

» TOPICS «

Initiatives for Creating Value in the Future

In order for the Kirin Group to achieve sustained growth, it will be absolutely essential for the Group to develop new businesses by creating value unique to Kirin in addition to bolstering the competitiveness of existing businesses. In this section, we will introduce such initiatives for creating value in the future.



› Kirin's Pioneering Spirit

The SPRING VALLEY BREWERY is a beer brewery that was previously located in Yamate, Yokohama—the birthplace of *Kirin Beer*. Opening its doors in 1870, this small brewery built the initial foundation for Japan's beer industry. The site of this brewery would later be used to establish Kirin Brewery Company. Nearly 150 years later, we are seeking to revive the pioneering spirit of this brewery to once again utilize craft beer to make beer more varied and appealing.

› Ever-Growing Presence in the Craft Beer Market

As beer markets have been becoming overly saturated, particularly in developed countries, consumers have begun to turn their attention back to the fundamental draws of beer, namely its variety and taste. As a result, craft beers have been growing rapidly and the number of innovative breweries has been on the rise. The Kirin Group was quick to realize the potential of craft beer, and we have thus been undertaking the challenges of invigorating the beer market and cultivating our craft beer operations into a growth driver.

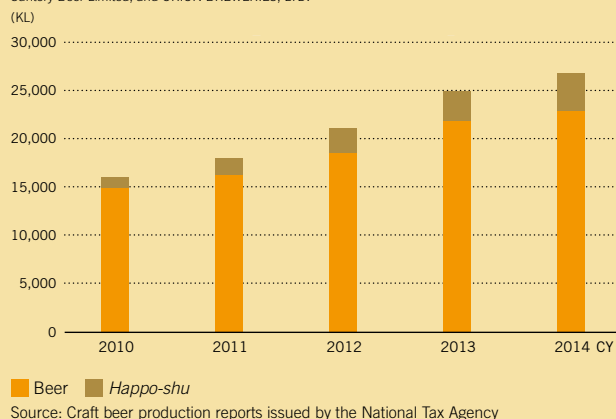
In Japan's craft beer market, we have been cementing our presence through our *SPRING VALLEY BREWERY* brand, which inherited the name of the brewery that symbolizes Kirin's pioneering spirit, and the *Grand Kirin* brand, which is proving particularly popular in the off-premise market. In addition, our craft beer operations have maintained the leading share in the Australian market, posting growth of roughly 10% in 2016.

Our growth in Australia is driven by the *James Squire* brand, a representative craft beer in this market; the *Little Creatures* brand, an offering that embodies the sense of fun characteristic of craft beers; and other prominent brands.



Craft Beer Sales Volumes

Excluding sales volumes of Kirin Brewery; Asahi Breweries, Ltd.; SAPPORO BREWERIES LIMITED; Suntory Beer Limited; and ORION BREWERIES, LTD.



Source: Craft beer production reports issued by the National Tax Agency

› Appealing Lineup Cultivated through Borderless Collaboration

The appeal of craft beers lies in their variety and individuality. Brands that have attached stories to their beers and combined these with superior taste and quality have increasingly been able to win favor from consumers outside of Japan. Kirin has been fostering its own craft beer brands while also expanding its lineup by pursuing borderless collaboration with breweries in Japan and overseas. For example, in 2016 we commenced a capital and business partnership with Brooklyn Brewery, a leading player in the U.S. craft beer market boasting global popularity. Together with our alliance with YO-HO BREWING COMPANY, a prominent domestic craft beer brewery,

this new partnership has helped us create a strong foundation for better meeting diversifying consumer needs. Looking ahead, we plan to merge the accumulated experience, technologies, and insight of these partners with those of Australian subsidiary Lion Pty Ltd. We thereby aim to further increase the value of our brand and reinforce our foundations for value creation to give the world of craft beer more depth and variety.



➤ **Aggressive Expansion of Opportunities to Experience New Beer Cultures**

Increasing the opportunities for consumers to try out craft beers will be crucial to further energizing the craft beer market, meaning that creating opportunities for consumers to experience these beers will be vital. SPRING VALLEY BREWERY operates restaurants with breweries as important points of transmission for new beer cultures through which it provides completely new beer experiences using innovative beers and collaboration events. For example, a new joint restaurant-brewery is scheduled to be opened in Kyoto during fall 2017, adding to the popular restaurants currently in operation in Daikanyama, Tokyo and Yokohama. Lion, meanwhile, has opened a *Little Creatures* brand beer restaurant in Hong Kong, which is contributing to a rise in its brand recognition in the growing Asian market. Furthermore, we plan to deploy our new “Tap Marché” service targeting the on-premise market in Japan beginning in 2017. The goal of this initiative is to expand the range of opportunities for consumers to easily experience a diverse lineup of craft beers. This service will utilize specialized dispensers and three-liter plastic bottle containers developed utilizing Kirin’s technological prowess to offer consumers a choice of various craft beer brands, including those of our partners. In the first year of this initiative, we hope to deploy this service at 1,000 restaurants in the Tokyo metropolitan area.

The Kirin Group remains committed to realizing a more exciting future for beer by achieving growth in the craft beer market.



Diverse lineup with taste, variety, and innovativeness



The Kirin Group has begun engaging in initiatives that exceed the boundaries of its Integrated Beverages Business, which provides alcoholic beverages and non-alcoholic beverages, and its Pharmaceuticals and Bio-chemicals Businesses in order to develop new businesses that leverage its superior foundations for value creation. As one facet of these efforts, in April 2016 we established the Business Creation Department. With this organization in place, employees with diverse experience and specialized expertise, including those seconded from the Kyowa Hakko Kirin Group, are seeking out opportunities to create new markets based on innovative and unrestrained ideas.

The Company is also actively utilizing open innovation in the development of new businesses. For example, in 2016 we launched KIRIN ACCELERATOR, a corporate accelerator program* aimed at giving rise to innovative new businesses that help realize healthy and more fulfilling lifestyles. Through this program, we received 167 business plan submissions. Submissions from six teams were selected, and support for enacting these plans was provided over the period from August 2016 to January 2017.

Going forward, the Kirin Group will continue to combine its foundations for value creation with outside assets as it strives to develop new businesses.

* Program in which large companies and venture companies work to augment each other’s strengths and compensate for their weaknesses in order to co-create businesses

