

KIRIN



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Joy brings us together



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-Kocha*, *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-Kocha 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

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

*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.

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.

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 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

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

① 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'

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

FANCL
正直品質。



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

NEW

- 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



To be added



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

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



(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