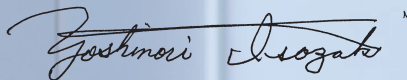


Revitalization ignites growth – creating economic and social value in Kirin’s unique portfolio of food to pharmaceuticals



President & CEO



A video presentation of the Message from Top Management is accessible via QR code.



Progressive revitalization of the Kirin Group through structural reforms raises cash flow in existing domains while strengthening financial base

The Kirin Group attained all quantitative targets of the 2016 Medium-Term Business Plan (MTBP) ending December 2018 which sought group revitalization through structural reforms.

When I was appointed to the position of CEO in 2015 the Group faced many challenges. Domestic sales of beer and beverages were sluggish, and Brasil Kirin and Lion Dairy & Drinks of Australia had structural issues. Our share price was depressed as investors noted our record of missed targets for the then-current MTBP.

In formulating the 2016 MTBP we selected three key issues based on our decision that revitalization required a single-minded focus on raising profitability.

The first was to “invest, strengthen and grow the profit base” of our beer business. Here we placed the highest priority on restimulating growth in the Group’s core, our Japan beer business. Second was to “invest to achieve outstanding growth” in our pharmaceuticals and bio-chemicals businesses. Centered on Kyowa Hakko Kirin (KHK), these businesses’ potential as growth drivers was already recognized, though we had not yet clearly positioned them as core businesses. Given that these initiatives began in the 1980s, however, the time had come to make their centrality official and promote them to core status alongside alcoholic and non-alcoholic beverages. Third and lastly was the task of restructuring and revitalizing low-profit businesses. Regarding these we took the decisive position that if a low-profit business did not achieve revitalization then we would sell it and withdraw from that domain. This would remove any temptation to try again, which would only hinder our major push in structural reforms.

To pursue such a rigorous plan required motivating and

aligning each and every employee toward our common goal. Through Group-wide communication and face-to-face conversations we drove home the fact that without following through on structural reforms the Group’s future was dire. We also enhanced organizational competencies by filling leadership positions with talent from our own ranks and from outside the Group. This was particularly true in Marketing where we greatly improved our organizational capabilities.

Our business situation could not wait. We faced issues not envisioned in the 2016 MTBP. Lion had no choice but to end its beer distribution agreement in Australia for international premium brands. Sales of *Nodogoshi*, our new-genre beer brand slowed since the launch of the 2016 MTBP. One investor said, “You became CEO because you were capable of tackling many issues at once.” Speed was of the essence as I demanded results and regularly discussed strategy with Group companies while pursuing structural reforms.

Every Group company and employee did their best to achieve results regardless of which issues they grappled with. By overcoming these difficult obstacles our organizations and employees gained experience and self-confidence which will reinforce performance in a virtuous cycle. Certainly, this will boost their ability to take successful action going forward.

We sold off Brasil Kirin and decided we would divest ourselves of Lion Dairy & Drinks business as well. This became possible only because our rapid structural reforms restored profitability so quickly. The other businesses surpassed their 2018 guidance, and cash flow of our existing businesses is on a solid footing. Decisively liquidating non-core assets generated free cash flow greatly exceeding the projections upon which 2016 MTBP was premised. Besides putting our financial affairs on a firm foundation, this also allowed us to repurchase our own shares valued at about 100 billion yen.

Review of 2016 Medium-Term Business Plan Reached all targets

Indicator	Target	Result
ROE	15% plus	17.5%
Normalized EPS	CAGR +6% plus	+12.6%
Consolidated Normalized OP	¥196.0 bn plus	¥199.3 bn

Message from Top Management

New long-term management vision for sustainable growth

Our alcoholic and non-alcoholic beverages businesses have become an unshakable foundation, and our pharmaceuticals and bio-chemicals businesses are ready to achieve outstanding growth. The question on the lips of investors is “How do you propose to pursue growth now that revitalization has been accomplished?” To provide clear answers we have formulated in 2019 a new growth-oriented long-term management plan, Kirin Group Vision 2027.

What kind of world will we inhabit in the future? No one really knows. All we can say with confidence is that we are entering an age of increasing uncertainty.

Businesses of all kinds already feel the effects of Japan’s dwindling population and workforce shortage. The very structure of industry is being transformed with the accelerating pace of technological innovation. The Kirin Group’s business development faces such factors as rising awareness of alcohol-

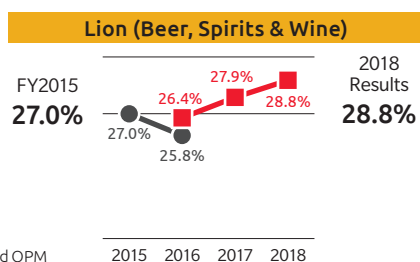
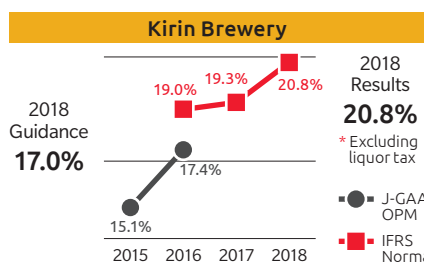
related health risks, pressure for a “sugar tax” on soft drinks, and regulatory efforts to rein in medical costs.

Though our current businesses may be buffeted by these winds of change, the new environment presents fresh opportunities for growth. Since we can expect our existing businesses to generate sufficient cash flow, now is the time to take a long-term view toward building a business portfolio targeting sustainable growth.

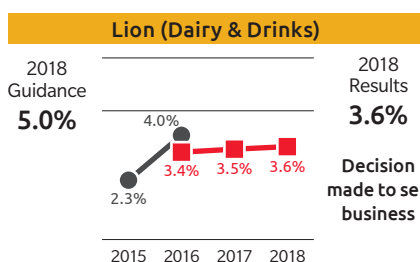
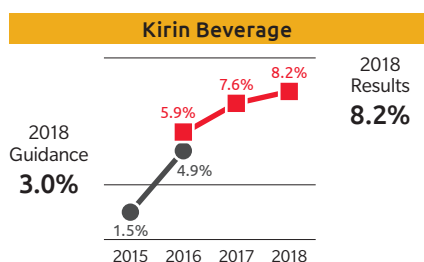
The Kirin Group has an unusual portfolio comprising the strong core businesses of alcoholic beverages and non-alcoholic beverages, together with pharmaceuticals and bio-chemicals. Moreover, we have proven our ability to create innovative products and services by leveraging the technologies that are our strengths. In Kirin Group Vision 2027 we envision ourselves in 2027 as being a global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals. Since adopting CSV in 2013 we aim to achieve sustainable growth by working through our businesses to help resolve social issues. In short, we always

2016 MTBP performance by business

1. Beer business: Invest, strengthen and grow the profit base



2. Low-profit businesses: Restructure, revitalize



3. Pharmaceuticals & Bio-chemicals businesses: Invest to achieve outstanding growth

Kyowa Hakko Kirin

Launched global products, *Crysvita* in Europe and the US, *Poteligeo* in the US

strive to create economic and social value at the same time. Sustainable growth is simply unattainable through an approach that makes trade-offs in putting profit above all else. To the contrary, by seeing social issues as new growth opportunities and thereby growing in step with society, CSV is the one beacon lighting the path to sustainable growth in this age of uncertainty.

From a risk standpoint taking our core alcoholic beverages business as an example, WHO is considering regulations regarding alcoholic beverage sales on a global scale. This would have an increasingly significant effect. It means that growth is premised on winning the support of not only consumers of alcoholic beverages but also non-drinkers.

For growth to continue into the future we must become a Group that enjoys the support of future generations as well as that of current stakeholders. Taking on social and environmental issues to mitigate future burdens is a vital element in staying attractive to the generations of tomorrow.

To align everyone in the Group with the CSV approach, we reformulated our Corporate Philosophy and set CSV long-term and non-financial targets as our CSV Purpose. Our philosophy now incorporates the words “KIRIN brings joy to society” to stress our commitment to achieving growth with society. The initiatives we will take in pursuit of our CSV Purpose are laid out in our CSV Commitments, as part of our business plan.

Recognizing our responsibility as an alcoholic beverages manufacturer, we are committed to the three major areas of health and well-being, community engagement, and the

environment. While taking quick action to mitigate risk, we will execute three growth scenarios.

First, in the food & beverages domain of alcoholic and non-alcoholic beverages we will strengthen our brands and solidify our profit base to withstand changes in the business environment. At the same time we will pursue emerging growth opportunities where we can put CSV into practice.

Second, in pharmaceuticals domain we are enhancing our marketing capabilities and expanding distribution of global products to deliver new treatments to patients around the world. In this way we are steadily progressing in our leap to become a global specialty pharmaceutical company (GSP).

Third, we are exploiting opportunities to establish future-oriented businesses bridging Pharmaceuticals and Food & Beverages.

Why are we expanding into this area? Wellness is a social issue not only in Japan but worldwide. Japan is a hyperaging society where a 100-year lifespan is not unusual. The population of “active seniors” who hope to maintain their health regardless of age is only increasing. Meanwhile, the younger generations’ interest in wellness is also growing much stronger. Providing services and products that support people’s well-being enhances the quality of life. This initiative also helps constrain burgeoning medical and social security costs while bringing sorely-needed people into the workforce. These are extremely valuable outcomes from a social-issues perspective.

Leveraging the resources of the Kirin Group with our strengths covering food to pharmaceuticals, we can answer wellness needs unmet by current medical and nutritional

KV2027 and its first stage 2019 MTBP

Goals for 2027

- Construct a business portfolio capable of sustainable growth
- Strengthen organizational capabilities for innovation to transform social issues into growth opportunities for the Group

Goals for 2019-2021

- Grow profit from existing businesses (Food & Beverages, Pharmaceuticals)
- Establish and foster new businesses bridging Pharmaceuticals and Food & Beverages

2027 Vision

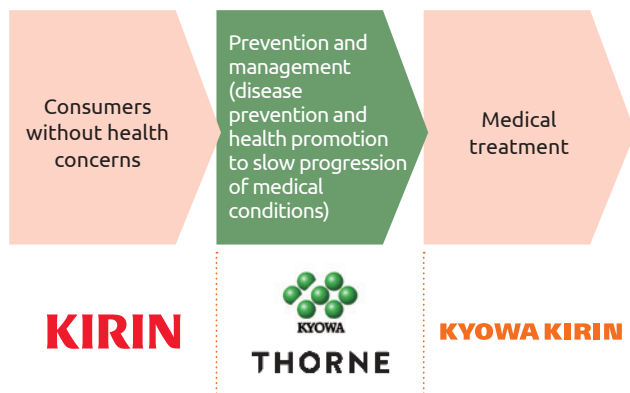
A global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals

Message from Top Management

approaches. Through foods that help prevent illness, slow the progression of disease, or maintain health, for example, we are building a third pillar to support Group growth in future decades.

Business model for new businesses bridging Pharmaceuticals and Food & Beverages

- Targeting the consumer segment with health and well-being related issues, Kirin aims to establish multiple businesses that comprehensively provide personalized products and services through new channels based on strong evidence.
- Kirin positions Kyowa Hakko Bio at the core of “Businesses bridging Pharmaceuticals and Food & Beverages,” and aims for growth by maximizing the Group’s resources.



Leveraging the power of diversity for innovation

To implement our growth scenarios we are developing more advanced technological resources and organizational capabilities focused on innovation. The Kirin Group has a long history of innovation born of our advances in technology and persistent R&D efforts. If, however, we look at global innovators such as GAFA (Google, Apple, Facebook, and Amazon), we have much room for improvement. Their business domains may not overlap ours, but in comparison we need to reorient our corporate culture toward innovating in new business sectors and reconceive our existing businesses to be ever more resolute pioneers.

In KV2027 we fortify our organizational capabilities for innovation which encompass expertise in four areas: consumer centric marketing, technology creating trusted value, ICT accelerating value creation, and diversity and inclusion culture for innovation. Consumer centric marketing is an area we continue to strengthen. Going forward we will enhance marketing capabilities company-wide by adopting a marketing perspective in every division, in addition to marketing

itself. In terms of technology creating trusted value, we will put our experience and technical expertise behind idea generation in existing businesses and new businesses alike. To create new products and services we have embraced open innovation and other ways of seeking synergy from outside and within the Group. Here we recognize that if we are to attract good partners we must enhance our own technological capabilities. Regarding ICT accelerating value creation, we anticipate that the credibility of a strategy premised upon mass consumption and mass production will continue to erode. In its place, we are boosting our ability to respond to individual consumer needs based on what Big Data tells us about personal values and purchasing behavior.

We consider diversity of human resources to be the primary driver of innovation. Marketing, engineering, and ICT are all fields that call for highly specialized personnel, mid-career professionals whom we are seeking from outside the Group. We look forward to a future where mid-career hires predominate in divisions of our workforce. The Kirin Group needs to become an employer sought out by diverse talent who demonstrate specialized expertise and high motivation. To attract such talent we must offer a comfortable work environment where everyone can exhibit their full potential regardless of their values and mindset or their skill-set and experience.

Developing organizational capabilities and a corporate culture that can achieve innovation and create value is not something that can be accomplished overnight. It requires a long-term view; even if results are not immediate we must press on with tenacity and determination. Indeed, KHK’s global strategic product *Crysvita* was born of precisely this long-term approach.

Launching 2019 MTBP to create a foundation for new growth in KV2027

The first step toward realizing KV2027 has begun. Our 2019-2021 Medium-Term Business Plan (2019 MTBP) is a 3-year plan establishing a launchpad for new growth. Our top priority here is growing profits in our existing businesses – from food & beverages domain to pharmaceuticals domain.

Our first agenda is solidifying our food & beverages domain foundation which supports Group growth. To strengthen profitability we are allocating to each of our businesses the tasks of enhancing profitability, generating profits

based on growth, and improving the profit base.

We aim to expand profitability at Kirin Brewery and Lion, which have a high return on assets (ROA) and large market size. By concentrating investment in Kirin Brewery's core brands, we intend to increase total sales volume in the beer, RTD, and non-alcoholic beverages segments, while improving product mix through a raised percentage of premium categories such as craft beer and Japanese whisky. Through ongoing efforts to elevate marketing ROI and cut costs, we will implement a model that raises both revenue and profits. Lion will strengthen marketing efforts in the contemporary, craft, and premium beer categories, which are growth segments in the Australian market. Domestically and internationally Lion will also allocate more management resources to high-profit categories. Regarding Kirin Beverage and Myanmar Brewery, we are continuously targeting profit generation based on growth.

Kirin Beverage is carrying out integrated marketing that leverages consumer data, while also taking measures to strengthen cost competitiveness and build a robust brand portfolio. Myanmar Brewery will seek growth exceeding that of the market by focusing on specific brands and channel strategies. Mercian and CCNNE* are focusing on improved profitability.

Bearing responsibility for our pharmaceuticals domain, KHK is a growth driver in the Group's MTBP. KHK will continue to maximize value in global markets as it leaps forward while expanding its drug discovery pipeline of global products.

Each Group member company will autonomously and expediently enhance its management, while Kirin Holdings smartly assesses our business situation and exercises corporate governance.

With profit growth in our existing business as a cornerstone, we plan to establish and foster businesses bridging Pharmaceuticals and Food & Beverages. We are reinforcing business development of the iMUSE line and of applications of high-performance materials created by Kyowa Hakko Bio which in 2019 has come under the direct ownership of Kirin Holdings. Moreover, we are configuring a distinctive business model to provide products and services tailored to individuals' physical characteristics and lifestyles. In initiatives such as these, we are leveraging the maximum capabilities of our Group's domestic and overseas organizations under the guid-



ance of Kirin Holdings.

We will preferentially allocate cash generated by our existing businesses to create a foundation for future growth. Budgeting about ¥300 billion investment in growth over a three-year period, we will allocate most to alcoholic and non-alcoholic beverages, and a lesser amount to establish and foster businesses bridging Pharmaceuticals and Food & Beverages.

A basic thrust of 2019 MTBP is to elevate shareholder returns. Taking into account the increase in normalized EPS resulting from profit growth in existing businesses together with high consolidated dividend payout ratios of 40% or more, our sights are set on providing stable shareholder returns on an ongoing basis. We are also considering additional shareholder returns in light of current cash generation, growth investment, and other aspects of our situation. Like our own share repurchase in FY 2018 this also contributes to maximizing shareholder value.

Following through from 2016 MTBP I will maintain a strictly results-oriented stance to attain the goals of 2019 MTBP. With everyone in the Kirin Group striving to create new value while staying mindful of social responsibilities, we can look forward to sustainable growth and enhanced corporate value. As we progress along the path we have set for ourselves, I can never stress enough that the continued trust and support of our stakeholders is something to be earned and never taken for granted.

Yoshinori Isozaki

President & CEO

* The Coca-Cola Bottling Company of Northern New England, Inc. (U.S.A.), serving a territory of seven states in the New England region of the United States.