Kirin Beverage Business Strategy for 2023

Wednesday, January 25, 2023
Kirin Beverage Company, Limited
The strategy of both the existing beverage area and the health science area working together has led to strong sales of our core brands *Kirin Gogo-no-Kocho*, *Kirin Nama-cha* and beverages containing LC-Plasma.

Although company-wide sales volume was 98%, below the previous year's level, large PET products and vending machine initiatives contributed to improved profits.

**Existing beverage area**

**Core Brands**
- *Kirin Gogo-no-Kocho Oishii Muto* (sugar-free) series grew for 11 consecutive years
- *Kirin Nama-cha* and *Kirin Nama-cha Houji-Sencha* renewal, R100 bottles, etc. Promoting environmental initiatives
- Need to address increased competition in the category

**Health Sciences**

**LC-Plasma-containing beverages**
- Kirin entered the chilled category with a new product, *Kirin iMUSE Morning Immune Care*, and performed well.
- On the other hand, product awareness is still low and trials are limited, so there are opportunities to expand points of sale.

**Profit Improvement Initiatives**
- Curb excessive sales of large PET products (e.g., discontinue sales of 2L *Kirin Alkali Ion Water*)
- Ongoing reform of vending machine structure (removal of unprofitable machines, revision of contract terms, etc.)
2022 Sales

Sales in 2022: 201.04 million cases -2% year-on-year
Kirin Gogo-no-Kocha: +103% year-on-year; Kirin Nama-cha: +102% year-on-year; LC-Plasma-containing beverages: +6.59 million cases year-on-year, a significant increase of 23% year-on-year

Sales Volume in 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales volume</th>
<th>Year-on-year</th>
<th>Market forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Science area</td>
<td>20.97 million cases</td>
<td>103%</td>
<td>Health Beverage Market Approx. +14% (FOSHU/Food with Functional Claims)</td>
</tr>
<tr>
<td>Beverages with LC-Plasma</td>
<td>6.59 million cases</td>
<td>123%</td>
<td>Soft Drink Market Apprx. +2%</td>
</tr>
<tr>
<td>Existing beverage area</td>
<td>180.06 million cases</td>
<td>97%</td>
<td>Black tea market Apprx. +2%</td>
</tr>
<tr>
<td>Total soft drinks</td>
<td>201.04 million cases</td>
<td>98%</td>
<td>Unsweetened tea market Apprx. +3%</td>
</tr>
<tr>
<td>By Brand</td>
<td></td>
<td></td>
<td>Coffee market Apprx. -1%</td>
</tr>
<tr>
<td>Kirin Gogo-no-Kocha</td>
<td>49.61 million cases</td>
<td>103%</td>
<td></td>
</tr>
<tr>
<td>Kirin Nama-cha</td>
<td>28.07 million cases</td>
<td>102%</td>
<td></td>
</tr>
<tr>
<td>Kirin FIRE</td>
<td>21.75 million cases</td>
<td>97%</td>
<td></td>
</tr>
</tbody>
</table>

*The results for Kirin Gogo-no-Kocha Milk Tea Plus, Kirin Nama-cha Lifeplus Immune Assist, and Kirin Nama-cha Immune Care are included in both Kirin Gogo-no-Kocha or Kirin Nama-cha and beverages containing LC-Plasma. Included in Health Science area but not in the Existing Beverages area.
What Kirin Beverage Aims to Achieve

**Market**
- Shrinking market trend due to population decline
- Brand shakeout due to intensified competition in the category

**Consumer**
- Polarization of consumption,
  Continued increase in post-COVID health awareness

**Our company**
- Knowledge and technology for reliable manufacturing and making delicious products using group assets, and accessibility to all consumers

Newly established “Pledge to Consumers” as an overarching concept of what kind of company we should be and all our business activities.

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**Pledge to Consumers**

*Health with good taste for everyone’s daily life.*

Focusing on health as the core of Kirin Beverage’s competitive advantage, strengthen the health science domain and contribute to consumers’ mental and physical health with good taste through all of our brands.

Through health-driven products and services, we will promote sustainable environmental initiatives that the Kirin Group aims to achieve through CSV management, and contribute to future "communities" that connect people and society.
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

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**Strategic Issue 1**

Build a strong brand portfolio that contributes to everyday health

1. High profitability through LC-Plasma-containing beverages
2. Re-growth through cultivation of core brands
3. Acceleration of collaboration with FANCL

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**Strategic Issue 2**

Contribute to daily health
Develop and establish business infrastructure

1. Strengthen cost competitiveness of production and SCM
2. Strengthening sales and new utilization of vending machine channels
Strategic Issue 1: Build a strong brand portfolio that contributes to everyday health

High profitability through LC-Plasma-containing beverages

Transition to a highly profitable beverage business based on health value

Sales target for 2023: Over 10 million cases of LC-Plasma-containing beverages

“Immune Care” habit

- Launched as Kirin Oishii Immune Care. The design and naming of the new product, which is both functional and tasty, will stimulate trial sales. Evolution of the highly acclaimed "easy to drink" and satisfying taste.
- Proposing opportunities to start "immune care" and promoting the personalization of "immune care"

Touchpoint expansion

- Development of products for a wide range of drinking occasions
- Development of products for vending machines

KIRIN is known for its "immune care" Creation and expansion of immune-care market

We can take care of our immune system in our daily lives - anybody, anywhere, anytime.

Improved health value of LC-Plasma

KIRIN’s LC-Plasma is recognized as good for immune care.

Beverages with LC-Plasma

Strong brand and product strength

Sold at a price commensurate with the value of ‘good taste and health’
Strategic Issue 1: Build a strong brand portfolio that contributes to everyday health

2. Re-growth through cultivation of core brands
- Strengthening the communication of the "intrinsic value of black tea" with a focus on three regular Kirin Gogo-no-Kocha brand products: Kirin Gogo-no-Kocha Straight Tea, Kirin Gogo-no-Kocha Lemon Tea, Kirin Gogo-no-Kocha Milk Tea, and expanding Kirin Gogo-no-Kocha Oishii Muto (sugar-free)
- Establish uniqueness of the Kirin Nama-cha brand and promote environmental initiatives

3. Acceleration of collaboration with FANCL
- Launched a new product utilizing FANCL's Calolimit® brand. Expand mainly through vending machine channels.
- Development of healthy and delicious products utilizing FANCL's proprietary technologies and know-how

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*The images are of the current product.
Strategic Issue 2: Contribute to daily health, Develop and establish business infrastructure

1. Strengthen cost competitiveness of production and SCM
   - Invested 10 billion yen in the Shonan Plant to begin new production of 100ml PET bottled beverages
   - Automation of warehouse operations in logistics to solve logistics problems.
   - Securing a new cooperative production base in the Tohoku bloc (reducing the volume of long-distance transportation from Hokkaido by approximately 40%, and reducing GHG emissions in the Tohoku bloc by approximately 3% in total for the initiative).

2. Strengthening sales and new utilization of vending machine channels
   - Strengthen health science products for vending machines, an important touchpoint
   - Expand and strengthen proposals for KIRIN naturals* utilizing sales know-how of vending machines for corporate consumers.
   - Promote collaboration with other companies in non-competitive areas

*Corporate services to support health management
**Sales plan for 2023**

- Achieve high profitability in 2023, aiming for total revenue +10% and +50% or more revenue in the health science area (compared to 2022*1)
- Sales target for LC-Plasma-containing beverages in 2023: Over 10 million cases, up 53% from the previous year
- Sales volume target for 2023: 205.4 million cases, up 2% from the previous year

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<th>Year-on-year</th>
<th>Market forecast</th>
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<tr>
<td>Total soft drinks</td>
<td>205.4 million cases</td>
<td>102%</td>
<td>Soft Drink Market About -2%</td>
</tr>
<tr>
<td>Health science area*2</td>
<td>28.3 million cases</td>
<td>135%</td>
<td>Health Beverage Market +8% approx.</td>
</tr>
<tr>
<td>Beverages with LC-Plasma</td>
<td>10.1 million cases</td>
<td>153%</td>
<td>(FOSHU, Food with Functional Claims)</td>
</tr>
<tr>
<td><strong>By Brand</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kirin Gogo-no-Kocha</td>
<td>52.2 million cases</td>
<td>105%</td>
<td>Black tea market About ±0%</td>
</tr>
<tr>
<td>Kirin Nama-cha</td>
<td>32.3 million cases</td>
<td>115%</td>
<td>Unsweetened tea market About -1%</td>
</tr>
<tr>
<td>Kirin FIRE</td>
<td>22 million cases</td>
<td>101%</td>
<td>Coffee market About -1%</td>
</tr>
</tbody>
</table>

(Sales volumes are on a single-company basis)

*1: Consolidated, IFRS basis
*2: LC-Plasma-containing beverages, Kirin Mets Plus, Kirin Mets Cola, FANCL collaboration products, Tropicana Essentials, Tropicana W, beta-lactolin-containing beverages