies

To achieve our Group's growth, investing in the "human capital" which is responsible for implementing strategies is of the utmost importance. The Kirin Group practices "human capital management" and focuses on developing human capital that are highly specialized so that they can respond to changes in the business environment and diverse enough to make the most of different perspectives and values. In particular, we have no time to waste in acquiring human capital that can take charge of DX (digital transformation). Nevertheless, we have been attracting diverse human capital with high expertise not only in the digital field but also in other fields regardless of nationality, motivated by their empathy with the Kirin Group's CSV management. I am convinced that our decision to adopt CSV management in 2013 and to continue it for more than 10 years has not been a mistake.



The business environment will continue to change rapidly
We will leverage the Group's organizational capabilities and assets to enhance corporate value from both short- and medium- to long-term perspectives

Business portfolio approach in the short, medium, and long term



Shifting to a new management structure and enhancing execution

I served as Kirin Holdings' representative director of the board, president & CEO for nine years since 2015, but we have shifted to a new management structure. Mr. Takeshi Minakata has assumed the new position of representative director of the board, president & COO, and I have taken up the role of representative director of the board and CEO. We will work together to further promote CSV management.

As CEO, I will oversee the entire Group with a bird's eye view and will strive to enhance our corporate value. Specifically, I will enhance dialogue with our various stakeholders, including shareholders and investors, and further deepen our relationships with strategic partners to evolve our business portfolio management. As COO, Mr. Minakata will oversee each of the Group's businesses and head office functions, focusing on execution on the ground to refine our businesses and enhance the Group's earning power.

By refining the Kirin Group's CSV management, we will create a cycle that maximizes corporate value not only in the short-term but also in the medium-

and long-term by solving social issues and reinvesting the cash obtained as economic value in further growth. We will strive to maximize corporate value by achieving sustainable growth as a company while contributing to the sustainability of society.

We will continue to meet the expectations of our investors by taking steps to become a global leader in CSV. We look forward to your continued support.



The CEO and COO will work together to further promote CSV management



Takeshi Minakata

Representative Director of the Board
President & COO
Kirin Holdings Company, Limited

Drawing on Experience in Three Domains to Steadily Implement Strategies and Demonstrate Results

Thoughts on new appointment and my background

I was appointed to the position of president & COO by Mr. Isozaki, who used strong leadership to lead the changes at the Kirin Group. Our Group is operating business in the three domains of Food & Beverages, Pharmaceuticals, and Health Science. In addition to progressing the transformation of the business portfolio, it is also necessary to take on the challenge of changing the business model and creating new value in the Health Science domain, our new pillar, and the existing businesses in the Food & Beverages and Pharmaceuticals domains. With my experience and knowledge in the three domains, I will stand at the forefront and achieve the Long-Term Management Vision, Kirin Group Vision 2027 (KV2027). I will implement CSV management that generates social and economic value and, with a strong determination, will grow our business so that our Group's significance will be recognized globally.

I joined Kirin Brewery Company in 1984. I was first assigned to Toride Brewery, after which I was involved in beer brewing at many breweries, gained experience working abroad at Kirin Europe and Lion, and managed the Japanese Alcoholic Beverages and Non-alcoholic Beverages businesses as general manager of the Corporate Strategy Department.

I acted as the president of Myanmar Brewery Limited from 2016. At the time, the democratization of Myanmar was progressing. Everyone at the worksite was

full of energy, and I experienced the joy of sharing values, upholding a vision, and changing the organizational culture with everyone to grow the business as one team.

From 2018, as president of Kyowa Hakko Bio, I tackled quality issues and organizational revitalization head-on with all of the employees. As the president of the Health Science Business Division, I pushed the growth of the *Lactococcus lactis* strain Plasma [postbiotic] (LC-Plasma) business from 2022. Starting the same year, I made many trips to Blackmores Limited in Australia to make direct negotiations and gain their trust, resulting in the successful acquisition of the company in 2023. Going forward, Kirin Holdings will implement a growth strategy as the company in the Asia-Pacific region with the strongest presence.

Furthermore, as a director at Kyowa Kirin, I was directly involved in a highly specialized business with a managerial perspective, and I supported the growth of Kyowa Kirin as a Global Specialty Pharmaceutical Company.

Upon reflecting on my many years of experience working on production sites, I have realized the importance of going to the *gemba*, or actual worksites, seeing the actual things happening, and knowing the actual situation. This "three-actuals" principle is the core of my management vision.

Supporting the challenges of employees and creating new innovations

Working in each of the Food & Beverages, Pharmaceuticals, and Health Science domains, I have seen what the strengths of the Kirin Group are. They are the Group's sincere commitment to technology, with the fermentation and biotechnology passed down for over a century at its center; our dedication to the quality, safety, and security that have been inherited throughout our long history, and our ability to deliver alluring products and services to consumers and patients through our marketing capabilities.

The Pharmaceuticals business, to which we applied the fermentation and biotechnology we cultivated in our Alcoholic Beverages business, has become our Group's second pillar since it was started more than 40 years ago. The Health Science business that we are developing as our third pillar was also born from these core technologies.

Additionally, our Group has manufacturing that defies conventions and consumer- and patient-oriented challenges in its DNA. I have witnessed moments in

COO Message

COO Message

which innovations were created through technical breakthroughs a number of times, such as *KIRIN ICHIBAN*, which is created without using second-pressing wort; *Kirin Nodogoshi Nama*, which is made without malt; *Crysvita*, a representative medicine that creates life-changing value for patients; and LC-Plasma, discovered for the first time ever as a material that activates a leader of the immune cells. The feelings of enjoyment in manufacturing and happiness received from seeing the joy of consumers and patients that come from these innovations are shared throughout all worksites, in all business domains, driving us to take on more challenges.

What I value

I believe that the key to management is to connect these three elements—strategy, internal processes, and employee mindset and behavior—and implement them. Particularly important of all of these are the mindsets and actions of employees. The *gemba* worksites that make up the value chain are what generate value, and the creation of this value comes down to the execution ability of each individual.

But how does one raise their ability to execute? There is no magic wand. It is all about each employee taking it into their own hands, having high aspirations and passion, thinking on their own, and acting autonomously. The accumulation of these actions will be a great strength. In other words, the employees play the leading role in management, and the ones supporting the company are the worksites.

My creed in promoting organizational operations is to “value the worksites.” The origin of this creed is the thrill and failure I experienced in manufacturing together with my Group colleagues at the many worksites I worked in. I have strived to visit all worksites, regardless of

That being said, I am aware that our Group’s challenges are falling short and that we must aim higher. In the Alcoholic Beverages business, it is imperative that we provide value with higher added value based on a deeper understanding of consumers if we are to survive the shrinking market. We must also further globalize the Pharmaceuticals business and develop its pipeline. As for the Health Science business, it is vital that we are constantly creating new innovations and quickly achieving their profitability. My role is to lead and support each and every one of these businesses so that they grow autonomously and improve their profitability.

whether domestic or overseas, to face each challenge head-on, and to be sincere in tackling them. At this year’s new employee entrance ceremony in Japan, I told all new employees to “Go to the *gemba*.” “*Gemba*” is Japanese for worksite, the front lines. The duty of management is to resolve any obstacles at worksites, if there are any, and to rethink internal processes, as necessary. I will value my gut instinct while seeking out real issues and improve the speed at which I introduce countermeasures.

Even when developing management strategies, we must think from the viewpoints of worksites, consumers, and patients. I feel management issues and hints are especially present at worksites. In this era of information overload, it is difficult to get the information we need if we don’t understand what kind of information is truly necessary. By making our way to worksites to learn the truth, we can understand the gap between reality and our management goals and then establish a strategy to address it. It is this kind of interactive management that I aim to create.

Becoming a company that contributes to health in various aspects of life

Going forward, the Kirin Group intends to achieve sustainable growth by contributing to people’s health in a variety of ways. We will operate in the three domains of Food & Beverages, Pharmaceuticals, and Health Science, so that we can make contact with our consumers in all aspects of their lives and enhance their quality of life (QOL). Now that we have solidified the direction of this strategy, it is now up to us to execute it and deliver results.

The Alcoholic Beverages and Non-alcoholic Beverages businesses of the Food & Beverages domain bring people together and bring positivity to people’s

hearts and society. The Pharmaceuticals domain provides new medicines and services to bring smiles to those battling illnesses. And in regard to the Health Science business, it is contributing to the building of a foundation of health, such as immunity, and the resolution of individual health issues so that people can avoid getting sick. The Kirin Group will grow as a corporation by providing value only it can provide and contributing to society. It is precisely because we have these three domains that we can realize the CSV management that we are aiming for.

Issues and challenges facing the Kirin Group

The results of the business portfolio management the Kirin Group implemented in 2023 showed that our businesses achieved record-high profitability. They also clearly revealed the issues we should tackle next.

In the Alcoholic Beverages businesses, such as Kirin Brewery and Lion, we will aim to achieve sustainable growth by promoting the growth and premiumization of focus brands and improving productivity. We still have a ways to go in the important task of improving our brand’s strength, but we have begun to see good signs and to get a good response. Kirin Brewery’s flagship brand, *KIRIN ICHIBAN*, as well as *Kirin Beer Harekaze*, which launched in April, have been very successful. Lion’s brand *Hahn*, a health-conscious brand, has also grown significantly. These results are due to focusing investments on priority brands, and we will continue to strive to nurture strong brands.

Regarding Non-alcoholic Beverages businesses such as Kirin Beverage and Coca-Cola Beverages Northeast, we will revise prices in response to the business environment, promote digitalization, optimize the organizational structure, and take other initiatives to improve profitability.

The Pharmaceuticals business will work toward achieving the continuous growth of global strategic products, such as *Crysvita*, and further developing their pipeline. Additionally, Kyowa Kirin succeeded in acquiring Orchard Therapeutics in January of this year.

In this way, we will put the Health Science business as a new business on a growth trajectory while putting the foundations of existing businesses on a firm footing. We are successfully expanding the LC-Plasma business every year by utilizing it in the foundation of the Group’s business: beverages, yogurt, and supplements. Moreover, the PMI (post-merger integration) of Blackmores, acquired last year, is progressing very well, so we expect it to be a driver of the Group’s growth. The Health Science business is still in its early investment period, and we are aiming to make it profitable as soon as possible.

We will continue to make the most of the Group’s unique business portfolio assets and strengths, which include R&D, quality assurance, marketing, and other head office functions to improve our corporate value.

What supports our growth is human capital. An organization is its people, and human capital is the true origin of value creation and our competitive edge. Just as I believe in the creed I mentioned previously, raising the capabilities and awareness of each and every employee will empower the entire

organization and lead to medium- and long-term growth. As the most important topic of management, we will actively invest in human capital in order to realize the Long-Term Management Vision, Kirin Group Vision 2027 and sustainable growth for the Kirin Group.

One of the keys in human capital management is a leader who can draw out the power of worksites. How do we acquire and develop leaders who can take the initiative in implementing strategies in key positions in the organization and draw out the strengths of members? As COO, it is my role to assess the actual status of the organization, check the degree to which leadership is being demonstrated, and assign the right people to the right positions, either from within the Kirin Group or from outside.

Another essential in organizational management is the promotion of diversity. In my position as director of Kyowa Kirin, which I held until recently, I realized that Kyowa Kirin’s rapid globalization was supported by its management, which had a diverse background and was highly specialized. This is the way the Kirin Group should be, and we will accelerate the creation of a culture in which diversity is a strength in other businesses as well.

My goal is to contribute to society through the Food & Beverages, Pharmaceuticals, and Health Science businesses, and, above all else, I want employees to feel value in and be excited about work because of our unique business portfolio. The innovations that emerge from these businesses will be valued by society, and this will lead to the Group’s sustainable growth. In order to become a true global leader in CSV, I will have deeper dialogue with all stakeholders and quickly reflect essentials in our management while balancing both new and existing businesses and achieving profitable growth.

I will balance both new and existing businesses and realize profitable growth.

