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Message from Top Management

Executing Our Strategy is Vital to Become a Leader in CSV



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Representative Director of the Board & CEO,
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Accelerating strategy execution and seeing positive results in growing profitability

In March 2024, I was appointed representative director of the board and CEO, and Takeshi Minakata was appointed representative director of the board, president, and COO as we shifted to a new management structure. In 2013, we at Kirin Group established Creating Shared Value (CSV) as our guiding compass for our ongoing operation as a company to realize sustainable growth in the midst of a changing business environment. By making CSV our pillar of management, through which we leverage our strengths to address social issues while generating economic value, we aim to maximize our corporate value. In order to fulfill this mission in this time of growing uncertainty, we have determined that it is imperative to enhance the management execution capabilities of this new executive management structure led by both the CEO and the COO.

The list of changes in the business environment is never-ending—heightening geopolitical risks, climate change, rapidly accelerating technological changes like generative AI—all of which add to the increasing sense of uncertainty in the business environment. Under the new management structure, the COO oversees daily operations and, as CEO, I focus on developing a vision and business strategy for the entire Group from a medium- and long-term perspective and implement them. As a result, I am now able to devote increased time to hosting dialogues with stakeholders, including investors.

By enhancing the management structure in this way, we have accelerated changes to the business portfolio, such as making FANCL Corporation a consolidated subsidiary in 2024 and the agreement on the transfer of Kyowa Hakko Bio Co., Ltd.'s amino acid business and others.

Following the acquisition of Blackmores in 2023, these were major decisions for the Health Science Business that firmly established a strong foundation for its growth. We are moving steadily forward toward becoming “a global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals,” as set out in our long-term management vision, Kirin Group Vision 2027. Through dialogue with investors, I have realized that they now have an increased level of understanding and appreciation of our progress toward that vision.

With respect to performance, our consolidated normalized operating profit exceeded our goal for 2024 and achieved a record high for our Group. As for profit attributable to owners of the Company, on top of making restructuring changes for the future of the Health Science Business, the sluggish performance of the Indian beer business led to significant losses. For 2025, however, with restructuring on track, we estimate the profit attributable to owners of the Company to grow exponentially to 150.0 billion yen. We are seeing positive results in the growing profitability for the entire Group.



Message from the CEO



Realizing growth with a solid business portfolio geared toward uncertainty

Until last year, we focused on enhancing the competitiveness of our core businesses and establishing our business foundation. From 2025 onward, the Alcoholic & Non-Alcoholic Beverages, Pharmaceuticals, and Health Science Businesses will each move into a growth phase. I envision a portfolio in which each of these three businesses accounts for one third of our consolidated normalized operating profit, and my aim is to ensure the business portfolio can withstand the uncertainty of the business environment. It will, however, probably take a little bit of time before the Health Science Business grows to such a level. That said, I am confident we will achieve this goal.

This is because we have a proven track record for fostering our Pharmaceuticals Business. Looking back to when our Group entered the Pharmaceuticals arena about 40 years ago, the business was in the red for around a decade from launch. However, instead of using that as an excuse to quit the business, we continued to foster it, believing it would generate positive results. The reason the business succeeded was because the Alcoholic Beverages Business, including Kirin Brewery Company, Limited, earned well and supported it. This was a prime example of an ambidextrous business, and the Pharmaceuticals Business that provided us with so many challenges has now grown to generate profits that drive the Group.

And now, we will take up a similar challenge in the Health Science Business. It is precisely because the existing businesses stand firm and our revenue base is solid that we can take on this challenge. In regard to the Alcoholic Beverages

Business, due to the headwind generated from the aging and declining population, the rise of health consciousness, and the global strengthening of alcohol regulations, the future consumption of alcohol is expected to decrease. The Pharmaceutical Business is also facing difficult barriers, including the creation of new medicines, the patent cliff, and drug price revisions. Achieving sustainable growth as a corporation with these two pillars alone is precarious. In the future, if risks become apparent, the Health Science Business will be responsible for supporting our Group's operations. It is with this outlook that we are implementing our current initiatives.

In addition, our Group is expanding its businesses, mainly in Japan, Asia-Pacific, and the United States, and, looking at the entire Group, each region accounts for about one third of our earnings per share. In light of geopolitical risks, it is desirable to maintain this balance. Of course, If we look at each business individually, there are some areas that are not making progress. For example, for the Health Science Business, the United States is a very attractive market. Meanwhile, a business that is not successful in the Asia-Pacific will not be successful in the United States. Therefore, it is essential to first make the business a success in the Asia-Pacific. I understand we want to enter the US market as soon as possible, but we have not yet acquired the knowledge and human capital to expand the business, making that unrealistic. We will harness all our strengths to become the top company in the Asia-Pacific, and once we succeed, we will expand into other regions, including the United States.

The key is human capital equipped with expertise and an entrepreneurial spirit

In order to realize the growth I have mentioned, the fostering and securing of human capital is an urgent issue. This is because, even if we have numerous concepts and strategies, it is ultimately people that implement them. To our Group, it is vital we secure as many people as possible who are equipped with expertise and an entrepreneurial spirit.

First, expert human capital will be required to leverage their strengths to create more innovative value. Our ability to understand consumer insights in marketing, create unprecedented products through R&D, and efficiently use generative AI and digital technology as effective tools in all jobs is dependent on having advanced expertise.

In addition, employees must also possess an entrepreneurial spirit—discover new business opportunities, conceptualize innovative and unique

ideas, and pursue results by taking action without fearing the risks. Human capital with this approach is indispensable to realizing growth. Even in our founding beer business, when we launched over a century ago, we started by having alcoholic beverage retailers place just two or three bottles of beer in their stores, because beer was not yet well-known. The basics of business are built on the accumulation of these seemingly simple actions. It is because business is not easy that it's worth doing. We ask all employees to embrace the determination to persevere and accomplish their tasks, no matter what they are. As our greatest priority, we in top management will continue to prioritize the fostering of human capital as we go forward.

Please refer to pages 26–33 for details regarding human capital, R&D, marketing, and DX.

Accepting diversity and passing on our culture that encourages people to challenge to future generations

Now I would like to talk a little about my personal experience. This was 50 years ago, but when I was interviewed at Kirin Brewery, I said, “This company has a stable beer business, so I want to start something new.” That’s how I got hired. People around me said I was “different,” but the company understood and assigned me to a sales position related to new business to start my career. Every day at the worksite felt fresh, and new ideas were conceived one after the other. Most of these ideas were unprecedented, but they were all realized.

In this way, the Kirin Group has always

embraced employee diversity and fostered a work culture that supports taking on challenges. I have experienced this first-hand. This good organizational culture remains strong. Furthermore, we must pass it on to future generations. I hope employees will take on more challenges so we can be recognized by consumers and society as a company that uses its various technological strengths, cultivated over many years, to resolve social issues. To achieve this, I want us to return to and reflect on the Group's starting point in terms of values and guiding principles.

Sticking to our beliefs and meeting investors' expectations

Discussions concerning the long-term management vision beyond 2027 are underway, and we want to become even more innovative. Our great vision to become a global leader in CSV will remain unchanged, but I want to shift gears. We will evolve into a company that deepens CSV management throughout the organization by each and every one of our diverse employees repeatedly challenging themselves with the belief that all their daily work is

linked to CSV.

While resolving social issues, we will work to create profits that ensure economic value and to maximize our corporate value. That is to say, I am confident that enhancing the Kirin Group's CSV management is our duty to our various stakeholders, including investors. We will continue to strive to meet your expectations and look forward to your continued support.

Message from the COO

Unifying Management and *Gemba* to Maximize Our Strength and Realize Strategies

**Gemba*: the frontline where actual operations are performed

Managers employ all five senses to seize the real situation

In 2024, in order to enhance the profitability of each business, I strived to improve the execution capabilities of *gemba** by following my motto: actual place, actual things, actual situation—the three-actuals principle. During dialogues with stakeholders, including investors, I am asked questions such as, “What do you mean when you say, ‘a power of *gemba*?’” and “How will this power lead to profitability?” so I want to once again share my thoughts with you.

I believe the keys to successful management are “correct strategies,” “internal processes,” and the “mindset and actions of each employee.” No matter how correct our strategies are, any problems in our internal processes give rise to a string of obstacles. Moreover, even if our strategies are correct and our internal processes are perfect, the ones who ultimately implement the strategy are the employees. We need to look at whether each employee really understands the strategies and their importance for the survival of the company, and realizes they have a personal involvement in

each situation they encounter. If we fail to think about this, no matter how great our strategies and internal processes are, the strategies will simply remain concepts on paper. On top of drawing up major management strategies and verifying their effectiveness, the degree to which management understands the real situation at the *gemba* is crucial.

Based on this concept, in 2024, I visited and hosted meetings at sites in Japan and overseas. As of April 2025, I had hosted over 100 meetings and had had the opportunity to engage in dialogue with more than 1,000 employees. Seeing their positive, hard-working attitudes gave me great encouragement, and using all my five senses to grasp the real situation at the *gemba* allowed me to identify various issues and areas for improvement. Again, so that each and every employee can put their all into value creation, I am sharing with management the issues that came to light at these meetings and am working with them to address these issues with a sense of urgency.

Takeshi Minakata

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



Building a strong management structure from transparent and diverse perspectives

We are also strengthening collaboration with the management of operating companies both in Japan and overseas, and in addition to communicating daily, we make time to talk one-to-one once a month. The company presidents are also energetically visiting the *gemba*, sharing frankly with others their discoveries, and having open discussions on issues, countermeasures, and areas for improvement. Each president has different characteristics and approaches, but I feel they share a common goal and we are gradually building a sturdier management structure.

Furthermore, in regard to the foundation of all business, human capital, and the foundation of innovation, R&D, the appointment of senior executive officers Mr. Hama and Mr. Fujiwara, with their solid expertise and wealth of experience, further solidified our executive structure. On top of that, we also welcomed new non-executive directors onto

the Board who have skills well suited to achieve Kirin Group’s ideal business portfolio. Mr. Konomoto is well-versed in overseas business, M&As, ICT, and DX (digital transformation), and Ms. Mikami is highly knowledgeable about research and production areas and the cosmetics business. These appointments will enable us to review our strategies and our execution processes from a variety of perspectives. In addition, our company’s non-executive directors of the Board are unique, because they go in person to our various sites in Japan and overseas to communicate and socialize with *gemba* employees. A major strength of our company is that all members of the management team can gain a cohesive understanding of the real situation of human capital and each business through initiatives like this.

Please refer to pages 68 & 69 for messages from the new members of the board.



Realizing short-term and medium- to long-term growth

In 2024, our revenue and normalized operating profit reached historical highs, but many of the companies’ increased revenue and profits are not merely the result of a single year’s efforts. They are proof that we learned from our failures and continued to use the trial-and-error method, that each action was conducted with a strong will to reach our goals, and that we improved our execution capabilities. Additionally, in the takeover bid for FANCL Corporation, we utilized our previous M&A experience and insights from past failures to put all we had into the post-merger integration, just as we did when we acquired Blackmores Limited in 2023.

Meanwhile, the profit attributable to owners of the company fell significantly after accounting for all expenses related to business restructures to move on to the next growth phase. Although the decision was made to avoid postponing issues, we sincerely regret our lack of foresight and analytical skills as managers. Because we can display our enhanced earnings capabilities by increasing net income, not just normalized operating profit, we aim to significantly increase profits in FY2025. As for our financial KPI, we have changed to non-normalized earnings per share, and will strengthen our commitment to improving our net income, and strive to attain our goals.

Furthermore, we reviewed the shape of our business plan. Previously, our Medium-Term Business Plans were formulated as solid three-year plans, but we have changed to plans that set long-term goals that are adjusted annually. Changes in the external environment are becoming increasingly challenging, so by flexibly reviewing the strategy every year in line with environmental changes, we believe we can realize sustainable growth. On the other hand, even

if the formulating cycle has changed, our final goal remains the same. We will realize both short-term and medium- to long-term goals by adjusting the path we take depending on the current situation.

We will achieve our goals for 2025 while ensuring we make sufficient preparations toward achieving medium- and long-term growth.

First, since 2019, we have continued investing in the Health Science Business as a future growth driver, but we have labelled 2025 as a time to shift the business from the investment phase to the growth phase. We are committed to making the business profitable by the end of this year.

Regarding the Alcoholic Beverages Business, while the true value of brand strength is being tested, together with Kirin Brewery Company, Limited, and Lion Pty Ltd., we will continue to focus investment on core brands, provide more value-added products and services, and level up the business to one of higher profitability.

In the Non-Alcoholic Beverages Business, Kirin Beverage Company, Limited will enhance the Health Science beverage product mix and further accelerate the restructuring of our product portfolio. Coca-Cola Beverages Northeast, Inc., has over 40 years of history with our Group and, through steadily investing in human capital and facilities, has experienced vast expansion these past few years. Utilizing their strength in trustful relationships between management and *gemba*, Coca-Cola Beverages Northeast will further improve their operational excellence.

As for the Pharmaceuticals Business, the performance of *Crysvita* and *Poteligeo*, the global strategic products of Kyowa Kirin Co., Ltd., improved as planned, and the company’s revenue grew to

around 500.0 billion yen. KHK4083, currently under development, is generating good results, growing our expectations for the product. In 2025, we will have R&D expenses for clinical trials, but we view these expenses as investments in our future growth, and

the entire Group will work to cover them. These four businesses will not only grow autonomously, but will aim to circulate human capital, technologies, and knowledge between them to provide unprecedented value to the world.

Investing in organizational capabilities to create value with an outlook on an exciting future

We are already beginning to discuss beyond KV2027. We aim to realize sustainable growth through CSV management, to contribute to the various life stages of consumers using our strengths, especially in the key social issue of health, to be a company people are glad exists, and to become one of the most trusted groups in the world. To build such a future, we will invest in the four organizational capabilities that make up our foundation and become a company that creates one innovation after another.

The first of these four capabilities is human capital. In particular, we will enhance investments in the human capital of the Health Science Business to become one of Asia-Pacific’s largest health science companies and evolve into a globally competitive organization. Regarding the human resources system, we will change to one that encourages each employee to rise to challenges and take proactive actions. We will actively invest in human capital in order to improve each person’s expertise, create strong individuals that can compete globally, and build a strong team rich in diversity.

Second is R&D. We are proud to have continued to create innovations based on advanced technology. However, we cannot simply rest here but must enhance

our creativity for building innovative technologies and further improve our social implementation skills that lead to actual business. Going from 0 to 1, like when we developed *Lactococcus lactis* strain Plasma, is not easy, but we will continue to invest in developing new materials and functions related to health and focus on going from 1 to 10 and 10 to 100.

The third is ICT (information and communication technology), for which we are promoting the acquisition and fostering of DX human capital together with external parties and making great strides in advancing management and business processes. Additionally, we are actively introducing AI to quickly create a place where people and AI co-exist, which will in turn improve operational efficiency and drastically accelerate new value creation.

Fourth is marketing. While bringing our Group’s unique knowledge and know-how in brand businesses, mainly the Alcoholic Beverages and Non-Alcoholic Beverages Businesses, to a higher level with a focus on local citizens, we will also expand those strengths to the Health Science Business. By gaining a deep understanding of local needs, we will evolve into a Group that creates innovations, one after the other, that go beyond consumer expectations.

Execution capabilities are the culmination of ingenuity and persistence

There is no shortcut to enhancing execution capabilities. Many of the initiatives I have mentioned in this message are on a modest scale and will only produce results if we continue to enact them. It is important that we, the executors, feel connected to consumers and patients, that we imagine their smiles and constantly think of ways to increase those smiles. And we need to be creative in this. This may sound naïve, but if all employees, from management to *gemba*, persistently work from this perspective,

I believe we will become a strong Group with high execution capabilities. Going forward, management, *gemba* employees, and employees supporting the *gemba* will unite as one team to enhance our execution capabilities and strengthen profitability. Additionally, I will provide sincere explanations to and continue dialogues with external stakeholders while promoting management that gains everyone’s sympathy and support.