

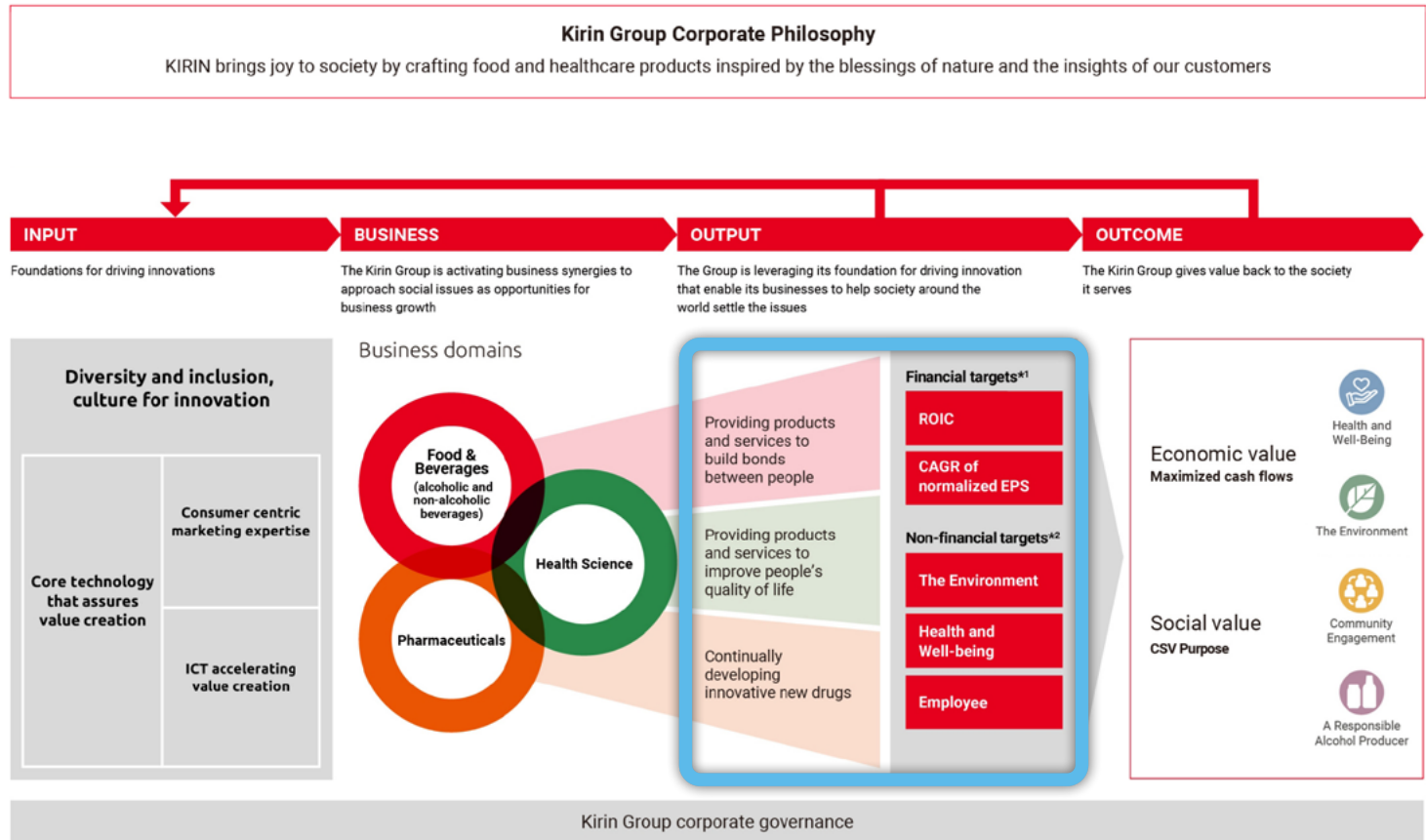
# Value Creation Model OUTPUT

Message from the Chief Financial Officer

Using cash generated from portfolio and balance sheet management to create new value and accelerate our growth

Financial and Non-financial Highlights

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



## Message from the Chief Financial Officer



### Message from the Chief Financial Officer

## Using cash generated from portfolio and balance sheet management to create new value and accelerate our growth

### Shinjiro Akieda

Senior Executive Officer

Kirin Holdings Company, Limited

### 2022-2024 Medium-Term Business Plan (2022-2024 MTBP) Steady progression toward achieving our goals for the final year of the business plan

—Please briefly explain the 2022-2024 Medium-Term Business Plan.

The 2022-2024 MTBP is the second management plan aimed at achieving the Kirin Group Vision 2027 (KV2027)

long-term management plan. Our goal is to expand corporate value by scaling up the Health Science business, developing its revenue base, and utilizing a business portfolio that encompasses the three domains of Food & Beverages, Pharmaceuticals, and Health Science.

—What are the financial and non-financial Key Performance Indicators (KPI) for the 2022-2024 MTBP?

Our financial KPIs are a ROIC of 10% or more and

normalized EPS CAGR of 11% or more (compared to FY2021). Our guidance targets a normalized operating profit CAGR of at least 13% (compared to FY2021).

For non-financial KPIs, we have established eight indicators that are directly related to economic value in the three categories of “Environment,” “Health,” and “Employees.”

—Looking back at FY2022, please tell us about the progress of the 2022-2024 MTBP.

Our ROIC improved by 0.9% to 8.5% from the previous year’s 7.6%, mainly attributed to an increase in consolidated normalized operating profit. Normalized EPS increased by 15 yen from the previous year to a record high of 171 yen, driven by the increase in consolidated normalized operating profit and the effects of share buyback, among others. Despite operating in a challenging business environment, we are proud to have delivered solid results.

We are generally making steady progress toward our goals for the end of 2024, the final year of the MTBP, including the guidance item of normalized operating profit CAGR and non-financial targets. We will continue striving to improve corporate value and achieve both financial and non-financial targets as a group.

### Business Portfolio Responding to changes in the business environment while continuing to generate cash and investing in growth

—What is your philosophy with regard to the medium- to long-term business portfolio?

We are always striving to achieve the optimal business portfolio to achieve KV2027. Our policy is to utilize the

stable cash flow from our existing Food & Beverages domain to fund growth investments in the Health Science and overseas craft beer businesses. In the Pharmaceuticals domain, we will continue to invest in growth opportunities within the scope of our free cash flow.

The Board of Directors convenes at least twice a year to discuss our business portfolio and cash allocations. Our investments in the overseas craft beer business and the sale of China Resources Kirin Beverages, which was an equity method affiliate, were among the outcomes of these discussions. Our current business portfolio is largely centered around our core businesses, so for the time being, we will prioritize increasing our cash generation by improving the efficiency and growth potential of each business.

At the same time, the Board will continue to discuss growth investment in the Health Science domain and the overseas craft beer business.

—What are current challenges in each business domain?

**Food & Beverages domain**

Many of our businesses in the Food & Beverages domain operate primarily in mature markets, which are anticipated to contract in the future. To address this, we must prioritize premiumizing our products and improving operational efficiency. Our focus will be on expanding our most profitable products and services while simultaneously optimizing our sales organization and reducing costs through SCM (Supply Chain Management) reforms that utilize ICT (information and communication technology) and other methods to ensure we meet our normalized operating profit targets.

**Pharmaceuticals domain**

Our challenges are to improve production and sales infrastructure for our global strategic products and to expand our next-generation pipeline. While we will continue to steadily expand our global strategic product offerings, including establishing an independent sales system in North America, we will also prioritize the development and strategic investments in enhancing our next-generation strategic products, which will be the key driver of future growth.

**Health Science domain**

Our challenges are to expand the scale of our business and improve profitability. To achieve this, we will focus on sales growth of Lactococcus lactis strain Plasma (LC-Plasma) and organic growth of Kyowa Hakko Bio’s specialty ingredients, such as Citicoline\*<sup>1</sup> and human milk oligosaccharides (HMOs\*<sup>2</sup>), which are expected to secure high profitability. Additionally, we will collaborate

with FANCL Corporation and pursue M&A opportunities to convert all businesses in the Health Science domain into highly profitable ventures.

- \*1 An ingredient found in the body that maintains the cell membranes of the brain and nerve cells, and has been used for many years around the world in medicines for brain diseases and health foods that support the improvement of cognitive functions. In Japan, it is currently classified as a pharmaceutical product.
- \*2 A generic term for oligosaccharides contained in breast milk. More than 200 kinds are contained in breast milk, and the results of research contributing to immunity and brain function, among others, have been reported.

**Balance Sheet Management  
Using GCMS to improve increase capital management efficiency while streamlining inventory**

—Please tell us about initiatives to improve the balance sheet.

To achieve a ROIC of 10%, we plan to conduct asset reduction of more than 100 billion yen during the 2022-2024 MTBP. In 2022, we expanded our Global Cash Management System (GCMS) to more Group companies. This system has enabled us to consolidate and transfer funds to and from overseas subsidiaries in a timely manner, resulting in a reduction of cash balances by approximately 40 billion yen.

With regard to the Cash Conversion Cycle (CCC), we were able to achieve working capital improvements of 10 billion yen by introducing SAP and improving our processes. Moving forward, we plan to continue reducing CCC by promoting further process improvement through SAP and DX (digital transformation), improving demand forecasting accuracy, and reducing inventory volume. Furthermore, we reduced cross-shareholdings to 4.5%

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

\*1 Specific indicators and target levels are not disclosed for strategic reasons, as they include content related to intellectual property.  
 \*2 The target group is employees of Kirin Holdings.  
 \*3 Major group companies that have production and logistics functions within the group will be included. Partner companies within the plant premises are also included.

of total capital in 2022, which attains the 2022-2024 MTBP target of less than 5%. In addition to growing our businesses, we will continue actively working to improve our balance sheet.

### —How is cash allocation coming along for the 2022-2024 MTBP?

Despite the slightly weakened operating cash flow caused by the prolonged spread of COVID-19 and rising global costs, our overall cash allocation policy remains unchanged as we strive to generate a figure as close to 700 billion yen\*<sup>3</sup> as possible.

We are proceeding smoothly with cash generation of 100 billion yen through asset reduction, and in 2022, we used the proceeds from selling China Resources Kirin Beverages to buy back 50 billion yen of our own shares and to invest in our overseas craft beer business through M&A. Our goal is to achieve an ROIC of 10% or more and a normalized EPS CAGR of 11% or more by 2024, as outlined in the 2022-2024 MTBP, by continuing disciplined capital investment while returning profits to shareholders through stable dividends.

\*<sup>3</sup> We expect cash flows from operating activities of approximately ¥700.0 billion in total during the three-year period of the 2022–2024 MTBP.

### —What is the status of investments in intangible assets?

To create corporate value, it is also essential to invest in intangible assets that will serve as the foundation for innovation. The Kirin Group focuses on (1) Brand development in the Food & Beverages domain, (2) R&D in the Pharmaceuticals domain, (3) ICT investments for utilization of digital technologies, and (4) Human capital investment.

In response to the COVID-19 pandemic and

soaring raw material and fuel costs, we reduced brand investments, focused on advertising expenses, in 2022. For 2023, we are implementing price revisions and cost reductions in all our businesses to secure our earnings base, and we will step up investments to nurture our brands over the medium to long term.

In R&D, we will invest in expanding our future pipeline in the Pharmaceuticals domain while increasing efforts to create and expand highly profitable specialty ingredients in the Health Science field.

In terms of investments in ICT, in addition to our efforts to streamline business processes, we will intensify our efforts to create value through the use of digital ICT for the future.

For human capital, we will achieve sustainable growth and value improvement through the development of specialized and diverse human resources, as well as enhancing our organizational capabilities. To accomplish this, we will expand our DX training programs and introduce human capital management for each function.

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

The Kirin Group has always prioritized shareholder return. In 2022, based on our basic policy, we were able to maintain a dividend payment ratio of normalized EPS at 40% or more and increase the dividend by 4 yen to 69 yen. Going forward, our goal is to distribute our proceeds to shareholders stably and consistently. However, to ensure stable dividends in the long run, we believe that investing in growth is important. Therefore, we will flexibly review share buybacks, while considering the balance between generated cash and growth

investment.

We recognize that the current share price level doesn't meet our investors' expectations. Therefore, we will focus on achieving growth and improving profitability in each business area while reviewing our business portfolio to achieve KV2027. In particular, we aim to attain a share price level based on an appropriate valuation by ensuring that stakeholders understand the Kirin Group's future potential through the early expansion and profitability of our Health Science domain.

## Conclusion Accelerating our growth toward KV2027

### —Finally, please give us a message for our stakeholders.

To achieve sustainable growth for the Kirin Group, each operating company must independently enhance its organizational capabilities and implement the PDCA cycle to achieve short-term goals, while executing initiatives to create value for the future. We aim to work closely with our operating companies to identify any issues and implement specific solutions by engaging in dialogue from the unique perspective of a holding company. Additionally, we will contribute to maximizing corporate value by integrating management and financial strategies, continually reviewing future cash flows for each business, and optimizing the entire Group's business portfolio through ongoing management considerations.

# Financial and Non-financial Highlights

## Financial and Non-financial Highlights

### Key financial performance indicators

ROIC

# 8.5%

2023Guidance → 8.5%

Normalized EPS

# ¥171

2023Guidance → ¥171

### Key non-financial performance indicators

Environment Climate Change

Reduction ratio of GHG emission  
(Scope 1 and 2) (compared with 2019)\*1

# 18%

2024Target → 23%  
2030Target → 50%

Environment Containers and Packaging

Percentage of recycled resin used  
in PET bottles\*2

# 8%

2024 Target → 38%  
2027 Target → 50%

Environment Water Resources

Water use intensity at manufacturing  
sites with high water stress\*3  
(Water use intensity = Water usage / Production amount)

# 3.7kl/kl

 Lion  
(Australia)
2024 Target → Under 3.0 kl/kl  
2025 Target → Under 2.4 kl/kl

Health Progress of mid-term health science strategy

Achievement level in supporting the maintenance of immune function

Recognition rate of  
LC-Plasma function in Japan

# 32%

2024Target → 45%  
2027Target → 50%

Number of people continuing to take LC-Plasma

# 640,000 people

2024Target → 1,900,000 people

Employees Organizational Culture

Employee engagement score

# 70%

2024Target → 75%

Employees Diversity

Achievement level in “Increasing diversity”

Ratio of female managers in Japan\*4

# 10.6%

2024Target → 15%

Ratio of mid-career hires in Japan\*5

# 27.3%

2024Target → 30%

Employees Occupational health and safety

Lost time injury frequency rate\*6

# 0.90

2024 Target → 0.95 (0.40 in Japan)

(Results in 2022)

## Consolidated Financial Highlights

### Revenue

# ¥1,989.5 billion

### Normalized Operating Profit

# ¥191.2 billion

### Profit attributable to owners of the Company

# ¥111.0 billion

(FY2022, Actual)

\*1 Supplemental information for the calculation of GHG emissions (Scope 1+2) for the Kirin Group is as follows.

### (1) Calculation Method

- Emissions resulting from the use of fuel and steam are calculated the unit calorific values and emission factors stipulated in Japan's "Law Concerning the Promotion of the Measures to Cope with Global Warming" and "Law Concerning the Rational Use of Energy". However, for Lion, the unit calorific values and emission factors specified by the Australian, New Zealand, and U.S. governments are used for calculations.
- For electricity, the calculation is based on the amount of electricity purchased multiplied by the emission factor of each electric power company. In the case of Japan, adjusted emission factors for each electric utility are used. If emission factors for each electric utility are not available, national emission factors published by the IEA are used.
- GHG emissions include emissions associated with the generation of electricity sold.

### (2) Boundary

- The following companies are targeted.

Business	Company
Japan Beer and Spirits Business	Kirin Brewery, Kirin Distillery, Spring Valley Brewery, The Brooklyn Brewery Japan, Ei Sho Gen, Kirin Brewery (Zhuhai)
Japan Non-Alcoholic Beverages Business	Kirin Beverage, Shinshu Beverage, Hokkaido Kirin Beverage, Kirin Maintenance • Service, each site of Kirin Beverage Service (Hokkaido, Sendai, Tokyo, Chubu, Kansai), Kirin Vivax, Toukai beverage Service
Oceania Adult Beverages Business	Lion, New Belgium Brewing
Pharmaceuticals Business	Kyowa Kirin, Kyowa Kirin Frontier, Kyowa Medical Promotion, Kyowa Kirin Plus, Kyowa Kirin China Pharmaceutical, Kyowa Kirin (USA)
Other Businesses (all companies included)	Mercian, Nippon Liquor, Daiichi Alcohol, Wine Curation, Interfood, Vietnam Kirin Beverage, Four Roses Distillery, Kyowa Hakko Bio, Kyowa Pharma Chemical, Kyowa Engineering, BioKyowa, Shanghai Kyowa Amino Acid, Thai Kyowa Biotechnologies, Kirin Holdings, Kirin Business Expert, Kirin Business System, Koiwai Dairy Products, Kirin Echo, Kirin & Communications, Kirin Engineering, Kirin City, Kirin Techno-System, Kirin Group Logistics

### (3) Base Year Calculation

- GHG emissions for the base year (2019) have been retrospectively recalculated to reflect significant structural changes, including subsequent business acquisitions and divestitures.

- \*2 PET resin used by Kirin Brewery, Kirin Beverage, and Mercian for product packaging is included in the calculation.
- \*3 Manufacturing sites with high water stress are defined by us based on Aqueduct's Water Stress and WRF's Baseline Water Depletion. The identified sites breweries are Tooheys Brewery/James Boag Brewery/Castlemaine Perkins.
- \*4 The ratio of female managers in Japan is based on the employees with a domicile at Kirin Holdings Co., Ltd. However, executive officers and rehired employees are not included.
- \*5 The ratio of mid-career hires in Japan is based on the employees with a domicile at Kirin Holdings Co., Ltd. However, rehired employees are not included.
- \*6 Main Group companies that have production and logistics functions within the Group are included. Partner companies within the factory premises are also included.

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

## (1) Operating Results

### ① Overall business conditions

In 2022, in addition to the prolonged COVID-19 pandemic, the emergence of geopolitical risks, global inflation, and the weak yen, among others had a significant impact on corporate management. In terms of consumer behavior, it was a year of major changes in society, including a further increase in health consciousness and further polarization of consumption.

In this environment, the Kirin Group accelerated its efforts to respond to changes in society under its Kirin Group Vision 2027 (KV2027) long-term management plan, including increasing profits in the Food & Beverages domain, strengthening the global foundation of the Pharmaceuticals domain, and expanding the Health Science domain. Kirin Holdings has been developing its pharmaceutical business for more than 40 years on the strength of fermentation and biotechnology cultivated through the beer business, which has continued for more than 100 years since its foundation, and Kirin Holdings is promoting its health science business, newly launched under KV2027, by leveraging these core technologies. Kirin Holdings believes that using its superior fermentation technologies and biological knowledge to grow the health science business-leading to solutions to health issues-will ensure the future of the Kirin Group's continued existence and sustainable growth as a company.

### Food & Beverages domain

While building a strong brand system by concentrating on its mainstay brands, Kirin Holdings also worked to expand products and services that offer new value propositions. In response to soaring raw materials and fuel prices, each Group company worked to improve profitability through productivity improvements and product price revisions.

### Pharmaceuticals domain

As a Japan-based Global Specialty Pharmaceutical company, Kirin Holdings worked to strengthen the foundation in Japan as well as overseas. In addition to steadily growing global strategic products, Kirin Holdings promoted the development of next-generation strategic products.

### Health Science domain

Kirin Holdings accelerated the development of *Lactococcus lactis* strain Plasma (LC-Plasma) to expand its business domain. In addition to the development of its own group products such as beverages and supplements, Kirin Holdings promoted sales of raw material to external partner companies and expanded the number of functional food products. As a result, the sales amount of LC-Plasma-related business increased 40% from the previous year. In addition, Kirin Holdings continued its efforts to raise awareness of "immune care" and contributed to solving consumers' health issues.

Kirin Holdings will use the strengths of the Kirin Group to solve not only health issues, but also other issues facing society, while at the same time creating economic value as a company and maximizing corporate value. During the fiscal year under review, Kirin Holdings pursued the following initiatives under the Kirin Group 2022–2024 Medium-Term Business Plan (2022–2024 MTBP), the second of three medium-term business plans toward achievement of KV2027.

Kirin Holdings has also received high praise from outside the company in terms of ESG. For the second year in a row, Kirin Holdings received an "AA" rating in the MSCI ESG Ratings by the U.S.-based Morgan Stanley Capital International (MSCI), Inc. on a par with the world's leading CSV companies. In a survey conducted

by CDP, an international non-profit organization, Kirin Holdings also received the highest rating of "A-List" in the two themes of "climate change" and "water security" for four consecutive years. In Japan, Kirin Holdings also received the highest overall ranking in the Nikkei SDGs Management Survey for four consecutive years, as well as the "SDGs Strategy and Economic Value Award" at the 4th Nikkei SDGs Management Grand Prix. In response to increasing demands for disclosure of non-financial information, Kirin Holdings has been proactive in disclosing non-financial indicators. Kirin Holdings has set non-financial targets in the areas of "Environment," "Health," and "Employees" as key performance indicators in the 2022-2024 MTBP, and has promoted specific initiatives.

## ② Management Analysis Of Financial Position, Operating Results, And Cash Flows

	FY2022	FY2021	Change	
Consolidated revenue	1,989.5	1,821.6	167.9	9.2%
Consolidated normalized operating profit	191.2	165.4	25.7	15.6%
Consolidated operating profit	116.0	68.1	47.9	70.4%
Consolidated profit before tax	191.4	99.6	91.8	92.1%
Profit attributable to owners of the Company	111.0	59.8	51.2	85.7%
(Key performance indicators)				
ROIC	8.5%	4.2%	—	—
Normalized EPS (yen)	171	156	15	9.6%

Consolidated revenue for this fiscal year increased due to increases in sales of the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast. The Japan Non-alcoholic Beverages Business and Kyowa Hakko Bio Co., Ltd. posted a decrease in profits, but the Oceania Adult Beverages Business, Pharmaceuticals Business, and Coca-Cola Beverages Northeast saw an increase in profits, resulting in an overall increase in consolidated normalized operating profit. Profit attributable to owners of the Company increased mainly due to the sale of China Resources Kirin Beverages (Greater China) Company, Limited, despite the recording of an impairment loss related to Kyowa Hakko Bio Co.

Among the key performance indicators, ROIC improved from the previous year to 8.5% due to an increase in consolidated normalized operating profit. Normalized EPS increased 15 yen from the previous year to a record high of 171 yen, mainly due to an increase in consolidated normalized operating profit and the impact of treasury shares completed in September.

## ③ Performance by reportable segment

Results by segment are as follows.

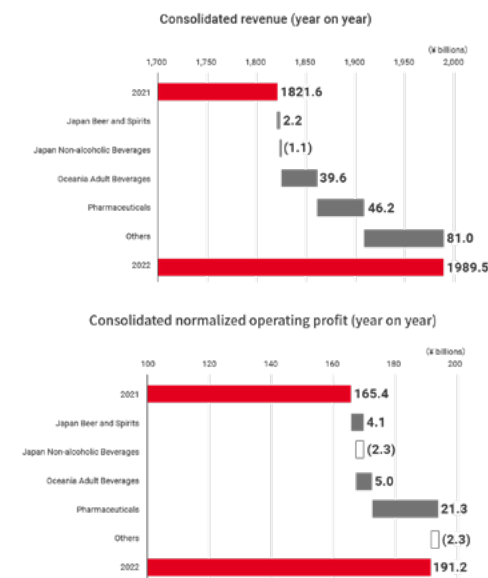
(¥ billions, unless otherwise stated)

	FY2022	FY2021	Change	
Consolidated revenue	1,989.5	1,821.6	167.9	9.2%
Japan Beer and Spirits	663.5	661.3	2.2	0.3%
Japan Non-alcoholic Beverages	243.3	244.4	(1.1)	(0.5%)
Oceania Adult Beverages	255.9	216.3	39.6	18.3%
Pharmaceuticals	397.9	351.7	46.2	13.1%
Others	428.9	347.9	81.0	23.3%
Consolidated normalized operating profit	191.2	165.4	25.7	15.6%
Japan Beer and Spirits	74.7	70.5	4.1	5.8%
Japan Non-alcoholic Beverages	18.8	21.1	(2.3)	(11.0%)
Oceania Adult Beverages	31.5	26.6	5.0	18.8%
Pharmaceuticals	82.5	61.2	21.3	34.7%
Others	(16.3)	(14.0)	(2.3)	—

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

### Japan Beer and Spirits Business

The domestic alcoholic beverages market was affected by soaring raw material and fuel prices as well as the prolonged COVID-19, but overall the market was on a recovery trend. Kirin Brewery focused on its mainstay brand *KIRIN ICHIBAN* and *KIRIN ICHIBAN Zero Sugar*, to capture health-conscious consumers. As a result, overall sales volume of the *KIRIN ICHIBAN* brand increased 3% year-on-year. In the craft beer category, Kirin Brewery focused on efforts to broaden the appeal of a variety of beers. From the *SPRING VALLEY* brand, in addition to *SPRING VALLEY Hojun 496*, *SPRING VALLEY Silk Ale [White]* was newly launched. Kirin Home Tap, a beer server for home use that allows consumers to enjoy authentic draft and craft beer at home, delivered the taste of freshly brewed beer to consumers nationwide. The *Tap Marché* beer server for restaurants, which can



serve four kinds of craft beer from various regions of Japan, brought the enjoyment of a wide range of craft beer to consumers with 14 participating breweries. In addition, Kirin Brewery has been rolling out *TAPPY*, a next-generation beer server that maintains the freshness of beer and helps reduce food loss, and the number of restaurants that have installed *TAPPY* has surpassed 10,000. In the RTD category, the mainstay *Kirin Hyoketsu* brand sold well. In particular, the *Hyoketsu Sugar Free* series received strong support, with sales exceeding 14 million cases, approximately 1.2 times the target set at the beginning of the year. In the non-alcoholic beer-taste beverage category, Kirin Brewery revamped *Kirin GREENS FREE*, which helped revitalize the market.

As a result, revenue increased by 0.3% to ¥663.5 billion due to a recovery in sales of the on-premise channels, coupled with the impact of price revisions. Normalized operating profit increased by 5.8% to ¥74.7



billion due to the control of selling expenses.

### Japan Non-alcoholic Beverages Business

The domestic beverage market is on a recovery trend due to increased opportunities to go out, but the external environment surrounding the market became more intense due to soaring raw material and fuel prices, etc. At Kirin Beverage, sales of mainstay brands were strong, with sales of both *Kirin Gogo-no-Kocha* and *Kirin Nama-cha* exceeding those of the previous year. In particular, sales of *Kirin Gogo-no-Kocha Oishii Muto (sugar free)* were up 17% from the previous year. In the Health Science area, where Kirin Beverage is focusing its efforts, *Kirin iMUSE Morning Immune Care*, a small-volume PET-bottled beverage, was launched nationwide to strengthen efforts to make “immune care” a habit in consumers. In addition, Kirin Beverage renewed and strengthened sales of *Kirin iMUSE Lemon* and *Kirin iMUSE Yogurt Taste*, resulting in a 23% year-on-year growth in sales volume of beverages containing LC-Plasma. On top of that, *KIRIN naturals*, a service for corporate consumers to promote health management, was renewed as a service to improve employees’ lifestyle habits and raise their health awareness.

However, revenue decreased by 0.5% to ¥243.3 billion. Normalized operating profit decreased 11.0% to ¥18.8 billion due to soaring raw material costs and other factors, despite efforts to reduce sales promotion and advertising expenses.

### Oceania Adult Beverages Business

In the Australian alcoholic beverage market, while the on-premise market was recovering from the impact of COVID-19, the off-premise market remained soft. Lion strengthened marketing activities centered on its

mainstay XXXX (“four-ex”) and worked to revitalize the brand. In the craft beer business, which is positioned and focused as a growth area, Lion acquired Fermentum Pty Ltd. in Australia in 2021 and expanded its premium portfolio. In 2022, Lion acquired Bell’s Brewery, Inc. in the United States, and together with New Belgium Brewing Company, proceeded to build a craft platform in North America.

As a result, yen-based revenue increased by 18.3% to ¥255.9 billion. Yen-based normalized operating profit increased by 18.8% to ¥31.5 billion due to supply chain optimization and other cost reduction efforts.

### Pharmaceuticals Business

In 2022, the second year of the company’s 2021-2025 Medium Term Business Plan, Kyowa Kirin continued its efforts to grow as a Japan-based Global Specialty Pharmaceutical company. While the global therapeutic environment is changing due to COVID-19, global strategic products Crysvida and Poteligeo continued to show steady growth. As for next-generation strategic products, development of KHK4083 (generic name: Rocatinlimab) and KHK7791 (generic name: Tenapanor Hydrochloride) made steady progress. On the other hand, the development of KW-6356 was discontinued, and the decision was made to discontinue the development of ME-401 outside Japan. In Kyowa Kirin’s “patient advocacy” activities, which aim to resolve business and social issues by listening to the voices of people facing illnesses, Kyowa Kirin actively promoted support for rare and intractable diseases in Japan and overseas, including participation in the community of ASrid, a Japanese non-profit organization.

As a result, revenue increased by 13.1% to ¥397.9 billion due to an increase in overseas pharmaceutical

sales, particularly of global strategic products. Normalized operating profit increased by 34.7% to ¥82.5 billion due to an increase in gross profit resulting from higher revenue, despite an increase in selling, general and administrative expenses and research and development expenses related to sales of global strategic products.

### Other Business

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

Kyowa Hakko Bio was forced to suspend manufacturing at its Shanghai plant in China (SHANGHAI KYOWA AMINO ACID CO., LTD.), one of its production bases, following the spread of a new COVID-19 strain, and sales were also constrained. In addition, sales of Citicoline, a key ingredient, were weak due to factors such as the impact of inflation in the United States, the largest dietary supplement market. Profitability was worsened due to soaring raw material and fuel prices. On the other hand, despite the severe business environment, Kyowa Hakko Bio completed a production facility for HMOs (human milk oligosaccharides)-for which demand is expected to grow worldwide-in its own factory in Thailand (THAI KYOWA BIOTECHNOLOGIES CO., LTD.). As a result, revenue decreased by 3.7% to ¥51.1 billion, and business loss amounted to ¥3.9 billion.

#### Mercian Corporation (Mercian)

At Mercian, while its mainstay wine business was greatly affected by the sharp depreciation of the yen, it worked to nurture its own highly profitable brands. Mercian began developing a new brand, *Mercian Wines*, co-created with winemakers around the world, and

responded to ethical consumption which has been on the rise in recent years. In Japanese wines, Mercian has strengthened its efforts with the *Château Mercian* flagship brand. Mercian also launched a consulting business to raise the standard of the Japanese wine industry as a whole. Mercian aims to grow *Château Mercian* while contributing to local economies. However, revenue increased by 4.5% to ¥60.5 billion, and business loss amounted to ¥0.6 billion.

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

In the United States, the beverage market grew significantly, as strong consumer demand continued despite rising inflation. Coke Northeast also worked to increase demand while revising product prices, and as a result, sales remained strong. The company also improved profitability by working on a more profitable product mix. As a result, revenue increased by 39.6% to ¥216.2 billion, and normalized operating profit increased 59.3% to ¥26.3 billion.

### Myanmar Beverages Business

The Company reached an agreement with Myanmar Economic Holdings Public Company Limited (MEHPCL), a joint venture partner of the Company's consolidated subsidiaries Myanmar Brewery Limited (MBL) and Mandalay Brewery Limited (MDL), and transferred all the shares (51% of the total number of shares issued) of MBL and MDL held by Kirin Holdings Singapore Pte, Ltd., a consolidated subsidiary of the Company, to MBL and MDL (share repurchase by MBL and MDL) on January 23, 2023.

## (2) FINANCIAL POSITION

### ① General overview

Total assets at the end of this fiscal year were ¥2,542.3 billion, an increase of ¥70.3 billion from the end of the previous fiscal year. Property, plant and equipment, and goodwill increased by ¥52.1 billion in total from the end of the previous year. This was primarily as a result of making Bell's Brewery, Inc., a subsidiary and the effect of foreign exchange rate fluctuations. Inventories increased by ¥42.9 billion from the end of the previous fiscal year. In contrast, equity-accounted investees decreased by ¥37.6 billion, mainly due to the sale of China Resources Kirin Beverages (Greater China) Company, Limited.

Equity increased by ¥105.2 billion from the end of the previous fiscal year to ¥1,253.2 billion due to an increase in retained earnings of ¥65.6 billion and an increase in reserves of ¥69.8 billion. The increase in reserve was mainly attributable to an increase in foreign currency translation differences on foreign operations of ¥72.5 billion due to a weak yen.

Liabilities decreased by ¥34.9 billion from the end of the previous fiscal year to ¥1,289.1 billion. Despite the issuance of straight bonds worth ¥20.0 billion in June 2022, bonds and borrowings decreased by ¥28.4 billion due to a reduction in interest-bearing liabilities. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system.

As a result, the equity ratio attributable to owners of the Company and the gross debt equity ratio stood at

38.5% and 0.53 times, respectively.

### ② Financial status of reportable segments

#### Japan Beer and Spirits

Segment assets of the Japan Beer and Spirits Business at the end of this fiscal year decreased by ¥0.7 billion to ¥432.1 billion from the end of the previous fiscal year

#### Japan Non-alcoholic Beverages

Segment assets of the Japan Non-alcoholic Beverages Business at the end of this fiscal year decreased by ¥6.0 billion to ¥133.2 billion from the end of the previous fiscal year mainly due to a decrease in other financial assets.

#### Oceania Adult Beverages

Segment assets of the Oceania Adult Beverages Business at the end of this fiscal year increased by ¥70.9 billion to ¥546.7 billion from the end of the previous fiscal year. This was mainly because goodwill and property, plant and equipment increased primarily as a result of making Bell's Brewery, Inc., a subsidiary and exchange rate fluctuations.

#### Pharmaceuticals

Segment assets of the Pharmaceuticals Business at the end of this fiscal year increased by ¥18.2 billion to ¥880.3 billion from the end of the previous fiscal year mainly due to increases in property, plant and equipment, trade and other receivables, and inventories, despite an impairment loss on intangible assets.

## (3) Cash Flows

### ① Cash flows and liquidity status

The balance of cash and cash equivalents (hereinafter, “net cash”) at the end of this fiscal year was ¥88.1 billion, a decrease of ¥61.4 billion from the end of the previous fiscal year. Cash flows for each activity were as follows:

#### Cash flows from operating activities

Net cash provided by operating activities decreased by ¥83.7 billion year on year to ¥135.6 billion. Although profit before tax increased by ¥91.8 billion, a ¥12.6 billion increase in outflow of working capital, a ¥13.2 billion reversal of impairment loss, which is a non-cash item, and a ¥48.1 billion gain on sale of equity-accounted investees resulted in a decrease of ¥48.0 billion in the sub-total. Below the sub-total line, cash flows from operating activities decreased year on year due to a ¥39.2 billion increase in income taxes paid.

#### Cash flows from investing activities

Net cash used in investing activities decreased by ¥46.0 billion year on year to ¥10.4 billion. The decrease was mainly because proceeds from sale of equity-accounted investees increased by ¥117.1 billion year on year to ¥122.2 billion as a result of the sale of China Resources Kirin Beverages (Greater China) Company, Limited in this fiscal year. Meanwhile, acquisition of shares of subsidiaries, net of cash acquired increased by ¥0.7 billion year on year to ¥46.2 billion as a result of making Bell’s Brewery a subsidiary in this fiscal year, while making Fermentum a subsidiary in the same period of the previous fiscal year. Outflow for acquisition of property, plant and equipment and intangible assets increased by ¥12.1 billion year on year to ¥98.5 billion. There was

inflow of ¥7.9 billion for sale of investments through our continuous efforts to reduce cross-shareholdings

#### Cash flows from financing activities

Net cash used in financing activities decreased by ¥12.6 billion year on year to ¥167.8 billion. The Company continued to provide dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. As a result, dividends paid, including to non-controlling interests, amounted to ¥65.5 billion. The Company also acquired ¥50.0 billion of treasury shares to increase shareholder returns. In addition, interest-bearing liabilities decreased by ¥36.9 billion in this fiscal year. The reduction was attributable to the fact that the amount procured was kept below the repayment amount mainly resulting from increased capital efficiency in line with the implementation of a global cash management system.

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

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

### ② Basic capital policy

Based on the capital policy formulated in the 2022–2024 MTBP, the Company will allocate resources to its

businesses and distribute profits to its shareholders as set out below.

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

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

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

## 10-Year Summary of Key Financial Data

(Millions of yen)

Fiscal year	JGAAP						IFRS			
	2013	2014	2015	2016 <sup>*9</sup>	2017 <sup>*9</sup>	2018 <sup>*9</sup>	2019	2020	2021	2022
Revenue*1	2,254,585	2,195,795	2,196,925	1,853,937	1,863,730	1,930,522	1,941,305	1,849,545	1,821,570	1,989,468
Less Japanese liquor taxes	310,798	301,365	305,697	296,029	289,433	294,028	292,153	276,932	285,600	284,435
Net revenue	1,943,786	1,894,429	1,891,227	1,557,909	1,574,296	1,636,494	1,649,151	1,572,613	1,535,969	1,705,033
Normalized operating profit*2	-	-	-	181,982	194,609	199,327	190,754	162,115	165,430	191,159
Operating profit	142,818	114,549	124,751	196,590	211,000	198,322	87,727	102,919	68,084	116,019
Operating profit (Before amortization of goodwill, etc.)	198,086	171,542	158,537	-	-	-	-	-	-	-
EBITDA*3	-	-	-	-	-	-	-	-	-	-
Normalized EBITDA*4	301,486	273,183	258,922	257,612	272,301	279,907	272,619	243,959	245,879	277,695
Ordinary income	132,134	94,211	128,199	-	-	-	-	-	-	-
Profit attributable to owners of the Company*1	85,656	32,392	(47,329)	148,918	241,991	164,202	59,642	71,935	59,790	111,007
Cash flows from operating activities	205,517	155,247	171,011	232,263	221,710	198,051	178,826	164,839	219,303	135,562
Cash flows from investing activities	85,526	(139,397)	(70,659)	(82,656)	63,214	47,389	(175,619)	(115,981)	(56,408)	(10,399)
Cash flows from financing activities	(272,357)	(80,701)	(78,221)	(157,271)	(182,163)	(226,699)	(9,997)	(52,474)	(180,463)	(167,835)

## Fiscal year end

Total assets	2,896,456	2,965,868	2,443,773	2,422,825	2,398,572	2,303,624	2,412,874	2,459,363	2,471,933	2,542,263
Interest bearing debt	858,911	873,003	821,478	668,212	486,475	414,994	530,851	642,644	551,471	523,121
Equity attributable to owners of the Company*1	1,075,861	1,101,833	663,842	695,860	947,162	906,578	906,576	838,584	894,179	980,022

## Per-share data

Earnings per share (EPS) (Yen)	90.76	35.27	(51.87)	163.19	265.17	183.57	68.00	85.57	71.73	135.08
Normalized EPS (Yen)*5	122	118	117	139	151	167	158	136	156	171
EPS (Before amortization of goodwill etc.) (Yen)	159.92	108.57	(2.83)	-	-	-	-	-	-	-
Dividends per share (Yen)	36.00	38.00	38.00	39.00	46.00	51.00	64.00	65.00	65.00	69.00

## Value indicators

Return on equity (ROE) (%)*6	14.0	8.6	(0.3)	22.2	29.5	17.7	6.6	8.2	6.9	11.8
Return on invested capital (ROIC) (%)*7	-	-	-	10.8	16.3	12.0	5.2	6.0	4.2	8.5
Operating profit (Before amortization of goodwill, etc.) / Net sales (%)	10.2	9.1	8.4	-	-	-	-	-	-	-
Net debt / Normalized EBITDA (times)	2.25	2.76	2.67	2.21	1.19	0.86	-	-	-	-
Gross debt-to-equity ratio (times)	-	-	-	-	-	0.46	0.59	0.77	0.62	0.53
Consolidated dividend payout ratio (%)*8	29.5	32.2	32.5	28.1	30.5	30.5	40.5	47.8	41.7	40.4

\*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). (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 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 start and end of the fiscal year + average total equity of the start and end of the fiscal year

\*8 From fiscal 2010, figures for dividend payout ratio use 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.