

# Strategies and Reviews of Operating Companies

Food & Beverages domain



## Kirin Brewery

Contribute to profit as a core business of the Group by strengthening core brands and cultivating high added-value products

**2023 Results** Revenue: 648.1 billion yen  
Normalized operating profit: 72.9 billion yen

**2024 Plan** Revenue: 676.6 billion yen  
Normalized operating profit: 73.5 billion yen

### 2023 Review

- ▶ Strengthened investments in core brands to prepare for the alcohol tax revisions in October 2023. Regarding beer, by renewing the *KIRIN ICHIBAN* brand, there were steady sales and a recovery of the on-premise sales provided a tailwind, increasing sales volume.
- ▶ Developed the *Spring Valley* brand lineup while collaborating with distribution companies and craft breweries to expand sales spaces and locations for craft beer.
- ▶ Responded to rising costs of raw materials with continual cost reductions and price revisions.
- ▶ Off-premise needs lessened due to the recovery of the on-premise sales, reducing the sales volume, mainly of beer, but increasing unit prices through price revisions grew revenue.
- ▶ In addition to the rising cost of raw materials, we also increased marketing expenses for medium- to long-term brand development, but the effects of price revisions and the improvement of transportation fees increased normalized operating profit.

### 2024 Plan

- ▶ Strengthen investments in core brands to prepare for the alcohol tax integration in 2026. By putting the first new beer in 17 years, *Kirin Beer Harekaze*, on the market in addition to *KIRIN ICHIBAN*, which is expected to grow in the overall market, will meet a wide range of consumer needs.
- ▶ Meet needs for products other than beer by further solidifying the position of each core brand in the happoshu, new genre beer, and RTD (ready-to-drink) categories. Aim to raise profitability by expanding categories with a high marginal profit ratio, including craft beer, Japanese Whisky, and non-alcoholic beverages.
- ▶ Aim to improve revenue by increasing sales in each category, such as beer and RTD, etc. Will strengthen marketing investments to prepare for the alcohol tax integration, and will realize improved sales volume, mainly of beer, and raise earnings.
- ▶ Expect the continual rising cost of raw material can be offset with the effects of the price revisions made in October 2023.
- ▶ Will reduce the number of distribution trucks and improve delivery efficiency to minimize the effects of the 2024 logistics problem.

Example

### Launched first new brand in 17 years: *Kirin Beer Harekaze*

The beer category has continued to grow since the alcohol tax integration in October 2023. In our company's beer category, in addition to our main *KIRIN ICHIBAN* brand, we launched *Kirin Beer Harekaze*, our first new beer brand in 17 years. *Kirin Beer Harekaze* is characterized by a new delicious taste that suits the preferences of the modern generation's consumers and has the umami (fifth category of taste, corresponding to the flavor of glutamates) and drinkability of beer while being easy to drink. We will contribute to not only our company's earnings, but also to activities to preserve Japanese traditions that make consumers smile, such as fireworks, *hanami* (cherry blossom viewing), and other events at which beer has historically been enjoyed, through *Harekaze ACTION*, which will use some of our sales revenue to liven up the events.

Kirin Brewery will achieve growth in the beer category that exceeds the market and will also grow all beers as a whole by meeting diverse needs with diverse brands, including happoshu and new genre beer.



## Lion

Improve profitability by strengthening the value of core product brands, expanding craft beer in Australia and the US, and reforming the organization

**2023 Results** Revenue: 281.1 billion yen  
Normalized operating profit: 32.4 billion yen

**2024 Plan** Revenue: 296.3 billion yen  
Normalized operating profit: 35.3 billion yen

### 2023 Review

- ▶ Sales volume of *Hahn*, a health-conscious brand, were favorable and *XXXX* and other brands steadily grew as a result of strengthening core product brands. Furthermore, in the growing RTD category, we started manufacturing and selling *Kirin Hyoketsu*, a brand being sold in Japan, in Australia and New Zealand.
- ▶ In the US craft beer business, *Voodoo Ranger* has continued to grow favorably and the effects of integrating Bell's Brewery and New Belgium Brewing are steadily manifesting.
- ▶ The strong sales volume of *Hahn* in Australia and New Zealand, the effects of price revisions, and more increased revenue. It also increased for US craft beer due to the good sales of *Voodoo Ranger*, the rising sales of *Bell's*, and price revisions.
- ▶ Strengthening marketing investments in core brands and other brands, and price revision and making other efforts to offset the rising cost of raw materials, etc., increased normalized operating profit.

### 2024 Plan

- ▶ Further strengthen investments in core brands and implement RGM\* to sustainably grow both revenue and normalized operating profit in Australia.
- ▶ Realize a more sturdy market presence in the growing RTD category by launching multiple flavors of *Kirin Hyoketsu*.
- ▶ Continue to grow the US craft beer business faster than the market by strengthening our sales system and expanding the *Voodoo Ranger* brand.

\*Revenue growth management



Example

### Maximizing the effect of integrating the US craft beer business

In regard to the US craft beer business, we acquired a brewery in Daleville, Virginia, in 2023, enhancing manufacturing capabilities and securing manufacturing capabilities for RTD, which is rapidly growing in the US market. In addition, due to the effects of integrating two breweries, such as sales channels expansion, sales of the *Bell's* brand are looking promising, achieving a 10% growth that significantly exceeds that of the US craft beer market. Meanwhile, we reduced costs by more than the amount of rising material costs through initiatives in SCM,\* such as rethinking procurement methods and changing manufacturing site operations, increasing normalized operating profit by 30%.

\*Supply chain management



Food & Beverages domain



Four Roses

Invest in facilities toward future expansion of the business and realize the growth of premium priced products to maintain high profitability

**2023 Results** Revenue: 24.5 billion yen  
Normalized operating profit: 9.0 billion yen

2023 Review

- ▶ Clarified brand positioning and increased consistency in package design and communication to strengthen the competitiveness of premium priced products.
- ▶ In the U.S. market, which makes up approximately 80% of sales volume, distribution companies reduced inventory because of concerns of a recession, reducing shipment volume, but the sales volume of retail stores increased year-on-year.

**2024 Plan** Revenue: 26.5 billion yen  
Normalized operating profit: 9.8 billion yen

2024 Plan

- ▶ Enhance awareness of our brand as a premium brand through measures, including the launching of limited-edition products, to maximize the profit of the limited stock of our unblended whisky. Work to expand the direct-to-consumer sales channel for limited edition and high-priced products.
- ▶ Additionally, continue to promote investments in cellars and raise the production of unblended whisky to increase the volume of the unblended whisky, which is the current determining factor of our growth rate. Despite the continual rising cost of raw materials, we will implement price revisions and increase sales volume to raise profits.



Coca-Cola Beverages Northeast

Aim to maintain profitability through appropriate price strategies and cost management

**2023 Results** Revenue: 250.1 billion yen  
Normalized operating profit: 33.9 billion yen

2023 Review

- ▶ Despite being impacted by an irregular amount of unseasonable weather, sales volumes of beverages, mainly sparkling soft drinks and premium mineral water, grew steadily.
- ▶ Increased revenue through price revisions and increasing unit prices by improving product mix.
- ▶ Despite rising cost of raw materials and labor costs, increased normalized operating profit through initiatives to decrease sales, general, and administrative expenses through operational reform, such as the rationalization of factories and logistics bases, the implementation of ICT, and price revisions, and more.

**2024 Plan** Revenue: 259.0 billion yen  
Normalized operating profit: 35.0 billion yen

2024 Plan

- ▶ Increase normalized operating profit despite the unclear future of the environment surrounding the business, including the U.S. economy, by expanding the sales volume of sparkling soft drinks and by realizing the stable growth of revenue through appropriate price strategies, while continuing efforts to reduce sales, general, administrative expenses.



Kirin Beverage

Aim for high profitability through the regrowth of core brands and developing Health Science products

**2023 Results** Revenue: 257.8 billion yen  
Normalized operating profit: 16.9 billion yen

2023 Review

- ▶ Concentrated brand investments on core brands, *Kirin Gogo-no-Kocha* and *Kirin Nama-cha*, and Health Science products to improve medium- and long-term profitability. Enhanced product lineup by launching high added-value and high-priced products (*Kirin Nama-cha Rich* and *Kirin Gogo-no-Kocha TEA SELECTION*) in core brands and the *Lactococcus lactis* strain Plasma (LC-Plasma) series (*Kirin Oishii Immune Care*) and other new Health Science products.
- ▶ Increased revenue through price revisions performed in October 2022 and through increased unit prices that resulted from expanding high added-value and high-priced core brand products and Health Science products.
- ▶ However, normalized operating profit decreased because price revisions did not make up for the rising costs of raw materials and because of reduced sales volume and enhancing marketing investments for the future.

**2024 Plan** Revenue: 276.6 billion yen  
Normalized operating profit: 19.0 billion yen

2024 Plan

- ▶ Accelerate the transformation of the product portfolio into one that is sturdy with a strength in Health Science products and continue to aim to nurture brands and increase earning capacity.
- ▶ Strive to strengthen the business foundation that supports sustainable growth. In addition to increasing production capabilities by starting the operation of a new manufacturing line at Shonan Plant in spring 2023, we will promote the implementation of area production and sales strategies and change shipping methods in response to the 2024 logistics problem.
- ▶ Increase revenue and profits in 2024. Perform marketing investments, mainly in core brands and Health Science products, and aim to achieve market-leading sales volume growth. Moreover, revise the prices of some products, and enhance efforts in high added-value and high-priced products and Health Science products in order to realize unit price increases. Especially in Health Science products, through expanding the LC-Plasma series lineup and creating ongoing needs, the sales volume of Health Science products is expected to grow.

Example

Steady growth of Kirin Oishii Immune Care sales volume

With a focus on the LC-Plasma series, we will release a variety of products that meet consumer needs onto the market and are committed to helping people to develop immune care habits. *Kirin Oishii Immune Care*, launched in 2023, has a yogurt taste and is easy to drink. The product's sales volume has been steadily growing due to becoming a series and being available in a six-pack. This increase has significantly grown the total sales volume of the LC-Plasma series by about 40% year-on-year.

In 2024, in addition to helping people develop immune care habits, we will launch new products in beverage categories enjoyed by people daily, such as green tea and sports drinks. We aim to expand the entry and habitual product portfolio for immune care and to further grow the LC-Plasma series.





### Kyowa Kirin

**Aim to maximize the value of global strategy products and expand the development pipeline as a Japanese Global Specialty Pharmaceutical Company**

### Blackmores

**Lead the growth of the Health Science business by growing revenue in each country and promoting the Kirin Group's initiatives in creating added value**

### Kyowa Hakko Bio

**Consider structural reform of the amino acid business with all options in mind and monetize our business by focusing on specialty materials**

**2023 Results** Revenue: 442.2 billion yen  
Normalized operating profit: 96.0 billion yen

**2024 Plan** Revenue: 473.0 billion yen  
Normalized operating profit: 82.0 billion yen

#### 2023 Review

- ▶ Promoted growth initiatives as a Japanese Global Specialty Pharmaceutical Company from Japan.
- ▶ Global strategy products continue to grow steadily, and secured more earnings due to the favorable increase in sales, mainly of *Crysvita*, which was launched in North America, and more.
- ▶ In regard to the development pipeline, despite the suspended development of RTA 402 and other products, the development of KHK4083 / AMG 451 (*rocatinlimab*) and more progressed well. On top of that, in order to strengthen capabilities of creating new medicines in the future, concluded a contract to acquire Orchard Therapeutics, who established a necessary business platform with products and developments using hematopoietic stem cell gene therapy.

#### 2024 Plan

- ▶ Further grow toward maximizing the value of the global strategy products *Crysvita* and *Poteligeo* by leveraging evidence gathered through past activities, enhancing disease awareness activities focused on target patients, and through other efforts.
- ▶ Additionally, strengthen strategic R&D investments and steadily promote the global development of KHK4083 / AMG 451 (*rocatinlimab*) and other products to expand the development pipeline, while promoting PMI (post-merger integration) with Orchard Therapeutics, acquired in January, in aim of new value creation.
- ▶ Increase revenue through the further growth of global strategic products, including *Crysvita*. Meanwhile, profit is expected to decrease due to an increase in R&D expenses due to the acquisition of Orchard Therapeutics and phase 3 development (ROCKET Program) of KHK4083 / AMG 451 (*rocatinlimab*).

**2023 Results (Second half of the year)** Revenue: 32.0 billion yen  
Normalized operating profit: -0.5 billion yen

#### 2023 Review

- ▶ Acquisition was finished in the second half of the year and projects for SCM, quality assurance, IT, ESG, organization culture, and more were established and reviewed toward creating added value. Furthermore, considerations of how to leverage KIRIN's materials, such as LC-Plasma, are progressing as planned.
- ▶ Normalized operating profit met original expectations.

**2024 Plan** Revenue: 67.4 billion yen  
Normalized operating profit: 5.8 billion yen

#### 2024 Plan

- ▶ Aim to raise revenue and profit in each region, Australia, New Zealand, SEAK,\* and China, to increase revenue. Utilize the value of top-share brands in Australia and New Zealand to improve revenue, while increasing profitability through price revisions and launching highly profitable products. Launch new products and make sales activities more efficient internationally. Aim to significantly grow the brand in China by growing its awareness through marketing investments.

\*South-East Asia plus Korea

**2023 Results** Revenue: 51.4 billion yen  
Normalized operating profit: -8.5 billion yen

#### 2023 Review

- ▶ Despite the difficulties in the amino acid business, revenue increased because of the steady sales growth of citicoline, mainly used in health foods, and more.
- ▶ Meanwhile, normalized operating profit decreased because of increases in fuel expenses and other variable costs, an intensifying competitive environment, the disappearance of special demand for materials for vaccine production, and other factors that have made for a continuously strict business environment for the amino acid business. The approval process of regulatory authorities for *Human Milk Oligosaccharide (HMO)* is in progress in numerous countries.

**2024 Plan** Revenue: 58.9 billion yen  
Normalized operating profit: -3.0 billion yen

#### 2024 Plan

- ▶ Reduce costs, mainly of the amino acid business, and focus on citicoline, a growing product, to reduce deficits. Concentrate on using citicoline, a highly profitable product, in health foods and continue to strive for the quick approval of *HMO* in numerous countries. Additionally, expand the use of each material.

Example

### Steady progression of clinical trials for KHK4083 / AMG451

Clinical trials for KHK4083 / AMG 451 (*rocatinlimab*), which is expected to be another growth pillar in addition to *Crysvita*, as a treatment for atopic dermatitis are progressing smoothly and we also plan to test its effectiveness on asthma.

The scale of the atopic dermatitis market and the asthma market we are considering developing are estimated to be worth more than 1 trillion yen.

Each of these markets has a lot of competition, but if we are able to secure certain market shares of a unique medicine that takes advantage of our collaboration with Amgen, we expect KHK4083 / AMG 451 (*rocatinlimab*) will be a major pillar of revenue for Kyowa Kirin.

