


# Overseas Integrated Beverages Strategy

<p><b>Lion</b></p> 	<p><b>Market environment</b></p> <p>Australia's economy is expected to maintain steady growth thanks to the country's rich natural resources and growing population. Maturation of the market, changing lifestyles, rising health consciousness, and other trends are expected to continue.</p> <p>Australia's mature beer market has about one-third of the total consumption (Figure 7) of Japan's, but consumption per capita is about 1.7 times that of Japan's. However, consumption per capita is decreasing slightly, and the total market is expected to remain relatively flat or contract. The growth of the mid-strength alcohol and contemporary categories tailored to the modern lifestyle, and the increasing move to craft and premium beers are also expected to continue.</p> <p>Dairy product and non-alcohol drink markets are increasing slightly overall, despite differences in performance across categories. Health consciousness also affects consumption trends in the dairy and drink categories, and these trends are expected to continue.</p>
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## ■ Beer, Spirits and Wine

In fiscal 2017, the Lion Beer, Spirits and Wine business saw profits decrease due to the loss of the ABI brands in Australia, but the profit margin remained at 28%, slightly above the 27% of fiscal 2015. By 2020, Lion seeks to restore its profit level to that of fiscal 2016, before the loss of the ABI brands, and return to sustainable growth.

In Australia, Lion will reform its cost structure and implement its Post-ABI Strategy (Figure 8) that seeks to increase sales volume and raise the component ratio in growth categories. It will seek to bolster sales of *Iron Jack* beer, a recently-launched product in the growing contemporary category, while strengthening its foundation brands including *XXXX Gold* in the classic category.

Lion will take steps to improve product mix by increasing the sales volume of premium products. In the craft beer business, Lion will bolster its flagship brands *James Squire* and *Little Creatures* while continuing to develop products and brands tailored to the regionalization of craft beers that is underway in Australia. It has set up an internal craft-focused team just for that purpose and will strive to further increase its presence

in the growing craft beer market.

In the international premium category, it will focus on *Ichiban Shibori (KIRIN ICHIBAN)* and *Heineken*. Lion has been producing and selling the *Heineken* brand under a joint-venture agreement with Heineken International B.V., but this was dissolved in 2017, and moving forward, *Heineken* will be fully incorporated into the Lion Australia beer business portfolio.

In addition, Lion will improve price and mix while streamlining costs throughout the supply chain over the medium term.

In New Zealand, Lion will continue to promote a comprehensive alcohol beverage strategy centered on beer. In August 2017, Lion entered into an agreement to sell ABI's Australian brands in New Zealand. In addition to its key brands, Lion will seek to further increase market share and improve its product mix by leveraging its brand portfolio comprising ABI brands such as *Corona* and ABI's Australian brands.

## ■ Dairy & Drinks

The Lion Dairy & Drinks business will continue to implement its business strategy based on simplification and growth, through a continued focus on cost management and the concentration

Figure 7: Total consumption of Australian beer market

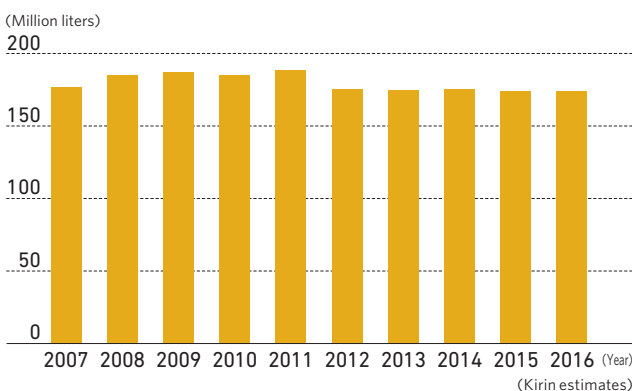


Figure 8: Post-ABI strategy in focus products



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of investment behind focus product categories. The aim of the strategy is to become a leading nutritional dairy and beverages business to increase profitability to a normalized operating profit margin of 5%, which is the guidance for 2016 MTBP.

In the key milk-based beverages category, Lion consolidated its production in a new plant with state-of-the-art production equipment in fiscal 2017. It will continue to strengthen its brands focusing on the flagship *Dare Iced Coffee* brand and rebuild its sales network based on improving production capabilities and expanding sales channels. Lion will also improve price and mix by increasing sales volume in the focus categories of yoghurt and specialty cheese and respond to the consumer trend toward premium products.

Lion will also continue to respond to the growing consumer

desire for products that support healthy living by fulfilling its Our Goodness Promise commitments.

Along with optimizing its operations and supply chain, Lion will work for the stable procurement of milk through its ongoing support for Australian dairy farmers, which is based on delivering competitive pricing, partnerships and purpose.

Figure 9: Key categories/Brands



### Myanmar Brewery



#### Market environment

The Myanmar economy is expected to maintain high single-digit GDP growth and inflation rates in the future.

The current rate of beer market growth is expected to be largely in line with the GDP growth rate, and that trend is likely to continue for the foreseeable future. The total consumption and per capita consumption of Myanmar's beer market is very low (Figure 10) compared to Japan and other Southeast Asian countries. With a population of over 50 million and a low average age, there is much room for future market growth.

With outstanding brand awareness of its products including *Myanmar Beer* and a strong distribution network as its strengths, Myanmar Brewery boasts a high market share of nearly 80%. It will maintain its high market share by strengthening the brand equity while steadily obtaining market growth by developing its manufacturing base to drive Group growth.

In 2015, when Myanmar Brewery became an operating company of the Kirin Group, it lost the international premium category and premium category brands, which it had been selling under license. However, shortly thereafter, it launched *Black Shield Stout* in the premium category, and in 2016, *Myanmar Premium*, and in the international premium category *Ichiban Shibori (KIRIN ICHIBAN)*. With a brand portfolio (see page 31 for details) that ranges from international premium to economy across all categories, Myanmar Brewery will undoubtedly capture the customer base consisting of the beer entry segment, as well as the consumer segment that upgrades to higher-priced categories, which increase according to economic growth. The brewery will focus on its flagship brand *Myanmar Beer*, the most important mainstream category, and will bolster it as a brand to arouse the public's pride.

As a foundation to support volume growth, Myanmar

Brewery will work to retain and develop its human resources, maintain a distribution network that extends north and south, and enhance its highly efficient production facilities (see pages 31 – 32) for details about production facilities, please see pages 31 – 32). In the area of human resources, it will continue to build a corporate culture and develop human resources to enable employees to fully demonstrate their abilities. It will push domestic and Group procurement to reduce the impact on imported raw material costs caused by foreign exchange risks, and at the same time reduce costs by improving efficiency throughout the supply chain.

Figure 10: Beer consumption per capita (FY2016)

