

KIRIN

**KIRIN CSV REPORT
2020**



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Editorial Policy

The Kirin Group Vision 2027 (KV2027) sets the long-term management vision for the Group to become a Global Leader in CSV by creating value in the Food & Beverages and Pharmaceuticals domains. In the 2020 edition of the KIRIN CSV Report, the CEO and CFO of Kirin Holdings show the results of the first year under KV2027 and describe actions taken to strengthen the business foundation for fulfilling the medium-term business plan. The report also includes a

special feature on the Company's growth strategies in the Health Science domain applying our strengths in fermentation and biotechnology. In these changing and uncertain times, we are applying the KIRIN DNA and the Group's capabilities as an organization to use our businesses to address social issues and to carry out CSV management. We hope this report will help readers understand the intentions and the aspirations of the Kirin Group.

Publications Available on Kirin's Global Website

Kirin's global website offers a wide range of clearly presented information for stakeholders, including annual integrated reports, data books, and reports covering environmental initiatives, corporate governance, and financial results. For more details about financial results, ESG-related data, and other aspects of the Kirin Group's performance, please refer to the following publications and webpages.

CSV Report 2020

Published in June 2020



The entire booklet version of this CSV Report is also available on Kirin's website, along with integrated reports published in recent years with financial and non-financial results, and descriptions of the initiatives taken in each year to increase corporate value.

<https://www.kirinholdings.co.jp/english/ir/library/integrated/>



2019–2021 Medium-Term Business Plan webpage

Published in February 2019

The webpage features the 2019–2021 Medium-Term Business Plan, the Group's first three-year plan focused on realizing the Kirin Group Vision 2027 long-term management vision.

<https://www.kirinholdings.co.jp/english/ir/policy/medium.html>



Environmental Report 2020

Scheduled for publication in July 2020

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.co.jp/english/csv/report/env/>



Corporate Governance Report

Published in April 2020

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.co.jp/english/ir/governance/pdf/e_governance_report.pdf



Data Book

Periodically updated

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

<https://www.kirinholdings.co.jp/english/ir/library/databook/>



Consolidated Financial Statements

Published on March 31, 2020

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://pdf.irpocket.com/C2503/T4TO/qDNq/ZGTL.pdf>



ESG Data

Periodically updated

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

https://www.kirinholdings.co.jp/english/csv/esg_gri/



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 2020 financial results were decided as of the disclosure of financial results on February 14, 2020.

Applying our management philosophy system as we aim to become a global leader in CSV

The Kirin Group's Corporate Philosophy

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

2027 Vision

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

"One KIRIN" Values



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.



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.



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.

Joy brings us together

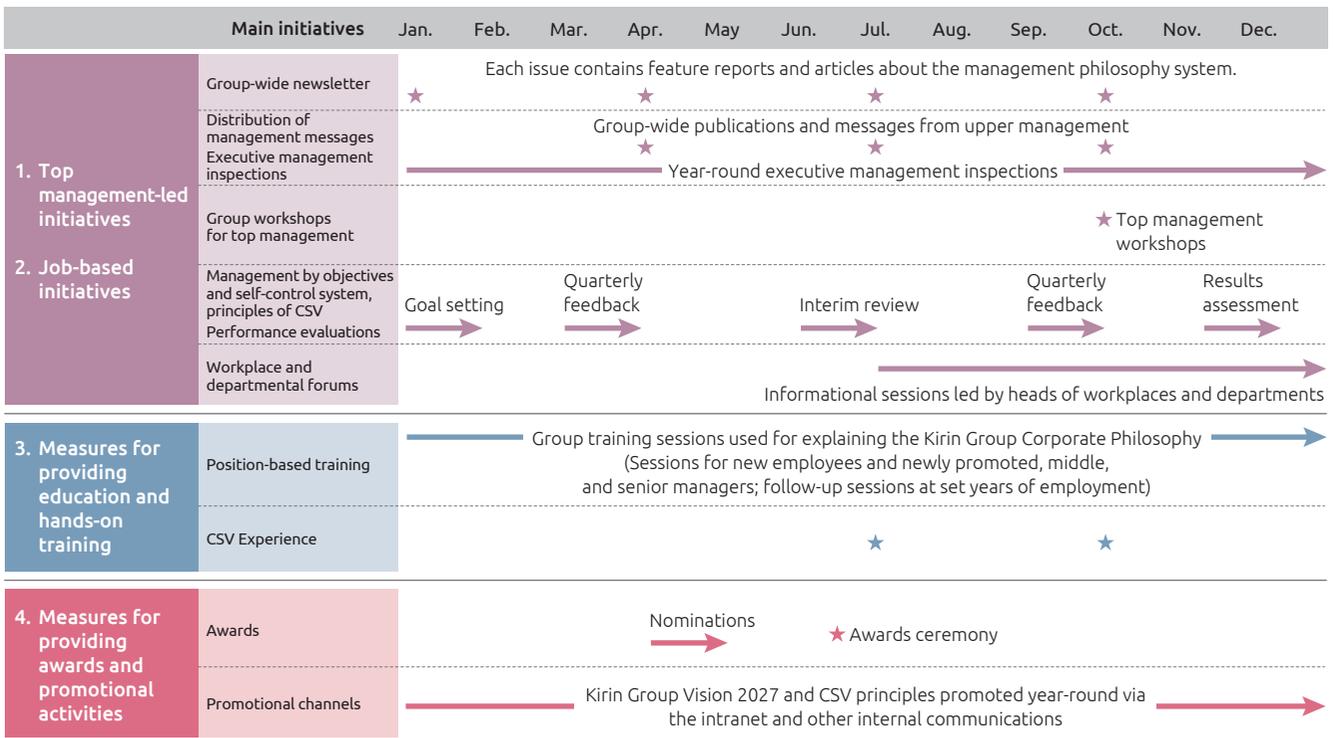


Educating employees about the Kirin Group's approach to business

In February 2019, the Group formulated the Kirin Group Vision 2027 as a long-term management vision with the goal of being a global leader in creating shared value (CSV). It also created a new mission statement to express its basic management concept of creating new value for stakeholders in and outside the Group. Finally, the Group created a new corporate slogan, "Joy brings us together," to simply convey its fundamental business approach to customers and the public.

On the momentum of these initiatives, all members of the Kirin Group—numbering 31,040 worldwide—are set to put the concept of CSV into practice while striving for sustainable growth.

2020 schedule of each category of activities



* Schedules may change.

Workplace and departmental forums raises employee awareness and encourages proactive application of CSV

The Kirin Group adopted the current management philosophy system in 2019, and in July and August 2019 held workplace and departmental forums presented by the business and department leaders at its domestic business companies and functional companies to deepen employee understanding of the system. Surveys of the forum participants found that 91% felt they had a "better understanding" of the connection between their work and CSV. The Group also presented a program for leaders of the new direct subsidiary Kyowa Hakko Bio to introduce the history and DNA of the Kirin Group to reinforce their awareness that they are the cores of the Group's Health Science domain.

In 2020 and coming years, we will continue implementing measures necessary to continue deepening understanding of the management philosophy system at all of our business sites and departments while focusing on specific groups, such as younger leaders, for initiatives aimed at raising awareness of the system and encouraging change.



CSV Experience helps employees make CSV their own

Kirin Holdings presents the CSV Experience for employees of domestic operating companies to further deepen employee understanding of CSV so they can implement it in their business departments.

Program participants visit the production sites for raw materials used in Kirin Group products, join in the cultivation work, and visit regional resource facilities. Afterward, they participate in workshops with local governments and people involved in local revitalization activities to directly experience the processes for resolving issues and creating shared value. Employees that have participated in the program become active promoters of CSV and have introduced other activities to deepen the understanding in their departments.



In 2020, we plan to start offering the program at all of our business companies to generate an even stronger link to our business performance.

Building a unique business portfolio starting from beer and spanning Food & Beverages to Pharmaceuticals

Kirin Group History

● Food & Beverages ● Pharmaceuticals ● Health Science

- 2019 ● Investment in FANCL
- 2017 ● *iMUSE* introduced
- 2015 ● Capital stake in Myanmar Brewery Ltd.
- 2014 ● *Kirin Yasashisa Namacha Caffeine Zero* introduced
- 2009 ● *Kirin Free* introduced
- 2008 ● Establishment of Kyowa Hakko Kirin Co., Ltd. (currently Kyowa Kirin)
- 2006 ● Capital stake in Mercian Corporation
- 2002 ● *Tanrei Green Label* introduced
- 1998 ● Capital stake in Lion Nathan Limited (currently Lion Pty Ltd)
- 1991 ● Establishment of Kirin Beverage Co., Ltd.
- 1990 ● *KIRIN ICHIBAN* introduced
 - *ESPO*® released, Kirin Brewery's first pharmaceutical product
- 1983 ● Health Food Team created in the Kirin Brewery Business Development Department
- 1982 ● R&D division established
- 1928 ● *Kirin Lemon* introduced
Non-alcoholic beverage business expanded
- 1907 ● Establishment of Kirin Brewery Company
- 1885 ● Establishment of Japan Brewery Co., Ltd.

■ Beginning of the Health Science Domain

The business diversification strategy led the Group to apply its fermentation and production technology to the health products field

The Group created a special team to examine potential uses for its yeast production and other technologies for health food products and to apply its technologies and expertise in the beer brewing and beverage businesses to the health domain. R&D led to the discovery in 2011 of *Lactococcus lactis* strain Plasma that was commercialized as *iMUSE* brand products.



iMUSE products with *Lactococcus lactis* strain Plasma

■ Beginning of the Pharmaceuticals Domain

Research in the pharmaceuticals domain began by advancing biotechnology developed from beer fermentation technology

R&D in the pharmaceuticals domain began with a Kirin Brewery idea to develop its technologies into biotechnology. Supported by Group's highly sophisticated production technology, the business has been rapidly growing since it released its first pharmaceutical product, *ESPO*®, in 1990.



ESPO®, released in 1990

Expanding our business horizons with our fermentation and biotechnology

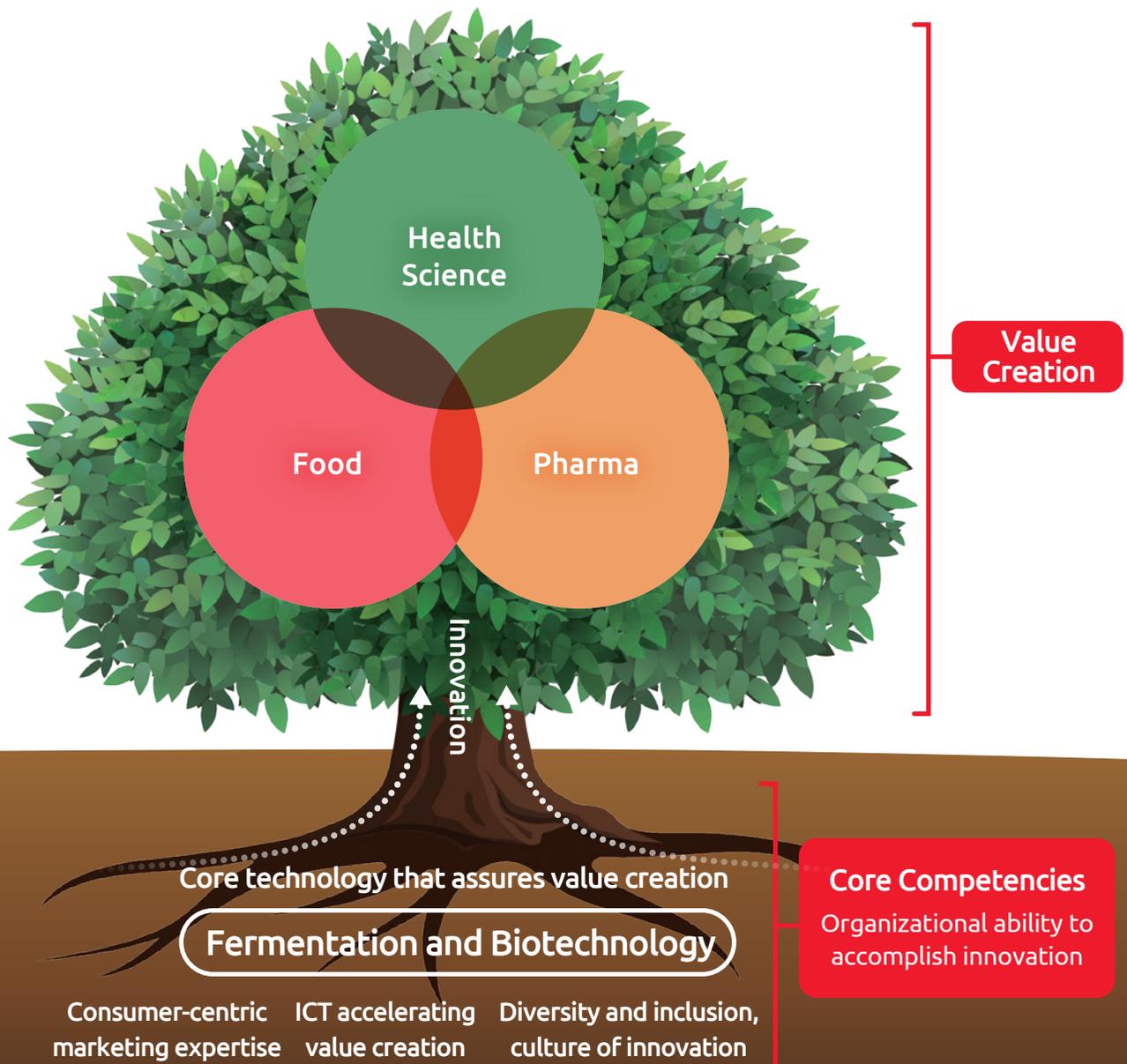
The establishment of Japan Brewery in 1885 marked the start of over 100 years of innovation and growth for the Kirin Group. In that time, our business domain has grown and extended beyond the beer business and into the Pharmaceuticals and Health Science domains. We offer products and services that improve the quality of life of customers at various stages of their lives.

The Group's powerful fermentation and biotechnologies are the key elements in our ability to innovate and broaden our business range. The culture technology and research cultivated in our founding business enabled us to develop products in the Health Science and Pharmaceuticals fields as we organically expanded our business domain.

The fermentation and biotechnology that are the source of our innovation join with our human resources, ICT, and marketing as the four capabilities that drive the Group's growth. The Kirin Group has developed new markets and expanded business in recent years with a series of world firsts, including a 0.00% non-alcoholic beer, caffeine-free green tea, and the discovery

of *Lactococcus lactis* strain Plasma that directly activates key immune cells.

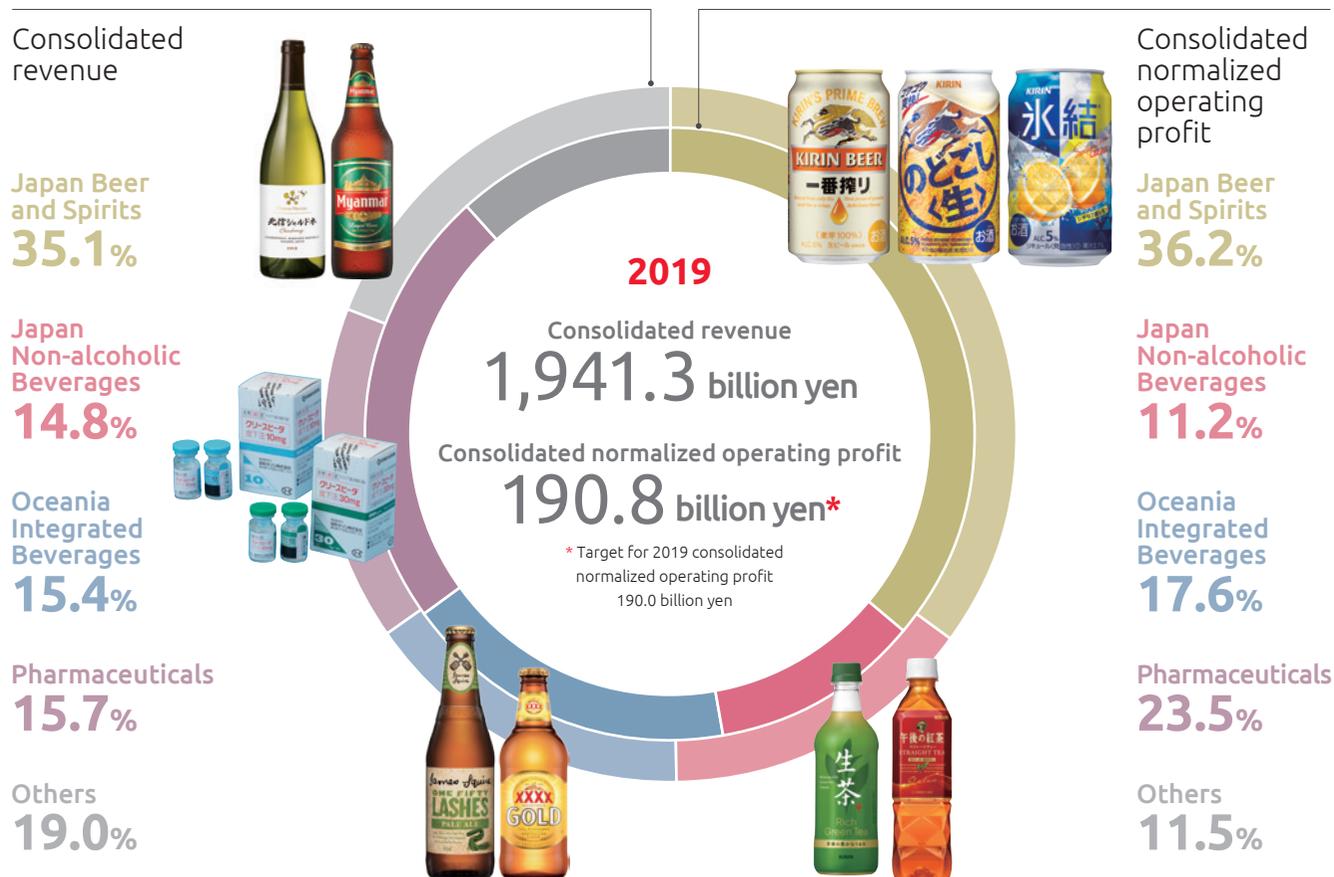
We will continue pursuing innovation that can contribute to resolving social issues and that will enable our business to grow sustainably with society.



The Kirin Group

We attained our profit target on strong performances by the core domestic Food & Beverages and the Pharmaceuticals businesses

The Kirin Group Today



Segment	Company	Food & Beverages	Pharmaceuticals	Health Science
Japan Beer and Spirits	• Kirin Brewery	●		
Japan Non-alcoholic Beverages	• Kirin Beverage	●		
Oceania Integrated Beverages	• Lion	●		
Pharmaceuticals	• Kyowa Kirin		●	
Others	• Mercian • Myanmar Brewery • Kyowa Hakko Bio Others	●		●

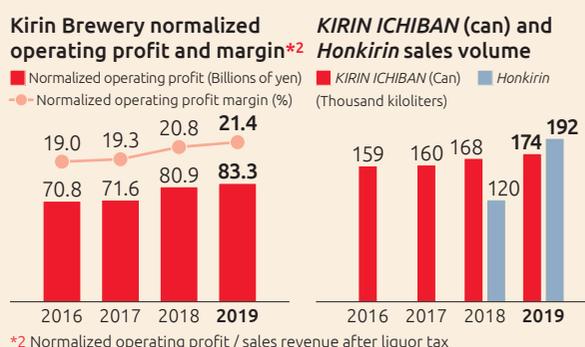
Fiscal 2019 Performance Highlights

Kirin Brewery

Four straight years of profit growth

Our ongoing focused marketing strategy generated a solid increase in sales volume of the core *KIRIN ICHIBAN* and *Honkirin* brands. Sales volume for our beer products increased from last year, overcoming a slight overall contraction in the market. In addition, our continued efforts to improve selling cost efficiency helped us achieve growth in both revenue*1 and profits.

*1 Sales revenue after liquor tax



Myanmar Brewery

High market share maintained in expanding Myanmar market

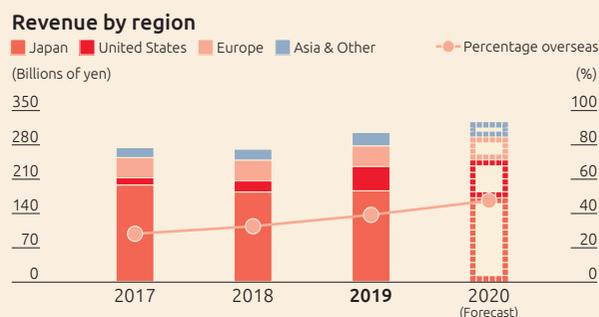
Myanmar's expanding economy, a growing beer-consumption demographic, and favorable weather fueled substantial growth in the beer market. Myanmar Brewery increased its sales volume by a substantial 20.9% from the previous year. A price hike at the start of the year also helped the company post a third straight year of growing earnings since joining the Kirin Group.



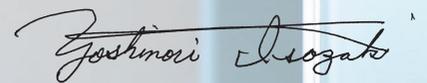
Kyowa Kirin

Rising sales for global strategic products

Kyowa Kirin boosted sales of its global strategic products with the successful growth of *Crysvita* and *Poteligeo* in Europe and the United States and the launch of *Nourianz* in the United States. Revisions to the official drug prices in Japan had an impact, but the expanded sales overseas supported growth of 34.3 billion yen in revenue and 5.0 billion yen in profits in 2019.



Enhancing CSV management
for next-stage growth that
addresses social issues



Yoshinori Isozaki
President & CEO



Committed to CSV management for growth in the age of uncertainty

Entering the third decade of the 21st century, the environment in which our business operates is more uncertain than ever. Natural disasters are increasing in both frequency and severity, represented by massive typhoons and rainstorms in Japan and bushfires in Australia.

The long running Sino-American trade dispute and the UK's official secession from the EU have thrown economic and political affairs into chaos worldwide. The dire state of the global economy is being further exacerbated by the new coronavirus pandemic which has reached world-disrupting proportions.

In this environment, we are about to begin the second year of the Kirin Group 2019–2021 Medium-Term Business Plan (2019 MTBP), which covers the first three years of the Long-Term Management Vision “Kirin Group Vision 2027” (“KV2027”). In these uncertain times it is essential to have a reliable beacon lighting the way for Group management. The CSV management philosophy we have adopted since 2013 serves me as just such a beacon. The society we live in faces difficult challenges, including but not limited to food supplies and healthcare, community concerns, and the environment. The Kirin Group will continue to address social issues through the businesses that leverage our strengths. By creating social value in harmony with economic value, we are pursuing sustainable corporate value growth.

Tackling social issues through businesses that leverage the Group's strengths

Governments worldwide are regulating alcohol consumption ever-more strictly. This represents a long-term risk factor for our core beer business, most notably, Kirin Brewery, Lion, and Myanmar Brewery. Alcoholic beverage advertising is already severely

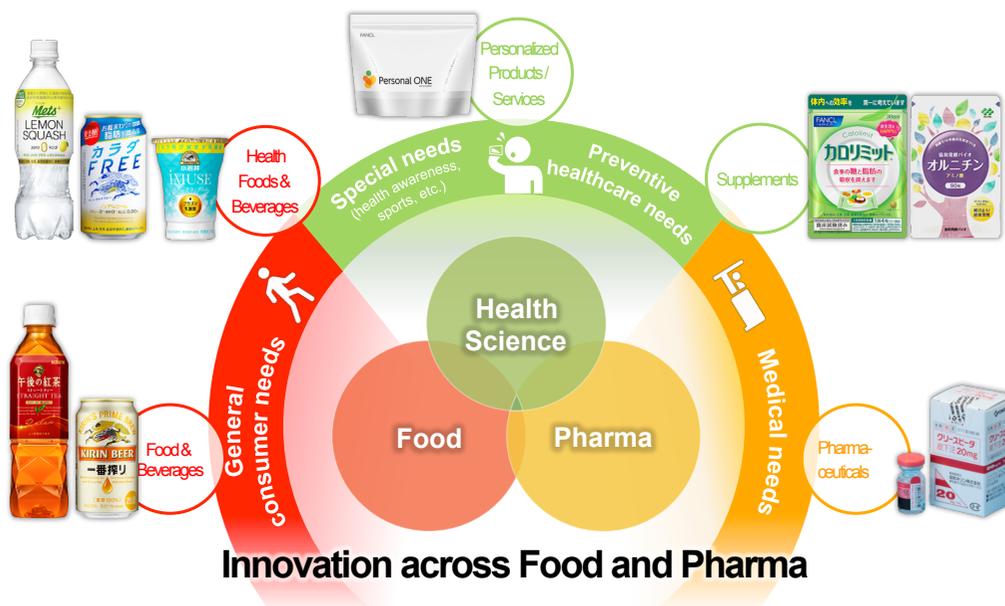
restricted in the EU and North America, to name two major regions. However, WHO directives aimed at reducing alcohol abuse are expected to press Japan and other nations to apply stronger measures. In response, the Kirin Group is developing non-alcoholic drinks and healthful foods while carrying out global campaigns to promote responsible drinking and deter driving while intoxicated.

Another major risk is the worldwide issue of climate change. In December 2018 Kirin became Japan's first food and beverage company to endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We conducted TCFD's recommended scenario analysis which revealed the potential impact of climate change on agricultural yields, water risk from climate change in agricultural production areas, and the impact of carbon pricing on the cost of carbon emissions. While continuing to reduce our environmental footprint, we are evaluating the risks and opportunities climate change presents to our business, taking action accordingly and disclosing material information.

On another front, the Japanese government's intensified efforts to contain medical costs portend



Message from Top Management



further reductions in the mandated price of prescription drugs covered by universal health care insurance. This poses a risk to our Pharmaceuticals businesses.

We recognize certain risk aspects of the Group's business portfolio. Yet behind each risk we see a social issue that we can tackle through our businesses, creating further business and growth opportunities in the process.

Our greatest core competence is our distinctive fermentation and biotechnology developed over the span of more than a century. Our business model has evolved into something truly exceptional by complementing this unique fermentation and biotechnology with the combination of engineering expertise fostered in our manufacturing facilities at home and abroad and the marketing and branding strengths centered on our Food & Beverages domain. Going forward we will continue to refine these core competencies to further accelerate CSV management.

Solidifying our growth foundation by boosting Food & Beverage earnings and accelerating growth in Pharmaceuticals

Under the 2019 MTBP we created a foundation for new growth. We focused on profit growth in our existing

Food & Beverages to Pharmaceuticals domains, and launched and nurtured our Health Science business to drive innovation across the organization.

As a priority in existing businesses, we further strengthened our Food & Beverages domain's profitability by keeping sales buoyant in fiscal 2019, particularly at Kirin Brewery, Kirin Beverage and Myanmar Brewery, underpinning our favorable outlook for ongoing profit growth. In the Food & Beverages domain we have made steady progress in strengthening profitability, with other businesses offsetting Lion-related challenges.

Going forward, a strategy of expanding high value-added offerings is critical for building a resilient business structure that can keep increasing earnings. We will explore craft beer growth opportunities not only in Japan, but also in North America and Australia. Kirin Brewery continues to do well. We cannot dismiss, however, the likelihood of increasing challenges in the Japanese market environment as demand shrinks due to population decline, phasing in of the liquor tax reform, and diversification of consumer preferences, among other factors. To maintain our competitive edge in such an environment, I deemed it wise to implement reforms while performance was favorable. Sales

force reforms included optimization of organizational structure and human resource allocation, as well as back-office streamlining.

Regarding the Pharmaceuticals domain, we have accomplished our strategy to invest to “achieve outstanding growth.” We launched three global strategic products with steady sales growth that boosted both revenue and profits. As a medium-term growth driver for the Group, we are discovering and launching new drugs that satisfy society’s demands, including unmet medical needs.

Reviewing the first year of the MTBP our steady progress in the Group’s existing business domains of Food & Beverages and Pharmaceuticals is gratifying to me, and has, I believe, significantly solidified our foundation for sustainable growth.

Our alliance with FANCL will accelerate health science product development

In our Health Science domain, we have entered into a capital and business alliance with FANCL. With its health and beauty focus, FANCL exhibits extraordinary brand strength in basic cosmetics and functional food products. FANCL is also respected

for its scientific policy of evidence-based research in product development and for its marketing expertise, particularly in direct marketing. The Kirin Group, meanwhile, is strong in fermentation and biotechnology. We possess a wealth of unique functional materials in the areas of high-performance amino acids, immunity, brain function, and the gut microbiome.

Recognizing these potential synergies in the strengths of the two companies, we project normalized profits in the vicinity of 5.5 billion yen to 7 billion yen by 2024. The Kirin and FANCL Alliance plans to begin launching new beverages and supplements. These and other new products will leverage Kirin and FANCL’s brand strengths, research and development capabilities, and high-performance materials.

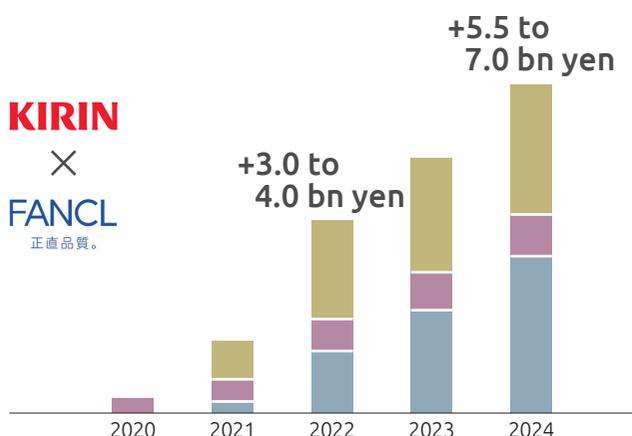
Kyowa Hakko Bio is a case in point with its very high value-added materials such as human milk oligosaccharides. Human milk oligosaccharides, a material of breast milk, have been found to foster an infant microbiome dominated by bifidobacteria. Demand for oligosaccharides is increasing for use in functional foods and infant formula products marketed by multinationals. Current estimates point to a market on the scale of 180 billion yen by 2030,

Build a strong value chain in Health Science

	Basic Research	Applied Research	Product Development	Manufacturing	Sales Channels
KIRIN	Food-to-pharma expertise		Beverage development Packaging	Manufacturing technologies and production control engineering	
FANCL 正直品質。		Functional evaluation Masking techniques	Formulation technology	Marketing expertise	Brand & wholesale channels Online & retail channels
協和発酵バイオ	Highly functional materials research			Low-cost fermentation production technology	EC B2B
KYOWA KIRIN	Drug pipeline	Not applicable to pharmaceuticals			

Message from Top Management

Contributions to Kirin Holdings' normalized operating profit



but the material's very high unit price poses an issue for market expansion. Kyowa Hakko Bio's efficient fermentation and production technologies are the keys to satisfying this high-volume demand.

Regarding such products and materials, the



2024

Product Development Synergies +2.5 to 3.0 bn yen

- Launch products utilizing brand synergy
- Launch supplements utilizing proprietary materials

Channel Synergies +0.5 to 1.0 bn yen

- Leverage both companies' sales channels
- E-commerce lead sharing

Functional Efficiency Synergies +2.5 to 3.0 bn yen

- Procurement reforms
- Collaborative production and logistics
- Improve marketing ROI

Kirin Group plans on joint research and new business development in alliance with FANCL in areas such as lifestyle-related diseases, brain function, physical function, immunity and intestinal function.

Products under the *iMUSE* brand, which uses Kirin's proprietary *Lactococcus lactis* strain Plasma, are already marketed through FANCL's domestic and cross-border EC channels in China.* We are steadily promoting such initiatives of our alliance going forward.

* Limited time offers

Driving innovation by fortifying organizational capabilities through diversity and Digital Transformation (DX)

To follow through on our growth strategy, the Kirin Group is developing organizational capabilities that can achieve innovation. One of our highest priorities is to strengthen our research and development system. This calls for recruiting diverse personnel who can bring us the skill sets,

Number of directors and independent officer ratio

	FY2019	FY2020	
Board members (total)	9	12	Priorities for enhancing skill set Health Science ESG / Sustainability Brand Strategy / Marketing Overseas business Finance / Accounting
Inside directors	5	5	
Non-executive directors	4	7	
Independent directors among total	3	7	
Female directors	0	2	
International directors	0	2	
Independent officer ratio	<p>33%</p> <p>Independent: Chairman, Non-independent</p> <p>Inside</p>	<p>58%</p> <p>Independent: Chairman, Female, International</p> <p>Inside</p>	

expertise, and creativity we need. We will also expand collaboration with business partners on joint research and new business ventures; in the process we will see our organizational structure evolve to generate still more innovation. Marketing, a mainstay of the Kirin Group, will gain even greater effectiveness by adopting the customer's perspective in the activities of all departments, not just marketing itself.

Digital Transformation (DX) is also a way to make each facet of operations advanced and efficient. DX is about more than just improving our current state of affairs. It will transform our business model to increasingly reduce costs and add ever more value.

Corporate governance is another area where we recognize that further fortification is essential. Regarding oversight, we have added new independent non-executive directors who are experts in their fields to assist specialization. The resulting significant increase in the ratio of non-executive directors to all directors is conducive to objective discussion. We are also adding more

incentives to executive compensation to drive stronger medium- to long-term performance and increased corporate value. By tracking progress toward CSV non-financial targets in addition to financial targets we are further reinforcing our commitment to CSV management. Regarding execution, we have clarified responsibilities by enhancing our research and development system and establishing the Health Business Strategy Office.

The Kirin Group will continue its results-oriented thrust to realize the 2019 MTBP, while also promoting CSV management through the Group's collective efforts. In addition, we will meet our stakeholders' expectations with sustainable profit growth, boosted medium- to long-term corporate value, and further enhancement of shareholder returns. We look forward to your ongoing support in the future.

Yoshinori Isozaki

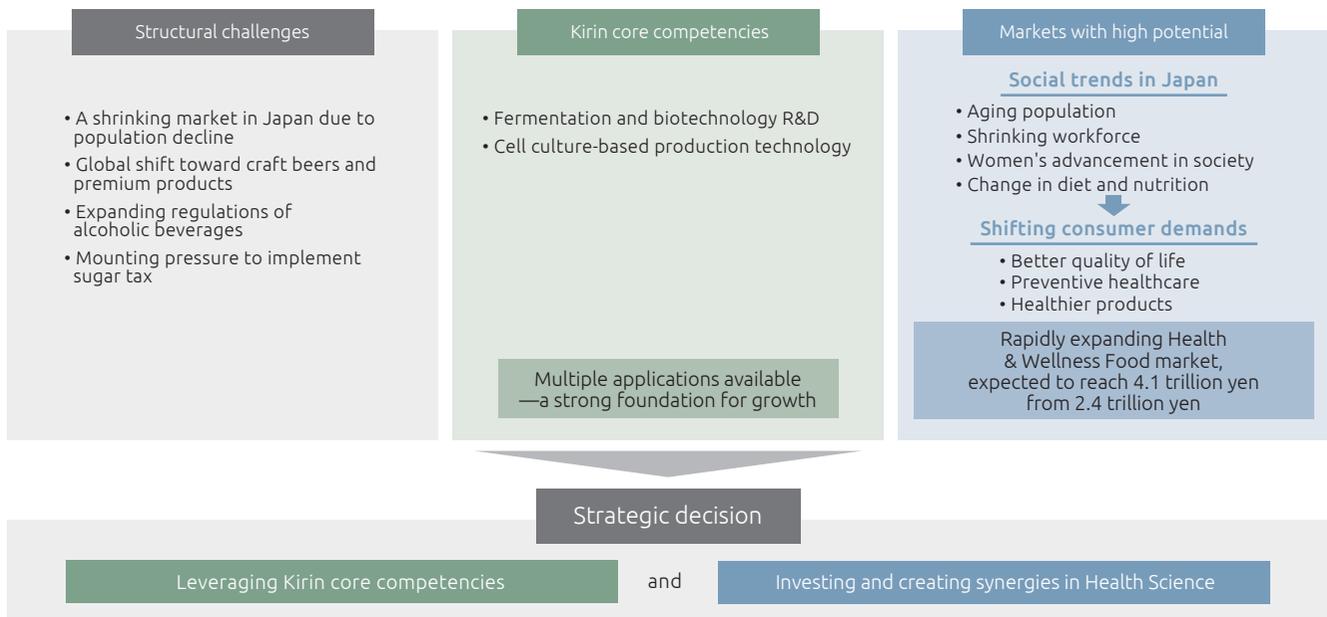
President & CEO



Special Feature
Growth Strategies for the Health Science Domain

Strategic Decisions in 2019

Management deeply evaluated and discussed the issues and the opportunities the Company is currently facing and made important decisions about strategies for realizing sustainable growth.



Message from the Officer in Charge of Health Business Strategy

We are accelerating business development of the Health Science domain

The Kirin Group is developing the Health Science domain with the aim of fulfilling the 2019 Medium-Term Business Plan's objective to establish sustainable growth. Fermentation and biotechnology have been Kirin's core technology since its founding, and we have used these to become a corporate group that is unmatched worldwide for our strengths spanning both the Food & Beverages and the Pharmaceuticals domains. Our focus in developing the Health Science field will be to respond to increasing health needs, and we will grow the business by maximizing our technological strengths to meet those needs.

We will be a corporate group that integrates Food & Beverages, Pharmaceuticals, and Health Science to provide innovative products and services that contribute to improving the quality of life in areas ranging from general consumer needs to medical needs. We will also use the Health Science domain to generate new growth for our existing businesses. This move into the Health Science domain is not a foray into a new area, rather it is an area where we can leverage our core strengths in fermentation and biotechnology and generate synergies to develop business models geared to the changing environment. In this way, we can capture untapped customer potential and accelerate the Group's business growth.

As we develop the Health Science domain, we will actively acquire externally any organizational capabilities that we cannot provide from within the Group. In 2019, we brought in FANCL for its complementary relationships in applied research, brands, and sales channels, and its integration has progressed better than expected.

To further accelerate the process, in 2020 we established a new Health Business Strategy Office in the Corporate Strategy Department of Kirin Holdings. The office will oversee the Health Science domain to provide overall management and strategies and to supervise the activities of companies in specific areas, such as Kirin Beverage in beverages and Kyowa Hakko Bio and FANCL in

supplements. The office will also lead the development of synergies with FANCL and the creation of new businesses.

The Health Business Strategy Office will also be active in rejuvenating the business of Kyowa Hakko Bio. I believe the company's production technologies and materials assets are greatly needed by society. We will revitalize the business and reestablish a sustainable supply structure while using the company's pipeline of high-performance materials to generate new value and create economic value.

My career began in the brewing department and then traversed several departments before bringing me to corporate planning. I know how wonderful the Kirin fermentation and biotechnology is and how much potential it has. I am determined to realize its full potential. My job as a director is to bring a sweeping yet clear understanding of the internal and external conditions for the Group and management. I am determined and committed to succeeding with our plans for the Health Science field.



Toru Yoshimura
Senior Executive Officer
Officer in Charge of
Health Business Strategy

Creating new value in the Health Science domain

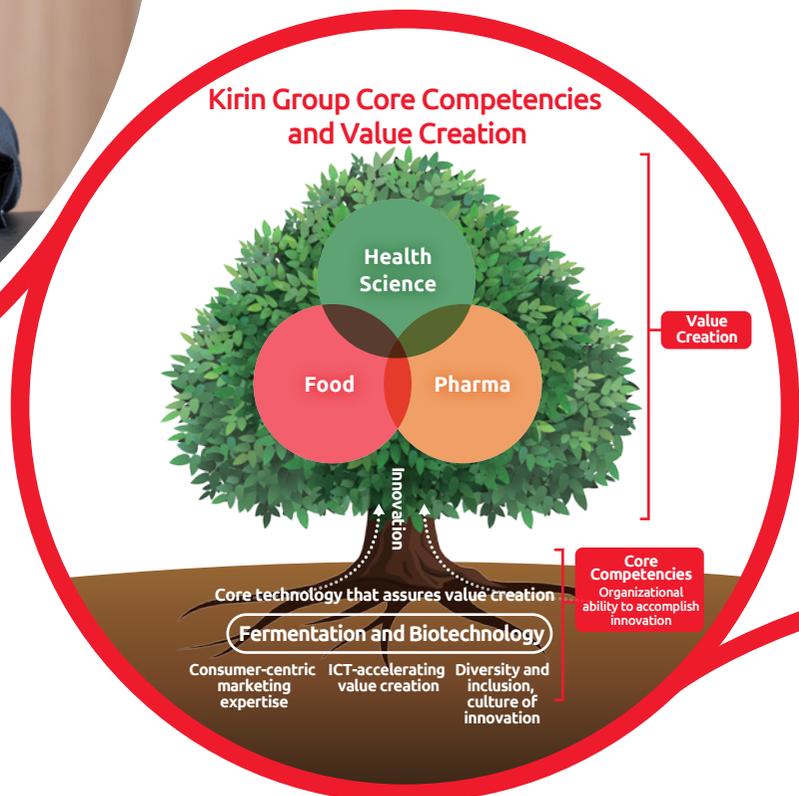


Noriaki Kobayashi
Director of the Board,
Senior Executive Officer
R&D Strategy,
Quality Assurance

We will seek to achieve sustainable growth by addressing social issues in the health field

The Kirin Group aims to become a global leader in CSV by using its business activities to provide various types of value to society. We place the greatest value on the health of people. Many countries and regions around the world are seeking ways to address various social health issues, such as finding ways to extend healthy life expectancy and reduce the prevalence of lifestyle-related diseases. By addressing health issues like these, the Kirin Group is seeking to provide economic and social value and generate sustaining business growth.

The source of our competitiveness in value creation is the fermentation methods and biotechnology we have cultivated over more than a century. Based on these core technologies, the Kirin Group evolved into a business entity with strengths in fields spanning Food & Beverages



and Pharmaceuticals. We are now starting to focus our strengths to create and provide value in the new field called Health Science.

**Approach 1
Contribute to preventive medicine**

The Kirin Group is taking two approaches to strategically grow its business in the Health Science domain. The first is in the area of preventive medicine. In addition to treating illness, modern medical treatment considers the prevention of sickness to be an integral part of health care. Disease prevention can be applied in various ways due to the seamless connections between the levels and stages of health between being healthy and being sick.

The Kirin Group has been providing food and beverages with function claims and other products and services that promote health, and we are now reframing our products and services to pursue business opportunities in the area of preventive medicine.

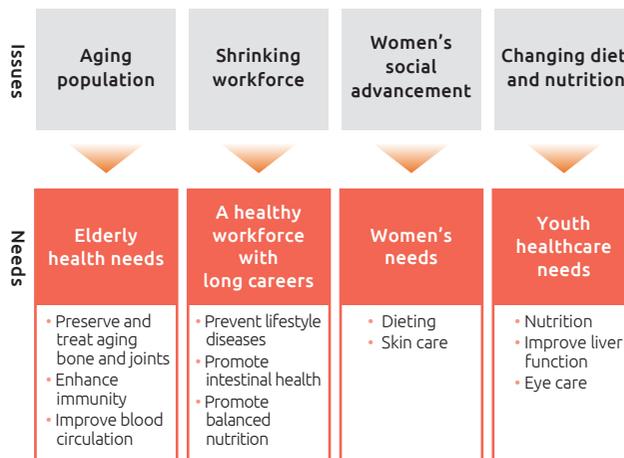
**Approach 2
Meet the health needs of individual patients**

The second approach is to focus on individual needs. This involves taking a holistic view the symptoms and the environment of individual patients. For example, lifestyle diseases and dementia are related to multiple factors in a person’s environment, such as their lifestyle, social environment, and psychosomatic conditions.

An individual approach like this is important not only when treating a disease but also for the prevention of disease, which is the realm of Health Science. Through a capital alliance, we are teaming with FANCL to strengthen our abilities to develop and market products and services catered specifically to the health needs of individual customers. We are also looking further to develop new business that uses genomes (genetic information) and other vital data specific to each individual.

We are also strengthening our ability to apply big data in the development of individualized products and services. Big data is essential to understanding certain conditions. For example, a huge amount of data collected from healthy individuals is needed to determine what is a “normal state” for intestinal bacteria. We are concentrating the Group’s R&D

Issues and needs the Kirin Group is addressing



resources on developing our big data capabilities in addition to forming alliances with our partner firms, participating in public projects, and employing AI and other technologies to accumulate and analyze big data.

We will use the Kirin Group’s R&D capabilities to continue providing new value to society

The presence of Kyowa Kirin and its pharmaceuticals business gives the Group a major advantage for advancing the Health Science domain. For legal reasons, we have been operating our Pharmaceuticals and Food & Beverages businesses separate, so creating a seamless bridge between them will be key to creating value in the future.

The Kirin Group is uniquely positioned to advance a dual food and pharmaceutical approach to health. When developing a material for a product, the objective can be completely different if it is being developed for medical purposes or for food. This also means that a material that we approached as having potential for use as a pharmaceutical product could lead us to new value when we switch to considering its potential as a food product. In addition, basic research in the Pharmaceuticals and Food & Beverages business domains has many common elements, and we see significant synergy potential from collaborations between Group companies. We will continue directing the Kirin Group’s R&D capabilities to address health issues and create new value.

01

Aiming to generate synergies spanning development, marketing, production and procurement by jointly leveraging brands and technologies

FANCL Corporation aims to contribute to beauty and health, and healthy life expectancy. The Kirin Group shares these same aspirations, so we regard our partnership as very significant. By quickly pushing ahead with projects that combine the strengths of FANCL and the Kirin Group, I am confident that we can grow our businesses together.

Since Kirin Holdings acquired a stake in FANCL in August 2019, we have been working together to generate synergies. For that purpose, we set up four working groups to oversee R&D, healthcare businesses, channel infrastructure, and collaboration between the companies. Everyone involved has been moving forward quickly, with over 200 meetings held in just half a year.

By sharing our respective channel infrastructure, we expect the increased number of customer contact points to have a synergistic effect. That allows us to produce results as quickly as possible. In fact, sales results are already on the rise.

In our healthcare businesses, representatives from Kirin Brewery, Kirin Beverage, and FANCL's marketing team have met many times to examine collaborative products that eliminate customers' negative experiences. We expect to release the first lineup of these products in the autumn of 2020.

Both FANCL and the Kirin Group are deeply committed to research and development, and we intend to leverage our respective strengths. We will meticulously conduct joint research on brain functionality, intestinal environment, and other fields with a view to develop new products and businesses. In the field of skin care, we are aiming to bolster FANCL's competitive edge by using the Kirin Group's proprietary ingredients to create all-new cosmetic products.

Kazuyuki Shimada

President & CEO,
Representative Director
FANCL Corporation



02

Applying the findings of joint-research projects to develop effective new products and services



Yoshiyuki Takami
President of the Research & Development Division
Kirin Holdings

In January 2020, the Kirin Group started joint-research projects with FANCL Corporation to study cerebral functions and intestinal conditions. By sharing and collaboratively applying both FANCL and the Group's past research findings, we hope to efficiently create new value going forward.

In one of our cerebral function research projects, we plan to begin a clinical trial in 2020 for a treatment designed to prevent dementia using ingredients and technologies supplied by FANCL and the Group. Over the next three years, we will work to develop new products and services that can help

prevent dementia based on these research results.

Through our joint-research, we have discovered how proteins that improve skin conditions can be increasingly activated by 14-dehydroergosterol (14-DHE), a compound contained in a white *koji* mold produced by the Kirin Group. FANCL will examine how 14-DHE's properties that prevent skin aging can be applied in a wide range of products, including cosmetics and sunscreen. FANCL also plans to use 14-DHE in its mainstay cosmetics when its product lineup is renewed in 2021.

The Kirin Group's fermentation and biotechnology and their applications

	FERMENTATION and BIOTECHNOLOGY					
	Food		Health Science			Pharma
Company	KIRIN		KIRIN	協和発酵バイオ	FANCL 正産品質。	GYOWA KIRIN
Applications	Alcohol fermentation	Micro-biological control Aseptic technology	Functional research Immunological science	Amino-acid fermentation Microbial metabolic control technology	Functional research Microbial fermentation	Bio-pharmaceutical manufacturing technology
Products	Alcoholic beverages	Non-alcoholic beverages (PET)	Food	Food supplements	Skincare	Pharma
Brand Examples	<i>Ichiban Shibori</i>	<i>Gogo-no-Kocha</i>	<i>iMUSE</i>	<i>Cognizin Ornithine</i>	<i>Beauty Bouquet</i>	<i>Poteligeo Crysvita</i>

Message from the Chief Financial Officer

Create a foundation for the Group aimed at achieving new growth
Focusing on normalized EPS and ROIC to maximize corporate value

Noriya Yokota

Director of the Board,
Senior Executive Officer & CFO



Progress under the medium-term business plan

Good progress under the medium-term plan after achieving targets in 2019

Q. Could you tell us the main details of the current medium-term business plan?

Under the previous medium-term business plan, we were able to accomplish the goals we set for restructuring and revitalizing certain businesses. Our existing businesses are performing well overall, and we are aiming to further improve the profitability of each one. On the other hand, market conditions are becoming more challenging for our beer businesses in Japan and Australia, which form the foundation of the Kirin Group as a whole, and we believe it will be difficult to realize sustainable growth with the Group's business portfolio as it stands now. Therefore, from a long-term perspective, it will be necessary to cultivate new growth drivers that leverage the Group's strengths. Under our current medium-term business plan, investment aimed at realizing profit growth in our existing businesses is given priority when allocating cash, including investment in intangible assets as well as capital investment. Our next priority is to pay stable dividends based on a payout ratio of at least 40%. Then we plan to allocate cash for growth

investment that can bring about the Group's expansion in the future. Finally, we will aim to enhance shareholder returns by scaling back low-profit operations and assets that do not contribute to sustainable growth, such as cross-shareholdings that are incommensurate with the cost of equity, while considering share buybacks.

Q. What key performance indicators are you using?

In the current plan, our key financial performance indicators are normalized earnings per share (EPS) and return on invested capital (ROIC). We are targeting normalized EPS of at least 5% on average annually while striving to boost profits in the Group's existing businesses, namely Food & Beverages and Pharmaceuticals. We will allocate the cash from that profit growth to growth investment and shareholder returns, but investment will be carried out with discipline as we work to reach our ROIC target of at least 10%. To achieve these financial targets, we will have to improve profits in each business and also step up our balance sheet management.

Q. What progress has been made with respect to these targets?

In fiscal 2019, both single-year financial targets were achieved. The Group's existing operating companies,

particularly Kirin Brewery, Kirin Beverage, and Kyowa Kirin, also realized profit growth in line with targets. As part of our balance sheet management, we scaled down assets by selling off Lion Dairy and Drinks and reducing cross-shareholdings by around 36 billion yen. Excellent progress was also made with respect to share buybacks.

Looking ahead, we will be implementing comprehensive measures with a view to achieve our 2021 targets. They include initiatives for achieving profit targets in each business, and further reductions of assets that do not contribute to sustainable growth, such as cross-shareholdings. We are aiming to expand the beer business through growth investment. Toward that end, we acquired New Belgium Brewing Company, a craft beer brewer in the United States. In the Health Science business, Kirin Holdings acquired a stake in FANCL Corporation, an important investment for establishing a supply chain in this business. In other words, we have started up and accelerated the development of businesses that will spur growth in the future.

Bolstering the profitability of existing businesses and establishment of the Health Science domain

Solid results from the domestic and Pharmaceuticals businesses but challenging conditions for Lion and Kyowa Hakkō Bio

Q. As CFO, how would you evaluate the improvements in earnings from the Group's existing operating companies?

Kirin Brewery and Kirin Beverage, the Group's two main companies in Japan, both operate in challenging and increasingly unstable market environments, so I am very impressed by their ability to boost profits. Kirin Brewery has increased profits for four consecutive years, and Kirin Beverage has posted profit increases for five years in a row.

Both companies have been carrying out marketing campaigns that place importance on gaining returns on investments while implementing internal reforms designed to promote innovation in their organizations.

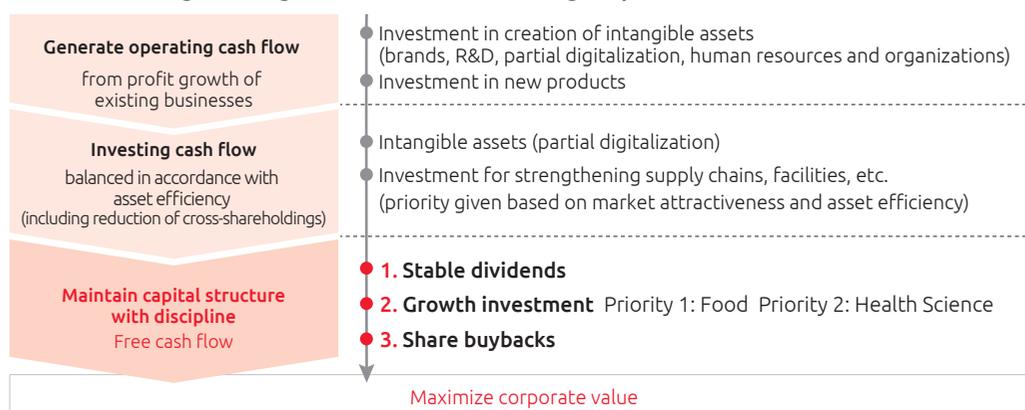
Kyowa Kirin, which is in charge of the Group's Pharmaceuticals business, has been dealing with expired patents for mainstay products and unfavorable price revisions under Japan's drug pricing system. Nevertheless, it has been producing solid results by launching products in the global market, including *Crysvita*.

Lion has been struggling amid changing market conditions, with competitors engaging in an increasingly fierce price war in Australia. Furthermore, market demand for traditional classic category of beer, which make up most of Lion's portfolio, has been on the decline. Despite the company's efforts to strengthen its brands and cut costs, profits were down in fiscal 2019. We will need to closely follow market trends in Australia going forward. Our goal is to improve profitability by developing brands in growing beer category, such as contemporary and craft beer markets, and cutting costs through head office-driven supply chain management.

Q. Could you tell us about Kyowa Hakkō Bio's turnaround plan and its prospects for profitability?

Kyowa Hakkō Bio is expected to post a loss in fiscal 2020, mainly because it will be preoccupied with verifying manufacturing procedures and starting up production on a sequential basis. Customers have requested the company to resume product deliveries, so it is steadily speeding up the implementation of the turnaround plan. The Kirin Group's production and quality control capabilities have been refined over many years, and I am confident that they can be integrated at Kyowa Hakkō Bio. We expect the Health Science domain to drive the Group's growth in the future, and Kyowa Hakkō Bio has many excellent materials

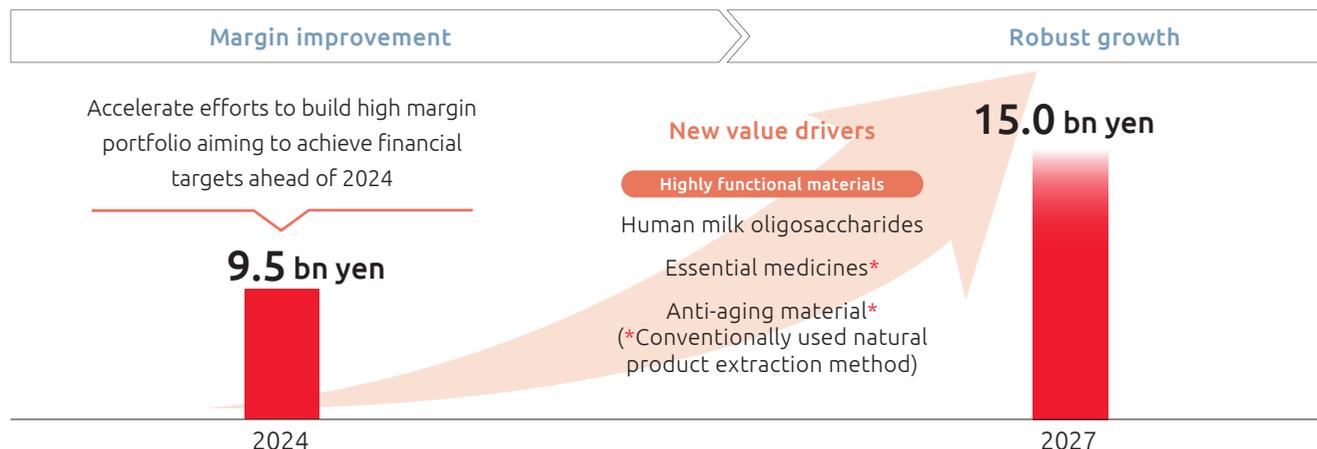
Financial strategies and governance for maximizing corporate value



Message from the Chief Financial Officer

Rebuilding Kyowa Hakko Bio's business

Kyowa Hakko Bio's product pipeline expected to include multiple high-performance materials for Food & Beverages and Pharmaceuticals, generating substantial profit and robust growth



that greatly contribute to healthcare solutions. I believe that we have an obligation to decisively implement organizational reforms and not only revive the company, but also get it on the growth track. We have already assigned the needed number of personnel, mainly from Kirin Brewery, to help with the turnaround. Despite the forecast loss in fiscal 2020, we are aiming for a return to profitability by 2024, targeting 9.5 billion yen in normalized operating profit. We will work to raise that amount to 15.0 billion yen by 2027 by expanding its lineup of high-value-added products containing high-performance materials, which are the company's strengths.

Balance sheet management

Improving ROIC while scaling back on assets that do not contribute to sustainable growth

Q. How do you plan to achieve your balance sheet management targets?

We are repaying interest-bearing debt incurred during the previous medium-term business plan. As of December 31, 2019, the gross debt-to-equity ratio was 0.59, a level that allows us to have a flexible approach to financing. We believe this level is suitable for maintaining stable credit ratings and flexible leverage going forward. The weighted average cost of capital was 6%, and we are aiming to exceed our minimum target of 10% for ROIC. In order to continue increasing returns on invested capital, we plan to further reduce assets by disposing Lion's Dairy and Drinks

business and selling off cross-shareholdings, increasing the proportion of business assets with higher capital efficiency, and implementing growth investment that meets our ROIC criteria. Through those measures, we will pursue the targets of our key performance indicators.

Q. Can investments up to now, including in FANCL Corporation, generate a return of at least 10%?

On its own, the return on investment in FANCL will fall short of 10% over the next five years. From a long-term perspective, however, we view it as a vital strategic investment for creating a business model in the Health Science domain and for establishing a new source of profitability in the future. We are on track to achieving our 10% ROIC target for the Kirin Group as a whole. For all other investment targets, we decide to proceed after confirming that returns of at least 10% are feasible. Our decision-making process takes into account past mergers and acquisitions. We not only confirm whether a potential target meets financial criteria, but also follow a disciplined decision-making process based on a variety of considerations, such as the strength of a company's brand, the capabilities of its management team, and its profitability. Kirin Holdings followed this process when it acquired a stake in Myanmar Brewery in 2015, and since then, the post-merger integration proceeded smoothly and high rates of growth have been maintained.

Cash allocation

Steady progress made as allocation policies proceed according to the medium-term business plan

Q. How has the three-year cash flow plan been progressing?

Among cash outflows over the next three years, we forecast capital investment of 310 billion yen, dividend payments of 210 billion yen, and growth investment of about 300 billion yen. Based on the outlook for cash inflows, we plan to flexibly deliver shareholder returns. In fiscal 2019, capital investment came to 96.4 billion yen while dividends paid amounted to 65.2 billion yen. Growth investment has reached about 180 billion yen to date. On the whole, our cash allocation plan, which is included in our medium-term business plan, has been proceeding smoothly. We forecast 700 billion yen in operating cash flow. While the amount was 178.8 billion yen in fiscal 2019, we will continue taking all necessary measures to maximize the Group's ability to generate cash. Also in fiscal 2019, the sell offs of cross-shareholdings and Lion Dairy and Drinks contributed to cash inflows of around 100 billion yen, and share buybacks of about the same amount were concluded.

Q. What is your outlook going forward?

We will work to make the Group's existing businesses more profitable in order to generate operating cash flow in line with our plan. In fiscal 2020, however, we expect progress to be slow due to challenges confronting Lion and Kyowa Hakko Bio. Furthermore, it is currently difficult to predict the impact of the global economic downturn triggered by the new coronavirus pandemic. We will closely monitor the situation and respond accordingly with whatever measures are needed. In fiscal 2021, while our current medium-term business plan will still be in place, we will need to consider the increasingly volatile macro environment and respond appropriately when necessary, such as setting even more explicit investment priorities.

Q. How do you intend to raise shareholder returns?

Our policy has not changed under the current medium-term business plan. First of all, we will continue adhering to the payout ratio of at least 40% set in 2019. Moreover, while we intend to keep searching for growth investment opportunities, if no opportunities arise or if our investment criteria are not met, we will not move forward with such investment. Instead, we would prefer to conduct more share buybacks at opportune times.



Conclusion

Maximizing corporate value by achieving performance targets

Q. Finally, what message would you like to give to shareholders?

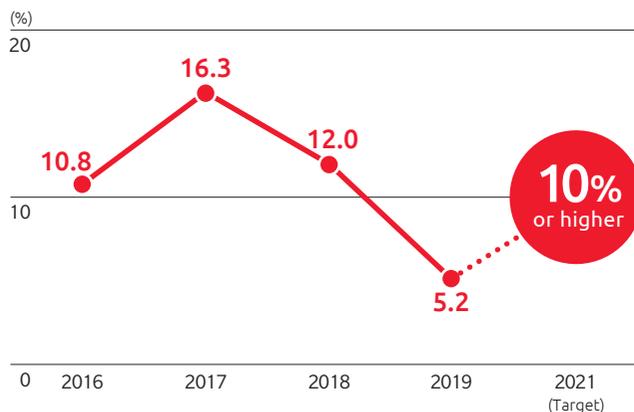
Looking back, 2019 was a year in which we made excellent progress in implementing the strategies laid out in Kirin Group Vision 2027, our long-term management vision. On the other hand, several challenges arose, particularly disappointing financial results posted by Lion and Kyowa Hakko Bio. Looking ahead, we will need to boost profits in the Food & Beverages and Pharmaceuticals domains, and firmly establish the Health Science business. I believe that accomplishing these tasks is essential. The impact of the new coronavirus pandemic is a cause for concern, but by examining that impact on our businesses and flexibly responding with appropriate actions, the Kirin Group will aim to achieve the performance targets set in our 2019 medium-term business plan. I understand there is concern in capital markets as to whether we will make the right decisions when moving forward with growth investments. To reassure those markets, the Board of Directors is taking steps to strengthen corporate governance, following a disciplined investment decision-making process, and raising its standards for accountability.

Financial and Non-financial Highlights

Key financial performance indicators of the medium-term business plan

Capital efficiency indicator

Return on invested capital (ROIC)

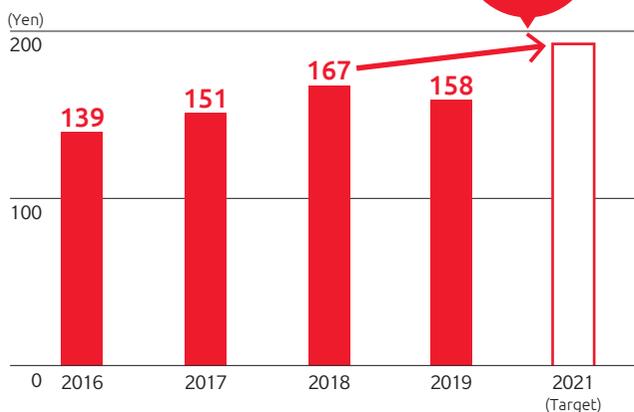


Notes

- FY2018 ROIC is 9.4% if calculated excluding transient impacts such as income from sale of assets, etc.
- Figures up until FY2018 have been retroactively adjusted to reflect changes to accounting policies in FY2019.

Profitability and growth indicator

Normalized EPS



* The target is averaged over a three-year period.

Key non-financial performance indicators of the medium-term business plan

CSV Commitment

The Kirin Group made steady progress in fulfilling the CSV Commitment laid out in the first fiscal year of its medium-term business plan. Results in main categories of the CSV Commitment are as follows.

- KB** Kirin Brewery Company, Limited
- KBC** Kirin Beverage Company, Limited
- ME** Mercian Corporation
- LN** Lion Pty Limited
- MBL** Myanmar Brewery Limited
- KH** Kirin Holdings Company, Limited

Scan here to visit the Kirin Group's CSV Commitment website



KB ME LN MBL

A Responsible Alcohol Producer

0.1 Responsible drinking / passing a culture of enjoying alcoholic beverages to the next generation

CSV Commitment indicator

Number of participants in appropriate drinking education programs / viewers of drinking manner advertisements

2021 target

Deploy new programs and advertisements to promote responsible drinking

2019 result **1.007 million people** → Target* **1 million people**

* The target will be revised by the end of 2020.

Reason for setting the target

To educate consumers on risks associated with the harmful use of alcohol

SDG indicator

Harmful use of alcohol, defined according to the national context as alcohol per capita consumption (aged 15 years and older) within a calendar year in litres of pure alcohol



3.5.2

Health and Well-being

KBC

1.1 Supporting self-care for healthy people and people with pre-disease

CSV Commitment indicator

Development and expansion of sales of no- and low-sugar, low-calorie products and products with positive health effects

2021 target

Increase the sales of products with healthy additives and products with either reduced or no sugar in order to expand the percentage of products in the Health & Well-being domain among the entire product portfolio

2019 result **9%** increase compared with 2018 → Target **15%** increase compared with 2018

Reason for setting the target

To help customers lower the risk of developing obesity or other lifestyle diseases

SDG indicator

Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease



3.4.1

Community Engagement

ME

2.2b More sustainable production of raw materials

CSV Commitment indicator

Volume of grapes produced at our own vineyards

2021 target

Increase the volume of high-quality grapes grown by Kirin Group-operated vineyards in order to expand sales volume of Japanese wine

2019 result **152 tons** → 2027 target **200 tons**

Reason for setting the target

To help increase high-quality grapes grown for Japanese wine

SDG indicator

Volume of production per labour unit by classes of farming / pastoral / forestry enterprise size



2.3.1

The Environment

KB KBC ME KH

3.3 Actions regarding biological resources

CSV Commitment indicator

Use of Forest Stewardship Council (FSC) certified paper for paper containers and packaging

2021 target

Switch all paper used for container packaging of products sold by KB, KBC, and ME to FSC-certified paper (and also switch from plastic cups to paper cups made with FSC-certified paper)

2019 results → 2020 target

Six-can packs	Gift boxes	→ 100%
100%	100%	
Drink boxes	Cardboard cartons	
99.6%	100%	

Reason for setting the target

To contribute to raising the sustainability of forest resources that could otherwise be destroyed by deforestation

SDG indicator

Progress toward sustainable forest management



15.2.1

Corporate brand value

2019 **\$2,007 million** → 2021 target **\$2,200 million**

Source: Best Japan Brands 2019 published by Interbrand

Employee engagement score

2019 **70%** → 2021 target **72% or higher**

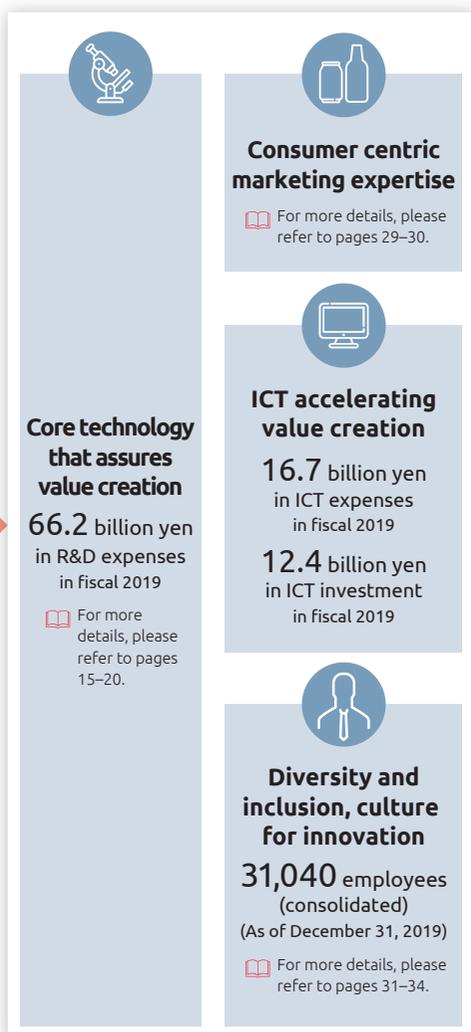
Value Creation Model

Enhancing economic and social value with the concept “creating shared value” positioned at the core of all management

Kirin Group Corporate Philosophy

INPUT

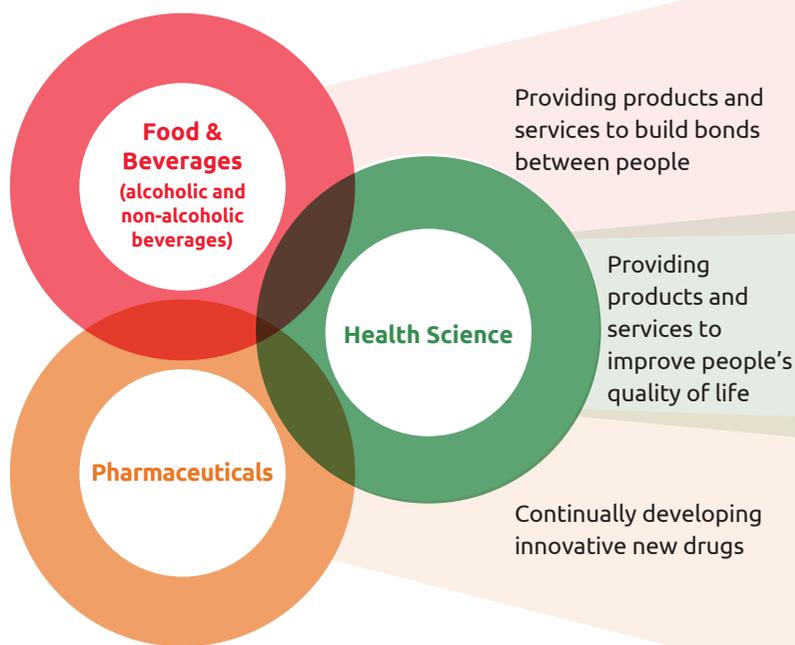
Foundations for driving innovations



BUSINESS

The Kirin Group is activating business synergies to approach social issues as opportunities for business growth

Business domains



OUTPUT

The Group is leveraging its foundation for driving innovation that enable its businesses to help society around the world settle the issues

Providing products and services to build bonds between people

Providing products and services to improve people's quality of life

Continually developing innovative new drugs

Kirin Group corporate governance

The Kirin Group firmly bases its management on the concept of creating shared value (CSV).

The Group uses its marketing expertise, technological capabilities, information and communications technology (ICT), human resources, and corporate culture as a foundation for innovation that drives its businesses in the Food & Beverages domain (alcoholic and non-alcoholic

beverages), Pharmaceuticals domain, and Health Science domain. The products and services the Group offers in these business fields contribute to creating economic and social value for people around the world. The Group will continue investing in its foundation for innovation, which is the source of future growth, and continue the cycle of value creation that will fuel ongoing sustained growth.

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

OUTCOME

The Kirin Group gives value back to the society it serves



Financial key performance indicators*

ROIC

CAGR of normalized EPS

Non-financial key performance indicators*

CSV Commitment

Corporate brand value

Employee engagement score

For more details, please refer to pages 25–26.

* The indicators are used in the 2019 MTBP.

Economic value Maximized cash flows

For more details, please refer to pages 21–24.

Social value CSV Purpose

For more details, please refer to pages 37–38.



Health and Well-being



The Environment



Community Engagement



A Responsible Alcohol Producer

For more details, please refer to pages 53–63.

Highlight 1

Enhancing Kirin Beverage's marketing capabilities

Applying the Group's organizational expertise in marketing

Developing brands over the long term through marketing reforms

In 2019, Kirin Brewery increased the overall sales volume of its beer products for the second consecutive year and profit for the fourth straight year. Even though market conditions had become increasingly challenging, the company was able to continually post solid results thanks to its marketing reforms.

The reforms were initiated at Kirin Brewery by its president, Takayuki Fuse, in 2017. Before that time, the company had been pursuing a higher market share over the short term but lacked a long-term brand development strategy. Therefore, it narrowed down the number of brands it would invest in and created a medium- to long-term brand development plan. At the same time, the company completely integrated its marketing activities spanning from advertising to in-store campaigns. Following a steady stream of accomplishments from these initiatives, a number of marketing methods were integrated and the Kirin Group's organizational capabilities evolved.

Restarting sales growth of *FIRE* amid a downward trend in the market

In Japan's soft drink market, sales of canned coffee have been on the decline in recent years. For Kirin Beverage, decreased sales of canned coffee products were having a relatively large impact on performance because these products are highly profitable. It was able to compensate for these results with growing sales of other products, but finding a way to halt the falling sales of *FIRE* became a serious issue.

Compared with beer brands, devising medium- to long-term marketing strategies for soft drink brands is more difficult as the cycle of releasing new products and renewing existing brands is much faster. Kirin Beverage had been implementing a short-term cycle, as conventionally done by soft drink makers in Japan, but due to the impact of the downward trend in the market, its marketing campaigns were less and less successful. Therefore, in the autumn of 2019, Kirin Beverage adopted Kirin Brewery's marketing methods to renew *FIRE* in an effort to restart the brand's sales growth.

Strengthening the *FIRE* brand



Kenji Masuda

Head of brands and manager of the *FIRE* brand Marketing Division
Kirin Beverage Company, Limited

Applying Kirin Brewery's expertise at Kirin Beverage

The renewed version of *FIRE* was released in October 2019, but since April of the same year, we had been creating a new marketing plan by studying Kirin Brewery's methods and radically revamping our prior marketing methods. We started by overhauling our previous year's plan, as it did not reflect consumer needs. Then we defined the brand's purpose and exhaustively studied what was required to realize that purpose and expand business. Based on the results of a consumer survey, we formulated an execution plan to deliver a consistent message to customers at each product touch point. While our activities increased, of course, as we conducted more consumer surveys and planned product promotion campaigns that would exceed customers' expectations, through those efforts, we created a plan that successfully attracted many customers to our products.



Implementing an integrated marketing approach

We also incorporated Kirin Brewery's successful marketing methods to create sales activities at off-premise channels. Based on consumer survey results, we analyzed what kind of activities could most effectively attract customers at such channels, produced a point-of-sale model, and proposed the campaign to the sales department in charge of in-store sales campaigns. Instead of dividing up responsibilities hierarchically as done before, our two departments worked alongside each other to implement the in-store activities. Moreover, for the first time ever, we visited all regional offices to directly explain the brand purpose and the aim of the marketing strategy to the sales departments in charge of regional operations. Consequently, everyone involved collectively understood our objectives and implemented an effective in-store campaign in every region of the country.

Developing marketing personnel with a commitment to the profitability of each brand

Kirin Beverage is not only committed to the long-term development of its brands but also to increasing the profitability of those brands while developing marketing personnel capable of operating a brand business. Our marketing team for *FIRE* tackled the big challenge of generating profits from coffee products in a persistently tough market. Drawing from the expertise of Kirin Brewery, we have been producing advertisements that are effective in encouraging

FIRE brand sales volume and profit growth in 2019

	Year on year increase
Sales volume	4%
Gross profit	5%
Direct profit	20%

consumers to buy our products. We are also working to reduce the prices of procured raw materials and ingredients. Through these efforts, we are aiming to maximize the *FIRE* brand's contribution to profits.

Raising brand equity and maximizing profit

In 2019, we succeeded in increasing the sales volume of the *FIRE* brand by 4% year on year. Our April 2019 release of *FIRE One Day Black*, which comes in a PET bottle, contributed to that result. The sales volume of the canned products, which are comparatively more profitable, was down year on year, but we were able to make up for that decrease by streamlining selling expenses, cutting costs, and increasing returns on investment. Consequently, both gross profit and the contribution margin increased year on year. Furthermore, brand recall and brand consideration rates* reached the highest levels in three years, indicating that we had improved brand equity along with the higher profits. Kirin Beverage is now focusing on increasing brand equity and maximizing profits through long-term planning and integrated marketing. Looking ahead, we intend to use the same methods to promote other brands and further improve our organizational capabilities.

* The brand recall rate refers to the percentage of consumers that can recall as specific brand within a product category; the brand consideration rate refers to the percentage of consumers that recall a specific brand and express an intention to purchase it, as measured by survey respondents who choose either of the top two rankings from among seven rankings ranging from having no interest in a brand to having a strong desire to buy it.

Brand consideration rate for *FIRE*



Highlight 2

Development of our human resources

The Executive Officer in charge of HR and General Affairs on the HR strategy

Strengthening the organizational capabilities essential to innovation

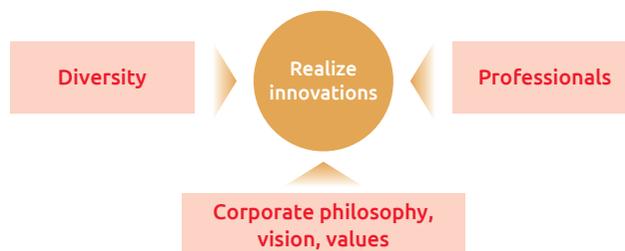
In these increasingly uncertain times of what has been described as the “VUCA World” of volatile, uncertain, complex, and ambiguous conditions, the Kirin Group is entering a new stage in its drive to fulfill the long-term management vision, Kirin Group Vision 2027 (KV2027) of creating value in business domains spanning from Food & Beverages to Pharmaceuticals. The organizational ability to support continuous innovation that contributes to solving social issues is essential, but the greatest resource of our corporate competitiveness is our personnel. Marketing, technology, and ICT provide a foundation for innovation, and it is our people who elevate them to their full power.

Promoting diversity is a key focus of our human resources strategy. Diversity is essential to creating value

and is one of “One KIRIN” values that we seek to instill in all Group employees. Catalyzing the capabilities of employees with different attributes, perspectives, sensibilities, skills, and experiences is the driving force for creating new value. The Kirin Group is actively seeking human resources with various specializations and is focusing on expanding employee perspectives through internal and external transfers and exchanges. Another key element in our HR strategy is the continuous and methodical development and strengthening of Group management personnel.

We also seek to provide a work environment and foster a corporate culture that encourages employees to take on challenges and seek to fulfill their personal potential. We believe providing a dynamic organization enhances our ability to generate innovation.

Realize innovations through the combination of diverse values, ways of thinking, skills and experience



Toshiya Miyoshi
Director of the Board,
Senior Executive Officer



“ People have unlimited potential. Supporting the growth of all employees leads to innovation. ”

Embracing Diversity and Inclusion

Stronger business through a variety of perspectives, abilities, and experience

The Kirin Group promotes diversity in human resources in two main ways.

The first is by bringing together a diverse workforce. We are widening our net beyond recent college graduates to actively pursue mid-career professionals with abundant knowledge and high degrees of expertise. We aim to increase hiring of mid-career professionals to above 30%. We have found that placing experienced professionals in middle management positions with certain levels of authority is stimulating positive changes in areas such as how decisions are made and how we develop employees.

The other way we promote diversity is by encouraging each employee to widen their horizons by providing ample opportunities to gain experience through personnel exchanges with companies both inside and outside the Group. The experiences greatly benefit younger employees, but also strengthen our management level staff. We plan to actively participate in personnel

exchanges in the new Health Science domain because we believe cultivating employees with diverse perspectives, abilities, and experiences will be especially advantageous for strengthening its business foundation. Other initiatives to broaden employee perspectives include dispatching staff to other companies, supporting dual employment and secondary occupations, and expanding the system for employing retired individuals.

Bolstering our cadre of female leaders is another area we are focusing on to bring in diverse perspectives. We are taking the approach of “advanced career formation” by enabling employees to accumulate as much work experience as possible prior to life events like marriage, childbirth, or childrearing. We offer workshops and mentoring programs aimed at fostering career awareness, the Kirin Women’s College for developing leadership and strategy-building abilities, and a program to nurture leaders through external training assignments providing opportunities for mutual training and network building in other industries. In 2019, the Kirin Group had raised the percentage of female leaders to 8.4% and aims to increase the percentage to 12%, or three times the 2013 percentage, in 2021.

Column

Special subsidiary employing people with disabilities

The Kirin Group established the Kirin Group Charter for Hiring People with Disabilities in January 2011, and actively employs and seeks to provide work environments for people with disabilities.

In July 2019, Kirin Office Service was established with the objective of providing employment opportunities to individuals with mental and intellectual disabilities.

The company has been approved as a special subsidiary company system for the Group based on the Act on Employment Promotion of Persons with Disabilities. Kirin Office Service supports a wide variety of operations at the Group’s Head Office and contributes to the promotion of workstyle reform.

Employees carry out key back-office work at the Group’s Head Office



Strengthening Organizational Capabilities

Highlight
2

Development of our human resources
The Executive Officer in charge of HR and General Affairs on the HR strategy

Cultivating Group Management Personnel

Systematically developing human resources to lead our growth strategies

Our human resources management system develops management personnel that will play central roles in each Group business and advance the Group's growth strategies. The system begins by visualizing the expertise and skills required for a specific position, and then taking inventory of the current status of those attributes. We then systematically and steadily cultivate the human resources necessary to lead our business strategies to success by providing work designed to accelerate employee development and training programs to enhance employee capabilities.

Individuals showing particular promise are provided opportunities early in their careers to gain experiences through new or difficult jobs and assignments matched to their talents and abilities. Other measures to quickly cultivate their Group management skills include promotions from middle manager positions to high-level positions in Group companies, and Kirin Brewery appointing individuals regardless of their seniority to president and manager positions at their branch operations.

Fostering a Corporate Culture of Taking on Challenges

Creating an environment for proactive employees

A corporate culture that encourages all employees to proactively take on challenges without fearing repercussions from failing is essential to realizing the full potential of a workforce of individuals with diverse capabilities.

We seek to foster the leadership capabilities of employees in leadership positions by regularly informing them of the results of questionnaires about the actual growth of their junior employees and their performance in interviews. In addition, for the top leaders in Kirin Holdings and the core operating companies, we introduced a Leadership Strengthening Program in 2017 and provide coaching through the 360° Survey and external coaching to heighten a training mindset for transforming the organizational culture.

At the same time, we are creating an environment

where employees can take the initiative. In 2019 we invited career employees of the core operating companies to indicate if they were interested in transferring to work at Kirin Holdings, and in April 2020 some 1,100 employees transferred to the Company. By eliminating the seniority element and treating employees based on their job experience, achievements, and career goals, we expect the personnel system to encourage employees to proactively seek greater responsibility and pursue growth opportunities. We also provide opportunities for employees to enroll in MBA programs overseas and participate in work programs working on social issues in developing countries, business experience programs overseas, workshops in other industries, management courses, and temporary assignments in start-up companies.

Improving work conditions in the Company is another area of focus. We consider work conditions as the starting point for workstyle reform and health management. One of the programs contributing to workstyle reform is the one-month "Nari-Kirin Mom/Dad Training" simulating the

Column

Kirin Brewery President Fuse personally conducts manager development sessions

Kirin Brewery President Fuse has been holding personal training sessions for developing management personnel since 2018. These "Fuse Classes" are designed to strengthen the leader mindset and leadership abilities and to provide first-hand exposure for full-time employees in their late 20s to early 30s from which individuals with motivation and high potential will be selected.

The classes provide rare opportunities to discuss with the president and to join in deep discussions about the current status and future direction of the company. The learning and insight that participants gain from the sessions fuels motivation and encourages them to take the initiative to actively change and develop. Over 70 young employees from various departments have attended the half-year classes in the past two years and many are now actively pursuing clear goals toward fulfilling their visions for the future.

working life of individuals raising children or providing care for someone. The program gives employees a chance to consider the type of workstyle that would be the most appropriate for their situation. We are also enabling telework to facilitate autonomous and creative work styles, and are using the latest technology to improve work processes and create comfortable working environments. Our health management support for employees focuses mainly on lifestyle related diseases, mental health, and the responsible consumption of alcohol. We are currently recommending more rigorous follow-up health checkups and actively conducting stress checks and employee satisfaction surveys to promote employee health, and encouraging employees to follow our “Slow Drink®” approach for responsible alcohol consumption.

Supporting each employee’s individual challenges

KV2027 is a major challenge for the Kirin Group, and I believe how we face the changing environment will play a major role in shaping the careers of all of our employees.

We are entering a new age that values diversity. Kirin Holdings and our operating companies in Japan must move beyond the homogeneity of hiring and providing lifetime employment to individuals from the latest college graduating class, and welcome the diversity provided by bringing in mid-career professionals and previously retired workers. In this major change to the employment environment, employees will have to change their mindset from adapting to changes in the company to taking control of their careers and, in positive way, actively pursue challenges that will enable them to further their careers.

The Kirin Group will seek to provide ample opportunities to individuals taking the initiative to advance their careers. I believe people have unlimited potential and can grow through their work.

The Kirin Group will continue actively investing to strengthen the non-financial assets that are its human resources and organization as we seek to generate sustaining growth.

Column

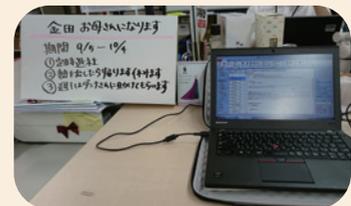
Innovative work balance simulation program “Nari-Kirin Mom/Dad Training” is improving work efficiency

“Nari-Kirin Mom/Dad Training” is our unique program enabling employees to experience what it might be like to work while raising children, providing nursing care, or caring for a partner who is sick was the brainchild of women in our sales department. An employee chooses one of the three situations and then for one month participates in a simulated experience where they must balance work with home responsibilities such dealing with time constraints and when a child suddenly develops a fever.

The main purpose of this training is to deepen understanding of various work styles and to give employees a chance to consider their work from the perspectives of organizational and personal needs so they can improve their work efficiency. Employees who participate in the program reduce their overtime work by an average of over 60% from the year before. Initially offered at the Head Office and some business sites, in 2019 the program was introduced in the 33 offices in Japan, representing over 35% of the offices of Kirin Holdings, Kirin Brewery, Kirin Beverage, and Mercian. The Kirin Group aims to offer the program at all of its business sites by 2021.



Employees participating in special programs put up signs with their goals so coworkers will understand and support their efforts



CSV Stories

By solving issues confronting people today and creating new value, the Kirin Group is aiming to evolve as a global leader in creating shared value (CSV). Toward that end, we formulated our CSV Purpose, which includes the Group's long-term direction, and our CSV Commitment as a medium- to long-term action plan. This section introduces various business activities aimed at realizing the commitment and the Group's framework for promoting CSV.

Kirin Group CSV Purpose and CSV Commitment

Page 37

Highlights of environmental initiatives

Highlight
1 Complying with
TCFD guidelines

Highlight
2 Environmental
Vision revised

Page 39

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1

The Environment Page 41

The Kirin Group works
together to recycle PET
bottles and save resources



Representative Director of the Board and Senior Executive Vice President Keisuke Nishimura (left) receiving the award from Minister of the Environment Shinjiro Koizumi

Gold Award received from ESG Finance Awards Japan

Kirin Holdings won a Gold Award in the Environmentally Sustainable Company category of the ESG Finance Awards Japan, an awards program established by the Ministry of the Environment in 2019. The Company was given high marks for its efforts to promote the approach of combining economic and social value as the foundation for CSV management, and for measures to strengthen sustainability governance led by the Board of Directors and Group CSV Committee. Kirin Holdings was also evaluated as a pioneer among global companies for its initiatives related to the Task Force on Climate-related Financial Disclosures.

Working toward the sustainability of society and the Kirin Group

The Group's operating environment is undergoing major changes, and it is expected to play an active role in solving issues that communities face today. In that context, Kirin Holdings became a signatory of the United Nations Global Compact in September 2005, and since then, we have been working toward the sustainability of society and the Kirin Group based on the compact's 10 Principles, which are organized under four main categories*. Guided by its CSV Purpose, the entire Kirin Group is working to help accomplish the United Nations Sustainability Development Goals through its businesses over the medium and long terms.

* The four categories of human rights, labor, the environment, and anti-corruption were selected and agreed upon internationally as universal values.



Yoshinori Isozaki

Yoshinori Isozaki
President & CEO
Kirin Holdings

CASE
2

Health and Well-being —Pharmaceuticals Business—

Page 43

Developing unique pharmaceuticals to bring happiness to patients around the world

CASE
3

A Responsible Alcohol Producer Page 45

Contributing to healthy and pleasurable lives by developing a variety of non-alcoholic beers

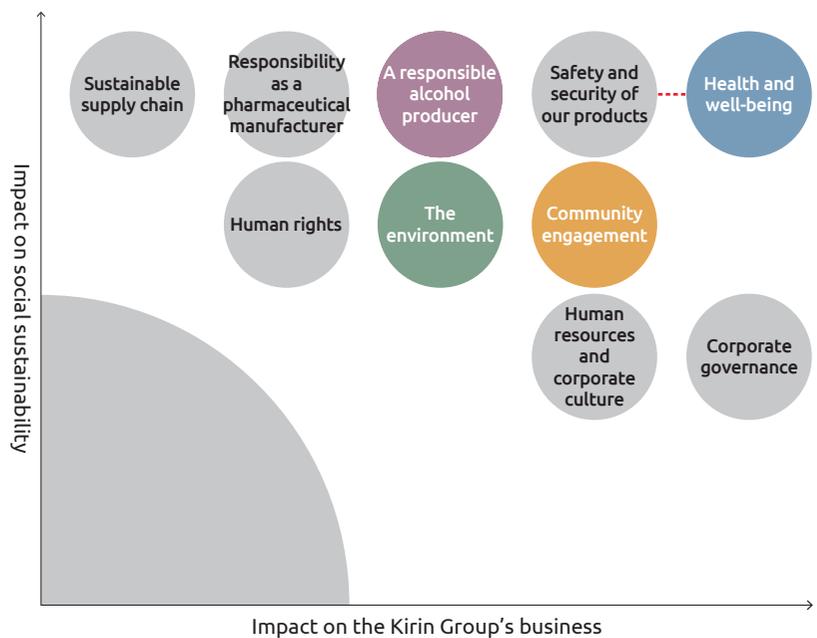


Framework for promoting CSV to create value with society

Kirin Group Materiality Matrix

The Kirin Group has organized its "Management Issues for Sustainable Growth" in the Kirin Group Materiality Matrix with a view to continue developing sustainably with society in the future. Based on social issues related to its businesses, the Group designated the fulfillment of its role as a responsible alcohol producer along with health and well-being, community engagement, and the environment as four CSV key issues.

Kirin Group Materiality Matrix



WEB Management Issues for Sustainable Growth (Group Materiality Matrix)
<https://www.kirinholdings.co.jp/english/csv/materiality/>

CSV Purpose

To create value and grow sustainably with society, the Kirin Group established a CSV Purpose corresponding to each of its four CSV key issues as its Long-Term Management Vision, Kirin Group Vision 2027. Together with the revision of its Environmental Vision in February 2020, the Group changed the environmental goal from "realize a society based on 100% resource circulation by 2050" to "enrich the sustainable Earth for future generations through positive impact." Having set this higher hurdle, the Kirin Group has begun working to accomplish its goals going forward (see page 40 for details).

WEB Our CSV Purpose
<https://www.kirinholdings.co.jp/english/csv/purpose/>

Joy brings us together
KIRIN

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 the healthcare 	Community Engagement Create more opportunities for customers to spend time with their families and friends, and develop the communities within our supply chain 	The Environment Enrich the sustainable Earth for future generations through positive impact
A Responsible Alcohol Producer Make steady progress toward eradicating the harmful use of alcohol in all countries of operation (Zero Harmful Drinking) 		

CSV Commitment

To work toward solving its key CSV issues, the Kirin Group established 19 CSV Commitments as a medium-term action plan for its CSV Purpose. Each commitment was created with the non-financial targets of the Group's medium-term business plan.

By linking its business strategies with the CSV Commitments, the entire Kirin Group can share goals for creating social value while further entrenching CSV management geared toward the economic value of bolstering its competitiveness and growing its businesses.

In fiscal 2019, the Group implemented measures based on each approach and made steady progress toward accomplishing its goals.



Performance indicators for the CVS Commitments

<https://www.kirinholdings.co.jp/english/csv/commitment/>



KB Kirin Brewery
 KBC Kirin Beverage
 ME Mercian
 KIW Koiwai Dairy Products
LN Lion
 MBL Myanmar Brewery
KKC Kyowa Kirin
KH Kirin Holdings

	CSV Commitment	Approach and goals
A Responsible Alcohol Producer	Responsible drinking / passing a culture of enjoying alcoholic beverages to the next generation	1. Do an education program of appropriate drinking 2. Label products with its alcohol to support responsible drinking habits KB ME LN MBL
Health and Well-being	Supporting self-care for healthy people and people with pre-disease	1. Develop and expand sales of low and no-sugar products, calorie-reduced products, and products with scientifically proven health benefits KBC KIW 2. Continue to create new value in ingredients with health benefits (e.g. <i>Lactococcus lactis</i> strain Plasma) KH
	Evolution in medical treatment	Strengthen our drug discovery foundation to develop and provide new drugs globally based on the strengths of R&D and production capability acquired through developing and providing biologics KKC
Community Engagement	Contributing to community vitalization	Create and increase opportunities that bring people together at dining tables, recreational activities, seasonal events, and sports and music events with Kirin Group's products KB ME KBC MBL
	More sustainable production of raw materials	Take a long-term perspective to enhance the value of raw materials and support production area and contracted farming toward achieving sustainable procurement and revitalization of production areas 1. Amount of Japanese hops procured KB 2. Volume of grapes produced for Japan wine ME 3. Contracted farming ratio of procured rice for brewing MBL 4. Number of small-scale farmers supported for acquisition of Rain Forest Alliance certification KH KBC
The Environment	Actions regarding climate change	Introduce renewable energy and promote energy conservation Kirin Group
	Actions regarding containers and packaging	Strive to maintain the 3Rs and resource circulation for containers and packaging KB KBC ME LN

Group CSV Committee activity report

The Group CSV Committee meets once per year, in principle, to proactively and independently promote CSV throughout the Kirin Group. Chaired by the president of Kirin Holdings and comprised of presidents of the Group's main operating companies, the committee deliberates on long-term CSV strategies.

Tasks in 2019

- Addressed progress made in 2018 and future issues
- Aimed to be a global leader in creating shared value and worked toward strengthening the resilience of management
 - Complied with environmental, social and governance (ESG) criteria
 - Exchanged views based on proposals from the Task Force on Climate-related Financial Disclosures
- Attended a lecture by an expert from outside the Group



Highlights of Environmental Initiatives

With a view to help make society and businesses more resilient, the Kirin Group established a new environmental vision that takes into account analyses of climate-related risks and opportunities conducted by the Task Force on Climate-related Financial Disclosures (TCFD).



Complying with TCFD guidelines

Based on the schedule suggested by the TCFD, the Kirin Group is preparing to disclose information covering about five years in compliance with the TCFD's guidelines.

	2018	2019	2020	2021	2022
Resilience strategies		• Strategy for dealing with medium- and long-term risks drafted	• Revision of the Long-Term Environmental Vision		• Business strategies to be reviewed
Deliberations by management		• Deliberations by the Kirin Group CSV Committee (refer to the page 38)	• Deliberations by the Group Executive Committee	• Results to date to be fully deliberated by the Group Executive Committee	
Scenario analyses	• Trial impact assessment of agricultural product yields	• Impact assessment of agricultural product yields • Water stress assessment of agricultural product areas • Carbon pricing impact assessment	• Financial impact assessment	• Assessments and research to continue	

Main initiatives in fiscal 2019

Impact of climate change on major agricultural product yields/land suitable for cultivation

Legend: Negative/positive impact of less than 10% ▲/+
From 10% to less than 50% ▲▲/++
50% or more ▲▲▲/+++

Agricultural products	Kirin Group Scenario3: 4°C, unwanted world, 2050			
	United States	Asia	Europe / Africa	Oceania
Barley		West Asia Yield ▲/+ South Korea Yield +	Finland Spring wheat yield ▲ Mediterranean coast (West) yield ▲, (East) yield + France Winter barley and spring barley: Both yields ▲	Western Australia Yield ▲▲
Hops			Czech Republic Yield ▲	
Black tea		Sri Lanka Yields down in lowlands Little impact of temperature rise in highlands India (Assam region) For each 1°C temperature rise above average temperature of 28°C, yields down 3.8% India (Darjeeling region) Yield ▲▲-▲▲▲ (Sources from tea industry, not academic papers)	Kenya Rise in altitude of suitable cultivation land Major contraction of suitable cultivating land in Nandhi region and western Kenya Kenyan mountain regions will remain suitable for cultivation Malawi Chitipa district: Suitable land ▲▲▲ Nkhata Bay district: Suitable land ▲▲▲ Mulanje district: Suitable land ++ Thyolo district: Suitable land ++	
Wine grapes	United States (California) Suitable land: ▲▲▲ Northwestern United States Suitable land: +++ Chile Suitable land: ▲▲	Japan (Hokkaido) Expansion of suitable land Enable cultivation of Pinot Noir Japan (Central Honshu) Suitable land expanded on the one hand, but high-temperature damage also caused	Northern Europe Suitable land: +++ Mediterranean coast Suitable land: ▲▲▲ Spain Production volumes ▲-▲▲ Western Cape, South Africa Suitable land: ▲▲▲	New Zealand Suitable land: +++ Southern coastal regions of Australia Suitable land: ▲▲▲ Outside southern coastal regions of Australia Suitable land: ▲▲
Coffee beans	Brazil Suitable land for Arabica: ▲▲▲ Suitable land for Robusta: ▲▲▲	Southeast Asia Suitable land for Arabica: ▲▲▲ Suitable land for Robusta: ▲▲▲	East Africa Suitable land for Arabica: ▲▲ Suitable land for Robusta: ▲▲	
Corn	Southwestern United States Yield ▲▲ United States (Iowa in mid-West) Yield ▲-▲▲			

Agricultural product yields and water stress

The projected impact of climate change by 2050 and 2100 was analyzed on barley, hops, black tea leaves, and other agricultural products in each country from which supplies are procured.

Carbon pricing

Preliminary calculations showed that reductions of about 4.7 billion yen annually in carbon emission costs would be possible if the 2030 medium-term target to reduce group-wide greenhouse gas emissions by 30% is achieved compared with if no actions to reduce emissions are taken.

Water risk in manufacturing locations and logistics routes

The risk of flooding was assessed in non-alcoholic beverage manufacturing locations (including outsourced manufacturing) and logistics routes handling four main products.

Kirin Group Scenario 1: 2°C, sustainable development

	2025	2040
If the 2030 goal is achieved	4,657 million yen	4,264 million yen
If no actions are taken to achieve the 2030 goal	5,691 million yen	8,921 million yen

Note: Refer to the Kirin Group Environmental Report 2019 for more details

Highlight
2

Environmental Vision revised

Based on its outlook spanning to 2050, the Kirin Group revised the Kirin Group Long-Term Environmental Vision, its long-term strategy announced in 2013, and re-established it as the Kirin Group Environmental Vision 2050.

Basic approach

Previous initiatives taken in Japan will be implemented overseas, initiatives implemented in designated areas overseas will be carried out in other areas, and the scale of initiatives will be expanded globally.

The impact of the initiatives will be expanded to not only include the Kirin Group's workplaces and value chain but also society as a whole.

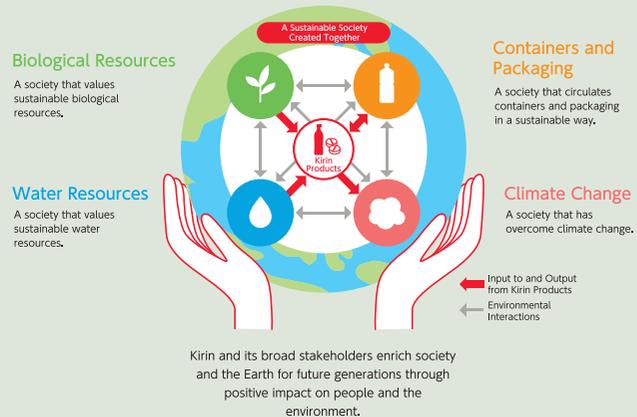
Efforts will not only be focused on curbing the negative impact of the Group's workplaces but also creating a positive impact on the value chain and society while expanding shared value.

The Kirin Group Environmental Vision 2050

The Kirin Group Environmental Vision 2050 calls for joining together with stakeholders to create a positive impact on society as a whole by combining the social value of ensuring a sustainable natural environment with the economic value of operating sustainable businesses. Specifically, while the Group currently provides support to tea farms in Sri Lanka for acquiring Rainforest Alliance certification, it will expand this support to coffee plantations in Vietnam from 2020 with the goal of both solving environmental problems in areas that grow raw materials and ensuring stable procurement of high-quality raw materials. Meanwhile, Lion Pty Limited is aiming to have all of its offices and facilities powered by renewable energy sources by 2025 in an effort to help curb climate change and bolster measures for realizing a low-carbon society, such as introducing a carbon tax.

Through such pioneering initiatives, the Kirin Group is leading the shift toward creating a sustainable society going forward.

Kirin Group's Environmental Vision 2050 Enrich the Earth with Positive Impact



Roundtable dialogue during the revision of the Environmental Vision

Held November 27, 2019

Participants from outside the Kirin Group: Yoshinao Kozuma, professor emeritus, Sophia University Faculty of Economics; Manabu Akaike, director, Universal Design Intelligence, Inc.; Mikako Awano, CEO, SusCon Japan

Chairperson: Masakazu Oki, Environmental Restoration and Conservation Agency's Japan Fund for the Global Environment

Participants from Kirin Holdings: Ryosuke Mizouchi, senior executive officer, and Ryuji Nomura, head of the CSV Strategy Department



CASE 1: The Environment

CSV Commitment

Actions regarding containers and packaging

As one of its environmental initiatives, the Kirin Group established the Kirin Group Plastic Policy in February 2019 and then launched its Plastic Strategy Project. The Group is aiming to increase the amount of recycled plastic used in its polyethylene terephthalate (PET) beverage bottles sold in Japan to 50% by 2027. To achieve this goal, it will make use of the extensive expertise of the Institute for Packaging Innovation, which conducts R&D on technologies related to alcoholic and non-alcoholic beverage containers and packaging.

About 80% of product containers sold by Kirin Beverage Company, Ltd., which operates the Group's Japan Non-alcoholic Beverages Business, are made of PET, a type of plastic that has been attracting considerable attention in recent years. Kirin Beverage, especially, has been actively working to use recycled plastic in its PET bottles and reduce plastic usage.



SDG targets

14.1	12.2 12.4	17.16 17.17
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CSV Commitment indicator

Percentage of recycled plastic used in PET beverage bottles sold in Japan

2027 target

50%

CASE

1

The Environment

Recycling PET bottles and saving resources group-wide

Stepping up PET bottle recycling to achieve our 2027 target

In 2018, the percentage of recycled plastic used in the Kirin Group's plastic beverage containers and packaging was only 2.2%. At that time, we did not think it was possible to greatly increase that percentage, mainly

because boosting production of recycled PET bottles was difficult as PET resin recycling companies in Japan had very limited production capacity.

Now, however, PET resin recycling companies in Japan plan to increase their production capacity starting from 2021. The Kirin Group has already realized a plan to procure a larger amount of recycled plastic, and to achieve the plan's objectives, we drastically raised our target for increasing the percentage of recycled plastic usage by around 2023. We will work to increase the percentage of recycled plastic from 2023, as well, by collaborating with PET resin recycling companies.

In 2019, the year we established the Kirin Group Plastic Policy, the Group sold a green tea beverage, *Kirin Nama-cha Decaf*, in bottles made entirely of recycled plastic. That was the first step toward achieving our target. Looking ahead, we intend to work together with government organizations and other companies in the industry to facilitate the collection of PET bottles for recycling. At the same time, we will conduct research and development on technologies for recycling PET bottles, utilizing the Group's extensive biotechnologies and other capabilities.

Hiroshi Kadowaki

Head of the Plastic Strategy Project
CSV Strategy Department
Kirin Holdings Company, Limited

PROFILE

Hiroshi Kadowaki joined Kirin Beverage in 1994, and was involved in starting up production lines for small PET bottles at the company's Shonan Factory in Japan and at the Vietnam Kirin Beverage Factory. Later, he moved to Kirin Holdings and worked in the Quality Assurance Department as well as other departments. Kadowaki was appointed to his current position in 2019, and in the Plastic Strategy Project, he is now mainly responsible for the recycling of PET bottle materials.



Tomoki Umehara

Plastic Strategy Project member and manager in charge of general affairs and planning
Production Department
Kirin Beverage Company, Limited

PROFILE

Tomoki Umehara joined Kirin Co., Ltd. (now Kirin Holdings Company, Limited) in 2016. He was appointed to his current position in 2019 after working at the Kirin Beverage Shiga Factory. In the Plastic Strategy Project, he is now mainly responsible for the recycling of PET bottle materials and ensuring more sustainable usage of raw materials.



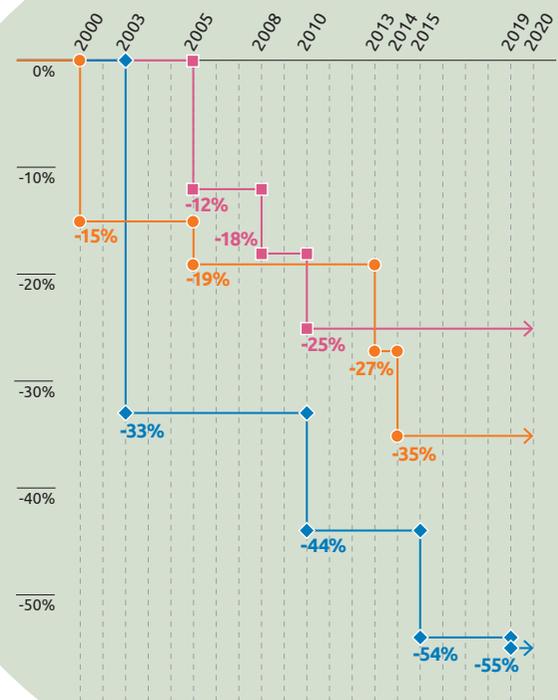
Applying the Group's technologies to reduce the weight of PET beverage bottles

In addition to recycling, reducing the amount of plastic we use is essential for the sustainable usage of plastic materials. Accordingly, Kirin Beverage has been making continuous efforts to reduce the weight of the PET bottles it produces.

In 2015, we developed a two-liter PET bottle weighing only 28.9 grams—the lightest in Japan—and used it for our ionized alkaline water product, *Kirin Alkali Ion Water*. We reduced the weight again in 2019, making the new bottle 55% lighter than PET bottles of the same size in 2000, which works out to a reduction of about 5,800 tons of PET resin usage per year (worth around 870 million yen). In 2020, we plan to upgrade the 1.5-liter PET bottle used for our tea lineup, *Kirin Gogo-no-Kocha*, for the first time in a decade, replacing it with a new bottle that is 37% lighter than bottles in 2000. Likewise, the 500-milliliter bottle for the same product will be replaced with a new bottle that is 35% lighter compared with the weight in 2000.

Looking ahead, Kirin Beverage will continue working to steadily reduce the weight of its PET beverage bottles by making good use of new weight-reducing technologies researched and developed by the Institute for Packaging Innovation.

Weight reductions of PET bottles used for mainstay products



Kirin Gogo-no-Kocha 500-milliliter bottle



Kirin Gogo-no-Kocha 1.5-liter bottle



Kirin Alkali Ion Water 2-liter bottle



CASE 2: Health and Well-being—Pharmaceuticals Business—



Len Paolillo

Executive Vice President and Chief Commercial Officer
Kyowa Kirin, Inc.

PROFILE

Len Paolillo joined Kyowa Kirin in 2014 as Vice President of Sales, and now serves as the Executive Vice President and Chief Commercial Officer.

antagonist. “It’s exciting to launch a medicine with a new mechanism of action (MOA),” said Mr. Paolillo. “We believe this drug represents a real pharmacological innovation for treating Parkinson’s disease.”

“We want to educate all our stakeholders about *Nourianz*. To do so, we are working with several well-established patient advocacy groups, who serve as a trusted source for unbiased product information and education programs that empower the community.”

In addition to community outreach, the US team is working to ensure patient access, and to focus its sales teams on engaging the 6,400 movement disorder specialists and neurologists that prescribe 80% of the branded Parkinson’s disease medicines.

Kyowa Kirin works hard to emphasize teamwork and bridge distances between divisions and affiliates worldwide to achieve seamless cooperation. “In launching *Nourianz*, the US team has relied on our Japanese sales, marketing, and medical colleagues to educate us on the product and the current state of the disease,” said Mr. Paolillo. “The development teams in Princeton, New Jersey and Japan have also proved to be excellent partners while securing FDA approval with a complex submission package.”

A novel Parkinson’s treatment launches in the US

Today, there are approximately 1 million patients in the US with Parkinson’s disease. Existing therapies in the US focus primarily on dopamine replacement or preservation, achieved with levodopa/carbidopa and other dopaminergic adjunct treatments. *Nourianz* (istradefylline) works differently. It is the first approved adenosine A_{2A} receptor



Health and Well-being
—Pharmaceuticals Business—

Developing unique pharmaceuticals to bring relief to patients around the world

CSV Commitment

Evolution in medical treatment

In accordance with its CSV Commitment in the field of health and well-being, the Kirin Group is working to continuously create ground-breaking new drugs and promote advancements in medical treatments. In line with that commitment, Kyowa Kirin has set the goal of marketing at least three new independently developed pharmaceutical products in over 50 countries.

In 2019, the company gained approval from the U.S. Food and Drug Administration to sell istradefylline as a treatment for Parkinson’s disease under the brand name *Nourianz*. Kyowa Kirin has been selling istradefylline in Japan under the brand name *Nourias* since May 2013, and has accelerated its availability globally as a new alternative for treating Parkinson’s disease.



SDG targets	
3.8	17.16 17.17

CSV Commitment indicator

Number of in-house drug discoveries marketed in multiple regions
Number of countries with markets for these new drugs

2021 target

Three or more products marketed in multiple regions
Over 50 countries in total

We developed a treatment for Parkinson's disease with an original mechanism of action

Parkinson's disease is known as a condition in which there is a reduced amount of dopamine, a neurotransmitter in the human brain that is important for controlling bodily movement. Therefore, Parkinson's disease treatments generally use medications that compensate for the lack of dopamine and its function in the brain. Unfortunately, however, patients experience "off" episodes when these drugs lose their effectiveness over time as the disease progresses.

Kyowa Kirin's drug, istradefylline, has been shown to be highly effective in alleviating these off episodes. The drug is unique in the world, as its mechanism of action inhibits adenosine A_{2A} receptors, which help maintain a balance in the action of dopamine. Kyowa Kirin developed the drug by drawing from its extensive R&D resources, including a substantial chemical library. The mechanism of action had never been known before, so a considerable amount of time was needed to gain approval from relevant authorities. Eventually, however, istradefylline was approved as a new drug after clinical trials were replicated and data was accumulated. Today, istradefylline is well-known in healthcare communities in Japan and its sales have grown to around 10 billion yen annually.

Istradefylline has been approved in the United States and is now undergoing the approval process in the European Union. We are aiming to raise the drug's profile in the global market for Parkinson's disease treatment, which is valued at around 240 billion yen.

Striving to develop a next-generation, monotherapy-capable drug

Kyowa Kirin is currently developing a new treatment for Parkinson's disease, provisionally named KW-6356 (its development code). Just like istradefylline, KW-6356 is a compound that has a strong affinity with adenosine A_{2A} receptors and selectively inhibits the actions of those receptors. While istradefylline is used to alleviate off episodes in combination with dopamine-related medicines, KW-6356 could be used as a single treatment for improving movements of Parkinson's disease patients. In phase II clinical trials, its effectiveness as a single therapy has already been demonstrated on patients in the early stages of the disease. If our development is successful, the drug may have the potential to be used not only in combination with dopamine-based treatments but also as a monotherapy.

Kyowa Kirin is carrying out several projects aimed at developing effective drugs that have completely new mechanisms of action. Looking ahead, as a global specialty pharmaceutical company, we will work with professionals in the healthcare industry to develop highly unique products. Indeed, we are aspiring to create innovative pharmaceutical products that greatly change currently used treatment methods and substantially improve patients' quality of life.

Mitsuo Satoh

Director
Medical Affairs Department
Kyowa Kirin Co., Ltd.

PROFILE

Mitsuo Satoh joined the company's predecessor, Kyowa Hakko Kogyo Co., Ltd., in 1987. Since then, he has played a leading role in immunology- and allergy-related R&D, and was in charge of the company's antibody research laboratory and R&D Division. He is currently overseeing business growth as a director in charge of the Medical Affairs Department.



PMD Alliance
Parkinson & Movement Disorder Alliance

PROFILE

Kyowa Kirin North America is working with Parkinson & Movement Disorder Alliance (PMD Alliance), a nonprofit organization dedicated to working with stakeholders to bring education and connection to people impacted by Parkinson's disease and other movement disorders. Its national services include workshops, resources, and retreats for care partners, families, support group leaders, and staff in facilities that care for people with Parkinson's disease. PMD Alliance programs and events deliver on its motto, "First you, then the disease", by emphasizing resilience, self-confidence, and connection. The information and programs provided by the group not only help people learn about treatments, but also give them the tools and confidence they need to talk with their physicians. "When people with Parkinson's and care partners are prepared for conversations with their providers, everyone wins," says Sarah Jones, MPA, CEO of PMD Alliance.

Voice from the Parkinson & Movement Disorder Alliance

PMD Alliance has been enthusiastic about the approval and launch of *Nourianz*. Ms. Jones continued, "For years, there have been few innovations in the treatment of Parkinson's disease. We are therefore excited about the potential of *Nourianz*, as it engages the adenosine A_{2A} receptor, a part of the brain not previously addressed by Parkinson's disease therapies. By learning about *Nourianz*, we also hope people impacted by Parkinson's disease will gain a broader understanding of the disease and its activity within the body."

CASE 3: A Responsible Alcohol Producer

CSV Commitment

Responsible drinking / passing a culture of enjoying alcoholic beverages to the next generation

Alcoholic beverages bring joy and pleasurable times to many people's lives. For some people, however, drinking alcohol can be problematic for health-related or other reasons. The Kirin Group recognizes that it has a responsibility as an alcoholic beverage producer to help eliminate any harmful consumption of alcoholic products. Accordingly, the Group works together with communities and organizations around the world to eradicate and prevent alcohol-related problems. For example, the Group carries out educational programs on responsible drinking and proper drinking etiquette, sets and complies with strict and voluntary industry standards for advertising and marketing alcoholic products, and actively takes part in industry-wide initiatives in many countries of the world.

In line with these efforts, Kirin Brewery is focusing on the development of non-alcohol and low-alcohol beverages, and has set the goal of increasing the sales volume of these products to 115% compared with its 2018 results by 2021.



SDG targets

3.5	17.16
3.6	17.17

CSV Commitment indicator

Increase in sales volume of non-alcohol and low-alcohol beverages

2021 target

115% compared with 2018
For products sold by Kirin Brewery

CASE

3

A Responsible Alcohol Producer

Contributing to healthy and pleasurable lives by developing a variety of non-alcoholic beers

Responding to the problem of drunk driving with **KIRIN FREE 0.00% non-alcoholic beer**

Kirin Brewery first began developing a beer-flavored beverage containing absolutely no alcohol in 2007. At that time, Japan was shaken by a series of serious traffic

accidents caused by drunk drivers. In response, the government set much stricter penalties against driving under the influence of alcohol and also penalized businesses that serve alcoholic drinks to drivers.

In those days, several beer-flavored beverages were already available in the market as non-alcoholic products, including Kirin-brand products, but all of them contained a small amount of alcohol. To produce a completely alcohol-free product, we decided to not adopt the conventional production method of that time, which was to use flavorings to produce a beer taste without fermentation. Our development team was made up of a diverse group of members. After a process of trial and error, the team successfully developed the world's first 0.00% non-alcoholic beer and named it **KIRIN FREE** in 2009.

Consumers immediately reacted very positively after the product was launched. Sales volume reached around four million cases annually in a market that had previously generated total annual sales of about 2.5 million cases. At the same time, the product created a new market for 0.00% non-alcoholic beer. We also collaborated with police departments in drunk driving prevention events and carried out promotional campaigns at highway service areas. Through those efforts, we helped alleviate the problem of drinking and driving in Japan.

Ikuko Kubo

Manager in charge of strategies for beer products
Marketing Department, Marketing Division
Kirin Brewery Company, Limited

PROFILE

Ikuko Kubo joined Kirin Brewery in 2009 and was assigned to its Marketing Division in 2013. Since then, she has been involved in various promotional campaigns for new products, including *Kirin Tanrei Platinum Double* low-malt beer released in 2014 and *Kirin Perfect Free* non-alcoholic beer launched in 2015. Reflecting on her job, Kubo said, "When I was put in charge of non-alcoholic beer products, I took stock of my own life and I came to appreciate the many benefits that these products have to offer, such as how they allow us to feel good the next day after drinking and to enjoy good times with even more friends."





Growing the non-alcoholic beer market in response to consumer demand

Before *KIRIN FREE* went on sale, we assumed that consumers in Japan regarded non-alcoholic beer as a substitute for beer at times when drinking alcohol was not possible. Following the sales launch, however, many people started choosing this product for more positive reasons, saying it was helpful for staying healthy or suited their lifestyle. As Japanese society changed, with people becoming more health conscious and working under diverse job conditions, the benefits of non-alcoholic beverages were recognized much more widely than we expected. Based on this trend, Kirin Brewery estimates that the domestic non-alcoholic beer market will grow by 1.5 times from 2019 to 2023.

At present, consumers generally want non-alcoholic beer to taste like beer and be a refreshing and healthy beverage. In response, Kirin Brewery worked to expand its product lineup. For health-conscious consumers, we released *Kirin PERFECT FREE* and *Kirin KARADA FREE* as products with proven functional benefits under the Japanese government's food labeling system. For customers who want a full beer taste, we are offering *Kirin*

Zero Ichi (Non-alcohol), which is produced using the same methods as our big-selling *Ichiban Shibori* beer. More recently, in response to consumers who want a refreshing taste, we began selling a new product in the spring of 2020 called *Kirin GREEN'S FREE*, based on the concept of a natural beer-flavored carbonated beverage.

Laws regulating alcoholic beverages will probably become stricter in the future, but I believe the value of these products is not only the pleasurable effects of alcohol. For example, people like the taste of alcoholic beverages, they enjoy drinking together with others, and sometimes reward themselves with a drink. In other words, these products offer various benefits depending on how they are used in people's lives. In the future, as a responsible alcoholic beverage producer, Kirin Brewery will strive to deliver these diverse benefits to consumers while helping to alleviate alcohol-related problems through the development of non-alcoholic beverages.

Responsible drinking campaigns implemented by Myanmar Brewery

With a view to cultivate a moderate drinking culture in Myanmar, Myanmar Brewery has been carrying out educational campaigns on responsible drinking, an area of high priority for the company. In 2019, it began labeling the alcohol content per beverage* to help customers better understand their individual alcohol consumption. At present, all of the company's products include this labeling. As a leading domestic beer brewery, Myanmar Brewery intends to continue implementing responsible drinking campaigns to help ensure that young people consume alcohol responsibly in the future.

* In Myanmar, a standard drink is defined as having 10 grams of pure alcohol content.



A "Standard Drink" symbol is labeled on 640 ml bottles and 330 ml cans of beer.

Segment and Business Overview

Japan Beer and Spirits

Core operating companies

- Kirin Brewery

Food & Beverages

Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Japan Non-alcoholic Beverages

Core operating companies

- Kirin Beverage

Food & Beverages

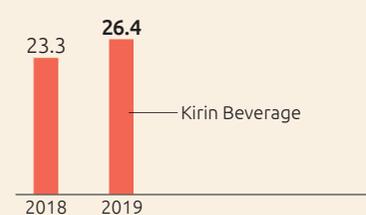
Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Oceania Integrated Beverages

Core operating companies

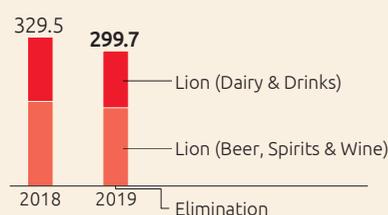
- Lion

Food & Beverages

Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Pharmaceuticals

Core operating companies

- Kyowa Kirin

Food & Beverages

Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Other

Core operating companies

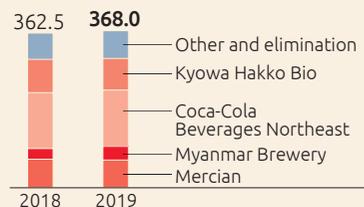
- Mercian
- Myanmar Brewery
- Kyowa Hakko Bio

Food & Beverages

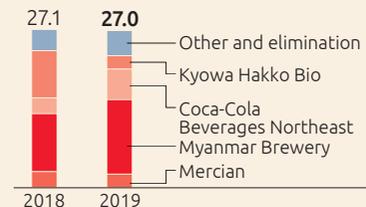
Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Japan Beer and Spirits

Market environment

Kirin Brewery expects the domestic market for beer to continue gradually shrinking as the country's birthrate slows and its population ages as well as amid a trend of diversifying consumer preferences. At the same time, the company expects the ongoing preference for lower-priced products and the desire for increased variety to support a growing market for ready-to-drink (RTD) products.

The revision to the Liquor Tax Act that will start in

October 2020 will incrementally combine the three categories of beer, *happo-shu* (low-malt beer), and new genre into a single category in 2026. Management does not anticipate a significant impact from the liquor tax revision in 2020 because the first stage of revisions will not come into force until October, but it looks for the lower taxes to stimulate growth in the RTD and the beer categories beginning in 2021.

Strategies

Kirin Brewery anticipates a market environment of homogenizing competition and are seeking to differentiate our products by creating brands that will flourish for 10 years and more. It is specifically seeking to further establish its core brands by focusing its marketing spending on *KIRIN ICHIBAN* and *Honkirin* and by having its sales and head office work closely together to promote the brands.

For *KIRIN ICHIBAN*, management is increasing the number of higher-margin mass retail channels and enhancing its brand equity in the on-premise channels.

The company is also laying the groundwork for future growth by stepping up its activities to grow the market for craft beer and by developing innovative products and services anticipating evolving consumer needs. The company is creating more opportunities for consumers to experience craft beers and is steadily increasing installations of the Tap

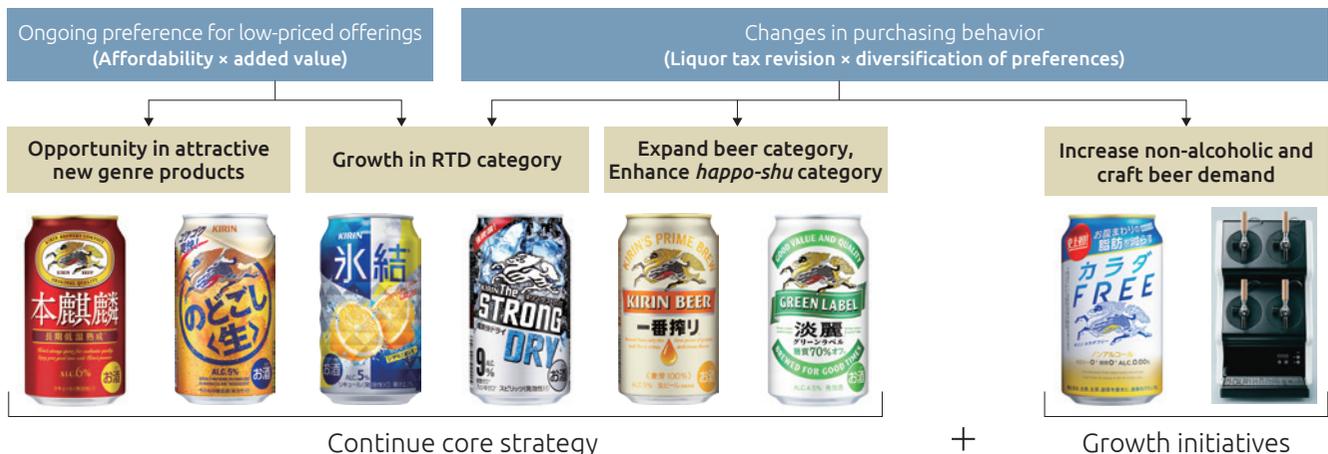
Marché beer dispensers at restaurants and bars.

Management will continue expanding sales in the growing RTD market by further strengthening the perennially popular *Hyoketsu* brand and presenting a comprehensive relaunch of *KIRIN The STRONG* to mark the brand's third successful year on the market.

In 2020, the company will also advance initiatives in the markets for non-alcoholic beer-taste beverages and whisky, both of which it expects to continue growing in coming years. In April this year, the company launched two new products—the non-alcoholic beer-taste beverage *KIRIN GREEN'S FREE* and the new whisky brand *Fuji*.

Anticipating rising costs for raw materials and logistics, the company plans to formulate a production and distribution structure that is optimal for Kirin Brewery, and will also seek to lower supply chain management costs.

Kirin Beer Plan for Fiscal 2020



Japan Non-alcoholic Beverages

Market environment

The steady growth in the Japan non-alcoholic beverage market turned to contraction in 2019 and, due to the declining population, Kirin Beverage expects it to continue gradually shrinking or holding flat in years ahead.

At the same time, however, Kirin Beverage expects the sugar-free category to continue growing supported by the trends of increasing health consciousness, the

aging population, and the shift in the consumer trend from making their own drinks to buying packaged beverages. The changes in society, such as the diversifying labor force and increasing environmental awareness, coupled with the soaring raw material costs are causing the competition in the market to emphasize profit margin over sales volume.

Strategies

Kirin Beverage will further pursue a high-profit business model in the rapidly changing market by advancing three strategic pillars of building a robust brand portfolio, further improving profitability, and creating new business opportunities designed to generate profit through growth driven by CSV. The company will also seek to strengthen brand longevity through intentional “purpose branding” highlighting the meaning of the brands in our society to create connections with consumers through the product story. At the same time, it will continue optimizing its stock-keeping units (SKUs).

Management will also continue building a robust brand portfolio by allocating more resources to the core brands of *Gogo-no-Kocha* and *Nama-cha*. In addition, management plans to expand and strengthen the company’s offerings centered on its core brands in the low-sugar and sugar-free products category, which grew roughly 9% year on year in 2019. The line of products using the *Lactococcus lactis* strain Plasma

cultivated by the Kirin Group will also be expanded. Management will strategically strengthen its product brand equity with the aim of assembling a portfolio of high-profit brands.

Management will progress with measures to “further improve profitability” among the anticipated increases in logistics demands and costs. Providing a stable supply of products with improved environmental performance, the company will also commence operations at factory-front warehouses near our manufacturing sites, which will give it more flexibility for raw material deliveries to the factories. The improvement to the logistics structure will enable a reduction in the number of long-haul trucks and lower CO₂ emissions.

Kirin Beverage will create new business opportunities by cultivating the KIRIN naturals business model of direct sales to corporate customers engaged in health-related activities, co-developing products with FANCL, and broadening the company’s export domain, particularly in Asia.

Generating profit through growth driven by CSV

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



Build a robust brand portfolio

Increase offerings in the low-sugar/sugar-free and health categories

- Raise sales volume in the sugar-free and health categories

Create new business opportunities

Create a new business model responsive to social health issues and collaborate with FANCL

The Environment

Enrich the sustainable Earth for future generations through positive impact



Further improve profitability

Reconstruct a sustainable logistics structure

- Adopt an easy-to-supply production structure
- Continue developing the factory-front warehouse structure

Promote initiatives to fulfill the Kirin Group Plastic Policy

Refer to pages 41–42.

Oceania Integrated Beverages

Market environment

Lion anticipates sales volume in Australia to remain flat or decline modestly in the broad trend of increasing health consciousness. The company also expects higher purchase prices from the introduction of container deposit schemes aimed at reducing waste to affect consumer purchasing behavior. At the same time, the

markets for premium and craft beer are expected to continue growing.

Management believes the acquisition of Carlton and United Breweries by Asahi Group Holdings has the potential to trigger a change in the competitive landscape.

Strategies

Lion is seeking to boost sales of its brands and is conducting a deeper examination of the types of products that consumers desire. In addition to increasing asset allocation to its five core brands in the growth categories of contemporary, premium, and craft beer, the company is taking steps to improve its profitability and build a brand portfolio capable of sustainable growth through the medium and long terms.

Lion has also introduced a new enterprise resource planning (ERP) system that will improve the operating efficiency at its head office by consolidating internal processes and enable faster decision-making by accelerating data analysis. On top of this, the addition of North America craft beer maker New Belgium Brewing to the Group in January 2020 is a major step toward establishing a strong competitive position in the global craft beer market. Lion will lead to the post-merger integration. Lion anticipates higher costs owing to increased promotional spending as part of brand investments, increased supply chain costs, and temporary costs associated with installing the ERP system. However, it plans to offset most of these costs by reducing costs in other areas, such as selling, general and administrative expenses.

Lion will continue implementing measures to advance the Medium-Term Business Plan 2019 strategies to maintain high profitability and expand the foundation for new growth.

Lion Plan for Fiscal 2020

- Focus resources on consumers to grow its brands
- Focus on avenues for growth through craft beer in the U.S. and the U.K.
- Execute the Australia ERP implementation



Segment and Business Overview

Pharmaceuticals

Market environment

The Japanese government is taking steps to preserve the public health insurance system as the country deals with a declining birthrate and aging society. These measures include promoting the use of generic drugs and annually reviewing drug prices, which could cause a

slowing of the growth in the domestic drug market.

At the same time, awareness of unmet medical needs continues to drive efforts worldwide to develop groundbreaking new medicines.

Strategies

Kyowa Kirin is committed to applying its CSV management to boost corporate value by creating new value that fully meets the true needs of customers. This is done by developing highly distinctive products and services through constant innovation using its cutting edge biotechnology. The company aims to make a strong contribution to the health and well-being of people around the world and to be a world-leading R&D-driven company in the life science field. It will accelerate the creation of new medical value and drugs by leveraging the latest biotechnology, particularly antibody technology, and efficiently investing in R&D mainly in the four areas of nephrology, oncology, immunology/allergy, and the central nervous system.

In 2019, the company advanced further toward becoming a global specialty pharmaceuticals company by expanding sales of *Crysvita* and *Poteligeo* in the European and United States markets and with the introduction of *Nourianz* to the United States market. In 2020, the company is aiming to continue raising the value of its global strategic products while boosting revenue by expanding the indications for *Crysvita* and completing the launch of *Poteligeo* in Europe.

Kyowa Kirin is establishing the One Kyowa Kirin* structure and will continue to cultivate the corporate culture of a global specialty pharmaceuticals company.

* One Kyowa Kirin is a matrix management structure combining a regional organization based on four regions—Japan, EMEA (Europe/Middle East/Africa), North America, and Asia / Oceania—and a functional organization based on the functions that transcend regions.

Groundbreaking new drugs for the world

Other	Cancer	Central Nervous System	Immunology / Allergy
Japan United States Europe	Japan United States	Japan United States	Japan United States Europe
Crysvita Sales launched	Poteligeo Preparing for sales launch in Europe	Nourias / Nourianz Submitted for approval in Europe	Benralizumab Sales launched
Anti-FGF23 Fully Human Antibody FGF23-related hypophosphatemic rickets, osteomalacia, etc.	Anti-CCR4 Humanized Antibody Cutaneous T-cell lymphoma Peripheral T-cell lymphoma Adult T-cell leukemia/lymphoma, etc.	Adenosine A _{2A} receptor antagonist Parkinson's disease	Bronchial asthma
	Global strategic product		Out-licensed to AstraZeneca
Worldwide revenue 32.6 billion yen (2019) 60.2 billion yen (2020 forecast)	Worldwide revenue 12.8 billion yen (2019) 16.3 billion yen (2020 forecast)	Worldwide revenue 9.8 billion yen (2019) 13.4 billion yen (2020 forecast)	Sales royalties 8.9 billion yen (2019)

Other

Strategies

• Mercian

All tariffs on European-made wines imported to Japan were lifted in 2019 with the enforcement of the Japan-EU Economic Partnership Agreement. In 2020, the US-Japan Trade Agreement will begin incremental reductions in tariffs on exports of bottled wines between the countries. However, wine sales have plateaued, and the company expect sales to remain flat or slightly decline.

Mercian's strategies in these conditions are to avoid over-reliance on sales growth to boost profits. Specifically, it will continue to review the profitability of its offerings in each category and brand channel and will seek to augment the shelf presence of its products and generate demand by developing and promoting innovative products, such as organic wines*1 and casual sparkling*2 wines, to broaden the appeal of wine to a wider audience.

*1 Organic wine meeting the standards of the International Federation of Organic Agriculture Movements (IFOAM)

*2 Sparkling wine that is easy to drink and buy, fits every occasion, and can be enjoyed in a wide variety of situations

• Myanmar Brewery

Myanmar Brewery is facing increasing competition from new market entrants but anticipates its beer market to continue expanding by 5–10% annually. The company will flexibly respond to the changing market and capture the growing demand by leveraging its strongpoint of highly efficient supply chain management and by employing advanced marketing techniques centered on its flagship *Myanmar Beer*

brand and the *Andaman Gold* brand in the expanding economy category.

• Coca-Cola Beverages Northeast

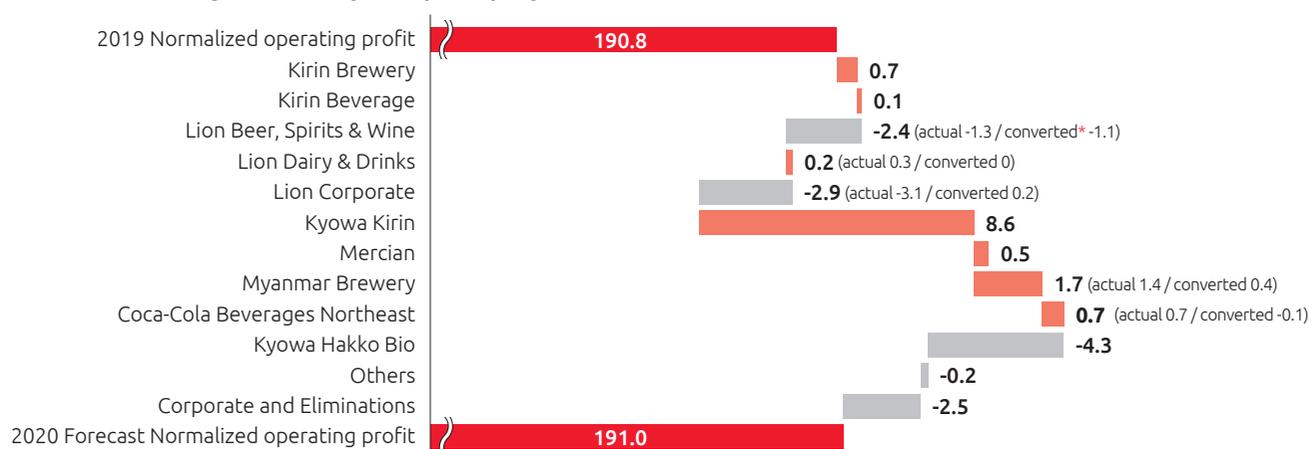
Coca-Cola Beverages Northeast will continue to enhance its profitability by revising the product pricing of its carbonated beverages, improving its operating efficiency, and reducing costs. The company will continue efforts to foster a sense of unity following the expansion of its geographic business domain while also progressing with structural reform aimed at further boosting its earning power.

• Kyowa Hakko Bio

Kyowa Hakko Bio became a direct subsidiary of Kirin Holdings in April 2019. As a core company in the Group's drive to expand its business in the Health Science domain, the company is exploring advanced materials and low-cost fermentation production technology to develop products and services to meet unfulfilled consumer needs in the health field.

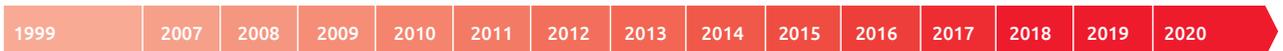
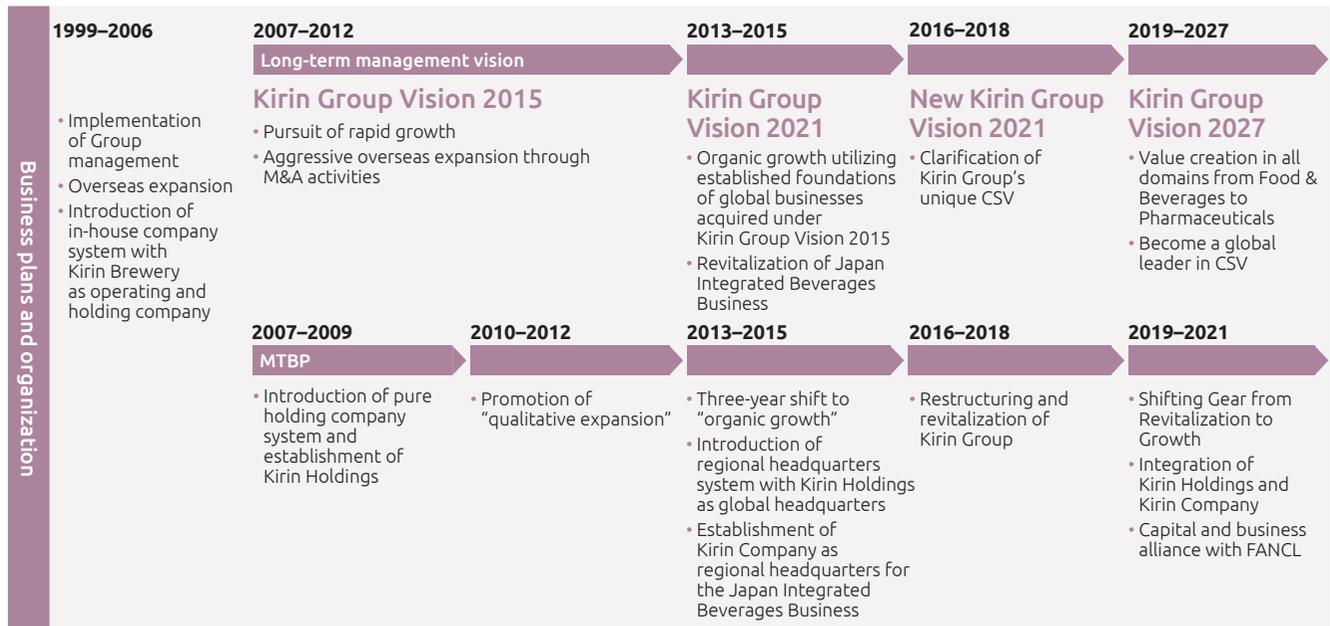
In August 2019, an issue was discovered in the company's manufacturing processes. Management is responding by completely overhauling its quality assurance system, revising its employee training and procedure manuals, and increasing the use of automated equipment. The company is aiming for this reconstruction of its manufacturing and quality control structure to put its business back on a growth trajectory by 2021.

Fiscal 2020 earnings forecast by Group company (Billions of yen)



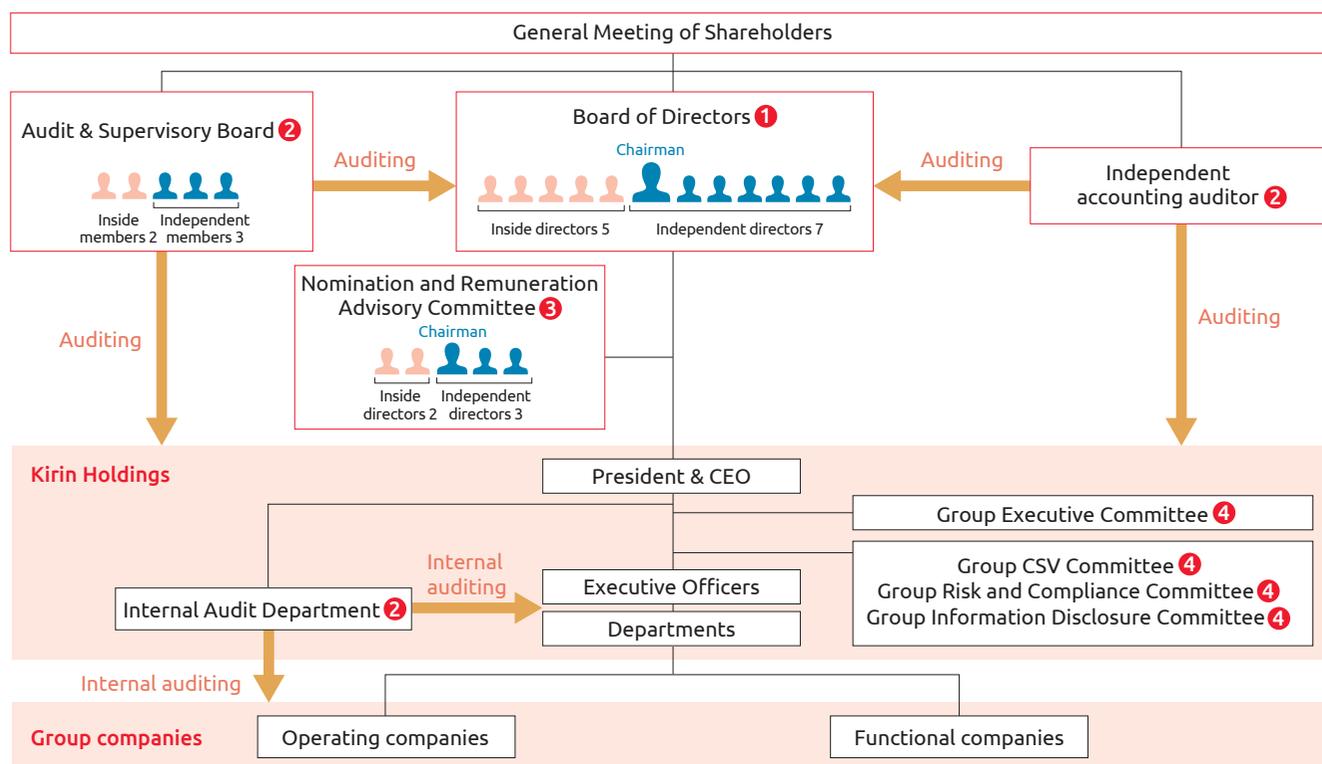
* Converted = when converted to Japanese yen using the Company's forecasted exchange rate as of the start of FY2020.

Evolution of the Corporate Governance System



* Number of directors. Indicates the number as of April 1 of each year

Corporate Governance Systems



1 Desired functions of the Board of Directors of the Kirin Group

Enhance medium-to-long term corporate value by making important corporate decisions and providing supervisory functions through verifying executive and business company strategies (proposals), making sound recommendations from a broad perspective, and providing oversight.

Important decision-making

- Focus on important matters and discuss them from a medium-to-long term management perspective by using a compact decision-making structure that delegates responsibility to executing managers

Oversight

- Establish corporate governance policy and enhance performance evaluations and other monitoring activities
- Boost supervisory functions with input from non-executive directors with expertise and objective perspectives

2 Mutual cooperation between Audit & Supervisory Board members, independent accounting auditor, and internal control divisions

- Audit & Supervisory Board members regularly attend Board of Directors meetings and other important corporate meetings, and visit Group companies in Japan and overseas to audit directors in the performance of their duties. Members also work closely with corporate auditors of Group companies to enhance the effectiveness of audits.
- The Internal Audit Department audits the Group's major risks and internal control system. The Internal Audit Department, Audit & Supervisory Board members, and independent auditors exchange information and views and hold discussions when necessary. The Internal Audit Department and Audit & Supervisory Board members obtain pertinent information by attending meetings of the internal control divisions and the independent accounting auditor interviews internal control division staff as necessary to conduct an effective audit.

3 Advisory body to the Board of Directors

Nomination and Remuneration Advisory Committee: An advisory body to the Board of Directors; the committee is responsible for discussing from an objective and fair perspective the appointment/removal and remuneration of directors, Audit & Supervisory Board members, and executive officers of major Group companies. The committee is also responsible for the Kirin Holdings CEO successor plan.

As for the composition of the committee, the chairman and the majority of committee members are non-executive directors, thus ensuring objectivity and transparency. The term of office is one year.

Independent directors: Shoshi Arakawa (Chairman), Hiroyuki Yanagi, Chieko Matsuda

Inside directors: Yoshinori Isozaki, Toshiya Miyoshi

4 Advisory bodies to the president

Group Executive Committee: The Group Executive Committee assists the president & CEO in decision-making on matters related to strategies and investments that will have a significant impact on the Kirin Group.

Group Information Disclosure Committee: Delegated by the president, the committee deliberates and decides the importance of information including its timely disclosure and the necessity of timely disclosure.

Group CSV Committee: Refer to page 38.

Group Risk and Compliance Committee: Refer to page 64.

International Advisory Board

The International Advisory Board (IAB) was set up as a consultative body to the CEO to offer advice and proposals regarding the Group's global growth strategies, risk management, and corporate governance. The IAB comprises members with abundant international experience, along with directors and executive officers from Kirin Holdings.

Strategic advisors

Strategic advisors are outside experts with extensive experience and expertise who are appointed to provide specialized and global perspectives. The advisors attend meetings of the Group Executive Committee, an advisory body to the president (CEO).

Directors



Yoshinori Iozaki

President & CEO
Member of the Nomination and Remuneration Advisory Committee

1977 Joined the Company
2015 President & CEO of the Company (current position)



Keisuke Nishimura
Representative Director of the Board, Senior Executive Vice President

Business Alliance and Investment Strategy, Overseas Business, Global Craft Beer

1980 Joined the Company
2017 Representative Director of the Board, Senior Executive Vice President of the Company (current position)

Major Concurrent Positions
Director of Lion Pty Ltd
Director & Vice Chairman of Myanmar Brewery Limited
Director of San Miguel Brewery Inc.
Director of China Resources Kirin Beverages (Greater China) Co., Ltd.



Toshiya Miyoshi

Director of the Board, Senior Executive Officer
Member of the Nomination and Remuneration Advisory Committee

HR and General Affairs

1982 Joined the Company
2015 Director of the Board, Senior Executive Officer of the Company (current position)

Major Concurrent Positions
Director of Kirin Brewery Co., Ltd.
Director of San Miguel Brewery Inc.



Noriya Yokota

Director of the Board, Senior Executive Officer

Chief Financial Officer, IR, IT, Business Transformation

1984 Joined the Company
2018 Director of the Board, Senior Executive Officer of the Company (current position)

Major Concurrent Positions
Director of Kyowa Kirin Co., Ltd.
Director of Kirin Business System Co., Ltd.



Noriaki Kobayashi

Director of the Board, Senior Executive Officer

R&D Strategy, Quality Assurance

1983 Joined the Company
2019 Director of the Board, Senior Executive Officer of the Company (current position)

Major Concurrent Positions
Director of Kyowa Hakkio Bio Co., Ltd.



Shoshi Arakawa

Non-executive Director of the Board*¹
Chairman of the Nomination and Remuneration Advisory Committee

1968 Joined Bridgestone Corporation
2006 CEO and President, Representative Board Member of Bridgestone Corporation
2012 Chairman of the Board of Bridgestone Corporation
2013 Advisor of Bridgestone Corporation
2015 Non-executive Director of the Company (current position)



Masakatsu Mori

Non-executive Director of the Board*¹
Chairman of the Board

1969 Joined Arthur Andersen, LLP
1995 Japan Representative of Andersen Consulting (currently Accenture Japan Ltd.)
2015 Audit & Supervisory Board Member of the Company
2018 Senior Advisor of International University of Japan (current position)
2019 Non-executive Director of the Company (current position)



Hiroyuki Yanagi

Non-executive Director of the Board*¹
Member of the Nomination and Remuneration Advisory Committee

1978 Joined Yamaha Motor Co., Ltd.
2007 Executive Officer of Yamaha Motor Co., Ltd.
2009 Senior Executive Officer of Yamaha Motor Co., Ltd.
2010 President, CEO, and Representative Director of Yamaha Motor Co., Ltd.
2018 Chairman and Representative Director of Yamaha Motor Co., Ltd. (current position)
2019 Non-executive Director of the Company (current position)



Chieko Matsuda

Non-executive Director of the Board*¹
Member of the Nomination and Remuneration Advisory Committee

1987 Joined The Long-Term Credit Bank of Japan, Limited
2011 Professor of School of Business Administration, Faculty of Urban Liberal Arts (currently Faculty of Economics and Business Administration) at Tokyo Metropolitan University (current position), Professor of Department of Business Administration, Graduate School of Social Sciences (currently Graduate School of Management) at Tokyo Metropolitan University (current position)
2016 Audit & Supervisory Board Member of the Company
2020 Non-executive Director of the Company (current position)



Noriko Shiono

Non-executive Director of the Board*¹

1983 Joined Japan New Media Co., Ltd.
2010 Representative Director, President of SSP Co., Ltd.
2017 President of Widex Japan (current position)
2018 Non-executive Director of Kirin Co., Ltd.
2020 Non-executive Director of the Company (current position)



Rod Eddington

Non-executive Director of the Board*¹

1979 Joined John Swire & Sons (H.K.) Ltd.
1992 Managing Director of Cathay Pacific Airways Limited
2000 Chief Executive Officer of British Airways plc
2012 Chairman, Independent Non-executive Director of Lion Pty Ltd (current position)
2020 Non-executive Director of the Company (current position)



George Olcott

Non-executive Director of the Board*¹

1986 Joined S.G. Warburg & Co., Ltd.
2000 Managing Director, Equity Capital Market, UBS Warburg Tokyo
2014 Guest Professor, Faculty of Business and Commerce, Keio University (current position)
2020 Non-executive Director of the Company (current position)

Audit & Supervisory Board members



Akihiro Ito
Standing Audit &
Supervisory Board Member

1983 Joined the Company
2015 Director of the Board, Senior Executive Officer of the Company
2018 Standing Audit & Supervisory Board Member of the Company (current position)
2019 Audit & Supervisory Board Member of Kyowa Hakko Bio Co., Ltd.



Keiji Kuwata
Standing Audit &
Supervisory Board Member

1985 Joined the Company
2019 Standing Audit & Supervisory Board Member of the Company (current position)
Audit & Supervisory Board Member of Kyowa Hakko Kirin Co., Ltd. (currently Kyowa Kirin Co., Ltd.) (current position)



Nobuo Nakata
Audit &
Supervisory Board Member*²

1985 Admitted to the Japanese Bar and joined Ishiguro Law Office as an associate
1987 Associate of Masuda & Ejiri (currently Nishimura & Asahi)
1991 Admitted to the New York Bar
1992 Partner of Masuda & Ejiri (currently Nishimura & Asahi)
2007 Partner of Allen & Overy
2012 Representative Partner of Hibiya-Nakata (current position)
2018 Audit & Supervisory Board Member of the Company (current position)



Yoshiko Ando
Audit &
Supervisory Board Member*²

1982 Entered the Ministry of Labor
2003 Lieutenant Governor of Shiga Prefecture
2007 Director of Equal Employment Policy Division of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare (MHLW)
2013 Director-General of Industrial Accident Compensation Department of Labour Standards Bureau, MHLW
2014 Director-General of Equal Employment, Children and Families Bureau, MHLW
2015 Director-General for Labour Policy Planning, MHLW
2016 Director-General for Statistics and Information Policy, MHLW
2017 Director-General for Human Resources Development, MHLW
2019 Audit & Supervisory Board Member of the Company (current position)



Kaoru Kashima
Audit &
Supervisory Board Member*²

1981 Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
1985 Registered as a certified public accountant
2010 Managing Director of Ernst & Young ShinNihon LLC In charge of Corporate Culture Promotion Office, Public Relations Office
2012 General Manager of Knowledge Headquarters, Managing Director of Ernst & Young ShinNihon LLC
2013 Representative Director of Ernst & Young Institute Co., Ltd.
2020 Audit & Supervisory Board Member of the Company (current position)

Executive officers



Hiroshi Ogawa
Senior Executive Vice
President

Public Relations,
Risk Management, Legal
Director of Kirin Brewery
Co., Ltd.



Ryosuke Mizouchi
Senior Executive Officer

CSV, North America
Beer Business
Director of Lion Pty Ltd
Director of Coca-Cola Beverages
Northeast, Inc.
Director of Mercian Corporation



Toru Yoshimura
Senior Executive Officer

General Manager of Corporate
Strategy Department,
Health Business Strategy,
Digital Strategy
Director of Kirin Beverage
Co., Ltd.



Junko Tsuboi
Senior Executive Officer

General Manager of
Strategic Branding Department,
Marketing, Strategic Branding



Masao Maehara
Senior Executive Officer

Supply Chain Management
(Production, Logistics,
and Procurement)
Director of Kirin Beverage
Co., Ltd.



Takayuki Fuse
Senior Executive Officer

President and CEO,
Kirin Brewery Co., Ltd.



Hideki Horiguchi
Senior Executive Officer

President and CEO,
Kirin Beverage Co., Ltd.



Takeshi Minakata
Senior Executive Officer

President & CEO,
Kyowa Hakko Bio Co., Ltd.

Information on matters related to the nomination of directors and Audit & Supervisory Board members can be found on the Company's corporate website.



Management (profile and reasons for nomination)
<https://www.kirinholdings.co.jp/english/company/board/>



Criteria regarding the independence of Officers
https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_independencecriteria_officer.pdf

*¹ Non-executive Director as described in Article 2-15 of the Companies Act of Japan. Also fulfills the requirements for designation as an independent officer as prescribed in the regulations of the Tokyo Stock Exchange and complies with the Company's Criteria regarding 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 the regulations of the Tokyo Stock Exchange and complies with the Company's Criteria regarding the independence of Officers

Masakatsu Mori

Non-executive Director
Chairman of the Board

An Audit & Supervisory Board Member of Kirin Holdings since 2015, Masakatsu Mori has been a Non-executive Director since 2019. He has served as Japan Representative of Andersen Consulting (currently Accenture Japan Ltd.) and President of International University of Japan, among other important posts.



Strengthening effectiveness of the Board's internal control to enhance value creation

Stimulate discussion by setting agendas and seeking clarification

As chairman of the Board of Directors I have the important responsibility of setting Board meeting agendas to match the Company's circumstances. To encourage lively dialogue we ask management to clarify as much as possible the issues and alternatives related to each item of business.

At Kirin Holdings, agenda items, including issues and alternatives, are presented to the Board only following thorough discussion at the Group Executive Committee.

This facilitates a nuanced exchange of views by non-executive directors drawing from their diverse backgrounds and knowledge, thereby assuring that resolutions evolve from comprehensive discussion. For example, in formulating the Long-Term Management Vision, Kirin Group Vision 2027 (KV2027) and its first stage, the 2019–2021 Medium-Term Business Plan (2019 MTBP), we followed the above process, spending about ten months from initial review to final resolution.

I also make a practice of eliciting the views of as many members as possible. Although Board meeting discussions are, in the main, between non-executive directors and top

management, I encourage participation by inside directors and executive member observers, as well, to further expand our perspective.

Actionable resolutions depend upon metrics-based discussion

In Board meetings we rely on verifiable facts and figures to maintain evidence-based objectivity in our discussions. As an example, the Board evaluates business initiatives, investments, and cash allocations in light of ROIC as a KPI. Basing discussions on metrics helps non-executive directors judge a proposal on its merits and encourages the executive side to provide concrete rationale.

In addition, the Group's Accounting Department evaluates investment proposals, while our Legal Department examines contractual agreements and advises on legal risks. Financial and legal reviews of business proposals are reported to the Board to identify issues requiring discussion.

To ensure Board effectiveness, non-executive directors need a comprehensive understanding of the

Group's businesses. Besides visits to operating company sites, we take a variety of opportunities to deepen our knowledge, including agenda-related presentations by subsidiary executives and on-site inspection reports by auditors. The Company's corporate auditors' participation in Board meetings helps further strengthen governance. This is because auditors understand the realities of the executive side through their on-site inspections and other on-the-ground assessments.

Annual self-evaluations and interviews of all Board members add further support to our effectiveness. In fiscal 2019, Kyowa Hakko Bio received an administrative sanction for pharmaceutical manufacturing. In fiscal 2020, therefore, we will monitor efforts to increase transparency in production processes, as well as enforcement of compliant behavior and functioning of our internal compliance hotlines.

Continuous oversight to carry out growth strategy

In the past, Board deliberations concerned the long-term vision, business domains, and action plans for the entire Group. Now, however, we are called upon to oversee implementation to check that it stays aligned with this vision and progresses according to plan. Herein lies the key to creating value.

We will regularly review M&A transactions to confirm PMI progress and the emergence of synergies. Our increasing investment in health sciences, notably FANCL, makes such oversight all the more important. My fellow non-executive directors and I have learned from experience that ongoing post-investment monitoring is essential. We believe that the Company is now prepared to take on this challenge, as we have requested.

Significant changes in the corporate management environment highlight the importance of fortifying and adapting governance in line with a new vision. Governance depends, in essence, upon a relationship of mutual trust between the executive side and the Board members, along with intra-management cooperation. To do otherwise opens the door to governance risks, such as



Interview with the Non-executive Director

tardiness in bringing critical issues to the Board's attention. While we believe that the Board's relationship with the executive side, particularly the CEO, and cooperation within management are currently healthy, we also recognize that it is our duty as non-executive directors to maintain the vigilance necessary to continuously reinforce the Board's effectiveness.



Evaluations of the Board of Director effectiveness

Kirin Holdings regularly evaluates the operation and discussion content of the Board of Directors and strives to ensure the important decision-making and supervisory functions of the Board. In fiscal 2019, Kirin Holdings conducted a survey based on an assessment by a third-party advisor, and the Board of Directors discussed and evaluated the survey results, current related measures, and the status of improvements in eight areas: (1) strategy formulation, execution, and monitoring, (2) oversight of risk and crisis management, (3) depths of awareness and oversight of sound corporate ethics,

(4) oversight of decision-making, such as in business acquisitions and withdrawals, (5) oversight of executive compensation and successor development plans, (6) general oversight of disclosure to stakeholders, (7) composition and operation of the Board of Directors, and (8) overall effectiveness. Based on the conclusions, Kirin Holdings determined that the Board of Directors is generally functioning properly and maintaining its effectiveness.

In fiscal 2020, we will seek to maintain and improve the effectiveness of the Board of Directors through the following discussions.

Fiscal 2020 discussion points

- 1 Discuss "composition and operation of the Board of Directors" that enables oversight and advising on health science domain, etc. from a specialized and objective standpoint
- 2 Discuss ways to ensure "thorough awareness of sound corporate ethics," as it relates to the Corporate Philosophy system, degrees of employees' understanding and awareness of ethics rules, etc.
- 3 Discuss how "risk management" should be conducted to address risks that have become more globalized and more complex
- 4 Discuss the environment-, society-, and governance- (ESG) related issues from the "non-financial targets (CSV Commitment, etc.)" viewpoint
- 5 Discuss "strategies for individual functions" that are essential for executing overall strategies aimed at enhancing corporate value over the medium-to-long term, taking into consideration rival and retail trends

Enhancing Management Effectiveness

Expertise and experience of directors, Audit & Supervisory Board members, and executive officers

Kirin Holdings appoints directors, audit & supervisory board members, and executive officers with abundant experience, deep insight, and high specialization with the aims of ensuring appropriate and high-level decision-making and management of the Group and achieving continual growth in corporate value.

We also use the results of the Board of Directors effectiveness evaluations to identify the areas of

knowledge and experience that are important for deliberation and decision-making of the Board of Directors. Considering those areas along with the diversity represented by its members, we seek to create an overall balance on the Board and to strengthen its ability to execute group business and provide management oversight, including monitoring and strategic review.

		Expertise and Experience								
		Corporate Management	ESG / Sustainability	Finance / Accounting	HR Management / Development	Legal / Compliance / Risk Management	SCM	Brand Strategy / Marketing / Sales	Overseas Business	R&D / New Business / Health Science
President & CEO	Yoshinori Isozaki	●	●			●		●	●	
Representative Director of the Board, Senior Executive Vice President	Keisuke Nishimura	●			●				●	
Director of the Board, Senior Executive Officer	Toshiya Miyoshi		●		●			●		
Director of the Board, Senior Executive Officer & CFO	Noriya Yokota		●	●	●		●		●	
Director of the Board, Senior Executive Officer	Noriaki Kobayashi						●		●	●
Director (non-executive)	Shoshi Arakawa	●					●		●	
Director (non-executive)	Masakatsu Mori	●		●					●	
Director (non-executive)	Hiroyuki Yanagi	●					●	●	●	
Director (non-executive)	Chieko Matsuda		●	●		●				
Director (non-executive)	Noriko Shiono	●						●	●	●
Director (non-executive)	Rod Eddington	●							●	
Director (non-executive)	George Olcott		●	●	●				●	
Standing Audit & Supervisory Board Member	Akihiro Ito			●					●	
Standing Audit & Supervisory Board Member	Keiji Kuwata						●	●		
Audit & Supervisory Board Member	Nobuo Nakata					●			●	
Audit & Supervisory Board Member	Yoshiko Ando		●			●				●
Audit & Supervisory Board Member	Kaoru Kashima			●	●					
Senior Executive Vice President	Hiroshi Ogawa				●	●				
Senior Executive Officer	Ryosuke Mizouchi		●					●	●	
Senior Executive Officer	Toru Yoshimura						●		●	●
Senior Executive Officer	Junko Tsuboi		●					●		
Senior Executive Officer	Masao Maehara						●		●	
Senior Executive Officer	Takayuki Fuse	●	●					●		
Senior Executive Officer	Hideki Horiguchi	●						●	●	
Senior Executive Officer	Takeshi Minakata	●					●		●	●

Independent directors

To increase the fairness and transparency of corporate governance, support the Group's continuing growth, and enhance the Group's corporate value over the medium-to-long term, as of April 2020 the Company has designated seven (7) independent directors and three (3) independent audit & supervisory board members.



Criteria regarding the independence of Officers
https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_independencecriteria_officer.pdf



Independent Officers Notification
https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_independentofficer.pdf



Enhancing Management Effectiveness

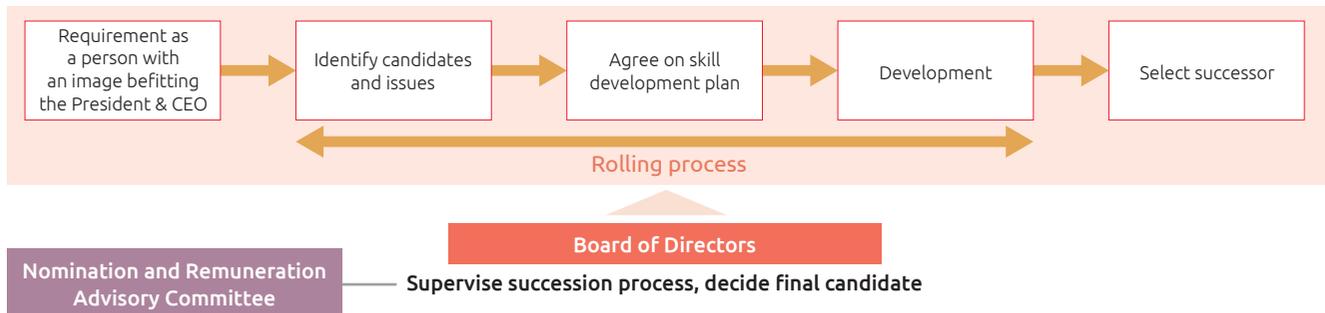
Candidate plan for President & CEO (succession planning)

The Kirin Holdings Nomination and Remuneration Advisory Committee deliberated on the formulation of policy for the President & CEO succession planning in 2016 and reported the requirements (an image befitting the President & CEO of Kirin Holdings) and the decision

process for candidates to the Board of Directors.

Based on this report, since 2017 we have been using a highly objective and transparent process supervised by the Board of Directors for selecting, evaluating, and training successor candidates.

Succession planning process



Cultivating candidates for the next generation management

The Kirin Group has formulated an original human resource management system and is strengthening the development of key personnel in the Group who are candidates to serve as the next generation of managers (see page 33 for details).

Employees who achieve high results and show initiative are provided opportunities to tackle challenging assignments, in the form of new or difficult jobs. By proactively placing employees based on their talents and abilities, the Kirin Group is seeking to quickly develop the core human resources that will lead the Group in Japan and overseas.

Roadmap for strengthening and developing human resources



Stance on listed subsidiary

Kirin Holdings is aware of importance of the relationship between the parent company and the listed subsidiary Kyowa Kirin in terms of business portfolio management and Group administration. The Corporate Governance Report published in April 2020 presents the Company's policies, determined by discussion of the Board of Directors, regarding the significance of retaining a listed subsidiary and ensuring the effectiveness of the governance system.

Kirin Holdings will regularly review and actively disclose information concerning the appropriateness of retaining Kyowa Kirin as a listed subsidiary from the perspectives of raising the corporate value of the Group, capital efficiency, governance effectiveness, and protection of minority shareholders.



Corporate Governance Report
https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_governance_report.pdf



Group company governance and performance assessment

Operational execution and monitoring system for Group companies

Kirin Holdings formulates and promotes Group strategy, monitors all Group businesses, and creates synergies across the Group.

Each Kirin Group company is located close to its customers and stakeholders and administers its operations autonomously and speedily with full authority to make business execution decisions tailored to their specific strategies. Kirin Holdings seats a director on each

company's Board of Directors to help maintain a high level of corporate governance.

Group company performance evaluations

The indicators used to evaluate the performances of Group companies are the quantitative targets of return on assets (ROA), which is directly linked to return on invested capital (ROIC), and earnings before income tax (EBIT), which directly affects guidance for the growth rate of normalized operating profit.

Remuneration system for executive officers

Kirin Holdings revised the remuneration system for executive officers in March 2017 with the aim of providing stronger incentive for officers to achieve the business plan and to further promote medium- and long-term value sharing with shareholders and investors. Remuneration levels are reviewed each year versus those at other major domestic corporations and using data for the period gathered by third-party agencies.

The performance evaluation benchmark for stock-based compensation with transfer restrictions was changed from ROE to ROIC upon the launch of 2019 MTBP. Non-financial indicators were added in 2020.

Basic policy

1. Remuneration shall emphasize the link to business performance and corporate value in the medium to long term, and shall encourage the sharing of value with shareholders.
2. Remuneration shall be at a level commensurate with the roles and responsibilities of a director of the Kirin Group.
3. Executive remuneration shall be reviewed by the Nomination and Remuneration Advisory Committee. To ensure objectivity and transparency, non-executive directors shall account for the majority of the committee members.



Remuneration System for Executive Officers
<https://www.kirinholdings.co.jp/english/ir/governance/compensation.html>

Classification of Officers	Basic Remuneration	Yearly Bonus	Restricted Stock Compensation	Purpose
Directors (excluding non-executive directors)	○	○	○	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.

Enhancing Management Effectiveness

Overview of remuneration system for executive officers

	Fixed remuneration Approximately 50%	Performance-linked remuneration Approximately 50%											
	Basic remuneration	Yearly bonus	Trust-type stock compensation										
	Basic remuneration	Trust-type stock compensation (performance-based)											
Position	Fixed remuneration	Short-term incentive remuneration	Medium- to long-term incentive remuneration										
Eligible recipients	<ul style="list-style-type: none"> • Directors (excluding non-executive directors) • Non-executive directors • Audit & Supervisory Board members 	Directors (excluding non-executive directors)	Directors (excluding non-executive directors)										
Type of remuneration	Cash	Cash	Stock (trust-type stock compensation)										
Evaluation indicators	—	<ul style="list-style-type: none"> • Consolidated normalized operating profit • Individual performance evaluation (excluding President & CEO) 	<ol style="list-style-type: none"> 1. ROIC 2. Normalized EPS 3. Non-financial evaluation* 										
Allocation policy	Establish remuneration for each role and duty	Remuneration is 100% when targets are achieved and varies within a range of 0 to 200%.	<ul style="list-style-type: none"> • Points are provided in a range of 50 to 150% in accordance with the degree of progress toward the performance targets for the year following a performance evaluation period. • In principle, stocks are awarded in accordance with the points received at a set period three years after the start of the performance evaluation period. 										
Calculation formula	—	<p>Calculation formula for individual remuneration</p> <div style="text-align: center;"> <p>Individual remuneration</p> <p>II</p> <p>Standard bonus</p> </div> <p>×</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Company performance pay rates</p> <p>× A</p> </div> <div style="text-align: center;"> <p>Individual performance pay rate</p> <p>× B</p> </div> </div> <p>+</p> <p>• A standard bonus is set for each officer based on internal regulations.</p> <p>• "A" is the ratio of the part linked to company performance, and "B" is the ratio linked to individual performance. The ratios are set for each position based on internal regulations.</p>	<p>Calculation formula for performance-linked factors</p> <div style="text-align: center;"> <p>Performance linked factors</p> <p>II</p> </div> <p>(1) ROIC pay rate (%)</p> <p>× 45%</p> <p>+</p> <p>(2) Normalized EPS pay rate (%)</p> <p>× 45%</p> <p>+</p> <p>(3) Non-financial evaluation* pay rate</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td>A</td><td>150%</td></tr> <tr><td>B</td><td>125%</td></tr> <tr><td>C</td><td>100%</td></tr> <tr><td>D</td><td>75%</td></tr> <tr><td>E</td><td>50%</td></tr> </table> <p>× 10%</p>	A	150%	B	125%	C	100%	D	75%	E	50%
A	150%												
B	125%												
C	100%												
D	75%												
E	50%												

* Non-financial evaluation is an overall evaluation of progress and achievement with the CSV Commitments, where initiatives in the four key areas of "a responsible alcohol producer," "health and well-being," "community engagement," and "the environment" are comprehensively evaluated.

Please refer to the Corporate Governance Report for details about director and Audit & Supervisory Board member compensation in fiscal 2019. https://www.kirinholdings.co.jp/english/ir/governance/pdf/e_governance_report.pdf

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. A “crisis” refers to a situation in which a risk is actualized at a certain point and therefore needs to be addressed on an urgent basis.

The Kirin Group’s basic risk management policy is to seek to prevent risk from being actualized, to effectively maintain compliance, and to continue earning the trust of customers, employees, shareholders, and society over the long term.

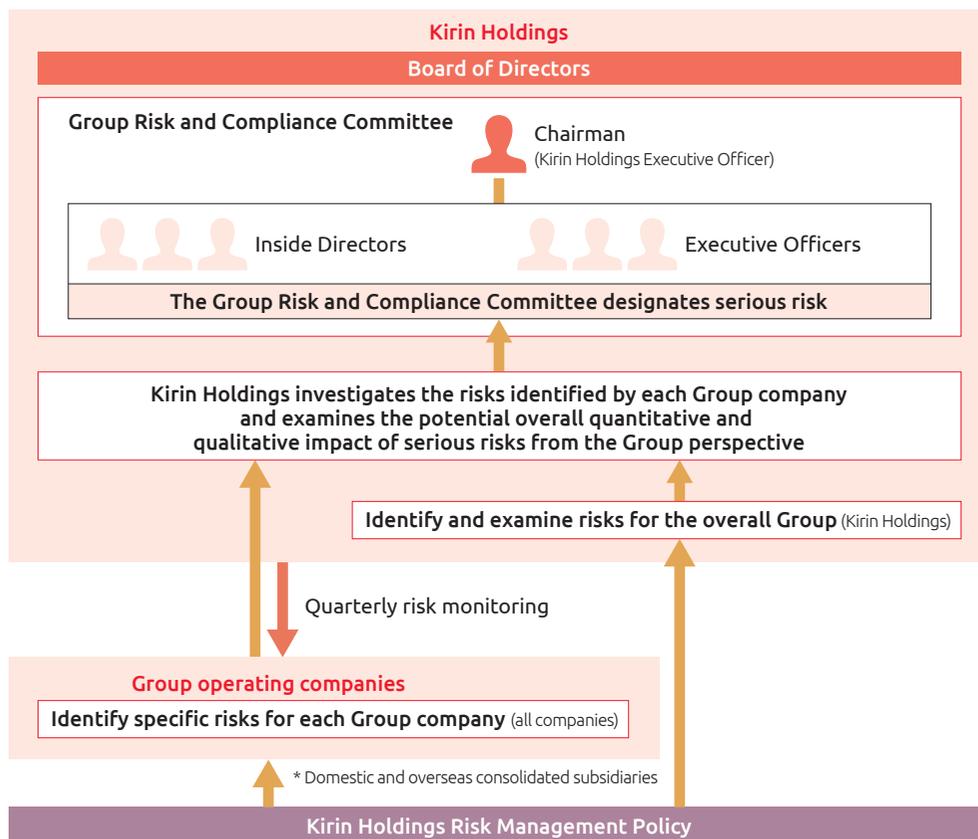
Risk management structure and process for determining serious risk

The Kirin Group Risk and Compliance Committee oversees the risk management activities of the Kirin Group. Kirin Holdings inside directors and executive officers serve on the committee, and an executive officer serves as the committee chair. Each Kirin Group company also has a committee dedicated to risk management. The risk management committees of Kirin Holdings and the Kirin Group companies meet quarterly to conduct risk monitoring.

Group companies, in conformance with the Group risk management policy, to identify and examine the quantitative and qualitative risk associated with their business activities. The Group Risk and Compliance Committee Administrative Office (Kirin Holdings Corporate Strategy Department) surveys and investigates all risks. The committee defines serious risk to the Group as risk considered to have a potentially strong impact, a high likelihood of occurring, or widespread ramifications.

The process of determining serious risk is for the Kirin

Risk management structure and process for determining serious risk



Business risk impact and countermeasures

The Kirin Group has various risk management systems to reduce and effectively manage risk. Risk management is designed to appropriately manage and control risk

affecting the execution of strategies and businesses, prevent to the extent possible a risk from turning into crisis, and minimize the impact if a crisis does develop.

Risk related to the execution of strategies, business, and other

Business field	Serious risk	Risk content and main potential impacts	Main countermeasures and page in this report with information
1. Serious risks in each business domain			
Food & Beverages	Risk from responding to changes in the business environment such as in demographics, markets, competition, and taste preferences	<ul style="list-style-type: none"> Potential shortfall to sales plan due to delays responding to environmental changes or competitor developments Potential for business development to not advance as anticipated 	<ul style="list-style-type: none"> Pages 29–30 (Enhancing Kirin Beverage's marketing capabilities) Pages 48–50 (Segment and Business Overview)
	Risk of impact from law amendments (liquor tax)		
Pharmaceuticals	Risk to pharmaceutical R&D and product quality and of side effects	<ul style="list-style-type: none"> Potential halting of R&D due to uncertainty about drug safety or efficacy, potential of identifying an unexpected side effect after marketing Potential suspension of product production or a product recall 	<ul style="list-style-type: none"> Pages 43–44 (CSV Stories) Page 51 (Segment and Business Overview)
	Risk related to overseas business development and supply stability	<ul style="list-style-type: none"> Potential hindrance to global structure development plan, potential for increased demand or other factors to impact product supply stability 	
Health Science	Risk of not being able to provide differentiated products and services related to social issues	<ul style="list-style-type: none"> Potential delay in R&D of new materials, potential of becoming unable to provide effective products and services Potential inability to construct a superior business model or appropriate organizational or governance systems 	<ul style="list-style-type: none"> Pages 15–20 (Special Feature: Growth Strategies for the Health Science Domain)
	Risk of inability to increase added value due to insufficient organizational capability in new fields		
2. Common risks in each business domain			
Securing and training of human resources	Risk of inability to adequately secure and train human resources to advance Group management and with the expertise necessary for business activities	<ul style="list-style-type: none"> Potential inability to develop an organizational capability with a competitive advantage 	<ul style="list-style-type: none"> Focus the organizational culture on value creation, develop an HR management system, promote diversity Pages 31–34 (Development of our Human Resources)
Information technology	Risk related to delays installing enterprise resource planning (ERP) software and higher development costs	<ul style="list-style-type: none"> Potential impacts on operating efficiency and the management base restructuring or upgrades 	<ul style="list-style-type: none"> Invest the necessary management resources to avoid delay installing ERP and monitor the development of information systems
Product safety	Risk of unexpected quality issues beyond the scope of quality assurance measures	<ul style="list-style-type: none"> Potential high costs or constricted business activity due to product discontinuation, recall, or compensation claims 	<ul style="list-style-type: none"> Set up, operate, and audit the effectiveness of a quality assurance system Foster an organizational culture prioritizing safe and reliable products and services
Compliance	Risk of actions that violate laws, regulations, or the expectations of society, such as bribery	<ul style="list-style-type: none"> Potential of legal punishment, litigation, social sanctions, and loss of customer trust 	<ul style="list-style-type: none"> Promote compliance by establishing internal regulations and providing employee training
Disasters, accidents, and supply chain events	Risk of major natural disasters, such as an earthquake, unseasonable weather, cold summer, drought, typhoon, torrential rain, or forest fire; pandemic disease; or other type of disaster or accident	<ul style="list-style-type: none"> Potential need to close business sites or reduce or suspend business activities 	<ul style="list-style-type: none"> Review the business continuity plan (BCP), conduct training, enable teleworking or working from home
Environmental issues	Risk of issues concerning plastic containers, such as PET bottles, risk from greenhouse gas emissions and global warming	<ul style="list-style-type: none"> Potential for a slow response or an inability to respond to social concerns or rising expectations for the Company Potential higher cost to respond to environmental issues 	<ul style="list-style-type: none"> Activities to achieve higher goals based on the revised Long-Term Environmental Vision Pages 39–42 (CSV Stories)
Human rights	Risk of human rights issues associated with the Kirin Group, its partners, or its procurement operations	<ul style="list-style-type: none"> Potential substantial impact on business activities in the country or globally 	<ul style="list-style-type: none"> Measures to ensure human rights based on the Kirin Group Human Rights Policy
Alcohol	Risk of future restrictions worldwide on alcohol sales	<ul style="list-style-type: none"> Potential decline in alcohol consumption, potential decrease in corporate brand value 	<ul style="list-style-type: none"> Self-regulate advertising and promotional activities and measures to eliminate harmful consumption of alcohol Pages 45–46 (CSV Stories) Page 66 (Risk Management)
Finances and taxes	Fund procurement risk, foreign exchange risk, tax risk	<ul style="list-style-type: none"> Potential increase in funding costs, fluctuation in yen conversion value due to exchange rates, and additional tax burden 	<ul style="list-style-type: none"> Secure appropriate financing, comply with tax laws in all countries

The risks presented above do not represent all potential risks to the Kirin Group.

Potential future circumstances presented in the table are based on the judgment made by the Company as of December 31, 2019. For additional information, please see the Kirin Holdings securities report.

 Consolidated Financial Statements
<https://pdf.irpocket.com/C2503/T4TO/qDNq/ZGTL.pdf>

Information security

Information security is a top priority for the Kirin Group. The Group is implementing various measures, beginning with the fundamental measures of improving and enhancing internal rules and training employees about the handling of information. The Group is also systematically enhancing its information security measures with a focus on strengthening governance within the Group and implementing technological countermeasures.

The Group has established strict data protection rules and is actively engaged in data management. The rules are reviewed and augmented in accordance with changing conditions inside and outside the Group, and the security level is high at all times. The Group also uses e-learning and hands-on training to raise employee awareness of information security issues so they can effectively carry out information security.

The compliance status of information security measures at each Group company are confirmed on a regular basis. Kirin Business System, a functional company in the information system field, checks the compliance status of domestic Group companies and ensure companies promptly improve any items requiring attention. Kirin Holdings supervises information security at Group companies overseas.

Technology-based security measures are used to fortify protection against the increasingly serious cyber attacks, and Kirin Holdings, Kirin Brewery, and the other core Group companies are installing the latest security systems with machine learning technology. The Kirin Group further augments its system security with a dedicated computer security incident response team, the KIRIN-CSIRT, based at Kirin Business System. The Group has a robust system for responding to security incidents to identify the incident, mitigate any repercussions, analyze the source of the incident, and implement countermeasures.

Kirin Holdings reports its activities related to information security in its Information Security Report.



Information Security Report



Information Security Report
https://www.kirinholdings.co.jp/english/ir/governance/pdf/security_report.pdf

Response to stricter alcoholic beverage regulations

The Ministry of Health, Labour and Welfare in Japan and the World Health Organization (WHO) worldwide are warning about the increase of health damage caused by the excessive consumption of alcohol. Europe and the United States already strictly regulate advertising related to alcoholic products, and Japan and other countries are expected to strengthen measures aimed at controlling consumption. If problems related to the consumption of alcohol worsen, extremely strict regulations such as those placed on tobacco could be enforced.

The Kirin Group is responding to the risk this presents to the production and sale of alcohol products by advocating responsible consumption of alcohol and seeking to eliminate harmful consumption of alcohol. The Group considers promoting responsible drinking to be part of its social responsibility. The CSV Commitment (see page 25 for details) stipulates the setting of specific targets for activities promoting responsible drinking, and the Group is actively engaging in measures to achieve the targets.

One such activity is the promotion of Slow Drink® encourages people enjoying alcoholic beverages to reduce alcohol intake by drinking slowly while talking or eating with friends. In 2019, the Group produced a video advertisement to raise awareness of proper drinking manners and distributed it on video sharing sites and social media. To date, the video has garnered over 1,000,000 views.

The Group also conducts seminars at companies and universities promoting the designated driver method for preventing alcohol-related driving accidents. We are also actively involved in the Stop! Under 20 Drinking project and other industry-wide programs in Japan and other countries.

Strengthening our complying with our voluntary standards for advertising phrasing and display appropriateness for alcoholic beverages is another point of focus. The Kirin Group has set its own criteria for ethical advertising that are stricter than the voluntary standards in the industry. Product packaging must clearly indicate that the product contains alcohol and the Group's web pages with alcohol-related information contain a gateway page for the visitor to confirm they are aged 20 or older.



Learn about Slow Drink® here
<https://www.kirinholdings.co.jp/english/csv/alcohol/>

Management Analysis of Financial Position, Operating Results, and Cash Flows

1. Operating Results

Overall business conditions

The Kirin Group aims to be “A global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals.” The Group’s business activities in 2019 were guided by the Kirin Group Medium-Term Business Plan 2019–2021 (2019 MTBP).

The Japan Beer and Spirits Businesses, Japan Non-alcoholic Beverages Businesses, and Oceania Integrated Beverages Business focused on advancing strategies to consolidate their core brands. Japan faced a challenging business environment during the year, which included an unseasonably cool summer, natural disasters, and an increase in the consumption tax. In this environment, Kirin Brewery in Japan Beer and Spirits Business and Kirin Beverage in Japan Non-alcoholic Beverages Businesses posted sales growth that outpaced the market growth. The Oceania Integrated Beverages Business prepared the

foundation for future growth in the alcoholic and non-alcoholic beverage businesses by deciding on the buyer for its non-alcoholic operations. The Pharmaceuticals Business boosted its ability to generate cash by enhancing the value of its three strategic global products.

The Kirin Group also focused its unique strengths on developing products for the Health Science domain to be in position to pursue opportunities for business growth that emerge from social issues and the highly unpredictable business environment. In addition, during 2019, Kirin Holdings acquired Kyowa Hakko Bio from Kyowa Hakko Kirin and made it direct subsidiary in April and concluded a capital and business alliance agreement with FANCL Corporation in August. The Company also continued to revise its cross-shareholdings and in November determined to repurchase up to 100 billion yen of its own shares to enhance shareholder returns.

(Billions of yen)

	Fiscal 2019	Fiscal 2018	Increase (decrease)	Increase (decrease)
Consolidated revenue	1,941.3	1,930.5	10.8	0.6%
Consolidated normalized operating profit	190.8	199.3	(8.6)	(4.3%)
Consolidated operating profit	87.7	198.3	(110.6)	(55.8%)
Consolidated profit before tax	116.8	246.9	(130.0)	(52.7%)
Consolidated profit attributable to owners of the Company	59.6	164.2	(104.6)	(63.7%)
(Key performance indicators)				
ROIC*1	5.2%	12.0%		
Normalized EPS	158 yen	167 yen	(9 yen)	(5.4%)

*1 ROIC for 2018 has been retroactively adjusted due to a change in the accounting policy.

KPI Targets*2 in Plan 2019 MTBP

Performance Indicator	2019 MTBP Targets	2019 Actual
ROIC	10% or higher	5.2%
CAGR of normalized EPS	5% or higher	160 yen

*2 The attainment assessments for the financial targets are intended to provide a performance evaluation that factors out the impacts from currency fluctuations when converting financial statement items from overseas subsidiaries for the fiscal year. As such, the actual result figures have been replaced by amounts adjusted to exclude the impacts from foreign currency conversions and other factors.

The outcome of these strategies and conditions was growth in overall revenue in fiscal 2019 driven by increased sales in the Japan Non-alcoholic Beverages Business and Pharmaceuticals Business. Normalized operating profit declined overall as profit growth in the Japan Beer and Spirits Business and Japan Non-alcoholic Beverages Business and increased profits in the Pharmaceuticals Business from growing sales of global strategic products were offset by factors including reduced contribution from the Oceania Integrated Beverages Business owing to a highly competitive environment and the foreign exchange impact. Operating

profit declined sharply as a result of the impairment loss booked in association with the fair value assessment of business assets as part of the transfer of a beverage operation of the Oceania Integrated Beverages Business. Profit before tax and profit attributable to owners of the Company also decreased substantially owing to the decreased operating profit and the high figure in the previous fiscal year from the gain on sale of shares from the transfer of Kirin Amgen shares.

Among the key performance indicators, ROIC declined significantly from the previous fiscal year. However, the decline is largely attributable to the temporary factors of

the impairment loss in the Oceania Integrated Beverages Business booked during the year and the gain on sale of Kirin Amgen shares in the previous fiscal year. The actual ROIC result when adjusted for these factors gave us the confidence to continue working to improve the efficiency of invested capital and to set the 2019 MTBP target to ROIC of 10% or higher. In addition, we calculate weighted average cost of capital (WACC) for the Kirin Group to be near 6%, and we will aim to raise the level with ROIC at a

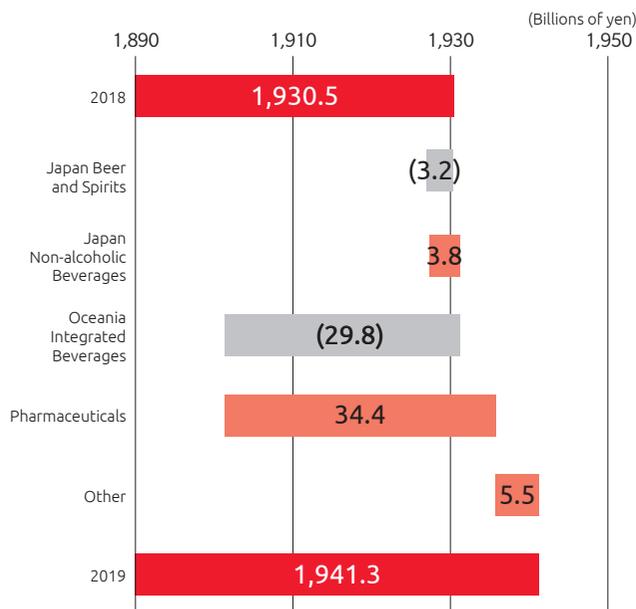
minimum of 10% and continue to improve the efficiency of our investments into the long term. Normalized EPS declined from last year and, while each business made different degrees of progress, we are generating profit in line with our plan. With the added boost from the share buyback program, we progressed as expected in the first year of the medium-term business plan. We are continuing to build our corporate value toward achieving the targets of the 2019 MTBP.

■ Performance by reportable segments

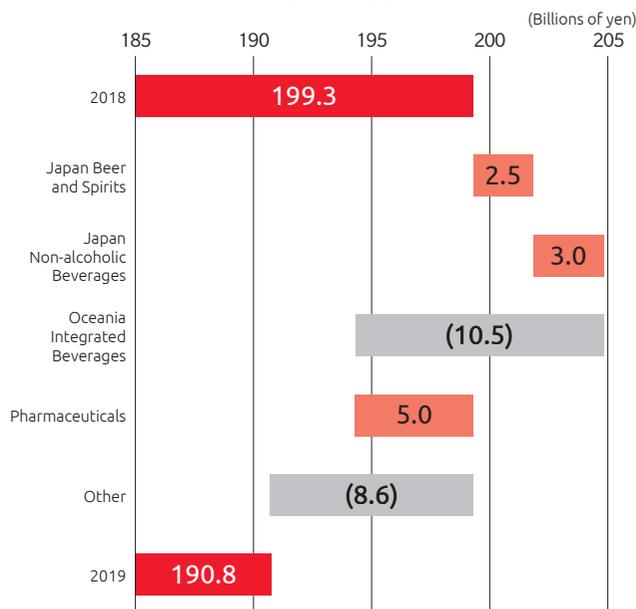
Results by segment are as follows.

	Fiscal 2019	Fiscal 2018	Increase (decrease)	Increase (decrease)
(Billions of yen)				
Consolidated revenue	1,941.3	1,930.5	10.8	0.6%
Japan Beer and Spirits	681.9	685.1	(3.2)	(0.5%)
Japan Non-alcoholic Beverages	286.8	283.0	3.8	1.4%
Oceania Integrated Beverages	299.7	329.5	(29.8)	(9.0%)
Pharmaceuticals	304.9	270.4	34.4	12.7%
Other	368.0	362.5	5.5	1.5%
Consolidated normalized operating profit	190.8	199.3	(8.6)	(4.3%)
Japan Beer and Spirits	85.2	82.7	2.5	3.0%
Japan Non-alcoholic Beverages	26.4	23.3	3.0	13.0%
Oceania Integrated Beverages	41.4	51.8	(10.5)	(20.2%)
Pharmaceuticals	55.4	50.4	5.0	9.9%
Other	(17.5)	(8.9)	(8.6)	-

Consolidated revenue



Consolidated normalized operating profit



Management Analysis of Financial Position, Operating Results, and Cash Flows

• Japan Beer and Spirits Business

Kirin Brewery deepened each employee's customer understanding and implemented consistent marketing across advertising and in-store displays. The company concentrated investment on its leading brands and continued to construct a robust brand portfolio geared to 10 years in the future.

The company's continuing focus on promoting its flagship *KIRIN ICHIBAN* brand helped generate a 3% year-on-year increase sales volumes for the year, extending the volume growth to three straight years. In the new genre category, sales of the *Honkirin* brand surged 60% year on year. The strong results enabled Kirin Brewery to increase beer sales volume for a second straight year even as the contraction in the overall domestic beer market extended to a 15th year. The company also successfully expanded the market for craft beer with the aim of creating a new beer culture in Japan. The number of stores that have installed Tap Marché beer dispenser units roughly doubled from the previous fiscal year to 13,000. As part of our CSV Commitment to community engagement, we worked with craft breweries across Japan to raise the value of Japanese hops and revitalize the craft beer market. In the ready-to-drink (RTD) category, sales were strong for the three core products *Kirin Hyoketsu*®, *KIRIN The STRONG*, and *Kirin Honshibori*™ *Chuhai*, and overall RTD category sales grew 6.3% year on year.

Japan Beer and Spirits Business posted overall revenue of 681.9 billion yen for the year, representing a year-on-year decline of 0.5%. The higher ratio of new genre and RTD products from the increase in demand for those products more than offset the boost from the 0.3% increase in beer sales volume. Normalized operating profit grew 3.0% to 85.2 billion yen. Although marginal profit declined from the lower ratio of beer product sales and variable costs increased from the sharp rise in logistics costs, the company successfully reduced selling expenses and controlled fixed costs while increasing sales volume.

• Japan Non-alcoholic Beverages Business

Kirin Beverage is aiming to generate profits through business growth, and made progress fortifying its business base during the year toward establishing a robust brand portfolio and improving its logistics system. Sales volume of the core *Gogo-no-Kocha* brand rose 9% year on year to 55.4 million cases, supported by strong releases for *The Meister's Milk Tea* in March 2019 and the revamped *Oishii Muto* (sugar-free) in June. Sales volume grew 4% for *FIRE* brand coffee led by the new *One Day Black* offering released in April, but fell 3% for *Nama-cha* tea, mainly due

to the price revisions for large PET bottle products in May. With an eye to the future, the company also began the nationwide rollout of *KIRIN naturals*, a new business model in the health and well-being domain.

The increased sales volume helped the Japan Non-alcoholic Beverages Business raise revenue 1.4% year on year to 286.8 billion yen. The company boosted normalized operating profit by 13.0% to 26.4 billion yen by offsetting the impact from sharply higher logistics costs with increased revenue and efficient advertising spending.

• Oceania Integrated Beverages Business

Lion concentrated its investments in the Beer, Spirits and Wine segment on developing its leading brands and enhancing its brand power in growth categories. These activities boosted sales volumes of *FURPHY* and *IRON JACK* products, but normalized operating profit fell a steep 58 million Australian dollars on a local currency basis due to intensified sales offensives by rivals in the first half as well as increased promotional spending and supply chain management costs. At the same time, the company continued to invest in craft beer and premium crafted adult beverages. Lion has been taking concrete steps to expand its global craft beer business in the past two years. In the United Kingdom, the company acquired Fourpure Brewing Co. in 2018 and made Magic Rock Brewing Co. a full subsidiary in 2019. In the United States, Lion reached a definitive agreement to acquire New Belgium Brewing Co. in 2019.

In the Dairy and Drinks Business, sales were strong for Lion's leading *Dare* brand offerings. However, unseasonable weather, including a drought, adversely impacted the price and disrupted supply of raw milk, led to a sharp drop in normalized operating profit, to 42 million Australian dollars on a local currency basis.

During the year, Kirin and Lion continued preparations to sell Lion's Dairy and Drinks Business in accordance with the decision in fiscal 2018 that selling the business was the best strategy for its future growth. In October 2019, Lion's specialty cheese business was sold to Saputo Inc., a leading Canadian dairy company, and in November, the milk, milk beverage, yogurt, and fruit juice businesses were sold to a subsidiary of China Mengniu Dairy Company.

These developments during the year led to declines in both sales and profits on a local currency basis for the Beer, Spirits and Wine Business and the Dairy and Drinks Business. A weaker Australian dollar versus the yen compared the previous year further led to the Oceania Integrated Beverages Business recording overall declines of 9.0% year on year to 299.7 billion yen in revenues and 20.2% to 41.4 billion yen in normalized operating profit.

• Pharmaceuticals Business

Kyowa Kirin entered a new phase where it is making the leap to a Global Specialty Pharmaceutical Company and started putting in place its One Kyowa Kirin management structure based on a dual-axis matrix with a regional axis of Japan, EMEA (Europe/Middle East/Africa), North America, and Asia/Oceania and a functional axis of drug product categories.

During the year, the company boosted sales substantially in the United States and Europe, driven by strong sales growth for *Crysvita* and *Poteligeo*. The company also released *Nourianz* in the United States in October 2019 and is now marketing three global strategic products in the United States and Europe. Sales in Japan were impacted by diminishing sales of long-listed drugs and the patent expiration of *NESP*, while sales were strong for *G-Lasta*, *Orkedia*, and other new products. The company also continued to make steady progress with its drug pipeline.

The solid growth in overseas pharmaceutical sales helped Kyowa Kirin post overall revenue growth of 12.7% year on year to 304.9 billion yen. Normalized operating profit increased 9.9% to 55.4 billion yen as the sales growth outpaced the rise in selling, general and administrative expenses associated with establishing the sales structure overseas and the increase in R&D spending to fortify the drug pipeline.

Performance results of operations in the Others category are described below.

Mercian

Mercian Corporation worked on improving profitability during the year by focusing on strategies for key brands in its wine categories. Domestic sales were strong for *Château Mercian*, with sales volume growing 20% from the previous year. In September 2019, the company opened the new Mariko Winery in Ueda City, Nagano Prefecture, creating a new venue for fulfilling its key CSV issue of community engagement. The company also expanded the shelf-presence of its brand with the positively received new *Wine Cidre* product featuring no added antioxidants. Sales of the company's core wine brands were generally strong; however, the impact from the Japan-Europe Economic Partnership Agreement and reduced Chile wine sales led to overall wine sales volume contracting 5% from the previous year. Mercian Corporation ultimately posted year-on-year declines of 1.4% in revenue to 63.9 billion yen and 15.5% in normalized operating profit to 2.2 billion yen.

Myanmar Brewery

The beer market in Myanmar is rapidly expanding as the country's economic growth is creating a larger population of alcohol consumers and more frequent consumption.

Myanmar Brewery implemented several initiatives focused on advancing CSV, marketing, and management systems. Management's focus on investing to develop the flagship *Myanmar Beer* brand and the economy category *Andaman Gold* brand helped generate a 20% year-on-year rise in sales volume. The company recorded overall year-on-year growth of 24.4% in revenue to 32.6 billion yen and 27.8% in normalized operating profit to 12.9 billion yen.

Coca-Cola Beverages Northeast

After broadening its geographic business domain and completing the factory reorganization begun in 2018, The Coca-Cola Bottling Company of Northern New England rebranded the company as Coca-Cola Beverages Northeast and unified its operations behind a new philosophical framework. Strong sales of carbonated water and other products boosted sales volume. At the same time, restructured business processes and comprehensive structural reform reduced costs and improved profitability. These efforts enabled the company to post overall year-on-year growth of 0.6% in revenue to 132.6 billion yen and 86.0% in normalized operating profit to 5.3 billion yen.

Kyowa Hakko Bio

Kirin Holdings acquired a 95% stake in Kyowa Hakko Bio from Kyowa Kirin in April 2019 with the aim of maximizing the value of Kyowa Hakko Bio and enabling Kyowa Kirin to concentrate its management resources on the Pharmaceuticals business. Kyowa Hakko Bio posted strong sales of amino acids for fish feed in the fine chemicals business and of *Citrulline Zn* in the consumer products business. The company also expanded its product lineup by launching a supplement (foods with function claims) business and adding the new *iMUSE for eye* product featuring KW lactic acid bacteria developed by the Kirin Group.

Kyowa Hakko Bio also acted on the U.S. Food and Drug Administration's notification about an inadequate response to quality management and data integrity issues at the Hofu Plant in 2018 by revising the plant's quality control system. In September 2019, the company voluntarily halted all manufacturing and shipment operations to verify product safety after its investigation discovered that certain manufacturing processes differed from the originally authorized processes. In December 2019, the company received an administrative disposition from Yamaguchi Prefecture to halt operations at the Hofu Plant and a business improvement order. Kyowa Hakko Bio ultimately posted year-on-year declines of 4.2% in revenue to 74.9 billion yen and 71.4% in normalized operating profit to 2.3 billion yen.

The Kirin Group is taking this situation with the utmost seriousness and has assembled an investigation committee

Management Analysis of Financial Position, Operating Results, and Cash Flows

led by third parties to objectively and independently examine the matter. In January 2020, the committee reported their findings of causes for the situation and recommendations of recurrence prevention measures. Following the report recommendations, the Group is overhauling the quality assurance system and completely reforming the corporate culture with the aim of reestablishing the business growth trajectory and returning Kyowa Hakko Bio to its place as a driver of the Kirin Group growth.

2. Financial Status

■ General overview

Total assets at the end of the current fiscal year amounted to 2,412.9 billion yen, an increase of 109.2 billion yen from the previous fiscal year end. The increase was largely attributable to increases in equity method investments and property, plant and equipment, which more than offset a reduced book value of fixed assets (such as goodwill and other intangible assets) associated with the sales of the Oceania Integrated Beverages Business's Dairy and Drinks businesses and a decrease in other financial assets (non-current). Other financial assets (non-current) declined by 38.8 billion yen due to a reduced value of equity holdings and the sale of strategically held shares. Equity method investments rose by 144.2 billion yen primarily from the acquisition of FANCL shares and increased equity earnings in affiliates from the strong earnings at San Miguel Brewery. Property, plant and equipment increased by 34.2 billion yen, mainly from a 62.8 billion yen rise in right-of-use assets from the application of the International Financial Reporting Standards (IFRS) 16.

Equity declined by 44.6 billion yen from the end of the previous fiscal year to 1,146.8 billion yen. While retained earnings increased, equity declined from a 23.1 billion yen increase in treasury stock, 44.6 billion yen decline in non-controlling interest, and 25.0 billion yen decrease in reserves. The increase in treasury stock was due to the partial exercise of the program announced in November 2019 to further enhance shareholder returns by repurchasing up to 100 billion yen of company shares. The decline in non-controlling interests mainly owed to Kyowa Kirin's acquisition and cancellation of 15.9 billion yen of its shares. Reserves decreased due largely to reduced income from a net change in equity instruments measured at fair value through other comprehensive income.

Liabilities increased by 153.8 billion yen from the end of the previous fiscal year to 1,266.0 billion yen mainly due to an increase in bonds and borrowings. Bonds and borrowings increased by 115.9 billion yen. The Company seeks to procure and repay funds while maintaining a

sound capital structure, and during the year it issued straight bonds worth 70.0 billion yen in September 2019, redeemed bonds valued at approximately 50.0 billion yen in November, and also paid down long-term borrowings, took out new borrowings, and issued commercial paper of a value of 127.0 billion yen. Other financial liabilities increased by 63.9 billion yen, primarily from a 66.4 billion yen increase in lease liabilities from the application of IFRS 16.

As a result of the above, the ratio of consolidated profit attributable to owners of the Company was 37.6% and the gross debt-to-equity ratio was 0.59.

■ Financial status of each reportable segment

• Japan Beer and Spirits Business

Segment assets amounted to 437.5 billion yen at the end of fiscal 2019, a decrease of 4.4 billion yen from the end of the previous fiscal year. The decrease was due to a decline in deferred tax assets, mainly owing to a decrease in deductible temporary differences.

• Japan Non-alcoholic Beverages

Segment assets amounted to 174.5 billion yen at the end of fiscal 2019, an increase of 0.2 billion yen from the end of the previous fiscal year. The increase was primarily due to a rise in property, plant and equipment from the application of IFRS 16.

• Oceania Integrated Beverages Business

Segment assets amounted to 491.0 billion yen at the end of fiscal 2019, an increase of 1.3 billion yen from the end of the previous fiscal year. The increase was primarily due to a rise in cash and cash equivalents from intersegment borrowing.

• Pharmaceuticals

Segment assets amounted to 725.1 billion yen at the end of fiscal 2019, an increase of 100.5 billion yen from the end of the previous fiscal year. The increase was mainly due to a rise in other financial assets (current) resulting from booking the increase in cash and cash equivalents from Kyowa Kirin's transfer of Kyowa Hakko Bio shares as an intersegment loan.

3. Cash Flow

■ Cash flow and liquidity status

The balance of cash and cash equivalents (hereinafter "net cash") at the end of the current consolidated fiscal year was 165.7 billion yen, a decrease of 7.4 billion yen from the end of the previous consolidated fiscal year. Consolidated cash flows were as follows.

- **Cash flows from operating activities**

Net cash from operating activities decreased by 19.2 billion yen to 178.8 billion yen. Key factors were a temporary increase in other operating expenses, including for business restructuring and software development, and a 130.0 billion yen decrease in profit before tax, which includes impairment losses and other nonfinancial items.

- **Cash flows from investing activities**

Net cash from investing activities increased by 223.0 billion yen to 175.6 billion yen. The increase owed mainly to the acquisition of FANCL shares, which raised outflows to acquire equity-accounted investments by 119.0 billion yen to 134.5 billion yen. Acquisition of property, plant and equipment and intangible assets included an increase of 8.5 billion yen to 96.4 billion yen for software-related investment and 4.5 billion yen for acquisition of shares of subsidiaries. Inflows included 37.3 billion yen from the sale of investment holdings as part of efforts to reduce cross-shareholdings, 21.1 billion yen from the sale of Lion's cheese business, and 5.9 billion yen from the sale of property, plant and equipment and intangible assets.

- **Cash flows from financing activities**

Net cash used in financing activities decreased by 216.7 billion yen to 10.0 billion yen. The Company distributed dividends, including to non-controlling interests, amounting to 65.2 billion yen as part of its initiative to raise the consolidated dividend payout ratio to an amount of 40% or higher of normalized EPS. Management also enhanced shareholder return by announcing in November 2019 a program to repurchase up to 100.0 billion yen in company shares. During the year, the Company utilized 45.9 billion yen for the program, including for share buybacks by subsidiaries. The Company actively procured and repaid funds while maintaining a sound capital structure during the year. Proceeds included 127.0 billion yen from the issuance of commercial paper, 70.0 billion yen from corporate bonds, and 40.7 billion yen from long-term borrowings. Outflow included 69.6 billion yen to repay long-term borrowings and 50.0 billion yen to redeem bonds.

These initiatives enabled us to invest in growth for our existing businesses and launch operations in the Health Science domain while taking steps to enhance shareholder return in accordance with our financial strategy.

In fiscal 2020, we plan to use cash generated by our businesses to continue investing to fortify our profitability, including by enhancing our production capacity and acquiring shares of New Belgium Brewing, of the United States. Free cash flow will be used to maintain a stable

dividend payment, after which the top priorities will be investing for growth in the Food & Beverages domain and to establish and cultivate operations in the Health Science domain. Shareholder return initiatives will include maintaining the consolidated dividend payout ratio at 40% or higher of normalized EPS and completing the share buyback program announced in fiscal 2019. While enhancing our ability to generate cash flow, we will maintain a sensible capital structure with a balance of capital costs and financial flexibility.

- **Basic capital policy**

Kirin Holdings will allocate resources to its businesses and distribute profits to its shareholders in accordance with the fiscal policy set forth in the Kirin Group 2019–2021 Medium-Term Business Plan (2019 MTBP).

The allocation of resources to businesses will prioritize investments (capital investment, business investment) to strengthen and grow the high-profit existing businesses, particularly the alcoholic and non-alcoholic beverages businesses. Resources will also be steadily allocated to intangible assets, such as brands, R&D, information and communication technology, and human resources, and to establish and cultivate the Health Science domain. The Company will take a disciplined approach to investment to maintain and improve the overall capital efficiency of the Kirin Group.

Shareholder return is a management priority, and the Company has distributed annual dividends every year since Kirin Brewery Company was founded in 1907. The Company raised the consolidated target payout ratio in the 2019 MTBP and plans to continue distributing dividends equivalent to a consolidated dividend payout ratio of 40% or higher of normalized EPS. Management will also flexibly consider ways, such as share buybacks, to provide additional shareholder returns while comprehensively taking into account factors including the optimal capital structure, market conditions, and reserve financial capacity after investments.

The Company's primary source for procuring funds is loans, which it uses to ensure the Company is prepared for sudden changes in the economic environment and to maintain a high credit rating that is resilient to financial conditions. The Board of Directors examines and verifies all fund procurement proposals that would affect the controlling stake in the Company or cause significant stock dilution. The Board carefully considers the proposals in terms of the long-term management vision Kirin Group Vision 2027, the targets in the 2019 MTBP, and the impact on stakeholders, and is fully accountable to shareholders.

10-Year Summary of Key Financial Data

JGAAP

Fiscal year	2010	2011	2012	2013
Revenue*1	2,177,802	2,071,774	2,186,177	2,254,585
Less Japanese liquor taxes	342,527	323,375	315,549	310,798
Net revenue	1,835,274	1,748,398	1,870,627	1,943,786
Normalized operating profit*2	-	-	-	-
Operating profit	151,612	142,864	153,022	142,818
Operating profit (Before amortization of goodwill, etc.)	193,600	189,812	202,675	198,086
EBITDA*3	269,392	247,602	297,185	-
Normalized EBITDA*4	-	-	307,339	301,486
Ordinary income	140,969	136,818	138,452	132,134
Profit attributable to owners of the Company*1	11,394	7,407	56,198	85,656
Cash flows from operating activities	218,025	196,792	212,061	205,517
Cash flows from investing activities	(140,917)	(361,658)	(48,379)	85,526
Cash flows from financing activities	(140,197)	193,214	(160,008)	(272,357)
Fiscal year end				
Total assets	2,649,197	2,854,254	2,951,061	2,896,456
Interest bearing debt	859,376	1,144,786	1,037,188	858,911
Equity attributable to owners of the Company*1	962,476	852,922	948,943	1,075,861
Per-share data				
Earnings per share (EPS) (Yen)	11.95	7.70	58.44	90.76
Normalized EPS (Yen)*5	-	-	117	122
EPS (Before amortization of goodwill etc.) (Yen)	94.31	70.58	124.87	159.92
Dividends per share (Yen)	25.00	27.00	29.00	36.00
Value indicators				
Return on equity (ROE) (%)*6	8.8	6.9	12.4	14.0
Return on invested capital (ROIC) (%)*7	-	-	-	-
Operating profit (Before amortization of goodwill, etc.) / Net sales (%)	10.5	10.9	10.8	10.2
Net debt / Normalized EBITDA (times)	-	-	2.86	2.25
Gross debt-to-equity ratio (times)	-	-	-	-
Consolidated dividend payout ratio (%)*8	26.5	38.3	24.8	29.5

*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

2014	2015	2016 ^{*9}	2017 ^{*9}	2018 ^{*9}	2019
2,195,795	2,196,925	1,853,937	1,863,730	1,930,522	1,941,305
301,365	305,697	296,029	289,433	294,028	292,153
1,894,429	1,891,227	1,557,909	1,574,296	1,636,494	1,649,151
-	-	181,982	194,609	199,327	190,754
114,549	124,751	196,590	211,000	198,322	87,727
171,542	158,537	-	-	-	-
-	-	-	-	-	-
273,183	258,922	257,612	272,301	279,907	272,619
94,211	128,199	-	-	-	-
32,392	(47,329)	148,918	241,991	164,202	59,642
155,247	171,011	232,263	221,710	198,051	178,826
(139,397)	(70,659)	(82,656)	63,214	47,389	(175,619)
(80,701)	(78,221)	(157,271)	(182,163)	(226,699)	(9,997)
2,965,868	2,443,773	2,422,825	2,398,572	2,303,624	2,412,874
873,003	821,478	668,212	486,475	414,994	530,851
1,101,833	663,842	695,860	947,162	906,578	906,576
35.27	(51.87)	163.19	265.17	183.57	68.00
118	117	139	151	167	158
108.57	(2.83)	-	-	-	-
38.00	38.00	39.00	46.00	51.00	64.00
8.6	(0.3)	22.2	29.5	17.7	6.6
-	-	10.8	16.3	12.0	5.2
9.1	8.4	-	-	-	-
2.76	2.67	2.21	1.19	0.86	-
-	-	-	-	0.46	0.59
32.2	32.5	28.1	30.5	30.5	40.5

*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.

Investor Information / Company Information

Information related to total shareholder return

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Year-end stock price (Yen)	1,497	1,647.5	1,901.5	2,840.5	2,298.5	2,390.0
Dividends per share (Yen)	38	38	39	46	51	64
Cumulative dividend income per share (from FY2014, Yen)	-	38	77	123	174	238
Amount of increase in stock price per share (from FY2014, Yen)	-	151	404.5	1,343.5	801.5	893.0
Total shareholder return per share*						
Absolute amount (Yen)		189	481.5	1,466.5	975.5	1,131.0
Rate (%)		12.6	32.2	98.0	65.2	75.6

* Total shareholder return per share is calculated at fiscal year-ends, starting in fiscal 2015 as if the investment was made at the closing stock price at the end of fiscal 2014.

Stock price and trading volume



Corporate overview

Trade name Kirin Holdings Company, Limited

Date of incorporation February 23, 1907
 Note: On July 1, 2007, accompanying the shift to a pure holding company structure, Kirin Brewery Company, Limited changed its name to Kirin Holdings Company, Limited

Head office Nakano Central Park South, 10-2,
 Nakano 4-chome, Nakano-ku, Tokyo
 164-0001, Japan

Paid-in capital ¥102,045,793,357

Number of employees (consolidated) 31,040
 * Number of Kirin Holdings employees on a consolidated basis, as of December 31, 2019

Stock listings
 Tokyo, Nagoya, Fukuoka, Sapporo

Transfer agent
 Mitsubishi UFJ Trust and Banking Corporation,
 Corporate Agency Division,
 1-1, Nikko-cho, Fuchu-Shi, Tokyo 183-0044, Japan
 Tel: +81-3-5391-1900 (business days from 9:00 to 17:00)

Depository
 JP Morgan Service Center
 P.O. Box 64504
 St. Paul, MN 55164-0504
 Call toll-free from within the U.S.: +1-800-990-1135
 Call from outside the U.S.: +1-651-453-2128

Third-Party Evaluations

The Kirin Group provides full transparency in its information disclosure to investors and all stakeholders. The extensive data we provide through the integrated Kirin CSV Report (published as the Kirin Report), Environmental Report, and on the corporate website makes it possible for third-party evaluations of our environmental performance and inclusion in global indices.

 <p>FTSE4Good</p>	 <p>FTSE Blossom Japan</p>	 <p>2019 Constituent MSCI ジャパンESG セレクト・リーダーズ指数</p>	 <p>2019 Constituent MSCI日本株 女性活躍指数 (WIN)</p>
<p>FTSE4Good Index</p>	<p>FTSE Blossom Japan Index</p>	<p>MSCI Japan ESG Select Leaders Index</p>	<p>MSCI Japan Empowering Women Index (WIN)</p>
 <p>S&P/JPX Carbon Efficient Index</p>	 <p>CDP DISCLOSURE INSIGHT ACTION A LIST 2019 CLIMATE</p>	 <p>CDP DISCLOSURE INSIGHT ACTION A LIST 2019 WATER</p>	 <p>CDP SUPPLIER ENGAGEMENT LEADER 2019</p>
<p>S&P/JPX Carbon Efficient Index</p>	<p>CDP CLIMATE A LIST</p>	<p>CDP Water Security A List</p>	<p>CDP Supplier Engagement Leaderboard</p>
 <p>2020 ESG FINANCE AWARDS JAPAN GOLD</p>	 <p>Member of SNAM Sustainability Index 2019</p>	 <p>NADE SHI KO Semi 2020</p>	 <p>DIVERSITY MANAGEMENT SELECTION 100 2013</p>
<p>ESG Finance Awards Japan Gold Award</p>	<p>Snam Sustainability Index</p>	<p>Semi-Nadeshiko Brand 2020</p>	<p>Diversity Management Selection 100</p>
 <p>work with Pride WwP Gold 2019</p>	 <p>2020 健康経営優良法人 Health and productivity ホワイト500</p>	 <p>NIKKEI Smart Work ★★★★★ 2020 Best 23</p>	
<p>work with Pride, Gold Certification</p>	<p>Health Management Excellence 2020 (White 500)</p>	<p>NIKKEI "Smart Work Management Survey" 5 Stars</p>	

External Signatory and Participation

 <p>SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</p>	 <p>TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</p>	 <p>30% Club GROWTH THROUGH DIVERSITY</p>
<p>SBT</p>	<p>TCFD</p>	<p>30% Club</p>

 Please refer to our website for an explanation of each indicator.
https://www.kirinholdings.co.jp/english/csv/esg_gri/

Joy brings us together

