












KIRIN CSV REPORT 2021 CONTENTS

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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 KIRIN CSV Report 2021 outlines activities underway to fulfill our commitment to realizing KV2027. In the report, the Kirin Holdings CEO and CFO discuss the COVID-19 pandemic's impact on the Company's business and management's response, and they describe initiatives being undertaken in fiscal 2021 to achieve the objectives of the next medium-term management plan. As in last year's report, this year's report includes special sections on the progress of the three core strategies to grow business in the Group's focus area of the Health Science domain and to develop the human resources needed to strengthen the Group's organization capabilities from the previous year along with the new strategy to bring about the digital transformation of the Group. We hope this report will help readers understand how the Kirin Group is using its CSV management and advancing its competitive technological capabilities to help address social issues through its business operations.

* This 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.

* Period covered is fiscal 2020 (January 1, 2020 to December 31, 2020). Certain activities occurred in fiscal 2021.

Cautionary statement regarding forward-looking statements

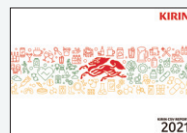
Statements in this report that are not historical facts are forward-looking statements based on plans and expectations for the future. Accordingly, these forward-looking statements are subject to risks, uncertainties and other unpredictable factors, and may differ considerably from actual results, business performance, and other future events. In addition, forecasts of fiscal 2021 financial results were decided as of the disclosure of financial results on February 15, 2021.

Publications Available on Kirin's Global Website

Kirin's global website offers a wide range of clearly presented information for stakeholders, including annual integrated reports, data books, and reports covering environmental initiatives, corporate governance, and financial results. For more details about financial results, ESG-related data, and other aspects of the Kirin Group's performance, please refer to the following publications and webpages.

CSV Report 2021

Published in May 2021



The entire booklet version of this CSV Report is also available on Kirin's website and for download as a PDF, along with integrated reports published in recent years with financial and non-financial results, and descriptions of the initiatives taken in each year to increase corporate value.

<https://www.kirinholdings.com/en/investors/library/integrated/>

Environmental Report

Scheduled for publication in July 2021

The report presents the Kirin Group's annual environmental activities and how it makes use of the unique characteristics of its businesses in environmental initiatives.

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

Market data and Sales (former Data Book and Sales Reports)

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/

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/>

2019–2021 Medium-Term Business Plan

Published in February 2019

The webpage features the 2019–2021 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

Corporate Governance Report

Published in April 2021

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/governance/governance/>

Consolidated Financial Statements

Published on March 31, 2021

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/ng2K/n08e/kf4Q.pdf>

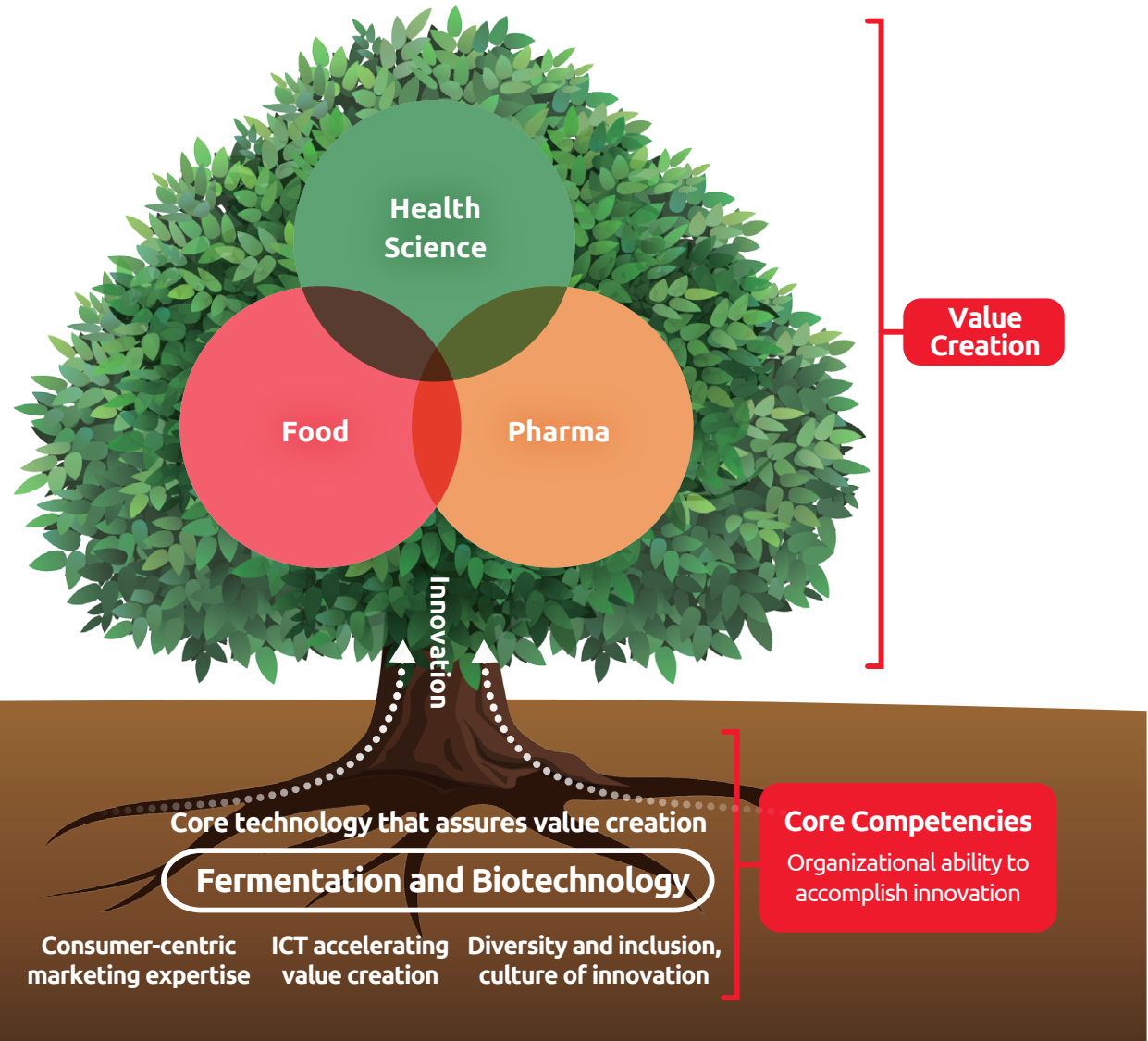
The Kirin Group

Expanding our business domains using technological capabilities cultivated from the core business

The Kirin Group is using its fermentation and biotechnology to spur innovation and expand its business domains.

The culture technology and research cultivated in our core beer business enabled us to develop products in the Health Science and Pharmaceuticals fields as we organically expanded our business domain.

We will continue to pursue innovation that will contribute to solving social issues in the three areas of Food, Health Science, and Pharmaceuticals and that will enable our business to grow sustainably with society.



The Kirin Group

History of CSV

Kirin has been practicing CSV management since its founding and advancing innovation to address social issues through its business. CSV management continues to drive our efforts to create social and economic value and promote ongoing sustainable growth.

1907

Kirin Brewery Company established by taking over management of Japan Brewery



1980

KIRIN LIGHT BEER introduced, Japan's first low-alcohol (3.5%) and low-calorie (30% less) beer



1993

A lightweight, recyclable bottle developed and tested, which improves distribution efficiency, resulting in less energy consumption and CO₂ emissions



2007

Collaboration with Tono City begun to spur regional revitalization with a sustainable production system for Japanese hops



2009

KIRIN FREE introduced, the world's first 0.00% non-alcoholic beer, aimed at helping eliminate driving while intoxicated



2015

Kirin Perfect Free non-alcoholic beer introduced as Foods with Function Claims (FFCs) for suppressing fat absorption and moderating sugar absorption



2020

KIRIN ICHIBAN ZERO introduced, Japan's first sugar-free beverage in the beer category



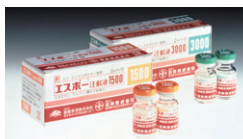
1928

Kirin Lemon with all natural ingredients introduced following the unconventional philosophy that artificial coloring should be strictly avoided for the good of national health



1982

Kirin combines its advanced biotechnology and fermentation technology from its brewing operations to begin its drug discovery business that yielded its first commercial product in 1990



2003

Vineyard operations using converted undeveloped land launched by Mariko Vineyard



2012

Kirin Mets COLA introduced, the first cola beverage designated as a food for specified health use



2013

Support effort begun to tea plantations in Sri Lanka to obtain Rainforest Alliance certification to improve farming sustainability



2014

Kirin Yasashisa Namacha Caffeine Zero introduced, the world's first caffeine-free green tea beverage in a PET bottle



2020

New iMUSE brand products introduced with Japan's first FFC registered for immune function



The Kirin Group

Building a unique business portfolio responsive to changes in the operating environment

The Kirin Group formulated its first long-term management vision in 1981 and stepped up its efforts to diversify its management. The Group has a unique business portfolio encompassing Food, Pharmaceuticals, and Health Science from which it will continue creating new value for society.

Beverages, food, and other products
7.7%

Beer
92.3%



Consolidated revenue

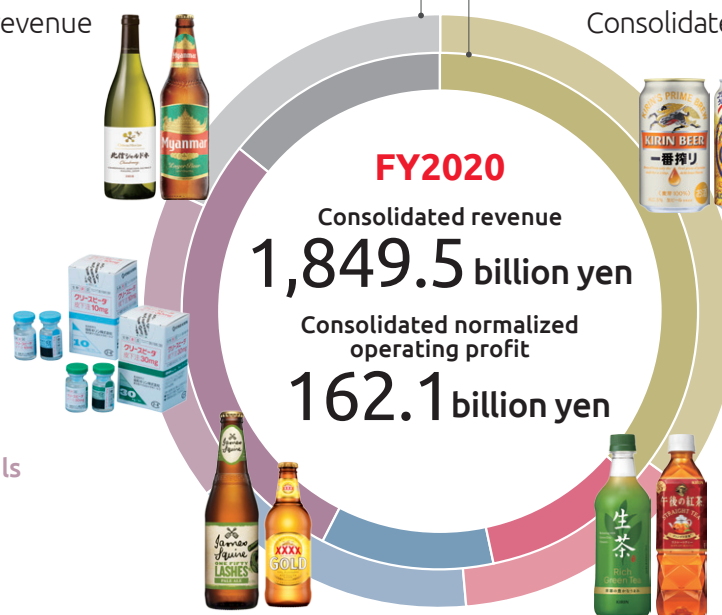
Japan Beer and Spirits
35.2%

Japan Non-alcoholic Beverages
13.6%

Oceania Integrated Beverages
15.8%

Pharmaceuticals
17.2%

Others
18.2%



Consolidated normalized operating profit

Japan Beer and Spirits
36.4%

Japan Non-alcoholic Beverages
10.5%

Oceania Integrated Beverages
10.6%

Pharmaceuticals
28.4%

Others
14.1%

Segment	Company	Food & Beverages	Pharmaceuticals	Health Science
Japan Beer and Spirits	• Kirin Brewery	●		
Japan Non-alcoholic Beverages	• Kirin Beverage	●		
Oceania Integrated Beverages	• Lion	●		
Pharmaceuticals	• Kyowa Kirin		●	
Others	• Mercian • Myanmar Brewery • Coca-Cola Beverages Northeast • Kyowa Hakko Bio • Others	●		●

The Kirin Group

Applying our management philosophy system as we aim to become a global leader in CSV

The Kirin Group's 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 our world of Food & Beverages to Pharmaceuticals

"One KIRIN" Values

Passion

Our determination to continuously provide our customers and society with new value propositions based on innovative ideas, and our enthusiasm to meet goals with pride in the companies we work for and the brands we offer.

Integrity

Our gratitude to our stakeholders for always helping us move forward, and our promise to remain honest and humble in every business activity to serve them better.

Diversity

Our respect for different perspectives and values that enable constructive discussions, and our belief that the "differences" have the power to change the world and create better solutions.

Joy brings us together



The Kirin Group

Embracing the new management philosophy system

In February 2019, the Group formulated the Kirin Group Vision 2027 (KV2027) and adopted a new management philosophy system to serve as its long-term management vision for becoming a global leader in creating shared value (CSV).

Since 2019 Kirin Holdings has been implementing measures to instill the management philosophy, vision, and the “One KIRIN” Values across the Group. Much progress has been made at many companies, and in 2020 the Company began incrementally shifting leadership of the measures to the core domestic operating companies and other operations. In 2021, while continuing to deepen employee understanding of the management philosophy system, the Company plans to review the measures under way and develop new initiatives to further instill our philosophy and values in all our Group companies in preparation for the next medium-term management plan starting in 2022.

Under these initiatives, the Group’s 31,151 employees

worldwide are actively working to realize sustainable growth by putting our CSV concept into practice.

New *KIRIN Now* intranet website created to advance internal branding initiatives

We have responded to the COVID-19 pandemic conditions by shifting from office-based working to accommodating work-at-home and various workstyles, and by refashioning the *KIRIN* Group newsletter for online promotion of internal branding.

We have also created an all-new *KIRIN Now* intranet website to rapidly deliver management information and deepen employee understanding of KV2027. We are preparing the website to be accessible to all Kirin Group company employees worldwide. The new website launched in Japan in June 2021 and is scheduled to come online for Group companies overseas beginning in 2022.



The internal website gateway page

Activities to promote the management philosophy system (2021)

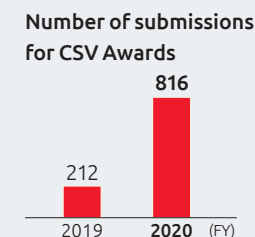
Main measures	Practice and experience measures	Activities designed to promote the understanding and embodiment of management philosophy system, such as direct experience with CSV and surveys to assess the degree of ability to demonstrate the values
	Awards of recognition	The KIRIN Group Award and other awards to recognize outstanding efforts related to the management philosophy system
	Creating and offering training programs	Various online and in-person training programs related to the management philosophy system
	Dialogue and forums	Opportunities to communicate through dialogue and department forums, such as discussions with corporate officers and worksite and department managers
	Improved information communication structure	Group-wide communications enhanced by switching the formerly paper-based KIRIN Group newsletter to the <i>KIRIN Now</i> intranet website in 2021. The website is being launched in Japan in 2021 and is being prepared to launch for Group companies worldwide beginning in 2022.

Measures implemented in 2020

The CSV Awards

Kirin Brewery follows specific guidelines for applying the Three CSV Principles of thinking of the consumer first, working first for the benefit of society and then for the benefit of the company, and field leadership with head office support.

The CSV Awards created in 2019 encourages and highlights good employee practices that embody these principles in daily activities. In the two years that the awards have been offered, the number of submissions for award consideration has increased dramatically as more employees are thinking about and finding ways to integrate CSV into their activities and work strategies.



CSV Experience

The Kirin Group offers several CSV Experience programs to promote employee understanding of CSV.

Mercian hosted one such program in October 2020 where 38 employees from Kirin Group companies across Japan visited the Château Mercian Mariko Winery to participate in vineyard operations, a lecture and tour, and a conversation with people from the local community and government. In a survey after the program, participants said they had “a better understanding of CSV” and shared what they learned with their companies.

COVID-19 Impact Analysis and Response

Social trends and the Kirin Group action

• Social trends • Kirin Group action

FY2020

1st quarter

- WHO verifies the outbreak of COVID-19
- Australia bans indoor eating at restaurants

2nd quarter

- The United States closes commercial facilities, schools, and restaurants
- Myanmar restricts business operations in Mandalay, issues stay-at-home order in Yangon
- Japan issues nationwide state of emergency

3rd quarter

- Japan launches "Go to Travel" campaign
- New infections drop sharply in Australia and New Zealand
- Myanmar restricts restaurant operations amid rising infections

4th quarter

- Japan launches "Go to Eat" campaign

Measures to minimize risk and sustain operations



January

- Company task force created
- Non-urgent investment frozen, priority on securing liquidity

April

- "Kirin Group's Basic Policy and Initiatives in Response to the Increasing Novel Coronavirus Infections" announced



July

- KIRIN Work Style 3.0 "Job Satisfaction" reform* launched, work-at-home system expanded

August

- Company-wide cost reduction measures announced



Company action for employees and society



March

- Lion collects unused kegs products from restaurants at no charge



April

- Myanmar Brewery and its business partners donate funds for ventilators, patient monitors, and other medical devices to the National-Level Central Committee on Prevention, Control and Treatment of Coronavirus Disease
- Kirin Brewery, Kirin Beverage, and other Kirin Group companies distribute iMUSE products to manufacturing and distribution division employees to ensure business continuity



December

- iMUSE beverages donated to Tokyo Railways and the JR East Group
- Minister of Economy, Trade and Industry presented a letter of appreciation to Mercian Group company Daiichi Alcohol for increasing production of medical supplies for the COVID-19 pandemic

* Reform program to encourage employees to develop a self-motivated work ethic and to continually consider the meaning and purpose of their work by improving their work conditions in the four areas of selecting their work location, fully utilizing system and IT tools, enabling more flexible work conditions, and establishing new communication styles.

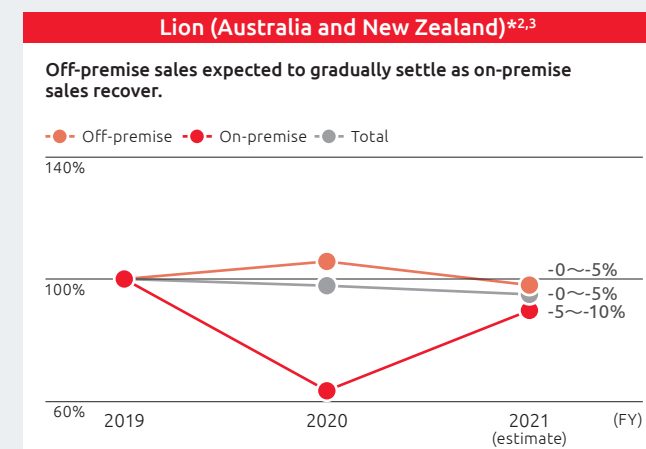
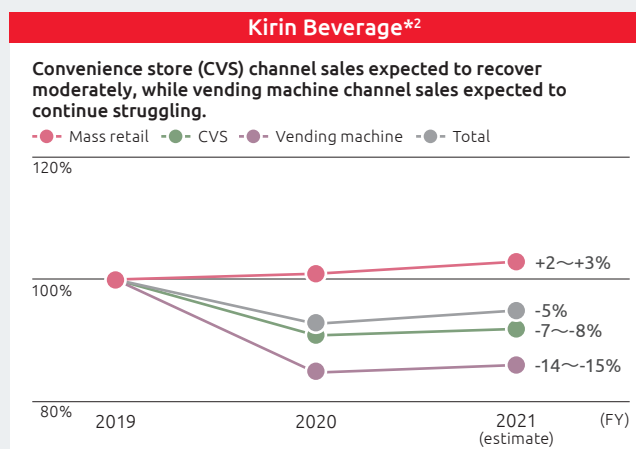
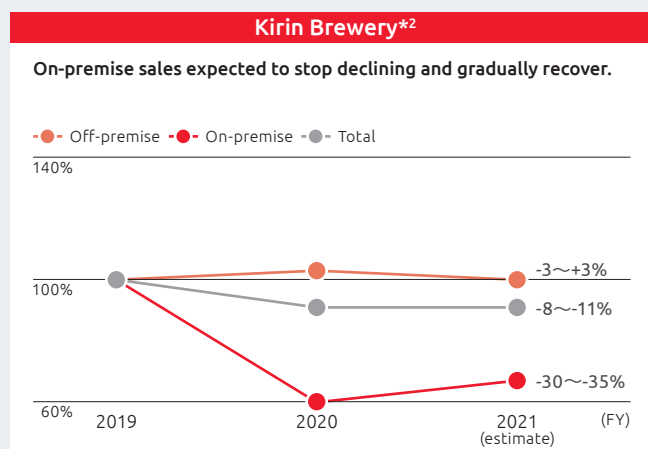
COVID-19 Impact Analysis and Response

Post-COVID-19 business recovery outlook

Beer and beverage market outlook*1

Food & Beverage domain businesses that were strongly impacted by the COVID-19 pandemic in fiscal 2020 are generally expected to improve in fiscal 2021, although the Japan, Australia, and New Zealand markets are not projected to recover to fiscal 2019 levels.

*1 Market forecasts as of the financial results announcement on February 15, 2021

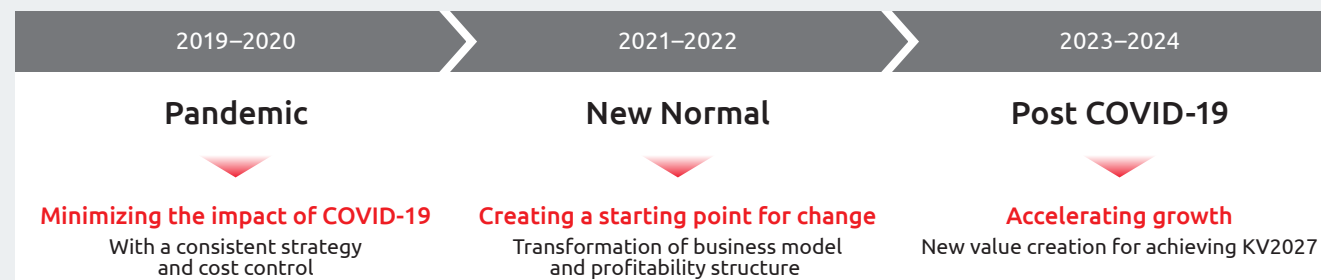


*2 Sales volume comparisons based on fiscal 2019 market estimates = 100%.

*3 Market estimates for fiscal 2020 have been updated based on market data since the fiscal 2020 financial results announcement on February 15, 2021.

Kirin Group medium- to long-term outlook

The changes to the business environment caused by the COVID-19 pandemic presented greater risk than management anticipated; however, the Group has vastly revised its business model and profitability structure for the “new normal” conditions and is stepping up initiatives to achieve the KV2027 long-term management vision.



Interview with Top Management



Accelerating growth by intensifying
CSV management within the
difficult COVID-19 environment

A handwritten signature in black ink, reading "Yoshinori Isozaki". The signature is written in a cursive style.

Yoshinori Isozaki

President & CEO

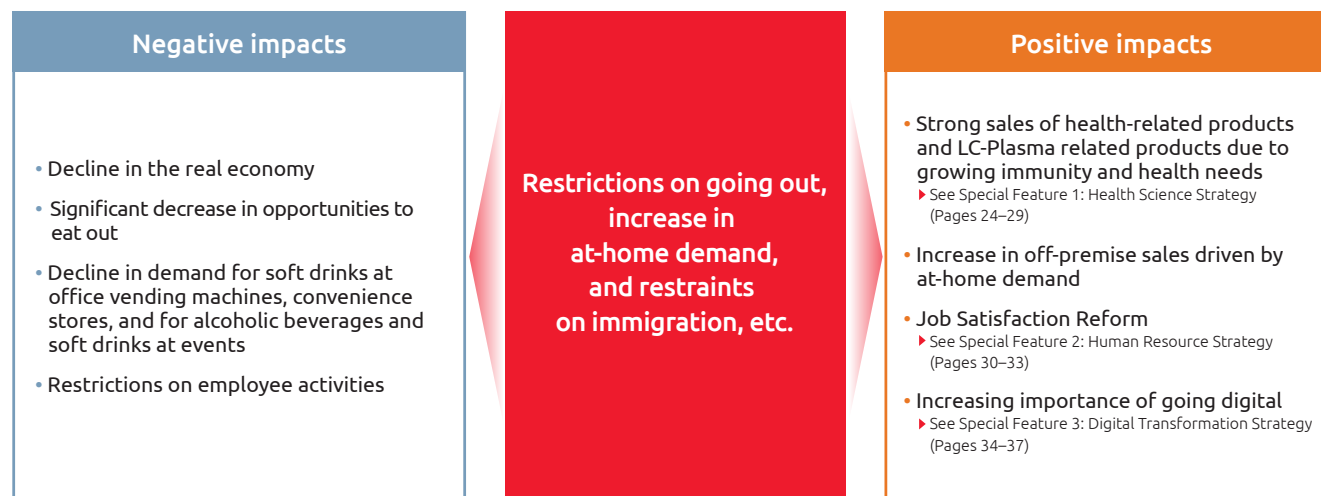
Interview with Top Management

Change brings opportunities to further reforms that fit the “new normal”

Q1. How has the Kirin Group responded to the COVID-19 pandemic?

First, allow me to express my sincere condolences to those who have lost loved ones to COVID-19, and my heartfelt sympathy to all who have suffered. I would also like to pay tribute to the authorities fighting contagion, and to the medical professionals working night and day to save lives.

Impact of COVID-19



COVID-19 has impacted the economy, society, politics, and other areas, upending people’s lives worldwide. Out-of-home drinking has plummeted due to stay-home directives, movement restrictions, and shortened business hours in the hospitality industry. Beverage sales in Japan have declined at both business-district convenience stores and in-office vending machines. The Kirin Group has been affected by all of these changes.

Spanning business domains from food & beverages to pharmaceuticals, the Group prioritizes the health and

safety of its employees and their families as essential to fulfilling our ongoing responsibility to supply products and services. We have taken measures to mitigate the risk of contagion in our manufacturing and logistics functions, and we distribute immune-system-supporting *Lactococcus lactis* strain Plasma (LC-Plasma) products to those employees whose jobs preclude working from home.

In addition, to minimize face-to-face meetings and travel, the sales and administrative departments have promoted remote work, using technology and shared offices, for example. We are also incorporating motivation boosting elements into our company-wide work-style reform (“Job Satisfaction Reform”) to adapt to the new normal.

Expediting reforms of business and profitability structures with a view toward the next MTBP

Q2. What are the key points to note about current MTBP (2019–2021) progress and initiatives for 2021?

The COVID-19 pandemic adversely affected performance for fiscal 2020, particularly in the food & beverage domain. Consolidated revenue and normalized operating profit decreased, although profit attributable to owners of the company increased YoY due to the previous term’s impairment losses at Lion Dairy and Drinks. Meanwhile,

Interview with Top Management

each of our companies persevered in cost control and improving productivity, thereby minimizing cash flow impact.

In fiscal 2021, the final year of the current MTBP, we will implement reforms in business and profit structures, leading into the next MTBP, which is the second stage of our Long-Term Management Vision “Kirin Group Vision 2027” (KV2027). To execute reforms that capitalize on the changing business environment, I have instructed all Group companies to review their practices and workstyles, unconstrained by current procedures. For each item, they are to decide whether to accelerate progress, transform the way it is done, cease doing it, or reduce it.

Kirin Brewery’s restructured approach to growing its *Kirin Home Tap* business is an example. Building on relatively firm demand in the off-premise channel in Japan, the company will promote *Kirin Home Tap* as a more sophisticated way to enjoy beer at home. In the on-premise channel, where volume recovery will take time, we will intensify promotion of *Tap Marché*, which offers customers a choice of small-capacity high-value-added craft beers.

As for Kirin Beverage, we need to transform in response to the changing environment. Widespread adoption of remote work calls for a review of the scale and structure of the vending machine business, as well as location strategy. We are also repositioning Kirin Beverage into a beverage company that will lead our health science strategy, leveraging consumers’ health

awareness heightened by COVID-19.

Similarly, Lion in Oceania will redouble its marketing efforts and restructure its supply chain in response to the shift to off-premise sales corresponding to the decline in on-premise demand.

Developing the health science domain into a future growth pillar, building on existing business invigoration

Q3. What are your plans for growing the domains of food & beverages, pharmaceuticals, and health science?

Our existing domains of food & beverages and pharmaceuticals are the Group’s foundation. While aiming for steady growth, we continuously respond and adapt to changes in the business environment. In alcoholic beverages, a large trend is tighter regulations across markets worldwide. In a shorter time frame, the COVID-19 pandemic has caused a demand shift from the on-premise to the off-premise channel. We also see growing demand for low-sugar, low-purine, and other “functional” products. Another market segment is attracted by lifestyle-enhancing transformational benefits. An example is *Kirin Home Tap*, which brings the taste of freshly brewed beer into the home. We will continue to be ahead of the times in providing such valuable new products and services. Meanwhile, in the pharmaceuticals domain, we continue to



grow as a “global specialty pharmaceutical company” by strengthening our cross-border infrastructure and focusing on the development and launch of next-generation global products. Within Japan, we are addressing the Japanese government’s policy of controlling medical expenses.

Health science is a domain with vast growth potential. The Group began with the beer business 110 years ago. This gave us expertise in fermentation and biotechnology which we leveraged to enter the pharmaceuticals business 40 years ago. Most recently, our three-and-a-half decades of immunology research has led us to discover LC-Plasma that directly activates the immune system. In August 2020,

Interview with Top Management

five Kirin Group products using our proprietary LC-Plasma became Japan's first Foods with Function Claims (FFCs) registered for their immune system benefits with Japan's Consumer Affairs Agency (CAA).

Consumer interest in health has been strongly stimulated by the COVID-19 pandemic. Prevention in particular is gaining urgency in the public's mind under the looming specter of an overburdened medical system. This awareness meshes with our innovation in fermentation and biotechnology where we address unmet health needs, a key to becoming a global leader in CSV. By leveraging our

extensive research in the domains of food & beverages and pharmaceuticals, as well as our sales channels, we are aiming for sales revenue of 200 billion yen and normalized operating profit margin of approximately 15% in the health science domain* by 2027.

Now, more than ever, I believe that to survive in a turbulent business environment a company must be depended on by people and society to address social issues. Development of our new health science domain means addressing global health issues by harnessing the technologies and assets we have garnered in the domains

of food & beverages and pharmaceuticals. I will personally lead the way in making the health science business a pillar of the future, just as we have grown the pharmaceutical business into a mainstay of our portfolio.

* Excludes equity in earnings of FANCL (but includes synergies)

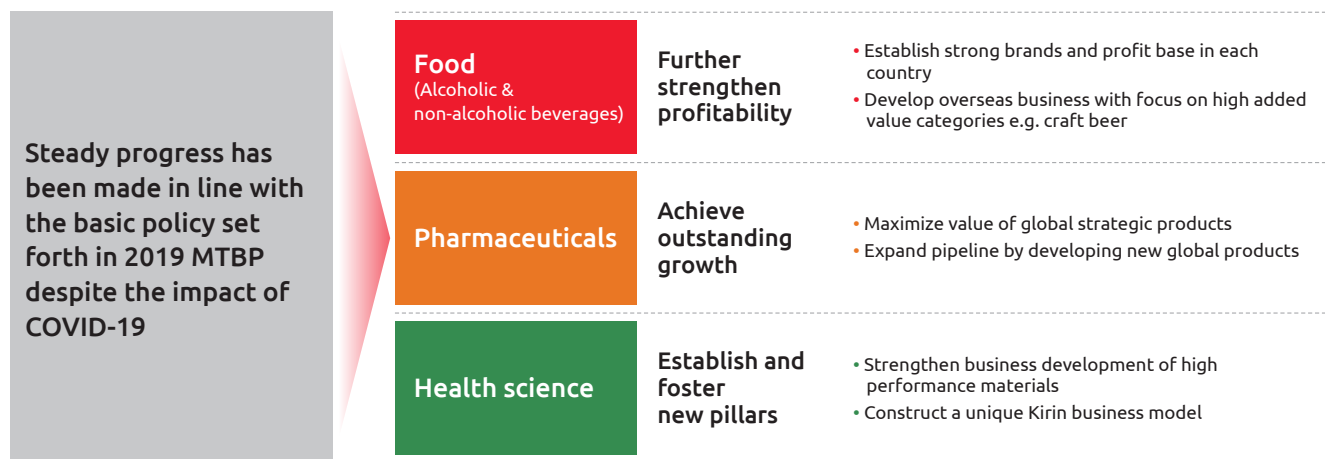
Innovation through digital transformation and HR diversity and inclusion

Q4. How have you strengthened organizational capabilities for innovation by investing in intangible value, as outlined in the 2019 MTBP?

Innovation is ultimately indispensable to sustainable growth. To meet the evolving needs of society and consumers, we must offer new products and services that resonate with our customers. Besides strengthening R&D, we also need to pursue marketing that provides insight into latent consumer needs and wants, while advancing digital transformation (DX). One of the benefits of DX is to reduce costs and generate cash by streamlining operations in existing businesses. For new businesses, DX also helps us create markets. DX is particularly important in the health science domain, where we seek to address individual health concerns.

We will also recruit and develop talent of the highest caliber to manage these businesses. Diversity and inclusion are key to actualizing the full potential of human resources in an organization. This is why we are increasingly recruiting

2019 MTBP Basic Policy



Interview with Top Management

mid-career professionals who have the skill sets and track records we need to take on the challenges of our future growth domains. I believe it will be wise to have mid-career hires make up one third to half of our staff, depending on the department. When people with diverse abilities and experiences interact, their fresh perspectives and insights engender cross-fertilization of ideas that trigger breakthroughs and ignite innovation of unprecedented



value. To this end, we will continue to cultivate a corporate culture where diverse human resources can develop their maximum abilities, and configure a workplace environment conducive to job satisfaction.

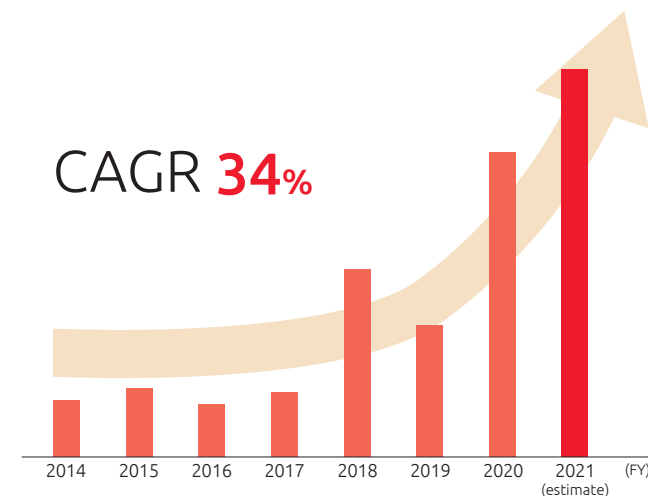
Contributing to resolution of health and environmental issues worldwide

Q5. How is Kirin achieving the goal of becoming a global leader in CSV?

The Group's CSV efforts address key issues in the priority areas of health and well-being, community engagement, and the environment, beginning with our duty as a responsible alcohol producer to promote proper drinking. Among these, health became the prime object of our attention last year due to the COVID-19 pandemic. In 2020, sales of *iMUSE* beverages containing LC-Plasma grew to 2.4 times the previous year's figure. Meanwhile, a non-beverage supplement using LC-Plasma was launched by FANCL, with whom we have a capital and business alliance. We next plan on entering overseas markets to bring these health-supporting products to people around the world.

The "Kirin Group Environmental Vision 2050," issued in February 2020, shifts our aim towards creating positive impact, marking a significant expansion of scope beyond curbing negative impact, which was the focus of Kirin's previous statement on the environment. Here, we are

Sales volume trend for LC-Plasma beverages



pursuing effective initiatives in the four priority areas of climate change, water resources, biological resources, and containers and packaging. Regarding climate change, in November 2020 we joined RE100, a global initiative bringing together businesses committed to sourcing 100% renewable electricity. In December, moreover, the Group's medium-term GHG reduction target commitment was accepted by SBTi*, as a "Business ambition for 1.5°C."

* The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets. Source: SBTi website

Interview with Top Management

Q6. Please describe the results of enhancing diversity in the Board of Directors in fiscal 2020.

The majority of board members are now from outside the company, including women and foreign nationals. This

enhanced diversity has stimulated vigorous, high-quality discussions. Drawing from a wide spectrum of careers and expertise, the board membership has enhanced governance across such key areas as innovation,

investment discipline, and risk management. The majority of Nomination and Compensation Advisory Committee members are independent non-executive directors, the chairperson included.

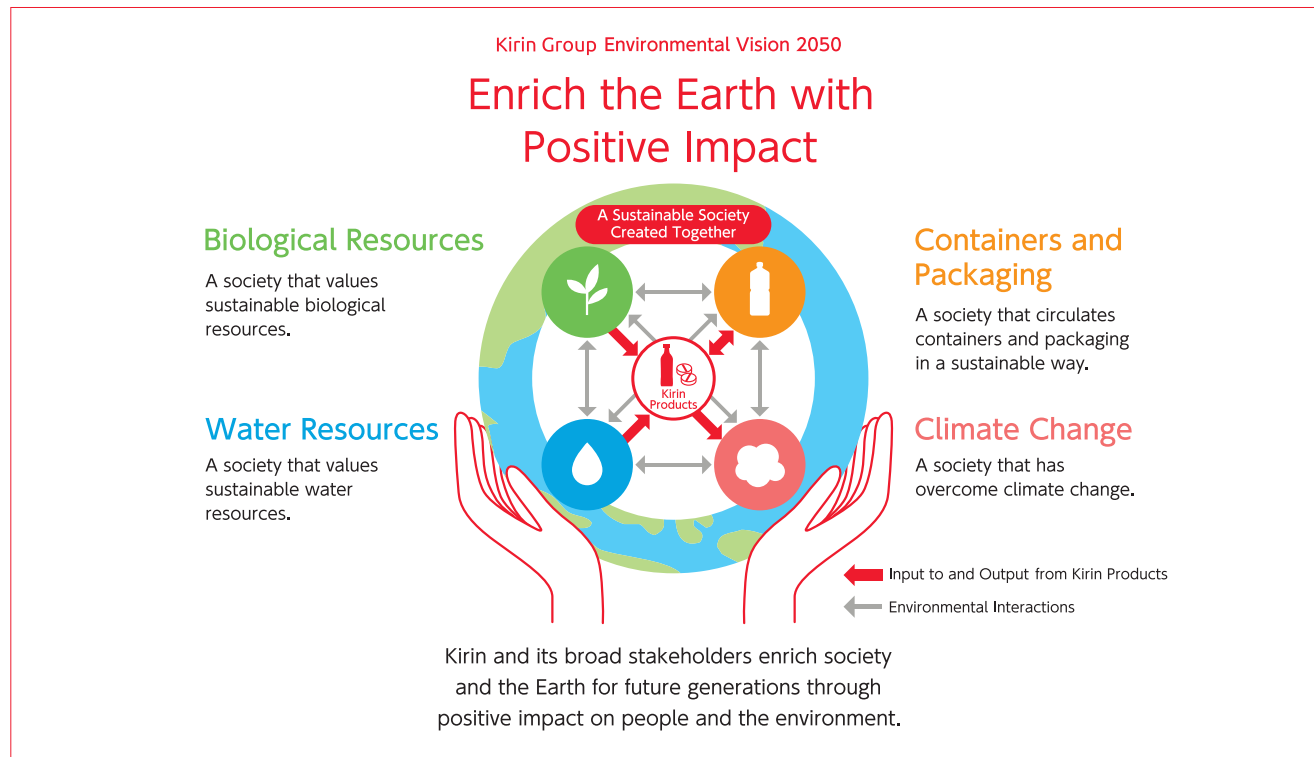
This stakeholder-centric management has earned plaudits for Kirin Holdings, including selection as the grand prize company for "Corporate Governance of the Year® 2020*," sponsored by the Japan Association of Corporate Directors (JACD).

* Corporate Governance of the Year® is a registered trademark of the Japan Association of Corporate Directors.

Gaining sustainable growth toward becoming a global leader in CSV

Q7. Please give a concluding message to our stakeholders.

When the COVID-19 pandemic will end is difficult to predict. Despite the current harsh environment, the Group is firm in its commitment to answering stakeholder needs through CSV management. Sustainable growth is key to attaining our goal of becoming a global leader in CSV. I am grateful for your continued support in these endeavors.



Interview with the Chief Financial Officer

We will work to enhance corporate value by implementing major reforms to our profitability structure while minimizing the impact of the COVID-19 pandemic.

Noriya Yokota

Director of the Board, Senior Executive Officer & CFO



Progress under the medium-term business plan

Sustained efforts on strategic priorities toward the realization of KV2027

Q1. How would you sum up progress in fiscal 2020 and fiscal 2021, which is the final year of the 2019 medium-term business plan?

As stated in the financial forecasts released in February 2021, we expect the COVID-19 pandemic to have a significant negative impact on our financial KPIs for fiscal 2021. While the effects of COVID-19 are likely to be smaller than in fiscal 2020, the pandemic will continue to have an impact, especially in Japan, and we cannot afford to be complacent.

At the same time, the COVID-19 crisis is hastening the environmental changes anticipated in our long-term management vision, KV2027. The Kirin Group is focusing on the realignment of the beer and spirit business toward the off-premise channel, while maximizing the value of global strategic products in the pharmaceutical business. Another priority is the start-up and development of the Health Science business in response to unmet health needs. We have pursued all of these strategies in anticipation of medium- to long-term changes in the external environment. There has been no change in the level of the consolidated normalized operating profit target in KV2027.

However, we recognize that we will need to adjust the trajectory of our growth curve in the period to fiscal 2027. To achieve that, we aim to strengthen our brands in the Food & Beverage domain, develop new businesses that

Interview with the Chief Financial Officer

reflect market changes, and step up investment initiatives designed to strengthen organizational capabilities for innovation, including R&D and information technology. Assuming that the COVID-19 pandemic can be brought under control, we expect our profit to recover to the fiscal 2019 level in fiscal 2022. We will accelerate our strategies toward the realization of KV2027, while also implementing comprehensive cost structure reforms.

Q2. As CFO, what is your view of the impact of the COVID-19 crisis on the consolidated financial results for fiscal 2020, and how have you responded to this unprecedented situation?

Both sales and profit declined year on year in fiscal 2020, with revenue reaching 1,849.5 billion yen and normalized operating profit 162.1 billion yen. The impact of the COVID-19 pandemic was relatively small in the Pharmaceuticals domain, but we estimate that COVID-19 reduced normalized operating profit, especially from our domestic and overseas Food & Beverage domain, by around 66.0 billion yen.

COVID-19 countermeasures in fiscal 2020

Operating cash flow	Urgent cost control measures, prioritized efforts to secure normalized operating profit
Investing cash flow	Prioritization of free cash flow, reduction of non-urgent investment
Financing cash flow	Temporary increase in borrowing to provide cash on hand

As the COVID-19 crisis began to have a significant impact in March 2020, the Kirin Group made course adjustments, including the reassessment of our investment capacity, further tightening of the focus of our investment priorities, and the reduction of non-urgent investment. Our business companies implemented urgent cost control measures that yielded savings of around 30.0 billion yen. These efforts focused primarily on our Food & Beverage operations in Japan and overseas, which were severely impacted by COVID-19.

Business portfolio

Completion of restructuring of low-profit businesses Business portfolio optimization an ongoing priority

Q3. What are your thoughts on Kirin's business portfolio?

Some shareholders and investors expressed doubts about the strategy set down in KV2027 concerning our unique business portfolio, which consists of Food & Beverages,

Pharmaceuticals, and Health Science. However, we can now see that the environmental changes anticipated in KV2027 are occurring earlier due to the COVID-19 pandemic, and we are very confident that our strategy was appropriate.

Our results for fiscal 2020 show that while the Food & Beverages domain was significantly impacted by COVID-19, we achieved sustained growth in the Pharmaceuticals domain. There were also clear signs of business opportunities in the Health Science domain with the emergence of unmet needs in key health-related areas. We can respond to those needs using the fermentation and biotechnology knowledge that we have built in our existing business areas. I will continue to make business portfolio reform my most important priority as CFO.

Q4. Capital market insiders have expressed concern about a conglomerate discount. What is your view as CFO?

During the COVID-19 crisis, there has been increasing interest in our non-beer business areas, and I believe that capital markets now have a better understanding of our strategies. However, the markets are still not convinced of the achievability of our strategies, and we recognize the need to respond to these concerns by creating synergies and building a track record of growth in the Pharmaceuticals and Health Science domains. Furthermore, because we only hold 53.8% of shares in Kyowa Kirin, which is active in the Pharmaceuticals domain, not all of that company's growth will be captured within the Kirin Group. We are also aware of the issues concerning parent-child listings. We will consider our future direction while working to maximize the growth

Interview with the Chief Financial Officer

of the pharmaceutical business and group-level synergies.

In fiscal 2019 we acquired a 33% stake in FANCL Corporation, which is part of the Health Science domain. In fiscal 2020 we implemented channel-related initiatives, including the sale of Kirin Group products on the FANCL website. We will continue to focus on synergy creation through product development and the improvement of functional efficiency.

Q5. What progress have you made toward the restructuring of low-profit businesses?

In January 2021, we completed the sale of our entire shareholding in Lion Dairy & Drinks, which was one of the businesses classified as low-profit under the previous medium-term business plan. Going forward, we aim to achieve growth by concentrating Lion's resources toward alcoholic beverages and high-added value beverages. We believe that this sale represents significant progress



toward the goal of restructuring and revitalizing low-profit businesses. We will continue to monitor the profitability and efficiency of our businesses, and to consider and implement the measures needed to achieve this.

Cash allocation

Emerging impact of COVID-19 Emphasis on a balance between growth and financial soundness

Q6. What is your approach to cash allocations?

The cash inflows projected during the three-year period of the 2019 medium-term business plan included cash flows of 700.0 billion yen from operating activities. We expect that the impact of COVID-19 will cause the actual figure to fall short of that amount by around 170.0-180.0 billion yen. Progress on asset sales exceeded our goals, including the achievement of the target for the reduction of cross-

shareholdings in the second year of the plan, despite the fact that the sale of Lion Dairy & Drinks, which we planned to complete in fiscal 2019, was delayed until fiscal 2021.

On the cash outflow side, we have tightened our selection criteria for capital expenditure and taken a disciplined approach with the aim of maintaining and improving capital efficiency across the entire group. We will give priority to dividends in accordance with the policy defined in the medium-term business plan, but we will basically postpone large-scale M&A and other types of growth investment because of the anticipated impact of the COVID-19 pandemic.

Our goal for financial discipline is to achieve a positive free cash flow after dividends in fiscal 2021, including the cash inflow from the sale of Lion Dairy & Drinks. We will continue to maintain a balance between growth and financial soundness by effectively controlling cash outflows according to cash inflows.

Cash inflows and outflows (Billions of yen)

		FY2019	FY2020
Cash inflows	Operating cash flow	178.8	164.8
	Asset sales	64.2	21.5
Cash outflows	Capital investment	96.4	93.0
	Dividends	65.2	70.1
	Growth investment	130.0	40.0

Interview with the Chief Financial Officer

Q7. What is your thinking on investment targeted toward the strengthening of organizational capabilities for innovation in such areas as branding, R&D, digitalization, HR, and organization?

We see the enhancement of our organizational capabilities for innovation through investment in intangible assets as an essential requirement for the realization of KV2027.

We are already seeing the benefits of continual investment in the areas of marketing and R&D. However, I believe that we need to accelerate our investment in digitalization, HR, and organizational capabilities. We are making progress on initiatives in the area of digitalization, including the introduction of an enterprise system that will form our infrastructure for the achievement of digital transformation (DX). Information technology infrastructure will also play a role in efforts relating to HR and organizational capabilities, including the KIRIN Work Style 3.0 “Job Satisfaction” reform that we launched in fiscal 2020 to boost employee motivation. In addition, we will continue to recruit the human resources needed to accelerate our initiatives, especially in the Health Science domain and the digitalization area, and to build an organization capable of realizing the potential of diversity.

Q8. How would you assess the state of the balance sheet?

In fiscal 2020, we responded to an increasingly uncertain outlook by prioritizing measures to secure cash on hand, and the resulting increase in interest-bearing debt caused the gross debt-to-equity ratio to rise to 0.77 times. At the same time, we had significant success in our efforts to

secure profits through initiatives that included the sale of cross-shareholdings and Lion Dairy & Drinks, as well as comprehensive cost control measures. As a result, we have been able to fund volatile assets, including growth investment, within the scope of capital, and to maintain those assets at a healthy level from a balance sheet perspective. There will be a continuing need for investment to support medium- to long-term growth. We will continue to maintain investment discipline while ensuring that balance sheet soundness is reflected in our decision-making.

Q9. What is your thinking on shareholder returns?

Our cash flow plan has been significantly impacted by the COVID-19 pandemic. However, we will continue to maintain stable dividends in line with our existing policy. Under the 2019 medium-term business plan, we have raised our consolidated dividend payout ratio to “40% of normalized EPS or higher,” and in fiscal 2020 we increased the dividend by one yen over the previous year’s level to 65 yen, as stated in our initial plan.

Kirin has never reduced its dividend since it was listed on the stock exchange, and in fiscal 2021 we again plan to pay a dividend of 65 yen, despite the lingering effects of the COVID-19 pandemic, especially in the Food & Beverage domain. I believe that by consistently paying stable dividends we are responding to the wishes of our shareholders, and we will continue to provide appropriate returns.

In addition, we bought back shares worth 100.0 billion yen between fiscal 2019 and fiscal 2020. We will make



decisions on future buy-back programs while monitoring the recovery of operating cash flows.

A message to stakeholders

Our priority in fiscal 2020 was crisis response. We see fiscal 2021 as year in which we will return to a growth track.

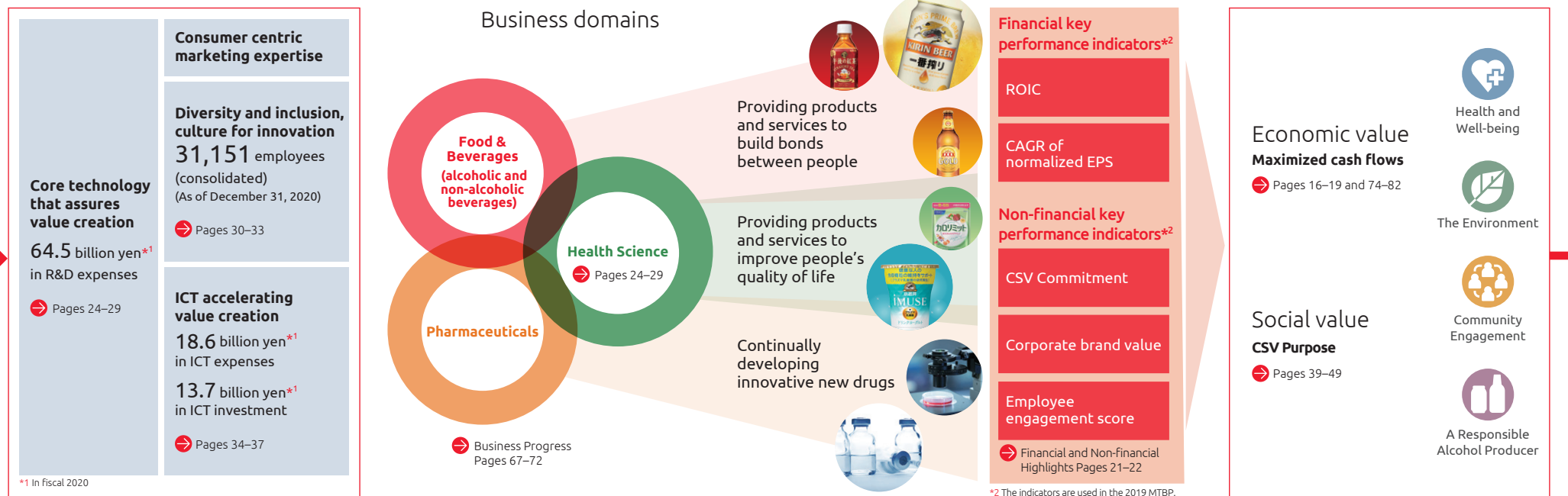
Q10. Finally, what message would you like to share?

In fiscal 2020, we focused on responding to the crisis triggered by the spread of the COVID-19 pandemic. In fiscal 2021 we will take our first steps toward emergence from a crisis management situation, and the achievement of a recovery to our pre-COVID profit level. It will be a pivotal year for our efforts to return to a growth path and achieve the KV2027 goals. As CFO, I will work to ensure that resources are allocated in ways that lead to sustainable growth, while taking both short-term and medium- to long-term perspectives into consideration.

Kirin's Value Creation Model

Kirin Group 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 → Pages 6-7

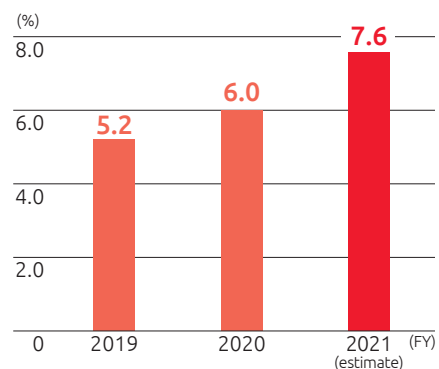


Financial and Non-financial Highlights

Financial Key Performance Indicators

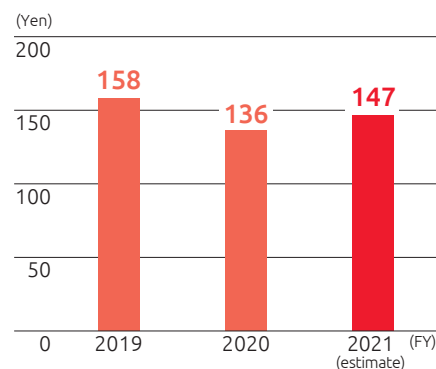
Capital efficiency indicator—Return on invested capital (ROIC)

The ROIC target of 10% in the 2019 medium-term business plan is unlikely to be achieved due to the impact of COVID-19.



Profitability and growth performance—Normalized EPS

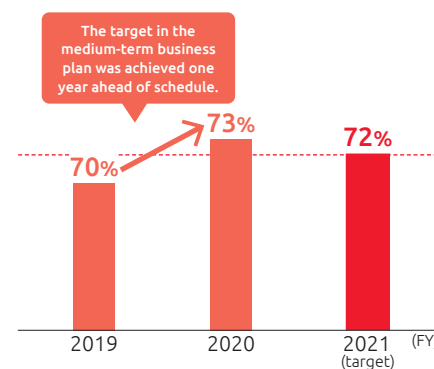
Normalized EPS was pushed down by a decline in operating profit, with the result that target of average yearly growth of 5% or higher in the 2019 medium-term business plan was not achieved.



Non-financial Key Performance Indicators

Employee engagement score

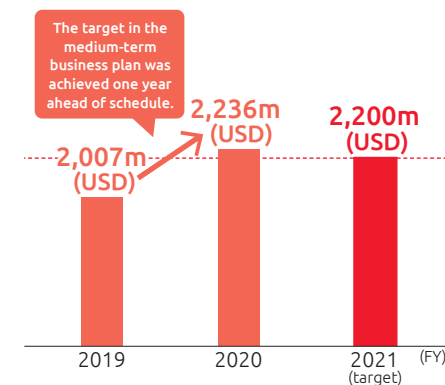
The 72% target in the 2019 medium-term business plan was achieved one year ahead of schedule.



Corporate brand value

The target of USD 2,200 million in the 2019 medium-term business plan was achieved one year ahead of schedule.

Source: Best Japan Brands published by Interbrand



Financial and Non-financial Highlights

Non-financial Key Performance Indicators

CSV Commitment*1

[KG] The Kirin Group [KH] Kirin Holdings Company, Limited [KB] Kirin Brewery Company, Limited [KBC] Kirin Beverage Company, Limited [ME] Mercian Corporation [LN] Lion Pty Limited [MBL] Myanmar Brewery Limited [KHB] Kyowa Hakkō Bio Co., Ltd. [KKC] Kyowa Kirin Co., Ltd.

	Commitment	CSV Commitment indicator	FY2019	FY2020	Companies included
A Responsible Alcohol Producer	0.1 Responsible drinking/passing a culture of enjoying alcoholic beverages to the next generation	Number of participants in appropriate drinking education programs / number of viewers of drinking manner advertisements	1.007 million participants/viewers	1.955 million participants/viewers	[KB] [ME] [LN] [MBL]
Health and Well-being	1.1 Supporting self-care for healthy people and people with pre-disease	Development and expansion of sales of no- and low-sugar, low-calorie products and products with positive health effects	109% (compared with fiscal 2018)	106% (compared with fiscal 2018)	[KBC]
	1.2a Creating new value for healthy people and people with pre-disease	Number of countries capable of purchasing Kirin-made ingredients with positive health effects (and total population)	2 countries (220 million people)	5 countries (1.28 billion people)	[KH]
	1.2b Creating new value by supporting self-care for healthy people and people with pre-disease	Number of patients using products made with our raw materials + number of consumers of health foods	23.8 million people	19.26 million people	[KHB]
	1.5 Health and productivity management	Stress checks ("psychological lively") score	112	117	[KH] [KB] [KBC] [ME] [KKC]
	1.6 Safety and security of our products	Certification rate for GFSI-recognized schemes	62%	95%	[KG]
Community Engagement	2.2a More sustainable production of raw materials	Japanese hops procurement	128 tons*2	119 tons	[KB]
	2.2b More sustainable production of raw materials	Number of visitors who purchased our products at our cellar doors and winery shops	34,178 people	20,559 people	[ME]
	2.2c More sustainable production of raw materials	Contracted farming ratio of procured rice for brewing	Conducted trial brewing aimed at contract farming beginning in fiscal 2020	6.7%	[MBL]
	2.2d More sustainable production of raw materials	Number of small-scale farmers supported for acquisition of Rainforest Alliance certification	120 farms	2,000 farms	[KH] [KBC]
	2.2e More sustainable production of raw materials	Ratio of SEDEX membership in 1st tier suppliers	75%	98%	[LN]
The Environment	3.1 Actions regarding climate change	Group-wide GHG emission reduction ratio: Sum of Scope 1 and Scope 2, Scope 3	Scope 1+2*3: 8.5% Scope 3*3: 12.7% (both compared with fiscal 2015)	Fiscal 2020 results pending	[KG]
	3.2 Actions regarding water resources	Unit water consumption reduction rate in fiscal 2021	27% (compared with fiscal 2015)	28% (compared with fiscal 2015)	[MBL]
	3.3 Actions regarding biological resources	Use of FSC-certified paper or recycled paper for office paper	97.4%	100%	[KH] [KB] [KBC] [ME]
	3.4 Actions regarding containers and packaging	Conversion rate of PET bottle resin to recycled resin	1.9%	1.5%	[KBC] [KB] [ME]
	3.5 Reduction of food waste	Rate of product waste reduction	44% (compared with fiscal 2015)	Fiscal 2020 results pending	[KB] [KBC] [ME]

*1 Excluding items already achieved or for which targets are still being set

*2 If appropriate measures are not taken, fiscal 2027 amounts are projected to be half.

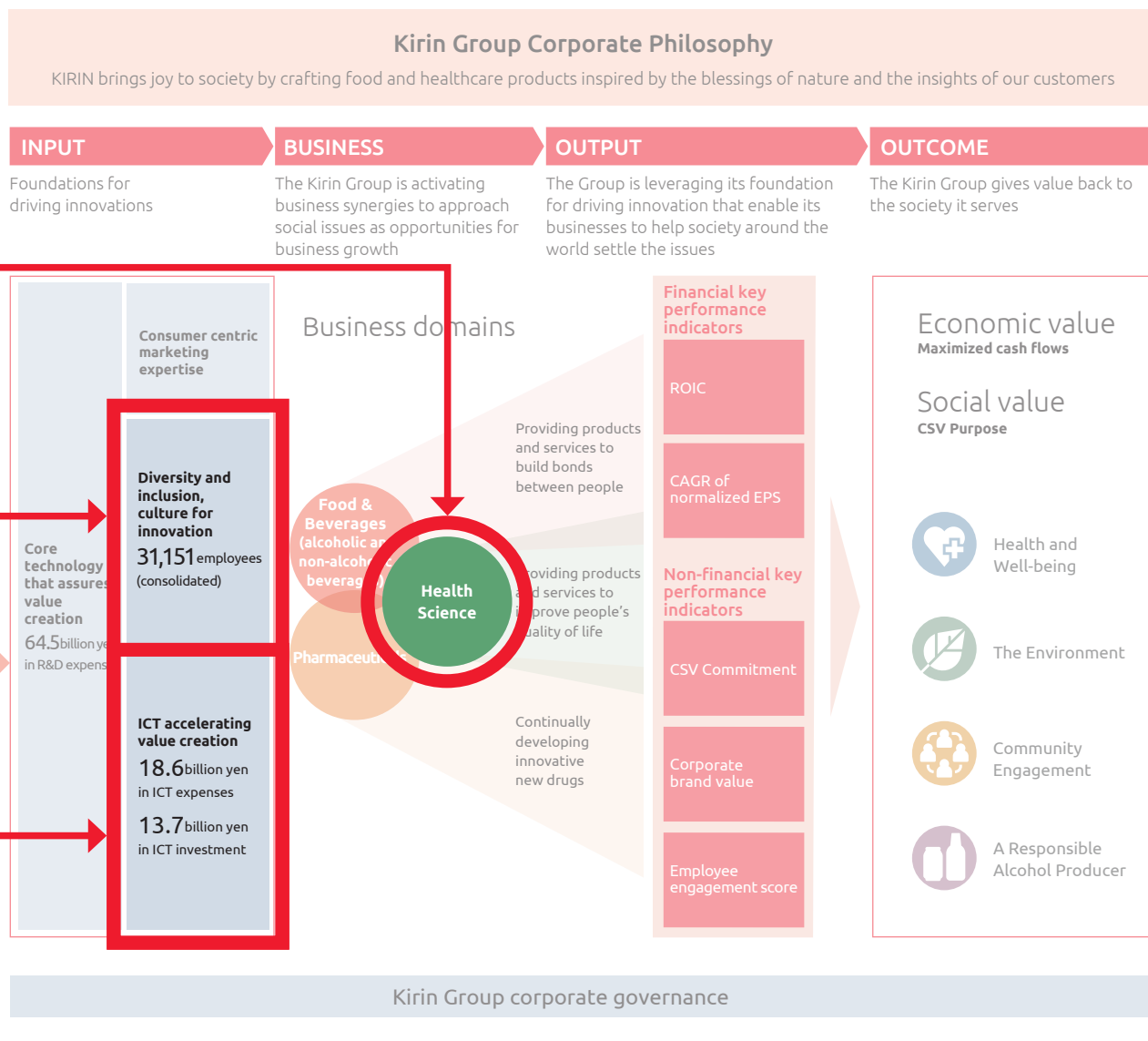
*3 Scope 1: Direct GHG emissions by the business entity itself / Scope 2: Indirect emissions resulting from the use of electricity, heat, and steam supplied by other companies / Scope 3: Emissions other than Scope 1 and Scope 2

Growth Drivers

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Kirin's Value Creation Model



Special Feature **1**

Health Science Strategy

Immunity

Brain Function

Gut Microbiome

By focusing investment on strategic materials in priority areas, foster the next generation pipeline

We have strengthened our commitment to the Kirin Group’s Health Science strategy, the aim of which is to create economic and social value by utilizing our core competencies in the fields of fermentation and biotechnology to contribute to solutions for health problems. Currently, our target markets are Japan and the United States, which together account for around one-third of the global market for consumer products. For corporate products, we will expand into Asia and Europe, in addition to Japan and the United States.

Our Health Science strategy is divided into four layers. The base layer consists of health-related materials and “seeds” (potentially useful substances), which are positioned as high-profit specialty areas. In addition to the development of our business-to-business (BtoB) operations, we will also expand our core supplement business by approaching target groups in the beverages and food categories. In addition, our concept calls for the provision of high-value-added personalized solutions for health issues.

The three priority areas selected as we work to realize this strategy are immunity, brain functions, and the gut microbiome. These markets are expected to expand from 2.6 trillion yen in fiscal 2020 to 4.8 trillion yen in fiscal 2027.

The Kirin Group will initially focus on the expansion of the immunity field. Our medium- to long-term goal is to

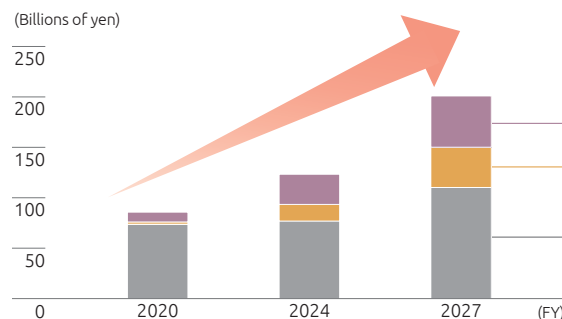
create economic and social value by achieving synergies across the three priority areas. Our targets for the Health

Science domain are 200 billion yen in revenue and a normalized operating profit margin of 15% by fiscal 2027.

Strategy overview



Roadmap: Revenue of 200 billion yen and a normalized operating profit margin of 15% by fiscal 2027



	FY2020	FY2027
Immunity	¥8.6 _{bn}	¥50.0 _{bn}
Brain function	¥3.1 _{bn}	¥40.0 _{bn}
Amino acids, gut microbiome, etc.	¥73.2 _{bn}	¥110.0 _{bn}

* Excludes equity in earnings of FANCL (but includes synergies)



Health Science Strategy

Value creation through collaboration among group companies

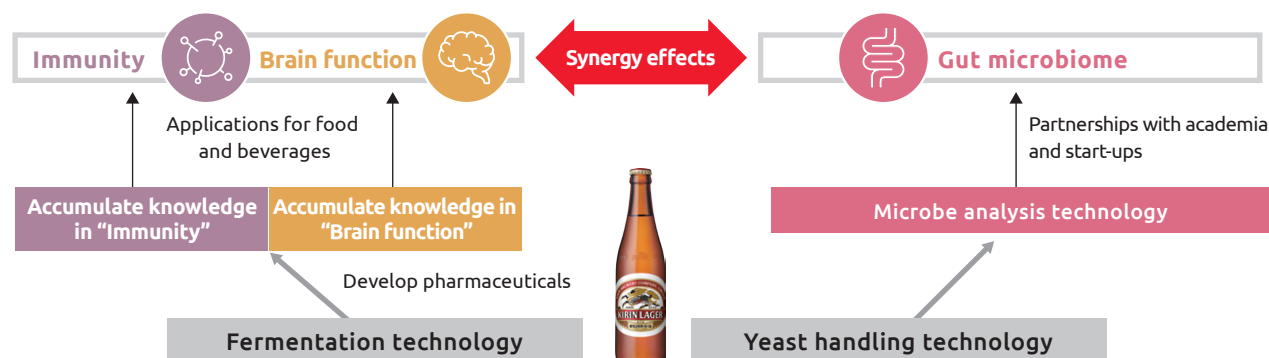
Building success on the fermentation and biotechnology knowledge and capabilities of the Kirin Group

The Kirin Group originated as a manufacturer of beer. It has since created a wide variety of products using technologies developed to brew large quantities of beer through the control of yeast microorganisms. This background in brewing technology has enabled us to expand into the pharmaceutical business with considerable success. Similarly, technologies that evolved from our brewing expertise have played a key role in research and development in the three priority areas identified in our Health Science strategy.

The two core areas for Kirin's pharmaceutical business are immunity and the central nervous system. Using our accumulated knowledge in these areas, we supply food ingredients with immunity and brain function benefits. Our expertise in handling yeast has also enabled us to develop technology for analyzing microorganisms. Collaboration with academic institutions based on these technologies has led to the development of gut microbiome analysis technology.

The three priority areas for our Health Science strategy are deeply interlinked. For example, there is close interaction between immunity and the gut microbiome, to the extent that the intestine has been described as our largest immune organ. Recent research has also highlighted close interaction between the gut and brain in a relationship known as the "gut-brain axis." The Kirin Group aims to improve people's health by working to provide food-based solutions in the

Creating economic and social value through synergies in three priority areas



All 3 priority areas are offshoots of Kirin's beer brewing technology

three closely interrelated fields of immunity, brain function, and the gut microbiome.

Business expansion in the Health Science domain driven by closer cooperation between Kirin Group companies and FANCL

Going forward, we will create new value based on fermentation and biotechnology by utilizing the results of research into the Kirin Group's original ingredients and their health functions, and by utilizing the microbial metabolic control technology of Kyowa Hakko Bio.

Through its partnership with FANCL, the Kirin Group has developed products based on applied research as well as R&D. We have created an integrated value chain that

encompasses marketing and sales, including direct sales, of cosmetics and health foods. Our traditional business model relied on sales of mass-market products based on R&D and functional raw materials created through R&D. That approach alone cannot guarantee the success of our Health Science strategy.

Kyowa Hakko Bio has low-cost high-volume production technology, while the Kirin Group companies excel in developing and supplying beverages and other products to meet consumer preferences. By further strengthening our alliance with FANCL, we will develop our business in the Health Science domain through the development of products that match customer needs, and the supply of those products through business-to-business, business-to-consumer, and direct-to-consumer channels.

Immunity

Brain Function

Gut Microbiome



Health Science Strategy

Creating an immunity market with LC-Plasma

Create a new immunity market in various food and beverage categories

In August 2020, we succeeded in registering five *iMUSE* brand products with the Japanese authorities as Japan's first Foods with Function Claims (FFCs) relating to immunity. These products contain LC-Plasma (*Lactococcus lactis* strain Plasma). As of April 2021, only LC-Plasma products can be labeled as foods with immunity-related function claims in the Japanese food market. Our marketing for these products includes clear messaging to consumers about the solid evidence indicating that LC-

Plasma can help to maintain immunity in healthy people.

There is also evidence that LC-Plasma is effective even when nonviable. Unlike viable bacteria, which require chilled storage, LC-Plasma can be handled in various types of factories and used in a wide range of foods. In addition to developing consumer products, the Kirin Group is also working to expand business-to-business sales channels.

We aim to increase the Kirin Group's share of the market for lactobacillus products with immunostimulation functions from around 3% in fiscal 2019 to 10% in fiscal 2021 by building a portfolio of LC-Plasma products to meet consumer needs, and by marketing them through various sales channels.

Meeting consumer needs with a portfolio of products containing LC-Plasma



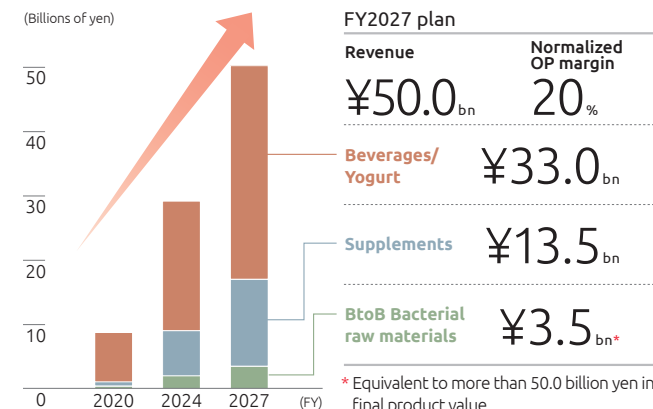
	Supplements	Beverages / yogurt	Other food and beverages
DtoC	<ul style="list-style-type: none"> FANCL (in-store, EC) * Including China cross-border EC Kyowa Hakko Bio (EC) Vending machines/home deliveries 	<ul style="list-style-type: none"> FANCL immune support <i>iMUSE</i> supplements 	<ul style="list-style-type: none"> Kirin Beverage drinks Koiwai home delivery service
BtoC	<ul style="list-style-type: none"> Distribution (DgS, Pharmacies, CVS, External EC, etc.) 	<ul style="list-style-type: none"> <i>iMUSE</i> supplements FANCL immune support 	<ul style="list-style-type: none"> Kirin Beverage drinks Koiwai yogurt
BtoB	<ul style="list-style-type: none"> Sales to companies, etc., outside of the Kirin Group 	<ul style="list-style-type: none"> Corporate sales of Kirin <i>iMUSE</i> supplements 	<ul style="list-style-type: none"> In discussion with major companies

Immunity

Brain Function

Gut Microbiome

Quantitative plan for LC-Plasma (immunity area)



New products launched to meet consumer needs through collaboration with FANCL

The Kirin Group is also making progress with the creation of synergies with FANCL, which directly operates its own retail outlets. In fiscal 2020, Kirin Brewery and Kirin Beverage moved ahead of schedule to launch collaborative products with FANCL. FANCL has also begun selling *Men'eki Support* (immunity support), an FFC that contains LC-Plasma. This capital and business alliance is yielding significant benefits, including the approval of *Men'eki Support* as an FFC approximately three months after the approval of Kirin's products.

We will continue working to create synergies by developing new beverage brands containing LC-Plasma, strengthening our e-commerce business, and consolidating manufacturing sites.



Health Science Strategy

Executive comments on the outlook for immunity-related products

Immunity

Brain Function

Gut Microbiome



Tamaki Sano
General Manager,
Health Science Division

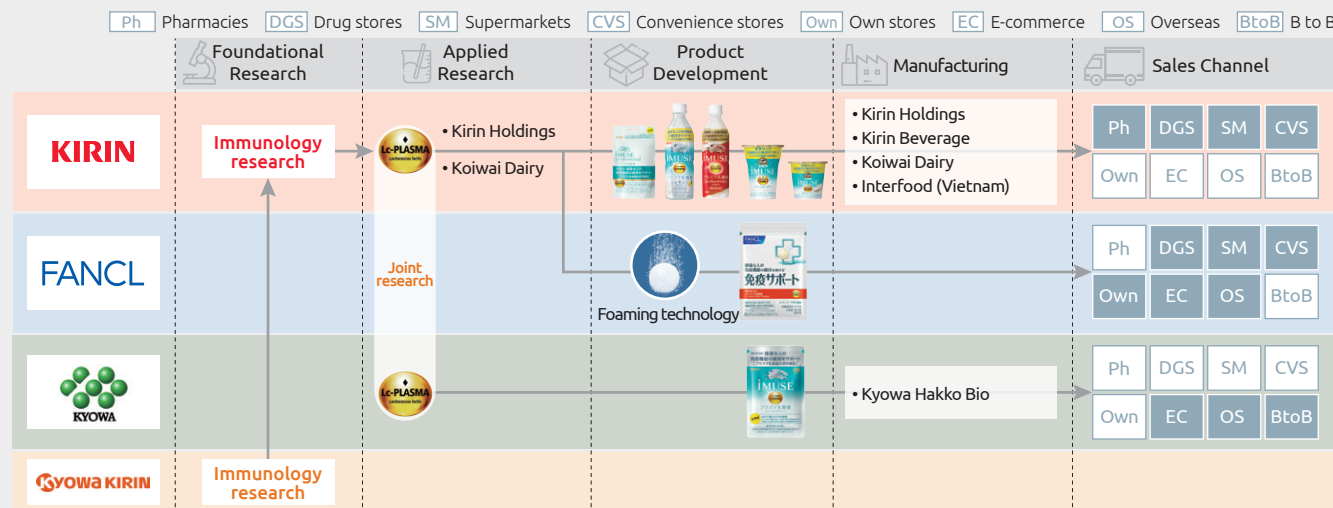
PROFILE Tamaki Sano joined Kirin in 1994. She developed and launched the *Kirin Hyoketsu brand* in 2001, and in 2010 she was seconded to Lion-Dairy & Drinks in Australia. She started up the Business Creation Department in 2016 and is currently General Manager of the Health Science Division.

Kirin will intensify its immunology research in order to offer more value-added health products to people throughout the world.

The Health Science business is built on a foundation of immunology research made possible by knowledge accumulated by the Kirin Group through its work with yeast and lactic acid bacteria over a period of more than 35 years. Food plays a pivotal role in the maintenance of immune functions. A key feature of our approach is use of findings from our immunology research in the development of food products.

By working with companies within and beyond the

Vertical integration of value chains with group companies



group, we have been able to bring a diverse range of perspectives to this new business. For example, Kyowa Hakkō Bio is engaged in e-commerce sales of supplements and has extensive expertise in overseas business-to-business marketing. We have also established a capital and business alliance with FANCL, which has a reputation for developing products that meet customer needs under its “Market-in” concept. We aim to expand the business by combining the strengths of these and other companies.

We have also focused from the outset on the global expansion of this business. To achieve that, we need to raise awareness in Japan and overseas about the remarkable functional benefits of LC-Plasma. The name

iMUSE was created from the English word “immunity” and reflects the need to inform consumers about the vital importance of immunity.

Assuming that our competitors around the world would also move into the Health Science domain in the future, we need to differentiate the Kirin Group by deepening our fundamental research.

Maintaining the immune system not only prevents infections, but also preserves muscle strength and skin health and prevents declines in immunity after exercise. For those reasons, we will continue to help people worldwide to enjoy health by providing products and services that offer real value.

Special Feature **1** Health Science Strategy

Market development using global strategic materials

Immunity

Brain Function

Gut Microbiome

Expanding Kirin's presence in the pharmaceutical and health food markets with the strategic brain function ingredient Citicoline

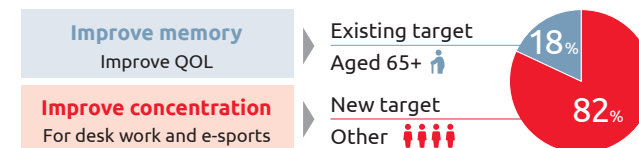
The Kirin Group is working to expand its business in three priority domains. In addition to LC-Plasma, we have also identified Citicoline and Human Milk Oligosaccharide (HMO), which were developed by Kyowa Hakko Bio, as global strategic materials that will help us to achieve that goal.

Kyowa Hakko Bio uses fermentation-based product technology developed through its amino acid business to supply a wide range of raw materials for use in the food, health science and healthcare areas and is working to expand its sales of strategic materials. In the brain function field, for example, the world market for Citicoline for use in pharmaceuticals and health foods reached 10.7 billion yen

in fiscal 2018 and is expected to grow by an average of 7% per year until fiscal 2027. We anticipate a growing need for products to prevent age-related brain function decline and enhance concentration and performance among people of all ages in Japan and overseas. This demand is expected to drive dramatic growth in the market for Citicoline.

Kyowa Hakko Bio is preparing for this market growth by expanding its supply capacity. It has already started to enlarge production facilities at its Yamaguchi Production Center, where production of Citicoline for use in health foods is expected to commence in the summer of fiscal 2023. It plans to start production for use in pharmaceuticals in fiscal 2026. In addition, it will use its global sales structure to build its presence in the health food market with the aim of capturing around 50% of the world market by fiscal 2027.

Health food ingredients (EU, USA)



Expanding our range of products containing Human Milk Oligosaccharide

Another strategic material is Human Milk Oligosaccharide (HMO). There is already an expanding market for HMO as a powdered milk ingredient, but we also anticipate growth in the global market for foods and supplements with functions that include the improvement of immunity, brain functions, and the gut microbiome. We estimate that the market will grow by an average of 30% per year until fiscal 2027.

Kyowa Hakko Bio is using its unique R&D capabilities to expand its range of new functional products and bring them to market as quickly as possible. It aims to capture 10% of the world market by fiscal 2024.

The Kirin Group also has many unique ingredients other than those identified as global strategic materials. We will continue to engage in research leading to value creation in the future.

Extensive lineup of global strategic materials and other unique ingredients

Immunity	Brain function	Other
LC-Plasma Directly activates pDC*, the "commander in chief" of the immune system	Citicoline Protects brain cells from damage	Ornithine Recovery from fatigue
Human Milk Oligosaccharides Promotes immune system development and brain development in infants		Citrulline Keeps blood vessels young
KW lactic acid Conditions immune balance	β-Lactopeptide Helps maintain cognitive function	Arginine Basic nutrient
Glutathione Prevents oxidative stress, improves immune function	Aged hops Improves attention and concentration, anti-obesity effect	

* pDC: plasmacytoid dendritic cells

Legend: Global strategic material

Uses of HMO





Health Science Strategy

Comments from an Independent Non-executive Director

Immunity

Brain Function

Gut Microbiome

There will always be a need for businesses that support health and well-being.

Kirin's fermentation technology and biotechnology help people to maintain good health.

Because the Kirin brand is so strongly associated with beer, many people are surprised to learn that Kirin is also engaged in the Health Science business. Kirin owns a pharmaceutical company and has a strong R&D department, so its expansion into this area was perhaps inevitable. A key advantage for the Company is the advanced knowledge of fermentation and biotechnology that it has accumulated since its founding. Traditionally its business activities have focused on liquor, especially beer, and other beverages. However, the Health Science domain offered opportunities for it to use its technology to provide products and services that would help people to maintain their health, and the decision to expand into this area made perfect sense strategically.

People are all unique in terms of their physical condition, health status, health needs, and ideas about health.

While the liquor and Health Science domains are based on the same technologies, there are differences in the marketing approaches used. Beer is basically sold through mass-marketing, typically at general merchandise stores. In contrast, Health Science products require customized marketing geared toward individual needs. This is because every person is unique in terms of their physical condition, health status, health needs, and ideas about health. This

kind of targeted marketing will not be possible without digital transformation (DX). The Kirin Group has already attracted a wide spectrum of consumers across all age brackets through mass-marketing. Going forward, the ability to identify individual needs accurately through DX will be a major driving force for a wide range of business areas, including not only the Health Science domain, but also alcoholic and non-alcoholic beverages and food.

Kirin strives to communicate using clear language and words and that resonate with consumers.

The keys to good communication in the Health Science domain are clarity and the use of words that will resonate with consumers. That requires a combination of technical language about immunity and intestinal health with clear and simple messages about how products will help people to stay healthy.

FANCL is a company that has built its business by helping consumers to find solutions to health and beauty problems. Collaboration with FANCL would generate mutual benefits by combining Kirin's technology and R&D capabilities with FANCL's broad appeal to health-conscious consumers.

Bringing health and happiness to society is especially important during the COVID-19 crisis.

Businesses that help people to stay healthy are essential in any era. This is especially true at present because of the

COVID-19 pandemic, which has raised concern about health maintenance and immunity to an unprecedented level. These needs are another reason for Kirin to accelerate the development of its Health Science business.

I have worked in a wide range of industries, including entertainment, pharmaceutical, fitness club operation, and medical equipment. As a supplier of products that enhance the enjoyment of life, the Company has much in common with the entertainment industry. Similarly, my experience in the pharmaceutical and medical equipment industries is relevant to Kirin's efforts to support health through its Health Science business. I look forward to using my experience and knowledge to contribute to the success of Kirin's new business.

Noriko Shiono

Independent Non-executive Director of the Board

PROFILE After working as a marketer for Disney, Noriko Shiono moved on to the consumer healthcare industry and took CEO roles at SSP Co., Ltd. and Konami Sports Co., Ltd. She is currently CEO of Widex K.K. She has been an Independent Non-executive Director of Kirin HD since 2020.



Special
Feature **2**

Human Resource Strategy

Human Resource Management

Promoting Diversity

Fostering Organizational Culture

Onboarding

Workplaces in which employees can achieve their limitless potential

Our basic philosophy on human resources is guided by a belief in the limitless potential of human beings, and by an unchanging commitment to respect for the efforts of individual employees to achieve continuous personal growth and development. In our Basic Philosophy on Human Resource Management, we define the relationship between the company and its employees as an equal partnership through work. We expect every employee to take ownership of their careers and the design of their work, in line with our pledge to respect and support autonomous individuals by providing working environments in which all can achieve their full potential.

Integrated management strategy and human resource strategy

The Kirin Group Vision 2027 (KV2027) is focused on the achievement of further growth in our existing business domains (Food & Beverages, Pharmaceuticals), and the launch and development of new businesses in the Health Science domain. Securing the human resources needed to drive this strategy is a key priority.

Traditionally we have built our human resources primarily through mass recruitment of new graduates. However, we also bridge gaps in the human resources needed to realize our management strategy through in-house training people and active external recruitment.

Another priority is the development of a culture in which employees can realize the full potential of their diverse values and experiences.

Strengthening mid-career and new graduate recruitment and human resource management

We have expanded mid-career recruitment as way of attracting people with specialized knowledge and experience in such areas as Health Science and ICT/DX. We began to hire significant numbers of mid-career recruits in fiscal 2015, and to date approximately 150 people have become Kirin Holdings employees through this process. We plan to maintain the ratio of mid-career recruits at 30% or more of total recruitment.

We are strengthening our organizational potential by recruiting and deploying people with advanced specialist knowledge from outside of the Group. We are seeing positive changes in decision-making processes and human resource development following the promotion of mid-career recruits to management-level positions with a certain amount of authority. These changes are also helping to strengthen our product brands and the value of our corporate brand.

We are also attracting diverse people through our graduate recruitment program. After graduates join Kirin, we help them to develop specialist skills by enabling them to experience various tasks. We also recruit new graduates with specialist knowledge and deploy them to work categories and organizational units that match their abilities, based on skill assessments at the time of

recruitment. People are attracted to the Kirin Group because they can choose their own career paths, and because we support their progress along those paths.

Both the labor market and individual attitudes to career development have changed in recent years. During fiscal 2021, we will adapt to these changes by partially introducing measures to strengthen our human resources through increased recruitment of diverse people with advanced skills, including mechanisms to reward advanced specialist knowledge, and the acceptance of part-time workers who are also self-employed or have positions in other organizations.

We are also improving our human resource management systems to train management talent capable of driving our growth strategies and playing a core role in our business activities. We will strategically train and deploy Kirin Group management candidates, including approximately 1,100 general employees transferred from key business companies in Japan to Kirin Holdings in April 2020.

Number of employees recruited

	FY 2017	FY 2018	FY 2019	FY 2020
Number recruited (employed by Kirin Holding)	96	91	101	173
Subtotal: New graduates	81	72	75	103
Subtotal: Mid-career recruits	15	19	26	70
Percentage of mid-career recruits	15.6%	20.9%	25.7%	40.4%



Human Resource Strategy

Promoting diversity and inclusion

Human Resource Management

Promoting Diversity

Fostering Organizational Culture

Onboarding

Embracing diversity and inclusion

For many years the Group has worked to promote diversity, including career development for women, the provision of opportunities for seniors and people with disabilities, and initiatives to support minorities. We have also adopted family-friendly systems, including measures to enable male employees to play a more active role in their families. Our aim is to drive innovation by creating an environment in which individuals with diverse backgrounds, values, sensitivities, and experience are accepted regardless of their personal attributes, and in which their input is valued and combined with other ideas.

As part of this commitment, we formulated the Kirin Women's Network 2021 (KWN2021) program in fiscal 2013. The aim of this program is to triple the percentage of leadership positions held by women in fiscal 2013 to 12% by fiscal 2021. In fiscal 2020 the ratio reached 9.7% thanks to a range of initiatives, including "advance career formation," a system that helps women to increase their areas of expertise through work experience ahead of major life events, such as marriage and childbirth, and the "Kirin Women's College" program, through which women learn

Percentage of leadership positions held by women

FY2017	6.1%
FY2018	7.6%
FY2019	8.4%
FY2020	9.7%

strategy development and leadership skills. We will continue to promote women to decision-making roles. Our goal is to increase the percentage of leadership positions held by women to 30%, which is regarded as the threshold for change in corporate culture, by fiscal 2030.

The Kirin Group is also working to enhance the internal diversity of its human resources and lower the barriers separating those within and outside of the company, as part of efforts to energize the organization, create new value, and drive innovation. We actively create opportunities to encounter diverse perspectives and thought patterns through exchanges of personnel within and beyond the group and between Japan and overseas. We are also using the part-time worker system and various training programs to encourage employees to take ownership of their work by expanding their perspectives and applying diversity to their day-to-day activities.

Building a vibrant corporate culture

To create value across business domains ranging from food to healthcare, we need employees to deepen their commitment to reciprocal understanding across our business areas, and to the realization of KV2027. We are achieving this by disseminating our management philosophy and vision to group company employees through dialogue with business companies and support for their initiatives.

We prioritize the training of management leaders to implement our philosophy in the business frontline. We are strengthening our capacity to train the talent needed to

manage the group and its businesses by developing and administering recruitment, deployment, and training systems in collaboration with business companies.

One of the goals in KV2027 is to enhance our organizational capacity for innovation through a commitment to diversity, inclusion and a culture of innovation. We will drive further growth by giving new tasks and prioritized opportunities for challenging work to employees who achieve results and show initiative. We promote people according to ability and performance. As of January 2021, 36 Kirin Brewery employees in their 30s and 40s were working as office or branch managers.

Since fiscal 2019, Kirin Holdings has released its employee engagement score, which has risen consistently over the years, as a non-financial KPI used to measure progress toward organizational revitalization. To achieve sustainable growth as a group, we need to ensure that employees understand our vision for the Group and are highly motivated to take ownership of that vision and contribute to its realization. The enhancement of engagement is part of our vision for the global Kirin Group.

Since July 2020, we have been implementing a Job Satisfaction Reform project entitled KIRIN Work Style 3.0 designed to boost employee motivation and turn environmental changes caused by COVID-19 into opportunities. Our aim is to enhance productivity, creativity, and personal satisfaction, and to achieve sustainable growth both for the company and employees by motivating individuals through a continual reexamination of not only the ways that people work, but also the nature, significance, and purpose of work.



Human Resource Strategy

Case Study: A corporate culture reform initiative launched by volunteers

Human Resource Management

Promoting Diversity

Fostering Organizational Culture

Onboarding

Kirin Academia—An In-house university providing leadership for the transformation of organizational culture



We support the spirit of challenge by involving as many people as possible within and beyond the Kirin Group.

I started Kirin Academia when I was in my fourth year with the company. I was working for Kirin Beverage at the time, and I wondered if there was an initiative that we could launch by ourselves. Initially it was a small group run by volunteers without any budget. However, as our activities continued, more and more people began to share our vision for a challenge-oriented culture, and both the scale and diversity of the program expanded. Through this activity, I became aware that the Kirin Group has a culture of supporting those who take up challenges, and that anything is possible once you turn your ideas into action.

In fiscal 2021, we have handed the administration of the Kirin Academia over to a new generation. We look forward to further expansion this year, and we hope that more and more people from within and outside of the Kirin Group will become involved in Kirin Academia as a forum in which not only the administrators but anyone can establish a program.

Kirin Academia, our in-house university, was launched in fiscal 2019 as a voluntary employee initiative inspired by a desire to create a challenge-oriented culture. Activities include talk sessions led by guest lecturers from within and outside of the Kirin Group, and workshops on the establishment of new businesses.

The initiative was originally started by four young employees who joined Kirin in fiscal 2015. Today Kirin Academia is run by a 14-member team and offers over 20 programs each year, with some programs attracting

almost 500 participants. The founding members have worked passionately to involve as many people as possible from within and outside of the Kirin Group. These efforts have resulted in the creation of a diverse, multi-generational community that continually hosts programs of a very high standard. In fiscal 2019, Kirin Academia was selected for the Kirin Group Award as an initiative that symbolizes and embodies the vision of the Kirin Group.

Mari Nakao

Founding Member
Health Food CRM Group, Health Food CRM Department
Direct store sales Division, FANCL Corporation



Human Resource Strategy

Smoothing the path for new employees

Human Resource Management

Promoting Diversity

Fostering Organizational Culture

Onboarding

Onboarding of new employees

The Kirin Group implements a variety of onboarding systems to help employees become familiarized with our business

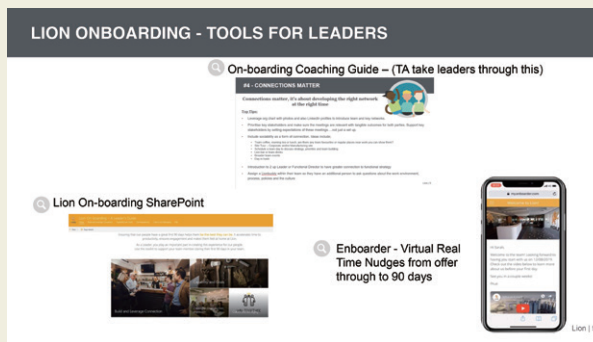
processes and workplaces as quickly as possible. In addition to mentoring and buddying programs, these systems also include support for networking with other employees. Lion Ppty Ltd. has been especially innovative in its approach to

onboarding and is being used as a positive case study for group companies in Japan. Other group companies are studying and further enhancing Lion's systems.

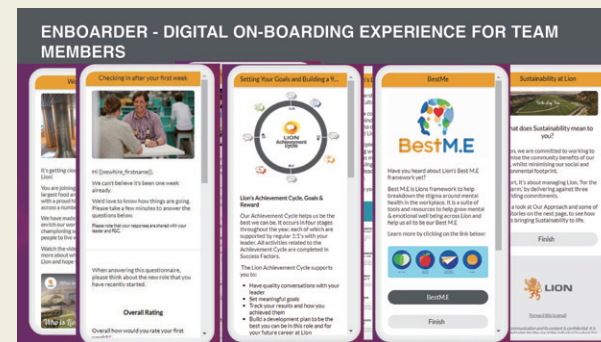
Lion's approach

Lion has highlighted four focal points for onboarding. First, new employees should be able to build relationships with leaders and team members, and identify with the corporate philosophy. Second, there should be a focus on inclusion in order to harness the potential of differences. Third, the standard of the onboarding experience should be high. Fourth, the process should start early. These focal points are reflected in the following specific measures.

- Starting at the recruitment stage, recruitment staff and leaders work together to propose onboarding plans.
- Mechanisms are created to enable the new employee to function as a team member from his or her first day, including the creation of opportunities to meet the team before the person joins the company. After the new employee joins the company, pulse surveys (short-cycle engagement surveys) are implemented.
- To facilitate the administration of the onboarding process, manuals and other tools are provided for leaders.



To ensure that new employees are consistently provided with the best possible onboarding experience, a website has been created to provide leaders with manuals and support information.



Digital onboarding tools are used to build the new employee's connections with the team and the company even before he or she joins the company.

Special
Feature **3**

Digital Transformation Strategy

DX Progress

HR Development and
Promotion Framework

Initiatives and Foundation

Creating new value through digital transformation

Society is changing with the growing volume of information and technological advances, and people's

values and lifestyles are becoming increasingly diversified. The COVID-19 pandemic that broke out in 2020 only accelerated this trend.

The Kirin Group has been pursuing sustainable growth by infusing its operations with information and communications

technology (ICT), and these efforts are now being driven by digital transformation (DX) aimed at creating new value.

Message from the Officer in Charge of Digital Strategy

Improve Group organizational capacity and generate innovation

Accelerate DX and link it to improving productivity and creating new value

The Kirin Group Vision 2027 (KV2027) long-term management vision sets the "ability to use ICT to accelerate value creation" as one of its "four organizational capabilities for achieving innovation." The increasing use of ICT in business is making it virtually impossible to achieve sustaining business growth in modern society without digital transformation.

The Kirin Group is using DX for value creation by "transforming its business processes," "raising the value of existing business," and "accelerating the development of new businesses."

Transforming our business processes entails improving our productivity as a manufacturer. One example of this is in our supply chain management where we are creating a more efficient logistics system that can accommodate the shortage of truck drivers, which reduces CO₂ emissions and product waste loss. We are also using DX in our new businesses in the priority Health Science domain and *Kirin Home Tap* in the food domain.

These initiatives will drive our efforts to reform business processes throughout the Group, increase the value of existing businesses at all Group companies, and create new businesses by the final year of the next medium-term business plan in fiscal 2024.



Toru Yoshimura
Senior Executive Officer
Officer in Charge of Digital Strategy

Special Feature

3

Digital Transformation Strategy

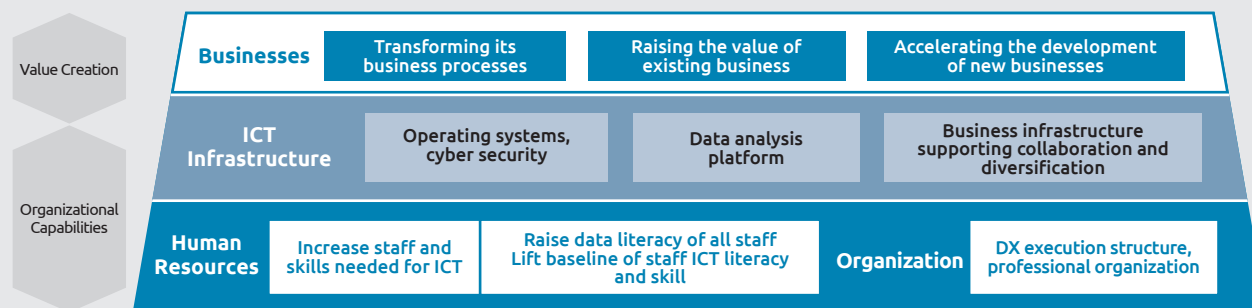
DX Progress

HR Development and Promotion Framework

Initiatives and Foundation

Message from the Officer in Charge of Digital Strategy

Digital transformation framework



platform (DXP)* to enhance our capabilities in marketing and other areas. We continue to implement measures to improve operating efficiency, including conducting internal meetings online and eliminating the seal-based authorization system, and are installing a more flexible cloud-based core operating system.

We are preparing ICT infrastructure that will enable the entire Group to accelerate DX in every aspect of its operations.

* A digital experience platform is a suite of management, provision, and optimization tools and functions enabling a consistent digital experience for customers at all phases of the customer lifecycle.

Forming the organizational structure and developing human resources

For our digital transformation to be a success, we need to form an organizational structure and develop the human resources to drive the transformation. The DX Strategy Office was created in the Kirin Holdings Corporate Strategy Department in April 2020 to spearhead the Group's DX. The office is leading our DX initiatives from an overall Group perspective while working organically with the Corporate Planning Department and internal departments and with all of the Group companies. We have also created a Groupwide framework for DX staff from each Group company and department to share knowledge and work together to resolve issues.

We are also focusing on acquiring and developing

human resources. We are increasing our staff of professionals to dispatch personnel with the skills to advance the DX of all companies and divisions. We plan to boost our capabilities by tripling the number of ICT positions in Japan.

Preparing the ICT infrastructure to serve as the foundation of DX

We are currently engaged in an intense effort to prepare the ICT and data infrastructure needed for the digital transformation of the entire Group and to modernize our organization for the digital age. Prior to the COVID-19 pandemic, we had set in place the business infrastructure of systems and networks to enable employees to work completely from remote locations, and in 2020, we added a digital experience

Strengthening cyber security

As we introduce new technologies and services to facilitate our DX, data securities measures are critical to ensuring the data is used correctly and effectively. We are countering the escalating number of cyberattacks by maintaining high-level security bolstered by an advanced security system equipped with machine learning capability and by increasing the data literacy of all employees.

Group DX to support sustaining business growth

We are further augmenting our use of ICT, centered on our DX, to help drive ongoing business growth through the rapidly changing business conditions and to keep pace with the evolving needs of society. This transformation promises to open new avenues for the Kirin Group to create new value.

Special Feature **3** Digital Transformation Strategy

Kirin Group initiatives

DX Progress

HR Development and Promotion Framework

Initiatives and Foundation

DX in all areas of the Group

The depth and reach of our digital transformation will extend well beyond specific processes and areas. As a product manufacturer and marketer, we will apply DX not only to our fundamental process but also in all of our supply chain operations from raw material procurement to

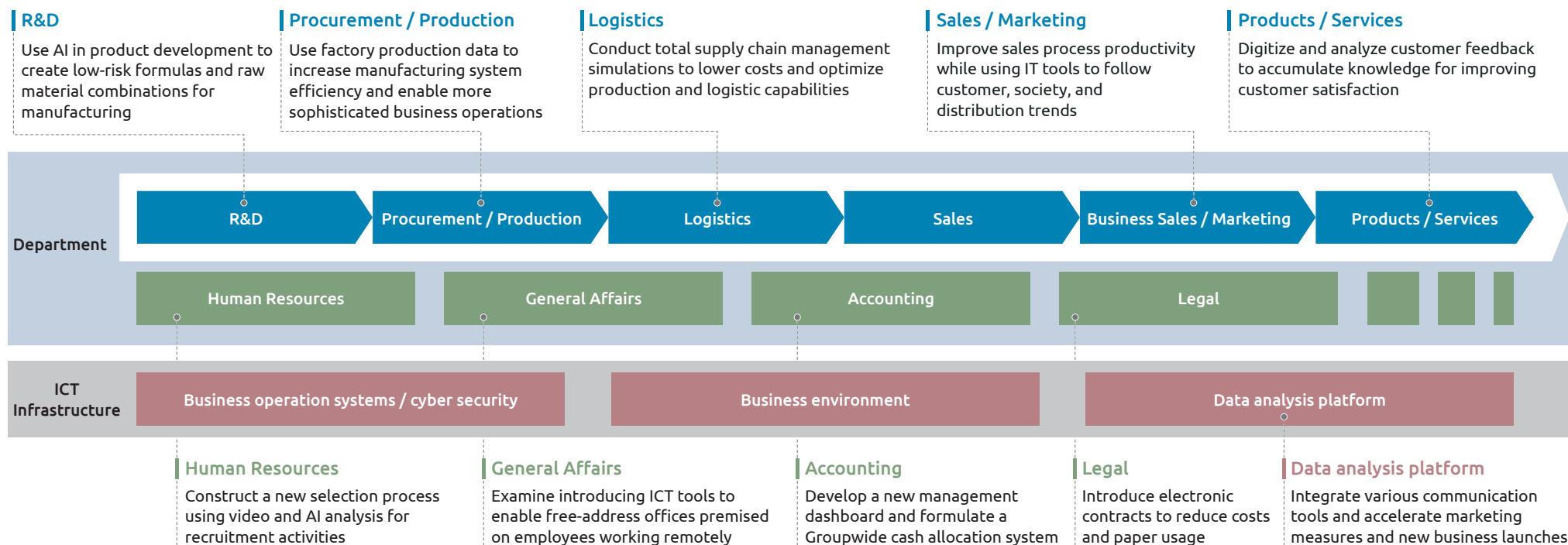
logistics and product development and market launch.

We are also planning to review and restructure business processes to increase the value of our functional departments of human resources and accounting. In addition, we will develop ideas from digital starting points and actively apply the latest technologies to focus more closely on individual customer needs in the Health Science

domain and as we grow the new *Kirin Home Tap* business in the Food & Beverages domain.

We will continue steadily integrating DX into all aspects of our operations to boost the Group's overall business competitiveness.

Promotion of DX and Development of ICT infrastructure in our value chain



Special Feature 3 Digital Transformation Strategy

Case Study: Using DX to raise the value of business and new businesses

DX Progress

HR Development and
Promotion Framework

Initiatives and Foundation

DX Case Study

Overall optimization of production and logistics



Akiyoshi Ueki

Manager of Planning
SCM Department
Production Division
Kirin Brewery Company, Limited

Logistics is essential to delivering our products for clients. However, the operating conditions for logistics are changing dramatically in Japan, particularly from the shortage of delivery drivers and stricter regulations on work hours. Overcoming the challenging conditions will require merging production and logistics into a single system encompassing all aspects of both operations.

We have developed a simulation system covering the full range of production and distribution operation for all types of circumstance, including potential changes in demand and company targets. The system

aggregates manufacturing, storage, and transportation cost and capacity data and quantitatively examines and evaluates hypothetical strategic solutions, such as increasing capacity and reorganizing the production structure, or increasing overall transport, handling, and storage capacity.

We plan to develop similar systems to inform investment decisions for factory production lines and distribution bases as we seek to construct optimal production and distribution structures as conditions change in the future.

Brewing new beer business with digital technology

Kirin Brewery's new *Kirin Home Tap* business with a membership business model has been in development since fiscal 2017. The main feature of *Kirin Home Tap* is the home delivery of freshly brewed draft beer directly to households. Virtually all of the membership contract and ordering processes are online, and members receive special announcement of limited-time offers and member-only campaigns mainly via the dedicated website and email.

To provide this new value of delivering the deliciousness of freshly brewed draft beer to customer homes, we must be able to anticipate long-term supply and demand trends so we can ensure efficient production and delivery. Kirin Brewery applied digital technology to formulate operating models for fixed-period deliveries.

The company is engaging in a marketing campaign in fiscal 2021 encompassing TV commercials, online advertising, and in-store contact points with the aim of enlisting 100,000 members for the *Kirin Home Tap* service and reinvigorating business in the beer category. We will continue building the *Kirin Home Tap* business

and leveraging the power of digital technology to more rapidly develop products and services tailored to individual customers.



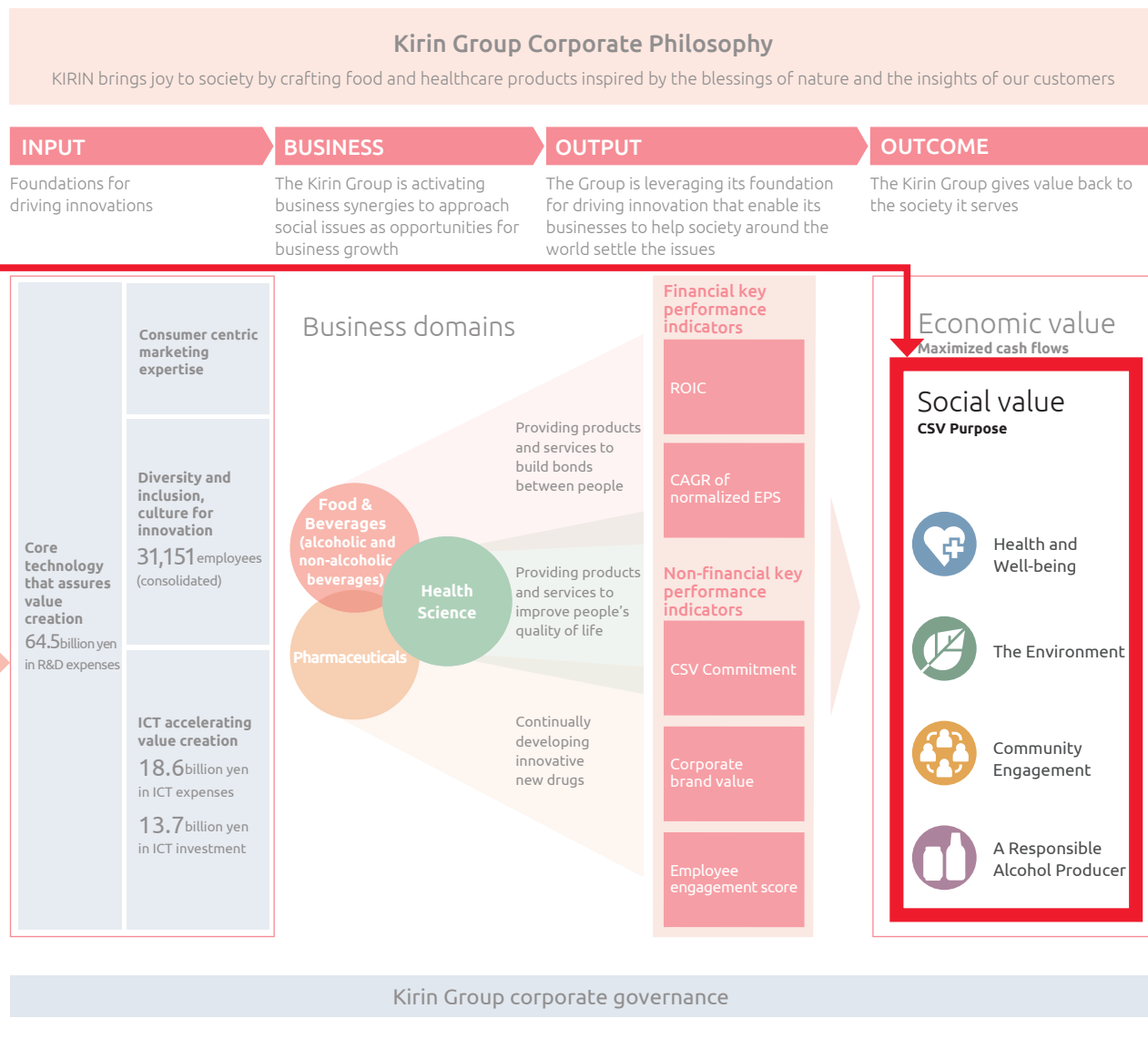
Members enjoy freshly brewed beer at home by placing the keg on the dedicated tap.

CSV Stories

Contents

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Kirin's Value Creation Model

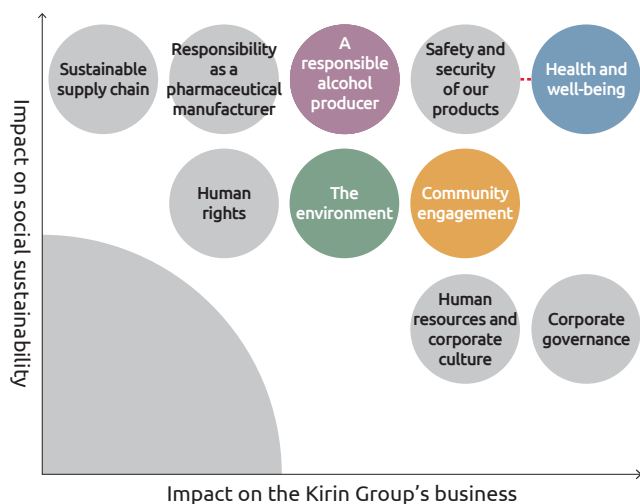


Kirin Group CSV Purpose and CSV Commitment

Kirin Group Materiality Matrix

The Kirin Group has organized its “Management Issues for Sustainable Growth” in the Kirin Group Materiality Matrix (GMM) as part of its commitment to sustainable development in partnership with society. Based on social issues related to its businesses, the Group designated the fulfillment of its role as a responsible alcohol producer along with health and well-being, community engagement, and the environment as four CSV key issues.

Achievements in 2020	We commenced a review of issues and their importance in the GMM in preparation for the launch of our next Medium-Term Management Plan in 2022.
Plan for 2021	We will engage with external stakeholders about the revisions to the GMM.



CSV Purpose

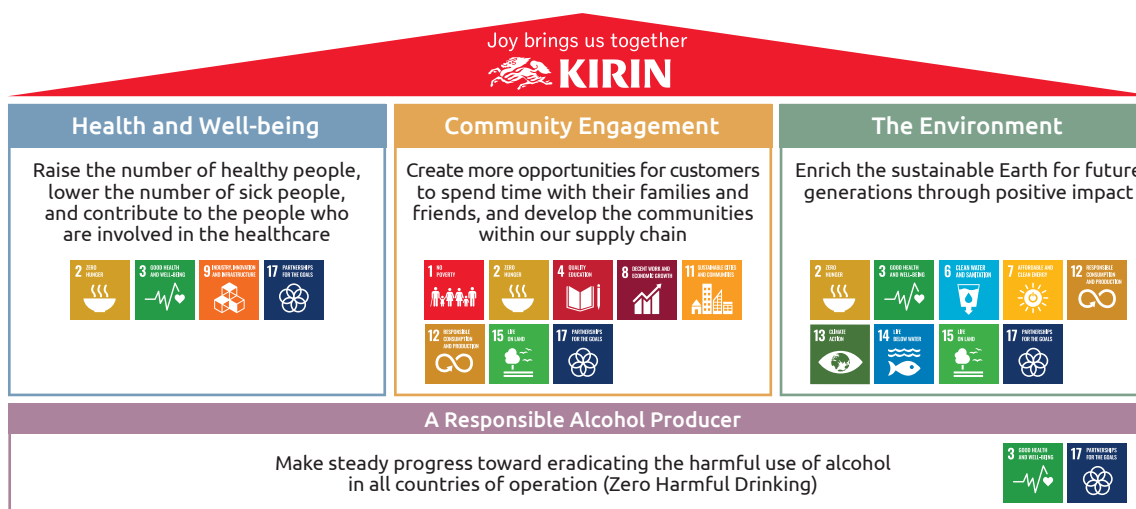
To create value and grow sustainably with society, the Kirin Group established a CSV Purpose corresponding to each of its four CSV key issues as its Long-Term Management Vision, Kirin Group Vision 2027.

Achievements in 2020	We commenced a review of our commitments to regional society and communities to reflect the current situation, including social changes caused by the COVID-19 pandemic.
Plan for 2021	We will make the necessary changes based on the results of the GMM update.

CSV Commitment

The Kirin Group established 19 CSV Commitments as a medium-term action plan for its CSV Purpose. Each commitment was created as non-financial targets in the Group’s medium-term business plan.

Achievements in 2020	We worked toward the achievement of our targets through a PDCA cycle and commenced measurement of social impacts.
Plan for 2021	We will make the necessary changes based on the results of the GMM update.



Kirin Group CSV Purpose and CSV Commitment

Measuring Social Impacts

In 2020 we began to measure social impacts with the aim of quantifying the social value of initiatives based on our commitment to creating shared value (CSV).

We selected support toward the achievement of Rainforest Alliance certification a pilot project. Training began in 2013, and in 2014 we measured profit and wages per worker per unit of tea at tea farms that had achieved certification. The results showed improvements in both profit and wages, as well as a decline in sickness rates among workers. While the data relate to specific farms, it is evident that support for the achievement of certification has a positive financial and social impact on farms and their workers, while also contributing to the achievement of the SDGs.

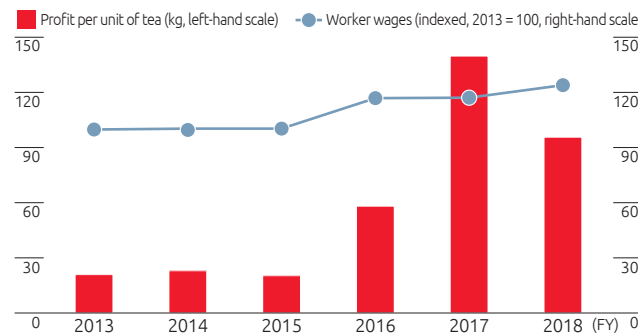


SDG target 2.3

The goal is to double the agricultural productivity and incomes of small-scale food producers, including women, indigenous people, family farms, livestock herders, and fishers, by 2030. Requirements for the achievement of this goal include the provision of reliable and equal access to land and other production resources, inputs, knowledge, financial services, markets, added value improvements, and non-agricultural job opportunities.

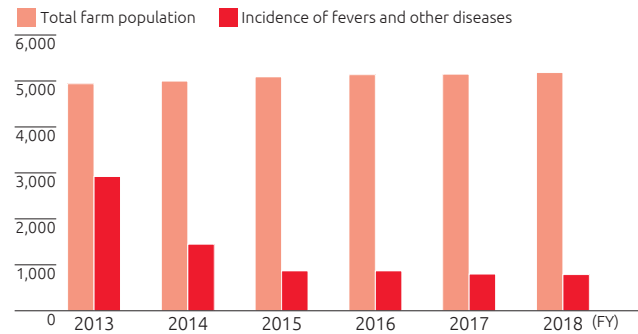
Changes in profitability resulting from certification support

Farm incomes and worker wages both increased.



Changes in sanitary conditions due to certification support

Disease incidence fell sharply despite a gradual rise in the total population of the farms.



Working toward the sustainability of society and the Kirin Group

The Group's operating environment is undergoing major changes, and it is expected to play an active role in solving issues that communities face today. In that context, Kirin Holdings became a signatory of the United Nations Global Compact in September 2005. Since then, we have been working toward the sustainability of society and the Kirin Group based on the 10 Principles of the Compact, which are organized under four main categories*. Guided by its CSV Purpose, the entire Kirin Group is working to help accomplish the United Nations Sustainability Development Goals through its businesses over the medium and long terms.

* The four categories of human rights, labor, the environment, and anti-corruption were selected and agreed upon internationally as universal values.



Yoshinori Isozaki

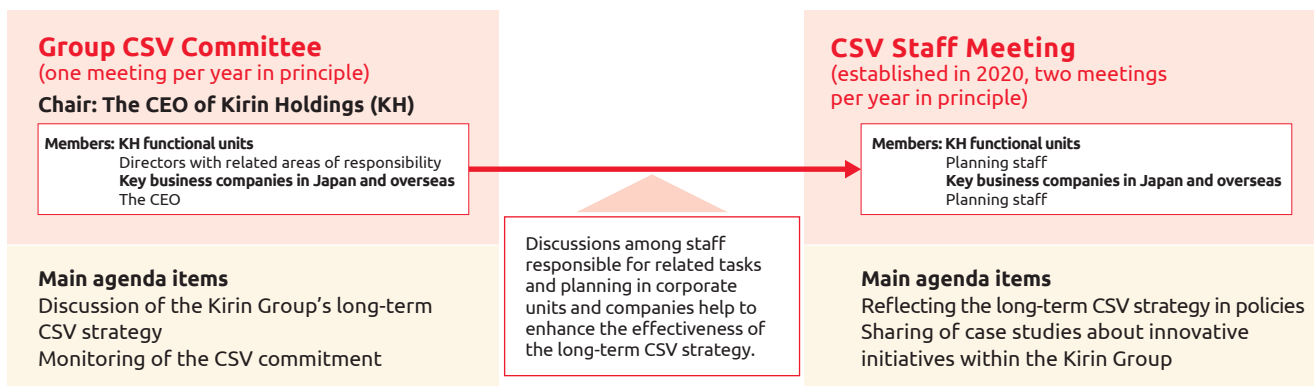
President & CEO
Kirin Holdings

Kirin Group CSV Purpose and CSV Commitment

CSV Promotion Organization

The Group CSV Committee, which is chaired by the CEO of Kirin Holdings, convenes at least once a year. Its task is to encourage proactive and independent initiatives based on the CSV.

Achievements in 2020	The Group CSV Committee met in June, and the CSV Staff Meeting was established. This group, which consists of staff responsible for related tasks, meets twice each year to share information and exchange views.
Plan for 2021	The Group CSV Committee will convene to discuss proposed changes to the GMM.



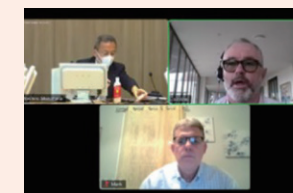
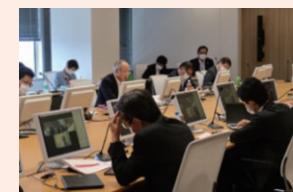
Activities of the Group CSV Committee in 2020

Main agenda items and programs

- Plan to revise the GMM in preparation for the next Medium-Term Management Plan
- Presentation by, Kenji Ikemori, FANCL founder and Honorary Advisor
- Discussion about human rights in supply chains
- Progress on the examination of policies as part of environmental vision update

Main topics discussed at the meeting

- Business partners, NGOs, investors, and other stakeholders have called for action on human rights in supply chains. Related issues will affect the Kirin Group's reputation.
- Pressure is increasing, especially from corporate customers, and eventually consumer attitudes will also shift.
- Supply chain issues are also management issues for corporate customers, and we need to work collaboratively.
- We will form a project team and work as an organization to achieve the top level in the industry.



Complying with TCFD Guidelines: Scenario Analyses

The Kirin Group has been building the capacity to disclose information based on the recommendations released in 2017 by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB). We aim to achieve this within about five years. Our disclosures include assessments of social and business risks and opportunities relating to climate change, and of the resilience of our strategies. We began to conduct and disclose scenario analyses in 2018 and also became the first

Japanese food company to declare our support for the TCFD recommendations.

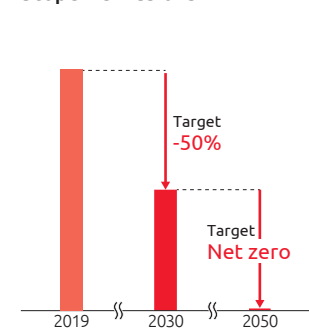
Following discussions by the Group CSV Committee and the Board of Directors based on assessment results for the period to 2019, we formulated and announced the Kirin Group Environmental Vision 2050 in February 2020. This Vision is now being reflected in our mitigation and adaptation strategy. Starting in 2020, we are also disclosing business growth opportunities relating to climate change.

Item	Content
Governance	Each year the Board of Directors receives a report detailing climate change-related risks, opportunities, and strategies, and the progress made by the Kirin Group. Our long-term strategy, the Kirin Group Environmental Vision 2050, was proposed on the basis of discussions about scenario analysis results by the Group CSV Committee, which is made up of all officers of Kirin Holdings and the CEOs of the main group companies and is chaired by the President of Kirin Holdings. After further deliberations by the Group Executive Committee, the Kirin Group Environmental Vision 2050 was adopted by the Board of Directors and announced in February 2020.
Strategy	The Kirin Group has consistently anticipated social expectations concerning the environment. For example, in 2013 we formulated and announced the Kirin Group Long-term Environmental Vision covering the period to 2050. We subsequently became aware of the need to modify the Vision because of various changes, including the adoption of the Paris Agreement and concern about the increasingly serious problems caused by plastics. In addition, we began to use scenario analyses to study physical risks, such as falling yields and quality issues affecting agricultural raw materials, as well as the disruption of operations due to droughts and floods. Our scenario analyses also identified transitional risks, such as cost increases caused by carbon taxes and emissions trading, and difficulties securing sufficient renewable energy. We therefore formulated the Kirin Group Environmental Vision 2050 with the aim of enhancing social and business resilience to climate change and contributing to our own business growth.

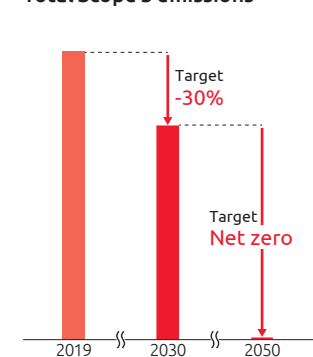
Item	Content
Risk management	The Kirin Group has established the Group Risk and Compliance Committee within Kirin Holdings to oversee risk management through activities such as quarterly monitoring of risk factors, including climate change-related risks. However, we are aware that climate change-related risks cannot be managed solely through the conventional approach of judging the importance of risk factors based on the degree of impact and the likelihood of occurrence. For that reason, we have also adopted a new risk management method based on the development, analysis, and assessment of scenarios for risk factors for which the probability of occurrence is unknown, but where the consequences of occurrence would be extremely serious.
Metrics and targets	Our targets under the Kirin Group Environmental Vision 2050 are significantly more ambitious. Mitigation measures include an increase in the medium-term GHG emission reduction target for all value chains to net-zero by 2050. This has already been approved under the Science Based Targets initiative (SBTi) as a target under the 1.5°C scenario. We will also respond to transitional risks by switching to renewable energy for 100% of our electric power needs by 2040, and we have joined the RE100 initiative. Responses to physical risks include the development and roll-out of technology to allow the use of saccharide substitutes that are not reliant on barley, mass plant propagation technology, and advanced water usage reduction technology. We will also continue to provide support for the acquisition of sustainable farming certification. In addition, we will use our technologies to create business opportunities, such as products that support the maintenance of the immune system, in order to combat heatstroke and infections associated with climate change.

Medium-term greenhouse gas emissions reduction targets

Total Scope 1 and Scope 2 emissions*1



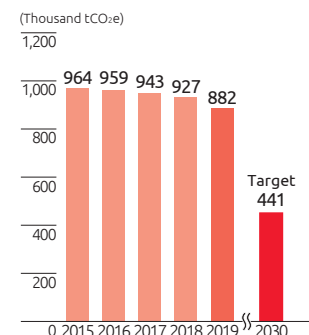
Total Scope 3 emissions*1



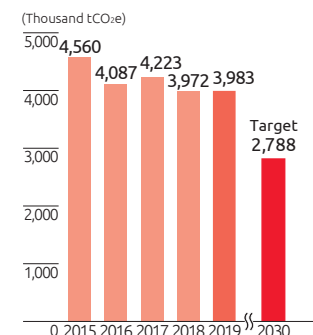
*1 In December 2020, we moved from the old 2°C target to a 1.5°C target, which has been approved under the Science Based Target initiative (SBTi).

Progress

Scope 1 + 2*2



Scope 3*2



*2 We calculated in the same range as the approved target to the Science Based Targets initiative (SBTi).

Complying with TCFD Guidelines: Scenario Analyses

Results of Scenario Analyses up to 2021

Yields and procurement costs for agricultural raw materials

Yield declines/procurement costs Physical risks

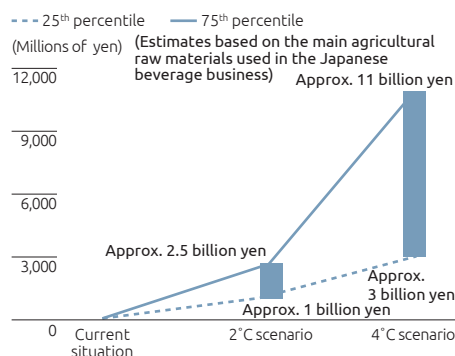
There is a possibility that yields of barley, hops, tea leaves, wine grapes, and coffee could all decline by 5–70%. It is possible (75th percentile) that procurement cost risks could be reduced by 8 billion yen or more under the 2°C scenario compared with the 4°C scenario.

Response strategy Response measures

We will mitigate increases in raw material costs by using brewing technology that does not rely on barley raw materials. We have accumulated expertise in this area by maintaining market leadership of 70% and 90% respectively in the categories of low-malt beer, including zero-malt types, which have accounted for over 40% of sales in the Japanese market over the past 10 years.

We have also enhanced the resilience of our sources by expanding our support for the acquisition of Rainforest Alliance certification to include coffee farms in Vietnam as well as tea farms in Sri Lanka.

Impact in procurement costs in 2050



Manufacturing/physical impact of water risk/stress

Suspension of production Physical risk

Production facilities in Australia are affected by high water stress, and those in China (Zhuhai) and Myanmar by high water risk. Water stress/risk levels relating to raw material production are high in North America, the United Kingdom, Germany, the Czech Republic, Ukraine, and Australia.

Response strategy Adaptation measures

We are preparing manuals detailing actions to be taken in the event of factory flooding or the disruption of logistics. We are also implementing countermeasures, including insurance cover. In relation to agricultural raw materials, we are accumulating knowledge about water source conservation for tea farms in Sri Lanka. We will consider the application of these measures at other locations in the future.

Cost of damages in past factory flooding events (including earthquake damage at the Sendai Brewery)

	Year of event	Type of damage	Maximum flood level in the facility	Cost of damage*1 (buildings, equipment, stock)	Description of damage
Lion Castlemaine Perkins Brewery	2011	Flooding	2 m	Approx. 1 billion yen*2	Inundation of the first floor, including the reception area and water recycling plant
Kirin Brewery Sendai Brewery	2011	Earthquake (intensity: 6+), tsunami	7.5 m	Approx. 5 billion yen (excluding stock damage)	Earthquake: Collapse of 4 out of 15 beer tanks Tsunami: Partial inundation of packaging facilities and storage areas, etc.

Reducing GHG emissions—Regulatory and financial impacts*3,4

Carbon pricing Transitional risks

There is a significant possibility that carbon taxes will rise in Japan and other countries, and that cross-border carbon adjustments will be introduced in Europe and North America.

Response strategy Mitigation measures

If the science based target (SBT) under the 1.5°C scenario is achieved, there will be additional tax savings of approximately 2.2 billion yen in 2030, compared with the situation if GHG emissions are not reduced, and approximately 800 million yen compared with the achievement of the SBT under the 2°C scenario. Carbon taxes are estimated as fixed amounts for each fiscal year. However, since they are expected to increase over the years, the estimated tax savings will also be greater at points further into the future. Thanks to the accumulated expertise of the Kirin Group in the fields of production technology and engineering, renewable energy procurement costs will be offset by energy savings achieved through capital expenditure, allowing us to achieve the targets by the early 2030s and beyond without impairing economic value.

Assessment of impact of carbon pricing

(Billions of yen)

Carbon tax savings	2030	2050
If GHG emissions are not reduced	0	0
2°C scenario SBT (30% reduction from 2015 level by 2030) achieved	1.4	0
1.5°C scenario SBT (50% reduction from 2019 level by 2030) achieved	2.2	0
Achievement of net zero emissions by 2050	0	3.1

Business growth opportunities—Health & Well-being domain*4

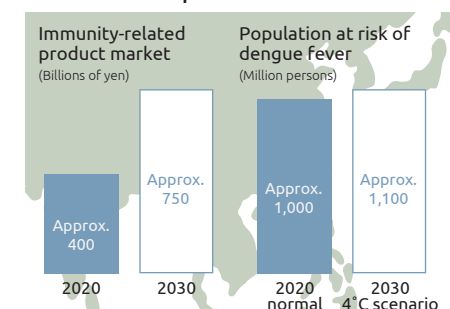
Infections/heatstroke Physical risks

If economic growth is disregarded, warming will cause an increase in the population at risk of dengue fever. Assuming that the reduction in the at-risk population if economic growth is taken into account is due to infection countermeasures, there is the possibility of growth in the market for immunity-related products. Under the 4°C scenario, the total Asian market for immunity-related products is expected to expand to 1.8 times the 2020 level, or around 750 billion yen, by 2030. The market for heatstroke-related products is also expected to expand. Estimates based on the 4°C scenario indicate that the Japanese market will be 2–4 times bigger than the 1981–2000 level by 2050, increasing from 90 billion yen to 190 billion yen.

Response strategy Business opportunities

Product categories offering business opportunities include functional lactobacillus product to help healthy people to maintain their immune systems, and drinks to combat heatstroke.

Market forecast for infectious disease-related products



*1 Losses in past flooding events *2 Yen amounts based on an exchange rate of 80 yen to the Australia dollar

*3 2°C scenario: The carbon tax was fixed at \$60/ton. The electric power coefficient was estimated from the sustainable development (2°C) scenario in the IEA's WEO 2020.

*4 Amounts in the text and diagram have been converted to Japanese yen at the rate of 110 yen to the US dollar.

CASE 1

Health and Well-being

—Pharmaceuticals Business—

Creating an environment in which society is aware of the wishes and needs of patients



Yuichi Kawasaki

Director, Product Strategy Department
Kyowa Kirin Co., Ltd.

PROFILE Yuichi Kawasaki joined the Pharmaceutical Business Division of Kirin Brewery Co., Ltd. (currently Kyowa Kirin Co., Ltd.) in 1992. He began his career as a medical representative, which enabled him to gain experience in the scientific community. After working in various units, including Kyowa Kirin's Marketing Strategy Department and Sales Department, he was transferred to the Product Strategy Planning Department in 2015. During his time in that unit, he was responsible for the planning and implementation of product portfolio strategies, including product life cycle management. He also worked to expand Kyowa Kirin's lineup of products relating to kidney disease, which was a priority area for the company at the time. In April 2021, he was promoted to Director of the newly established Product Strategy Department.

CSV Commitment

Evolution in medical treatment



SDG targets

3.8	17.16
	17.17

* The aim of patient advocacy is to promote sound public understanding of medical conditions through communication and cooperation with patients and healthcare professional communities, and to enhance patient well-being by addressing unmet medical needs through Kyowa Kirin's value chain.

Focus on patient advocacy activities for chronic kidney disease sufferers

Since the 1990s, Kyowa Kirin has focused on R&D, manufacturing, and sales of pharmaceuticals for CKD and related complications. This emphasis has led to steady expansion of our product lineup in this disease area. We have amassed extensive data from our R&D, manufacturing, sales, and clinical research. As a result, we believe that Kyowa Kirin is now one of Japan's leading pharmaceutical companies in the CKD field.

Our continuing involvement in the CKD field in Japan has also given us increased opportunities to identify the various needs of both healthcare professionals and their patients. Those needs relate not only to CKD symptoms and treatments, but also to society's response, including the environment for patients and the need to raise awareness of the disease and preventive measures. We have used our accumulated experience to supply booklets

and other materials to patients in Japan through medical institutions. We also recently established a disease information website for Japanese CKD patients. Recent statistics show that this site is attracting large numbers of accesses, with page views exceeding 300,000 per month.

Through our initiatives in this area we have become strongly aware of the need to monitor frontline healthcare environments and input from patients through our business operations, and to reflect that information in our business operations to ensure that our products are used appropriately. We have also become aware of the need to

Kyowa Kirin initiatives in the CKD field

- 1980s**
 - Start of research on erythropoietin (EPO), a hormone that stimulates red blood cell production
 - Alliance established with Amgen in 1984 (establishment of Kirin-Amgen)
- 1990s**
 - Achievement of manufacturing approval in Japan for genetically modified human erythropoietin, commencement of sales in 1990
- 2000s**
 - Maintenance of a disease information website for CKD patients since 2000

In February 2021, Kyowa Kirin announced a new vision defining its commitment to meet the needs of patients and society by providing value across the entire patient care pathway, delivering cutting-edge science and technology, grounded in our in-depth pharmaceutical knowledge and expertise. Patient advocacy* has been identified as a priority area for efforts under this vision.

Since the 1990s, Kyowa Kirin has been engaged in research and development, manufacturing, and marketing activities relating to the treatment of chronic kidney disease (CKD). Over the past decade, we have also worked to raise awareness of CKD and contribute to prevention by expanding our role in the distribution of information. We aim to expand our contribution to society in this area through the global expansion of our patient advocacy activities.

CASE

1

Health and Well-being

—Pharmaceuticals Business—

create an environment in which society is fully aware of the needs and wishes of patients.

We believe that we can best fulfill Kyowa Kirin's CSV by sharing our awareness of the issues not only within the pharmaceutical industry, but also within medical institutions, scientific bodies, related organizations, and local governments, so that we can all work together to find solutions.

One of our initiatives in this area is the DIAMOND Project, which was launched in 2019 following the signing of a collaboration agreement between the Japan Kidney Association and Kyowa Kirin. This project is giving us opportunities to renew our awareness of the commitment of physicians who are regarded as opinion leaders in the CKD field, and who have provided great



support for our business activities in this area. The Kyowa Kirin employees involved in the project share a strong commitment to the initiative.

To conquer kidney disease



Professor Naoki Kashihara MD, PhD
Chairman, Japan Kidney Association
(Non-Profit Organization)

PROFILE Professor Kashihara's posts include Vice President and Head of Department of Nephrology and Hypertension at Kawasaki Medical School, Chairman of the Japanese Society of Nephrology, Executive Committee Member of the Asian Pacific Society of Nephrology (APSN), and Chairperson of the Renal Disease Countermeasures Study Group of the Japanese Ministry of Health, Labour and Welfare.

In May 2019, Kyowa Kirin signed a partnership agreement with the Japan Kidney Association (JKA) concerning public education raising activities based on the JKA's program to raise awareness of kidney disease countermeasures and develop treatment systems. Disease incidence patterns in Japan have changed significantly due to lifestyle changes and aging. This is resulting in increases in the incidence of diabetes and high blood pressure. In addition to cancer and dementia, there has also been an increase in cases of chronic kidney disease (CKD), which now affects over 13 million people in Japan. CKD not only leads to

renal failure requiring dialysis treatment, but is also associated with strokes, heart disease, and cognitive issues and is a major factor in the reduction of healthy life expectancies.

The JKA was established to contribute to public health and the extension of healthy life expectancies through the prevention of CKD and the limitation of its effects. It is engaged in four projects, including public education about the disease. Recognizing the importance of close cooperation among academic communities, business corporations, governments, and other related organizations on an all-Japan basis, it has also established the Kidney Research Initiative-Japan (KRI-J) (<https://j-ka.or.jp/>, Japanese only)

Kyowa Kirin was the first partner to join the JKA/KRI-J initiative on public education and awareness-raising about CKD. As a company with a long history of involvement in the development of drugs for the treatment of CKD, it has made significant contributions to the advancement of treatment. Known as the "DIAMOND Project," the Japan-wide collaborative initiative by Kyowa Kirin and the JKA/KRI-J focuses on awareness-raising activities and educational

activities, and the development of collaboration among those involved in treatment, including physicians, specialists, and administrators.

Because CKD is asymptomatic until it reaches an advanced stage, it tends to be detected late, even though early detection is possible by means of simple blood tests and urinalysis. If the disease is discovered at an advanced stage, the impact on the patient will be greater because it leads to renal failure, requiring dialysis or transplant surgery. As part of the DIAMOND Project, a survey was conducted in 2019 to ascertain the level of public awareness of CKD. Around half of participants indicated that they had never heard of CKD. This shows that there is a need for increased public education about CKD.

With early detection, CKD can be cured or put into remission. In addition, a variety of drugs are emerging for use in the treatment of CKD. The JKA is determined to create an environment in which people living anywhere in Japan can access high-quality kidney care by continuing our collaboration with Kyowa Kirin. Our aim is to ensure that no-one has to face CKD alone. Our shared goal is to overcome kidney disease.

CASE 2 The Environment

Our goal: to achieve the decarbonization of society through the group-wide reduction of GHG emissions



Emiko Sekikawa

Technology Development Department,
Production Division
Kirin Brewery Company, Limited

PROFILE Emiko Sekikawa joined Kirin Brewery in 2009. After working on equipment enhancements and the improvement of energy efficiency for packaging processes at Fukuoka Brewery, she was assigned to head office and placed in charge of company-wide energy-saving initiatives for Kirin Brewery Company. She next worked in environmental public relations and disclosure, before taking up her current position in 2017. She is now involved in the strategy formulation and implementation for climate change across the entire Kirin Group.

CSV Commitment

Actions against climate change



SDG targets

7.2	13.1	17.16 17.17
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CSV Commitment indicator

Group-wide GHG emissions

Fiscal 2030 target

Reduce emissions by **50%**
(compared with the fiscal 2019 level)
Total for Scope 1 and Scope 2

Reduce emissions by **30%**
(compared with the fiscal 2019 level)
Scope 3

scientifically valid GHG emission reduction goals aimed at keeping the rise in global temperatures to less than 1.5°C above the level before the Industrial Revolution.

Introducing energy-saving equipment and renewable energy systems into our global operations

Extreme droughts or floods caused by climate change could have severe impacts on agricultural production. Because our business relies on the bounty of nature, we place a high priority on measures to combat climate change. In recent years, we have actively reduced energy consumption in our production processes and introduced renewable energy into our entire operation.

In fiscal 2019, we installed heat pump systems in the wastewater treatment process at Kirin Brewery's five breweries. As a result, Kirin Brewery's total GHG emissions were reduced by approximately 2% (around 3,400 tons) from the previous fiscal year's level. We are expanding the knowledge gained through this initiative with other group companies in order to maximize the outcome as soon as possible.

In March 2021, we will start operation of large-scale solar power generation systems at four Kirin Brewery production sites. We adopted on-site power purchase

agreement (PPA) schemes to maximize financial returns from the projects. We expect to reduce annual GHG emissions by around 4,500 tons, while also reducing energy costs. We will contribute to the decarbonization of society by increasing the amount of power generated using renewable energy.

From fiscal 2021 onwards, Kirin Brewery will switch to renewables for all purchased electricity at its Nagoya Brewery. In addition, Kyowa Hakko Bio's plant in Thailand will start to introduce renewable energy certificates in 2021, signaling a shift from fossil fuels to renewables. These two initiatives will reduce our annual GHG emissions by approximately 12,700 tons.

Achieving our commitment and enhancing corporate value

The Kirin group is determined not only to achieve its 2030 goals for initiatives against climate change, but also to generate economic value from measures to reduce GHG emissions.

Our actions on climate change will require substantial expenditure, including capex for energy saving projects, as well as renewable energy costs. Energy-saving projects reduce energy costs, whereas the introduction of renewable energy increases those costs. We will prioritize energy-saving projects

Under the Kirin Group's Environmental Vision 2050, we aim to create a sustainable global environment for future generations through our business activities.

Addressing climate change is a key issue for the Kirin Group, which is committed to the achievement of net zero greenhouse gas (GHG) emissions across its entire value chain by fiscal 2050. Our medium-term targets are a 50% reduction in combined Scope 1 and Scope 2 GHG emissions, and a 30% reduction in Scope 3 emissions by fiscal 2030, compared with the fiscal 2019 levels. These targets were approved under the international Science Based Targets initiative (SBTi) as

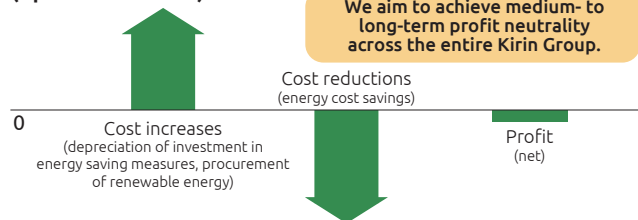
CASE 2 The Environment



in our group-wide operations and then introduce renewables using the accumulated financial benefits generated by energy savings. Based on this concept, we aim to achieve medium- to long-term profit neutrality for climate change countermeasures (see graph below). We will reflect this approach in our Medium-Term Business Plan 2022–2024 and implement projects with substantial energy-saving impacts as soon as possible, in order to reach our targets and maximize economic value from them.

In recent years companies have faced increasing pressure to take action against climate change. In Japan, the government is currently planning to introduce a carbon pricing scheme as designed to impose costs on GHG emitters in proportion to their emission volumes. The Kirin Group is responding to this situation by working to combat climate change through the sustained reduction of GHG emissions. We also aim to link these efforts to reducing the risk of future profit declines, and to the enhancement of our corporate value.

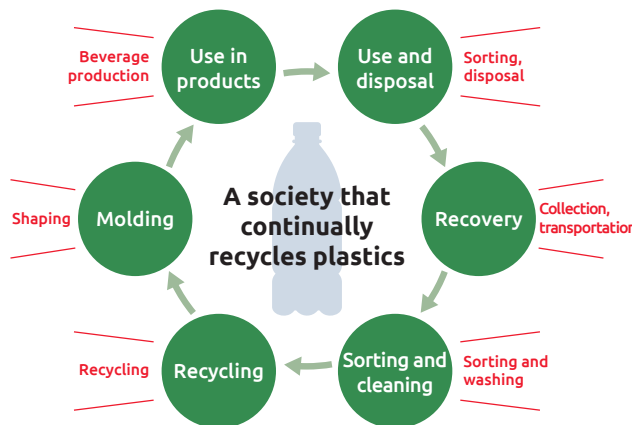
Profit neutrality of climate change countermeasures (up to fiscal 2030)



Accelerating initiatives targeting containers and packaging

The Kirin Group is committed to the recycling of polyethylene terephthalate (PET) bottles, and in December 2020, we began a collaborative technical study with Mitsubishi Chemical Corporation. Repeated recycling of used PET bottles using conventional technology is believed to cause deterioration in the

quality of the resin. However, the latest technology breaks down the plastic using chemical decomposition, allowing PET bottles and other PET products to be recycled indefinitely. The Kirin Group aims to increase the percentage of PET bottles made using recycled resin to 50% of bottles sold in Japan by fiscal 2027.



Comments from Our Partners

Kenichiro Mawatari

Executive Director, Division General Manager,
Circular Economy Division
Mitsubishi Chemical Corporation

Mitsubishi Chemical is working toward the creation of a circular economy with the aim of realizing KAITEKI, which means “the sustainable well-being of people, society and our planet Earth.”

We will continue to work with Kirin to reduce the use of new fossil resources and to achieve carbon neutrality through the continuous and high-level recycling of waste PET materials, which were not being used effectively.

CASE 3

Community Engagement

Growth in partnership with production areas
—bringing *Château Mercian* to the world



Hironori Kobayashi

Château Mercian Mariko Winery General Manager
Mercian Corporation

PROFILE After joining Kirin in 1999, Hironori Kobayashi studied winemaking technology at the University of Bordeaux and other institutions. In 2003, he succeeded in eliciting citrus aromas from Koshu grapes for the first time, leading to the development of the *Koshu Kiitaka* wine. Kobayashi earned a PhD for his research into the characteristic aromas of Koshu wines. Starting in 2017, he spent two years in head office working on the planning and construction of the Kikyogahara and Mariko wineries, before taking up his current position in April 2019. He has also worked with LaVigne Co., Ltd., a corporation qualified to own cropland, and is currently exploring the potential for integrated wine production, from cultivation through to winemaking.

CSV Commitment

More sustainable production of raw materials



SDG targets

2.3	8.9	17.16 17.17
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CSV Commitment indicator

Grape production at company-managed vineyards

Fiscal 2027 target

200 tons

Three wineries dedicated to the pursuit of quality and the expansion of wine culture

Under its “three winery” concept, Mercian has worked to enhance the potential of its brand by improving quality and expanding production at its three company-managed wineries in Yamanashi and Nagano Prefectures.

In 2010, Mercian renovated the Katsunuma Winery in Koshu City, Yamanashi Prefecture, creating an environment in which everyone from wine novices to connoisseurs can experience delights through all five senses. This was followed in 2018 by the renovation of the Kikyogahara Winery in Shiojiri City, Nagano Prefecture, a garage winery producing small quantities of unique wines. In 2019, Mercian established the Mariko Winery in Ueda City, Nagano Prefecture, where visitors can see the entire wine manufacturing process, from grape cultivation through to wine-making. With the establishment and renovation of these wineries, Mercian has created a structure through which it can continually enhance the quality of *Chateau Mercian* wines, while also broadening the scope of wine culture and pursuing its vision as “Japan recognized as one of the world’s foremost wine regions.”

By increasing the number of wineries in operation to three, Mercian has reduced the distances from vineyards in

various locations to the wine-making facilities. As a result, grapes can now be harvested at optimal times and quickly delivered to the wineries. In addition, the close proximity of wineries has led to increased sharing of technology, resulting in the improvement of wine quality throughout the region. Grape harvests are expanding steadily at company-managed vineyards, which create jobs for the people who carry out the all-important field work, while also providing opportunities for Mercian supporters to gain a first-hand experience of vine-planting and grape harvesting. Mercian’s three-winery structure has allowed the company to expand its business while also contributing to local communities.

The Kirin Group aims to achieve sustainable production of raw materials while also contributing to local communities. In grape- and hop-growing areas in Japan and tea-growing areas in Sri Lanka, we contribute to regional revitalization and the development of business infrastructure through our support for growers and their workers, as well as through our involvement in community development and environmental conservation.

This commitment is typified in the activities of Mercian Corporation, which works to create economic and social value from a long-term perspective through collaboration with grape-growing regions.



The Terroir series—Wines with Unique Regional Characteristics

CASE 3

Community Engagement



Creating economic and social value in harmony and partnership with local communities

Among Mercian's three wineries, the Mariko Winery has placed particular emphasis on harmony and partnership with local communities.

Established on unused land in 2003, the Mariko Winery has worked to regenerate the area's rich ecosystems. Since its opening, it has built relationships with local communities while disseminating information about the

region within Japan and internationally. In recent years, wine tourism has attracted growing interest as a key contributor to regional revitalization. The Mariko Winery hosts winery tours and other events, which attracted over 10,000 visitors' in the first three months after the Winery's opening. Mercian is also helping to raise awareness of the high quality of Japanese wines by inviting international wine experts to the Mariko Winery. During the COVID-19 crisis, the Winery has continued to disseminating information through social networks and other media.

In 2020, the Mariko Winery was selected for the 30th position on the "World's Best Vineyards" list of top wineries engaged in wine tourism (see lower left-hand column). This was the first time that a Japanese winery was included in the list, and the achievement was covered by numerous major media organizations. In addition to increased sales of *Château Mercian* wines, inclusion in the list has also resulted in global recognition of the region around Mariko Winery as one of Japan's top wine-producing areas.

In the two years since the opening of the Mariko Winery, we have worked constantly to maintain harmony with local communities, the natural environment, and the future. We are constantly reminded that the Mariko Winery has become a beloved part of the local community by local residents, who frequently visit the winery and tell us that is the pride of the region.

The strong links that have developed between Mercian's three wineries and their local communities are key to our continuing efforts to create *Chateau Mercian* wines that reflect unique regional characteristics. We are determined to develop *Chateau Mercian* into a premier brand worthy of representing Japan in the global arena, and to contribute to Japan's emergence as one of the world's foremost wine regions.

International recognition for the Mariko Winery

The "World's Best Vineyards" list is compiled by the British company William Reed Business Media. The best 50 wineries in the world are selected by over 500 international wine, gastronomy and travel experts. In 2020, over 1,800 vineyards were nominated. The news that the Mariko Winery had earned a place among the world's best wineries attracted intense interest and was even featured in U.S. media reports, one of which characterized the selection of a Japanese winery for the first time as a stunning success that symbolized the diversity of the world's wineries.



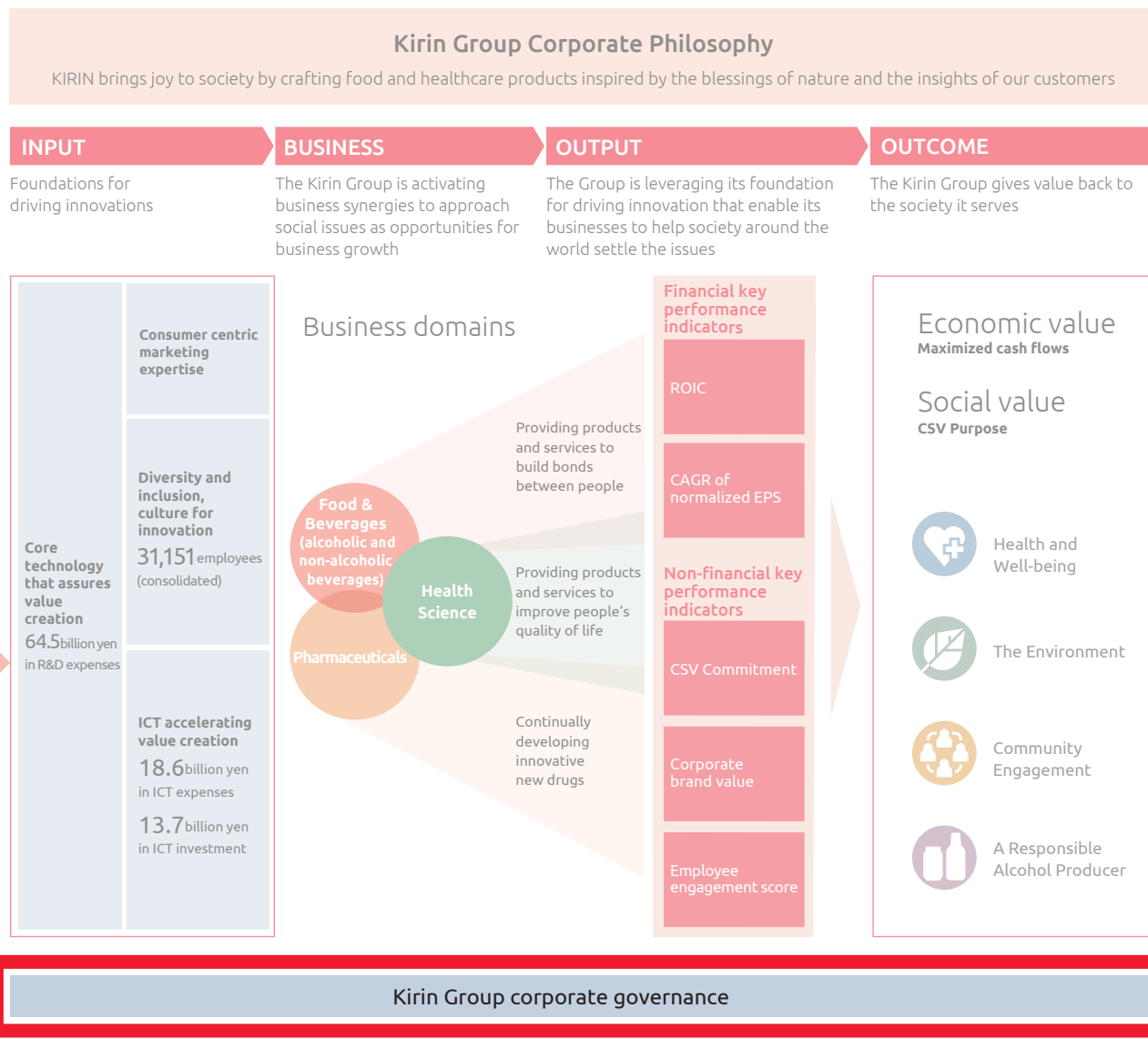
"World's 50 Best Vineyards 2020" plaque and trophy

Governance

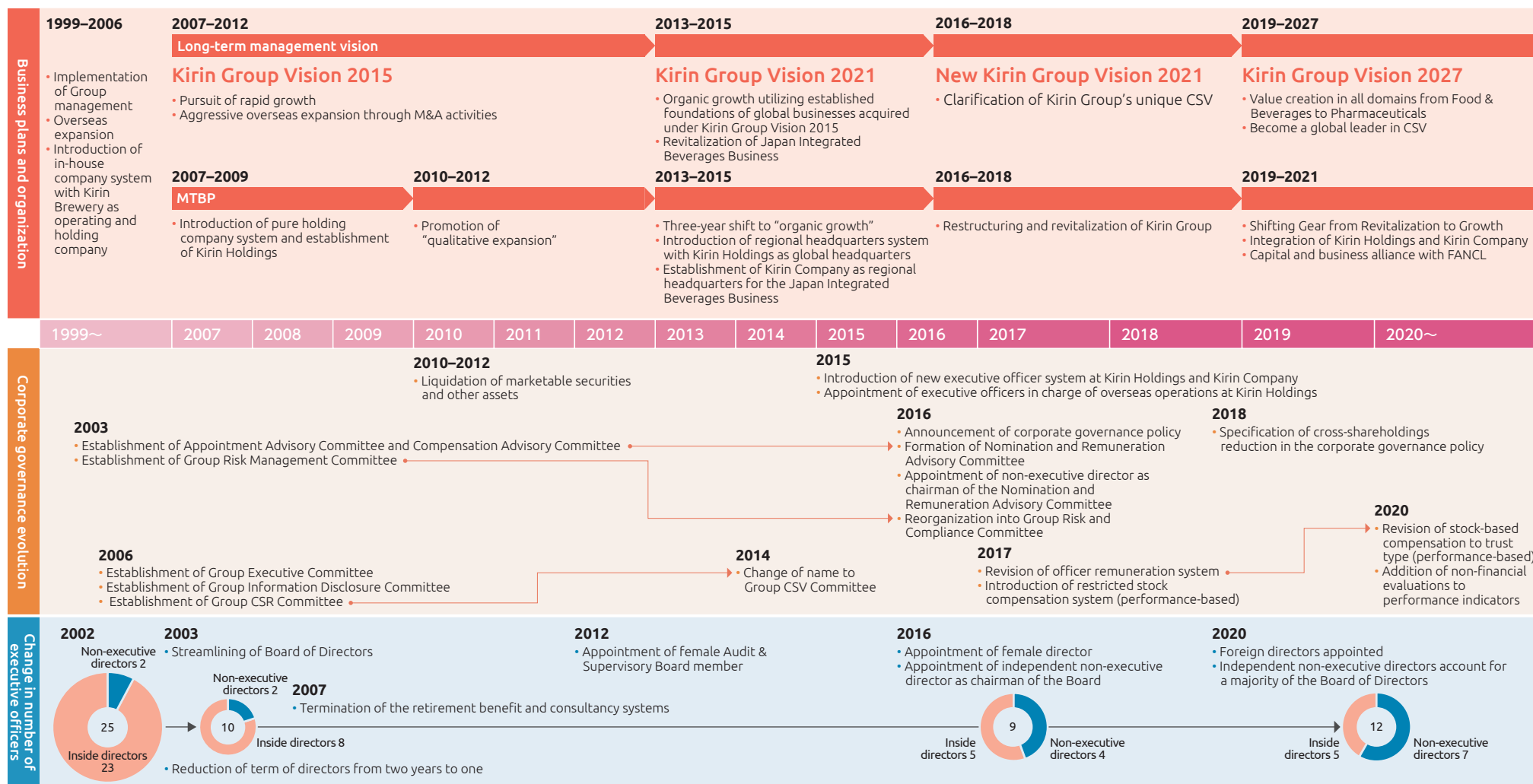
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Kirin's Value Creation Model

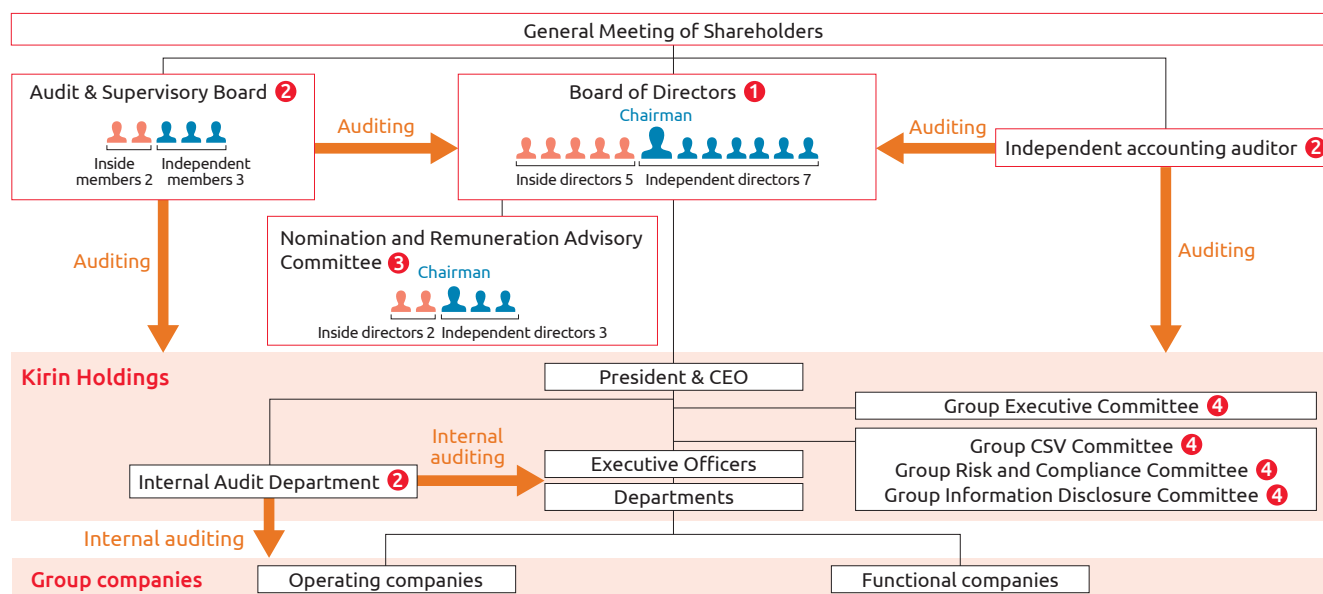


Evolution of the Corporate Governance System



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

Corporate Governance Systems



1 Desired functions of the Board of Directors of the Kirin Group

Enhance medium-to-long term corporate value by making important corporate decisions and providing supervisory functions through verifying executive and business company strategies (proposals), making sound recommendations from a broad perspective, and providing oversight.

Important decision-making

- Focus on important matters and discuss them from a medium-to-long term group management perspective by using a compact decision-making structure that delegates responsibility to executing managers

Oversight

- Enhance supervisory functions with input from independent non-executive directors with diverse expertise and objective perspectives

2 Mutual cooperation between Audit & Supervisory Board members, independent accounting auditor, and internal control divisions

- Audit & Supervisory Board members, in addition to Audit & Supervisory Board meetings, regularly attend Board of Directors meetings and other important corporate meetings, and visit Group companies in Japan and overseas to audit directors in the performance of their duties. Members also work closely with corporate auditors of Group companies to enhance the effectiveness of audits.
- The Internal Audit Department audits the Group's major risks and internal control system. The Internal Audit Department, Audit & Supervisory Board members, and independent auditors exchange information and views and hold discussions when necessary. The Internal Audit Department and Audit & Supervisory Board members obtain pertinent information by attending meetings of the internal control divisions and the independent accounting auditor interviews internal control division staff as necessary to conduct an effective audit.

3 Advisory body to the Board of Directors

Nomination and Remuneration Advisory Committee: An advisory body to the Board of Directors; the committee is responsible for discussing from an objective and fair perspective the appointment/removal and remuneration of directors, Audit & Supervisory Board members, and executive officers of major Group companies. The committee is also responsible for the Kirin Holdings CEO successor plan. As for the composition of the committee, the chairman and the majority of committee members are independent non-executive directors, thus ensuring objectivity and transparency. The term of office is one year.
Independent directors: Chieko Matsuda (Chairman), Hiroyuki Yanagi, Noriko Shiono
Inside directors: Yoshinori Isozaki, Toshiya Miyoshi

4 Advisory bodies to the president

Group Executive Committee: The Group Executive Committee assists the president & CEO in decision-making on matters related to strategies and investments that will have a significant impact on the Kirin Group.
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.
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.
Group Information Disclosure Committee: Delegated by the president, the Group Information Disclosure Committee regularly and at suitable times deliberates and decides the necessity and content of information disclosure, including the disclosure of quarterly results and information related to specific events, from the perspective of providing useful information to shareholders and investors.

Note: Due to the increased diversity and expertise of the members on the Board of Directors, the International Advisory Board (IAB) and strategic advisors, which previously provided advice and recommendations from a global and specialized perspectives, were eliminated in fiscal 2020.

Directors, Audit & Supervisory Board Members, and Executive Officers

Directors



Yoshinori Isozaki

President & CEO
Member of the Nomination and Remuneration Advisory Committee
1977 Joined the Company
2015 President & CEO of the Company (current position)



Keisuke Nishimura

Representative Director of the Board, Senior Executive Vice President

Business Alliance and Investment Strategy, Overseas Business, Global Craft Beer

1980 Joined the Company
2017 Representative Director of the Board, Senior Executive Vice President of the Company (current position)

Major Concurrent Positions

Director of Lion Pty Ltd
Director & Vice Chairman of Myanmar Brewery Limited
Director of San Miguel Brewery Inc.
Director of China Resources Kirin Beverages (Greater China) Co., Ltd.



Toshiya Miyoshi

Director of the Board, Senior Executive Officer
Member of the Nomination and Remuneration Advisory Committee

HR and General Affairs

1982 Joined the Company
2015 Director of the Board, Senior Executive Officer of the Company (current position)

Major Concurrent Positions

Director of Kirin Brewery Co., Ltd.
Director of San Miguel Brewery Inc.

Independent non-executive directors of the Board



Masakatsu Mori

Independent Non-executive Director of the Board*
Chairman of the Board

1969 Joined Arthur Andersen, LLP
1995 Japan Representative of Andersen Consulting (currently Accenture Japan Ltd.)

2015 Audit & Supervisory Board Member of the Company
2018 Senior Advisor of International University of Japan (current position)

2019 Independent Non-executive Director of the Company (current position)



Hiroyuki Yanagi

Independent Non-executive Director of the Board*
Member of the Nomination and Remuneration Advisory Committee

1978 Joined Yamaha Motor Co., Ltd.
2007 Executive Officer of Yamaha Motor Co., Ltd.

2009 Senior Executive Officer of Yamaha Motor Co., Ltd.
2010 President, CEO, and Representative Director of Yamaha Motor Co., Ltd.

2018 Chairman and Representative Director of Yamaha Motor Co., Ltd.
2019 Independent Non-executive Director of the Company (current position)
2021 Chairman and Director of Yamaha Motor Co., Ltd. (current position)



Chieko Matsuda

Independent Non-executive Director of the Board*
Chairperson of the Nomination and Remuneration Advisory Committee

1987 Joined The Long-Term Credit Bank of Japan, Limited

2011 Professor of School of Business Administration, Faculty of Urban Liberal Arts (currently Faculty of Economics and Business Administration) at Tokyo Metropolitan University (current position), Professor of Department of Business Administration, Graduate School of Social Sciences (currently Graduate School of Management) at Tokyo Metropolitan University (current position)

2016 Audit & Supervisory Board Member of the Company
2020 Independent Non-executive Director of the Company (current position)



Noriko Shiono

Independent Non-executive Director of the Board*
Member of the Nomination and Remuneration Advisory Committee

1983 Joined Japan New Media Co., Ltd.
2010 Representative Director, President of SSP Co., Ltd.

2017 President of Wixid K.K. (current position)

2018 Non-executive Director of Kirin Co., Ltd.
2020 Independent Non-executive Director of the Company (current position)



Noriya Yokota

Director of the Board, Senior Executive Officer

Chief Financial Officer, IR, IT, Business Transformation

1984 Joined the Company
2018 Director of the Board, Senior Executive Officer of the Company (current position)

Major Concurrent Positions

Director of Kyowa Kirin Co., Ltd.
Director of Kirin Business System Co., Ltd.



Noriaki Kobayashi

Director of the Board, Senior Executive Officer

R&D Strategy, Quality Assurance

1983 Joined the Company
2019 Director of the Board, Senior Executive Officer of the Company (current position)

Major Concurrent Positions

Director of Kyowa Hakko Bio Co., Ltd.



Rod Eddington

Independent Non-executive Director of the Board*

1979 Joined John Swire & Sons (H.K.) Ltd.

1992 Managing Director of Cathay Pacific Airways Limited
2000 Chief Executive Officer of British Airways Plc.

2012 Chairman, Independent Non-executive Director of Lion Pty Ltd (current position)

2020 Independent Non-executive Director of the Company (current position)



George Olcott

Independent Non-executive Director of the Board*

1986 Joined S.G. Warburg & Co., Ltd.
2000 Managing Director, Equity Capital Market, UBS Warburg Tokyo

2014 Guest Professor, Faculty of Business and Commerce, Keio University (current position)

2020 Independent Non-executive Director of the Company (current position)



Kaoru Kato

Independent Non-executive Director of the Board*

1977 Joined Nippon Telegraph and Telephone Public Corporation

2012 Representative Director and President & CEO of NTT DOCOMO, INC.
2016 Corporate Advisor, Member of the Board of NTT DOCOMO, INC.

2018 Corporate Advisor of NTT DOCOMO, INC. (current position)

2019 Member of the Board of Directors (Outside Director) of Mitsubishi UFJ Financial Group, Inc. (current position)

2021 Independent Non-executive Director of the Company (current position)

* Non-executive Director as described in Article 2-15 of the Companies Act of Japan. Also fulfills the requirements for designation as an independent officer as prescribed in the regulations of the Tokyo Stock Exchange and complies with the Company's Criteria regarding the independence of Officers.

Directors, Audit & Supervisory Board Members, and Executive Officers

Audit & Supervisory Board members



Akihiro Ito

Standing Audit & Supervisory Board Member

2015 Joined the Company
2015 Director of the Board, Senior Executive Officer of the Company
2018 Standing Audit & Supervisory Board Member of the Company (current position)
2019 Audit & Supervisory Board Member of Kyowa Hakkō Bio Co., Ltd. (current position)



Yoshiko Ando

Audit & Supervisory Board Member*

1982 Entered the Ministry of Labor
2003 Lieutenant Governor of Shiga Prefecture
2006 Director of Equal Employment Policy Division of Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare (MHLW)
2013 Director-General of Industrial Accident Compensation Department of Labour Standards Bureau, MHLW
2014 Director-General of Equal Employment, Children and Families Bureau, MHLW
2015 Director-General for Labour Policy Planning, MHLW
2016 Director-General for Statistics and Information Policy, MHLW
2017 Director-General for Human Resources Development, MHLW
2019 Audit & Supervisory Board Member of the Company (current position)



Keiji Kuwata

Standing Audit & Supervisory Board Member

1985 Joined the Company
2019 Standing Audit & Supervisory Board Member of the Company (current position)
Audit & Supervisory Board Member of Kyowa Hakkō Kirin Co., Ltd. (currently Kyowa Kirin Co., Ltd.) (current position)



Kaoru Kashima

Audit & Supervisory Board Member*

1981 Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
1985 Registered as a certified public accountant
2010 Managing Director of Ernst & Young ShinNihon LLC In charge of Corporate Culture Promotion Office, Public Relations Office
2012 General Manager of Knowledge Headquarters, Managing Director of Ernst & Young ShinNihon LLC
2013 Representative Director of Ernst & Young Institute Co., Ltd.
2020 Audit & Supervisory Board Member of the Company (current position)



Nobuo Nakata

Audit & Supervisory Board Member*

1985 Admitted to the Japanese Bar and joined Ishiguro Law Office as an associate
1987 Associate of Masuda & Ejiri (currently Nishimura & Asahi)
1991 Admitted to the New York Bar
1992 Partner of Masuda & Ejiri (currently Nishimura & Asahi)
2007 Partner of Allen & Overy
2012 Representative Partner of Hibiya-Nakata (current position)
2018 Audit & Supervisory Board Member of the Company (current position)

Executive officers



Hiroshi Ogawa

Senior Executive Vice President

Public Relations, Risk Management, Legal
Director of Kirin Brewery Co., Ltd.



Masao Maehara

Senior Executive Officer

Supply Chain Management (Production, Logistics, and Procurement)
Director of Kirin Beverage Co., Ltd.



Ryosuke Mizouchi

Senior Executive Officer

CSV strategy, North America Beer Business
Director of Lion Pty Ltd
Director of Coca-Cola Beverages Northeast, Inc.
Director of Mercian Corporation



Takayuki Fuse

Senior Executive Officer

President and CEO of Kirin Brewery Co., Ltd.



Toru Yoshimura

Senior Executive Officer

General Manager of Corporate Strategy Department, Health Business Strategy, Digital Strategy
Director of Kirin Beverage Co., Ltd.



Hideki Horiguchi

Senior Executive Officer

President and CEO of Kirin Beverage Co., Ltd.



Junko Tsuboi

Senior Executive Officer

General Manager of Strategic Branding Department, Marketing, Strategic Branding
Outside Director of FANCL Corporation



Takeshi Minakata

Senior Executive Officer

President & CEO of Kyowa Hakkō Bio Co., Ltd.

Information on matters related to the nomination of directors and Audit & Supervisory Board members can be found on the Company's corporate website.



Management (profile and reasons for nomination)
<https://www.kirinholdings.com/en/profile/board/>



Criteria regarding the independence of Officers
https://www.kirinholdings.com/en/purpose/files/pdf/e_independencecriteria_officer.pdf

* 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 the regulations of the Tokyo Stock Exchange and complies with the Company's Criteria regarding the independence of Officers.

Message from the Independent Non-executive Director



Expert insights on Kirin's governance from a global perspective

George Olcott

Independent Non-executive Director

Profile

Mr. George Olcott's distinguished career includes serving as the President of UBS Asset Management (Japan). He has held academic positions as Senior Fellow of the Judge Business School, University of Cambridge and is presently Guest Professor of the Faculty of Business and Commerce, Keio University. He currently serves as outside director for Denso Corporation and Dai-ichi Life Holdings, Inc. Mr. Olcott was appointed as Independent Non-executive Director of the Company in 2020.

Message from the Independent Non-executive Director

Objective and robust discussion supported by progress in diversity

During my first fiscal year as a member of the Board of Kirin Holdings, I have been impressed by the quality of the Board relative to other Japanese companies. It's difficult to benchmark the performance of the Board against global standards since the Japanese corporate structure and board practices are affected by local legal and cultural factors, but I have been favorably impressed with the level of debate and the kinds of issues that get raised at the Board and how they're dealt with.

A majority of the Board is now independent non-executive, and we have an independent chairman. In appearance, this resembles the UK configuration familiar to me, although the audit committee structure is quite different. Although I'm not on the Nomination and Compensation Advisory Committee, I can report that discussions at a recent senior salary review proved to be vigorous and transparent. I understand that the succession planning process is also discussed in an open and transparent way.

Our board is very diverse for a Japanese company, with two Japanese women, two foreigners, and three Japanese men. I am encouraged that the company appreciates the different perspectives that Sir Rod

Eddington, one of our fellow independent non-executive directors, and I, as non-Japanese, bring to the Board.

To grow as a global business, however, Kirin needs to aggressively diversify the executive group by hiring and promoting more women and non-Japanese candidates. To promote diversity in our total organization, we also need to expand graduate recruitment to non-Japanese universities.

Fully engaged in rigorous debate on portfolio strategy

While I can't speak for the past, I get the impression that we are addressing key strategic issues with increasingly healthy and rigorous debate. Participating in a couple of discussions in the autumn about our portfolio, I was glad to see a bottom-up analysis held in a spirit of openness. When management's direction was questioned by board members, the executives seemed well prepared for vigorous debate.

In the process of portfolio optimization, I am satisfied that the company considers whether Kirin is the right owner of its businesses. The direction in which we should or might go, the alternatives, and the resources required to finance various scenarios were fully discussed. It struck me that the portfolio review process was a genuine one, and not a rubber-stamping exercise.

A number of issues, parent-child listing, for example, call for further debate. At a UK company, these kinds of strategic issues are discussed within group of the non-executive directors. Increasing cohesiveness among the non-executive group is an issue for all Japanese boards and I hope that in a Covid-free environment, we will promote this at the Kirin board.

I am reassured by these portfolio discussions that Kirin is fully engaged in evaluating, and re-evaluating, its strategy. I hope to see more of this kind of strategic discussion and to explore new ways of improving the Board's oversight function.



Message from the Independent Non-executive Director

Views on Kirin management's efforts to enhance corporate value

I think Japanese companies tend to be too defensive about exposing independent board members to shareholders. But Kirin is fairly open in this regard and doesn't have any particular issues.

Kirin now uses ROIC as one of its KPIs. This gives executives a clearer picture of how resource allocation, cross holdings, and governance are interrelated. I have been impressed by the pace of the unwinding of cross-holdings by Kirin, a Mitsubishi group company. The process of further unwinding will be challenging, and management needs to maintain the good momentum it has built up.

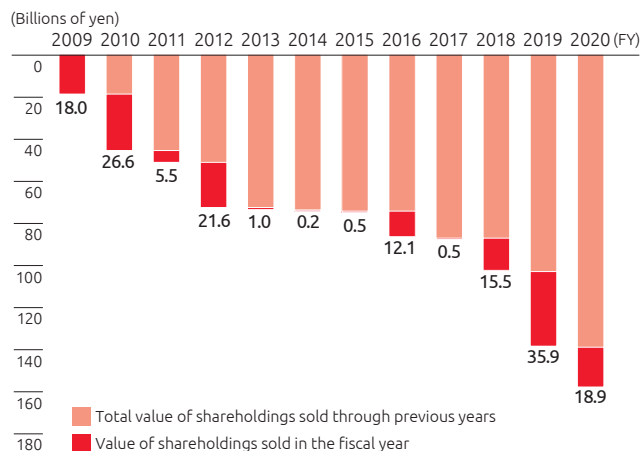
For risk management, we meet monthly to discuss potential issues based on clear and concise metrics. Cyber risk is an area where an HR strategy based on recruiting qualified IT specialists, either out of university or as mid-career hires, will strengthen Kirin's capabilities. To deploy mission-critical infrastructure, the IT department needs truly qualified IT talent from top to bottom, including hiring good resources from outside.

Another risk area is human rights. Japanese companies in general have different ways of engaging with such issues, but Kirin's response to the crisis in Myanmar has been appropriate at this stage. Here again, an independent non-executive discussion platform could support Kirin in handling human rights risk in ways that win international approval.

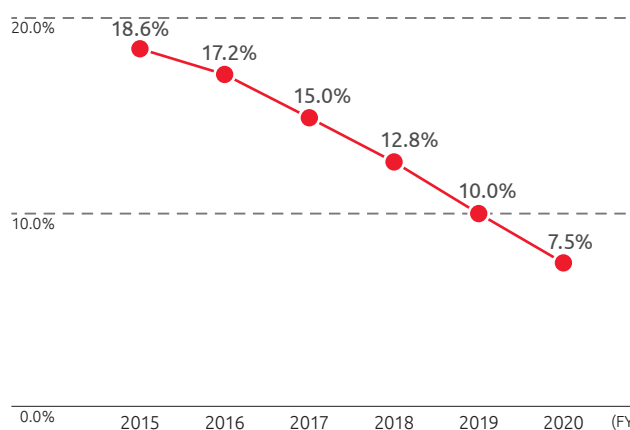
Normally, in the first year I would have had face-to-face meetings with senior executives and I would be doing a lot of site visits. Kirin is a global company, and in the year ahead I wish to better understand the strengths, weaknesses, and strategies of its individual businesses, free of pandemic-related restrictions.

Globalization strategies gain from a viewpoint different from that of a Japanese independent director. Global business is one area where I hope to make a particular contribution.

Sold strategic shareholdings worth of 150.0 billion yen in the past 12 years



Ratio of strategic shareholdings*1,2 to equity declined to 7.5%



*1 Percentage of shareholdings held for purposes other than pure investment
 *2 Reference figures for fiscal 2015 and 2016 are based on J-GAAP.

Enhancing Management Effectiveness

Evaluations of the Board of Director 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.

In fiscal 2020, the Board of Directors focused on further strengthening its supervisory function, which was identified as a point requiring improvement in the previous-year evaluation. Due to the COVID-19 pandemic, the Board is allocating additional time in each meeting to discuss risk management.

Fiscal 2020 discussion points

1. Discuss the composition and operation of the Board of Directors for providing specialized and objective oversight and advising in the Health Science and other business domains
2. Discuss the degree of familiarity and penetration of sound corporate ethics among employees, including understanding of the Group Philosophy System and corporate ethics
3. Discuss risk management pertaining to the globalization and increasing complexity of risk
4. Discuss issues from the perspective of non-financial targets (the CSV Commitment), including environmental, social, and governance (ESG)
5. Discuss specific function strategies needed to execute the overall medium- and long-term strategy to raise corporate value considering market and competitor trends

Fiscal 2020 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 2021

Management has specified four points for improvement in fiscal 2021 based on the opinions and areas for improvement indicated in the evaluations in fiscal 2020 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 2021

1. Specific function strategies needed to execute the overall strategy considering market and competitor trends
2. The degree of familiarity and penetration of sound corporate ethics among employees, including understanding of the Group Philosophy System and corporate ethics
3. Risk management pertaining to the globalization and increasing complexity of risk
4. Issues from the perspective of non-financial targets (the CSV Commitment), including environmental, social, and governance (ESG)

Expertise and Experience of Directors, Audit & Supervisory Board Members, and Executive Officers

		Expertise and Experience									
		Corporate Management	ESG / Sustainability	Finance / Accounting	HR Management / Development	Legal / Compliance / Risk Management	SCM	Brand Strategy / Marketing / Sales	Overseas Business	R&D / New Business / Health Science	ICT DX
President & CEO	Yoshinori Isozaki	●	●			●		●	●		
Representative Director of the Board, Senior Executive Vice President	Keisuke Nishimura	●			●			●			
Director of the Board, Senior Executive Officer	Toshiya Miyoshi	●	●		●		●				
Director of the Board, Senior Executive Officer & CFO	Noriya Yokota		●	●	●		●	●		●	
Director of the Board, Senior Executive Officer	Noriaki Kobayashi					●		●	●		
Independent Director (non-executive)	Masakatsu Mori	●		●				●		●	
Independent Director (non-executive)	Hiroyuki Yanagi	●				●	●	●			
Independent Director (non-executive)	Chieko Matsuda		●	●		●					
Independent Director (non-executive)	Noriko Shiono	●					●	●	●		
Independent Director (non-executive)	Rod Eddington	●						●			
Independent Director (non-executive)	George Olcott		●	●	●			●			
Independent Director (non-executive)	Kaoru Kato	●							●	●	
Standing Audit & Supervisory Board Member	Akihiro Ito			●				●			
Standing Audit & Supervisory Board Member	Keiji Kuwata					●	●				
Audit & Supervisory Board Member	Nobuo Nakata					●		●			
Audit & Supervisory Board Member	Yoshiko Ando		●		●	●					
Audit & Supervisory Board Member	Kaoru Kashima			●	●						
Senior Executive Vice President	Hiroshi Ogawa				●	●					
Senior Executive Officer	Ryosuke Mizouchi		●				●	●			
Senior Executive Officer	Toru Yoshimura					●		●	●	●	
Senior Executive Officer	Junko Tsuboi	●	●				●				
Senior Executive Officer	Masao Maehara					●		●			
Senior Executive Officer	Takayuki Fuse	●					●				
Senior Executive Officer	Hideki Horiguchi	●					●	●			
Senior Executive Officer	Takeshi Minakata	●				●		●	●		

Independent directors

To increase the fairness and transparency of corporate governance, support the Group's continuing growth, and enhance the Group's corporate value over the medium-to-long term, as of April 2021 the Company has designated seven (7) independent non-executive directors and three (3) independent audit & supervisory board members.

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

Kirin Holdings appoints directors, audit & supervisory board members, and executive officers with abundant experience, deep insight, and high specialization with the aims of ensuring appropriate and high-level decision-making and management of the Group from the perspective of shareholders and achieving continual growth in corporate value.

We also use the results of the Board of Directors effectiveness evaluations to identify the areas of knowledge and experience that are important for deliberation and decision-making by the Board of Directors. Considering those areas along with the diversity represented by its members, we seek to create an overall balance on the Board and to strengthen its ability to execute group business and provide management oversight, including monitoring and strategic review.

Executive Officer Remuneration

Policy


The Board of Directors sets executive officer remuneration amounts each fiscal year based on reviews of the appropriateness of the amounts by the Nomination and Remuneration Advisory Committee, of which the Chair and a majority of members are independent non-executive directors. The committee considers changes in the business environment and input from shareholders and investors and, as necessary, seeks objective opinions from external consulting firms specializing in corporate compensation.

Basic policy

1. Remuneration shall emphasize the link to business performance and corporate value in the medium to long term, and shall encourage the sharing of value with shareholders.
2. Remuneration shall be at a level commensurate with the roles and responsibilities of a director of the Kirin Group.
3. Executive remuneration shall be reviewed by the Nomination and Remuneration Advisory Committee. To ensure objectivity and transparency, independent non-executive directors shall account for the majority of the committee members.

Remuneration structure and eligibility

- The remuneration structure has three elements: a fixed basic remuneration and performance-linked payments of a bonus and stock compensation
- Independent non-executive directors and corporate auditors receive only basic remuneration because the role of non-executive directors is to provide objective supervision and advice for management, and the role of corporate auditors is to provide objective auditing of the directors' execution of duties.

 Remuneration System for Executive Officers
<https://www.kirinholdings.com/en/purpose/governance/compensation/>

President & CEO bonus subject to individual performance evaluation

The bonus payment amounts for executive officers other than the president & CEO were based on corporate performance assessment indicators and individual performance evaluations, while the bonus payment amount for the president & CEO was based solely on corporate performance assessment indicators.

Beginning in fiscal 2021, the bonus payment amount for the president & CEO will also include an individual performance evaluation. This revision was made so the

Targets and evaluation weighting (fiscal 2021)

Performance indicators	President & CEO	Representative Director of the Board, Senior Executive Vice President*	Other directors and executive officers
Company performance evaluation (consolidated normalized operating profit)	70%	60%	50%
Individual performance evaluation	30%	40%	50%
	The Nomination and Remuneration Advisory Committee sets specific evaluation indicators and targets following interviews at the start of the fiscal year with the president & CEO and the chairman and independent non-executive directors of the Nomination and Remuneration Advisory Committee.	The Nomination and Remuneration Advisory Committee sets specific evaluation indicators and targets for individual priority areas and department performance based on a draft proposal prepared by the president & CEO following interviews at the start of the fiscal year with the directors and executive officers.	

* The procedures are the same for senior executive vice president not concurrently holding positions as directors.

bonus payment to the president & CEO will reflect the chief executive officer's responsibility for deciding the strategies and initiatives executed to achieve corporate performance targets. In addition, weighting for responsibility for achieving corporate performance targets will also be applied to directors and executive officers other than the president.

Executive remuneration discussion by the Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee convened 13 times in fiscal 2020. The committee primarily addressed the topics presented below, discussions of which included objective and independent advice and information from external advisors that attended three of the meetings. Discussion content is duly reported for final decisions by the Board of Directors.

- Regularly scheduled discussions about remuneration levels, the ratio of performance-linked remuneration, and the mechanisms for linking remuneration to performance
- The need or not to revise the targets used for performance-linked remuneration in fiscal 2020 and specific revisions
- Individual evaluations for performance-linked remuneration in fiscal 2021

In fiscal 2021, the committee plans to carefully consider using executive remuneration as a performance incentive under the next medium-term management plan that will start the following year. Discussions will focus particularly on the use of non-financial indicators.

Executive Officer Remuneration

Remuneration structure (ratio for the president & CEO)

Fixed remuneration (45%)	Performance-linked remuneration (55%)
Basic remuneration	Bonus (32%) Stock compensation (23%)

Overview of remuneration system for executive officers

	Position	Eligible recipients		Type of remuneration	Allocation policy	Evaluation indicators for fiscal 2021	Calculation formula for fiscal 2021												
		•Directors (excluding independent non-executive directors) •Executive officers	•Non-executive directors •Audit & Supervisory Board members																
Basic remuneration	Fixed remuneration based on position and responsibility	○	○	Cash	Annual amount provided in 12 equal monthly payments	-	-												
Bonus	Performance-linked compensation to motivate efforts toward achieving fiscal year performance targets and future growth	○	-	Cash	Remuneration is 100% when targets are achieved and varies within a range of 0 to 200%	<ul style="list-style-type: none"> •Consolidated normalized operating profit •Individual performance evaluation 	<p>Calculation formula for individual remuneration</p> <p>Individual remuneration = Standard bonus × A + B</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Company performance pay rates</p> <p>Consolidated normalized operating profit</p> </div> <div style="text-align: center;"> <p>Individual performance pay rate</p> <p>Evaluation indicators for commissioned work</p> </div> </div> <p>* Please see page 60 for explanations of A (percentage linked to company performance) and B (percentage linked to individual performance).</p>												
Stock compensation	Performance-linked compensation to motivate efforts toward enhancing corporate value for the medium and long term	○	-	Stock (trust-type stock compensation)	<ul style="list-style-type: none"> •Points are provided in a range of 50 to 150% in accordance with the degree of progress toward the performance targets for the year following a performance evaluation period. •In principle, stocks are awarded in accordance with the points received at a set period three years after the start of the performance evaluation period. 	<ol style="list-style-type: none"> ROIC Normalized EPS Non-financial evaluation 	<p>Point allocation = base points × performance-linked coefficient</p> <p>Calculation formula for performance-linked factors</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>(1) ROIC pay rate</p> <p>ROIC</p> </div> <div style="text-align: center;"> <p>(2) Normalized EPS pay rate</p> <p>Normalized EPS</p> </div> <div style="text-align: center;"> <p>(3) Non-financial evaluation* pay rate</p> <table border="1" style="font-size: small;"> <thead> <tr> <th>Evaluation</th> <th>Pay rate</th> </tr> </thead> <tbody> <tr> <td>SS</td> <td>150%</td> </tr> <tr> <td>S</td> <td>125%</td> </tr> <tr> <td>A</td> <td>100%</td> </tr> <tr> <td>B</td> <td>75%</td> </tr> <tr> <td>C</td> <td>50%</td> </tr> </tbody> </table> </div> </div> <p>* Non-financial evaluation is a comprehensive assessment of the progress and achievement of CSV commitments and the employee engagement.</p>	Evaluation	Pay rate	SS	150%	S	125%	A	100%	B	75%	C	50%
Evaluation	Pay rate																		
SS	150%																		
S	125%																		
A	100%																		
B	75%																		
C	50%																		



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’s fundamental risk management policy is to maintain a robust risk management structure and to fortify and fully implement risk control and compliance 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 the trust of customers, employees, shareholders, and society over the long term.

Risk management structure and process for determining and monitoring significant risk

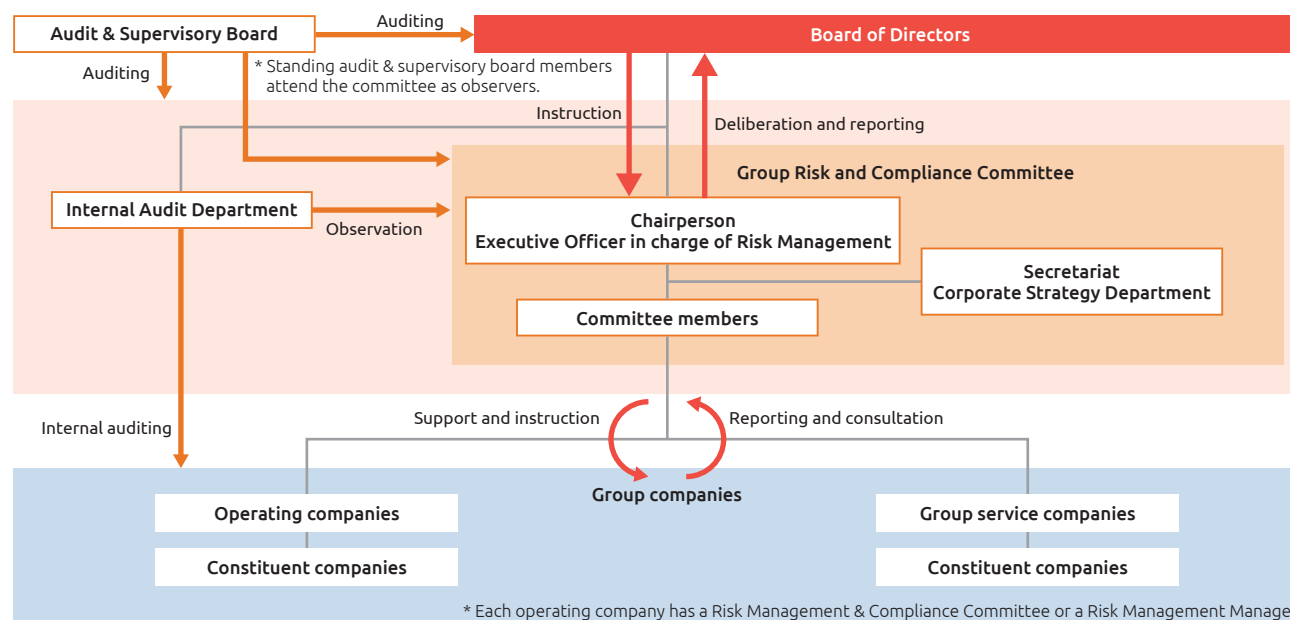
The Board of Directors deliberates and reports on significant risks. The Group additionally maintains a Group Risk and Compliance Committee consisting of Kirin Holdings internal directors and executive officers and chaired by the Executive Officer in Charge of Risk. The committee oversees the Group’s risk management activities, including collecting risk information, controlling risk, setting risk policy for the medium-term management plans and for each fiscal year, preparing important items for compliance, introducing risk reduction measures, communicating information and implementing countermeasures when risk arises, and providing necessary instructions and support to Group companies.

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. Kirin Holdings assesses the potential quantitative and qualitative impacts of important risks from the perspective of overall Group management and classifies the risk in terms of priority. The Board of Directors deliberates the assessments and determines the significant risks for the Group.

Kirin Holdings and the Group companies frame and

implement measures to address the significant risks and monitor risk status on a quarterly basis. The Kirin Holdings Board of Directors deliberates the status and reviews significant risks and provides instruction as necessary to support appropriate risk management and control in the execution of countermeasure strategies. The risk management system is designed to prevent risk from manifesting and to minimize any potential negative impact when a risk situation does occur.

Risk management structure



Risk Management

Kirin Group significant risk

- Key matters presenting risk to Kirin Group strategies, businesses, and other activities, which could significantly impact investor assessment of the Group.
- Matters determined to present potential risk in the future based on the judgment of the Company as of December 31, 2020.
- Risks associated with the political developments in Myanmar in February 2021 are based on information as of March 15, 2021. Updated information related to the Company will be presented in a timely manner on the corporate website.



Consolidated Financial Statements
<https://pdf.irpocket.com/C2503/HRxf/Drzj/zShS.pdf>

Significant risk in each business domain

Business area	Main risk	Risk content and main potential impacts	Main countermeasures, pages in this report with information, and risk situational awareness
Food & Beverages	<ul style="list-style-type: none"> • Risk arising from the Company's responses to business environment changes, such as in demographics, markets, competition, preferences, and revisions to laws and regulations 	<ul style="list-style-type: none"> • Potential for a shortfall to sales targets due to changes in the market environment, fluctuations in product prices, or actions of competitor companies • Potential for business development to not advance as anticipated 	Pages 68–70 (Business Progress)
Business in Myanmar	<ul style="list-style-type: none"> • Risk that major economical and societal changes caused by the political situation in Myanmar will impact the Group's businesses 	<ul style="list-style-type: none"> • Potential for a business suspension, business reduction, or other disruption to normal business activities due to the political, economic, and social situation in Myanmar • Potential impact on Group business while the joint venture with a local company is under review 	<ul style="list-style-type: none"> • Maintain business operations and continuity in accordance with the local conditions • Act and respond in accordance with our business norms and human rights policies • Provide timely and appropriate information
Pharmaceuticals	<ul style="list-style-type: none"> • Risk associated with maximizing the value of global strategic products • Risk related to product quality and stable supply • Risk related to government measures to reduce medical costs 	<ul style="list-style-type: none"> • Potential for products to not become fully established in a new market because price differential between the planned and actual prices in a country may cause sales to fall significantly below expectations, because expansion of the business domain may be slowed by delays in launch preparation or other factors, or due to difficulty connecting with potential patients • Potential for product recalls due to safety or quality concerns, or for difficulty maintaining stable supply due to a sharp increase in demand or a tight supply and demand balance • Potential for product prices to be reduced due to pressure to lower medical costs in Japan and overseas and to an ongoing shift to generic drugs 	Pages 44–45 (CSV Stories CASE 1: Health and Well-being) Page 71 (Business Progress) Kyowa Kirin Annual Report, pages 48–49 and pages 67–69
Health Science	<ul style="list-style-type: none"> • Risk of not being able to provide differentiated products and services related to social issues • Risk of inability to increase added value due to insufficient organizational capability in new fields • Risk of issues related to product quality assurance, safety, or missing products 	<ul style="list-style-type: none"> • Potential that the sales plan will not be achieved due to inability to formulate an effective business model for expanding business in the priority area, or due to strategies not compatible with the consumer mindset • Potential inability to construct a high-profit business model for creating new value due to delays establishing an organizational structure for the Health Science business, delays developing, acquiring, and training human resources for business management, or inability to establish cooperation and synergies within the Group • Potential of product shortages if production does not proceed according to the production plan • Potential that Foods with Function Claims (FFCs) have adverse health effects or quality issues, lack sufficient evidence, or cause adverse reactions; or the potential of inaccurate information 	Pages 24–29 (Special Feature 1: Health Science Strategy) Pages 69, 71–72 (Business Progress)

Risk Management

Significant risk in each business domain

Item	Main risk	Risk content and main potential impacts	Main countermeasures, pages in this report with information, and risk situational awareness
COVID-19	<ul style="list-style-type: none"> Risk of the COVID-19 pandemic will constrain business activity Risk of employees contracting the virus and the virus spreading among employees 	<ul style="list-style-type: none"> Potential that business activities could be restrained by a rising number of infections and governments enforcing stronger regulations, such as state of emergency conditions Potential that, despite adequate prevention measures, infections among employees increase, preventing employees from coming to work and creating an insufficient workforce to carry out business activities 	Pages 8–9 (COVID-19 Impact Analysis and Response)
Securing and training of human resources	<ul style="list-style-type: none"> Risk of inability to adequately secure and train human resources to advance Group management and with the expertise necessary for business activities 	<ul style="list-style-type: none"> Potential of diminished competitiveness due to inability to increase organizational capability 	<ul style="list-style-type: none"> Reform the organizational culture for business execution and innovation, create a human resources management system, promote diversity Pages 30–33 (Special Feature 2: Human Resource Strategy)
Information technology	<ul style="list-style-type: none"> Risk of an adverse impact on management from delays introducing standardized information systems (ERP) or from inability to fully reap the expected benefits of digital transformation 	<ul style="list-style-type: none"> Potential hindrances to reforming and upgrading the management base or to improving operational efficiency to raise productivity 	<ul style="list-style-type: none"> Invest in management resources to prevent delays and monitor the information system development progress Pages 34–37 (Special Feature 3: Digital Transformation Strategy)
Product safety	<ul style="list-style-type: none"> Risk of unexpected quality issues beyond the scope of quality assurance measures 	<ul style="list-style-type: none"> Potential high costs or constricted business activity due to product discontinuation, recall, or compensation claims 	<ul style="list-style-type: none"> Set up, operate, and audit the effectiveness of a quality assurance system Foster an organizational culture that values quality in all departments in addition to the manufacturing division
Human rights	<ul style="list-style-type: none"> Risk of human rights issues associated with the Group, its partners, or its procurement operations Risk of human rights issues in Myanmar 	<ul style="list-style-type: none"> Potential substantial impact on business activities in the country or globally Potential misunderstanding of the Group's business activities with local joint ventures 	<ul style="list-style-type: none"> Measures to ensure human rights based on the Kirin Group Human Rights Policy - Identify, prevent, and mitigate human rights violations related to the Group's business activities - Request suppliers to comply with the Kirin Group Human Rights Policy
Environmental issues	<ul style="list-style-type: none"> Risk of environmental problems caused by PET bottles and other plastic containers, and risk of climate change caused by greenhouse gas emissions 	<ul style="list-style-type: none"> Potential impact on corporate brand value from failure to respond to social concerns and rising expectations of companies Potential for increased costs from responding to environmental issues and from inability to secure the necessary renewable energy 	<ul style="list-style-type: none"> Implement measure to achieve the environmental objectives in The Kirin Group Environmental Vision 2050 long-term strategy Pages 46–47 (CSV Stories CASE 2: The Environment)
Alcohol consumption-related issues	<ul style="list-style-type: none"> Risk of future restrictions worldwide on alcohol sales 	<ul style="list-style-type: none"> Potential decline in alcohol consumption, potential decrease in corporate brand value 	<ul style="list-style-type: none"> Self-regulate advertising and promotional activities and measures to eliminate harmful consumption of alcohol
Disasters, accidents, and supply chain events	<ul style="list-style-type: none"> Risk of large-scale natural disasters and accidents, such as earthquakes, unseasonable weather, cold summers, droughts, typhoons, torrential rains, forest fires, and infectious diseases Risk of supply chain disruptions 	<ul style="list-style-type: none"> Potential need to close business sites or reduce or suspend business activities Potential distribution delays or shortages due to procurement, production, and logistics capabilities unable to meet demand during a sharp rise in sales volume during peak sales periods Potential suspension or delay of deliveries due to damaged transportation networks caused by a natural disaster 	<ul style="list-style-type: none"> Prepare business continuity plans for all types of hazards Page 65 (Risk Management: BCP for all types of hazards) Improve supply and demand forecast accuracy for all businesses and increase logistics capacity
Information security	<ul style="list-style-type: none"> Risk of a cyber attack, information security incident, or information leak 	<ul style="list-style-type: none"> Potential to lose customer trust and incur claims for damage compensation due to a leak of personal information or important trade secrets Potential suspension of business or extended recovery time required after a cyber attack 	<ul style="list-style-type: none"> Construct a robust security response system and implement human, physical, and technical measures Gather extensive information on all types of cyber threats Information Security Report
Compliance	<ul style="list-style-type: none"> Risk of behavior by employees, such as alcohol-related issues or bribery, that is illegal or counter to social mores 	<ul style="list-style-type: none"> Potential of legal punishment, litigation, social sanctions, and loss of customer trust 	<ul style="list-style-type: none"> Risk management measures and employee awareness training in accordance with the annual programs Set up internal whistleblower systems Conduct employee compliance awareness surveys to identify potential risks and reduce risk in the early stages
Finances and taxes	<ul style="list-style-type: none"> Fund procurement risk, foreign exchange risk, tax risk 	<ul style="list-style-type: none"> Potential increase in funding costs, fluctuation in yen conversion value due to exchange rates, and additional tax burden 	<ul style="list-style-type: none"> Conduct appropriate financing and management in accordance with the Kirin Group Treasury Policy Comply with the tax laws of each country and apply appropriate tax accounting in accordance with the Kirin Group Tax Policy

Risk Management

BCP for all types of hazards

The Kirin Group provides a large number of products and services that are directly connected to lifelines, and the Group recognizes that maintaining its business continuity during a crisis, such as a natural disaster or pandemic, is important to minimizing the impact on the Group's customer and society. The Group formulated specific business continuity plans (BCPs) after the influenza pandemic in 2009 and the Great East Japan Earthquake in 2011. The BCPs are designed to maintain the product supply chain by reducing the potential impact of various risk, such as by establishing a wide-ranging network of suppliers of its main raw materials and other inputs as well as fortifying the Group logistics functions.

The Group also recognizes the need to continue constructing systems and improving its organizational capabilities owing to the increasing frequency of crisis events around the world in recent years, including earthquakes, typhoons, torrential rains and floods, forest fires, and the COVID-19 pandemic. Management believes BCP scenarios did not sufficiently cover the situations that have occurred during recent natural disasters, and this resulted in supply chain disruptions that delayed the provision of products and services. The BCP for a pandemic was also found to be inadequate for certain situations

during the current COVID-19 pandemic.

At the same time, employee work conditions inside the Group have changed significantly under KIRIN Work Style 3.0 "Job Satisfaction" reform program and steps to enable employees to work remotely.

The Group has initiated a complete review to update and improve the BCP effectiveness. BCPs were previously formulated for specific crisis situations, such as a pandemic or earthquake. We are now creating an "All-hazard BCP" with countermeasures focused on a loss of management resources, such as reduced workforce, damaged facilities, or suspended head office functions, in a crisis situation. This approach will make the BCP more versatile when put into effect.

In addition, we are improving the initial response system to ensure and confirm employee safety, and systematically stockpiling items needed in a crisis situation. To improve BCP effectiveness when it is activated, we will regularly conduct training and practice drills for various situations, and revise the BCP to accommodate new issues.

These measures will give the Group a better ability to respond effectively to a broader range of situations.

Group global whistleblowing system direct to head office

In 2018, the Group adopted the Kirin Group Human Rights Policy, which complies with the United Nations Guiding Principles on Business and Human Rights. This policy requires the Group to maintain a whistleblower system (which the Group calls a "hotline") and improve its functionality for identifying, addressing, and taking action to correct violations of human rights.

All Group companies in Japan are provided two types of hotlines: an internal hotline connecting to trained employees at a reception desk, and an external hotline to an outsourced professional consultant office to provide additional sense of privacy when discussing issues.

Group subsidiaries overseas each maintain their own in-house reporting systems. Kirin Holdings has also set up systems enabling employees at some overseas companies to report directly to the Company in their local language. This system will be systematically introduced to all Group companies, beginning in North America and Asia in 2021.

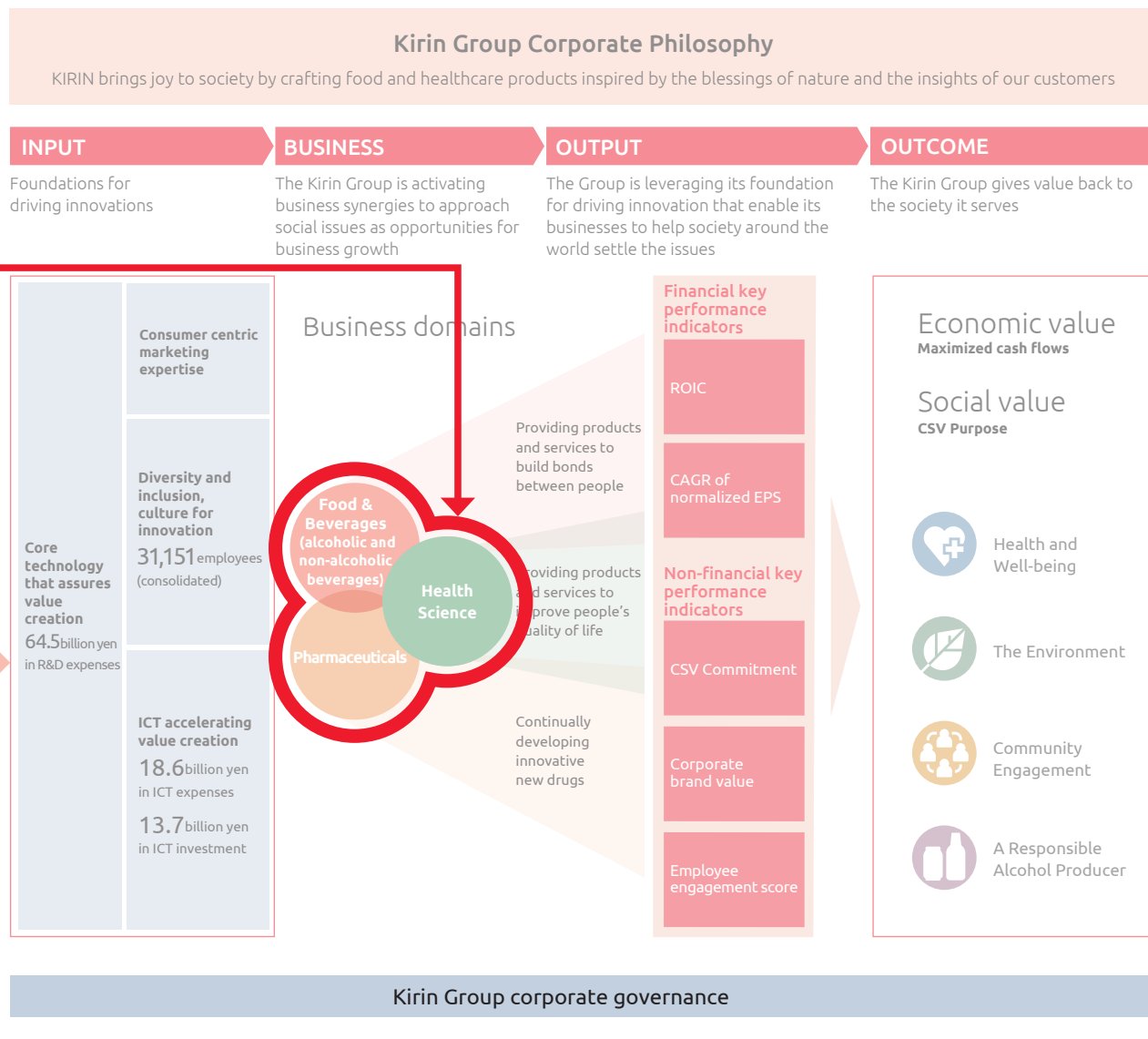
Kirin Holdings will continue expanding its internal reporting systems to quickly identify and prevent fraudulent activity and reduce the risk of damage to the corporate brand as part of its efforts to continue earning the trust of society.

Business Progress

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Kirin's Value Creation Model



Fiscal 2020 Segment and Business Overview

Japan Beer and Spirits

Core operating companies

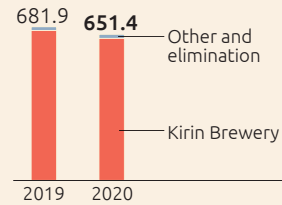
- Kirin Brewery

Food & Beverages

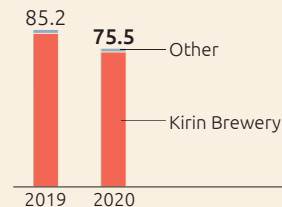
Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Japan Non-alcoholic Beverages

Core operating companies

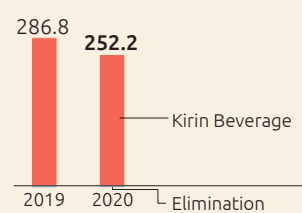
- Kirin Beverage

Food & Beverages

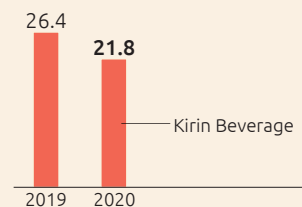
Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Oceania Integrated Beverages

Core operating companies

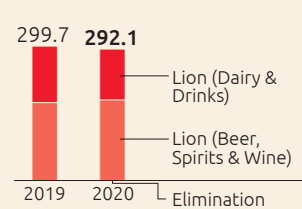
- Lion

Food & Beverages

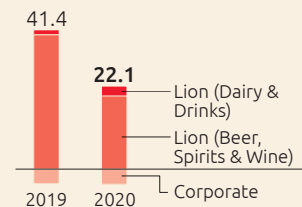
Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Pharmaceuticals

Core operating companies

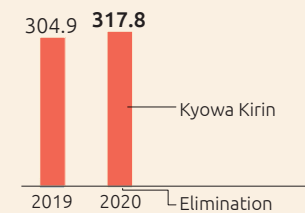
- Kyowa Kirin

Food & Beverages

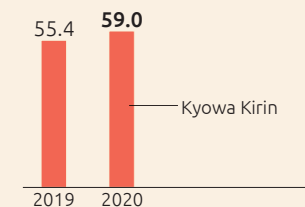
Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Other

Core operating companies

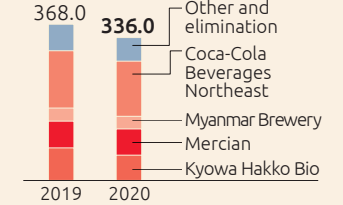
- Mercian
- Myanmar Brewery
- Coca-Cola Beverages Northeast
- Kyowa Hakko Bio

Food & Beverages

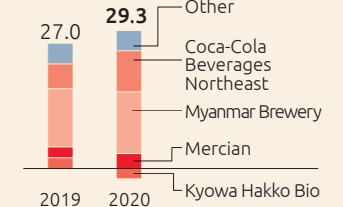
Pharmaceuticals

Health Science

Revenue (Billions of yen)



Normalized operating profit (Billions of yen)



Japan Beer and Spirits

Market environment

The market for alcoholic beverages is gradually contracting in Japan owing primarily to the nation's declining population. In addition, the government began revising the liquor tax in 2020 and will continue introducing incremental revisions through 2026. We expect the revisions to increase the ratio of beer sales and affect overall the product composition ratio, although the growing consumer preference for lower-priced products will likely result in no significant ratio change until 2026 when the tax rate will be consistent across all categories of alcoholic beverages. We also expect the ratio of RTD category products to continue growing.

Sales volume through on-premise channels fell sharply in 2020 during the COVID-19 pandemic. At the same time, the trends of increasing health consciousness and consumers desiring higher-quality products for home consumption are boosting demand for high value-added products.

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 customer-oriented marketing and full-company brand development from production through sales to continue strengthening the *KIRIN ICHIBAN*, *Honkirin*, and *Hyoketsu* brands. The second initiative is to establish new drivers for business growth. In 2021, we will increase investment to develop craft beers and the *Kirin Home Tap* beer dispenser. Craft beer offerings have been developed with a primary focus on on-premise channels, and we plan to increase our offerings for private, in-home consumers. *Kirin Home Tap* is a rental keg service

that comes with a subscription for regular delivery of one-liter kegs of high-quality beer directly to customer homes. 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. A key aim of the restructuring will be to improve the profitability of the RTD category, which has become a main focus for management. We plan to accelerate efforts to introduce high value-added products, review raw material costs, and optimize the logistics cost structure. We will also seek to improve ROI on selling expenses such as by increasing cost variability in the on-premise channel and improving sales promotion efficiency in the mass retail channel.

Overview of strategy toward achieving sustainable growth

Achieve normalized OP margin of **25.0%*** by fiscal 2027 (fiscal 2019: 21.4%)
* using revenue excluding liquor tax

Strategy pillar 1

Build a robust brand portfolio

Increase the share of core brands

Strategy pillar 2

Establish new growth drivers

Improve the MIX by high value-added brands

Strategy pillar 3

Transform the profit structure

Improve ROI and raw material costs

Create a strong organization that will achieve the strategy
Human resources, organization structure, business process transformation

Japan Non-alcoholic Beverages

Market environment

The Japan non-alcoholic beverage market contracted by a substantial 7% year on year in 2020 during the COVID-19 pandemic. Kirin Beverage expects the market to grow 2% year on year in 2021 but continue the long-term trend of gradual contraction caused by the country's declining population.

Amid this overall trend, Kirin Beverage expects the aging population and the heightened health consciousness fueled by the pandemic to support ongoing growth for products in the sugar-free category, which account for 66% of the market, and for health beverages (Foods for Specified Health Uses, Foods with Function Claims (FFCs)), which have been growing by about 10% annually. The rapidly changing business environment includes a sharp decline in sales volume in the vending machine channel as people refrain from going out and work-from-home becomes more common.

Source: Food Marketing Institute

Strategies

Kirin Beverage is responding to the rapid market changes with CSV-based growth strategy and corporate structural reform. The CSV-based growth strategy focuses on two of the company's core areas, which it defines as sugar-free and low-sugar products and products with positive health effects. While continuing to highlight its core *Gogo-no-Kocha* and *Nama-cha* brands, Kirin Beverage is repositioning itself as a beverage company in health science strategy by focusing on developing its *iMUSE* brand of *Lactococcus lactis* strain Plasma products which were registered as foods with functional claims with Japan's Consumer Affairs Agency in August 2020.

Kirin Beverage is implementing corporate structural reform to reconfigure its channel portfolio and step up its

environmental strategy. Reconfiguring the channel portfolio will entail reorganizing the distribution of management resources across the sales channels and revising the vending machine business structure in line with its shrinking ratio of sales. The environmental strategy includes a joint project with Mitsubishi Chemical to advance chemical recycling of PET plastics to address environmental issues related to plastic and meet societal needs for resource recycling.

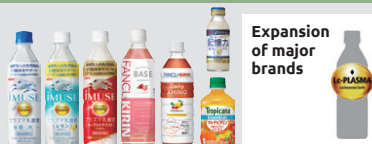
The company has set the environment as one of its core CSV areas and plans to feature *Nama-cha* as its flagship brand for which it will boost the brand value by designing packaging with minimized or no labels and using R100 PET bottles.

CSV-based growth strategy

Sugar-free/low-sugar products



Products with positive health effects



Expansion of major brands

Corporate structural reform

COVID-19 accelerated changes in the operating environment

Refraining from going out, increasing work-from-home

Changes in consumer touchpoints

Addressing the environment as a universal challenge

Increasing awareness of ESG

Ethical consumption and demand for recycling systems

Corporate Structural Reform

Restructuring the channel portfolio

- Review the allocation of management resources
- Structural reform of the vending machine business

Environmental strategy

- Build a sustainable packaging recycling circulation system
- Enhance the value of the core brands

Oceania Integrated Beverages

Market environment

In 2020 the Australian and New Zealand beer markets were impacted by the spread of the COVID-19, mainly in the on-premise channel due to the temporary closure of pubs and hospitality venues. However, there was some recovery towards the end of the year as the number of new cases decreased and some restrictions were eased. As some social distancing measures such as restrictions on the number of people allowed into hospitality venues will continue to be required, a certain level of impact will remain, but it is expected to be less severe than in other countries.

In terms of categories, there is growing interest in craft beer, as well as lighter beers, such as contemporary. Other than beer products, Hard Seltzer, which is growing rapidly in the U.S., is gradually expanding in the Australian and New Zealand markets.

Strategies

Lion will 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 we do.

Specifically, in addition to investing in core categories such as craft beer and Hard Seltzer, we aim to grow by creating new value. We will also work with Kirin Brewery to strengthen our marketing capabilities. On top of this, the addition of craft beer maker New Belgium Brewing, of the United States, to the Group in January 2020 will enable us

to establish a strong competitive position in the global craft beer market.

In terms of functional efficiency, Lion fully introduced a new enterprise resource planning (ERP) system in 2020 and this will improve operating efficiency by consolidating internal processes and enabling faster decision-making by accelerating data analysis. It will also enable us to achieve growth across the organization by fostering cost competitiveness at a global level.

By doing so, Lion will continue implementing measures to advance the Medium-Term Business Plan 2019 strategies to maintain high profitability and expand the foundation for new growth.



Pharmaceuticals

Market environment

The worldwide COVID-19 pandemic had a major impact on the business environment, and the restricted business activities along with the refrained personal visits to medical institutions affected the pharmaceuticals market. Conditions in the Japanese pharmaceuticals market also remained harsh. Amid the overall trends of a declining birthrate and aging society, the government is seeking to preserve the public health insurance system by reducing medical expenses, promoting the use of generic drugs, and annually reviewing official drug prices.

At the same time, awareness of unmet medical needs, including the urgent need for infectious disease control, continues to drive efforts worldwide to develop groundbreaking new medicines. The environment makes it essential for R&D-driven pharmaceuticals companies to respond swiftly to the changing conditions, including broadening its business reach to the global arena.

Strategies

Kyowa Kirin’s five-year medium-term management plan started in 2016 is aimed at transforming it into a global specialty pharmaceuticals company by maximizing the value of its three global strategic products, strengthening its global governance, and pursuing R&D for growth in the future.

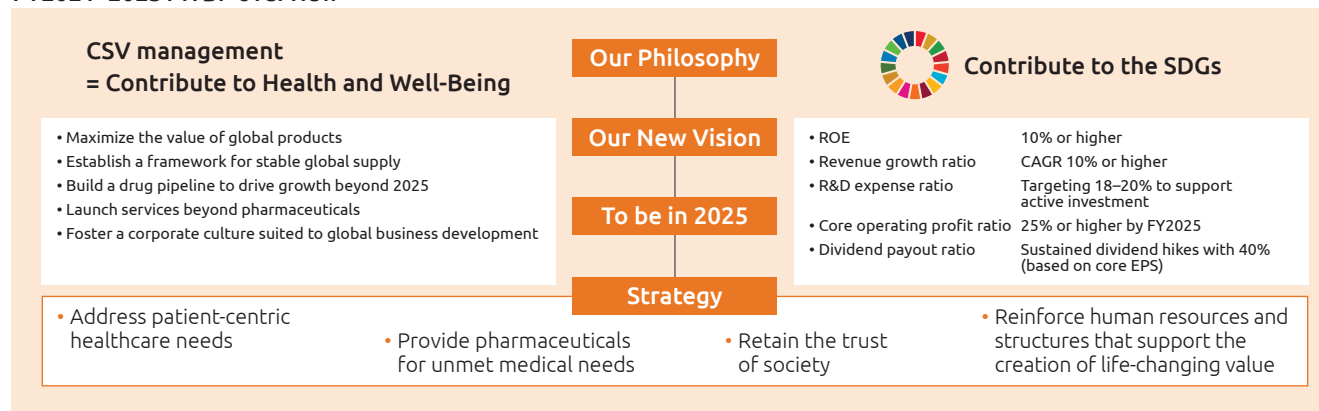
Although the COVID-19 pandemic affected its performance in 2020, the company made steady progress with its three global strategic products. *Crysvita* was approved for additional indications in the United States for use in tumor-induced osteomalacia and in Europe for use in older adolescents and adults with the disease X-linked hypophosphataemia. *Poteligeo* debuted in Europe with the sales launch in June in Germany. And an application of approval for use of KW-6002 (marketed in Japan as

Nourias, and in the U.S. as *Nourianz*) as an adjunctive therapy for Parkinson’s disease was accepted in Europe.

Management is readying a new five-year medium-term management plan to begin in 2021 that will further strengthen Kyowa Kirin’s foundation as a global specialty pharmaceuticals company originating in Japan and set the company on course for further growth. The company will continue delivering global strategic products to the world and advancing research and development of new drugs to meet unmet medical needs and respond to new medical needs centered on the patient.

The Kyowa Kirin Group is pursuing advances in life science and technology, earning the trust of society by creating new value, and promoting CSV management that contributes to the health and well-being of people around the world.

FY2021–2025 MTBP overview



Other

Mercian

The impact of the COVID-19 pandemic was mainly felt in the on-premise market in 2020, and the domestic wine market contracted by 10% year on year. Mercian expects demand for wine products for consumption in the home to continue relatively strong.

In these market conditions, Mercian is aiming to strengthen the brand power of its *Château Mercian*, *Oishii-Sankaboushizai-Mutenka Wine*, *Frontera*, and other core brands and generate demand by developing its casual sparkling wines*¹ and organic wines*².

*¹ Sparkling wine that is easy to drink, easy to buy, easy to use, and can be enjoyed casually in a variety of settings.

*² Organic wine meeting the standards of the International Federation of Organic Agriculture Movements (IFOAM)

Myanmar Brewery

The market for beer in Myanmar was affected by the COVID-19 pandemic in 2020, but management expects the beer market in the country to return to its longer-term growth trend after the pandemic subsides.

Myanmar Brewery will continue applying the four elements of CSV, marketing, management, and digital transformation to capture the growing demand for products for in-home consumption.

The drastic change in the political situation in Myanmar that occurred in February 2021 is fundamentally contrary to the company's business principles and human rights policy. The company has determined that the joint venture alliance with Myanma Economic Holdings Public Company Limited (MEHPCL), a welfare fund management company

that has a business relationship with the country's military, must be dissolved, and management is taking steps to sever relations.

Coca-Cola Beverages Northeast

Coca-Cola Beverages Northeast raised its normalized operating profit margin to 7.2% in 2020, achieving the 6% target for 2022 ahead of schedule. The company is facing a harsh business environment of shrinking sales volume, particularly in the on-premise segment. Nevertheless, it will continue seeking to raise its unit prices and maintain efficient cost levels to further improve profitability in the medium and long term.

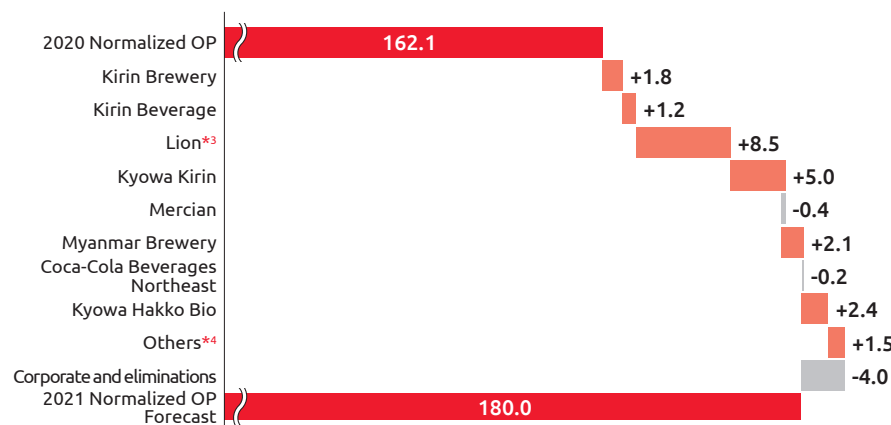
Kyowa Hakko Bio

In 2020, Kirin Holdings dispatched experienced experts to the Hofu Plant of Kyowa Hakko Bio's Yamaguchi Production Center, where a quality control issue was identified in August 2019. Based on their recommendations, Kyowa Hakko Bio implemented an improvement plan that includes strengthening the quality control system, reorganizing the production structure, and creating closer ties between the center and the corporate head office. The company is steadily ramping up production volume and expects to achieve positive normalized operating profit in 2021.

Kyowa Hakko Bio is converting into a high-profit operation by shifting its focus to high-margin materials, such as Citicoline and Human Milk Oligosaccharides (HMO).

The company is aiming to be a global specialty fermentation company originating in Japan that uses cutting-edge biochemical technology to solve global social issues. Management has set a target to raise normalized operating profit to 9.5 billion yen by fiscal 2024.

Fiscal 2021 Group company earnings forecasts (Billions of yen)



*³ Due to the sale of Lion Dairy and Drinks business, the descriptions of "Beer, Spirits, and Wine", "Dairy and Drinks" and "Corporate" of Lion have been omitted from 2021.

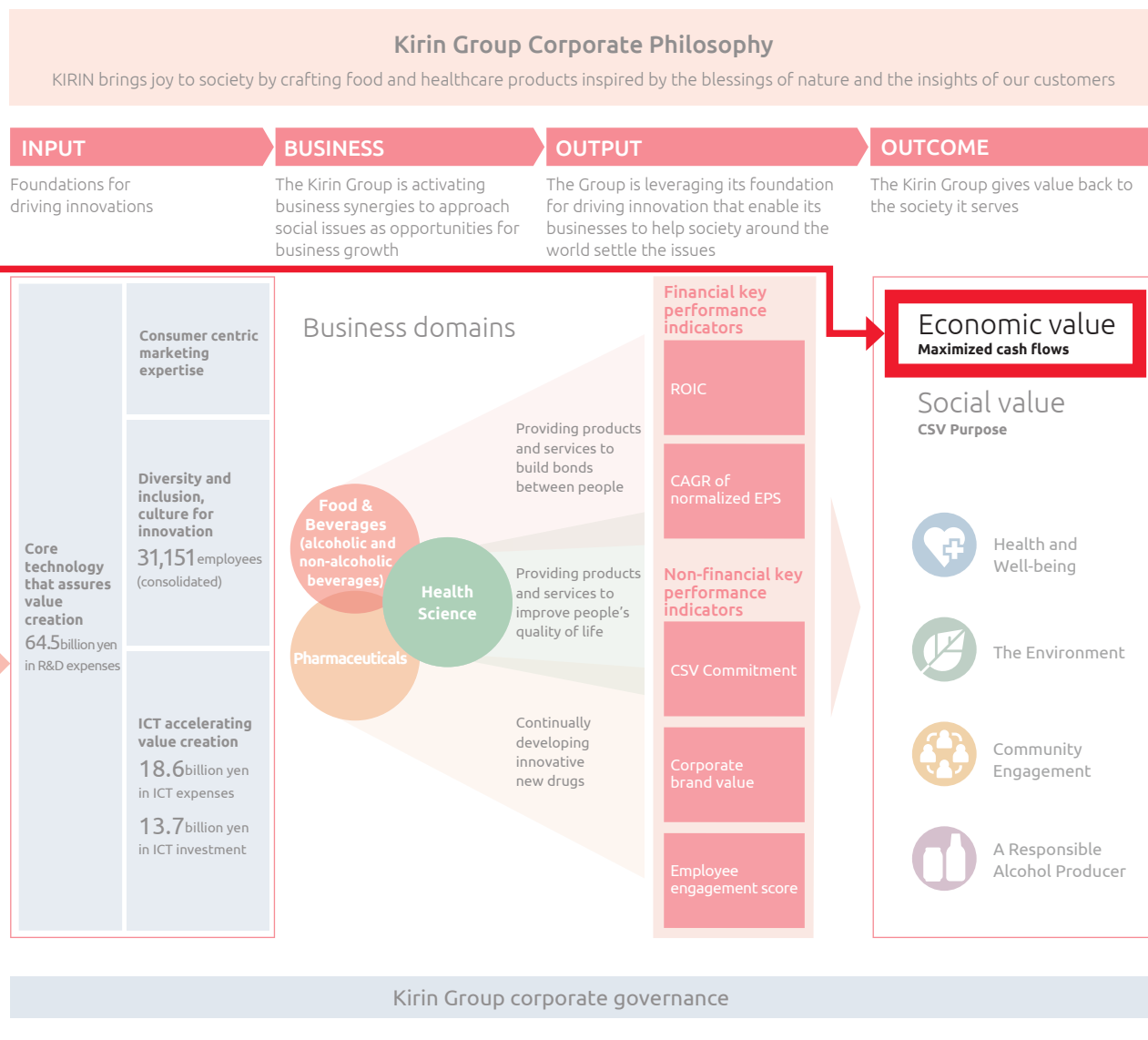
*⁴ Others includes "Other" in the Japan beer & spirits segment.

Financial Data/ Company Information

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- 82** Investor Information/ Company Information
- 83** Third-Party Evaluations

Kirin's Value Creation Model



Management Analysis of Financial Position, Operating Results, and Cash Flows

1. Operating Results

Overall business conditions

Fiscal 2020 was a very important year for the Kirin Group as we pursued our KV2027 long-term management vision to be global leader in creating shared value (CSV).

The world faced a vastly increased sense of uncertainty during the year as the COVID-19 pandemic spread around the world. In those conditions, we focused on maintaining steady operations and developing synergies in the three core business domains of Food & Beverages, Pharmaceuticals, and Health Science that are rooted in our expertise in fermentation and biotechnology. These efforts enabled our business portfolio to demonstrate its ability to respond to the burgeoning trend in health awareness, which helped offset the impact from the pandemic on our business performance, and also confirmed the strength of our Group CSV management linking our business growth to addressing social issues. We also increased the diversity in our governance, engaged in active dialogue with stakeholders, and bolstered our global management structure.

The COVID-19 pandemic constrained consumer behavior worldwide and profoundly impacted social and economic activity. Reduced restaurant demand, postponed and cancelled events, and restrictions on going out all strongly impacted our businesses. In the circumstances, we implemented exhaustive measures to prevent the spread of the virus and ensure the health and safety of our employees, customers, and business partners while placing the highest priority on fulfilling our social responsibility to

continue providing products, medicines, and services. Despite the severe business conditions, in the Food & Beverage domain, Kirin Brewery's Japan Beer and Spirits Business greatly improved the company's position in the beer industry by outperforming the market for the third straight year. In the Pharmaceuticals domain, Kyowa Kirin recorded numerous successes and notably increased sales of its three global strategic products in several regions.

All of our companies made every effort to adapt to the major changes in customer values and the business environment while also implementing structural reform on the themes of transformation, acceleration, reduction, and cancellation to position their operations for ongoing value creation in the future. One major area of transformation and acceleration was the Health Science domain, which we are developing to be one of our foundations for growth in the future. We intensified activities to develop its products and brands, to facilitate digital communication inside and outside the Company, and to advance initiatives to address the growing environmental issues around the world.

In the Health Science domain in 2020, we sought to generate synergies with the Kirin Group's new member FANCL and advanced R&D and product development in the priority areas of immunology, brain function, and gut microbiome. The Company's *iMUSE* brand of soft drinks and supplements using Kirin's proprietary *Lactococcus lactis* strain Plasma were authorized in August as Foods with Function Claims (FFCs) for immune function, the first products of its kind in Japan. Demand for the plasma for

use in other products is growing, and authorization of food function claims has since been received for yogurt products made by KOIWAI DAIRY PRODUCTS and supplements made by FANCL. This marked a substantial step forward for our priority CSV area of "Health and Well-being."

We also significantly boosted employee engagement, which is a key management indicator in the Kirin Group Medium-Term Business Plan 2019–2021 (2019 MTBP). Efforts to increase employee engagement included special efforts to increase employee awareness and understanding of CSV management and launching the "Job Satisfaction Reform" initiative entitled KIRIN Work Style 3.0 in July to overhaul our work practices and enable work from various locations.

The environment is another of our priority CSV areas where we implemented several important measures. Our initiatives to counter climate change and protect biological resources received the prestigious Environmental Value Award at the Second Nikkei SDGs Management Grand Prix. In addition, we overhauled the governance structure, including increasing appointments of women and non-Japanese directors and establishing independent non-executive directors as the majority percentage. Our steps to bring in a wider diversity of external human resources and our CSV management were recognized by the Japan Association of Corporate Directors, which named Kirin Holdings as the Grand Prize Company for Corporate Governance of the Year 2020.

Management Analysis of Financial Position, Operating Results, and Cash Flows

(Billions of yen)

	FY2020	FY2019	Increase (decrease)	% Increase (decrease)
Consolidated revenue	1,849.5	1,941.3	(91.8)	(4.7%)
Consolidated normalized operating profit	162.1	190.8	(28.6)	(15.0%)
Consolidated operating profit	102.9	87.7	15.2	17.3%
Consolidated profit before tax	124.6	116.8	7.7	6.6%
Consolidated profit attributable to owners of the Company	71.9	59.6	12.3	20.6%
(Key performance indicators)				
ROIC	6.0%	5.2%		
Normalized EPS	136 yen	158 yen	(22 yen)	(13.9%)

KPI Targets* in 2019 MTBP

The Kirin Group's core businesses were all deeply impacted by the business environment during the COVID-19 pandemic. Due to the severe business conditions, the

financial targets of the 2019 MTBP to attain 5% annual average growth in normalized earnings per share (EPS) and 10% ROIC in fiscal 2021 have been revised as follows.

Performance Indicators	FY2021 Targets
ROIC	7.6%
Normalized EPS	147 yen

* The attainment assessments for the financial targets are intended to provide a performance evaluation that factors out the impacts from currency fluctuations when converting financial statement items from overseas subsidiaries for the year. Normalized operating profit and ROA are KPI for all businesses.

Revenue declined in fiscal 2020 as the COVID-19 pandemic deeply impacted the performances of many of our businesses. Normalized operating profit also declined, but the decreases were minimalized by cutting costs and lowering risk in all businesses. Profit attributable to owners of the Company increased owing to the improvement from the previous year when an impairment loss was booked from the sale of the Oceania Integrated Beverages Business. This more than offset the decline in normalized operating profit and a reduction in equity-method investments due to the pandemic impact on major affiliate San Miguel Brewery.

We expect the pandemic impact on our businesses in the Food & Beverages domain coupled with our planned upfront investment to establish a global sales structure and business infrastructure in the Pharmaceuticals domain to result in normalized EPS and ROIC falling short of the initial 2019 MTBP targets.

The business environment changed markedly during the COVID-19 pandemic. While this presented significant challenges, we also took it as an opportunity to revise our business model and profit structure to position our businesses for future growth. We also improved our capital efficiency by restructuring low-profit businesses and reducing strategically held shares. We will continue to take steps to enhance our corporate value and fulfill the objectives of our long-term management vision KV2027. We are accelerating the 2019 MTBP strategies, drastically reforming our cost structure, and allocating resources geared to our near-, medium-, and long-term goals.

Management Analysis of Financial Position, Operating Results, and Cash Flows

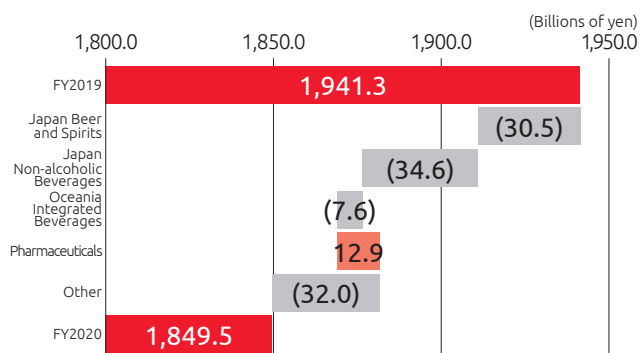
Performance by reportable segments

Results by segment are as follows.

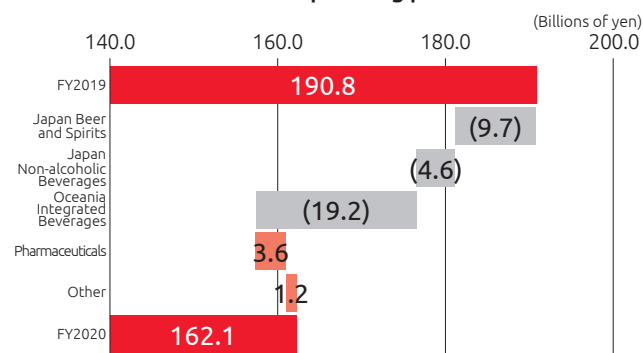
(Billions of yen)

	FY2020	FY2019	Increase (decrease)	% Increase (decrease)
Consolidated revenue	1,849.5	1,941.3	(91.8)	(4.7%)
Japan Beer and Spirits	651.4	681.9	(30.5)	(4.5%)
Japan Non-alcoholic Beverages	252.2	286.8	(34.6)	(12.1%)
Oceania Integrated Beverages	292.1	299.7	(7.6)	(2.5%)
Pharmaceuticals	317.8	304.9	12.9	4.2%
Other	336.0	368.0	(32.0)	(8.7%)
Consolidated normalized operating profit	162.1	190.8	(28.6)	(15.0%)
Japan Beer and Spirits	75.5	85.2	(9.7)	(11.4%)
Japan Non-alcoholic Beverages	21.8	26.4	(4.6)	(17.4%)
Oceania Integrated Beverages	22.1	41.4	(19.2)	(46.5%)
Pharmaceuticals	59.0	55.4	3.6	6.6%
Other	(16.3)	(17.5)	1.2	-

Consolidated revenue



Consolidated normalized operating profit



Japan Beer and Spirits Business

As the COVID-19 pandemic caused a sharp decline in demand from restaurant industry, Kirin Brewery concentrated investment on marketing its leading brands and produced measurable success strengthening its brand. Overall sales volume declined in the beer category from the reduced restaurant demand, but the liquor tax reduction in October helped the company post year-on-year sales volume growth for the flagship *KIRIN ICHIBAN* brand product on strong demand for the flagship *KIRIN ICHIBAN* in cans and the new offering *KIRIN ICHIBAN ZERO*. Sales volume in the new genre category reached a new high as in-home consumption demand pushed sales volume of the *Honkirin* brand up 30% from the previous year and sales were strong for *Kirin Nodogoshi Nama*. Despite sales volume in the beer category declining 4.5% year on year, Kirin Brewery expanded its presence in the beer industry with sales outpacing the overall market for a third straight year.

Kirin Brewery also posted 10% year-on-year growth in sales volume in the ready-to-drink (RTD) category, which focuses on products for in-home consumption. Sales volume was strong for the flagship brand *Kirin Hyoketsu*, which amounted to 15 billion cans (converted at 250ml per unit), as well as for *Kirin Tokusei Sour* and *Kirin Honshibori™ Chuhaï*.

While sales volume grew in the canned beer, RTD, and non-alcoholic beverage categories in the household channel, beer product sales volume declined markedly in the on-premise channel. Japan Beer and Spirits Business overall revenue decreased 4.5% year on year to 651.4 billion yen. At the same time, marginal profit narrowed

Management Analysis of Financial Position, Operating Results, and Cash Flows

from the lower sales volume and reduced sales ratio of beer category products, resulting in an 11.4% year-on-year decline in normalized operating profit to 75.5 billion yen.

• Japan Non-alcoholic Beverages Business

Sales in domestic non-alcoholic beverage market were substantially affected by the changes in consumer behavior during the COVID-19 pandemic, which included a shift in the locations that products were purchased, increased opportunities to consume tea and coffee in the home, and strong demand for reduced sugar and sugar-free products in the health category.

Kirin Beverage stepped up efforts to meet customer demand for health products with the aim of generating profit through CSV-driven growth. The company boosted the health value of its products by expanding its sugar-free offerings in June with *Kirin Lemon Sparkling Sugar-Free* and in September with *Kirin Nama-cha Hoji Sencha*, and its reduced-sugar offerings in the *Kirin Gogo-no-Kocha The Meister's Series*. Boosted by the release of *iMuse Lemon*, the sales volume of beverages with *Lactococcus lactis* strain Plasma in the category of products with positive health effects jumped by roughly 240% over the previous year. However, vending machine and convenience store sales suffered during the COVID-19 pandemic, and overall sales volume of soft drinks declined by 9.1% year on year.

The decreased sales volume and lower unit sales prices resulted in overall revenue falling 12.1% year on year to 252.2 billion yen. The company restrained sales promotion and advertising spending, but was unable to offset the

various negative impacts, such as from product and container composition imbalances caused by the reduced sales volume and altered sales channel ratios. Normalized operating profit ultimately declined 17.4% year on year to 21.8 billion yen.

• Oceania Integrated Beverages Business

During the COVID-19 pandemic, the Oceania Integrated Beverages Business's main markets of Australia, New Zealand, the United States and the United Kingdom have placed restrictions on going outside and on the number of people inside restaurants and drinking establishments. Lion posted a decrease in sales volume of Beer, Spirits and Wine Business, which consists primarily of the restaurant market, but took advantage of the risk opportunity to revise its business strategies and reform its business structure.

The company developed and strengthened its core beer brands in Australia with the launch of new *XXXX* and *James Squire* products. In the overseas craft beer market, which Lion sees as a growth area for its products, the New Belgium Brewing, which was consolidated into the Kirin Group in 2020, posted sales of its primary *Voodoo Ranger* brand beer that surpassed the growth in the overall craft beer market in the United States. Lion also made strides with its environmental initiatives, including improving operating efficiency by installing an enterprise resource planning (ERP) system and achieving carbon neutrality at all of its breweries in Australia. In the Dairy and Drinks Business, Lion completed the reorganization of its low-profit business operations by agreeing to transfer the

shares of Lion Dairy & Drinks to Australian dairy giant Bega Cheese in November 2020.

For the year, the consolidation of New Belgium Brewing of the United States helped Lion post a 0.2% year-on-year rise in revenue on a local-currency basis even as sales volume declined during the pandemic. However, the stronger yen versus the Australian dollar led to a 2.5% year-on-year decline in yen-based revenue to 292.1 billion yen. Sales have also fallen sharply in the higher-margin on-premise channels during the COVID-19 pandemic. Normalized operating profit dropped 45.9% year on year to 295 million Australian dollars, and the company booked a decline of 46.5% to 22.1 billion yen.

• Pharmaceuticals Business

The COVID-19 pandemic also impacted sales and clinical development in the pharmaceuticals industry owing to the changes in medical treatment circumstances and restricted business activity. Kyowa Kirin successfully limited the negative impact and recorded increases in both sales and profits as it continued its drive to become a global specialty pharmaceuticals company. Sales of the three global strategic products *Crysvita*, *Poteligeo*, and *Nourianz* steadily expanded in Europe, United States, and other countries, while in Asia sales of *Regpara* were strong in China. Overseas sales offset the impacts in Japan from lowered drug price standards and the core *NESP* product becoming a generic biopharmaceutical following its patent expiration.

During the year, Kyowa Kirin implement measures to construct a robust quality assurance system, improve its

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risk management, refashion its corporate culture, and strengthen its global management system.

The solid growth in overseas pharmaceutical sales led by its global strategic products helped Kyowa Kirin post overall revenue growth of 4.2% year on year to 317.8 billion yen. The increase in gross profit accompanying the rise in revenue offset higher selling, general and administrative expenses for the global strategic products, enabling normalized operating profit to grow 6.6% to 59.0 billion yen.

Performance results of subsidiary operations in the Others category are described below.

• Mercian

While sales fell in the on-premise market under the pandemic conditions, demand increased for wine for in-home consumption, and Mercian responded with measures to improve profitability and boost sales of its household wine products. Sales of household wine products were particularly strong for *Maker's Recipe* and *Oishii-Sankaboushizai-Mutenka Wine Cidre*. The Mariko Winery of *Château Mercian* received a World's Best Vineyards Award 2020, becoming the first winery in Japan to receive the prestigious honor. Mercian revenue decreased 2.7% year on year to 62.1 billion yen and normalized operating profit increased 63.3% to 3.6 billion yen.

• Myanmar Brewery

In Myanmar, in-home consumption increased while the restaurant market contracted under government restrictions on restaurant and drinking establishment operations and stay-at-home orders during the COVID-19 pandemic. Myanmar Brewery implemented initiatives to improve its operating efficiency by developing its integrated marketing capabilities and investing in IT. Sales volume increased for *Andaman Gold* brand in the economy product category with the growth in the market for in-home consumption, but overall sales volume contracted 5.8%. Overall revenue declined 2.2% year on year to 31.8 billion yen while normalized operating profit increased 7.2% to 13.8 billion yen.

• Coca-Cola Beverages Northeast

Coca-Cola Beverages Northeast forged ahead with structural reform in 2020 to boost profitability even as sales suffered, particularly in the restaurant market, beginning in spring from COVID-19 pandemic. Management swiftly adapted its business activities to the rapidly changing market and overhauled its operations and organization to improve business efficiency, resulting in the company vastly exceeding its targets and posting record high profits. While revenue declined 2.4% year on year to 129.4 billion yen, normalized operating profit rose 75.1% to 9.3 billion yen.

• Kyowa Hakko Bio

Kyowa Hakko Bio recorded a sharp decline in sales of its core products in 2020 while operating under limited product manufacturing capacity as it continued revamping the manufacturing control and quality assurance system at the Yamaguchi Production Center begun in late 2019. The company launched a new business strategy during the year, and the Kirin Group contributed to strengthening the quality assurance system and rebuilding the production structure. In line with its strategy to concentrate on high-performance materials capable of driving business growth, in November the company announced plans to construct a new human milk oligosaccharide manufacturing facility at its base in Thailand. Overall revenue declined 23.5% year on year to 57.3 billion yen and normalized operating profit amounted to a loss of 2.3 billion yen.

2. Financial Status

General overview

Total assets at the end of fiscal 2020 increased by 46.5 billion yen from the end of the previous year to 2,459.4 billion yen. Intangible assets increased by 40.4 billion yen due to software development and the addition of New Belgium Brewing as subsidiary, which also increased goodwill by 11.8 billion yen. Other financial assets (non-current) declined by 33.3 billion yen due to the sale of strategically held shares and the reduced market value of

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equity holdings. Assets in the other category declined due to transferring 73.7 billion yen in assets held for sale of the Oceania Integrated Beverage Business and the Others business; property, plant and equipment amounting to 37.6 billion yen; and trade and other receivables of 19.7 billion yen.

Equity declined by 50.9 billion yen from the end of the previous year to 1,095.9 billion yen. The decline was the balance of retained earnings increasing by 22.6 billion yen and non-controlling interest increasing by 17.1 billion yen, while treasury stock increased by 76.8 billion yen and other assets and other items of owner's equity declined by 13.9 billion yen. The increase in treasury stock was due to the partial exercise in 2020 of the program announced in November 2019 to further enhance shareholder returns by repurchasing up to 100 billion yen of company shares. The rise in non-controlling interests mainly owed to net income reported by Kyowa Kirin. The decline in other items of owner's equity was due to the decreased market value of equity holdings and the associated reduction in income from the net change in the fair value of financial assets measured through other comprehensive income, and due to the transfer of proceeds from the sale of equity holdings from other items of owner's equity to retained earnings.

Liabilities increased by 97.4 billion yen from the end of the previous year to 1,363.4 billion yen mainly due to an increase in bonds and borrowings. The Company seeks to procure and repay funds while maintaining a sound capital structure, and during 2020 it redeemed bonds valued at approximately 20.0 billion yen in March and issued straight

bonds worth 50.0 billion yen in June. In addition, in November 2020, it issued green bonds worth 10.0 billion yen with the aim of procuring recyclable PET resin and purchasing factory heat pump systems. The company also paid down long-term borrowings, took out new borrowings, and issued and redeemed commercial paper, resulting in bonds and borrowing increasing by 111.8 billion yen from the end of the previous year. The Oceania Integrated Beverage Business's liabilities of 27 billion yen are classified as liabilities directly related to assets held for sale, which had the effect of reducing trade and other payables by 11.2 billion yen and other current liabilities by 5.9 billion yen.

As a result of the above, the ratio of consolidated profit attributable to owners of the Company was 34.1% and the gross debt-to-equity ratio was 0.77.

Financial status of reporting segments

• Japan Beer and Spirits Business

Segment assets amounted to 424.4 billion yen at the end of fiscal 2020, a decrease of 13.0 billion yen from the end of the previous year. The decline was mainly due to restrained capital investment in property, plant and equipment.

• Japan Non-alcoholic Beverages Business

Segment assets amounted to 149.9 billion yen at the end of fiscal 2020, a decrease of 24.7 billion yen from the end of the previous year. The decline was primarily due to the sale of strategically held shares and lower trade receivables.

• Oceania Integrated Beverages Business

Segment assets amounted to 471.3 billion yen at the end of fiscal 2020, a decrease of 19.7 billion yen from the end of the previous year. The decline was primarily due to impairment losses on property, plant and equipment and intangible assets.

• Pharmaceuticals Business

Segment assets amounted to 741.7 billion yen at the end of fiscal 2020, an increase of 16.6 billion yen from the end of the previous year. The increase was primarily due to the acquisition of intangible assets with the addition of developed products and an increase in deferred tax assets.

3. Cash Flow

Cash flow and liquidity status

The balance of cash and cash equivalents (hereinafter "net cash") at the end of fiscal 2020 was 161.7 billion yen, a decrease of 4.0 billion yen from the end of the previous year. Consolidated cash flows were as follows.

• Cash flows from operating activities

Net cash from operating activities decreased by 14.0 billion yen to 164.8 billion yen. Although the outflow of working capital decreased by 20.3 billion yen and the profit before tax increased by 7.7 billion yen, a 34.7 billion yen decrease in impairment loss, which is a non-cash item, resulted in a slight decline of 0.1 billion yen in the subtotal. Below the subtotal line, cash flow from operating activities decreased year on year due to a 17.2 billion yen increase in corporate income tax payments.

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• Cash flows from investing activities

Net cash from investing activities decreased by 59.6 billion yen to 116.0 billion yen. The main cause for the decrease was a decline in investments accounted for by the equity method of 132.6 billion yen to 1.9 billion yen, arising in reaction to the acquisition of FANCL shares in the previous fiscal year. Outflows in 2020 increased by 35.1 billion yen to 39.6 billion yen owing to the acquisition of shares in New Belgium Brewing to make it a consolidated subsidiary. Spending to acquire property, plant and equipment and intangible assets declined by 3.4 billion yen to 93.0 billion yen. Although down by 17.9 billion yen from the previous fiscal year, inflows included 19.4 billion yen from the sale of investment holdings as part of ongoing measures to reduce strategically held shares.

• Cash flows from financing activities

Net cash used in financing activities increased by 42.5 billion yen to 52.5 billion yen. The Company increased the distribution of dividends, including to non-controlling interests, by 4.9 billion yen to 70.1 billion yen to raise the consolidated dividend payout ratio to an amount of 40% or higher of normalized EPS, which was set as the management standard in the previous fiscal year. Outflows to acquire treasury stock in 2020 increased by 31.0 billion yen from the previous fiscal year, which included share buybacks by subsidiaries, to 76.8 billion yen as part of the program announced in November 2019 to repurchasing up to 100 billion yen of company shares. The Company actively procured and repaid funds while maintaining a sound

capital structure during the year. Proceeds included 28.0 billion yen from the issuance of commercial paper, 60.0 billion yen from corporate bonds, and 135.0 billion yen from long-term borrowings. Outflow included 86.6 billion yen to repay long-term borrowings and 20.0 billion yen to redeem bonds.

These initiatives enabled us to invest in our existing businesses, invest in our global craft beer strategies and other growth initiatives, and take steps to further enhance shareholder return in accordance with our financial strategy.

In fiscal 2021, we plan to use cash generated by our businesses for disciplined investment to boost production capacity, advance our global craft beer strategies, and expand the Health Science domain. Shareholder return initiatives will include maintaining the consolidated dividend payout ratio at 40% or higher of normalized EPS in 2021. While enhancing our ability to generate cash flow, we will maintain a sensible capital structure with a balance of capital costs and financial flexibility.

Basic capital policy

In accordance with the fiscal policy set forth in the Kirin Group 2019–2021 Medium-Term Business Plan (2019 MTBP), the allocation of resources to businesses will prioritize investments (capital investment, business investment) to strengthen and grow the high-profit existing businesses, particularly the alcoholic and non-alcoholic beverages businesses. Resources will also be

steadily allocated to intangible assets, such as brands, R&D, information technology, and human resources and organization, and to establish and cultivate the Health Science domain. The Company will take a disciplined approach to investment to maintain and improve the overall capital efficiency of the Kirin Group.

Shareholder return is a management priority, and the Company has distributed annual dividends every year since Kirin Brewery Company was founded in 1907. The Company raised the consolidated target payout ratio in the 2019 MTBP and plans to continue distributing dividends equivalent to a consolidated dividend payout ratio of 40% or higher of normalized EPS. Management will also flexibly consider ways, such as share buybacks, to provide additional shareholder returns while comprehensively considering factors including the optimal capital structure, market conditions, and reserve financial capacity after investments.

The Company's primary source for procuring funds is loans, which it uses to ensure the Company is prepared for sudden changes in the economic environment and to maintain a high credit rating that is resilient to financial conditions. The Board of Directors examines and verifies all fund procurement proposals that would affect the controlling stake in the Company or cause significant stock dilution. The Board carefully considers the proposals in terms of the long-term management vision Kirin Group Vision 2027, the targets in the 2019 MTBP, and the impact on stakeholders, and is fully accountable to shareholders.

10-Year Summary of Key Financial Data

(Millions of yen)

	JGAAP					IFRS				
	2011	2012	2013	2014	2015	2016* ⁹	2017* ⁹	2018* ⁹	2019	2020
Revenue* ¹	2,071,774	2,186,177	2,254,585	2,195,795	2,196,925	1,853,937	1,863,730	1,930,522	1,941,305	1,849,545
Less Japanese liquor taxes	323,375	315,549	310,798	301,365	305,697	296,029	289,433	294,028	292,153	276,932
Net revenue	1,748,398	1,870,627	1,943,786	1,894,429	1,891,227	1,557,909	1,574,296	1,636,494	1,649,151	1,572,613
Normalized operating profit* ²	-	-	-	-	-	181,982	194,609	199,327	190,754	162,115
Operating profit	142,864	153,022	142,818	114,549	124,751	196,590	211,000	198,322	87,727	102,919
Operating profit (Before amortization of goodwill, etc.)	189,812	202,675	198,086	171,542	158,537	-	-	-	-	-
EBITDA* ³	247,602	297,185	-	-	-	-	-	-	-	-
Normalized EBITDA* ⁴	-	307,339	301,486	273,183	258,922	257,612	272,301	279,907	272,619	243,959
Ordinary income	136,818	138,452	132,134	94,211	128,199	-	-	-	-	-
Profit attributable to owners of the Company* ¹	7,407	56,198	85,656	32,392	(47,329)	148,918	241,991	164,202	59,642	71,935
Cash flows from operating activities	196,792	212,061	205,517	155,247	171,011	232,263	221,710	198,051	178,826	164,839
Cash flows from investing activities	(361,658)	(48,379)	85,526	(139,397)	(70,659)	(82,656)	63,214	47,389	(175,619)	(115,981)
Cash flows from financing activities	193,214	(160,008)	(272,357)	(80,701)	(78,221)	(157,271)	(182,163)	(226,699)	(9,997)	(52,474)
Fiscal year end										
Total assets	2,854,254	2,951,061	2,896,456	2,965,868	2,443,773	2,422,825	2,398,572	2,303,624	2,412,874	2,459,363
Interest bearing debt	1,144,786	1,037,188	858,911	873,003	821,478	668,212	486,475	414,994	530,851	642,644
Equity attributable to owners of the Company* ¹	852,922	948,943	1,075,861	1,101,833	663,842	695,860	947,162	906,578	906,576	838,584
Per-share data										
Earnings per share (EPS) (Yen)	7.70	58.44	90.76	35.27	(51.87)	163.19	265.17	183.57	68.00	85.57
Normalized EPS (Yen)* ⁵	-	117	122	118	117	139	151	167	158	136
EPS (Before amortization of goodwill etc.) (Yen)	70.58	124.87	159.92	108.57	(2.83)	-	-	-	-	-
Dividends per share (Yen)	27.00	29.00	36.00	38.00	38.00	39.00	46.00	51.00	64.00	65.00
Financial indicators										
Return on equity (ROE) (%)* ⁶	6.9	12.4	14.0	8.6	(0.3)	22.2	29.5	17.7	6.6	8.2
Return on invested capital (ROIC) (%)* ⁷	-	-	-	-	-	10.8	16.3	12.0	5.2	6.0
Operating profit (Before amortization of goodwill, etc.) / Net sales (%)	10.9	10.8	10.2	9.1	8.4	-	-	-	-	-
Net debt / Normalized EBITDA (Times)	-	2.86	2.25	2.76	2.67	2.21	1.19	0.86	-	-
Gross debt-to-equity ratio (Times)	-	-	-	-	-	-	-	0.46	0.59	0.77
Consolidated dividend payout ratio (%)* ⁸	38.3	24.8	29.5	32.2	32.5	28.1	30.5	30.5	40.5	47.8

*¹ Through fiscal 2015, revenue, profit attributable to owners of the Company, and equity attributable to owners of the Company were calculated based on Japanese GAAP and presented as sales, net income, and equity (net assets - non-controlling interests - stock acquisition rights), respectively. (Consolidated balance sheet).

*² Normalized operating profit is a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

*³ EBITDA = Operating profit + Equity in earnings or losses of affiliates + Depreciation + Amortization of goodwill + Extraordinary gains and losses. (Losses on impairment regarding goodwill, etc., are excluded).

*⁴ Through to fiscal 2015: Normalized EBITDA = Operating profit + Depreciation + Amortization of goodwill + Dividends received from entities accounted for by the equity method
From fiscal 2016: Normalized operating profit + Depreciation and amortization (excluding depreciation of right-of-use assets from fiscal 2019) + Dividends received from entities accounted for by the equity method

*⁵ Normalized EPS = Normalized profit (Normalized net income before fiscal 2016) / Average number of shares during the period
Through to fiscal 2015: Normalized net income = Net income + Amortization of goodwill ± Extraordinary gains and losses after tax adjustment

From fiscal 2016: Normalized profit = Profit attributable to owners of the Company ± Other operating profit and expenses and other items after tax adjustment
*⁶ ROE through to fiscal 2015 is the amount before amortization of goodwill, etc., and excludes losses with no effect on cash outflow.

*⁷ ROIC = Profit after tax before interest / (Average interest-bearing debt of the beginning and end of the fiscal year + average total equity of the beginning and end of the fiscal year)

*⁸ The fiscal 2011 dividend payout ratio figure uses EPS (before amortization of goodwill etc.), and these figures exclude losses with no effect on cash outflow.
From fiscal 2012, the consolidated dividend payout ratio is based on normalized EPS.

*⁹ The tax effect on intangible assets acquired in business combinations has been retroactively revised for fiscal 2016, 2017 and 2018 due to the change in accounting policy in fiscal 2019.

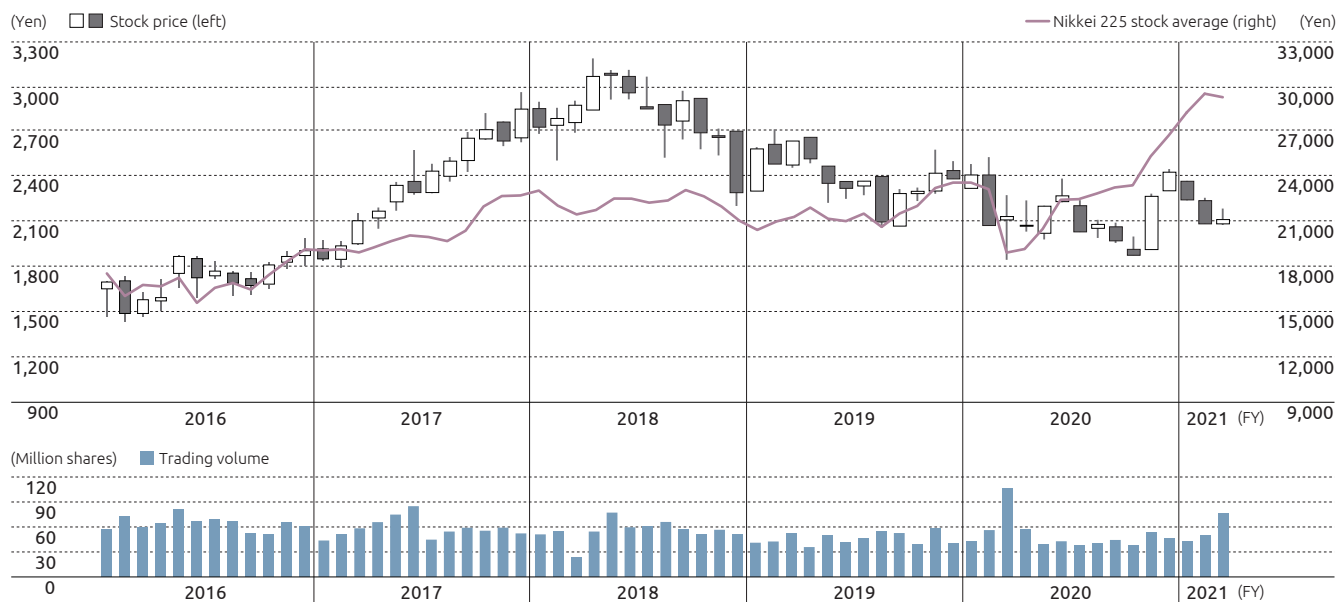
Investor Information / Company Information

Information related to total shareholder return

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Year-end stock price (Yen)	1,647.5	1,901.5	2,840.5	2,298.5	2,390.0	2,434.0
Dividends per share (Yen)	38	39	46	51	64	65
Cumulative dividend income per share (from FY2015, Yen)	-	39	85	136	200	265
Amount of increase in stock price per share (from FY2015, Yen)	-	254.0	1,193.0	651.0	742.5	786.5
Total shareholder return per share*						
Absolute amount (Yen)		293.0	1,278.0	787.0	942.5	1,051.5
Rate (%)		17.8%	77.6%	47.8%	57.2%	63.8%

* Total shareholder return per share is calculated at fiscal year-ends, starting in fiscal 2016 as if the investment was made at the closing stock price at the end of fiscal 2015.

Stock price and trading volume



Corporate overview

Trade name

Kirin Holdings Company, Limited

Date of incorporation

February 23, 1907

* On July 1, 2007, accompanying the shift to a pure holding company structure, Kirin Brewery Company, Limited changed its name to Kirin Holdings Company, Limited

Head office

Nakano Central Park South, 10-2, Nakano 4-chome,
Nakano-ku, Tokyo 164-0001, Japan

Paid-in capital

¥102,045,793,357

Number of employees (consolidated)

31,151

* Number of Kirin Holdings employees on a consolidated basis, as of December 31, 2020

Stock listings

Tokyo, Nagoya, Fukuoka, Sapporo

Transfer agent

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency
Division

1-1, Nikko-cho, Fuchu-Shi, Tokyo 183-0044, Japan

Tel: +81-3-5391-1900 (business days from 9:00 to 17:00)

Depository

J.P. Morgan Chase Bank N.A.

Shareowner Services

P.O. Box 64504

St. Paul, MN 55164-0504

Call toll-free from within the U.S.: +1-800-990-1135

Call from outside the U.S.: +1-651-453-2128

Third-Party Evaluations

The Kirin Group provides full transparency in its information disclosure to investors and all stakeholders. The extensive data we provide through the integrated Kirin CSV Report, Environmental Report, and on the corporate website makes it possible for third-party evaluations of our environmental performance and inclusion in global indices.




FTSE4Good Index



FTSE Blossom Japan Index



MSCI Japan ESG Select Leaders Index



MSCI Japan Empowering Women Index (WIN)



SBT



S&P/JPX Carbon Efficient Index



CDP Climate A List



CDP Water Security A List



CDP Supplier Engagement Leaderboard



RE100



ESG Finance Awards Japan Gold Award



Snam Sustainability Index



Corporate Governance of The Year 2020 Grand Prize Company



Environmental Communication Award



TCFD



Nadeshiko Brand 2021



Diversity Management Selection 100



work with Pride, Gold Certification



Health Management Excellence 2021 (White 500)



30% Club



NIKKEI "Smart Work Management Survey" 5 Stars



NIKKEI "SDGs Management Survey" 5 Stars/Environmental Value Award



Alliance to End Plastic Waste

External Signatory and Participation

The Kirin Group supports and participates in the following initiatives.

Joy brings us together

