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KIRIN INTEGRATED REPORT 2022

Kirin Holdings Company, Limited

Executive Message	4	Message from Top Management	
	8	Message from the Chief Financial Officer	
	15	Message from Senior Executive Officer of CSV Strategy	
Value Creation Model	20	Value Creation Model	   
		Input	
	21	Consumer centric marketing	
	25	ICT accelerating value creation	
	29	Diversity and inclusion, culture for innovation	
	35	Accelerating intellectual property activities that leverage technological capabilities for the business	
		Business	
	38	Food & Beverages	
	43	Health Science	
	46	Pharmaceuticals	
	Output		
49	Financial and Non-financial Highlights		
	Outcome		
50	Health and well-being		
55	Community Engagement		
59	The Environment		
65	A Responsible Alcohol Producer		
Governance and Strategy to Support Value Creation		Corporate Governance	
	70	Overview	
	73	Management Structure	
	81	Management, Leadership & Advisory	
	85	Remuneration System for Executive Officers	
	91	Compliance	
96	Kirin Group Tax Policy		
99	Interview with Independent Non-executive Directors		
	105	Risk Management	
	110	Scenario Analysis (TCFD)	
Results of Value Creation Initiatives	117	Management Analysis Of Financial Position, Operating Results, And Cash Flows	

This corporate website is structured based on the Kirin Holdings value creation model. The Kirin Group has converted the Integrated Report to the web in order to keep stakeholders up-to-date with the latest information. In addition, in order to improve the usability of various functions, the web pages of the Integrated Report contents have been converted to PDF format and compiled into the Integrated Report 2022.

The Kirin Group considers interactive communication with stakeholders to be important, and we hope that the Integrated Report will be of some help in this regard.

Editorial Policy

The Kirin Group Vision 2027 (KV2027) adopted in fiscal 2019 sets the long-term management vision for the Group to become a global leader in CSV by creating value in the Food & Beverages and Pharmaceuticals domains.

The fiscal 2022 is the first year of new medium-term business plan (2022-204 MTBP), and this report describes the Kirin Group's intentions toward the achievement of 2022-2024 MTBP and the realization of KV2027.

We hope this report will help readers understand how the Kirin Group is using its CSV management to help address social issues through its business operations.

Coverage

Kirin Holdings Company and the Kirin group companies

Period

January-December 2021

Contact

Kirin Holdings, Corporate Communications Department

Referenced Guidelines

The integrated report was prepared with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry.

Cautionary statement regarding forward-looking statements

Statements in this report that are not historical facts are forward-looking statements based on plans and expectations for the future. Accordingly, these forward-looking statements are subject to risks, uncertainties and other unpredictable factors, and may differ considerably from actual results, business performance, and other future events. In addition, forecasts of fiscal 2022 financial results were decided as of the disclosure of financial results on February 14, 2022

Publications Available on Kirin's Global Website

Environmental Report (Publication every June)

The report details the Kirin Group's annual environmental activities as well as unique business-driven initiatives.

https://www.kirinholdings.com/en/investors/library/env_report/



Consolidated Financial Statements (Publication every March 31)

Compiled in accordance with Article 24-1 of the Financial Instruments and Exchange Act of Japan, the report includes Kirin Holding's financial statements along with an overview of its recent performance, business results, facilities, and operations.

<https://pdf.irpocket.com/C2503/DZdo/Zsll/cQYx.pdf>



Corporate Governance Report (Publication Every April)

The report provides information on the Group's approach to and system of corporate governance, maintained in compliance with the Corporate Governance Code of Japan.

https://www.kirinholdings.com/en/purpose/files/pdf/governance_report.pdf



2022-2024 Medium-Term Business Plan webpage (Published in February 2022)

The webpage features the 2022–2024 Medium-Term Business Plan, the Group's first three-year plan focused on realizing the KV2027 long-term management vision.

https://www.kirinholdings.com/en/purpose/management_plan/#headline-1615513803



ESG Data (Periodically updated)

Kirin Holdings presents environment, society, and governance (ESG) data for recent years at the following website.

<https://www.kirinholdings.com/en/investors/esg/esg/>



Data Book (Periodically updated)

The book presents data about the Group's business markets, pharmaceuticals development pipeline, and historical financial data.

https://www.kirinholdings.com/en/investors/library/databook/beer_region/



Message from Top Management



Start of the 2022 Medium-Term Business Plan
Creating a new growth track, directed at realizing KV2027
Achieving three years of outstanding growth

President & CEO
Yoshinori Isozaki
Kirin Holdings Company, Limited

Raising seedlings of "outstanding growth" in the "era of uncertainty"

When announcing the 2019 Medium-Term Business Plan (2019 MTBP) three years ago, I stated that the world is entering the "VUCA* era". These words were realized as COVID-19 became a global pandemic in early 2020, severely disrupting the world. Although there had been warnings of increased risk of transmissible diseases caused by global warming, no one was able to foresee such a major impact. Now, as successive variants continue to prolong the pandemic, there is still no end in sight.

*VUCA: Abbreviation of "Volatility", "Uncertainty", "Complexity" and "Ambiguity". It refers to a social situation with high volatility and uncertainty that is also complex and ambiguous.

Looking at the world today, nationalism has expanded, and there is increased geopolitical risk, including the military coup in Myanmar in February 2021 that has impacted the Kirin Group's operations.

Executive Message

Due in part to the impact of these social circumstances, unfortunately, we were unable to achieve the numerical targets set forth in the 2019 MTBP. However, I believe that as a result of the rapid changes in the social environment, the society we envisioned 10 years after has arrived much earlier due to the COVID-19 pandemic. Along with accurately grasping the changes in consumer behavior and implementing new initiatives earlier than planned, we made numerous achievements and obtained new awareness even during the recent unprecedented circumstances.



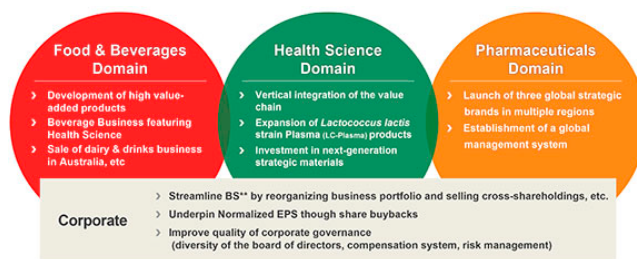
For example, draft beer and craft beer sales focused primarily on the on-premise channel before the pandemic, but after quickly picking up on the increased off-premise demand as people refrained from going out during the pandemic, we shifted channels much earlier than initially planned, including the launch of the *Home Tap* and a can version of *Spring Valley Hojun 496* in the off-premise channel.

Moreover, in September 2020, the Consumer Affairs Agency accepted our notification for *Lactococcus lactis* strain Plasma as Japan's first food with functional claims for immune function. As health awareness increased during the COVID-19 pandemic, we launched a wide variety of new products centered on the *iMUSE* brand and were able to leverage the scientific evidence to greatly expand sales volumes.

From a non-financial perspective, in regards to corporate governance, the majority of the Board members are now non-executive directors, the chairperson included. Our external stakeholders have viewed positively, and in fact, the discussions in the Board meetings are now deeper and more vigorous. Moreover, I have to prepare myself more than ever before the meetings. In addition, we have achieved a certain level of progress in employee engagement and the environmental measures based on Kirin Group Environmental Vision 2050.

However, the business environment is expected to remain challenging, and the world is unlikely to return to its previous form. We need to possess the "determination" to survive within a completely new world. As I mentioned earlier, thankfully, the Kirin Group has steadily planted seeds for achieving further growth. While remaining true to the basic policy set forth in the Long-Term Management Vision "Kirin Group Vision 2027 (KV2027)", we will aim to become a "global leader in CSV".

The 2022 MTBP that began this year will be a three-year period in which we create a new growth track that differs from the track originally envisioned when starting KV2027. As a financial KPI, we will aim to achieve a normalized EPS compound average growth rate of at least 11% and continue to achieve major growth even after the recovery from COVID-19. I believe we were able to successfully create a foundation for realizing this outstanding growth during the 2019 MTBP.



The foundation for growth in the next MTBP (2022-24) is in place

* Medium-term Business Plan

** Balance Sheet

Three years for returning to a path to “achieving KV2027”

Realizing further growth of the existing businesses and creating new value

As part of the 2022 MTBP, we will reform the earnings model by restructuring the existing businesses and exploring new businesses within the Food & Beverages Domain. Many of our markets are mature markets, making it difficult to grow quantitatively, so it will be important to achieve quality growth. While further strengthening the core brands, we will work to grow the top line and improve the product mix by fostering high value-added products and services in Japan and overseas, including craft beer and beverages with high health appeal. In addition, we will improve profitability by 30.0 billion yen over the next three years and achieve growth greatly exceeding pre-COVID levels.

In the Pharmaceuticals Domain, we will bring the three global strategic brands to market in even more countries and regions and work to further expand the indications. Also, by enhancing the pipeline of next-generation pharmaceuticals, we will firmly establish Kyowa Kirin as a Global Specialty Pharmaceutical Company.

In the Health Science Domain, along with expanding *Lactococcus lactis* strain Plasma products both inside and outside the group, given the increasing global health related demand, we are working to establish citicoline and Human Milk Oligosaccharides (HMO) as new pillars of growth. Also, concerning the collaborations with FANCL, by leveraging our individual strengths, we will deliver products and services with high added value unachievable alone to consumers through the mutual use of our channels. We are accelerating the various initiatives, including potential M&A, aimed at quickly establishing the Health Science business as a pillar of the Kirin Group.



Become more competitive by combining the cultivation and fostering of internal human resources with the acquisition of external talent

Concerning “organizational capabilities for innovation”, fostering personnel who will be responsible for promoting ICT and digital transformation (DX) is an urgent issue. DX is already essential for creating new value. Securing personnel who can collect high quality data and also analyze that data is a major issue for the Kirin Group. However, we will not succeed simply by bringing in external specialists. Regardless of technical expertise and knowledge of data science, unless there is true understanding of the business, it is impossible to achieve deep insight. While welcoming data analysis experts into our group as leaders and trainers, we will focus on identifying personnel with an interest in mathematics and statistics and high aptitude, and develop DX experts in-house through in-depth and recurrent education. In order to achieve the new Medium-Term Business Plan and KV2027 within today’s uncertain social environment, our group’s employees will need to make an even greater contribution to the organization. Given this, I feel we should further invest in our human resources.

Realizing outstanding growth with CSV as the basis of management



In the current Medium-Term Business Plan, we have set extremely high quantitative targets for the next three years. However, I believe that if we can steadily address each of the issues mentioned earlier, these targets are achievable. We will combine the strength of each business and division that achieved good results even under the challenging circumstances during the previous medium-term business plan and come together as a group to achieve the current targets.

In today's uncertain environment, I believe each company's reason for existing is being questioned. CSV, which I have continued to promote since 2013, will be the answer. We have continued to make steady advances in CSV during this period of disruption, and it is now a core pillar of management at the Kirin Group and provides meaning for our existence. Based on our strengths in fermentation and biotechnology, we are a company that will create social and economic value through solving social issues. By reinvesting the cash obtained from economic growth in the group's core businesses, we will create a cycle of growth in the total value of these two values and contribute to increasing the sustainability of society while continuing to achieve growth.

I ask for your continued understanding and support for our group.

Message from the Chief Financial Officer



Accelerating growth by implementing business structure reforms and creating new value by charting a "new growth track"

Noriya Yokota
Director of the Board,
Senior Executive Officer & CFO
Kirin Holdings Company, Limited

2019-2021 Medium-Term Business Plan

Although our financial KPIs were not achieved, the foundation for growth in the Medium-Term Business Plan was established.

—Please review the 2019-2021 Medium-Term Business Plan (2019-2021 MTBP) and tell us about the results for fiscal 2021.

The CAGR of normalized EPS from 2019 to 2021 was -2.2% and ROIC in 2021 was 4.2%, both of which fell short of the MTBP targets (normalized EPS +5% or more and ROIC of 10% or more). In addition to external factors such as COVID-19 pandemic and political upheaval in Myanmar, we believe that quality control issues at Kyowa Hakko Bio had a significant impact on our earnings.

That said, looking at 2021 (alone) in which we set our financial KPI (147 yen of normalized EPS and 7.6% ROIC) at the beginning of the period, although we did not achieve the ROIC KPI resulting from the impairment losses booked for the Myanmar business, we did achieve our target by bringing normalized EPS back to 156 yen, close to the level marked in 2019 (158 yen) before the COVID-19 disaster.

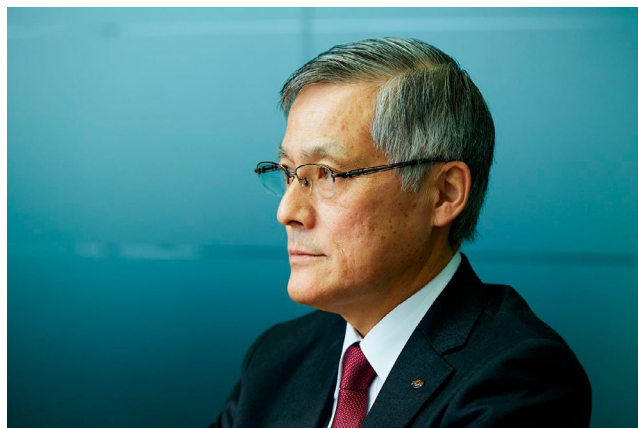
Executive Message

The non-financial KPIs of the 2019-2021 MTBP showed significant results, with employee engagement rising to 72%, meeting the target, and corporate brand value surging to US\$2,476 million, well above the target of US\$2,200 million. Although there were some indicators of CSV commitment that were not achieved owing to activity restrictions, we were able to make steady progress in our initiatives, especially in the environmental area.

—What are the specific impacts and responses to external factors?

Due to the impact of COVID-19 pandemic, normalized operating profit had an impact of around 100 billion yen in the two years of 2020 and 2021. In addition, the normalized operating profit had an impact of approximately 10 billion yen compared to 2021 in the Myanmar business due to political changes in Myanmar. Despite such strong headwinds, we built up cost reductions of more than 60 billion yen over two years, and were thus able to minimize the impact of the revenue decline.

With regard to the Myanmar business, we have continued discussions with our partner, Myanma Economic Holdings Public Company Limited (MEHPCL), to dissolve the joint venture, initially on the premise that the Kirin Group would continue its business in Myanmar. However, through discussions with MEHPCL and the filing of an arbitration in Singapore, we determined that it would be difficult to dissolve the joint venture in the manner we desired, and we have shifted our policy to withdraw from the Myanmar business. In formulating our withdrawal plan, we will give the utmost consideration to our stakeholders in accordance with our human rights policy, while placing the highest priority on the safety of local employees and their families.



—Please tell us about the growth investments in the 2019-2021 MTBP.

With the achievement of KV2027 in mind, we steadily invested in high value-added products and services in the Food & Beverages domain to strengthen the earnings capability. Kirin Brewery invested 5 billion yen in the Nagoya Plant in 2019 and 7.5 billion yen in the Sendai Plant in 2020 to expand ready-to-drink (RTD) production lines and accelerate commercialization of high value-added RTD products. In addition, we stepped up our investment in the craft beer *SPRING VALLEY HOJYUN* <496> and worked to provide even higher added value with the full-scale rollout of a Kirin Home Tap offering from 2021.

Meanwhile, we have strengthened our overseas craft beer business by investing about 40 billion yen in 2020 to make U.S. craft brewer New Belgium Brewing Company, Inc. a subsidiary and by acquiring Fermentum Group in Australia in 2021.

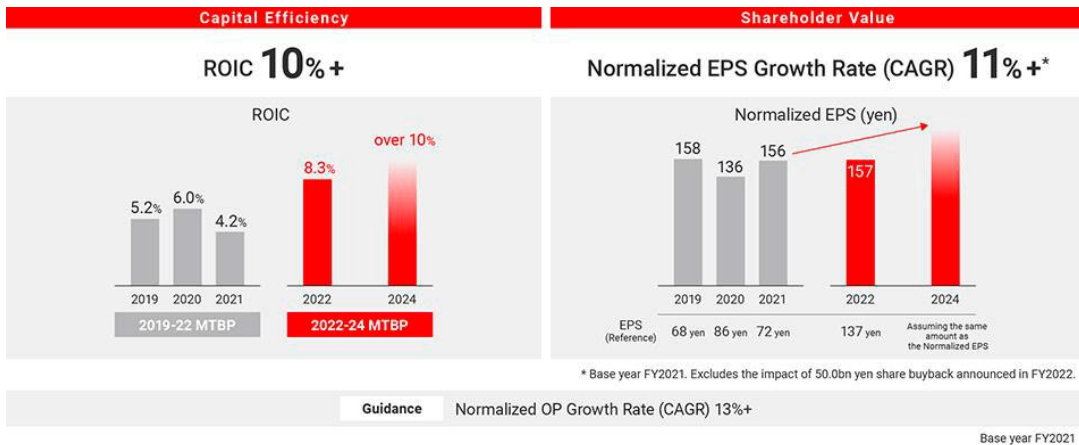
In the Health Science domain, we announced a capital and business alliance with FANCL CORPORATION in 2019. We acquired approximately 33% of the FANCL's shares for 129.5 billion yen and proceeded to cross-sell on our channels and launch jointly developed products. Kyowa Hakko Bio also started its growth and expansion by increasing production capacity for next-generation strategic materials, including the addition of production lines for Citicoline and human milk oligosaccharides.

2022-2024 Medium-Term Business Plan

Investing resources generated by balance sheet and portfolio management into growth drivers. Achieving a New Growth Track

—What are the financial KPIs and normalized operating profit guidance in the 2022-2024 Medium-Term Business Plan (2022-2024 MTBP)?

In the 2019-2021 MTBP, we mainly worked on "building a foundation for transformation," but in the 2022-2024 MTBP, we will invest management resources in the three domains of Food & Beverages, Health Science, and Pharmaceuticals to move forward on a "new growth track." For financial KPIs, we aim for ROIC of 10% or more and normalized EPS CAGR of 11% or more (vs Fiscal year 2021). Our guidance targets a normalized operating profit CAGR of at least 13% (versus fiscal 2021).



For non-financial KPIs, we have established eight indicators that are more directly related to economic value in the three categories of "environment," "health and well-being," and "employees," based on stakeholder expectations. This will strengthen the INPUT, BUSINESS, and OUTPUT of the "Value Creation Model" and lead to a greater OUTCOME, thereby deepening CSV management.

Items	Themes	Non-financial Indicators	Target Level in 2024
Environment	Climate Change	Reduction rate of GHG emissions (Scope1+2 vs. 2019)	23% (50% in 2030)
	Containers and Packaging	Recycling rate of resin for PET bottles	38% (50% in 2027)
	Water Resources	Water use intensity at manufacturing sites with high water stress Lion (Australia) (Water use intensity = Water usage / Production amount)	Under 3.0 kL/kL (Under 2.4kL/kL in 2025)
Health	Progress of mid-term health science strategy	Achievement level in supporting the maintenance of immune function 1. Recognition rate of LC-Plasma function in Japan 2. Number of people continuing to take LC-Plasma	1. 45% 2. 1,900,000 people (1. 50% in 2027)
		Achievement level of new value creation in the immunity, brain function, and intestinal environment domains and Achievement level of promotion of collaboration with pharmaceuticals domain	Not disclosed^{*1}
Employees	Organizational Culture	Employee engagement score	75%
	Diversity	Achievement level in "Increasing diversity" ^{*2} 1. Ratio of female managers in Japan 2. Ratio of career hires in Japan	1. 15% 2. 30%
	Occupational health and safety	Lost time injury frequency rate ^{*3}	0.95 (0.40 in Japan)

*1 Specific indicators and target levels are not disclosed for strategic reasons, as they include content related to intellectual property.

*2 The target group is employees of Kirin Holdings.

*3 Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included.

—What are the specific initiatives in the three domains of Food & Beverages, Health Science, and Pharmaceuticals?

In the Food & Beverages domain, which is the source of growth investment, we believe it is important to achieve even higher profitability and steady cash generation. In the 2022-2024 MTBP, we expect our mainstay brands to recover from the COVID-19 pandemic, and we will continue to improve our mix by strengthening high value-added products and services. In parallel with these efforts, each Group Company will work to improve profitability through business structure reforms in SCM.

In the Pharmaceuticals domain, in order to build a solid position as a "global specialty pharmaceutical company," we will achieve growth of our three global strategic products by investing in our business base, centered on global production and sales. We will also develop next-generation strategic products, aiming for medium- to long-term growth.

In the Health Science domain, we are expanding the development of products containing *Lactococcus lactis* strain Plasma, continuing collaboration with FANCL, and working on organic growth through Kyowa Hakko Bio's next-generation strategic materials Citicoline and human milk oligosaccharides. At the same time, we will also consider to expand our business in the Health Science domain through M&A.



—Please explain the initiatives in balance sheet management.

We will promote asset reduction of more than 100 billion yen during the time frame of the 2022-2024 MTBP to achieve ROIC of 10% or more. In 2021, we introduced our Global Cash Management System. This enabled us to consolidate and supply funds to and from overseas subsidiaries in a timely manner, leading to a reduction in cash balances. In the future, we will consider ways to utilize surplus funds while achieving further efficiency by expanding the number of companies included in this process.

Furthermore, we believe that we can improve managing inventories, and we will steadily shorten the CCC^{*3} by improving the accuracy of demand forecasts through ERP^{*1} and enhancing SCM^{*2} efficiency by reviewing required inventory quantities. In addition, we will continue to reduce our cross-shareholdings, which were greatly reduced in 2019-2021 MTBP, with the goal of reducing them to less than 5% of total capital in 2022-2024 MTBP.

*1:ERP: Enterprise Resource Planning

*2:SCM: Supply Chain Management

*3:CCC: Cash Conversion Cycle

—What is your view of the medium- to long-term business portfolio?

The Board discusses the allocation for the medium- to long-term business portfolio at least once a year. The divesting China Resources Kirin Beverages (Greater China) Company Ltd. announced in February 2022 was also delivered from these discussions, and we will actively pursue the sale of non-core businesses.

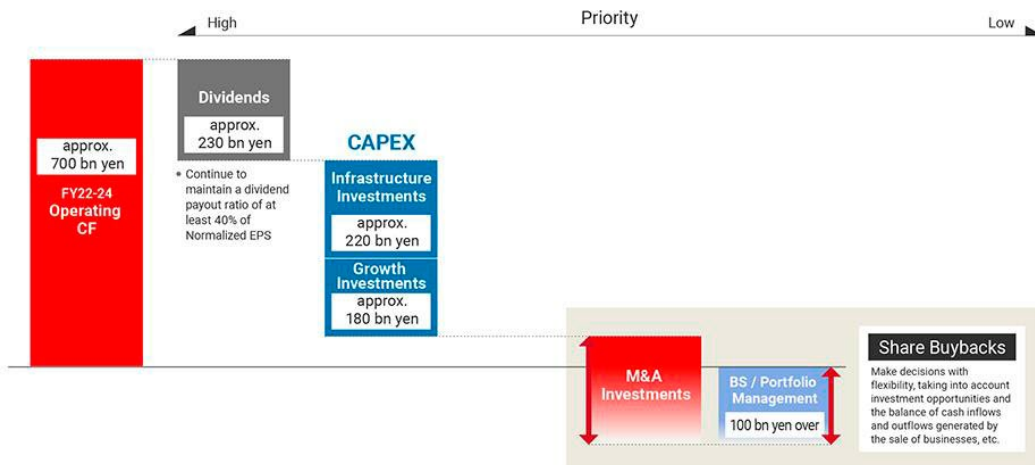
We will accelerate the transformation of the Food & Beverages domain and investment in the Health Science domain through balance sheet and portfolio management based on a series of constructive discussions.

—Would you tell us your cash allocation plan during the 2022-2024 MTBP period?

Cash flow after dividends will be allocated to capital expenditures initially for the current existing businesses, and then to growth segments, mainly the Pharmaceuticals and Health Science domains. The financials for M&A will be covered by the surplus after dividends and capital expenditures, plus funds generated by balance sheet and portfolio management. If there are investment opportunities that contribute to increasing corporate value, we view the use of debt as an effective means of doing so. In the consideration phase, we will make disciplined investments that lead to an increase in corporate value based on ROIC.

Furthermore, investment in intangible value is essential to strengthen organizational capabilities for innovation in order to achieve KV2027. We will continue to invest in our talent, including better linking remuneration to performance as well as developing skills and improving the work environment. Furthermore, we will sustain our investment in research and development, which is the foundation for value creation. In ICT digital, we will proceed with digital transformation mainly through maximum use of the new ERP system, which has gone live in 2022. The new ERP system enables us to build an optimal production and logistics system and standardize operations that lead to cost reductions and cash generation through asset reduction. We will also consider allocation of resources to digital when investing in new business.

Executive Message



Earnings Forecasts for 2022

Achieve first-year targets and ensure attainment of KPIs in the 2022-2024 MTBP

—In the current fiscal year, costs are expected to rise due to higher raw material costs, and expenses are expected to increase as a result of the go-live of the ERP system. Please share the initiatives under way to secure profits in the short term.

In the beginning of the fiscal year, we expected a cost increase of approximately 14 billion yen from the soaring cost of raw materials and an increase in expenses of approximately 10 billion yen associated with the ERP system launch. By reducing SCM costs and SG&A expenses, and by taking measures such as reflecting cost increases in selling prices overseas, we aim to improve profitability by approximately 11 billion yen. In addition, we aim to achieve normalized operating profit on par with the previous year, by offsetting any headwinds with top-line growth.

Through the use of ERP, we aim to reduce costs by optimizing SCM and standardizing operations, as well as generate cash by reviewing excess cash levels and reducing assets.

—Would you tell us your shareholder returns policy and thoughts on the current share price level?

The Kirin Group considers the shareholder returns is one of the most important topic management team is focusing, and that is why we maintained its dividend level even under COVID-19 pandemic. It has also never cut its dividend since listing. In the 2022-2024 MTBP, we intend to maintain a dividend payout ratio of 40% or more of normalized EPS and to continue to pay stable and ongoing dividends in the future.

At the same time, we consider investment for the growth is significant, thus the executing share buy back will be discussed adequately in the light of cash inflow and outflow. In 2022, we plan to execute a share buyback of up to 50 billion yen in light of our cash reserves and the funds generated by the divestiture of China Resources Kirin Beverages (Greater China) Company Ltd.



We recognize that the current share price level doesn't meet our investor's expectation. We intend to enhance shareholder value by achieving the KPIs of the 2022-2024 MTBP through the resolution of the Myanmar issue, profit growth in the Food & Beverages and Pharmaceuticals domains and growth in the Health Science business. To this end, we will strive to achieve 2022 targets which is the first year of the 2022-2024 MTBP.

Message from Senior Executive Officer of CSV Strategy



Becoming a "Global Leader in CSV" Through Growth in Health Science Business and Advanced Non-financial Information Disclosure

Senior Executive Officer
Ryosuke Mizouchi
Kirin Holdings Company, Limited

Achieve results in the immunology domain and continue to aim to fulfill our CSV Purpose

—Please review the CSV management in the 2019-2021 Medium-Term Business Plan (2019 MTBP).

Under "Health and Well-Being", one of pillars of the Kirin Group's "CSV Purpose", it was a historic event that the application for our products contained with "Lactococcus lactis strain Plasma" (LC-Plasma) submitted as Japan's first Food with Function Claims (FFC) for its immune function was accepted (in September 2020). We view this as the result of R&D based on scientific evidence, including the introduction of randomized controlled trials* used in clinical research.

* Research testing methods aimed at avoiding evaluation bias and objectively evaluating treatment efficacy



While many experts have mentioned "infectious diseases" as one of the global risks, few concrete countermeasures had been taken, and the risk materialized with COVID-19 pandemic. As global warming continues, the world is expected to be exposed to various infectious disease risks, such as the emergence of unknown pathogens due to melting glaciers and the spread of what were once considered tropical diseases in temperate regions.

Against this backdrop, the Kirin Group believes that it can create new growth opportunities by leveraging LC-Plasma. In joint research with the University of Malaya in Malaysia, the effect of taking LC-Plasma for two months was confirmed to significantly reduce the cumulative number of days of onset of various symptoms of dengue fever. In addition, when 1,000 Vietnamese children in grades 1-3 of elementary school were given a continuous intake of LC-Plasma, those who took LC-Plasma also showed a decrease in fever and other common cold symptoms. LC-Plasma is a highly competitive material on a global scale, and we believe that the fact that we were able to see a path for expanding this material globally was our greatest achievement in the 2019 MTBP.

—What are the key points of the CSV strategy in the 2022-2024 Medium-Term Business Plan (2022 MTBP)?

In formulating the new 2022 MTBP, we have updated the Group Materiality Matrix (GMM) to respond to the changing environment of the times for the Kirin Group. In particular, we recognize that the materiality of "Environment", "Dealing with alcohol-related problems", and "Respect for human rights" has risen further. Based on this, each Group Company will implement business strategies focused on CSV.

In the 2022 MTBP, as in the 2019 MTBP, we will be committed to playing our role as "A Responsible Alcohol Producer" and address the social issues of "Health and Well-Being", "Community Engagement", and "The Environment" as our CSV Purpose.



Of these, the key to "Health and Well-Being" is the expansion of our Health Science business portfolio, and we believe that success in the immunology field in particular is essential. Postbiotic* LC-Plasma can be thermally processed and do not require refrigeration facilities during transportation and storage, making it an eco-friendly and easy-to-handle substance. This extensibility has been highly evaluated, and we have received inquiries from many companies both in Japan and overseas. We will not only launch the product as a Kirin Group product, but will also focus on external sales and continue our efforts to further spread the diffusion of products containing LC-Plasma.

*Probiotics" (live bacteria) act in a live state, whereas "killed bacteria" act even when inactivated. Recent studies have shown that it is active even with killed bacteria.



As for our role as "A Responsible Alcohol Producer", the World Health Organization (WHO) this year has raised the target to reduce the "harmful use of alcohol" to 20% from 10% in its Global Alcohol Action Plan (GAAP), and regulations are being tightened. Under these circumstances, the Kirin Group, which has beer as its founding business, will take both "mitigation measures" and "adaptation measures". Under mitigation measures, the company will seek to alleviate alcohol-related problems by expanding its line of low-alcohol and non-alcoholic beverages. Adaptation measures include expanding the non-alcoholic beverage portfolio, enhancing the Pharmaceuticals Businesses, and developing the Health Science business.

Although there is a growing global perception against alcohol, we believe that alcohol can play an important role in building community engagement if consumed appropriately. Social Capital, which is formed by the connections between people, is indispensable for society and individuals, and must be passed on to the next generation. In light of the growing problem of social loneliness and isolation in the COVID-19 disaster, we have redefined community engagement in our CSV Purpose as all the places where people connect with each other, including the local community. We will contribute to the development of community engagement by tackling alcohol risk measures head-on while also taking advantage of the positive value that alcohol can create.

In terms of the environment initiatives, we will leverage the Kirin Group's strength in engineering to halve our own GHG emissions by 2030 compared to 2019 on a medium- to long-term profit/loss neutral* basis and reduce Scope 3 emissions by 30% over the same target period. Our goal is to achieve 100% renewable electricity use by 2040.

* Profit/loss neutral: Early implementation of energy conservation measures that are highly effective in reducing costs and procurement of renewable electricity within the scope of profits to be generated.

Leading the industry with pioneering efforts to disclose non-financial information

— One of the changes in the external environment is the "increasing demand for disclosure of non-financial information". Please tell us how the Kirin Group plans to address this issue in the future.

We believe that we are now amid a major trend where non-financial information, which used to be disclosed voluntarily, is shifting to mandatory disclosure. The Kirin Group has been actively disclosing non-financial information before. In 2022, the Kirin Group received the highest rating among 27 companies selected by asset managers in the "Excellent TCFD (Task Force on Climate-related Financial Disclosure) Disclosure" survey conducted by the Government Pension Investment Fund (GPIF). The Kirin Group hopes to live up to this recognition and lead industry in responding to the new TCFD guidance and the International Sustainability Standards Board (ISSB) standards of the IFRS Foundation. We have also made significant changes to the linkage between non-financial targets and executive compensation, which we have been working on since the 2019 MTBP, to better fit our value creation model so that they are firmly linked to the creation of economic value and to make it easier for investors to monitor the progress of our strategy.

Become a "Global leader in CSV" by growing Health Science business and building a society in which plastics continue to circulate

—What are your thoughts on how to work toward becoming a global leader in CSV as stated in KV2027?

The Kirin Group is a unique global company that continues to grow in a wide range of business areas from Food & Beverages and Pharmaceuticals to the Health Science domains. The company entered the Pharmaceuticals Businesses in the 1980s, taking advantage of the fermentation and biotechnology capabilities it had honed from its roots in the beer business. We have developed first-in-class drugs such as rickets treatment Crysvida and KHK4083, a promising treatment for atopic dermatitis. Now, we would like to contribute to the health of people around the world in the Health Science domain and achieve sustainable corporate growth by utilizing the fermentation and biotechnology that we have built up in the domains of both Food & Beverages and Pharmaceuticals. We recognize the urgent need to show results in the field of immunology as soon as possible to the many people who have placed their hopes in this strategy.

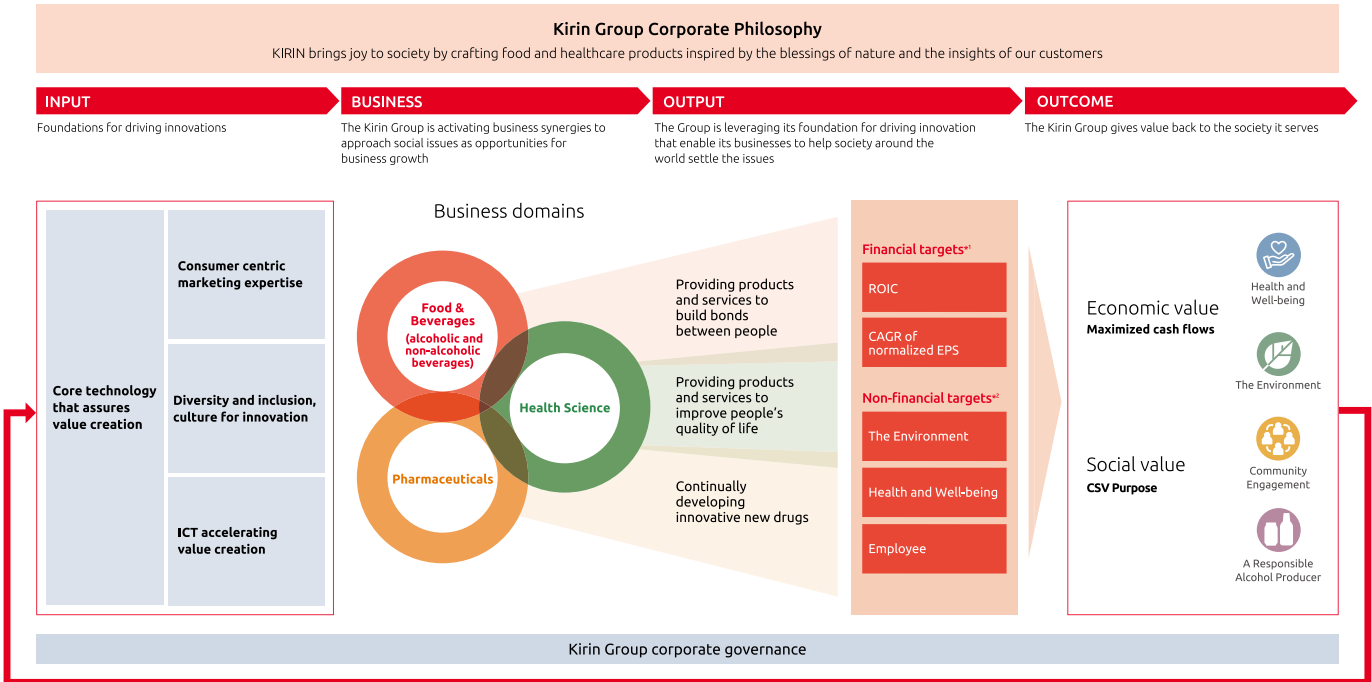


On the environmental front, we are committed to realizing a "society in which plastics continue to circulate". The Kirin Group is focusing on the commercialization of the chemical recycling of PET bottles in collaboration with Mitsubishi Chemical Corporation. Conventional mechanical recycling has limited raw materials and a limited number of recycling cycles. In contrast, chemical recycling, which achieves decomposition and recycling at the molecular level, can dramatically improve the recycling rate of plastics. Going beyond the development of new technologies, we will also take on the challenge of creating a system for collecting plastic waste, aiming to build a social system for recycling plastic that is still unprecedented in the world.

Going forward, we will continue to embody the Kirin Group's unique approach to creating both social and economic value, thereby becoming a global leader in CSV.

Value Creation Model

Value Creation Model



Kirin Group corporate governance

Consumer centric marketing



Toward Further Evolution of Marketing in Kirin Group

Kirin Group has been promoting "consumer-centric marketing expertise" build around its operating companies for the past several years to enhance its organizational capability in marketing to achieve innovation. From spring 2022, Kirin Holdings established a central function to oversee marketing for the entire Group, aiming for further evolution under a new structure.

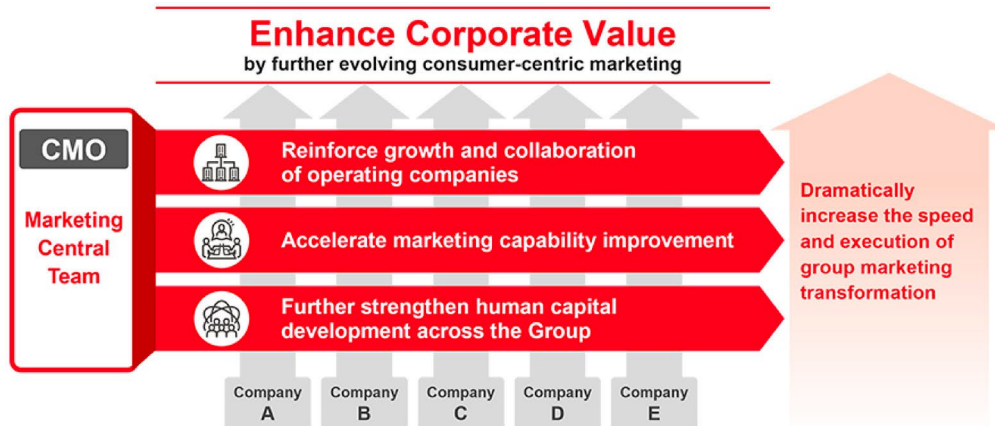


Senior Executive Officer in charge of Marketing and Corporate Brand Strategy, Kirin Holdings Company
Mitsuharu Yamagata

From 2015: General Manager of Marketing Department, Kirin Beverage Company;
From 2017: General Manager of Marketing Department, Kirin Brewery Company;
From Spring 2022: current position

New marketing central function

We established a new central function to horizontally link the marketing departments of Kirin Group companies and accelerate transformation designed to create new markets and consumers and achieve sustainable growth. We will continue to evolve our marketing organizational capabilities by raising the "ability to understand consumers," which is the foundation of CSV management, to an even higher level throughout the Group. We will also provide direct support to each operating company for the advancement and growth of consumer-centric marketing expertise in each business to increase the speed and execution of transformation.



Reinforce growth and collaboration of operating companies

The following support can be provided to operating companies by setting up a central function and providing a horizontal linkages. We will increase the implementation of various measures and speed up their growth by providing consultation to operating companies on their marketing practices.

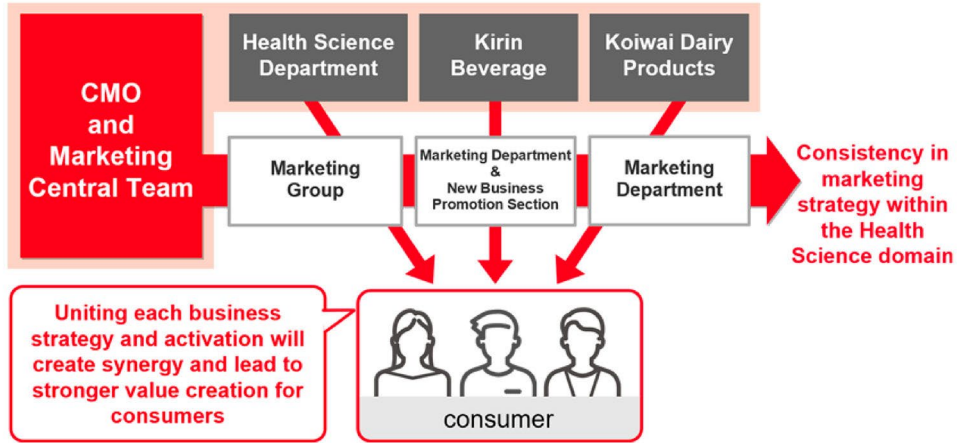
1. Contribute to a consistent marketing strategy and initiatives for consumers
2. Collaborate and create synergy across operating companies
3. Strengthen lacking capacities in each business
4. Facilitate utilization and penetration of Group knowledge

In fact, we are providing direct support for the growth of the Health Science business and Lion in Australia, in addition to the domestic Food & Beverages domain, to create consumer-centric value for the entire Group.

Initiative 1: Support Growth in the Health Sciences Business

Products related to Lactococcus lactis strain Plasma, such as beverages, dairy products, and supplements, are sold by various operating companies, and integrated communication is conducted with consumers at every touchpoint, such as mass advertising, information dissemination through digital, social media, poster display at stores, and campaigns. We will develop and execute a consistent strategy in the Health Science domain by exercising our central function so that these activities will be of one unified value to our consumers, even if the companies from which the products are provided differ. In other words, instead of each operating company approaching consumers separately, the Group will unite to create consumer-centric value.

The Group unites to create value from the consumer's point of view



Initiative 2: Support Growth at Lion

In Australia, we have positioned brand enhancement as one of the key challenges in a competitive environment, and we are helping our consumers improve their marketing organizational capabilities by leveraging the Group's best knowledge, including the introduction of marketing systems necessary for brand development. Practical consultation through discussions with the marketing staff will enhance the implementation of initiatives and the speed of growth.



Accelerate marketing capability improvement

To accelerate "consumer-centric marketing expertise" throughout the Group, we will place the highest priority on strengthening our ability to understand our consumers. We will raise the level of the entire Group and develop and introduce new mechanisms to enhance our understanding of our consumers until it becomes a competitive advantage for our Group.

Looking to the future, we have begun to develop not only marketing capabilities in the existing Food & Beverages domain, but also capabilities in the new area of the Health Science Business.

Further strengthen human capital across the Group

We are introducing various training programs across the Group, including consumer understanding, to evolve into a stronger marketing organization.

In addition, the Group promotes talent management appropriate to its unique business portfolio. By standardizing management and talent development systems Group-wide, we will be able to quickly develop high-quality human capital and ensure that the people we assign will be able to work immediately and effectively. Progress is also being made in optimizing the Group's use of experienced human capital and strengthening the human capital base.

Through the above efforts, the entire Group will continue to enhance its consumer-centric marketing expertise, which are the source of innovation, and its ability to execute it, thereby enhancing its brand and corporate value.

ICT accelerating value creation



Promoting DX in all business and functional divisions of the Group and driving business transformation

"Information and Communication Technology (ICT) accelerating value creation" is one of the organizational capabilities for innovation under the Long-Term Management Vision Kirin Group Vision 2027 (KV2027). We are working on business transformation in all areas throughout the Group, including the review of business processes using digital technology.



Senior Executive Officer
In charge: Digital Strategy, & General Manager, Corporate Strategy Dept.
Shinjiro Akieda

Director and General Manager of TAIWAN KIRIN COMPANY in 2010; Executive Officer and General Manager, Planning Department of Mercian Corporation in 2013; Executive Officer and General Manager, Planning Department of Kirin Beverage Company in 2015; Executive Officer and General Manager, Planning Department of Kirin Brewery Company in 2018; Executive Officer and General Manager, Corporate Strategy Department of Kirin Holdings Company in 2019; and current position from Spring 2022.

Riding the wave of digitalization in society

In recent years, digitalization and technological advancements have been accelerating. New devices and services are appearing one after another. There is a risk of losing to the competition if business processes are still based on the same thinking, methods, and technologies that are an extension of the IT trend that has been advancing since around 2000. On the other hand, the touch points between makers and customers are expanding digitally, and we recognize that this opens up the possibility of providing products and services with high customer satisfaction through a more detailed understanding of market changes and the diversification of tastes and preferences. In the Health Science domain, for example, we can now tailor our services to individual customers, such as utilizing data obtained from personalized test kits and wearable devices.

The Kirin Group has been promoting the use of IT to date, but we believe continuous promotion of DX is necessary to create lasting business transformation in an ever-changing society through the penetration and deepening of digital technology.

Achieving "business process transformation," "value enhancement of existing businesses," and "acceleration and development of new businesses" through the promotion of DX

In business process transformation, we will pursue productivity improvement throughout the value chain by utilizing data and digital solutions across departments and domains, such as efficient product development using AI and optimization of production and logistics systems through simulations. On the other hand, in the areas of value enhancement of existing businesses and acceleration and development of new businesses, we are aggressively developing Tap Marché in the Food & Beverages domain and direct-to-consumer (DtC) business in the Health Science domain. We will first build on small wins, and then these success stories will form the basis for Group-wide initiatives, which will eventually lead to the creation of discontinuous value that creates competitive advantage.

It is also important to design DX strategies with a holistic view so that these initiatives do not become stand-alone efforts. Each initiative is evaluated and managed with an emphasis on ROI, confirming the investment for transformation and the return on that investment, as well as the potential and challenge of creating new businesses. This will promote DX throughout the Group through full coordination.

Organizational capabilities to promote DX

Currently many initiatives have been launched in the Kirin Group. Yet the key to further accelerating DX is to develop the planning and conceptualization skills to envision what the issues should be and to promote DX on the front lines proactively rather than being driven by digital ICT departments. To implement these two points, it is necessary to build an organizational structure and develop the talent that will be responsible for leading it.

On the organizational front, in 2021, we established the Group DX Promotion Committee, which is composed of DX promotion staff from each operating company and division. This structure seeks to share information and resolve issues across the Kirin Group and its domains. In addition, the Group has begun to promote DX on the front lines, such as by spreading the initiatives of the Kirin Group and best practices to each company and division.

Meanwhile, under talent initiatives, we have established a new "Digital Strategy Course" to secure digital ICT talent in new graduate recruitment starting in 2021. We also conduct career recruitment throughout the year, seeking talent who can face diverse issues from different perspectives. In addition, we opened the "Kirin DX Dojo" as an internal talent development program.

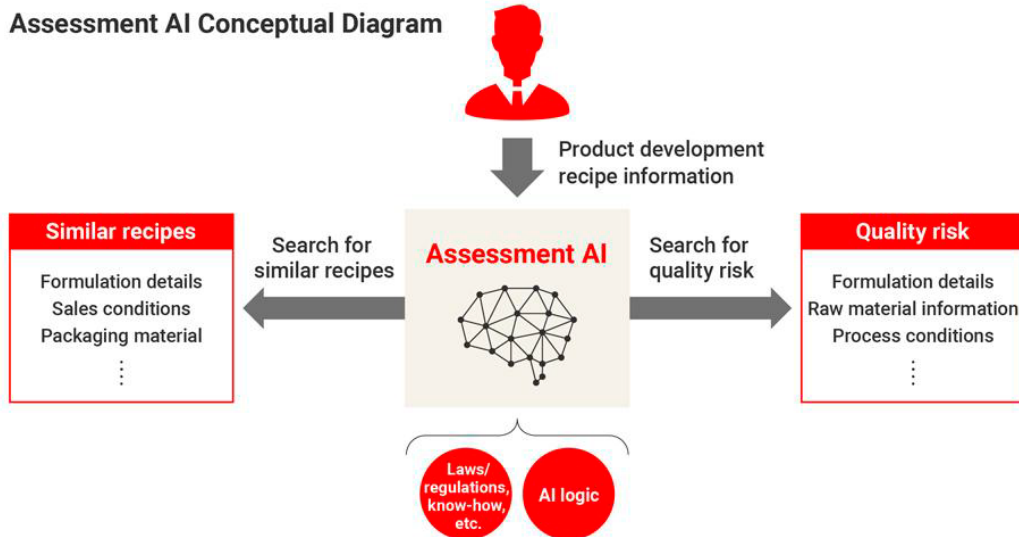
In the future, we will further emphasize collaboration with external companies to obtain novel ideas and additional momentum and thus build a structure that can continuously expand and deepen DX in an ever-changing world.

Continuing to create new value by promoting self-directed DX

DX is a management strategy itself, a never-ending effort. Based on this awareness, we will review and restructure problematic processes in all areas of the Group to thoroughly improve efficiency by fiscal 2024, the final year of the 2022 Medium-Term Business Plan. Our aim is to achieve a state where "all business and functional divisions are able to autonomously utilize digital technology to transform processes and create business." Furthermore, each operating company will strengthen its competitiveness by developing new business ideas, including the use of digital technology and actively applying cutting-edge technology to existing businesses to understand the needs of individual customers. Please look forward to the Kirin Group's efforts to create new value.

DX case 1: Using "Assessment AI" at Kirin Beverage to efficiently develop high-quality beverages

In product development in the Food & Beverages domain, we have successfully developed a dedicated tool, Assessment AI, based on the thinking patterns of skilled developers and began pilot operations in April 2022. Assessment AI is built on a database of past development recipes and know-how and the thought patterns of skilled developers. It has a similar recipe search function that enables systematic and efficient searching of past recipes and a quality risk search function that examines rules such as laws/regulations and the possibility of quality risks. The introduction of this system will improve the efficiency of operations that used to take an enormous amount of time depending on the experience of the developer. It will also accelerate the development of new products of higher quality by allowing the developer time to approach recipe development using all five senses.



DX case 2: Custom-made supplements recommended for each customer

As a new business in the Health Science domain, from 2021 we started a proof of concept for GOLD EXPERIENCE, a personalized supplement business targeted at people who work out. This service provides a personalized nutritional experience for each customer, proposing the best combination of supplements based on academic information in accordance with individual biometric data and training content. Customers can use this information to improve their nutritional experience by ordering suggested supplements via their smartphones and receiving them instantly on a dedicated server located in the gym.



Diversity and inclusion, culture for innovation



Human Capital Strategies Serving to Spur Innovation and Support Sustainable Growth

With the business environments changing, and Human Capital Management gaining prominent attention, our human capital strategies must also shift to a new stage.

Human capital are one of our company's greatest asset, and we will forge a deeper link between our human capital strategies and the management of the group, leading to the emergence of innovation and sustainable growth of corporate value.



Senior Executive Officer (In charge: Personnel and General Affairs)

Junko Tsuboi

Junko Tsuboi took the position of General Manager in the Public Relations Section of Kirin Beverage in 2005. From 2010 through 2012, she managed Yokohama Aka Renga as the President. From 2013 she assumed position as General Manager at the Strategic Branding Department of Kirin Corporation and Kirin Holdings. Since 2019 she has been a Senior Executive Officer of Kirin Holdings. In April 2022, she became in charge of personnel and general affairs of the Kirin group. (She has also been an Outside Director of FANCL Corporation (concurring)).

A new stage for human capital strategies in the age of Human Capital Management

Our global society as a whole is reaching a major turning point in history and we are seeing business environments changing in unprecedented ways. We are also seeing changes take place when it comes to our living environments as a result of the pandemic, which has been further compounded by the diversification that we are seeing in terms of people's value sets as individuals. This has produced a dramatic transformation in terms of working styles, as well when it comes to labor market environments.

Human Capital Management is a concept which has recently gained prominent attention. Human capital are a company's greatest asset and a company's source of competitiveness.

Kirin Group Vision 2027 (KV 2027) is our Long-Term Management Vision. This vision has the Kirin Group aiming to become a leader on the world stage when it comes to CSV (Creating Shared Value). What we need to do in order to bring that vision to fruition, is to shift our human capital strategies to a new stage. We need to see human capital as a form of capital and forge a deeper link between our human capital strategies and our management of the Group. This is something that we want to tie into the creation of value and sustainable corporate growth.

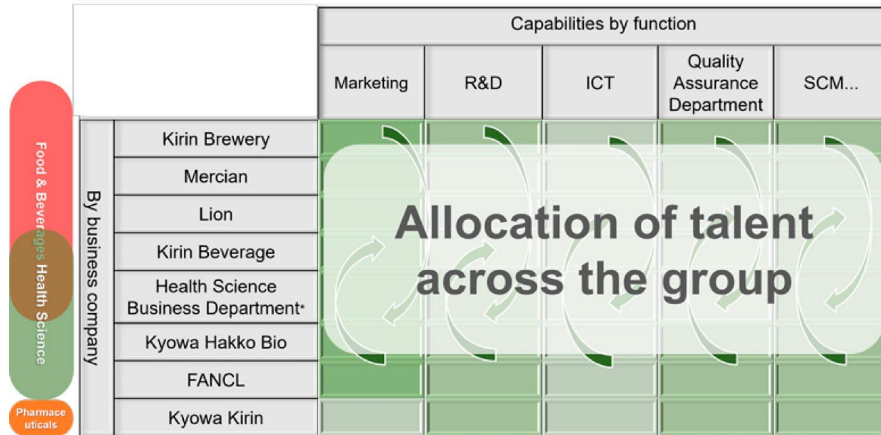
In the area of human capital, we will go about promoting bold management reforms and make investments into human capital in a manner that is both strategic and sustainable. In terms of our organizations, we will be promoting organizational development in a manner serving to fully harness the power of our human capital. As the foundation upon which these efforts are to be based, we will also be working toward respect for human rights throughout society, including through our collaborations with business partners. We will also be promoting Health Management, which constitutes a responsibility of companies engaged in the Health Science business. These efforts are to be based on the Group's Basic Philosophy on Human Capital Management: Respect for Humanity. Promotion of diversity is the driving force behind all of our strategies in this respect. We will go about accelerating innovation by placing an emphasis on diversity when it comes to people's value sets in addition to the attributes they have. It goes without saying that this includes promoting the active participation of women in the workplace.

To that end, we will strengthen the governance structure for our entire Group by appropriately providing disclosures of information on the progress that we are making based on our set targets and monitoring of conditions. Then, subsequent dialogue with our stakeholders will be undertaken to facilitate the evolution of our strategies.

Kirin Group Human Capital Strategies: Current State and Issues

In order to realize KV2027, we will work on our four core competencies as a group (Core-technology that assures value creation, Consumer centric marketing expertise, ICT accelerating value creation, and Diversity and inclusion, culture for innovation) starting with human capital and our organizations. In doing this, we will go about increasing the potential for innovations to emerge. In particular, strengthening our organizational capabilities across the Group to grow our Health Science business constitutes an urgent challenge that we need to tackle. We will accelerate the strengthening of our human capital to bring form to our strategies through the visualization of human capital capabilities, the acquisition of external human capital armed with expertise, and the allocation of human capital based on a perspective which takes us from focusing on the Food & Beverages domain, to one which has us straddling the Food & Beverages domain, the Health Science domain and Pharmaceuticals domain, and their respective value chains.

Conceptual Visualization of Capability Statuses by Domain, Business and Function



*Refers to the Health Science Business Health Division & Department at Kirin Holdings Company, Limited

Moreover, it is essential for us to strengthen one of our core competencies “Diversity and inclusion, culture for innovation” in order to respond to the changes being seen in terms of the living environments and value sets of consumers and subsequently continue creating social and economic value through innovation. By creating an organizational culture which serves to maximize the potential of each individual armed with diverse arrays of experience and values and which enables them to take on challenges, we will go about generating innovation that transcends business domains and leads to the achievement of CSV management.



Individual Issues Related to Human Capital and Organizations, and Specific Initiatives Serving to Address Those Issues (Items shown in bold are set as non-financial KPIs)

	Issues in terms of human capital strategies	What is being aimed for/ Target figures	Current status	Current status
Issues faced with respect to human capital	<p>[Issue 1]</p> <p>Strengthening human capital allocation and specialized organization capabilities to realize our strategies</p> <ul style="list-style-type: none"> ● Securing of human capital in the Health Science domain ● Securing the human capital required to implement strategies for individual functions 	<ul style="list-style-type: none"> ● Sufficient numbers in terms of the human capital we need ● Sufficient human capital allocated where they are required in terms of strategies for individual functions (Marketing, R&D, Digital/ICT, SCM, Quality Assurance) 	<ul style="list-style-type: none"> ● Lacking organizational capacities and human capital requirements are in the process of being identified ● Lacking organizational capacities and human capital have been identified but requirements have not yet been satisfied 	<ul style="list-style-type: none"> ● Visualization of areas where human capital requirements are not being sufficiently met for each domain and function ● Human capital development based on functions (establishment of a marketing human capital development system, integration of Foundation Research into Shonan iPark, and DX Dojo, a basics course for digital and ICT human capital development) ● Leveraging of various career recruitment methods ● Cross-group human capital allocation (transfer and assignment of human capital for marketing, SCM, digital, and ICT straddling companies in the Food & Beverages domain and the Health Science business, and so on)
	<p>[Issue 2]</p> <p>Implementation of a sustainable succession plans for human capital in charge of management</p>	<ul style="list-style-type: none"> ● Human capital management functioning in a manner serving to ensure that there are sufficient capital found within pipelines for key positions of individual businesses/functions 	<ul style="list-style-type: none"> ● Start work on the management of human capital to resolve key position pipeline issues 	<ul style="list-style-type: none"> ● Human Capital Development Forum ● Executive coaching provided by professional coaches and human capital management (selection, provision of opportunities, and evaluation) serving to develop managerial human capital in a manner which involves the leveraging of external assessments ● Presidential study sessions (Held 3 times: 2018, 2019 and 2021)
Issues faced with respect to organizational culture	<p>[Issue 3]</p> <p>Creating an environment where human capital with a diverse array of values can participate actively</p>	<ul style="list-style-type: none"> ● Ratio of female managers in Japan(*1): 30% (2030), 15% (2024) ● Ratio of career hires in Japan(*1): 30% or more (2024) 	<ul style="list-style-type: none"> ● Ratio of female managers in Japan(*1):) 10.24% (as of April 2022) ● Ratio of career hires in Japan(*1) 26.8% (2021) 	<ul style="list-style-type: none"> ● Eliminating barriers to the active participation of working mothers (burden involved in balancing work with home life/working styles/unconscious bias, etc.) ● Training for female leaders (Kirin Women's College) ● Support for the establishment and active participation of persons with disabilities ● Acquisition of diverse arrays of knowledge and experience through external personnel exchanges, as well as by allowing employees to work second jobs elsewhere and have talent from elsewhere take second jobs with the Group ● Expansion of direct sourcing (improvement of recruitment accuracy through increased dialogue with people in the recruitment market) ● Strengthening the frameworks in place for the onboarding of new hires
	<p>[Issue 4]</p> <p>Providing opportunities for employees who are making an effort to continue growing and developing</p>	<ul style="list-style-type: none"> ● Have lots of people who are motivated to grow based on autonomous career development ● Disclosure of elements such as amounts invested into human capital development 	<ul style="list-style-type: none"> ● A mixture of autonomous and non-autonomous human capital 	<ul style="list-style-type: none"> ● Increase of opportunities for employees to indicate their willingness to participate in related efforts In-house recruitment, business challenges (new business recruitment), selective training, executive dialogue meetings, career support capability improvement seminars for career design seminar leaders, challenge support (support for costs involved in learning for the purpose of independent self-growth), greater allowance of second jobs
	<p>[Issue 5]</p> <p>Creating a safe, secure, and rewarding work environment that is characterized by vibrancy</p>	<ul style="list-style-type: none"> ● LTIR(Lost Time Injury Rate) : 0.95 (2024) *Japan: 0.40 ● Employee engagement score: 75 (2024) 	<ul style="list-style-type: none"> ● LTIR(Lost Time Injury Rate): 1.42(2021) *Japan: 0.55 ● Employee engagement score: 72(2021) 	<ul style="list-style-type: none"> ● Establishment of a framework to promote health management (including occupational health and safety) and establishment of the Kirin Group Health Management Promotion Committee ● Work satisfaction reforms (reviews of work, independent selection of places to work, improvement of IT tools, various flexible work systems, new working styles and communication practices aimed at individual and organizational growth)

*1:Subject of data aggregation: Kirin Holdings Company, Limited

The Kirin Group's Unique Approach to Human Capital Strategies

At the Kirin Group, we believe that our management strategies define the direction we take in terms of our human capital strategies. At the same time, we also believe that our human capital capabilities constitute an important element when it comes to the formulation of management strategies and serve to expand the potential of our management strategies.

Against the backdrop of an increasingly challenging business environment, we will go about developing human capital that are characterized by diversity and expertise while at the same time having said talent accumulate a diverse array of business experience through our unique business portfolio (which spans from the Food & Beverages domain to the Health Science domain and Pharmaceuticals domain) and help them improve their expertise when it comes to marketing, R&D, and ICT. Furthermore, we will go about creating an environment which fosters an organizational culture that embraces diversity and supports the nurturing of people who are motivated to grow. Efforts to that end will include hiring external human resources and people with disabilities and promoting the active participation of women in the workplace. By doing this, we will increase the motivation of each individual when it comes to taking on challenges and subsequently increase opportunities to spur innovation.

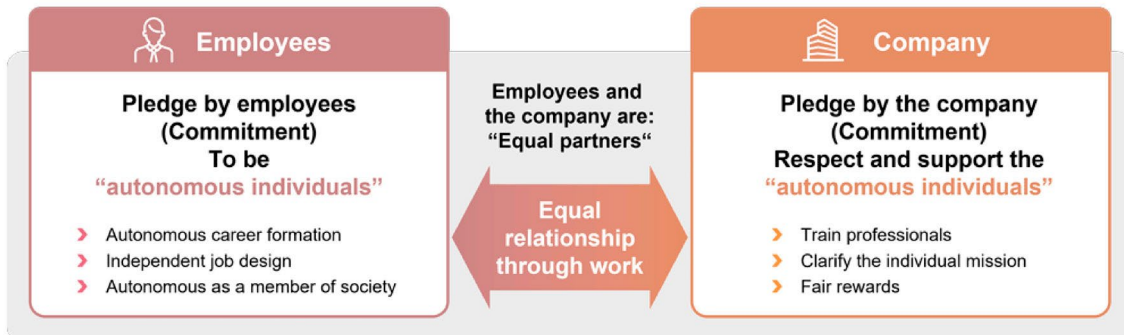


This is how the emergence of innovation through the combination of diverse human capital and the development of human capital in the context of a diverse business portfolio, is something which can be described as a human capital strategy that is unique to the Kirin Group.

At the foundation of our human capital strategy is our Basic Philosophy on Human Capital Management, which defines the relationship between the company and employees as an "equal partnership through work." Given the unlimited potential involved, our universal approach is to respect the efforts and individuality of each and every employee who is determined to continue growing and developing. We require our employees to be autonomous individuals when it comes to their career development and job satisfaction. And as a company, we are committed to respecting and supporting autonomous individuals.

Basic Philosophy on Human Capital Management = Respect for Humanity

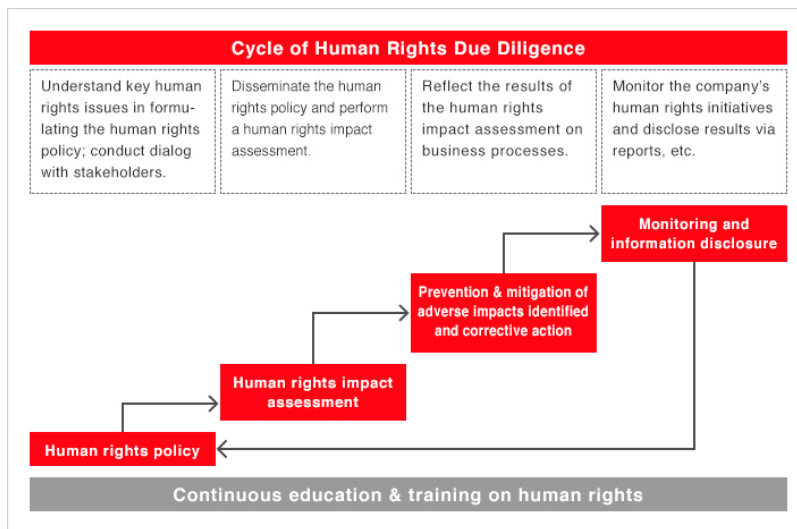
Respect the efforts and individuality (humanity) of each and every employee who continues to achieve personal growth and development based on **unlimited potential**, and actively create a place where employees can make the most of their abilities



The Kirin Group's Commitment to Human Rights

Human rights issues are garnering attention in Japan and overseas. That includes human rights issues found within supply chains and issues surrounding the human rights of the socially vulnerable in the wake of the pandemic. Our society is urging companies more than ever to address these issues. Our Group aims to be a global leader in CSV. That is why we will go about making our human rights initiatives more advanced in order to both increase the confidence our internal and external stakeholders have in us and provide them with reassurance when it comes to various human rights issues relating to our business activities in Japan and overseas.

Kirin Group Human Rights Policy calls for respecting human rights in each process of the value chain, the prohibition of all forms of discrimination, the prohibition of harassment, the provision of safe working environments, ensuring that at least minimum wage is provided, the implementation of responsible working practices (including proper management of working hours), freedom of association, respecting of the right to collective bargaining, and the implementation of due diligence in relation to human rights. We will deepen our understanding of various human rights issues related to the overall activities of each country and business, and work together with our business partners to that end.



Accelerating intellectual property activities that leverage technological capabilities for the business

Creating a myriad of value through the use of intellectual property

The Kirin Group promotes intellectual property (IP) activities in the domains of Food & Beverages, Health Science and Pharmaceuticals.

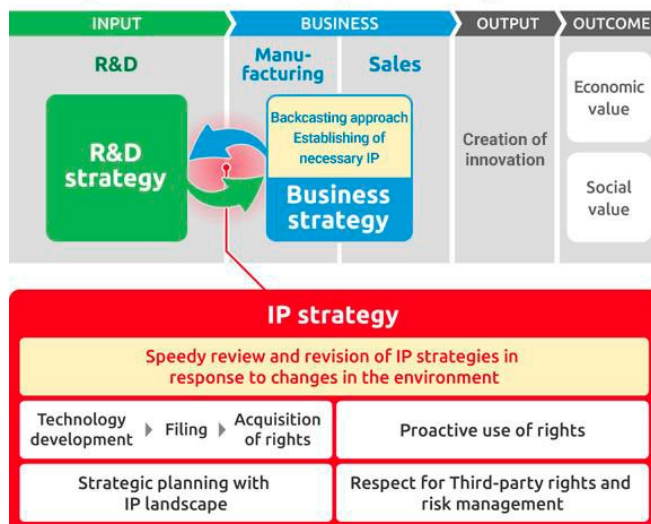
We position IP created in each domain as one of our management assets, and we will create value for our customers by utilizing this IP. At the same time, we will achieve sustainable growth by respecting the rights of third parties and securing business flexibility.

Strengthening our IP strategy by integrating business, R&D, and IP

Kirin Holdings Company, Limited ("Kirin Holdings") is promoting IP strategies to realize the Kirin Group's 2022 Medium-Term Business Plan and Long-Term Management Vision, KV2027. We aim to achieve sustainable growth by realizing a "value creation model linking business and R&D," in which business, R&D, and IP work in unison to transform the technologies we have cultivated into products and services that deliver value to our customers. We will continue to create value by seamlessly linking our R&D and business strategies.

Value creation model linking business and R&D

Maximize value creation by integrating the organization through the linkage of business and R&D strategies with IP strategy.



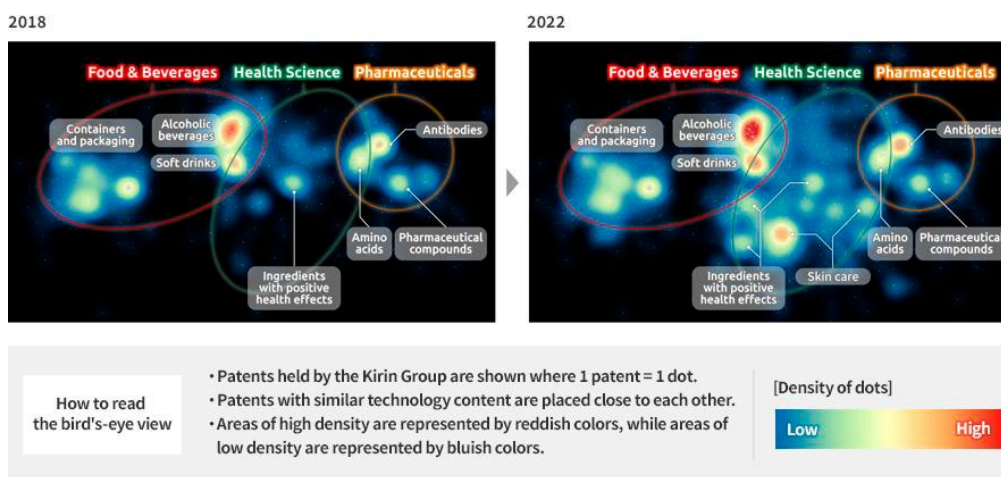
Based on a multifaceted analysis, we have identified the IP needed to achieve the financial targets for 2027, the final year of KV2027, and are also focusing on activities that will lead to the allocation of R&D resources needed for future business development and rights acquisition. In addition, we are aggressively investing to enhance product design originality, an important asset, and have acquired rights to well-designed containers, packaging materials, beverage servers, and other products.

Steadily strengthening patents in the Health Science domain

The Kirin Group's patents are widely distributed in the Food & Beverages domain, which includes containers and packaging, alcoholic beverages, and soft drinks; the Pharmaceuticals domain, comprising mainly antibodies and pharmaceutical compounds; and the Health Science domain. In particular, in the Health Science domain, we have been integrating R&D functions between Kirin Holdings and Kyowa Hakko Bio Co. Ltd. since 2020, and further strengthening R&D activities in the key areas of "immunity," "brain function," and "gut microbiome".

We are also engaged in R&D activities in collaboration with Kyowa Kirin Co. Ltd. (Pharmaceuticals domain), Kyowa Hakko Bio Co. Ltd., FANCL CORPORATION (Health Science domain), and others.

The Kirin Group's patent portfolio in the Health Science domain is steadily expanding in addition to the existing patents in the Food & Beverages and Pharmaceuticals domains. We will continue to create new value, solve social issues related to "health and well-being" and achieve sustainable growth.



▲Changes in the Kirin Group's patent holdings (bird's-eye view^{*1})
 *1:Created using VALUENEX Radar under the supervision of VALUENEX Japan Inc.

Deepening the utilization of IP to solve health and well-being issues

The Kirin Group has been conducting research on immunity for about 35 years. In 2010, we discovered the world's first^{*1} lactic acid bacteria that act on plasmacytoid dendritic cells (pDC), the command center of immunity, and have published many papers and academic conference presentations in collaboration with Kirin Holdings, Koiwai Dairy Products Company, Limited, Kyowa Hakko Bio Co. Ltd., and universities and research institutes in Japan and overseas^{*2}.

Based on the results of such research, in 2020, products using Lc-PLASMA were the first in Japan^{*3} to be registered and publicized as foods with function claims supporting immune system. We have also acquired basic patents, including use patents, and are working to capitalize our intellectual property.

Value Creation Model / Input

Currently, we are promoting IP utilization both in-house and in collaboration with external partner companies. The use patents related to functionality (immunity) are widely licensed outside the company as well as for product development within the group, contributing to solving a wider range of consumer health and well-being issues (number of products in the LC-Plasma series currently on the market*4: 29 products in Japan).

We will continue to contribute to the further expansion of the "immune care" market in Japan and abroad and to the achievement of our financial and non-financial targets by securing and properly maintaining the necessary IP rights.

- *1:Lactobacillus acidophilus reported to act on pDC in humans for the first time in the world (based on information published in PubMed and *Ichushi-Web*).
- *2:30 academic papers including 15 human clinical trial reports, etc. (as of March 2022)
- *3:The first brand in Japan to be registered and publicized as foods with function claims supporting immune system.
- *4:As of March 2022 Number of foods with function claims labelled food items.



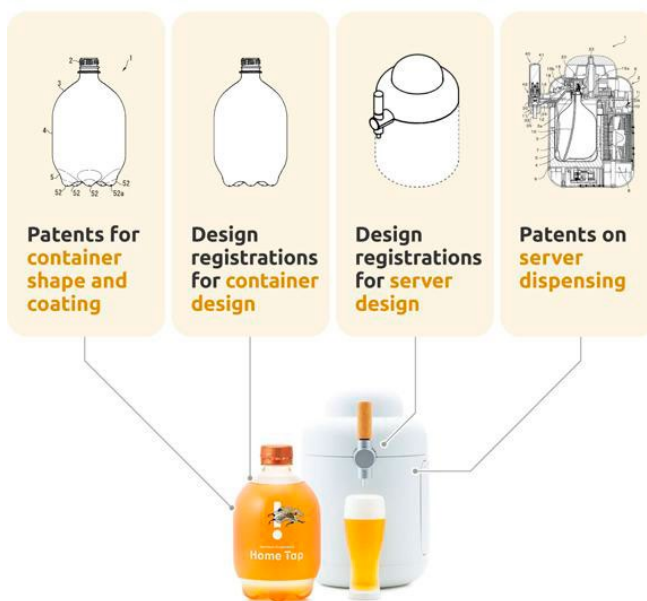
Promoting the use of IP in the Food & Beverages domain to deliver the freshly made deliciousness

KIRIN Home Tap is Kirin Beer's subscription service that allows customers to enjoy the delicious taste of freshly brewed beer at home with a dedicated beer server and is positioned as one of Kirin Beer's growth engines. Freshly brewed draft beer, such as *KIRIN ICHIBAN Premium*, the top brand of *KIRIN ICHIBAN*, and topical craft beers are filled into special PET bottles and delivered to consumers' homes with their delicious taste preserved.

The dedicated beer server used for this service is designed to fit in with the interior of the consumer's home. And the dedicated PET bottles are replete with multiple elemental technologies, including thin-film technology, to maintain a high level of quality stability. These are protected by design registrations and patents, leading to the provision of Kirin's unique services.

We will continue to promote technological development and the utilization of intellectual property to build Kirin's unique services and contribute to providing value to our customers.

Use of IP related to *Home Tap*



Food & Beverages

Strategically develop mainly in Asia and Oceania and establish a strong business foundation.

Kirin Group has been expanding its operations internationally by actively pursuing mergers and acquisitions. In addition to Lion's development of its alcoholic beverages business in Oceania, the Group has developed leading craft beer brands in the North American market in recent years, driving growth for the Group as a whole.

Policy

Profit structure reform by enhancing brands in existing businesses AND exploring new businesses

Kirin Brewery: Enhance main brands, Driven growth of high value-added products and services

Lion: Improve off-premise channels profitability, Accelerate growth of craft beer business in Australia and North America

Kirin Beverage: Revitalize Gogo-no-Kocha and Nama-cha, structural reform of the vending machine business

Strategies of operating companies

Kirin Brewery



Market environment

The market for beer beverages is gradually contracting in Japan, owing primarily to the nation's declining population. Additionally, consumption has become more polarized due to the revision of the liquor tax carried out in 2020 and the continued worsening of the pandemic. While the composition ratio of the new genre category has decreased, an increase was seen in both the beer and RTD category. This trend is expected to continue until 2026 when the tax rate will be consistent across all categories of alcoholic beverages. However, when combining the figures for both beer and RTD, the total market is expected to remain relatively flat.

Sales volumes through on-premise channels continued to decline significantly since 2020 due to the ongoing COVID-19 pandemic. Meanwhile, there has been a boost in the increase of health consciousness and consumers' desires for higher-quality products for home consumption.

Strategies



Kirin Brewery is advancing three initiatives to achieve a normalized operating profit margin of 25% of sales revenue excluding liquor tax in 2027. The first initiative is to build a robust brand portfolio. We are applying a customer-oriented marketing and full-company brand development from production through sales to continue strengthening KIRIN ICHIBAN, Honkirin, and Hyoketsu brands. The second initiative is to establish new drivers for business growth. In 2021, we significantly increased the number of subscribers for Kirin Home Tap, a service to enjoy authentic draft beer at home, providing to more than 100,000 customers with special, delicious flavors by having KIRIN ICHIBAN Premium, craft beer, and other beer products sent directly from the brewery. Craft beer offerings have been developed with a primary focus in the on-premise channels, and we also launched a canned product called SPRING VALLEY Hojun <496> in the off-premise channels, which demonstrates that our products are driving the expansion of the craft beer market in Japan. These and other offerings are designed to boost profitability in the shrinking market by increasing the composition ratio of high value-added products and services. The third initiative is to transform the company's profit structure. In addition to increasing the proportion of craft beer and high value-added RTD within the category and improving the profit mix, we will also accelerate our efforts for cost reduction by reviewing raw material costs, optimizing the logistics cost structure, and more. We will also seek to improve ROI of selling expenses by improving efficiency in marketing costs and improving sales promotion efficiency in the mass retail channel.

Lion

Market environment

In 2021, the Australian and New Zealand beer markets saw a recovery from the pandemic during the first half of the fiscal year. In the second half of the fiscal year, however, the markets, primarily the on-premise channels, were affected by elements such as the temporary closure of pubs and restaurants owing to COVID-19 resurgence. Although there will continue to be a certain impact owing to elements such as virus variants, the company is expecting to see a gradual recovery as the number of new infections decreases and as the relaxation of regulations serving as measures against the spreading of infection takes place.

In terms of categories, there is growing interest in lighter-tasting beers and hard seltzers, in addition to highly preference-dependent products like craft beer.

Strategies



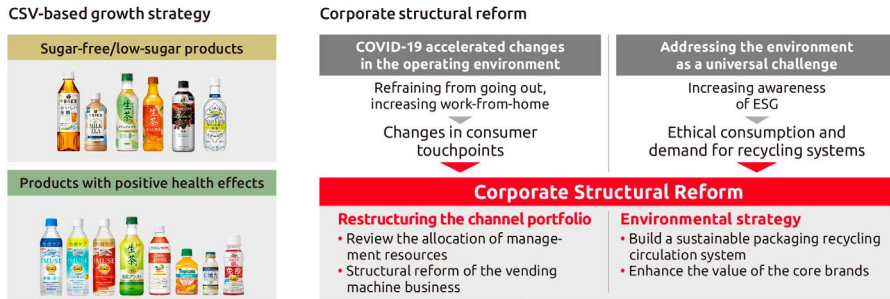
Lion aims to champion sociability and help people live well by having the best and most-loved crafted adult beverage brands in our target markets. Our business strategy is focused on accelerating growth and productivity while always keeping the consumer and customer at the heart of everything it does.

Specifically, the company will be investing in growth categories such as craft beer and hard seltzer while strengthening the brand power of its core products. To strengthen its craft beer business in Australia, Lion acquired Fermentum, Australia's largest independent brewer of craft beer. When it comes to the craft beer business in the US, Lion acquired Bell's Brewery to expand its business in the US and generate synergy in addition to having acquired the strong-performing company New Belgium Brewing.

In terms of functional efficiency, Lion will continue working on reducing costs, which includes the efforts implemented since 2021 to optimize its supply chains. Additionally, the enterprise resource planning (ERP) system introduced by the company will enable decision-making to take place with more speed as a result of improved operational efficiency and faster data analysis.

Under the company's new CEO, who will take on the role starting in July 2022, Lion will steadily move forward with strategies to achieve the goals outlined in the Medium-Term Business Plan by focusing on improving profitability through the aforementioned marketing transformation and efforts to optimize its supply chains.

Kirin Beverage



Market environment

The Japanese soft drink market in 2021 experienced a slight increase of 1% year on year due to the continuing impact of the COVID-19 pandemic. A recovery consisting of a 2% year on year increase is expected to be seen during 2022, but in the medium to long term, the company is expecting to see a gradual contraction of the market as the country's total population declines.

Meanwhile, the sugar-free category and health drinks* category are expected to continue seeing growth in the future due to heightened health consciousness fueled by the pandemic and the continuing graying of Japan's population. There have also been significant changes seen in the business environment as evident by elements such as continued sales volume declines in the vending machine channel as due to work-from-home arrangements becoming more common.

* Health drinks: Food products for specified health uses and food with functional claims.

Strategies



As the business environment experiences significant changes, Kirin Beverage will go about achieving sustainable growth having the Food & Beverage domain and the Health Science domain work in tandem with one another.

In the Food & Beverage domain, the company will aim to bolster profit through efficient management resource allocation. By focusing on its core brands, Gogo-no-Kocha and Nama-cha, the company aims to go about growing its brands once again.

Kirin Beverage will strengthen its position in the Health Science domain and transform itself into a beverage company which contributes to people's health and well-being. The company will go about expanding its sale of health science-related products which leverage ingredients offering health benefits, such as products containing Lactococcus lactis strain Plasma, which were registered with Japan's Consumer Affairs Agency as food with functional claims in August, 2020. To further expand upon the domain of immunity in particular, the company will take aim at the acquisition of a "morning habits domain" found within the chilled drinks category by pressing forward with the Japan-wide deployment of the Kirin iMUSE Morning Immune Care starting in March, 2022.

The company will also continue to reform its profit structure. Kirin Beverage will be continuing with its structural reform of the vending machine business in 2022 and beyond as it is believed that sales volumes in the channel will continue to see declining figures.

To address environmental issues surrounding plastics, the company aims to create a recycling system which leverages chemical recycling as well as aim toward the bringing to fruition of a society in which plastics are continuously recycled through the building of processes which span the stages of the end of their usage to their reuse.

Mercian

There are more and more diverse ways of drinking wine owing to environmental changes which have come about, such as changes resulting from the COVID-19 pandemic. With that being the case, Mercian will continue to work on increasing the number of wine drinkers in the off-premise channels improving profitability as well. In 2021, Mercian launched MOCK Bar, a non-alcoholic sangria beverage, in consideration of people's rising health consciousness alongside the rising popularity of ethical consumption. The company has also gone forward with the deployment of high-quality, organic wines produced with consideration for the natural environment and other elements. A remarkable accomplishment was achieved by Château Mercian, with the Mariko Winery being selected for the second year in a row in 2021 as one of the World's Best Vineyards*.

In 2022, the company has launched Mercian Wines as a new imported wine brand. By co-creating high-quality, imported wine which suits the Japanese palate with wineries which are serious about sustainable wine production when it comes to consideration for the environment and other elements, Mercian will once again communicate the inherent value of wine and make the wine market more appealing to consumers.

*This is an award involving the selection of the 50 best wineries in the world and is sponsored by William Reed Business Media of the United Kingdom, the organization which holds the world's most prestigious wine competition: The International Wine Challenge. More than 2,000 wineries were nominated in 2021, with Château Mercian's Mariko Winery being ranked 33rd in the world.

Coca-Cola Beverages Northeast

The steady implementation of business restructuring after the territorial expansion resulted in our normalized operating profit margin to improve to 10.6% in 2021, achieving a record high profit for the company. Coca-Cola Beverages Northeast will continue to strengthen collaboration with its brand partners and suppliers, promote appropriate pricing strategies, and strengthen cost control.

Health Science

















Promoting Product Development Primarily in Japan and Strengthening the Global B2B Sales Framework of Kyowa Hakko Bio

Our Strategies for the Health Science Domain

Accelerate growth

- Enhance awareness and sales of LC-Plasma
- To begin offering human milk oligosaccharides (BtoB)
- Expanding on sales for Citicoline
- Explore new growth opportunities and continue collaboration with FANCL
- Expand scale through M&A

Establish a robust value chain

	 Foundation Research	 Application Research	 Merchandise Development	 Manufacturing	 Sales Channel
KIRIN	 Food and Pharma seeds		 Beverage development packaging	 Manufacturing technology and production control engineering	 EC and B2B
FANCL		 Functional evaluation Masking technology	 Formulation technology	 Marketing expertise Brand and wholesale distribution on/offline sales	
	 Highly proprietary materials research			 Low-cost fermentation production technology	
KYOWA KIRIN	 Pharmaceutical discovery seeds	Not applicable for pharmaceuticals			

Health Science Business Strategies of Kirin Group Companies

Kirin Holdings

Kirin Group offers strategically selected materials in the three priority areas—immunity, brain functions, and gut microbiome.

In the immunity area, Kirin offers its proprietary *Lactococcus lactis* strain Plasma (Lc-PLASMA)—which has been authorized, for the first time in the Japanese food industry, to state that it provides benefits to the human immune systems—to wider applications to meet the public's pressing need to reduce infection risks and expand our business around the products.

Kirin also plans to begin offering human milk oligosaccharides during the period of its current Medium-Term Business Plan.

In the brain functions area, Kirin focuses on Citicoline. We will aim to expand our market share mainly in the US market by strengthening the evidence through research that responds to market needs.

In the gut microbiome area, Kirin group leverages its years of experience in microbial research to establish a business that provides the best personalized solutions to customers' individual health needs.



Kirin Beverage

Kirin Beverage

Kirin Beverage will reposition itself to become a beverage company that plays a role in implementing the Group's Health Science strategy. The company strives to achieve stable growth of business even in a challenging market by bolstering sales of beverage products with health benefits.

For instance, the company markets sugar-free and low-sugar beverage products to meet the needs of health-conscious consumers. Equally important, the company markets products with positive health effects to pursue substantial growth in sales of its iMUSE-branded beverage products that contain Lc-PLASMA, and works closely with FANCL to jointly develop new products and create added value.

Koiwai Dairy Products



Koiwai Dairy Products offers dairy products that contain Lc-PLASMA and β -lactolin, which has been found to mitigate memory loss with age, to make it easy for consumers to intake them as part of their healthy daily diet. iMUSE-branded yogurt, which was repackaged with a functional claim label in 2021, is one of the company's key products to reach broader consumers.

Kyowa Hakko Bio



Following the quality-control issues which arose at the Hofu Plant of Kyowa Hakko Bio's Yamaguchi Production Center in August of 2019, Kirin Group personnel with knowledge and experience were dispatched to the plant in 2020. There, a revitalization plan was implemented, which included the rebuilding of production and quality control systems along with strengthening of coordination between the company's head office and its plants, with the result being a return to profitability in terms of normalized operating profit in 2021.

During the period of the current Medium-Term Business Plan, the company will be proceeding to a stage aimed at a shift from business revitalization initiatives to highly-profitable business operation. The company will go about expanding on sales for the highly profitable material Citicoline and will work on achieving growth through the launch of human milk oligosaccharides. In doing so, the company will aim to become a Japan-based, global specialty fermentation company by leveraging its leading-edge biochemical technologies to resolve social issues that have emerged globally.

FANCL



When it comes to Channel Synergy, wherein existing products are sold through the channels of both companies, great results have been achieved through mutual access to direct-to-consumer channels. Furthermore, in the area of Product Development Synergy, which involves the deployment of new products generated through joint product development, collaborative products have been developed and subsequently launched through Kirin Beverage and Kirin Brewery. FANCL also sells products which leverage materials and ingredients produced through research and development conducted by the Kirin Group.

Kyowa Kirin



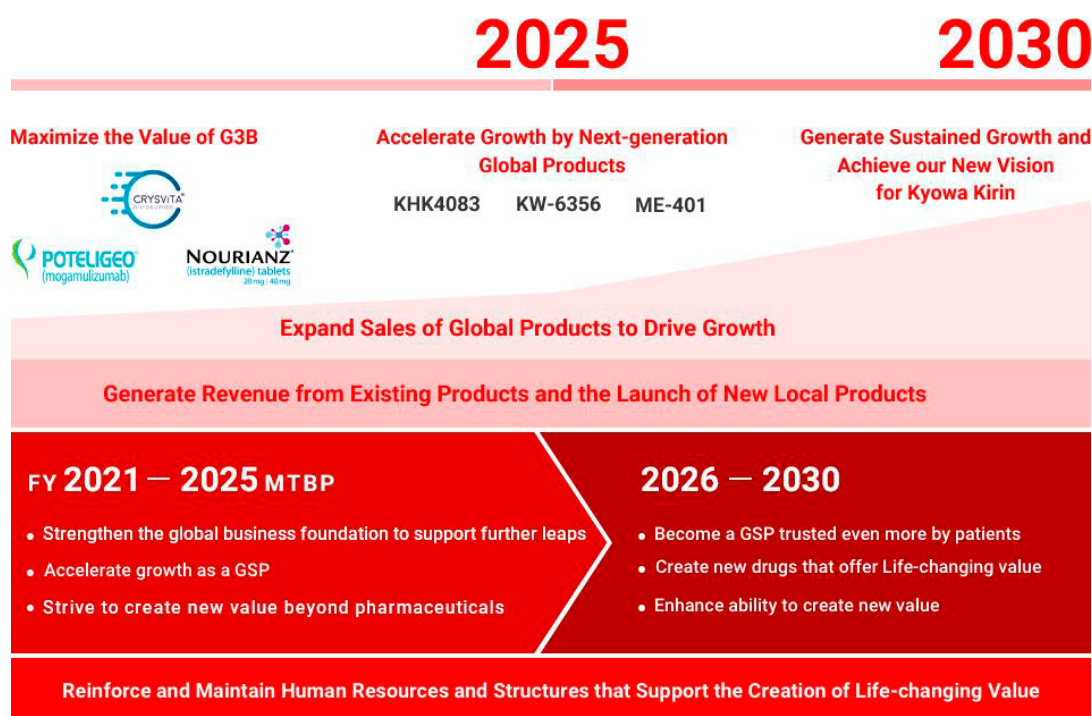
In the Health Science domain, the company aims to generate synergy by leveraging Kyowa Kirin's knowledge within the scope of Foundation Research and the launch of the CDMO business.

Specific case examples have already been established when it comes to evaluating the functional benefits of β -Lactolin, such as cases involving the leveraging of technologies of Kyowa Kirin. As a long-term initiative, the launching of the CDMO business also took place to aim to create new value, which is a business that leverages Kyowa Hakko Bio's strengths and incorporates Kyowa Kirin's expertise when it comes to the manufacturing of pharmaceuticals.

Under its medium-term management plan, Kyowa Kirin intends to develop and offer values beyond the traditional Pharmaceuticals Business in collaboration with Kirin Group companies.

Pharmaceuticals

Medium- to Long-term Outlook



Kyowa Kirin; New Vision toward 2030

Kyowa Kirin will realize the successful creation and delivery of life-changing value that ultimately makes people smile, as a Japan-based Global Specialty Pharmaceutical company built on the diverse team of experts with shared passion for innovation.

*Make patients smile through dramatic improvements in quality of life by identifying the unmet medical needs of people battling with medical conditions and by creating and supplying new drugs or services that help them overcome those challenges.

Policy

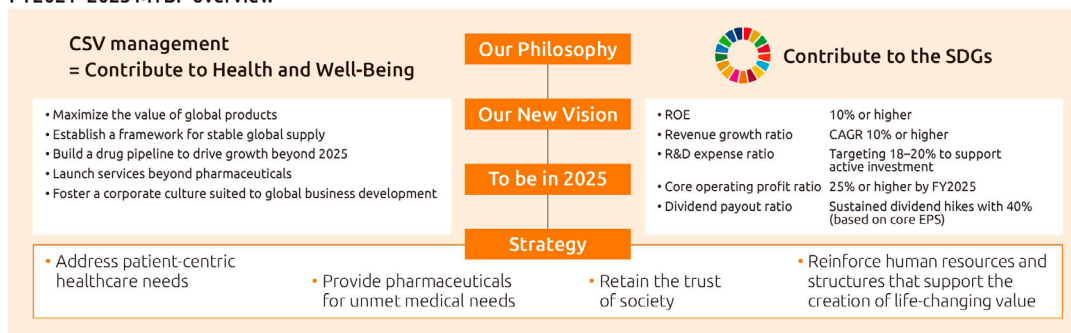
Drive rapid growth

- Maximize the value of global products
- Establish framework to ensure stable global supplies
- Build a drug pipeline to drive growth beyond 2025
- Launch services that go beyond pharmaceuticals
- Foster a corporate culture suited to global business development

Strategies

Strategies of Kyowa Kirin

FY2021–2025 MTBP overview



Market environment

In recent years, there have been profound changes seen in the environment surrounding the pharmaceutical industry, such as the promotion of measures to curb medicine costs, decreases in pharmaceutical-related spending due to the promotion of the use of generic medicine, and an increase in both costs and complexity when it comes to the development of new pharmaceuticals. Meanwhile, there have also been moves to expand upon systems involving the assessment of innovations (such as the emergence of a priority review system for new pharmaceutical drugs) as well as moves involving the provision of support for the development of new drug discovery methods which enable innovative treatments through advances in science and technology. Innovative pharmaceuticals which address unmet medical needs are still being waited on across the globe. New medical needs have also been emerging as drastic changes take place in the entire social environments, such as the advancement and entrenchment of digital technologies and the diversification of customer contact points.

Such an environment means that research-oriented pharmaceutical companies are being required to respond to environmental changes with a sense of urgency.

Strategies



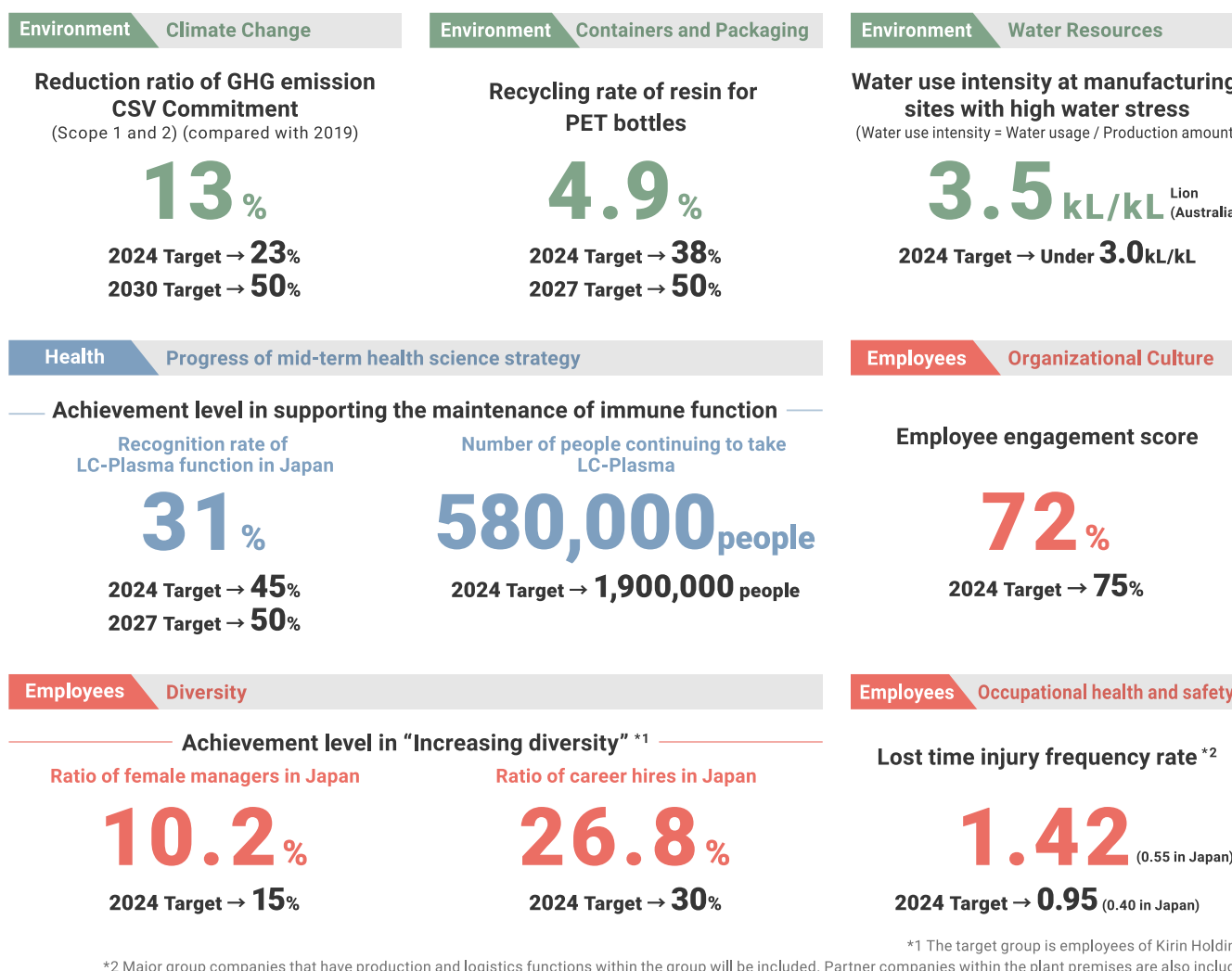
As a global company, Kyowa Kirin strives to demonstrate teamwork which extends across organizational boundaries, based on the company's shared sense of values centered on Commitment to Life. At the same time, the company is striving to foster a corporate culture befitting of a Japan-based Global Specialty Pharmaceutical Company. The company also aims at contributing to the health and well-being of people around the world by faithfully fulfilling its corporate social responsibilities, including transparency, fairness, compliance, and coexistence with society, as well as at creating life-changing value by leveraging its advanced technological capabilities.

In 2021, the company announced its 5-year Medium-Term Business Plan with 2025 being the final fiscal year, along with its new vision toward 2030. In 2022, the second year of the Medium-Term Business Plan, Kyowa Kirin will continue to strengthen its foundation as a Global Specialty Pharmaceutical Company and deliver global strategic products to the world. By identifying unmet medical needs and creating and delivering new pharmaceuticals and services to address those needs, Kyowa Kirin aims to be a company able to continuously create life-changing value which puts smiles on the faces of those confronting illness. The company will also continue to promote CSV management which serves to increase its corporate value and earn the trust of society through the creation of new value.

Financial and Non-financial Highlights

Key non-financial performance indicators

(Results in 2021)



*1 The target group is employees of Kirin Holdings.
*2 Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included.

Key financial performance indicators

(Results in 2021)



Contributing to Maintaining People's Health Around the World as a Leading Company in the Immunology Domain

Health and well-being

2022.07.19

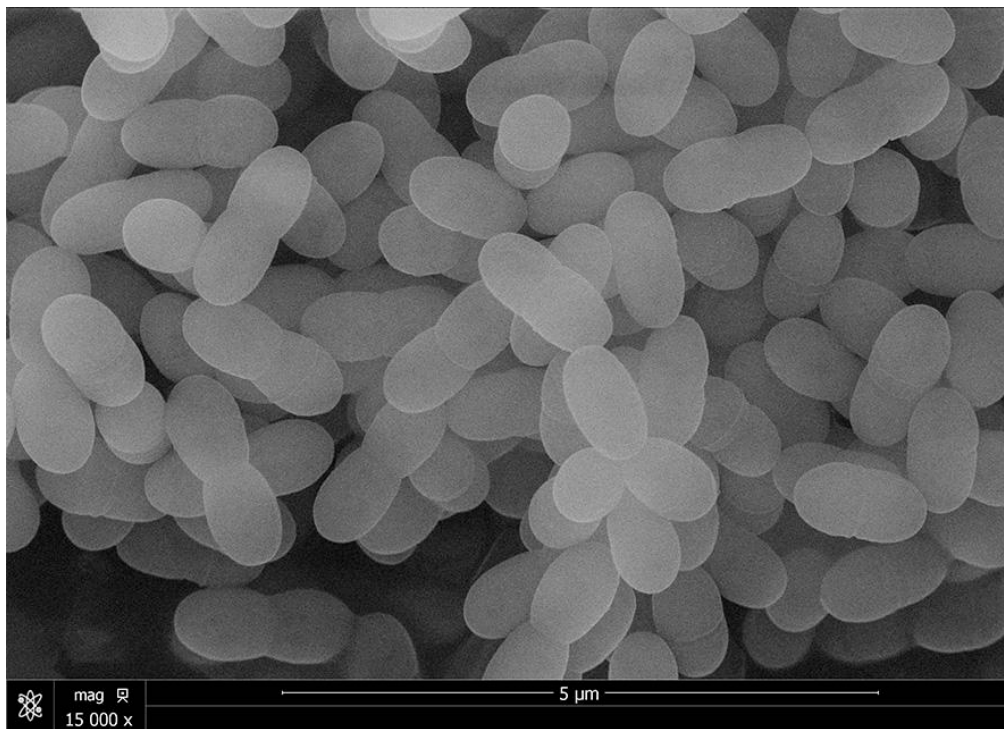


CSV Commitment	SDGs Goal	SDGs Target
<p>Support for maintaining the immune system Support for the prevention of non-communicable diseases</p> <p>Representative our achievements and target value: Number of people who continue to consume Lactococcus lactis strain Plasma in Japan and overseas 1.9 million people(2024)¹ Combined target values by target company</p>		<p>3.3</p>

The Kirin Group has formulated its Long-Term Management Vision, Kirin Group Vision 2027 (KV2027), and aims to create value across our world of Food & Beverages to Pharmaceuticals as a global leader in CSV. The Group is committed to strengthening its Health Science business to help people around the world maintain good health. We have positioned products using Lactococcus lactis strain Plasma (LC-Plasma), which we discovered based on more than 35 years of immunological research, and are developing them as our core products. The Kirin Group is recommending "immune care through food" as a new lifestyle habit that contributes to the management of one's health, with "immune care foods" centered on the iMUSE brand, for which an application for functional claims has been accepted.

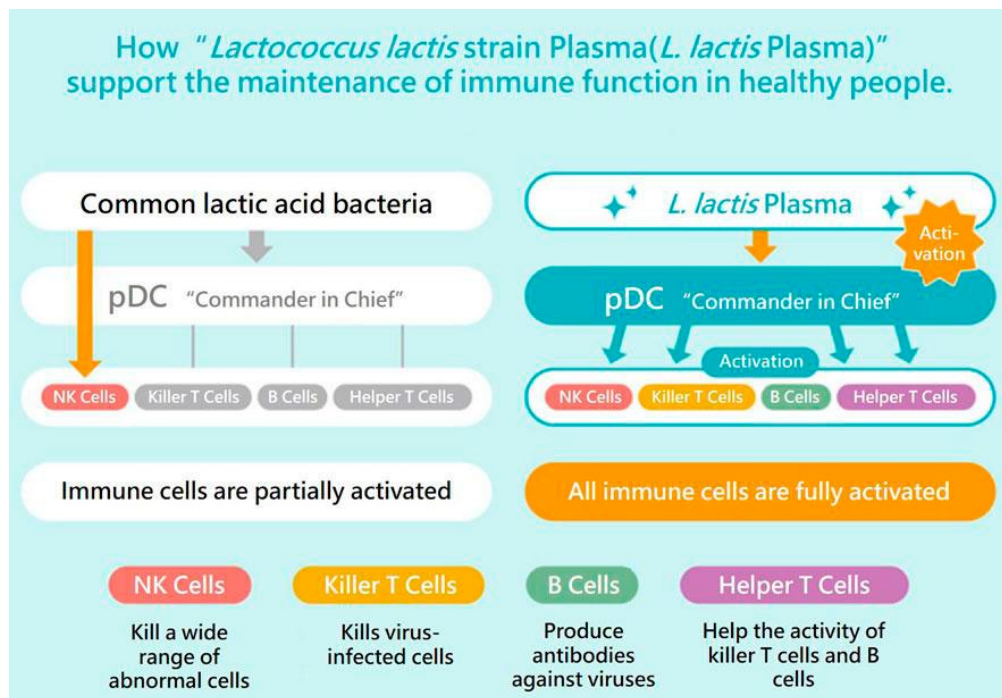
Discovered LC-Plasma that supports the maintenance of immune function in healthy people

The Kirin Group had continued to conduct in-depth research on microorganisms, which play a key role in fermentation, while at the same time mastering brewing techniques, the Group's founding business. Then, in 2010, Kirin discovered for the first time in the world lactic acid bacteria that directly activate plasmacytoid dendritic cells (pDC), one of the commander in chief of the immune system. The novel lactic acid bacteria was named as LC-Plasma.



Because of its complexity, there are many aspects of the immune system that are not yet understood, and it is difficult to validate the maintenance of immune function. In this context, we have accumulated a great track record of science in the form of 30 academic papers* regarding with LC-Plasma, including human clinical trials. Building on this experience, we were successful in registering the iMUSE brand with the Japanese authorities as Foods with Function Claims (FFCs) relating to immunity in August 2020 for the first time in Japanese history. This led to the sale of a line of products containing LC-Plasma as FFCs, and sales have steadily increased. We will continue to contribute to the health of many people through LC-Plasma by utilizing the various knowledge and experiences of our group.

*As of June 2022



Promoting both "awareness-raising activities" and "expanding recognition"

In a survey taken by Kirin, around 80% of respondents across all demographics said that their interest in and awareness of immunity "has become stronger" or "has become somewhat stronger" in the year since November 2020. It goes without saying that the "immune function," which is inherent to human beings, is essential. When an external enemy invades the human body, first, natural immunity is activated by the body's innate immune system, then acquired immunity is activated, and finally memory function is acquired to make the body less susceptible to diseases once contracted. Such efforts to enhance immune function are called "immune care."

Despite the growing interest in immunity in society as a whole, only a minority (about 30%) of people are actually taking action to maintain their immunity. Against this backdrop, the Kirin Group, which has a proprietary material called LC-Plasma that supports the maintenance of immune function in healthy people, considered it important to further raise awareness of the importance of immune care and at the same time create an environment in which LC-Plasma is close at hand. In other words, Kirin thought that as a leading company in the immunology domain, it should create the immunology market itself. To this end, the marketing in LC-Plasma is focused on promoting both "raising awareness of the importance of immune care" and "expanding recognition of LC-Plasma."

In "raising awareness of the importance of immunization care," Kirin is collaborating with the national government and administrative agencies, as well as utilizing venues such as vaccination sites and school classes. In addition, in "expanding recognition of LC-Plasma," we aim to expand sales by developing advertising and public relations activities to help customers understand the functions and effects of the FFCs we are developing and to gain their trust.

Furthermore, "the recognition rate of the function of LC-Plasma" and "the number of people who continuously consume LC-Plasma in Japan and overseas," are included among the non-financial indicators in the 2022 Medium-Term Business Plan (MTBP) and these metrics are also linked to executive compensation at Kirin Holdings. We will leverage the full power of the Group toward cultivating the Health Science business, including LC-Plasma, with the aim of maximizing our own economic value through the resolution of social issues.

Product lineup expanding domestically and internationally

To create and expand the "immune care" market, we need to develop products that are more accessible and easier to continue as a daily habit, while continuing to educate consumers about the importance of immune care.

LC-Plasma-related products were launched in November 2020 as Japan's first FFCs relating to immunity. Kirin Beverage then launched beverages containing LC-Plasma in its Nama-cha and Gogo-no-Kocha brands, which have high customer recognition, as well as Kirin's first 100ml small-volume PET bottle products. In addition, certain supplements and yogurt from KOIWAI DAIRY PRODUCTS are sold under the iMUSE brand. We have also collaborated with partner companies to create an environment in which more consumers can easily ingest LC-Plasma by blending it into a wide range of product lineups, such as snacks and protein products. As a result, as of May 2022, the number of LC-Plasma FFCs has grown to a total of 28 products.



Lactococcus lactis strain Plasma series "iMUSE"

Overseas, we are expanding the products in Vietnam, the United States, and other countries. Interfood Shareholding Company, a non-alcoholic beverage manufacturer and distributor in Vietnam, began selling Kirin iMUSE in 2019 and expanded its sales area from 2022. The brand has performed well due to expanded customer contacts and improved immune literacy in Vietnam, and had already surpassed its annual sales volume for 2021 as of end-March 2022. We will continue to actively participate in government initiatives to expand recognition of LC-Plasma in Vietnam and raise health consciousness. LC-Plasma is also spreading overseas, with nine products from seven companies containing LC-Plasma available for purchase in the United States as of May 2022.

The annual LC-Plasma-related business sales in Japan and overseas in fiscal 2021 was approximately 166% of the previous year's level, and has been growing steadily in the last two years following its acceptance as an FFC. Aiming for further growth of the Health Science business toward becoming a global leader in CSV, the Kirin Group has established a new Health Science Division to oversee strategy and business collaboration in the health science domain across its operating companies. This will strengthen the governance structure to create synergies within the Group and improve the speed of strategy penetration and execution. We also decided to become the first Japanese food manufacturer to issue a social bond. We plan to invest in expansion of production facilities and research activities to further solve health issues. We will continue to increase the degree of strategy execution to achieve sustainable growth and attain the goals of the KV2027 and 2022 MTBP.

Profile



Yumi Semura

Kirin Holdings Company, Limited Health Science Business Department Senior Manager
Since 2017, she had been the Brand Manager of iMUSE at Kirin Beverage. Currently, she is a project leader for the entire Health Science business (Immunology, Brain & Vitality area) at Kirin Holdings.

*Stated information as at the date it is made

Contributing to the community where raw materials are produced by working to prevent and reduce human rights issues in the supply chain

Community Engagement

2022.07.19



CSV Stories : Community Engagement

Contributing to the community where raw materials are produced by working to prevent and reduce human rights issues in the supply chain

Koji Miyamori
 Senior Manager, Procurement Department,
 Kirin Holdings Company, Limited

CSV Commitment	SDGs Goal	SDGs Target
<p>Community Engagement: Respect for Human Rights</p> <p>Representative our achievements and target value: Number of initiated human rights due diligence on supply chains for agricultural products with high human rights risk 3 cases (cumulative total 2022-2024)</p>	 	<p>8.7, 8.8</p> <hr/> <p>12.6</p>

In recent years, social interest in human rights issues related to business activities has increased. The scope of this interest extends not only to a company's own employees but also to the materials used in its products. Companies are expected to address human rights issues such as child labor and forced labor throughout their value chains to reduce such risks.

Against this backdrop, the Kirin Group aims to build a sustainable supply chain and contribute to the communities in raw materials are produced by identifying human rights risks in the supply chain of key raw materials and working to prevent and reduce human rights issues.

Developed "The Supplier Code" based on global social imperatives

In 2017, the Kirin Group established the Kirin Group Sustainable Procurement Policy in accordance with the UN Guiding Principles on Business and Human Rights ("Guiding Principles"), a global standard, to fulfill our social responsibility in the supply chain. Based on this policy, we are working to realize a sustainable society by promoting management that respects human rights in Japan and overseas.

In 2020, the Group CSV Committee, chaired by the President & CEO of Kirin Holdings, exchanged opinions on "Addressing Human Rights in the Supply Chain" and affirmed that the Group will strengthen its initiatives in this area. This led to the establishment of the Kirin Group Sustainable Supplier Code in 2021, with the cooperation of external experts, including NGOs specializing in human rights. We ask our suppliers, who are our business partners, to understand and cooperate with our Code and collaborate with them to build a sustainable supply chain.

Kirin Group Sustainable Procurement Policy

1. Quality-oriented

In accordance with the Kirin Group's Quality Policy, we give priority to quality and safety in our procurement activities.

2. Compliance

In accordance with the Kirin Group's Compliance Policy, we comply with social norms, relevant laws and regulations and its sprits and carry out sensible activities to be trusted by society.

3. Respect for human rights

In accordance with the Kirin Group's Human Rights Policy, we will promote this concept and implement human rights initiatives with our suppliers.

4. Environmental conservation

In accordance with the Kirin Group Environmental Policy, we will strive to protect the environment, prevent pollution, and conduct procurement activities in consideration of the global environment.

5. Business integrity for coevolving relationships with our suppliers

We will build long-term relationships of trust with our suppliers through open and fair procurement activities, and strive for coexistence and co-prosperity with our suppliers and society.

Understanding risk by tracing back upstream in the supply chain

As society's demand for solutions to human rights issues increases, the Kirin Group are also promoting "human rights due diligence" initiatives to identify and manage negative human rights impacts related to our business activities, including our supply chains, and to take preventive and mitigating measures. We conducted human rights due diligence at a coffee supplier in Laos in 2018 and at a soybean supplier in China in 2021.

*Human rights due diligence of a soybean supplier in China was conducted online due to the COVID-19 pandemic.

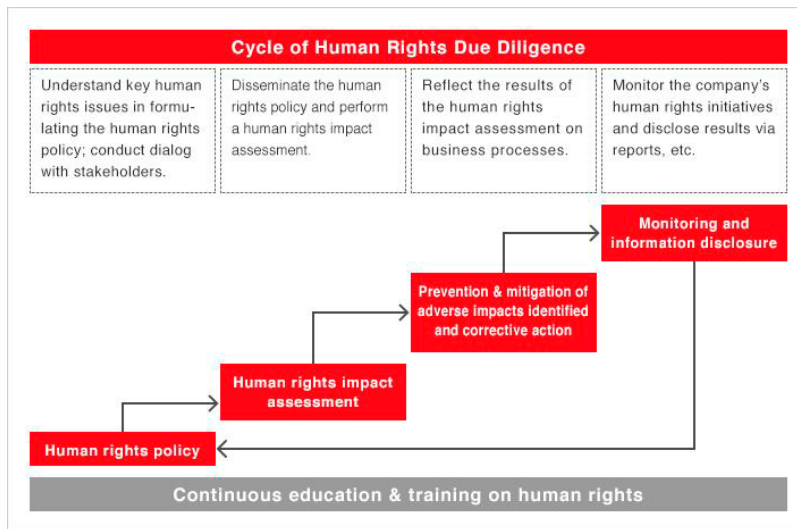
The Kirin Group conducts human rights due diligence by assessing risks in its supply chain and identifying areas of risk at first. We then ask 1st tier suppliers in the relevant supply chain to cooperate and expand the scope further to upstream suppliers. Here, primary suppliers, rather than the Kirin Group, explain the purpose of the survey and questionnaire to the upstream suppliers, and the points to be checked are narrowed down before an on-site audit is conducted. Third-party organizations, such as NGOs, are invited to participate as needed to ensure a more transparent and impartial evaluation.

In line with the establishment of the supplier code, we have conducted another risk assessment of the agricultural products and processed agricultural products we procure. In assessing risk, we used the evaluation tool provided by Sedex(Supplier Ethical Data Exchange), an NPO dedicated to promoting

Value Creation Model / Outcome

ethical trade in the global supply chain at corporations, and with the advice of external expert organizations, we prioritized suppliers for human rights due diligence based on the two axes of (1) human rights risk in the procuring country and (2) impact on business.

Based on the results of this risk assessment, we plan to conduct human rights due diligence on the supply chain of Sri Lankan tea leaves used in Kirin Beverage's mainstay brand Kirin Gogo-no-Kocha and Argentine grapes used in Mercian's wines in the 2022 Medium-term Business Plan. In the future, we will disclose this initiative to our stakeholders and work with internal and external parties to resolve any human rights issues that are discovered.



Profile



Koji Miyamori

Kirin Holdings Company, Limited Procurement Department Senior Manager

After working in the pharmaceutical and food businesses, he has been in charge of raw material procurement for the alcoholic beverages and beverage business in the Procurement Department since 2013, and is currently in charge of promoting sustainable procurement for the group as the leader of the Planning Group in the Procurement Department.



*Stated information as at the date it is made

Incorporating climate change measures into management strategies to become a Group that drives a decarbonized society

The Environment

2022.07.19



CSV Commitment	SDGs Goal	SDGs Target
<p>The Environment: Overcoming climate change</p> <p>Representative our achievements and target value: GHG(Green House Gas) emission reduction rate Scope 1+2 = 50% (2030), Scope 3 = 30% (2030)*1 *1 compared to 2019, Targets are also set for each operating company</p>	 	<p>7.2</p> <hr/> <p>13.1</p>

Under the Kirin Group Environmental Vision 2050, we aim to create a sustainable global environment for future generations through our business activities. One of our priority issues is addressing climate change. The company has set the goal of "reducing greenhouse gas (GHG) emissions throughout the value chain to net zero by 2050" and the medium-term goal of "reducing Scope 1 and Scope 2 emissions by 50% in total and by 30% in Scope 3 by 2030 compared to 2019." It has been endorsed by the international Science Based Targets (SBT) as a science-based reduction target to limit the global temperature increase from pre-industrial levels to less than 1.5°C.

Steadily implementing measures in the roadmap to reduce GHG emissions and enhancing the sustainability of our businesses and society

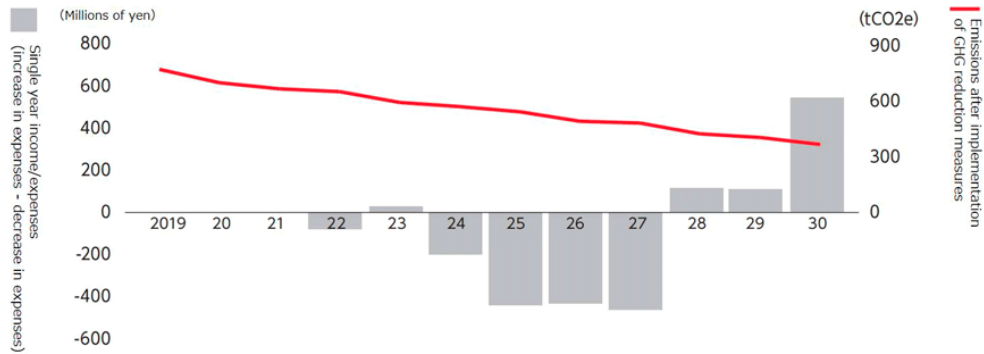
Agricultural products are expected to suffer great damage if climate change causes extreme droughts or floods. Climate change action is a priority for the Kirin Group, as its alcoholic and non-alcoholic beverage businesses rely on water, agricultural products, and other blessings of nature. Our strategy is (1) to lead a decarbonized society in combating climate change and (2) to prioritize measures that combine social and economic value. Our long-term goal is to achieve a state in which the sustainability of our business is enhanced by climate change action.

Achieving the goal will require a substantial funds, including large capital investments and the introduction of renewable energy. The Kirin Group will early implement energy saving measures that are highly cost-effective and introduce renewable energy using the energy cost reduction benefits as a source of funds, aiming to achieve medium- to long-term profit and loss neutrality regarding climate change measures for the Group as a whole.

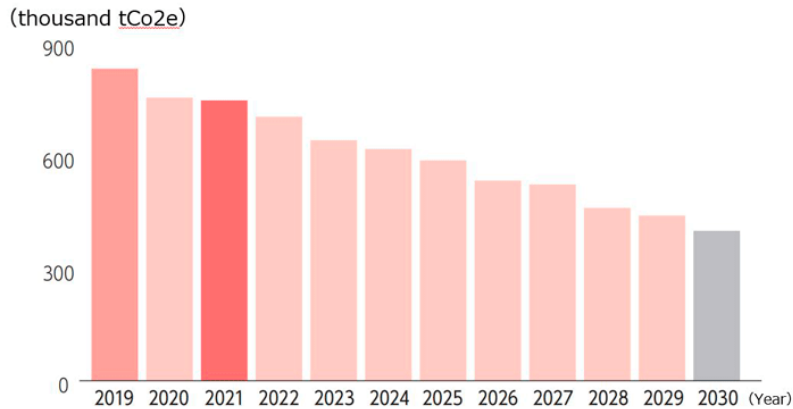
We have established a roadmap for GHG reduction to achieve our goal by 2030. This plan is incorporated into the management strategies of each operating company and incorporated into a new Medium-Term Business Plan starting in 2022. Since 2019, Kirin Brewery and Kirin Beverage plants have installed heat pump systems and developed energy saving measures, resulting in a reduction of about 140 million yen in energy costs and about 4,700 tons of GHG emissions in a year.

Recently, the calls for companies to take action on climate change have grown consistently louder. In Japan, the introduction of carbon pricing is being considered as a mechanism to share costs based on CO2 emissions. Under these circumstances, the Kirin Group aims to reduce GHG emissions by steadily implementing the measures in its roadmap and to increase corporate value by introducing Internal Carbon Pricing (ICP) as an investment decision criterion to reduce the risk of profit decline associated with the introduction of carbon pricing.

Profit/loss neutral GHG reduction plan



Scope 1+2 emissions after implementation of GHG reduction measures



Promoting a shift to responsible renewable energy

The Kirin Group has stated "Achieve RE100 at an early stage and source the company's energy from 100% renewable energy" in the Environmental Vision 2050. In response, we have formulated a Group policy for the introduction of renewable energy in 2021, and will essentially contribute to the decarbonisation of society by adding new renewable energy sources to the world. We will also procure "responsible renewable energy" without risks such as environmental destruction and human rights violations.

*An international environmental initiative to convert 100% of electricity used to renewable energy

To date, large-scale solar power generation has been installed at all nine Kirin Brewery plants, reducing both GHG emissions by approximately 11,000 tons per year while also reducing energy costs. The Ministry of Economy, Trade and Industry (METI) has called for the expansion of offshore wind power generation projects in its Sixth Basic Energy Plan and others, and the Kirin Group has participated in the Offshore Wind Power Generation Projects off the coast of Akita Prefecture and Chiba Prefecture as a partner company in a consortium formed by the Mitsubishi Corporation Group. We will promote collaboration while leveraging our knowledge of community contribution cultivated through reconstruction assistance in Tohoku and other activities.

Promoting sustainable procurement by strengthening partnerships with suppliers

The reduction of Scope 3 emissions is an important and challenging issue in achieving the long-term goal of net zero carbon. Approximately 80% of the Kirin Group's value chain GHG emissions are in Scope 3, and reducing these emissions requires the cooperation of many stakeholders outside the Kirin Group. It is also an opportunity to create economic and social value for both the Kirin Group and its stakeholders and to take a leadership role in building a decarbonized society.

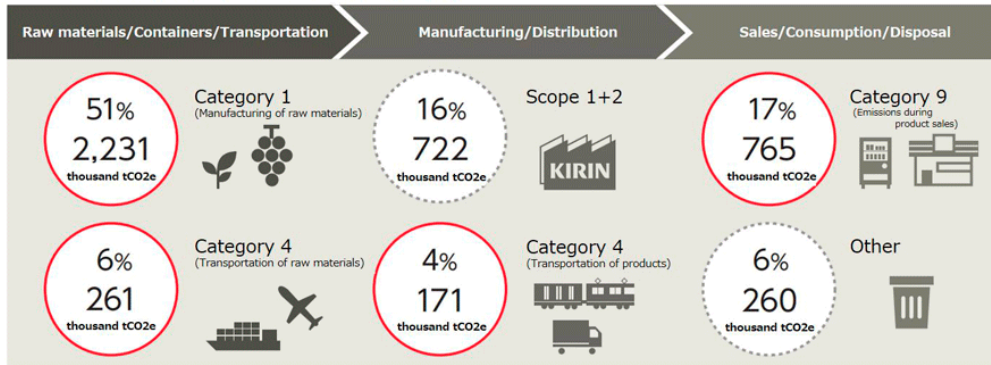
In the Kirin Group's Scope 3, emissions from the production of raw and other materials are the largest, accounting for about 60%. Since emissions from transport and sales also account for a large proportion of our emissions, we have designated these three categories as priorities and are promoting initiatives in these categories. We will take two approaches to Scope 3 reductions in parallel to achieve our goals: reductions by our own initiatives and promotion of reductions by our business partners.

For reductions by our own initiatives, we will focus on engagement with suppliers. We have already held a briefing session to share the Kirin Group's policy, and are currently conducting a questionnaire survey of major suppliers to confirm each company's reduction plan and quantitative and qualitative progress. In the future, we will consider initiatives to procure low-carbon raw and other materials based on the data we have been able to ascertain. Regular communication on the topic of climate change will also be conducted.

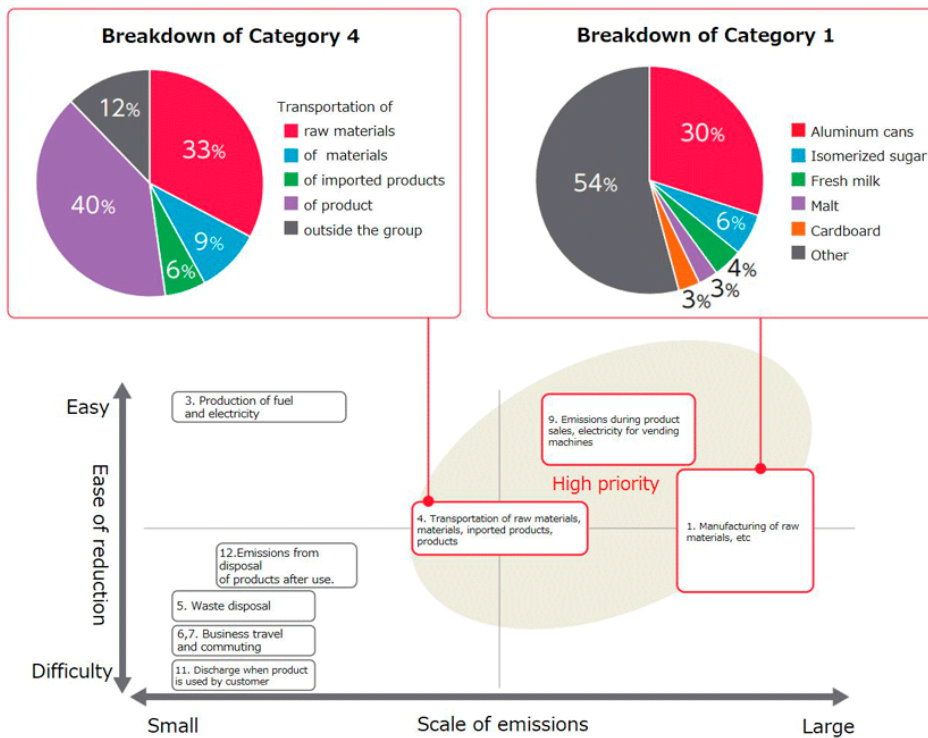
Since Scope 3 reduction is an issue not only for the Kirin Group but also for society as a whole, we would like to share the issue with other companies in our industry and various industry organizations, and clarify areas where we can work together to promote progress in its resolution. To ensure that reduction efforts are correctly reflected in the calculation of Scope 3 emissions, we will modify the calculation database and consider using external platforms to collect accurate data.

For reductions by our own initiatives, we are focusing on containers and packaging as a key theme. We will reduce GHG emissions associated with the production of raw and other materials by promoting the weight reduction of containers and packaging by taking advantage of our world-class in-house research laboratory that develops containers and packaging, and by expanding the use of sustainable containers and packaging made from materials recycled from used containers. In transport, we will promote integrated and optimal operation of production and logistics, taking into account the risk of an inability to make deliveries due to a shortage of truck drivers and related factors. We will also continue joint delivery and modal shifts.

GHG emissions in the value chain (2021)



Scope3 Identification of priority categories and Breakdown



Profile



Satoshi Kenmochi

Since joining the company, he has been in charge of facility improvement and energy conservation promotion at Kirin Brewery and Kirin Beverage factories and the head office. Since 2020, he has been in charge of formulating and promoting strategies for climate change measures for the entire Kirin Group.


*Stated information as at the date it is made

Eradicating the Harmful Consumption of Alcohol

A Responsible Alcohol Producer

2022.07.19



CSV Commitment	SDGs Goal	SDGs Target
<p>A Responsible Alcohol Producer: Dealing with alcohol-related problems</p> <p>Representative our achievements and target value: Participation of responsible drinking programs and number of visitors to the awareness raising content on the website 992,200 (cumulative total for 2022-24)</p>		<p>3.5</p>

Alcoholic beverages have been accompanying our lives as a way to create connections between people and make our lives more enriching and fulfilling. On the other hand, drinking in excessive volume and frequency risks causing lifestyle-related diseases and other health problems. Drunk driving, underage drinking, and drinking during pregnancy and lactation are also major social problems. As part of its "A Responsible Alcohol Producer", the Kirin Group aims to "Make steady progress toward eradicating the harmful use of alcohol in all countries of operation."

Current situation around the world and Japan

The World Health Organization (WHO) adopted the "Global Strategy to Reduce the Harmful Use of Alcohol" in 2010, and the UN's SDGs (Sustainable Development Goals) in the area of health also specified the prevention and treatment of harmful use of alcohol as one of its targets. Therefore, eradicating the harmful consumption of alcohol is a global issue that must be addressed by society as a whole. In Japan, the Cabinet approved the Basic Plan for Promotion of Measures against Alcohol-related Harm (Phase 2) in March 2021.

Due in part to recent social conditions, and with changes in society's perception of drinking in public spaces and drinking etiquette, the Kirin Group believes that it is its social responsibility as a company that produces and sells alcoholic beverages to respond sincerely and appropriately to alcohol-related problems and it is working to eradicate the harmful consumption of alcohol.

Proposing "Slow Drink" as a relaxed approach to consuming alcohol in moderation

Society is becoming increasingly aware of the need to slow down and enjoy alcoholic beverages not as a means of becoming intoxicated or quenching one's thirst but in accordance with each person's individual drinking and enjoyment style. The Kirin Group proposes "Slow Drink" as a way to enjoy alcoholic beverages in appropriate amounts and in moderation in the coming age, where people can savor a meal while sharing conversation with others, drink in moderation, and spend time in a sensible and comfortable manner, and be fulfilled not by the "amount" of alcohol consumed, but by the "time" that passes. With the weakening of human connections cited as a social issue, we believe that the way we propose to enjoy alcoholic beverages will help add color to people's lives.



Providing information to promote "responsible drinking"

We have been raising awareness of responsible drinking, such as holding "responsible drinking awareness seminars" to deepen customers' knowledge of responsible drinking. We are using SNS sites to inform the younger generation, who have not yet established their drinking habits, about the effects of irresponsible drinking and how to drink in a way that suits their constitutions.

In addition, to help customers monitor and control their alcohol intake, starting in May 2021, the amount of net alcohol (in grams) contained in major alcohol products sold in Japan is displayed on our website. From April 2022, Kirin Brewery has begun to display on the packaging of 350 ml and 500 ml cans of major beer products (beer, low-malt beer, new genre beer) and RTD (ready to drink) cocktails produced in Japan the amount of net alcohol and a short URL that leads to our website on responsible drinking, with the aim of completing this rollout by the end of 2023. Lion Pty Ltd, which operates Kirin Group's alcoholic beverage business in Oceania, uses symbols to indicate alcohol content on product labels.

Developing and expanding awareness of non-alcoholic and low-alcohol products

We are working to develop and raise awareness of non-alcoholic and low-alcohol products with the aim of expanding the range of options available to our customers in different settings. While the non-alcoholic beverage market grew approximately 110% year-on-year in 2021, Kirin GREENS FREE and KIRIN KARADA FREE grew approximately 117% and 114%, respectively, outpacing the market (source: Intage SRI+ (estimated sales of non-alcoholic beer + RTD + wine (volume basis))). Furthermore, Kirin Brewery and FANCL are expanding their product lineups across the Group, including the joint development of the foods with function claims such as Kirin x FANCL Non-alcoholic Chu-hi Hyo-Rei Calolimit®. Mercian is also marketing non-alcoholic products such as MOCK Bar and low-alcohol products such as Oishii-Sankaboushizai-Mutenka Wine. Kirin Group will continue to expand the non-alcoholic and low-alcohol markets to offer customers more selection.



Kirin GREENS FREE is made with Japan's first* manufacturing process for non-alcoholic beer to bring out the aroma of barley and hops.

*First in Japan to adopt a manufacturing process for non-alcoholic beer that brings out the aroma of barley and hops (Patent No. 6786699).



KIRIN KARADA FREE, a food with function claims that uses "matured hop bitter acids" for the first time* and is expected to reduce visceral fat.*

*The first product to be marketed with aged hop-derived bitter acid as a functional ingredient.

*This product is suitable for people who tend to be obese. A well-balanced diet and moderate exercise are also recommended.

In addition to these efforts set forth in our CSV Commitment, we have released our "Global Marketing Code for Responsible Drinking" in order to commit to society as an alcoholic beverage manufacturer to conduct our business activities in a responsible manner, including advertising, and to earn the trust and empathy of society and our customers. In addition to complying with laws, regulations and voluntary industry standards, we have also established Kirin's own stricter ethical guidelines for advertising, which is reviewed, strengthened, and revised in line with social conditions. Regular training is provided to advertising staff to deepen their knowledge and understanding. From the perspective of health management, the company is also promoting initiatives aimed at instilling an understanding of responsible drinking in each employee.

In addition, we are also a member of the International Alliance for Responsible Drinking (IARD), an international not-for-profit organization that includes the world's major alcoholic beverage manufacturers, and are committed to promoting responsible drinking and eradicating harmful consumption.

We hope that the harmful consumption of alcohol will be eliminated from the world, that people will enjoy alcohol and drink in a way that suits them, taking into consideration each person's constitution and physical condition, and that alcohol will become a partner that enriches our lives.

Profile



Ryoya Kurihara

Senior Manager , CSV Strategy Department ,Kirin Holdings Company, Limited
Since 2020, he has been in charge of developing strategies on alcohol-related issues for the entire Kirin Group globally and for the domestic alcoholic beverages business.

*Stated information as at the date it is made

Overview

Overview on Corporate Governance

In line with the corporate philosophy and "One KIRIN" Values that are shared across the Kirin Group, the Kirin Group believes that achieving the "2027 Vision" outlined in the Kirin Group's Long-Term Management Vision "Kirin Group Vision 2027 (KV2027)" will lead to the Kirin Group's sustainable growth and to greater corporate value over the medium to long term.

Accordingly, the Kirin Group will develop a corporate governance system that is capable of effectively and efficiently reaching that goal.

The Kirin Group believes that cooperation with all of its stakeholders will be indispensable in order to put the corporate philosophy into practice and turn the "2027 Vision" that is based on this philosophy into a reality, and therefore the Group respects its stakeholders' respective viewpoints.

The Kirin Group will disclose information promptly to its shareholders and investors in a transparent, fair and consistent fashion, will proactively engage in constructive dialogue with its shareholders and investors, and will fulfill its accountability with integrity.

Corporate Philosophy

KIRIN brings joy to society by crafting food and healthcare products inspired by the blessings of nature and the insights of our customers.

2027 Vision

A global leader in CSV, creating value across Food & Beverages to Pharmaceuticals

"One KIRIN" Values

"Passion. Integrity. Diversity"

Corporate Governance Policy

Kirin Holdings has established its corporate governance policy.

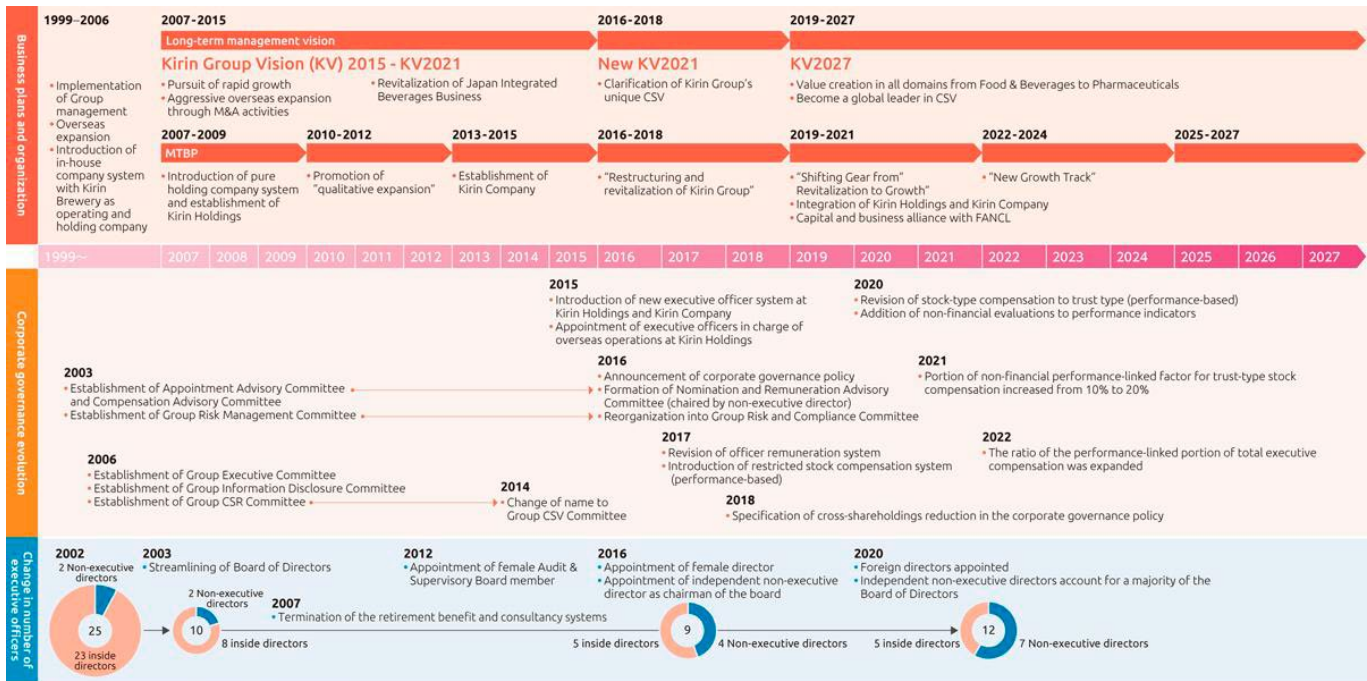
Corporate Governance Policy PDF:617KB [📄](#)

Stakeholders

The Kirin Group recognizes six stakeholder groups common to all Group companies: customers, shareholders & investors, employees, communities, business partners, and the environment. We will keep in mind that it is essential to cooperate with these stakeholders for the achievement of "2027 Vision". In addition, we will create new value together with all of our stakeholders in the process of turning the "2027 Vision" into a reality.

Kirin Group Stakeholders >

Evolution of Corporate Governance System



* Chart represents total number of directors as of April 1 of each year.

Policy on cross-shareholdings

- In principle, Kirin Holdings will not hold any cross-shareholdings except for stocks that are deemed to contribute to the enhancement of corporate value over the medium to long term.
- The Board of Directors will annually review the rationale for holding individual cross-shareholdings through dialogue and negotiation with business partners, etc., and will proceed with the sale of stocks that are deemed not to be rational to hold from the standpoint of the common interests of shareholders.
- Voting rights on cross-shareholdings will be exercised upon deciding for or against each agenda item, taking into account whether a particular cross-shareholding will help boost the corporate value of the company concerned, and whether it will help ensure sustainable growth and boost the Group's corporate value over the medium to long term.

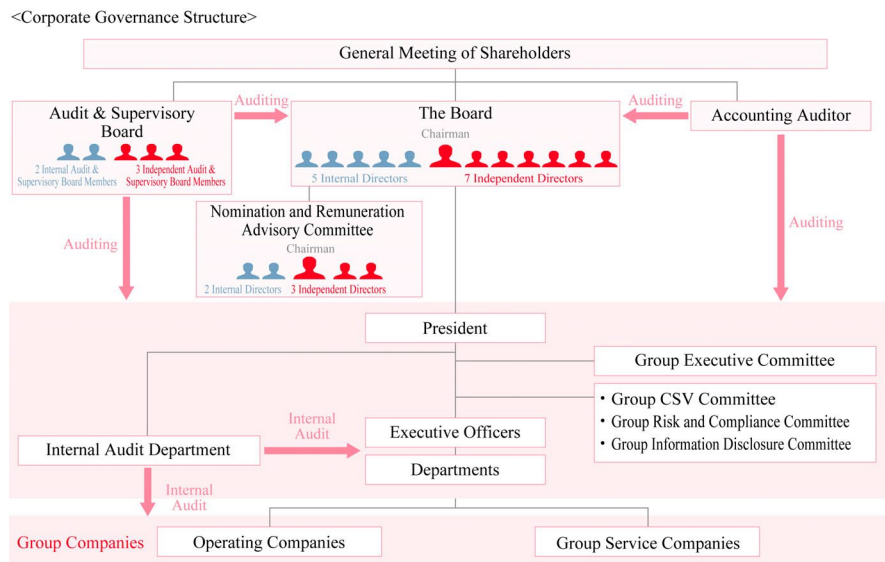
Current Status

- In fiscal year 2021, 5 of Kirin Holdings' cross-shareholdings were sold in full and 1 was partially sold (proceeds: 10.0 billion yen). As a result, the balance sheet value of Kirin Holdings' cross-shareholdings is 3.0 billion yen as of the end of 2021, a steady reduction compared to the 11.2 billion yen value as of the end of 2020.

Management Structure

Corporate Governance Structure

- Kirin Holdings has adopted a pure holding company structure as a means of controlling its diverse and global business, which is centered on 3 domains such as food & beverages, pharmaceuticals and health science. As a pure holding company, Kirin Holdings takes on the role of devising and implementing the Group's overall strategies, monitoring individual businesses, creating synergy, and responding to challenges surrounding sustainability through coordination across the Kirin Group.
- The Kirin Group's individual companies conduct their business autonomously with a sense of speed, while maintaining close ties to the local customers and other stakeholders. Kirin Holdings grants appropriate authority to match the strategic stages of individual Kirin Group companies and improves governance through the Board of Directors and the Boards of individual group companies by dispatching directors to those companies. Directors or Executive Officers of Kirin Holdings serve concurrently as directors at the main companies in the Kirin Group.
- Kirin Holdings has adopted a Company with Audit & Supervisory Board system, and aims to maintain and improve on a highly transparent governance system for its stakeholders. The Board, which includes a number of Outside Directors, works closely with the Audit & Supervisory Board, which also includes a number of Outside Audit & Supervisory Board Members, and makes effective use of the statutory and other auditing function to take final decisions on important matters. At the same time, the Board endeavors to reinforce the monitoring function on management. Kirin Holdings has introduced an executive officer based system in order to implement strategies for each of its businesses and functions in an agile fashion and clarify executive responsibilities. The Board of Directors determines the scope of delegation to the Executive Officers based on their experience, track record, and expertise in their respective fields.



The Board of Directors

- The Board of Directors is responsible for making decisions on important business operations and legal matters of the Group, supervising the directors' execution of their duties, and establishing an appropriate internal control system for the entire Group in cooperation with the Internal Audit Department and supervising its operation. In addition, the Board of Directors determines and approves long-term management concepts, medium-term management plans, and annual business plans for the entire Group and major group companies, and monitors them regularly in light of changes in the business environment in an effort to maximize group corporate value.
- Taking into account the knowledge, experience, skills and discernment that are necessary for turning the 2027 Vision into a reality, the Board shall be composed of the appropriate number of members, ensuring overall balance and diversity such as gender and internationality, etc. In addition, in order to build a highly transparent governance system and ensure the effectiveness of objective management supervision, the Company appoints a majority of independent outside directors. At least one of the independent outside directors has management experience at other companies. Regarding the twelve Group companies: Kirin Brewery Company, Limited, Kirin Beverage Company, Limited, Mercian Corporation, Lion Pty Ltd, Myanmar Brewery Limited, Coca-Cola Beverages Northeast, Inc., Kyowa Kirin Co., Ltd., Kyowa Hakko Bio Co., Ltd., San Miguel Brewery Inc., and China Resources Kirin Beverages (Greater China) Company, Limited, Thorne HealthTech Inc. and FANCL Corporation, the Directors of the Board or Executive Officers of the Company are appointed as Directors of the Board (including Non-executive Directors) of each company and supervise the performance of duties in order to strengthen governance of the Group overall. Concerning Kyowa Kirin Co., Ltd., because it is a listed subsidiary, while working to secure appropriate effectiveness through the implementation of the corporate governance code, efforts are being made to ensure the independence of executive management as a listed company, as well as autonomous corporate activities based on independence and agility. At the same time, the Company is striving to maximize profits for all shareholders and sustainably expand corporate value.
- Kirin Holdings has twelve (12) Directors, of whom seven (7) are Non-Executive Directors as of April, 2020, and one of the Non-Executive Directors serve as Chairman of the Board.
- The Board of Directors meeting is held regularly once a month, and is held as needed.

(As of December 31, 2021)

Frequency and Attendance rate of the Board of Directors Meeting

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of Meetings Held	15	15	15	14	15
Attendance rate regarding Non-Executive Directors	93%	95%	91%	98%	98%
Attendance rate regarding Audit & Supervisory Board members	98%	100%	98%	100%	100%

Evaluation of the Board of Director's Effectiveness

- The Board of Directors effectiveness evaluations conducted in fiscal 2016 defined the Board's two primary functions as making important corporate decisions and providing supervisory oversight. We continue to conduct regular evaluations of Board operations and meeting content to both ensure those functions are being fulfilled and to continually improve its efficiency by identifying points to make the meetings more effective in the next fiscal year.

Fiscal 2021 discussion points

1. Discussion on "Business Portfolio"
2. Discussion on "strategy formulation, implementation and monitoring" that crosses business and functional strategies
3. Discussion on "Instillation of Kirin Group Corporate Philosophy to Promote CSV Management"
4. Discussion on "Ensuring that sound business ethics are known and practiced"
5. Discussion on "Risk Management"

Fiscal 2021 evaluations

The Board of Directors discussed and evaluated the survey responses and the current status of improvement efforts based on questionnaires incorporating the observations of third-party advisors and additional interviews. The observations and evaluation results were as follows.

Observations

- (1) Composition and operation of the Board of Directors
- (2) Strategy formulation, execution, and monitoring
- (3) Oversight of risk and crisis management
- (4) Oversight of decision-making, such as in business acquisitions and withdrawals
- (5) Oversight of executive compensation and successor development plans
- (6) Depths of awareness and oversight of sound corporate ethics
- (7) General oversight of disclosure to stakeholders
- (8) Overall effectiveness

Evaluation results

As a whole, the Board of Directors is effective and functioning properly.

Points receiving positive evaluations

- (1) The diversified Board of Directors enhances the effectiveness of important decision-making and provides multiple perspectives
 - The independent non-executive director majority has broadened the Board's range of expertise and strengthened the supervisory function over business execution
 - The Company has established a strong monitoring system to reinforce its status as a company with an Audit & Supervisory Board
- (2) Board of Directors discussion content is to the point and thorough
 - Discussion of the business portfolio covers various angles for generating sustaining growth
 - Discussion centered on topics that management should focus on, enabling deep discussion of management issues
- (3) The Board of Directors is operating properly, and steps are being taken to further improve its functionality
 - Functionality has been vastly improved in agenda setting, time allocation, and opportunities to share information
 - The amount of reports and open discussions about issues that are not part of the meetings is gradually increasing, and the deeper understanding of the business and strategies is improving the quality of the discussions

Points to improve in fiscal 2022

Management has specified five points for improvement in fiscal 2022 based on the opinions and areas for improvement indicated in the evaluations in fiscal 2022 and with a view for the changing business environment.

The Company continually seeks to maintain and improve the effectiveness of the Board of Directors in accordance with the agenda set by Independent Non-executive Director and Chairman of the Board Masakatsu Mori and by providing more opportunities to share information and engage in open discussions.

Main discussion points for fiscal 2022

1. Discussion on "Business Portfolio"
2. Discussion on "strategy formulation, implementation and monitoring" that crosses business and functional strategies
3. Discussion on "Instillation of Kirin Group Corporate Philosophy to Promote CSV Management"
4. Discussion on "Ensuring that sound business ethics are known and practiced"
5. Discussion on "Risk Management"

Audit & Supervisory Board

- In keeping with its fiduciary responsibility toward shareholders, the Audit & Supervisory Board ensures the integrity of management with an eye to the Kirin Group's sustainable growth and the improvement of corporate value over the medium to long term, and acts to ensure in the common interests of the shareholders.
- The Audit & Supervisory Board makes use of the ability of the Standing Audit & Supervisory Board Members to gather information within the Kirin Group and the independence of Audit & Supervisory Board Members. The Audit & Supervisory Board also develops a system to ensure that the audits carried out by each Audit & Supervisory Board Members are effective.
- In order to intensify the provision of information to Non-Executive Directors, the Audit & Supervisory Board exchanges opinions with Non-Executive Directors, and provide them with information obtained in the course of auditing.
- As of April, 2022, Kirin Holdings has five (5) Audit & Supervisory Board Members, of whom two (2) are Standing Audit & Supervisory Board Members, and three (3) are Audit & Supervisory Board Members.

Frequency and Attendance rate of the Audit & Supervisory Board Meeting

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of the Meeting held	16	16	16	16	15
Attendance rate regarding Audit & Supervisory Board members	98%	100%	98%	100%	100%

Auditor's Audit

Kirin Holdings has adopted an audit system consisting of two (2) Standing Audit & Supervisory Board Members and three (3) Audit & Supervisory Board Members. Each Audit & Supervisory Board Member attends various internal important meetings, including the Board of Directors in accordance with the audit policy and audit plans which are defined by the Audit & Supervisory Board. In addition, the Company has a system in place to adequately audit the status of directors' execution of their duties, including audits of each division of the Company and on-site inspections of domestic and overseas group companies. For Group companies, the Auditors are assigned either full-time or part-time according to the scale of the company. The Auditors of Group companies coordinate closely with the Audit & Supervisory Board Members of Kirin Holdings to enhance the effectiveness of auditing.

Internal Audit

- The Members of Internal Audit Department are concurrently responsible for conducting internal audits at Group companies, independently from the auditor's audit, with regards to the Group's significant risks and internal controls. The Internal Audit Department practically and efficiently conducts auditing for the Group overall, and by sharing the audit results of, and mutually supplementing the work of, the internal audit and the audit by the Audit & Supervisory Board. The Internal Audit Department Members coordinate with the Audit & Supervisory Board Members in setting and implementing auditing plans, coordinate with the full-time auditors of the key Group companies, and concurrently perform the role of part-time auditors in the Group companies, etc.
- The Internal Audit Department, the Audit & Supervisory Board Members and an Independent Accounting Auditor also strive for mutual cooperation where they exchange information and opinions and consult each other as necessary. The Internal Audit Department and the Audit & Supervisory Board Members regularly exchange information and opinions with internal control-related departments, and the Accounting Auditor also conducts hearings with internal control-related departments as necessary, both thus implementing effective audits.

Relationship with the Independent Accounting Auditor and Internal Audit Department

- The Audit & Supervisory Board develops a system capable of conducting thorough and appropriate auditing in coordination with the Independent Accounting Auditors and the Internal Audit Department.
- The Audit & Supervisory Board verifies the independence and specialization of the Independent Accounting Auditors upon establishing evaluation criteria. The Audit & Supervisory Board holds regular interviews with the Independent Accounting Auditors, and requires the Independent Accounting Auditors to explain whether they are observing the necessary quality management criteria for carrying out accounting audits in an appropriate fashion.

Internal Control System

Kirin Holdings draws up a basic policy for the internal control system in order to ensure the appropriateness of the Kirin Group's operations, develop an appropriate system for ensuring optimal compliance, risk management and financial reporting within the Group, and monitor the state of its implementation.

Group company governance and performance assessment

- Kirin Holdings formulates and promotes Group strategy, monitors all Group businesses, and creates synergies across the Group. Each Kirin Group company is located close to its customers and stakeholders and administers its operations autonomously and speedily with full authority to make business execution decisions tailored to their specific strategies. Kirin Holdings seats a director on each company's Board of Directors to help maintain a high level of corporate governance.
- Until 2021, return on assets (ROA) and earnings before income tax (EBIT) for each company, which is directly linked to return on invested capital (ROIC), were used as the performances evaluation indicators for operating companies, and ROIC and business profit are used as unified indicators from 2022.

$$\text{ROIC} = \frac{\text{Profit after tax before interest}}{\text{Average total interest-bearing liabilities at beginning and end of the period} + \text{Average total equity at beginning and end of the period}}$$

Nomination & Remuneration Advisory Committee

- The Nomination & Remuneration Advisory Committee has been set up to deal with the nomination and remuneration of Directors, Executive Officers and Audit & Supervisory Board Members.
- As an advisory body to the Board, the Committee discusses the following matters from an objective and fair perspective, and report to the Board of Directors. The matters that are discussed and reported on include the nomination and remuneration of directors, executive officers, Audit & Supervisory Board Members, and succession plan regarding the President & Chief Executive Officer.
- The Nomination and Remuneration Advisory Committee shall, based on the delegation of the Board of Directors, determine the evaluation indices and targets for the individual performance evaluation, the evaluation results in accordance with the degree of achievement of those indices and targets, and the individual payment rates for the individual performance evaluation with respect to bonuses for the Company's directors (excluding non-executive directors) and executive officers.
- The Committee is composed of five (5) Directors, consisting of two (2) Internal Directors and three (3) Non-Executive Directors, The committee chairperson is appointed out of the non-executive directors. The term of office is one (1) year.
- The members of the committee in 2022 are as follows:
 Non-executive directors: Ms. Chieko Matsuda (Chairperson), Mr. Hiroyuki Yanagi, Ms. Noriko Shiono
 Internal directors: Mr. Yoshinori Isozaki, Mr. Toshiya Miyoshi

Frequency and Attendance rate of the Nomination & Remuneration Advisory Committee

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of the Committee held	7	11	12	13	16
Attendance rate regarding the Committee members	97%	97%	93%	100%	99%

Advisory Bodies

The following bodies have been established as other advisory bodies to the President.

1. Group Executive Committee

As an advisory body that assists and supports the President & CEO in decision-making, the Company strives to improve the quality of decision-making by flexibly holding meetings consisting of the President, Executive Vice Presidents, Managing Executive Officers, Internal Auditors, and Strategic Advisors to discuss strategies and investments that have a large impact among the decisions related to group management.

2. Group CSV Committee

The Group CSV Committee deliberates the planning of Group CSV policies and strategies and monitors the progress status of CSV initiatives. The committee presents proposals and reports as necessary to the Group Executive Committee and the Board of Directors, which are reflected in the Group's overall strategy.

3. Group Risk and Compliance Committee

The Group Risk and Compliance Committee promotes and supervises risk management and the steadfast execution of compliance. The committee ensures the proper activation of response systems for crisis situations, such as by supporting information sharing and responses among Group companies in Japan and overseas.

4. The Group Information Disclosure Committee

The Group Information Disclosure Committee decides relating to information disclosure to stakeholders and investors, and improves management transparency through the promotion of timely, fair and impartial disclosure. The Director in charge of finance is appointed as the committee chair. The heads of the department in charge attend the committee, and the standing audit & supervisory board members and the head of internal audit department serve as observers.

Management, Leadership & Advisory

Expertise and experience of directors, Audit & Supervisory Board members, and executive officers

	Expertise and Experience									
	Corporate Management	CSV / ESG	Finance / Accounting	HR / Organization Development	Legal / Risk Management	Manufacture / Quality Assurance	Brand Strategy / Marketing	Overseas Business	R&D / Health Science	ICT DX
Yoshinori Isozaki President & CEO	●	●	●		●		●	●		
Keisuke Nishimura Representative Director of the board, Senior Executive Vice President	●			●				●		
Toshiya Miyoshi Director of the Board and Senior Executive Officer	●	●		●	●		●			
Noriya Yokota Director of the Board and Senior Executive Officer		●	●	●		●		●		●
Takeshi Minakata Director of the Board and Senior Executive Officer	●		●			●		●	●	
Masakatsu Mori Independent Non-executive Director of the Board*1	●		●					●		●
Hiroyuki Yanagi Independent Non-executive Director of the Board*1	●					●	●	●		
Chieko Matsuda Independent Non-executive Director of the Board*1		●	●		●					

	Expertise and Experience									
	Corporate Management	CSV / ESG	Finance / Accounting	HR / Organization Development	Legal / Risk Management	Manufacture / Quality Assurance	Brand Strategy / Marketing	Overseas Business	R&D / Health Science	ICT DX
Noriko Shiono Independent Non-executive Director of the Board*1	●						●	●	●	
Rod Eddington Independent Non-executive Director of the Board*1	●							●		
George Olcott Independent Non-executive Director of the Board*1		●	●	●				●		
Kaoru Kato Independent Non-executive Director of the Board*1	●									●
Ryosuke Mizouchi Senior Executive Officer		●	●				●	●		
Junko Tsuboi Senior Executive Officer	●	●		●			●			
Masao Maehara Senior Executive Officer						●		●		
Shinjiro Akieda Senior Executive Officer	●		●		●		●	●		●
Koji Fukada Senior Executive Officer						●		●	●	
Mitsuharu Yamagata Senior Executive Officer							●	●		
Hideki Horiguchi Senior Executive Officer	●						●	●		
Toru Yoshimura Senior Executive Officer	●		●			●		●	●	●
Yuki Kanzaki Senior Executive Officer	●					●			●	
Keiji Kuwata Standing Audit & Supervisory Board Member					●		●			
Shobu Nishitani Standing Audit & Supervisory Board Member			●					●		

*1:The appointment fulfills the requirements for designation as an independent officer as prescribed in regulations of the Tokyo Stock Exchange and complies with the Company's criteria for the independence of officers.

*2:Outside Company Auditor as described in Article 2-16 of the Companies Act of Japan. Also fulfills the requirements for designation as an independent officer as prescribed in regulations of the Tokyo Stock Exchange and complies with the Company's criteria for the independence of officers.

Policy for the nomination of Directors, Executive Officers and Audit & Supervisory Board Members

- The Kirin Group, having expanded its business globally with Japan as its core in the fields of food and health, intends to carry out its decision-making and management monitoring in a more appropriate fashion and at a higher level. To this end, Directors, Executive Officers and Audit & Supervisory Board Members are appointed upon taking into account the balance of their experience, achievements and specialization in relation to the Group's key businesses and business management. A number of persons who have a wealth of management experience, advanced specialized knowledge, and extensive expertise are appointed as Non-Executive Directors and Audit & Supervisory Board Members.
- One or more people who have the appropriate experiences and knowledge in financial or accounting are appointed as Audit & Supervisory Board Member.

Independent Directors/Auditors

As of April, 2022, seven (7) Non-Executive Directors and three (3) Audit & Supervisory Board Members that satisfy the Company's independence criteria, with reference to the criteria for independence of officers as prescribed in the regulations of the Tokyo Stock Exchange, have been appointed as Independent Directors/Auditors in order to improve the fairness and transparency of corporate governance, ensure the Group's sustainable growth, and boost corporate value over the medium to long term.

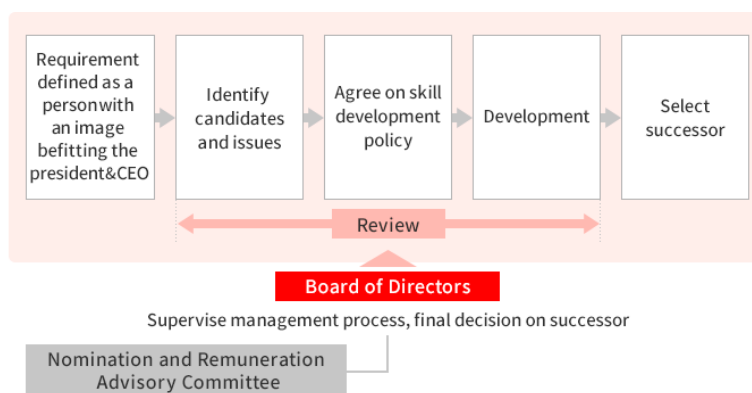
Policy for the appointment/dismissal of Directors/Auditors

- The appointment/dismissal of directors and executive officers will be decided by the Board upon deliberation by the Nomination and Remuneration Advisory Committee, taking performance into account; proposals for the nomination/dismissal of directors will be discussed at general meetings of shareholders. The nomination/dismissal of audit and supervisory board member will be discussed by the Nomination and Remuneration Advisory Committee, and will then be decided by the Board and discussed at a general meeting of shareholders (the appointment of audit and supervisory board members will require the consent of the Audit and Supervisory Board).
- Reasons for the nomination/dismissal of candidates for the positions of director and audit and supervisory board member will be indicated on convocation notices for general meetings of shareholders.

Candidate plan for president & CEO (Succession Plan)

- Kirin Holdings' Nomination and Remuneration Advisory Committee deliberated on the formulation of policy for the President & CEO Succession Planning in 2016 and reported on the requirement (an image befitting the President & CEO of Kirin Holdings) and the decision process for candidates to the Board of Directors.
- Based on this report, Kirin Holdings have been selecting, evaluating and training candidates since 2017 under the supervision of the Board of Directors in order to determine the future successor in a highly objective and transparent process.

Management process of succession planning



Status of retired from Representative Director and President, etc.

- Kirin Holdings has established internal regulations for Executive Advisors; in principle, the work is entrusted to a person who has served as either President or Chairperson of the Company upon a resolution at a board meeting, with a maximum tenure of three (3) years. The Executive Advisor is mainly engaged in external work such as the Company's social contribution activities (full time with remuneration) and is not engaged in any managerial work for the Company.
- Currently no one serves as Executive Advisor of the Company.
- The Company may grant a title such as Honorary Executive Advisor to a retired Executive Advisor when that person continues to engage in external activities (part time without remuneration). They do not engage in any managerial tasks for the Company, nor did they during their service as Executive Advisors.

Remuneration System for Executive Officers

Basic Policy for the Remuneration of Executive Officers

The Nomination and Remuneration Advisory Committee will discuss the remuneration of Directors and Executive Officers, and report to the Board based on the following policy. The Committee will consider levels of the remuneration and linkage with performance by comparing them objectively with officers' remuneration survey data of an external research body, and incorporate findings in its report to the Board of Directors.

1. The Company shall establish a remuneration structure that emphasizes the linkage of remuneration with business performance and medium- to long-term corporate value and share value with the shareholders.
2. Remuneration levels shall be appropriate for the roles and responsibilities of the Kirin Group's officers.
3. Remuneration shall be deliberated by the Nomination and Remuneration Advisory Committee, in which Non-Executive Directors constitute a majority, in order to ensure objectivity and transparency.

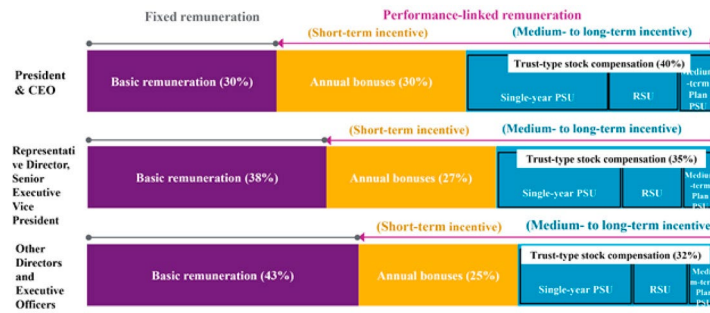
Composition of the Remuneration

- In order to encourage awareness of achieving short-term performance targets and enhancing medium to long term corporate value, remuneration for Directors of the Board is composed of three parts: basic remuneration (fixed remuneration), bonus (short-term incentive remuneration), and Stock Compensation (medium- to long-term incentive remuneration). The specific composition of remuneration is as follows according to the classification of officers eligible for the payment.

Officer type	Fixed remuneration	Performance-linked remuneration		Purpose
	Basic remuneration	Bonus	Stock-based remuneration	

Directors of the Board(excluding Nonexecutive Directors) and Executive Officers	○	○	○	Because they are responsible for the execution of business, Kirin Holdings have established remuneration structure that takes into account the achievement of short-term consolidated performance targets and the improvement of corporate value over the medium to long term.
Non-executive Directors	○	---	---	Because they are responsible for supervising and advising Company and Group management from an objective position, only basic remuneration (fixed remuneration) is provided.
Audit & Supervisory Board Members	○	---	---	Because of their role of auditing the performance of directors' execution of their business from an objective position, only basic remuneration (fixed remuneration) is provided.

- The ratio of base remuneration to performance-linked remuneration for the President and Representative Director is designed to be approximately 30:70 (including 30 for bonuses and 40 for stock-based remuneration), with other directors and others following suit in consideration of their positions and responsibilities.

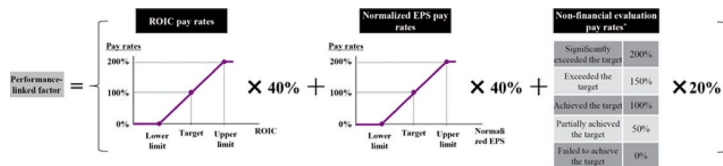


Structure of performance-linked remuneration

1. Bonus

- The performance evaluation indicators are the Company's corporate performance evaluation indicators (consolidated normalized operating profit), business performance evaluation (normalized OP of group companies or revenue in the health sciences domain), and individual performance evaluation.
- The amount of paid ranges from 0% to 200% where 100% indicates the achievements of targets.

Mechanism for linkage of bonuses to performance



*1: The base amount of bonus is determined for each position in the bylaws.

*2: "A" is the ratio of the portion linked to corporate performance, "B" is the ratio of the portion linked to business performance, and "C" is the ratio of the portion linked to individual performance.

Evaluation Weighting by each performance evaluation indicators (Fiscal 2022)

Performance indicators	President & CEO	Representative Director of the Board, Senior Executive Vice President	Executive Officer concurrently serving as operating company president, etc.	Other directors and executive officers
Company performance evaluation	70%	60%	20%	50%
Business performance evaluation	–	–	40%	–
Individual performance evaluation	30%	40%	40%	50%
	The Nomination and Remuneration Advisory Committee sets specific evaluation indicators and targets following interviews with the president & CEO and the chairman and outside directors of the Nomination and Remuneration Advisory Committee.	The Nomination and Remuneration Advisory Committee sets specific evaluation indicators, targets and results for individual priority areas, department and group company performance based on a draft proposal prepared by the president & CEO following interviews with the directors and executive officers.		

2. Stock-based remuneration

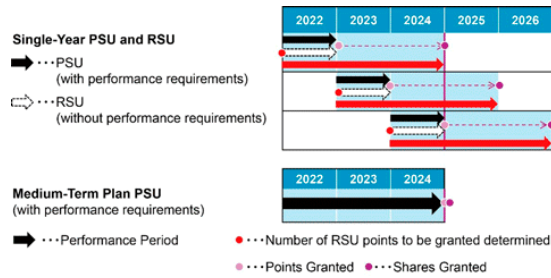
- Stock-based remuneration is a Trust-type stock compensation (performance based).
- Trust-type stock compensation consists of (1) performance share units (the Single-Year PSU) linked to the achievement of performance in a single fiscal year, (2) restricted share units (RSUs) without performance-requirements, and (3) performance share units linked to the achievement of performance under the Medium-term Business Plan for multiple fiscal years (the Medium-term Plan PSU).
- The performance indicators for single-year PSU and Medium-term Plan PSU shall be ROIC, normalized EPS and non-financial indicators which are key management indicators in the Medium-term Business Plan.
- Non-financial indicators will be determined based on an item-by-item evaluation of the achievement level of specific indicators defined for each item in the three categories of "environment," "health," and "employees," followed by an overall evaluation based on the results of these evaluations and qualitative considerations.
- The payment rate for Single-Year PSU and Medium-term Business Plan PSU will fluctuate between 0% and 200%, with 100% at the time of target achievement.

Details of the trust-type stock compensation plan

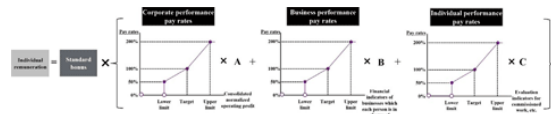
	Number of points*	Timing of granting of points	Timing of delivery of shares and cash
RSU	Fixed points	After the end of each fiscal year	At a certain point in time after the lapse of two years from the start of the fiscal year when points were granted (at a certain point in time after the lapse of three years from when the number of points was determined for the RSU)
Single-Year PSU	The number calculated by multiplying the basic points (for the Medium-Term Plan PSU, the basic points for three years) by the performance-linked factor (0% to 200%) depending on the level of achievement of performance targets and others for each performance evaluation period		
Medium-Term Plan PSU		After the end of the final fiscal year of the Medium-Term Business Plan	At a certain point in time in the fiscal year following the final fiscal year of the Medium-Term Business Plan

*Basic points (fixed points for the RSU) are calculated based on the base amount predetermined for each executive rank and responsibilities.

Mechanism of the trust-type stock compensation



Mechanism for performance-linked trust-type stock compensation (excluding the performance evaluation period; the scheme is common to the Single-Year PSU and the Medium-Term Plan PSU)



* Non-financial evaluation is a comprehensive assessment of the progress and achievement of CSV commitments and the employee engagement.

Procedures for determining the remunerations of executive officers

- In order to ensure fair and reasonable application of the process in line with the above-mentioned basic policy for executive remuneration, the executive remuneration shall be deliberated at the Nomination and Remuneration Advisory Committee of which the majority of the members are Non-Executive Directors and whose Chairperson is also an Non-Executive Director, and the result is reported to the Board of Directors.
- As for determining the specific amount of remuneration, remuneration for Directors shall be decided at the Board and that for Audit & Supervisory Board members upon consultation with Audit & Supervisory Board based on the report from the Nomination and Remuneration Advisory Committee and within the limits of the remuneration amount determined in advance at the general meeting of shareholders.
- Nomination and Remuneration Advisory Committee regularly deliberates on the setting of remuneration levels, the ratio of performance-linked remuneration and its mechanisms, and meets in response to changes in the the environment of laws and regulations related to executive remuneration, and submits a report to the the Board.

Record of Remuneration (Fiscal Year 2021)

Officer type	Total amount of remuneration, etc. (¥ millions)	Total amount (¥ millions) of remuneration by type and number of persons							
		Fixed remuneration		Performance-linked remuneration					
		Monetary remuneration						Non-monetary remuneration	
		Basic remuneration		Bonus		Performance-linked and stock-price-linked remuneration (Phantom Stock Plan)		Trust-type stock compensation	
		Total amount	Number of persons	Total amount	Number of persons	Total amount	Number of persons	Total amount	Number of persons
Directors of the Board (excluding Non-executive Directors)	480	265	5	166	5	-	-	49	5
Audit & Supervisory Board Members (excluding Non-standing Audit & Supervisory Board Members)	71	71	2	-	-	-	-	-	-
Non-executive Officers	Non-executive Directors	127	127	8	-	-	-	-	-
	Non-standing Audit & Supervisory Board Members	54	54	3	-	-	-	-	-
Total	732	518	18	166	5	-	-	49	5

*1: Twelve (12) Directors of the Board and five (5) Audit & Supervisory Board Members remain in their positions as of the end of this fiscal year, but the amounts above include remuneration for one (1) Director who retired as of March 30, 2021.

*2: There were no officers to whom the above performance-linked and stock-price-linked remuneration (Phantom Stock Plan) was applicable.

*3: Trust-type stock compensation was delivered to Directors of the Board (excluding Non-executive Directors) as non-monetary remuneration. The above total amount of trust-type stock compensation is the amount recorded as expenses during this fiscal year for the Board Incentive Plan (BIP) Trust.

*4: Amounts are rounded to the nearest ¥1 million.

Remuneration totals by officer (Fiscal Year 2021)

Name	Officer type	Total amount of remuneration, etc. (¥ millions)	Amount of remuneration by type (¥ millions)		
			Fixed remuneration		Performance-linked remuneration
			Monetary remuneration		Non-monetary remuneration
			Basic remuneration	Bonus	Stock-based remuneration
Yoshinori Isozaki	President & CEO	190	96	73	21
Keisuke Nishimura	Representative Director, Senior Executive Vice President	108	62	35	11

*1: Only those persons whose total amount of remuneration, etc. exceeds ¥100 million are disclosed.

*2: Amounts are rounded to the nearest ¥1 million.

Terms for forfeiture and return of stock-based compensation

In the event that the Board of Directors recognizes that a Director, etc. has committed a misconduct, resigned for his/her own reasons, or that there are other reasons why it is reasonable not to allow him/her to acquire all or part of the beneficiary rights or entitlements, the Company may demand that the Director, etc. forfeit his/her entitlement to compensation under the stock compensation plan or return the money equivalent to the Company shares delivered to him/her.

Compliance

Compliance

Within the Kirin Group, we define compliance as "fulfilling both legal and ethical responsibilities that society expects from us by adhering to laws, internal and external regulations and rules, and social norms, so that the Kirin Group can avoid the risk of suffering unexpected financial loss or of destroying its credibility and can retain and strengthen the trust of stakeholders." Group Risk and Compliance Committee promotes and manages Group-wide compliance activities, while each Group company integrates compliance activities into Risk management processes to ensure effective implementation.

Compliance Policy / Compliance Guidelines

"Group Compliance Policy" sets forth the fundamental concepts and behaviors that are legally and ethically required of executives and employees in order to implement the Kirin Group's Corporate Philosophy, Vision and Values. For more specific actions, we have prepared "Compliance Guidelines" and educational tools according to the characteristics of each country and business, and are working to disseminate them. In Japan, we have created "The Rule" as a tool to raise awareness and disseminate it to all executives and employees to ensure thorough compliance.

In addition, the "Group Compliance Policy" and "Compliance Guidelines" are reviewed from time to time in response to changes in social requirements, such as the UN Global Compact and the OECD.



An internal material to raise awareness about "Compliance Guidelines"

Compliance training program

The Kirin Group conducts compliance training every year for all executives and employees in Japan. We aim to help them understand the basics of compliance, such as "compliance is not someone else's problem," "bad information should be reported promptly and accurately," and "act openly and fairly," and to develop sensitivity to changes in society through the training.

In addition, the Kirin Group has established various whistle-blowing systems (see the below section on "Hotline"). We make people aware through compliance training and other activities that reporting to the hotline is for the purpose of improving the company by detecting and responding to the seeds of injustice at an early stage, thereby improving awareness of the hotline and creating an environment where it is easy to report.

In overseas, education and training activities are conducted in accordance with the unique circumstances of each region.

We also conduct an annual compliance and human rights awareness survey mainly for Group companies in Japan to confirm the degree of penetration of compliance, and to investigate and take appropriate measures to improve any comments that appear to be problematic.

Providing hotlines

The Kirin Group has established an internal hotline for reporting compliance violations, human rights issues (including harassment), and other acts that violate (or may violate) the Compliance Policy and Compliance Guidelines, with the aim of preventing serious problems associated with corporate activities.

In Japan, we have an internal hotline manned by Kirin staffers, as well as an external hotline with a third-party consultant. In overseas Group companies, we have a global hotline that allows employees of overseas Group companies to report to Kirin Holdings in the language they use locally, in addition to the hotlines at each company.

Both Japanese and global hotlines are posted on each Group company's intranet, etc., and they are made known to employees through annual compliance training sessions and other means.

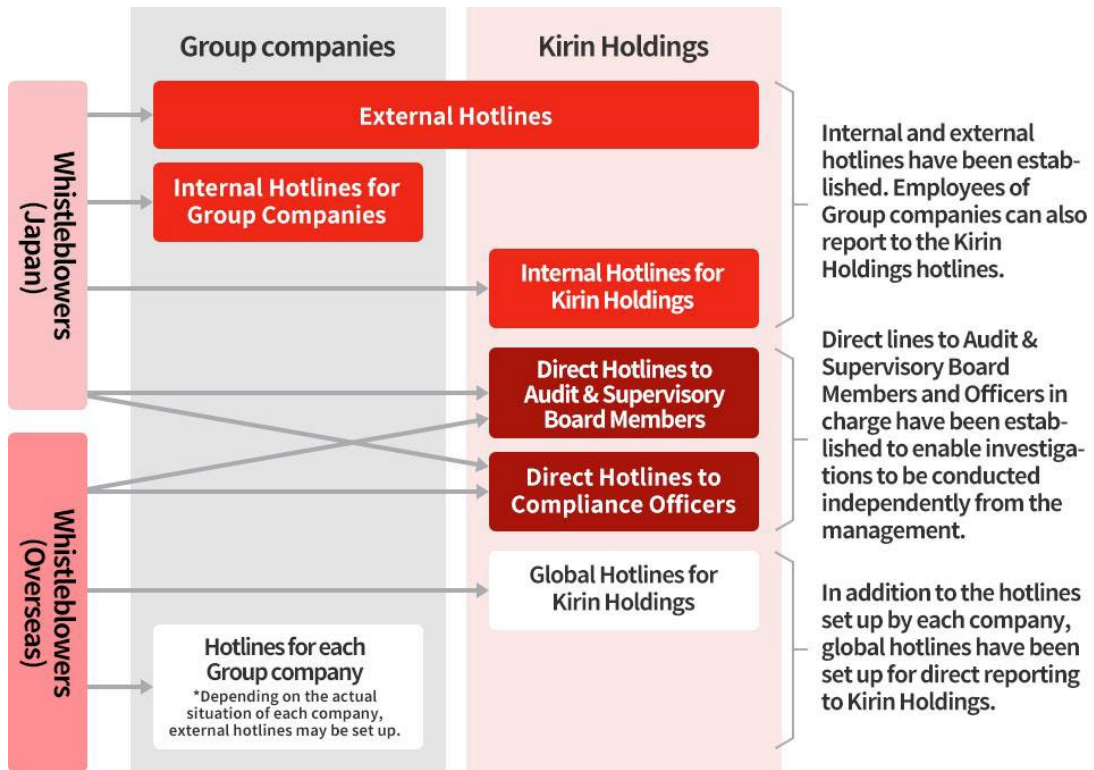
In addition, we have established the "Rules for the Establishment and Operation of the Internal Hotline", including the acceptance of anonymous reports, the protection of information on whistleblowers and those cooperating in investigations, the prohibition of disadvantageous treatment due to reporting, and other rules.

In order to improve the effectiveness of the hotline, we conduct a survey every year on the willingness and the level of awareness of the hotline among the employees. In addition to receiving reports of violations, the hotline also accepts opinions and questions about matters related to the internal reporting system. Through these efforts, we have established a framework to improve the operation of the hotline by listening to the opinions of employees who utilize the hotline.

Furthermore, we have established a hotline directly accessible to Standing Audit & Supervisory Board Members as well as to compliance officers so that investigations, etc. can proceed independently in cases where the involvement of executives from Kirin Holdings and Kirin Group companies is suspected.

Overall image

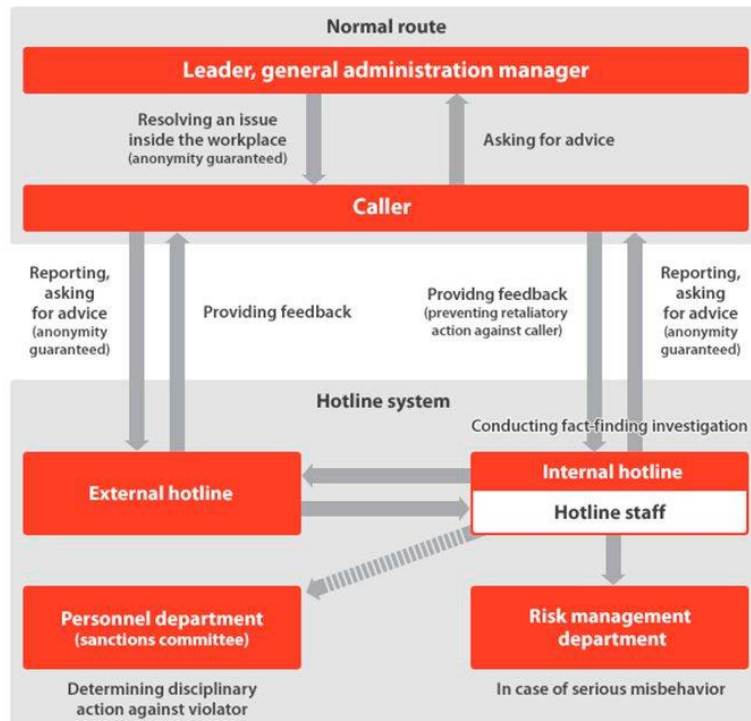
We provide an environment where it is easier to report by securing multiple lines in addition to the normal lines that are directed to managers.



How Hotlines Work

The following is the general procedure for handling whistleblower reports received via the hotline.

1. A whistleblower reports an incident (anonymity is guaranteed).
2. Prompt notification of receipt shall be made after receipt of the report.
3. After confirming the content of the report, a decision on whether or not to conduct an investigation shall be made generally within 20 days of receipt of such report, and the whistleblower shall then be notified.
4. Fact-finding and investigation shall be conducted.
 - Information on the method and progress of the investigation shall be shared as appropriate in a manner that does not interfere with the progress of the investigation or with the privacy of the subject of the investigation.
 - In case of serious violations as a result of the investigation, disciplinary action shall be considered.
5. Feedback on survey results to be provided.
 - Feedback of the results of the investigation shall be conducted in a manner that does not interfere with the privacy of the subject of the investigation.
 - Prevention of retaliation, including confirmation that the whistleblower has not been treated disadvantageously because of his or her report.



Number of calls to the hotlines in the Kirin Group

We provide an environment where it is easier to report by securing multiple lines in addition to the normal lines that are directed to managers.

2019	2020	2021
99	85	81

Anti-corruption initiatives

The Kirin Group adheres to ethical behavior in its business operations in each region and does not tolerate any form of bribery or corruption, whether in the public or private sector. With this strong determination, Kirin Holdings and its Group companies are building systems and implementing initiatives.

In particular, we have established the "Kirin Group Anti-Bribery Guidelines" and the "Rules for the Kirin Group Anti-Bribery" to prohibit direct and indirect bribery, facilitation payments, etc., and require our business partners to follow the same policies and prohibit corrupt practices.

In addition, we require Group companies operating in countries with high bribery risk to conduct periodic anti-corruption training for employees and annual self-assessments of risk, and Kirin Holdings confirms the details of these assessments, also we use outside attorneys and other resources to investigate the status of anti-bribery efforts.

Initiatives to Prevent Misconduct in Research Activities

To prevent misconduct in the research activities of each company involved in Kirin Holdings Company, Limited, we have established and operate a consultation and whistle-blowing system, put in place internal regulations, and conduct training in accordance with the Kirin Group's Compliance Guidelines.

- General manager (person with the authority to oversee overall efforts to improve research ethics and prevent misconduct, etc.): Head of Kirin Holdings Company, Limited Research and Development Division
- Divisional managers (personnel responsible for improving research ethics and preventing misconduct in relevant divisions and departments): Head of Kirin Holdings Company, Limited Research and Development Division and the heads of research and development divisions of regional companies (for Mercian, the head of each technological division and department).
- Research ethics education managers (personnel with substantial authority in regard to research ethics education): Personnel appointed by the divisional managers.

Kirin Group Tax Policy

The Kirin Group strives to follow the socially-accepted standards and carry out corporate activities based on our sound judgment pursuant to the corporate philosophy, vision and values. With regards to tax practice, we will comply with the tax standards and we believe that, as a global company, there is a need to ensure tax transparency for our various stakeholders.

The Kirin Group has set forth the following basic policy for tax corporate governance (Tax Policy), which is the principle to proactively manage tax affairs for the entire group.

Tax Compliance

The Kirin Group complies with the relevant tax regulations, tax treaties, and multilateral agreements of each jurisdiction, and fulfills our tax obligations in an appropriate manner based on an understanding of the intent and background of such legislation. In accordance with the intent of the OECD transfer pricing guidelines such as the BEPS (Base Erosion and Profit Shifting) project, the Kirin Group also remits fair and transparent tax payments which are in line with the business objectives of each operating jurisdiction.

Tax Governance

The Group Headquarters' Chief Financial Officer (CFO), who is a director of the Board, is ultimately responsible for the establishment and maintenance of the Kirin Group's tax corporate governance, tax risk management and material tax risk.

The Group Finance Department manages the tax affairs of the entire Kirin Group. It also strengthens the structure and environment to facilitate smooth communication between each relevant business unit within the Group Headquarters and its consolidated subsidiaries.

Tax Planning

The Kirin Group shall not engage in excessive tax planning that is considered tax avoidance or tax evasion using tax havens in light of the socially-accepted standards.

The Kirin Group shall conduct sufficient research and examination with multiple options in order to balance rational tax planning with appropriate tax risk management, and shall prepare valid explanations with respect to the reasons for adopting the selected option.

Transfer Pricing

The Kirin Group complies with the OECD transfer pricing guidelines and sets transfer price of intercompany transactions based on the arm's length principle.

The Kirin Group strives to pay appropriate amounts of tax in each operating jurisdiction, based on the value created by business activities.

The Kirin Group also evaluates on a regular basis whether the income allocation is appropriate in line with the contribution based on the analysis of each group company's functions, risks and assets, and strives to prepare transfer pricing documentation in accordance with the relevant transfer pricing regulations in each jurisdiction.

Tax Risk Management

The Kirin Group recognizes minor risk possibly arising from uncertainties that are inherent in tax operations.

The Kirin Group deals with tax issues in a rational and transparent manner by consulting with external tax advisors, in the event of any transaction with uncertain tax interpretation being occurred in the course of business activities. In order to ensure its certainty, the Kirin Group strives to reduce tax risk by proactively seeking for available advance rulings by tax authorities.

Tax Incentives

The Kirin Group strives to keep tax cost at a proper level by utilizing applicable tax incentives in accordance with the relevant tax regulations in each jurisdiction.

Relationship with Tax Authorities

The Kirin Group strives to have cooperative relationships with tax authorities by complying with the relevant tax regulations and responding to inquiries from tax authorities in a prompt and courteous manner. The purpose of establishing and maintaining relationships with tax authorities is to enable efficient and cooperative responses to any tax issues and to avoid unreasonable taxation.

Corporate income tax paid in Japan and overseas

	Japan	Overseas	Total
2020	39.2 billion yen	15.4 billion yen	54.6 billion yen
2021	16.8 billion yen	12.8 billion yen	29.6 billion yen

Interview with Independent Non-executive Directors



Interview with Independent Non-executive Directors

Aiming to be a Global Leader in CSV through Effective and Proactive Governance

Independent Non-executive Director (Member of the Nomination and Remuneration Advisory Committee)

Hiroyuki Yanagi (On left)

Joined Yamaha Motor Co., Ltd. in 1978. At Yamaha Motor, he was appointed Executive Officer and General Manager of Production Division in 2007; President, Chief Executive Officer and Representative Director in 2010, Chairman and Representative Director in 2018; and Advisor in 2022. Mr. Yanagi became a Non-executive Director of Kirin Holdings in 2019.

Independent Non-executive Director (Chairperson of the Nomination and Remuneration Advisory Committee)

Chieko Matsuda (On right)

Ms. Matsuda joined The Long-Term Credit Bank of Japan, Ltd., in 1987, after which she worked at Moody's Japan, Ltd. Corporation, Corporate Directions, Inc., and Booz & Co., Inc. Ms. Matsuda is currently a professor on the faculty of the Economics and Business Administration and the Graduate School of Management of Tokyo Metropolitan University. Ms. Matsuda was appointed as a member of the Audit & Supervisory Board of Kirin Holdings in 2016 and a Non-executive Director of Kirin Holdings in 2020.

Optimizing the business portfolio and strengthening horizontal collaboration to create a solid foundation for growth

— The Medium-Term Business Plan (MTBP) was launched in 2022. What discussions did the Board of Directors have regarding the results of the 2019 MTBP and the development of the 2022 MTBP?

Yanagi: In my opinion, there were two major achievements in the 2019 MTBP. The first is the proactive reshuffling of the business portfolio. Kirin Group was able to solidify the basic framework for the next MTBP in parallel with the decisions to sell the Australian non-alcoholic beverage business and to dissolve the partnership of the joint venture in Myanmar. This included a policy to strengthen the craft beer business and expand the Health Science business, including investment in FANCL.

The second is an initiative to make horizontal linkages across the entire Kirin Group with regard to quality, SCM, marketing, R&D, ICT, and HR. This is expected to enhance the organizational strength and further increase future competitiveness. Through this initiative, the relationship between the vertical axis (businesses) and the horizontal axis (functions) has been organized, and the overall view has become clearer.

Matsuda: I agree with the discussion of vertical and horizontal axes that Mr. Yanagi mentioned is very important. Regarding the formulation of the 2022 MTBP, in addition to the business portfolio, the Board was able to deepen the discussion on strengthening the organizational strength of the entire Group. While the boards of many companies only talk about their operations, I feel that we were able to have discussions that are befitting a holding company. I would also like to reiterate that the series of discussions were fruitful due to the active exchange of opinions among the board members, including the non-executive directors.

— How would you evaluate the Kirin Group's portfolio management?

Matsuda: The business portfolio is one of the most important agenda items for the Kirin Group's Board of Directors, and heated discussions about it are held at every meeting. The Health Science business is constantly under consideration in this context. Given the current business environment and the compatibility of the Kirin Group's resources, we recognize it as a business with potential and one in which the Group can leverage its strengths. On the other hand, there is a limit to taking a go-it-alone approach when seeking to grow the business at a rapid clip. I believe that joining forces with FANCL, which has technology that the Kirin Group did not possess and with which it has a strong affinity, will have a positive impact on both parties.

Although the Board had expected a positive reaction from investors to these initiatives, the actual response was muted, and Kirin Holdings' share price temporarily dropped in value. I believe this is because Kirin has not been able to present a strong enough growth story for its Health Science business to convince investors.

Yanagi: What will be important in the future is the business model built with FANCL. How can the Kirin Group share product technologies and original marketing techniques that are not available in the Kirin Group and how can it tailor a competitive business model as a Group? The Kirin Group's mettle will be put to the test.

Matsuda: The Health Science business comprises multiple group companies, including Kirin Holdings' Health Science Business Division, Kyowa Hakko Bio, and FANCL, which makes it more challenging organizationally. However, the initiatives being implemented in a fairly full-scale fashion so is vital for the Kirin Group to produce tangible results to see if it can coordinate these organizations and sustain their growth.



On the other hand, as management resources are finite, it is necessary to consider and decide whether low-priority businesses should be handed over to other owners who can expect better development.

Yanagi: We must not forget that the globalization of the Food & Beverages domain is a work in progress now due to a combination of withdrawals from Overseas Business as a result of this trend. I believe that the Kirin Group needs to actively take on challenges in the Food & Beverages domain as well.

Turning the withdrawal from the Myanmar business into a learning experience and accelerating the development of growth businesses

—What discussions were held regarding the withdrawal of business from Myanmar?



Yanagi: Considering the situation at the time, the decision to expand into Myanmar was a rational and appropriate one, and there were no issues with the series of decisions, responses, and speed of the withdrawal process. What is important, then, is the perspective of what can be learned from this experience and what lessons can be passed on. Anything can happen in today's world of ever-increasing geopolitical risks. I feel it is important to continue to manage businesses in a balanced manner on a daily basis and to create a system that can respond quickly to unexpected issues.

Matsuda: One of the lessons learned this time may be that even though Kirin Group is a private-sector company, it needs to take a new look at the forces at work in the nation as well as the forces of the market. By taking this into consideration, I believe that Kirin Group will be able to have a different frame of mind in future M&A and JV formation.

In fact, the Board had been discussing possible scenarios even before the coup in Myanmar. Emergency Board meetings were also held at critical junctures after the coup to ensure timely information sharing and decision-making. I believe it was this kind of preparedness that enabled Kirin Group to respond appropriately to unprecedented situations such as this one. Some commented that it may have taken a long time, but considering the complexity of the situation, my honest impression is that the Board moved quickly to a conclusion.

This event was a very difficult problem to find a balance between business value and social value. Under such circumstances, I believe that the Kirin Group has made appropriate decisions that will lead to the future based on its CSV strategy. However, it is imperative that the Group nurtures new growth businesses to replace the Myanmar business in the future.

Along with basic digitalization, promote talent development that takes advantage of the rich growth environment

—What are your views on about the Group's organizational strengths and digitalization?

Yanagi: The Kirin Group is also promoting structuring in the sales area, which generally tends to be reliant on specific individuals. Kirin Brewery, for example, has achieved significant results from such initiatives, such as increasing its market share of beer products by clearly depicting the scenes in which the brand interacts with consumers and organizing its approach methods.

Cross-group efforts are also underway in the marketing area. Three things are important for further achieve concrete results: sharing values about marketing, setting goals, and sharing results. In advancing these initiatives, it will be important to create a platform for Group-wide sharing of experience and knowledge from Japan and overseas.

Matsuda: In general, manufacturers are split into those that are good at making products and those that are good at selling products. Looking at the Kirin Group, I get the strong impression that it belongs to the former camp. There is a scene in a *Honkirin* TV commercial where the celebrity mentions the many taste evaluation tests is truly "Kirin-like". Seeing this, I felt that this is a strength that only Kirin, with its high level of technology and research capabilities, can offer.

This does not mean that its selling power is weak, but the seriousness of the Kirin Group as a whole comes to the fore, which can give the impression of being a bit stiff. However, I feel there are steady improvements through the results of transformations achieved through ongoing dialogue between management and front-line staff at each Group company, as well as through the planning of marketing activities that it plans to implement in the future.

Regarding digitalization, the Group is commendable in that it is not abstracting the issue by lumping it under the term "DX," but is steadily promoting digitalization by incorporating it into specific ICT initiatives. I look forward to further improvements, starting with the go-live of the new enterprise resource planning system in 2022.

Yanagi: Nevertheless, my impression is that digitization is still at the "dot" level and has not yet reached the "plane" level. I believe that all of the executive officers are on the same page regarding this and will take on this challenge in the future. I expect new value can be created by connecting dots into planes. I would like to see the Health Science business and other businesses find new ways to connect customers with society.

On the other hand, there have been four technology exchange meetings between the Kirin Group members and Yamaha Motor on topics such as DX and SCM. Through such exchanges, I came to feel that the Kirin Group is very advanced in lean management. "Respect for Life" is Kirin Group's fundamental brewing philosophy, and "a steady focus on quality in manufacturing that makes full use of the five senses" is its underlying philosophy. To me this is in line with Yamaha Motor's underlying "Technologies and Sensibilities" philosophy. It is very important to carry on the fundamental and underlying philosophies and continue to refine technologies.

In addition, SCM has already been established as a global platform, including overseas sites, to consolidate and share knowledge. Similar efforts will be underway for marketing and other functions.



—Please discuss talent development in the Group

Yanagi: We visited the plants and laboratories of each Group company and were able to see their passion for their technologies and products at the respective sites. I saw a passion for more efficient and higher quality products on the manufacturing floor, and a passion for finding something tastier and more pleasing on the research front lines. As long as the Group supports these passions to keep them alive, its talent will naturally grow.

I believe there are four important evaluation axes for talent development. They are whether or not: (1) training is structured, (2) evaluations are based on a mixture of subjective and objective criteria, (3) innovative HR management is possible, and (4) Kirin-like HR management is being conducted. I would like to look at this in more detail in the future, but in particular, I think the Kirin Group is an organization that can practice (3) innovative HR management.

While Presidents of Group companies have been gradually making progress in such initiatives as developing programs for young talent, it will be necessary to devise ways to foster global talent as a future challenge.

Matsuda: As Mr. Yanagi mentioned, the Group has become much more focused on management training. On the other hand, I feel that there is now more talent that is willing to raise issues and take positive action, such as through ambitious proposals to executives and initiatives by younger employees on their own.

Even though Kirin Group employees are very fortunate in terms of their environment, I feel that in some respects they are not aware of this. Going forward, I hope that the Kirin Group will firmly promote the fact that it is indeed an attractive place to be. And the same time, it should verify the results of the measures taken to date and embark on more bold transformation of the HR system so that it can further promote the activities of the generations that will lead the future.

Highly effective governance structure to encourage innovation on the front lines



—Finally, please tell us about the Group's governance structure.

Matsuda: When evaluating governance, attention tends to focus on the design aspect, but effectiveness is what is important. Kirin Holdings' structure is such that the majority of directors are non-executive director and the chairperson of the Board and the chairperson of the Nomination and Remuneration Advisory Committees is also a non-executive director. I feel diversity is also taken into consideration, demonstrating the commitment to governance of the management members.

For the Kirin Group, I believe that by stimulating each other, non-executive and inside executive directors are able to build good relationships and ensure a high level of effectiveness.

Yanagi: I have the same assessment as Ms. Matsuda. I feel that the opinions of non-executive directors are actively listened to and often lead to realization.

Generally speaking, governance tends to be defensive. I recognize that the future role of non-executive directors is to provide strong support for decisive decision-making and to support the activation of innovation on the front lines in order for the Kirin Group to engage in proactive governance.

The Kirin Group has multiple business domains, and how it shares the strengths and knowledge of each company will greatly determine its future growth. At this juncture, momentum is building for the creation of a platform that will create synergies across the Group, and I expect these efforts to accelerate in the future.

—Thank you very much for speaking with us today about your expectations and the issues facing the Kirin Group. We will use this discussion to promote initiatives for further growth.

Risk Management

Approach to risk management

The Kirin Group defines risk as uncertainty with the potential to seriously impede the accomplishment of business targets or impact business continuity. The Group also defines crisis as risk manifested at a certain point and requiring urgent action.

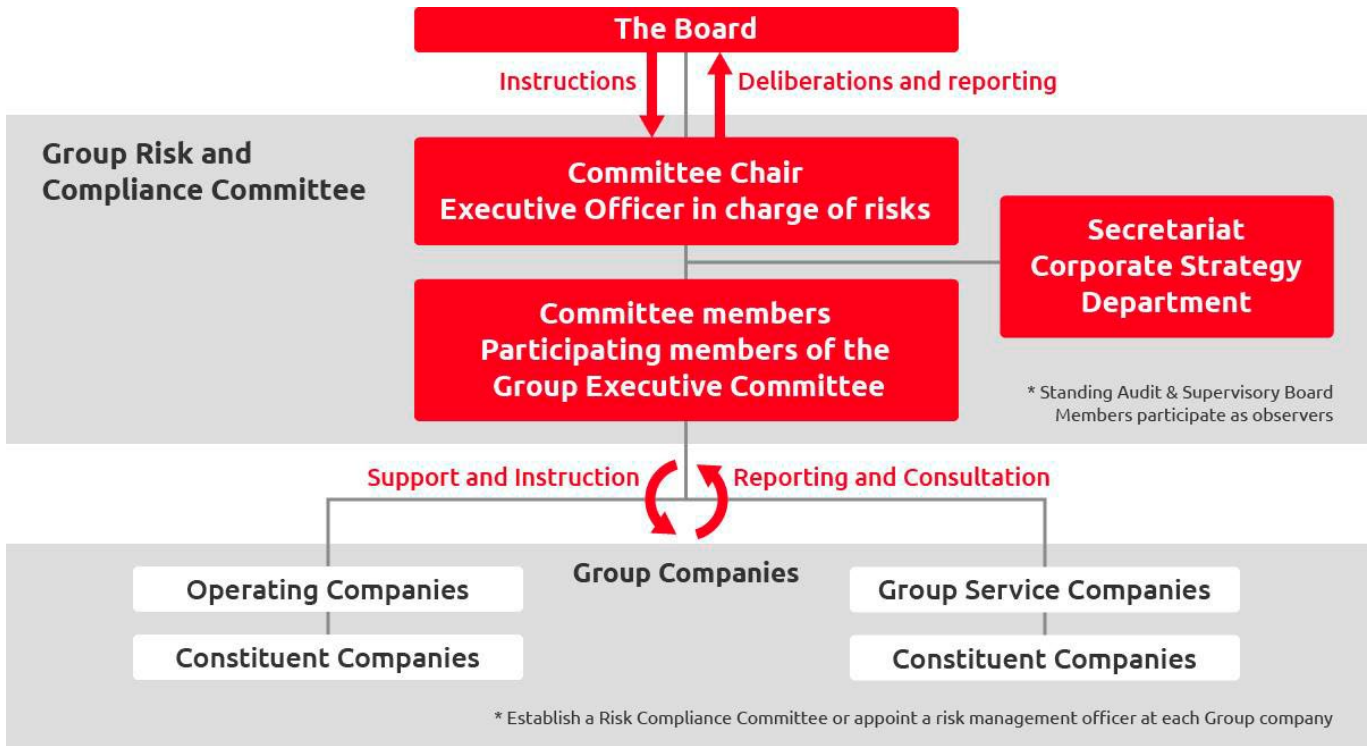
We believe that risk management plays an increasingly important role in promoting our business. This includes uncertainties in the business environment of existing business domains of Food & Beverages and Pharmaceuticals, the development of the Health Science domain as a foundation for future growth, the increase in large-scale natural disasters, and the COVID-19 pandemic. The Group's fundamental risk management policy is to mitigate risk, prevent risk from being actualized, and to keep risk within a manageable level. Management considers risk management as essential to continue earning trust of customers, employees, shareholders and society over the long term. When making decisions to maximize corporate value, we analyze, in most cases, risk scenarios from various perspectives, including strategic and financial aspects, to review appropriate risk control proposals. Risk information is disclosed in a timely and appropriate manner on our corporate website and other means.

Risk management structure and process for determining and monitoring significant risk

The Group has established a Group Risk and Compliance Committee consisting of Kirin Holdings' Directors of the Board (excluding Non-executive Directors) and Executive Officers and chaired by the Executive Officer in Charge of Risk. The committee oversees the Group's risk management activities, including collecting risk information, controlling risks, setting risk policy for the medium-term business plans and for each fiscal year, preparing important items for compliance, introducing risk reduction measures, communicating information and implementing countermeasures when a risk arises, and providing necessary instructions and support to Group companies. The Board also oversees the effectiveness of risk management through deliberations and reports on significant risks. (Figure 1)

Governance and Strategy to Support Value Creation

Figure 1 Risk management structure



Based on the Kirin Group's risk management policy set for each fiscal year, each Group company examines and identifies risks related to its strategy and business execution and risks that could develop into a serious crisis. Kirin Holdings aggregates the risks faced by specific businesses on the Group level, investigates common risks across the Group, and identifies significant risks to the Group. Based on this plan, the Group Risk and Compliance Committee assesses the potential quantitative and qualitative impacts of significant risks, such as economic losses, business continuity, and damage to reputation, from the perspective of overall Group management and classifies the risks in terms of priority, taking into account its frequency of occurrence. The Board deliberates the assessments and determines the significant risks for the Group. (Figure 2)

Kirin Holdings and the Group companies frame and implement measures tailored to each risk to address the significant risks. Kirin Holdings provides necessary support and instructions to Group companies, and Group companies report and consult with Kirin Holdings, thereby promoting and operating risk management in cooperation with each other. Each Group company and Kirin Holdings monitor risk status on a quarterly basis. The Kirin Holdings' Board deliberates the status and reviews the Group's significant risks and provides instruction as necessary (Figure 3) to support appropriate management and control of strategic risks. At the same time, we have established various risk management systems and work to mitigate and appropriately manage risks. These risk management systems are designed to prevent the manifestation of risks that could develop into a crisis and minimize any potential negative impact when a risk does develop into a crisis.

Governance and Strategy to Support Value Creation

Figure 2 Process for determining significant risk



Figure 3 PDCA cycles for risk management



Kirin group significant risk

The following is a list of the significant risks associated with the execution of the Kirin Group's strategies, businesses and other activities, as well as our approach to countermeasures and responses to individual risks.

KIRIN Group significant risk

A Responsible Alcohol Producer Policy and System

Policy on Sustainable Procurement

Implementing Human Rights Due Diligence

Measures against Information Security Risks*¹

Practice for Privacy Data Protection*²

*1: The Kirin Group has established a KIRIN-CSIRT (Computer Security Incident Response Team) to respond to increasingly serious threats from cyber-attacks, and is working on information-security measures, which are one of the major risks for the Kirin Group. We have established a security response system within the Group and countermeasures by human, physical and technological side. By doing this we can strengthen countermeasures against the threat of cyber attacks, such as virus infections and unauthorized access from outside.

*2: From the perspective of respect for human rights, The Kirin Group supports the eight basic principles listed in "Recommendation of the Council Concerning Guidelines Governing the Protection of Privacy and Transborder Flows of Personal Data" adopted by the Organization for Economic Cooperation and Development (OECD) and established "Kirin Group Privacy Data Protection Policy" to put these principles into practice. In addition to the eight basic principles, the Kirin Group Privacy Data Protection Policy includes Kirin's own initiatives for continuous improvement in response to changes in social norms and employee education.

We will evaluate each Group company based on the Privacy Data Protection Policy, formulate improvement plans for each company in the future, monitor the status of implementation, and disclose the status of compliance and improvement. We will appoint responsible officer of privacy data protection at each company and strive to raise understanding and awareness of privacy data protection.

Crisis Management and Business Continuity Planning

In the event of a crisis, Kirin Holdings provides necessary support and instructions to Group companies, and Group companies report to and consult with Kirin Holdings, thereby establishing a system for mutual cooperation and appropriate response.

In addition, we are developing a BCP in preparation for all kinds of crisis events, such as natural disasters and infectious diseases. In addition to initial responses in the event of a disaster, we regularly confirm our plans for business continuity and recovery and the level of such plans, and strive to expand and enhance our highly flexible and effective business continuity plan.

Initiatives in FY2021

Making BCP all hazardous

In the past, the Group has developed a Business Continuity Plan (BCP) for each disaster, such as earthquakes and highly virulent influenza, with each company considering its own countermeasures. However, in recent years, in addition to earthquakes, torrential rains, and infectious diseases, various crisis events have been occurring around the world, such as heightened geopolitical risks and cyber attacks, which not only affect our business in isolation but also have a combined impact on our business, creating a highly uncertain business environment. Therefore, since 2021, we have been working to improve the resilience of our business continuity plan by reviewing our approach to individual crisis events and shifting to an "all-hazards BCP" that focuses on the loss of management resources, including damage to employees and facilities and the temporary suspension of head office functions.

While taking into account the basic approach that has been in place for some time, we have established the Group BCP Basic Policy as the content common to all Kirin Group companies, reiterating that respect for human life is the top priority, and organizing operations related to employee safety and safety confirmation in the event of an emergency as an initial response plan. In addition, with regard to the maintenance and continuation of corporate activities at each group company, we confirmed the status of BCP creation, and in the domestic food domain, we established a recovery plan and target recovery time, identified priority operations to achieve them, and formulated a new business continuity plan for an all-hazard type situation. In formulating the plan, we have assumed a situation in which management resources that we normally take for granted, such as personnel, facilities, and equipment, would be restricted from normal use, and we have clarified decision makers and substitutes, examined alternative means, and otherwise developed a system and structure to ensure a certain level of business continuity in the event of an emergency.

We recognize that the expansion of our business continuity plan is a never-ending effort, and we plan to continue to make constant improvements by establishing an annual PDCA cycle, including regular opportunities to review the contents of the plan. In addition, as a contingency preparedness measure, we will strive to improve the accuracy and effectiveness of the BCP itself by ensuring that it is well understood and widely understood within the group through drills, training, and annual reviews of priority operations, as well as by addressing new issues as they arise. We will continue to improve the flexibility and effectiveness of our business continuity plan so that we can fulfill our social responsibilities by strengthening our ability to respond to various crisis events, minimizing the impact of damage, and maintaining and quickly restoring our business.

Scenario Analysis (TCFD)

Disclosure based on TCFD recommendations

For more details, the Environmental Report 2022 will be launched this October.

The 2022 “Disclosures based on TCFD recommendations and new guidance”^{*1} and “Transition plans” are disclosed below

*1:TCFD (2021) Guidance on Metrics, Targets, and Transition Plans

Targets, and Transition Plans

TCFD (2021) Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures

<https://www.fsb-tcfid.org/publications>

Introduction

In almost all of the Kirin Group’s businesses, we process agricultural products and water, put them in containers, and offer them to consumers as products. But, as the greenhouse gases produced during these processes cause climate change to become more severe, the biggest impact will be on biological and water resources, which are our ingredients. As such, it is fair to say that our businesses are very dependent on natural capital. Based on this understanding, since around 2010, prior to the publication of the TCFD final recommendations, we have conducted various risk surveys related to natural capital. We believe that this accumulation of many years’ knowledge about risk assessment in the value chain was what enabled us to begin scenario analysis soon after the TCFD final recommendations were published in 2017, and to disclose information in line with the TCFD recommendations in the Kirin Group Environmental Report 2018 as early as the end of June 2018.

All of the Kirin Group’s businesses are directly formed from the benefits of ecosystem assets and services. Reflecting this characteristic of our businesses, in the “Kirin Group’s Environmental Vision 2050,” we set forth four key issues: “biological resources,” “water resources,” “containers and packaging,” and “climate change.”

Japan and Australia are areas that make up a large proportion of our businesses. From a global perspective, water is relatively abundant in Japan, whereas Australia is a country with significant water stress, and the country has in fact experienced continuous large-scale droughts. We have operated our businesses in these two widely differing countries, giving the Kirin Group an understanding rooted in experience of the fact that water risk and water stress differ significantly between countries and regions. We also depend on Sri Lanka for most tea leaves for our mainstay brand, Kirin Gogo-no-Kocha. Accordingly, we are aware that our reliance on natural capital for the creation of corporate value and as a source of risk, as well as its impact, differ between places.

In this way, we consider the four key issues in the “Kirin Group’s Environmental Vision 2050” to depend on location, while also being mutually related and not independent issues at the same time, and Kirin’s approach is to solve these issues in a holistic manner.

Disclosure framework

The “Disclosure based on TCFD recommendations” section of this report uses the Task Force on Climate-related Financial Disclosures (TCFD) framework to explain how the Kirin Group assesses and analyzes the impact of climate change and whether we appropriately incorporate and promote measures to mitigate and adapt to climate change in our strategy, in order for us to appropriately transition our businesses to enable us to adapt to a decarbonized society, enhance our resilience, and lead the building of a decarbonized society, against the backdrop of the characteristic of our businesses being the fact that they are highly dependent on natural capital. In the 2022 report, we have referred to the new guidance that the TCFD published in October 2021. While referring to the proposed framework of the Taskforce on Nature-related Financial Disclosures (TNFD) ^{*2}, we have disclosed information related to natural capital (biological resources and water resources) that is important for our businesses in the section of this report on “Disclosure based on TCFD recommendations,” together with climate-related information in accordance with the TCFD framework, based on the fact that the TNFD framework itself is still being developed.

*2:The TNFD framework beta v0.1

We have disclosed information concerning our “LEAP (Locate, Evaluate, Assess, and Prepare)” approach to natural capital and our organization under the “AR3T” framework is disclosed below.

<https://framework.tnfd.global/wp-content/uploads/2022/06/TNFD-Full-Report-Mar-2022-Beta-v0-1.pdf>

Transition plans related to climate change

The Kirin Group has been continuously conducting scenario analysis since 2017, and we have found that climate change will cause significant declines in agricultural products that are important raw materials for the Kirin Group, water stress and water risk, and an increase in energy costs. Wherever we emit GHGs, they account for global warming. Accordingly, this is a global environmental issue, and we must all take responsibility. In order to respond to this crisis, the Kirin Group has formulated a roadmap for mitigating climate change, which we began implementing in January 2022, following deliberations and a resolution by the Group Executive Committee. When executing this roadmap, we will aim to balance economic and environmental considerations, as we aim to achieve our target of an SBT for 1.5°C with our profit and loss neutrality principle by 2030, across the Group as a whole. We have incorporated adaptation measures such as sustainable agricultural production and measures to address water stress into our management plans as non-financial targets.

Summary

	Initiatives	Progress in 2021 and 2022
Governance	<ul style="list-style-type: none"> • Significant matters such as basic policies related to the environment as a whole, including climate change issues: the Board conducts deliberations and makes resolutions • Setting of targets, such as upgrading to an “SBT for 1.5°C” target and joining RE100 initiative: the Group Executive Committee conducts deliberations and makes resolutions • Incorporation of group companies into management plans: establishment in CSV Commitments as a non-financial KPI • Responses to environmental issues across the Kirin Group: the “Group CSV Committee,” which is chaired by the CEO of Kirin Holdings and whose members are the CEOs of key Group companies and the senior executive officers of Kirin Holdings, conducts deliberations (meets three times a year) and reports its decisions to the Board • Reports and reviews at meetings of the Board: progress in environmental management and business risks and growth opportunities related to environmental issues (every year) 	<ul style="list-style-type: none"> • Increased the number of meetings of the Group CSV Committee (from once a year to three times a year) • Established the Group Environmental Meeting (meet twice a year) • Disclosure based on TCFD recommendations • The reduction of GHG emissions set as a non-financial KPI linked to executive compensation
Strategy	<ul style="list-style-type: none"> • Inputs for revisions to the long-term strategy, “Kirin Group’s Environmental Vision”: adoption of the Paris Agreement in 2015, the 2018 IPCC “Special Report on Global Warming of 1.5°C,” and the results of scenario analysis • Mitigation measures: upgrading to an “SBT for 1.5°C” target. Join RE100 initiative and expand our use of renewable energy • Adaptation measures: technologies for utilizing alternative sugars that do not depend on barley, mass plant propagation technologies, technologies that reduce water usage, and support for the acquisition of sustainable farming certification • Business opportunities: providing products that act as solutions for social issues caused by climate change, such as the spread of heatstroke and infectious diseases 	<ul style="list-style-type: none"> • Set targets for the reduction of GHG emissions for all operating companies in CSV Commitments, which are linked to the assessment of operating companies • Established large-scale solar power generation facilities at all Kirin Brewery plants using the PPA method (excluding the Yokohama Brewery) • Achieved a 100% rate of renewable energy for procured power at the Kirin Brewery Sendai Plant, after doing the same at the Nagoya Brewery • Achieved a 100% rate of renewable energy for procured power at three Château Mercian wineries

Governance and Strategy to Support Value Creation

	Initiatives	Progress in 2021 and 2022
Risk management	<ul style="list-style-type: none"> ● Risk management, including risks related to climate change: the Group Risk and Compliance Committee manages risk (meets each quarter) ● Response to risks that would significantly impact our businesses if they occurred, even if we do not know the probability that they will occur: introduction and operation of a new approach to identify and consider important risks by setting, analyzing, and assessing scenarios 	<ul style="list-style-type: none"> ● Started BCPs for all types of hazards
Indicators and goals	<ul style="list-style-type: none"> ● Long-term target: net zero GHG emissions across the value chain as a whole by 2050 (already received approval as "SBT for net zero") ● Medium-term target: reduce Scope 1+2 emissions by 50% and Scope 3 emissions by 30% by 2030, compared with 2019 ● Renewable energy: use renewable energy for 100% of electric power used by 2040 (join RE100 initiative) ● Other: establish CSV Commitments for each operating company 	<ul style="list-style-type: none"> ● Scope 1 + 2: reduced 13% (compared with 2019, result as of end-2021) ● Scope 3: reduced 12% (compared with 2019, result as of end-2021) ● Disclosure based on TCFD recommendations ● Set the reduction of GHG emissions as a non-financial target indicator linked to officer remuneration

Scenario analysis and incorporating in the strategy

Risk	Business impact	Financial impact	Strategy
Physical risk	Decline in yields of agricultural products	Approximately 2.5 billion yen to 9.7 billion yen (4°C scenario, 2050)	Brewing technology that does not rely on barley Mass plant propagation technologies Support for farms to acquire certification for sustainable agriculture
	Disruption of operations owing to floods	1.0 billion yen (200-year disasters, total of 20 locations in Japan)	Knowledge sharing Response at facilities
	Disruption of operations owing to droughts	0.03 to 0.6 billion yen	Knowledge sharing Water usage reduction technologies
Transitional risk	Carbon pricing	Approximately 1.0 billion yen (4°C scenario, 2030)	Achievement of "SBT for 1.5°C" target Mass plant propagation technologies Support for farms to acquire certification for sustainable agriculture
	Financial impact of energy	Approximately 9.5 billion yen to 427.0 billion yen (1.5°C scenario, 2030)	
Business opportunity	Financial impact of agricultural products	1.6 billion yen to 5.7 billion yen (RCP8.5 scenario, 2050)	Contribution to Health Science domain Products to address heatstroke
	Spread of infectious diseases	28,961.4 million US dollars (global sales of immunity and health supplements in 2030)	
	Carbon pricing	94.0 billion yen to 188.0 billion yen (4°C scenario)(size of Japanese market for non-alcoholic beverages that prevent heatstroke in 2100)	
	Increase in the number of persons requiring emergency services as a result of heatstroke		

Indicators and goals

Financial impact

Financial impact from climate change	
Procurement costs from lower agricultural yields	2°C scenario: Approximately 0.9 billion yen to 2.5 billion yen 4°C scenario: Approximately 2.5 billion yen to 9.7 billion yen (Both by 2050. Assessed using the middle 50th percentile of the distribution of forecast data for price fluctuations)
Damage to business sites from water risk	Approximately 1.0 billion yen to 5.0 billion yen
Damage to business sites from water stress	Approximately 30 million yen to 0.6 billion yen
Energy costs from carbon pricing	2°C scenario: 1.0 billion yen 4°C scenario: 6.9 billion yen (Both by 2030. If we do not take measures to reduce GHG emissions)
Agricultural product procurement costs from carbon pricing	2°C scenario: Approximately 0.7 billion yen to 3.0 billion yen 4°C scenario: Approximately 1.6 billion yen to 5.7 billion yen (Both by 2050. Assessed using the middle 50th percentile of the distribution of forecast data for price fluctuations)

Adaptation measures

Related indicator	Target	Actual results
Number of small farms in Sri Lanka that received training for the acquisition of certification in Sri Lanka	10,000 farms (2025)	2,120 farms
Ratio of certified palm oil used in Japan	Maintain 100%	100%
Lion water efficiency	2.4kL/kL (2025)	3.8kL/kL
Kyowa Hakko Bio water usage	32% reduction compared with 2015 (2030)	52% reduction compared with 2015
Ratio of FSC-certified paper used for paper consumers in the Japan Non-alcoholic Beverages Businesses	Maintain 100%	100%
Ratio of recycled materials used in PET bottles	50% (2027)	4.9%

Investment plans and fundraising

Climate-related capital investment in the 2019 medium-term plan (2019 to 2021)	6.2 billion yen
Total amount allocated from green bonds in 2020 (cumulative)	3.4 billion yen
Climate-related capital investment in the 2022 medium-term plan (2022 to 2024)	Approximately 10.0 billion yen
Main environmental investment policies	
Introduction of heat pump systems (2019 to 2028)	2.0 to 3.0 billion yen
Introduction of solar power generation (2021 to 2029)	2.0 to 3.0 billion yen
ICP (Internal Carbon Pricing)	7,000 yen/tCO ₂ e

Mitigation measures

GHG emissions reduction target (relative value)	Time when we set targets: February 3, 2020	
	Target	Actual results
GHG emissions across the entire value chain	Net zero (2050)	4,411 thousand tCO ₂ e
Scope1+2	50% reduction (2030 / vs. 2019)	13% reduction
Scope3	30% reduction (2030 / vs. 2019)	12% reduction
Proportion of renewable energy in electric power used	100% (2040)	17%

* We have received approval from SBTi for our "GHG emissions across the entire value chain," "Scope 1 + 2" and "Scope 3" targets as an "SBT for net zero" and "SBT for 1.5°C" target. We have also received approval for our renewable energy target under RE100.

Progress on medium-term GHG emissions reduction target from SBT (2021)

■ Scope1+2		(unit:tCO ₂ e)
		Total
Scope1+Scope2		721,553
Scope1		367,742
Scope2		353,811
Reduction rate (compared to 2019 base year)		-13%

■ Scope3

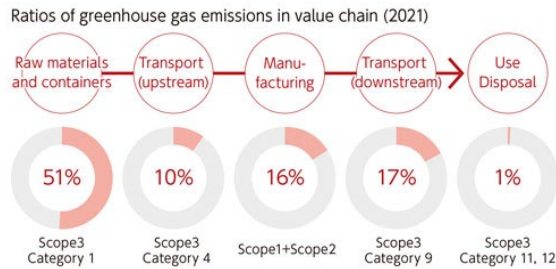
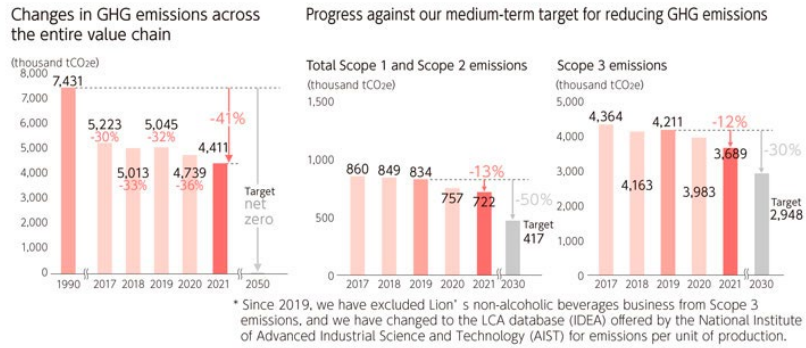
Scope3		Total
Scope3		3,688,961
1	Products and services purchased	2,230,657
2	Capital goods	—
3	Fuel and energy-related activities not included in Scopes 1 and 2	173,449
Upstream	4 Transportation and delivery (upstream)	433,015
5	Waste from operations	25,750
6	Business travel	4,690
7	Employee commuting	13,280
8	Leased assets (upstream)	—
9	Transportation and delivery (downstream)	765,018
10	Processing of sold products	—
11	Use of sold products	8,719
Downstream	12 Disposal of sold products	34,383
13	Leased assets (downstream)	—
14	Franchises	—
15	Investments	—
Reduction rate (compared to 2019 base year)		-12%

* For water resources, we have set indicators and goals for countries and regions where there is major water stress, as non-financial targets for the Group. For other group companies, we have also set targets in CSV Commitments or EMS for each company, depending on the level of water stress.

Governance and Strategy to Support Value Creation

GHG emissions reduction track record

Our reduction of GHG emissions for Scope 1, Scope 2, and Scope 3, as well as across the value chain as a whole, were as follows.



Management Analysis Of Financial Position, Operating Results, And Cash Flows

(1) Operating Results

① Overall business conditions

Like 2020, 2021 was greatly affected by COVID-19. A new COVID-19 variant is spreading worldwide, and the virus is still not under control. In this environment, the Kirin Group moved forward toward becoming a leading global CSV company based on its Long-Term Management Vision “Kirin Group Vision 2027” (KV 2027). Seeing the solving of social issues as opportunities for growth, Kirin Holdings has sought to achieve both social and economic value in the three domains of Food & Beverages, Pharmaceuticals, and Health Science, which Kirin Holdings has cultivated through its strengths in fermentation—from its beginnings as a beer business—and biotechnology.

Food & Beverages domain

In the Food & Beverages business, Kirin Holdings built a strong brand system by concentrating investment in core products, while focusing on providing products and services that lead to the creation of new value, thereby mitigating the decline in earnings caused by COVID-19.

Pharmaceuticals domain

In the Pharmaceuticals field, the global strategic products grew steadily as a result of the “ongoing transformation to a global organizational structure” that began in 2019. Kirin Holdings also made steady progress in the development of next-generation strategic products.

Health Science domain

This was a year in which Kirin Holdings’ efforts to date to promote ingredient research and product development using R&D technology—one of its strengths—yielded great results. LC-Plasma (Lactococcus lactis strain Plasma), a strategic ingredient in the immunology field, took the Gold Prize the “1st STOP Infectious Disease Grand Prix” in the “Japan Resilience Awards 2021” conducted by the Resilience Japan Promotion Council. LC-Plasma was highly commended for factors including its discovery, product development into Foods with Function Claims. In addition, Kirin Holdings expanded its lineup of products containing LC-Plasma, and with the rise in health consciousness, sales grew significantly, up 50% from the previous year, contributing to solving consumers’ health issues.

Kirin Holdings also received high marks from society in terms of ESG (Environment, Society, and Governance). In the Environment area, Kirin Holdings has been working to reduce GHG emissions, promote the use of renewable energy, and recycle and promote a virtuous “cycle of plastic recycling,” among other initiatives, in line with the Kirin Group’s Environmental Vision 2050 formulated in February 2020. As a result, Kirin Holdings received the Gold Award in the Environmentally Sustainable Company category at the ESG Finance Awards Japan (Minister of the Environment Award). In addition, Kirin Holdings has been selected for the CDP’s “A List” in both climate change and water security for the third year in a row. In the Society area, Kirin Holdings was selected as a “Nadeshiko Brand” among publicly listed companies that excel in promoting the advancement of women. For the fifth year

Results of Value Creation Initiatives

in a row, Kirin Holdings was recognized as a “Certified Health & Productivity Management Outstanding Organization 2021 (Large Enterprise Category [White500])” for practicing particularly excellent health management. Furthermore, Kirin Holdings has received high praise for its overall ESG initiatives, with a focus on Governance. The Company’s overall ESG initiatives—with a focus on governance—were highly commended; and for the third year in a row, it received the highest ranking in the Nikkei Research Inc.’s SDGs Management Survey, which commends corporate efforts to meet the Sustainable Development Goals (SDGs). In the MSCI ESG Rating—which is calculated by Morgan Stanley Capital International (MSCI), Kirin Holdings received the “AA” rating, which is in line with the world’s leading CSV companies.

Employee engagement, which is a key performance indicator in the Kirin Group 2019–2021 Medium-Term Business Plan (2019–2021 MTBP), was at the same level as in 2020, when the score had improved significantly. In the midst of an uncertain social climate, Kirin Holdings has worked to disseminate the significance of its commitment to CSV management, which has increased employee engagement with management and helped Kirin Holdings achieve the goals set in the 2019–2021 MTBP.

(¥ billions, unless otherwise stated)

	FY2021	FY2020	Change	
Consolidated revenue	1,821.6	1,849.5	(28.0)	(1.5)%
Consolidated normalized operating profit	165.4	162.1	3.3	2.0%
Consolidated operating profit	68.1	102.9	(34.8)	(33.8)%
Consolidated profit before tax	99.6	124.6	(24.9)	(20.0)%
Profit attributable to owners of the Company	59.8	71.9	(12.1)	(16.9)%
(Key performance indicators)				
ROIC	4.2%	6.0%		
Normalized EPS (yen)	156	136	20	14.7%

Consolidated revenue for this fiscal year decreased due to the impact of the re-emergence of COVID-19 on sales of alcoholic beverages and soft drinks in Japan and overseas, and the sale of the Oceania Non-alcoholic Beverages Business. The Japan Beer and Spirits Businesses and Myanmar Brewery posted a decrease in profits, Coca-Cola Beverages Northeast, the Oceania Adult Beverages Business, as well as Kyowa Hakko Bio Co., Ltd. all saw an increase in profits, resulting in an overall increase in consolidated normalized operating profit. Profit attributable to owners of the Company decreased due to the recording of an impairment loss in the Myanmar business.

Normalized EPS and ROIC, our key performance indicators, failed to achieve their initial targets set in the 2019–2021 MTBP due to external factors such as the COVID-19 pandemic and political upheaval in Myanmar, as well as due to the impact of quality control problems at Kyowa Hakko Bio Co., Ltd. Although the ROIC target for FY2021 announced at the beginning of the current fiscal year was not met due to the impairment loss in the alcoholic beverages business in Myanmar against the backdrop of the political upheaval, we achieved the normalized EPS target. This was attributable to a recovery in consolidated normalized operating profit and acquisition of treasury shares in 2020.

Results of Value Creation Initiatives

② Performance by reportable segment

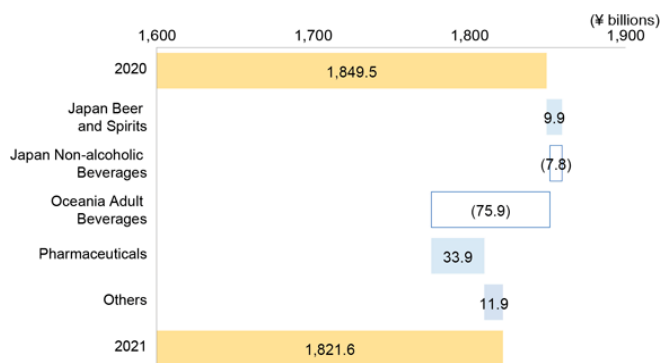
Results by segment are as follows.

(¥ billions, unless otherwise stated)

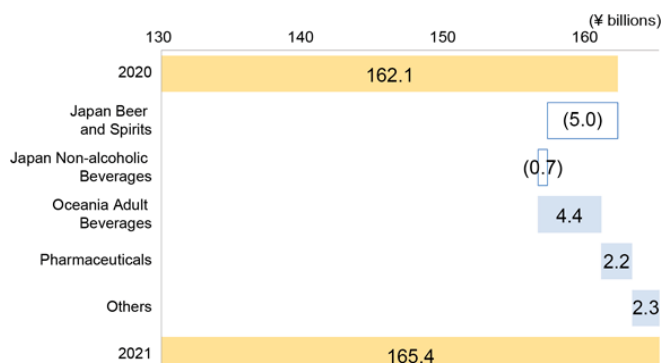
	FY2021	FY2020	Change	
Consolidated revenue	1,821.6	1,849.5	(28.0)	(1.5)%
Japan Beer and Spirits	661.3	651.4	9.9	1.5%
Japan Non-alcoholic Beverages	244.4	252.2	(7.8)	(3.1)%
Oceania Adult Beverages	216.3	292.1	(75.9)	(26.0)%
Pharmaceuticals	351.7	317.8	33.9	10.7%
Others	347.9	336.0	11.9	3.5%
Consolidated normalized operating profit	165.4	162.1	3.3	2.0%
Japan Beer and Spirits	70.5	75.5	(5.0)	(6.6)%
Japan Non-alcoholic Beverages	21.1	21.8	(0.7)	(3.0)%
Oceania Adult Beverages	26.6	22.1	4.4	20.0%
Pharmaceuticals	61.2	59.0	2.2	3.7%
Others*	(14.0)	(16.3)	2.3	—

*Corporate expenses and inter-segment eliminations are included in Others.

Consolidated revenue (year on year)

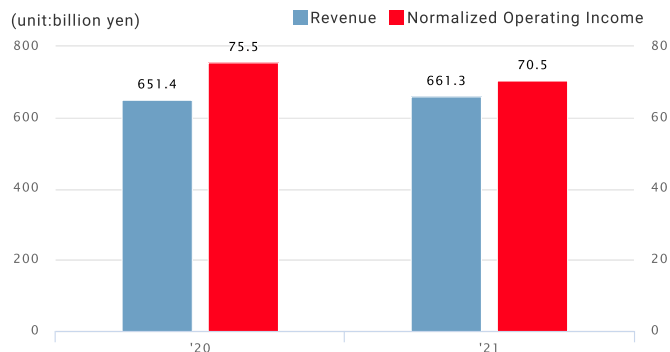


Consolidated normalized operating profit (year on year)



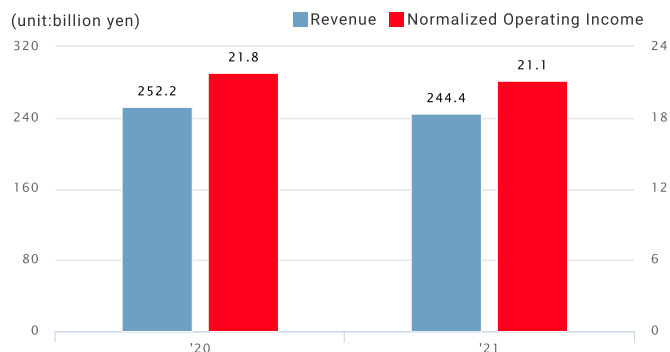
Results of Value Creation Initiatives

Japan Beer and Spirits Business



In the domestic alcoholic beverage market, sales of products for the on-premise market continued to be sluggish and off-premise sales grew due to effects of COVID-19—as in the previous year—in particular the beer segment expanded following tax reductions due to liquor tax revisions. At Kirin Brewery Company, Limited (Kirin Brewery), canned KIRIN ICHIBAN, the mainstay brand, as well as KIRIN ICHIBAN Zero Sugar—which captured growing health consciousness—performed well. As a result, sales volume of canned KIRIN ICHIBAN brand products grew significantly, up 20% year on year. With more time spent at home due to COVID-19, there is also a need to make that time more fulfilling. Canned craft beer SPRING VALLEY Hojun 496 captured this demand, selling 1 million cases in just six months after its launch—growing at an unusually fast pace for a craft beer. In addition, the number of KIRIN Home Tap (which allows people to enjoy authentic draft beer at home) subscribers increased significantly, providing more than 100,000 customers with the special taste of beer directly from the brewery. In the on-premise market, Kirin Brewery worked closely with on-premise establishments to provide Kirin's unique value propositions, such as TAPPY, which can provide fresh and tasty draft beer, and Tap Marché, which can provide four types of craft beer in one unit. As a result, although the beer category's overall sales volume decreased by 4.1% due to the decline in the on-premise market, these efforts helped Kirin Brewery outperform the market trend for the third consecutive year. In the RTD (Ready to Drink) category—which is mainly for home use—the Kirin Hyoketsu Sugar-Free performed very well, and the Kirin Hyoketsu® brand achieved record sales, surpassing 16 billion cans in cumulative sales. Kirin Honshibori™ Chuhai, as well as Kirin Hakko Lemon Sour high value-added brand that focuses on ingredients and manufacturing methods also performed well, with total RTD category sales volume increasing by 4.7% year on year. As a result, sales volume of beer increased in off-premise channel, and sales volume of total beer products outperformed the market. Revenue increased by 1.5% to ¥661.3 billion due to higher sales volumes of beer, happo-shu, RTD and non-alcoholic beverages. Normalized operating profit decreased by 6.6% to ¥70.5 billion due to an increase in selling expenses as a result of strengthened investment in brands from a long-term perspective.

Japan Non-alcoholic Beverages Business



The domestic non-alcoholic beverage market saw a gradual recovery in sales volume from April onward with the gradual lifting of the state of emergency declaration, but the re-emergence of COVID-19 and unseasonable weather conditions resulted in only a slight increase over the previous year. In addition, Foods for Specified Health Uses (FOSHU) and Foods with Function Claims (FFCs) as well as the sugar-free and low-sugar categories

Results of Value Creation Initiatives

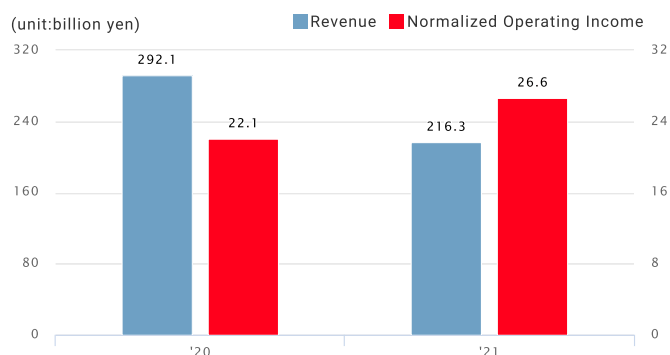
continued to expand due to the further rise in health consciousness.

Kirin Beverage Company, Limited (Kirin Beverage) focused on the Health Science domain as one of the pillars of its business in addition to its existing non-alcoholic beverage business and invested aggressively in health-focused initiatives based on a “post-COVID recovery based on CSV” thinking. In the existing non-alcoholic beverage business, Kirin Beverage took the growing demand for sugar-free products as an opportunity to strengthen the lineup of the Kirin Gogo-no-Kocha Oishii Muto (sugar-free) series under the Kirin Gogo-no-Kocha brand. In addition to focusing on the health area, Kirin Beverage also focused on environmental initiatives. For the Kirin Nama-cha brand, Kirin Beverage launched Kirin Nama-cha in R100 PET bottles, which are made of 100% recycled PET plastic, as well as labelless PET bottles to cater to growing consumer environmental awareness. In the Health Science domain, Kirin Beverage worked to instill an “immune care” habit in consumers by rolling out beverages that contain LC-Plasma, labeled as foods with functional claims for immune function. In addition to reinforcing the iMUSE brand, Kirin Beverage launched Kirin Gogo-no-Kocha Milk Tea Plus and Kirin Nama-cha Life Plus Immune Assist to make it easier for people who want more access to immunity-related products to get LC-Plasma. As a result, Kirin Beverage was able to achieve the annual sales target of 5 million cases of beverages containing LC-Plasma, which Kirin Beverage revised upward during the fiscal year.

While the operating environment remained severe due to the impact of COVID-19 and other factors, overall sales volume of soft drinks decreased slightly, but Kirin Beverage worked to improve profitability through structural reforms in the vending machine business and further focusing on small-sized PET products.

As a result, revenue decreased by 3.1% to ¥244.4 billion due to a decline in sales volume. In addition, despite efforts to reduce sales promotion and advertising expenses, normalized operating profit decreased by 3.0% to ¥21.1 billion due to a decline in sales volume and difference of change in products mix and in composition ratio of containers, etc. caused by changes in the channel composition ratio.

Oceania Adult Beverages Business



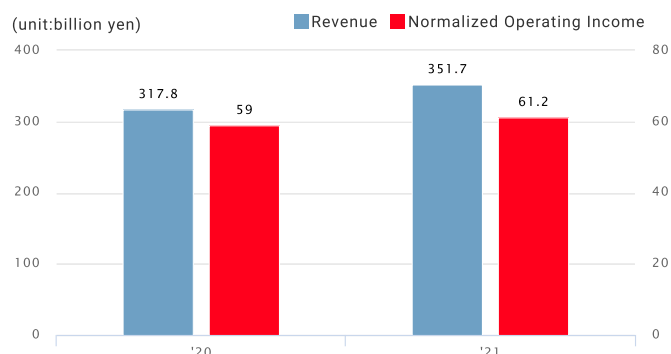
Following the sale of the dairy beverage business in January 2021, sales revenue for Lion Pty Ltd (Lion) declined significantly. In the alcoholic beverages business, the on-premise market in Australia and New Zealand was affected by COVID-19, however, the market has been recovering since mid-October with the gradual lifting of COVID-related movement restrictions, and sales volume in the premium beer and craft beer categories increased year on year.

Lion's craft beer business is positioned as a future growth area. To further solidify the Australian craft beer business, Lion also completed the full acquisition of shares in Fermentum, Australia's largest independent craft brewer. In the craft beer business in the United States, New Belgium Brewing's Voodoo Ranger, which is highly popular among young people, accurately captured demand for home use and sales were strong. In addition, Lion announced the acquisition of Bell's Brewery to expand the scale of its operations in the United States and create synergies.

As a result, although yen-based revenue decreased by 26.0% to ¥216.3 billion, yen-based normalized operating profit increased by 20.0% to ¥26.6 billion through progress in its craft beer strategy and cost reduction efforts.

Results of Value Creation Initiatives

Pharmaceuticals Business



In the first year of the 2021 Medium Term Business Plan, Kyowa Kirin Co., Ltd. (Kyowa Kirin) has established a new mission statement to guide it through to 2030, and worked to achieve growth as a Japan-based Global Specialty Pharmaceutical company.

In 2021, while the global pharmaceutical environment continued to be affected by COVID-19 as in the previous year—limiting Kyowa Kirin's business activities—Kyowa Kirin steadily grew its global strategic products, including Crysvida and Poteligeo. Kyowa Kirin also made steady progress in the development of next-generation strategic products such as KHK4083 and ME-401 (zandelisib) in the field of oncology. On the other hand, Kyowa Kirin was unable to obtain approval for the KW-6002 (istradefylline) global strategic product in Europe. Kyowa Kirin will continue to closely monitor the decisions of the authorities in each country and respond appropriately for the products that are pending filing and approval.

As a result, revenue increased by 10.7% to ¥351.7 billion due to an increase in overseas pharmaceutical sales, particularly of global strategic products. Despite an increase in selling, general and administrative expenses related to sales of global strategic products, normalized operating profit increased by 3.7% to ¥61.2 billion due to an increase in gross profit resulting from higher revenue.

Other Business

Kyowa Hakko Bio Co., Ltd. (Kyowa Hakko Bio)

Since receiving administrative punishment for deviating from manufacturing methods at the end of 2019, Kyowa Hakko Bio has rebuilt its entire business system with quality as the basis for all operations. Kyowa Hakko Bio has positioned 2021 as a year to move from revitalization to growth. With quality as the foundation of all its operations, Kyowa Hakko Bio has worked to restore the trust of consumers by gradually reviving its manufacturing volume. At the end of December, Kyowa Hakko Bio transferred control of its consumer products business to Kirin Holdings, and by concentrating on BtoB business, Kyowa Hakko Bio established an operating structure that will accelerate the development of new ingredients by utilizing cutting-edge fermentation technologies and biotechnology knowhow it has cultivated over many years. Despite challenges such as the sharp rise in raw material and fuel costs, etc. due to the impact of COVID-19, Kyowa Hakko Bio worked to reform its organizational culture, improve its product portfolio, and reform its operating structure, among others, resulting in a return to profitability in 2021. As a result, revenue decreased by 7.5% to ¥53.0 billion, and normalized operating profit amounted to ¥0.4 billion.

Mercian Corporation (Mercian)

Mercian worked to expand the number of wine drinkers and improve profitability in the off-premise (home) wine market. In the midst of diversifying consumer wine tastes due to environmental changes such as the impact of COVID-19, Mercian debuted MOCK Bar, a non-alcoholic sangria that offers the luxury of fruit juice and the lingering taste of wine. In addition, development of high-quality products in the organic wine category that are environmentally friendly were well-received by consumers. In the Château Mercian business, the Mariko Winery was selected as one of the World's Best Vineyards in 2021 for the second year in a row. However, revenue decreased by 6.8% to ¥57.9 billion, and normalized operating profit decreased by 35.1% to ¥2.3 billion.

Results of Value Creation Initiatives

Myanmar Brewery Limited (Myanmar Brewery)

In Myanmar, the on-premise market declined significantly due to the re-emergence of COVID-19 and the political changes that occurred in February 2021. In Myanmar, the beer market shrank by about 20% due to the effects of financial and supply chain disruptions. In addition, due to a decrease in production volume caused by material shortages and other factors, as well as restrictions on sales activities, Myanmar Brewery's sales volume decreased by approximately 30% compared to the same period of the previous year. As a result, revenue decreased by 39.3% to ¥19.3 billion, and normalized operating profit decreased 52.2% to ¥6.6 billion.

Coca-Cola Beverages Northeast, Inc. (Coke Northeast)

The United States beverage market overall sales volume increased due to the expansion of e-commerce sales and a significant increase in household consumption due to the impact of COVID-19, as well as a recovery in the on-premise market associated with an increase in the COVID-19 vaccination rate. On the other hand, inflation occurred as the supply of goods and services could not keep up with the recovery in consumer spending. In the midst of these market changes, Coke Northeast achieved the highest profit in its history through price revisions, continuous cost reduction, and operational efficiency. As a result, revenue increased by 19.7% to ¥154.9 billion, and normalized operating profit increased 78.3% to ¥16.5 billion.

(2) Financial Position

① General overview

Total assets at the end of this fiscal year were ¥2,471.9 billion, an increase of ¥12.6 billion from the end of the previous fiscal year. Property, plant and equipment, goodwill, and intangible assets increased by ¥17.5 billion in total from the end of the previous year. This was primarily as a result of making Fermentum a subsidiary and capital investment, despite the recording of an impairment loss of ¥68.0 billion in the alcoholic beverages business in Myanmar. Inventories and trade and other receivables increased by ¥30.1 billion and ¥15.8 billion, respectively, from the end of the previous fiscal year. In contrast, assets held for sale decreased by ¥73.7 billion mainly due to the sale of the Oceania Non-alcoholic Beverages Business.

Equity increased by ¥52.1 billion from the end of the previous fiscal year to ¥1,148.0 billion due to an increase in retained earnings of ¥17.3 billion and an increase in reserves of ¥38.2 billion. The increase in reserve was mainly attributable to an increase in foreign currency translation differences on foreign operations of ¥43.8 billion due to a weak yen.

Liabilities decreased by ¥39.5 billion from the end of the previous fiscal year to ¥1,323.9 billion. Despite the issuance of straight bonds worth ¥70.0 billion in June 2021, bonds and borrowings decreased by ¥91.2 billion due to a reduction in interest-bearing liabilities. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system. Meanwhile, other non-current liabilities and other current liabilities increased by ¥29.5 billion and ¥13.3 billion, respectively, mainly due to an increase in up-front payment of Kyowa Kirin.

As a result, the equity ratio attributable to owners of the Company and the gross debt equity ratio stood at 36.2% and 0.62 times, respectively.

Results of Value Creation Initiatives

② Financial status of reportable segments

Japan Beer and Spirits

Segment assets of the Japan Beer and Spirits Business at the end of this fiscal year increased by ¥8.4 billion to ¥432.8 billion from the end of the previous fiscal year mainly due to capital investment in property, plant and equipment.

Japan Non-alcoholic Beverages

Segment assets of the Japan Non-alcoholic Beverages Business at the end of this fiscal year decreased by ¥10.7 billion to ¥139.2 billion from the end of the previous fiscal year mainly due to the sale of cross-holdings shares.

Oceania Adult Beverages

Segment assets of the Oceania Adult Beverages Business at the end of this fiscal year increased by ¥4.5 billion to ¥475.9 billion from the end of the previous fiscal year. This was mainly because property, plant and equipment and intangible assets increased primarily as a result of making Fermentum a subsidiary and capital investment, despite the sale of the Oceania Non-alcoholic Beverages Business.

Pharmaceuticals

Segment assets of the Pharmaceuticals Business at the end of this fiscal year increased by ¥120.4 billion to ¥862.1 billion from the end of the previous fiscal year mainly due to an increase in other financial assets and deferred tax assets.

(3) Cash Flows

① Cash flows and liquidity status

The balance of cash and cash equivalents (hereinafter, "net cash") at the end of this fiscal year was ¥149.5 billion, a decrease of ¥12.2 billion from the end of the previous fiscal year. Cash flows for each activity were as follows:

Cash flows from operating activities

Net cash provided by operating activities increased by ¥54.5 billion year on year to ¥219.3 billion. Although outflow of working capital increased by ¥20.6 billion and profit before tax decreased by ¥24.9 billion, a ¥47.8 billion increase in impairment loss, which is a non-cash item, as well as the proceeds from up-front payment of Kyowa Kirin resulted in an increase of ¥29.2 billion in the sub-total. Below the sub-total line, cash flows from operating activities increased year on year due to a ¥25.0 billion decrease in income taxes paid.

Results of Value Creation Initiatives

Cash flows from investing activities

Net cash used in investing activities decreased by ¥59.6 billion year on year to ¥56.4 billion. The decrease was mainly because proceeds from sale of shares of subsidiaries, net of cash disposed of increased by ¥42.9 billion year on year to ¥42.9 billion as a result of the sale of the Oceania Non-alcoholic Beverages Business in this fiscal year. Meanwhile, acquisition of shares of subsidiaries, net of cash acquired increased by ¥5.8 billion year on year to ¥45.5 billion as a result of making Fermentum a subsidiary in this fiscal year, while making New Belgium Brewing a subsidiary in the same period of the previous fiscal year. Outflow for acquisition of property, plant and equipment and intangible assets decreased by ¥6.7 billion year on year to ¥86.3 billion. There was inflow of ¥22.1 billion for sale of investments through our continuous efforts to reduce cross-shareholdings.

Cash flows from financing activities

Net cash used in financing activities increased by ¥128.0 billion year on year to ¥180.5 billion. The Company continued to provide dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. As a result, dividends paid, including to non-controlling interests, amounted to ¥65.4 billion. In addition, interest-bearing liabilities decreased by ¥96.4 billion in this fiscal year. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system.

These initiatives enabled us to stabilize our capital structure through stable and continuous shareholder returns and the reduction of interest-bearing liabilities, while investing in existing businesses and making growth investment.

The 2022–2024 MTBP sets out the outline of financial strategy, under which cash generated from “cash generation through BS (balance sheet) / PF (portfolio) management” will be allocated to disciplined investment to acquire growth drivers as well as flexible shareholder return policy. By steadily implementing the strategy, we will achieve our financial targets of a normalized EPS CAGR of at least 11% by 2024 and ROIC of at least 10% as of 2024, so as to improve corporate value.

② Basic capital policy

Based on the capital policy formulated in the 2022–2024 MTBP, the Company will allocate resources to its businesses and distribute profits to its shareholders as set out below.

Regarding resource allocation to businesses, giving top priority to growth investment with a focus on the Health Science domain, the Company will make investments that contribute to enhancement of existing businesses and profitability improvement. The Company will also implement a stable and continuous allocation of resources to intangible value (such as brands, research and development, information and communication technology (ICT), and human resources) as well as new business creation that sustain the growth of future cash flows. The Company will take a disciplined approach to investments in terms of maintaining and improving the Kirin Group’s capital efficiency.

We view the distribution of profits to shareholders as a key management matter. Since its foundation in 1907, the Company has continued to pay dividends to shareholders every financial year without fail. The Company has stably and continuously provided dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. In addition, we will consider opportunities to acquire treasury shares as additional shareholder returns, comprehensively taking into account various factors including optimum capital structure, market conditions and reserve funds after investments.

With regard to financing, priority is given to debt financing, while maintaining a high credit rating that is not affected by financial conditions, in preparation for rapid changes in the economic environment and other factors. The Company fulfills its accountability to its shareholders by carefully considering the impact on stakeholders and other factors when raising funds for investments required to achieve medium- to long-term goals, which may result in a change in control or a large-scale dilution, after verification and review by the Board.

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