

Session 1 (9:15-10:05)

R&D at the Kirin Group

- Expanding the Kirin Group's technological capabilities and business domains
- Technical capabilities to solve social issues

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Minutes of Q&As

Q. How do you set KPIs as the top management of the R&D section? How do you measure the results of your R&D?

(Kobayashi) Research themes are determined based on the corporate strategy, and the results are measured and evaluated according to the theme. The time horizon varies depending on the research field, and the indicators are determined for each stage of research. Also, the indicators vary whether the research is for new product development in beverage field or high-functioning ingredients. While trial and error process to determine what KPIs should be set, basically KPIs should be determined depending on to what extent the goals are achieved by how much resource (HR and investments) is spent.

Q. How has the R&D section changed in response to the changes in the Kirin Group's business portfolio? What is the role of R&D in generating new sales growth?

(Kobayashi) I have changed the allocation of resources so that the health science domain, which is a focused area for the Group, will become a growth driver. Those resources, in order to achieve growth in the health science domain, shall be employed for structuring the business model that takes advantage of the strengths of Kyowa Hakko Bio and FANCL, taking into account the contribution of each company.

Q. Please specify the KPIs with the highest priority.

(Kobayashi) Our main focus is in the field of immunology with lactic acid bacteria such as *Lactococcus lactis strain Plasma*, which was the Japan's first food with functional claim in immunology, and *KW lactobacilli*, which is effective for eyes. Further business expansion in this field is our top priority, and we will aim to strengthen the scientific evidence to maximize its potential.

Q. Do you have competitive advantage in the new sugar-cutting process for Kirin

Ichiban sugar-free, or is this technology something competitors can catch up with?

(Kobayashi) The technology to reduce sugar content itself is not unrivaled. However, we have an advantage in achieving zero sugar content by so finely controlling raw materials. In addition, it is not only necessary to achieve zero sugar content, but also to adjust the flavor of the product to make it delicious. Furthermore, even if it can be achieved in the testing laboratory, it is difficult to manufacture it in the factory. The above mentioned points are the advantages of the Kirin Group that cannot be easily overtaken.

Q. I would like to ask a question about collaboration with FANCL. When leading R&D to BtoC business, how has FANCL prompted Kirin's R&D section to change?

(Kobayashi) Compared to FANCL, I felt that the Kirin Group's R&D section was more of a product-out, lacking a market-in perspective. FANCL thoroughly reflects the consumers' perspective to product development, even when it may not be noticed at first glance. The Kirin Group is also developing products by reflecting the consumers' perspective especially in alcoholic and non-alcoholic beverage, but since the foundation research plays a large role in the health science domain, it is necessary to bring R&D and, the marketing department and consumers closer together. Also, FANCL's researchers are very good presenters. They have many opportunities to explain to people outside of the company, and this is because they practice it on a regular basis. The Kirin Group must learn from them. Currently, they are exchanging HR and information with FANCL.