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To Whom It May Concern:

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## **Formulation of Long-Term Management Vision “Kirin Group Vision 2027” and Kirin Group 2019-2021 Medium-Term Business Plan**

### ***Shifting Gear from Revitalization to Growth***

Kirin Holdings, Company Limited. (President and CEO: Yoshinori Isozaki) today announced Kirin Group Vision 2027 (KV2027), which outlines a strategic initiative to propel the Kirin Group, which has completed a series of restructuring efforts, into a new stage of growth. The Company also unveiled Kirin Group 2019-2021 Medium-Term Business Plan, which serves as the first three-year-phase action plan to achieve KV2027.

#### **Long-Term Management Vision “Kirin Group Vision 2027 (KV2027)”**

The Kirin Group has achieved every quantitative target established in Kirin Group 2016-2018 Medium-Term Business Plan and completed the process of restructuring and revitalizing the Group. During this period, the Group has been operating in an increasingly volatile business environment, in which a broad range of social issues have been emerging around the globe that have significant implications for its business operations. In order for the Group to achieve sustainable growth, the Kirin Group needs to take its CSV<sup>\*1</sup> management to a new level, thereby to create greater social and economic value and foster a collaborative and engaged relationship with society.

Under these circumstances, the Group has established KV2027, which calls upon the Group to become a global leader in CSV by 2027 by creating value across its world of food & beverages to pharmaceuticals. The year 2019 is the first year of implementing KV2027. In pursuit of CSV management, the Kirin Group will redouble its efforts to address three key social issues—“health and well-being,” “community engagement,” and “the environment”—while continuing to play its role as a “Responsible Alcohol Producer.”

To create value across its world of food & beverages to pharmaceuticals, the Kirin Group will establish new businesses bridging pharmaceuticals and food & beverages, and grow them into another core of the Group, by leveraging the organizational excellence and assets that the Group has amassed over the years. Moreover, the Kirin Group will develop organizational capabilities for

innovation that will translate addressing social issues into its growth opportunities so as to establish a business portfolio that will ensure sustainable growth of the Group.

\*1 Creating Shared Value. It is all about creating value that can be shared with customers and society.

### **Kirin Group Medium-Term Business Plan for FY2019-2021 (2019 MTBP)**

The Group's 2019 MTBP is intended to, over the next three years, lay a more solid business foundation and a new basis for creating value across its world of food & beverages to pharmaceuticals. First, the Kirin Group will establish a robust foundation for growth by strengthening profitability in its existing alcoholic and non-alcoholic beverage businesses in the food & beverages domain and achieving outstanding growth of its pharmaceutical business in the pharmaceutical domain. Second, the Group will establish and foster new businesses bridging pharmaceuticals and food & beverages as part of its efforts to seek a broader range of growth opportunities and expand its business domains.

#### **Basic Policy**

- Shift gear from revitalization to new growth by creating a foundation for the Kirin Group
- Maximize corporate value by enhancing shareholder returns

#### **Key Initiatives**

1. Achieve profit growth of existing businesses
2. Establish and foster new businesses bridging pharmaceuticals and food & beverages
3. Strengthen organizational capabilities for innovation

#### **Key Performance Indicators**

- Aim to improve shareholder value by continuing to grow normalized EPS.
- ROIC has been adopted as a financial target due to prioritization of growth investment in order to lay the foundation.

##### Financial targets:

- Normalized EPS      CAGR 5%+
- ROIC                      10%+ by FY2021

\*2 Financial indicators are evaluated by excluding the impact of exchange rate fluctuations when overseas subsidiaries are consolidated, etc.

\*3 Normalization: Non-recurring items such as Other operating income or expenses, etc. have been removed to more accurately reflect actual earnings

\*4  $ROIC = \text{Earnings before interest and after tax} / (\text{Average interest bearing debt between the beginning and the end of the FY} + \text{average total equity between the beginning and the end of the FY})$

- In addition, aim to create shared value with its stakeholders, society & the environment, consumers, and employees by setting non-financial targets.

Non-financial targets:

- CSV commitment
- Corporate Brand Value                      More than 2.2 billion U.S. dollars by FY2021
- Employee engagement score              More than 72% by FY2021

\*5 Use the evaluation of the Kirin brand value in the Brand Ranking created/ released every year by Interbrand Japan.

## Implementation of Key Initiatives

### 1. Achieve profit growth of existing businesses

#### ➤ Further strengthen profitability of food & beverages businesses

##### (1) Kirin Brewery

Kirin Brewery will focus its marketing investment on key brands such as the popular *KIRIN ICHIBAN* and the new *Hon Kirin* in order to make its brand portfolio more robust. The company will continue to expand its craft beer business in a manner unique to Kirin, such as by supporting Japanese hop farmers and offering *Tap Marché*<sup>\*6</sup> to bars and restaurants around the county. This effort will help make the beer category more relevant to consumers and expand the company's beer business in general. In addition, the company intends to broaden its RTD<sup>\*7</sup> offerings to meet changes in the alcoholic beverage market expected in the wake of an increase in the consumption tax rate and resulting from increasingly diverse consumer preference for alcoholic beverages.

\*6 Tap Marché: It is a system that enables customers to enjoy a variety craft beers by installing small dispensers that can provide several types of beer using a single unit developed by Kirin. Use the evaluation of the Kirin brand value in the Brand Ranking created/ released every year by Interbrand Japan.

\*7 RTD: Ready-to-drink low-alcohol beverages

##### (2) Lion (Beer, Spirits & Wine)

Lion will enhance brand equity of its beer products in the growing categories in Australian beer market while establishing its premium crafted beverage business, including craft coffee and Kombucha.

##### (3) Kirin Beverage

Kirin Beverage will continue to focus its marketing investment on its core brands such as *Gogo-no-Kocha* (black tea), *Nama-cha* (green tea), and *FIRE* (coffee) while driving profit through value creation by expanding offerings of sugar-free beverages with health benefits,

including those marketed under the core brands. The company will also work with Kirin Group companies operating outside Japan to pursue new business opportunities in overseas markets and expand export of its products.

(4) Myanmar Brewery

Myanmar Brewery will focus its investment on its leading brands—*Myanmar Beer* and *Andaman Gold*—to achieve greater efficiency in marketing and increase its presence in the beer market. The company will establish optimum production and logistics networks around the country, including those for Mandalay Brewery.

(5) Expansion of overseas business focused on craft beer

The Group will accelerate its efforts to expand its overseas business focused on craft beer as part of a strategy to expand its alcoholic and non-alcoholic beverage businesses. Lion, which has extensive experience and expertise in developing and building craft beer brands, will lead the effort to establish a business model that provides a competitive advantage in value-added categories.

➤ **Achieve outstanding growth of pharmaceutical business**

(6) Kyowa Hakko Kirin

Kyowa Hakko Kirin will leverage its global products to drive growth and become a global specialty pharmaceutical company. The company will establish a new organizational structure optimized for global operations, under which to serve as a growth driver for the Group in the medium term and accelerate the development of new global products and drug candidates.

**2. Establish and foster new businesses bridging pharmaceuticals and food & beverages**

The Kirin Group will expand the business of high-functioning ingredients and establish a unique business model by leveraging the Kirin Group's extensive experience and assets in pharmaceuticals and food & beverages so as to provide solutions to health issues that have not been addressed. The Kirin Group will launch several new businesses that offer products and services tailored to meet the specific need of individual consumers and will eventually grow them into another core of the Group.

**3. Strengthen organizational capabilities for innovation**

The Group will continue to invest in creation of intangible value, such as brand, research and development, digitalization, and human resources and organizations, in order to achieve sustainable growth. The Kirin Group will enhance its organizational capabilities to achieve innovation that will make the most of the Group's technical prowess and that will enable us to practice consumer-centric marketing as part of addressing social issues.

END