

Value Creation Model BUSINESS

[Message from Senior Executive](#)

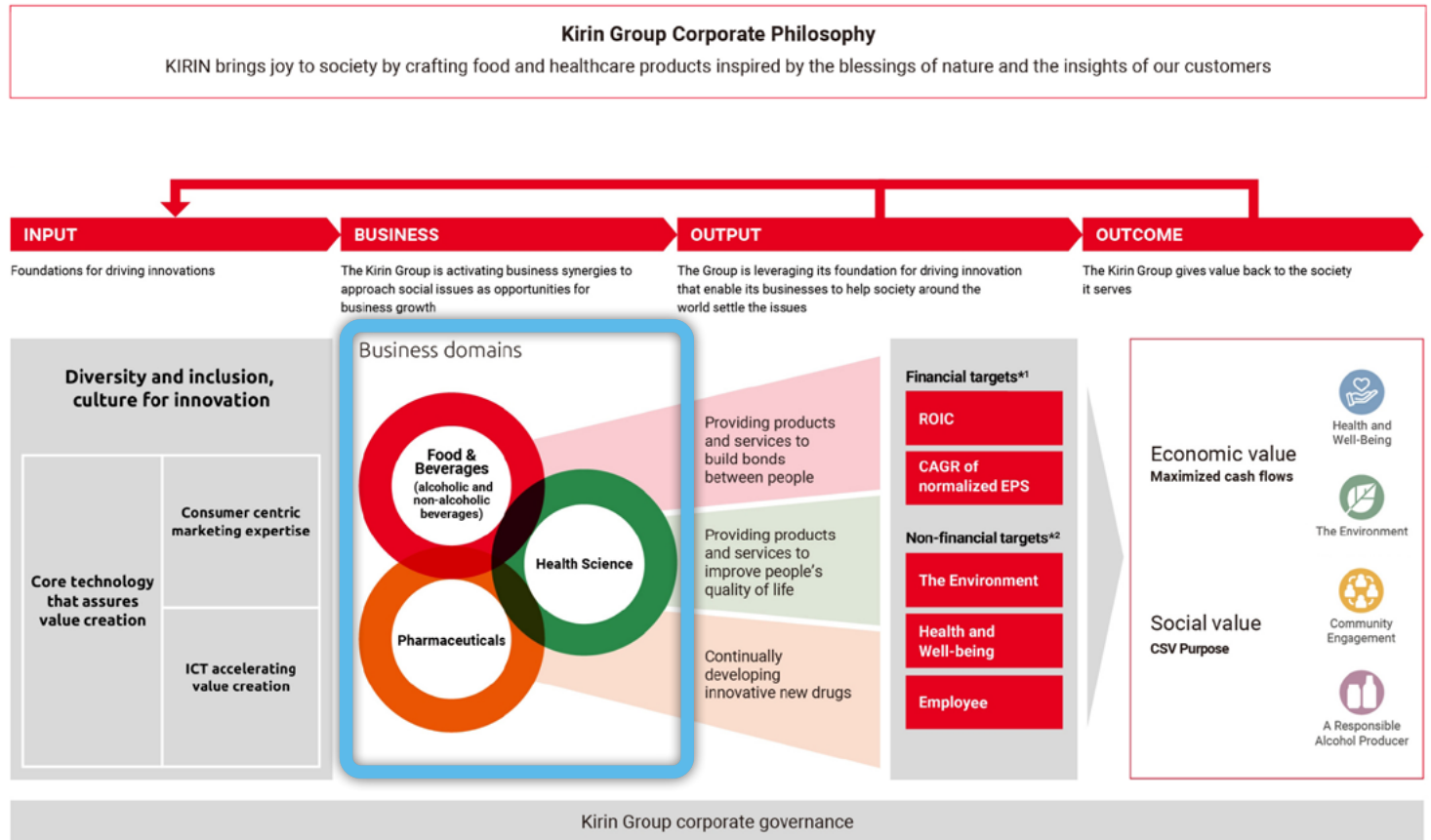
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Message from Senior Executive Officer of Health Science Strategy



Message from Senior Executive Officer of Health Science Strategy

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

Takeshi Minakata

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

Using fermentation and biotechnology to solve health issues

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

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

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

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

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

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

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

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



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

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

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

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

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

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

One challenge is that we have not achieved our sales

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

Health Science domain



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

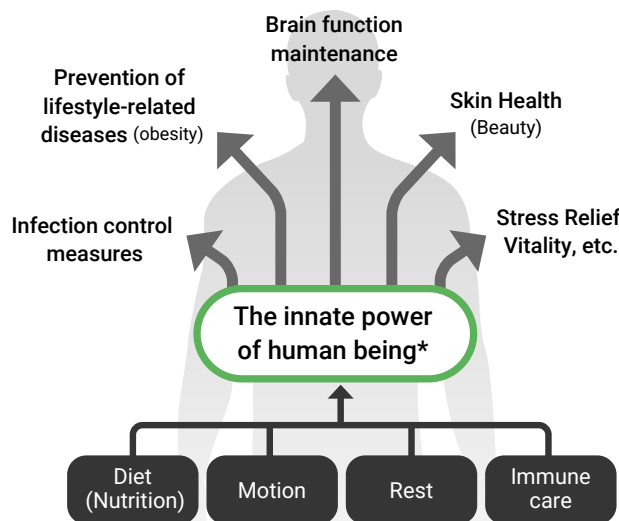
To achieve business growth, deliver evidence-based, high-value ingredients, and contribute to solving the health issues of even more consumers, we launched the Health Science domain in 2019.

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

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

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

Solving health issues through unique approaches



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

Individual health issues:

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

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

Foundation:

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

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

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

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

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

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

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

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

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

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

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

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



Kirin Holdings Company, Limited

Health Science domain

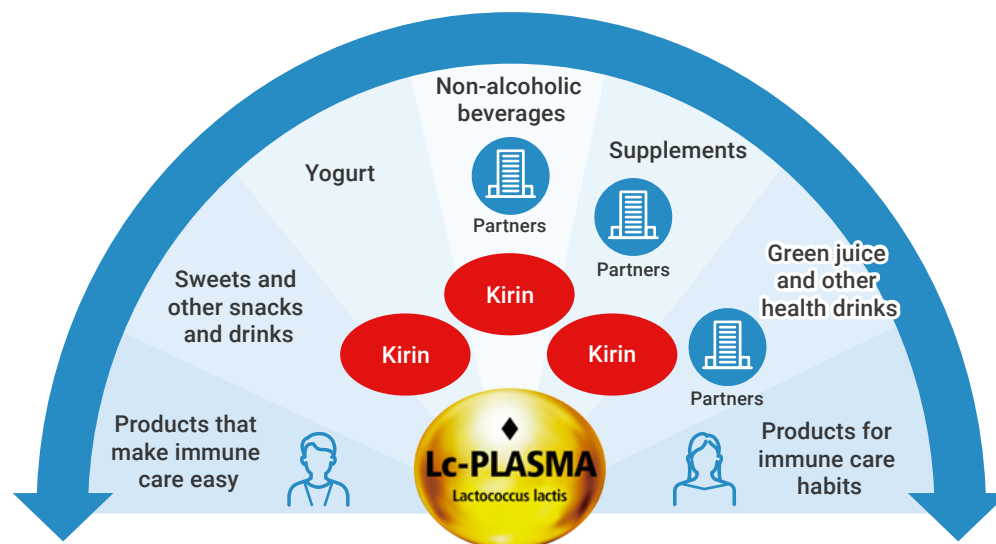


The Health Science Business Department, Kirin Holdings Company, Limited, is engaged in BtoB business, like selling specialty ingredients to partner companies, and BtoC business, like the selling of supplements online, under the Health Science Business Division.

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

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

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



2022 Year in Review

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

Health Science domain Kirin Holdings Company, Limited

2023 Initiatives

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

Example

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



Ayako Tsukada

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



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

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

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



Kirin Beverage Company, Limited

Health Science domain

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

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

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

our strengths and improve revenue.

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

2023 Strategy

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

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

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

2022 Year in Review

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

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

2023 Initiatives

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

Health Science domain

Kirin Beverage Company, Limited

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

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

Example

Promoting the personalization of immune care



Shoko Matsuoka

Marketing Department
Kirin Beverage Company, Limited



Mina Kuwahara

Sales Department
Kirin Beverage Company, Limited



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

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

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

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

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

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

Health Science domain

Kirin Beverage Company, Limited

Example

KIRIN x FANCL Calolimit Apple Sparkling



Shoko Matsuoka

Marketing Department
Kirin Beverage Company, Limited



Ayane Kakigi

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



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

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

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

*2 Source: Kirin Holdings

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

Koiwai Dairy Products Co., Ltd.

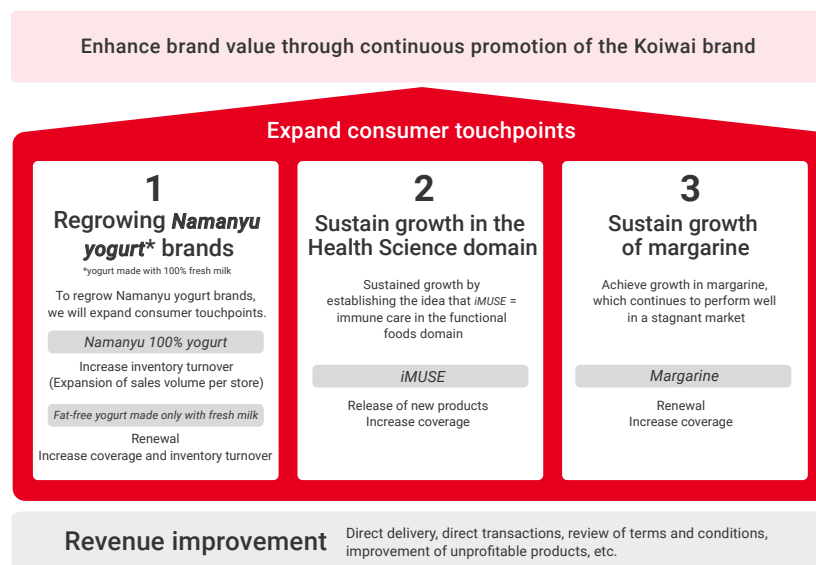
Health Science domain



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

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

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



2022 Year in Review

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

2023 Initiatives

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

Health Science domain

Koiwai Dairy Products Co., Ltd.

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

Example

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

Shohei Aoki

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



Daichi Miyoshi

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



Yu Tsukawaki

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



Saki Takahashi

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



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

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

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

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

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

Kyowa Hakko Bio Co., Ltd.

Health Science domain



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

Working to enhance sales of specialty ingredients

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

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

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



2022 Year in Review

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

2023 Initiatives

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

Health Science domain

Kyowa Hakko Bio Co., Ltd.

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

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

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

Example

Construction of the *HMOs* production facility completed

Hiroshi Nagano

President
Thai Kyowa Biotechnologies Co., Ltd.



Masayuki Ochiai

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

Thai Kyowa Biotechnologies' *HMOs* production facility

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

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

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

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

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

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

Food and Beverages domain



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

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

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

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

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

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



Kirin Brewery Company, Limited

Food and Beverages domain

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

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

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

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

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

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

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

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



2022 Year in Review

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

2023 Initiatives

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

Food and Beverages domain

Kirin Brewery Company, Limited

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

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

Example

Initiatives to create a craft beer category



Tatsuro Makihara

Chief, Business Creation Department
Kirin Brewery Company, Limited



Ikuko Kubo

Chief, Business Creation Department
Kirin Brewery Company, Limited

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

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

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

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



Lion Pty Ltd

Food and Beverages domain



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

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

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

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



2022 Year in Review

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

2023 Initiatives

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

Food and Beverages domain

Lion Pty Ltd

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

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

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

Kirin Beverage Company, Limited

Food and Beverages domain



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

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

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

improve revenue.

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

2023 Strategy

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

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

Strategic Issue 1

Build a strong portfolio that contributes to everyday health

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

Strategic Issue 2

Contribute to daily health Develop and establish business infrastructure

- 1 Strengthen cost competitiveness of production and SCM

2022 Year in Review

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

2023 Initiatives

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

Food and Beverages domain

Kirin Beverage Company, Limited

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

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

Example

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

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

Further, we want to provide more opportunities for

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

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



Mercian

Food and Beverages domain

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

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

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

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

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

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

Creating a pleasant future with wine



2022 Year in Review

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

2023 Initiatives

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

Food and Beverages domain

Mercian

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

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

*INTELVID-Chile

Example

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



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



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

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

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

Coca-Cola Beverages Northeast, Inc.

Food and Beverages domain



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

Generate stable operating profits through pricing strategies and cost management

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

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

2022 Year in Review

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

2023 Initiatives

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

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

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

Example

Improving productivity based on data management that utilizes SAP



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



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



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



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



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

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

Pharmaceuticals domain



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

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

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

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

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

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

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

2021-2025 Medium-Term Business Plan strategies

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

*UMN: Unmet Medical Needs

Pharmaceuticals domain

Kyowa Kirin Co., Ltd.

Example

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



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

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

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

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

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

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

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