



KIRIN

Joy brings us together

Kirin Group
2019 Medium-Term Business Plan

Shifting Gear from Revitalization to Growth

February, 2019
Kirin Holdings Company, Limited

Kirin achieved all quantitative targets for the 3-year period

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

- ▶ Clarified key issues and took decisive actions
- ▶ Insisted on committed, results-focused management
- ▶ Engaged closely with stakeholders, especially shareholders and investors

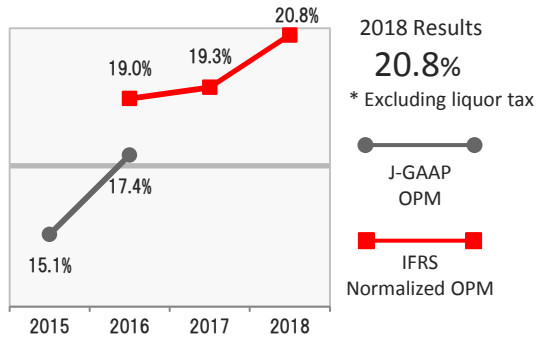
Review of 2016 Medium-Term Business Plan

Significantly improved each business

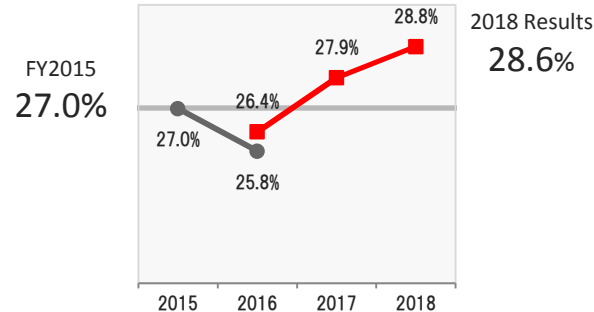


1. Beer business: Invest, strengthen and grow profit base

Kirin Brewery



Lion (Beer, Spirits & Wine)



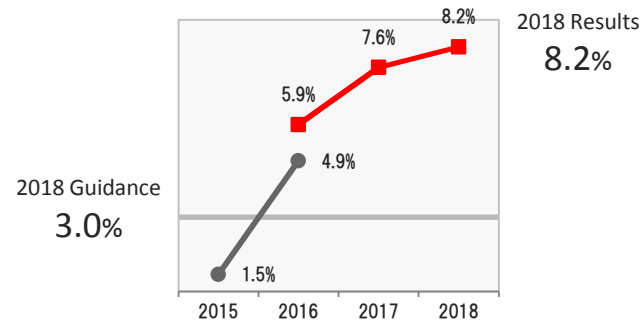
Myanmar Brewery

2018 Guidance:
Maintain market position & capture share of market growth

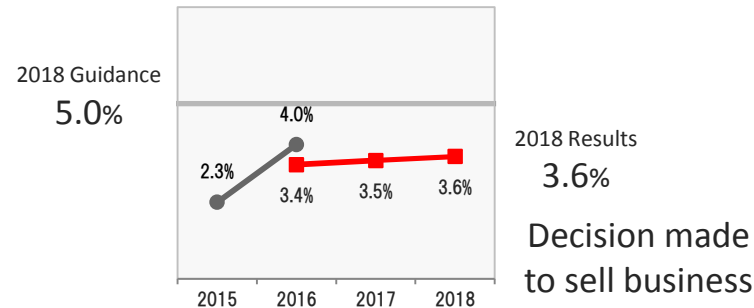
2018 Results:
Acquired a market share of approx. 80%
Increased production facilities

2. Low-profit businesses: Restructure, revitalize

Kirin Beverage



Lion (Dairy & Drinks)



Brasil Kirin

2018 Guidance:
Achieve profit in 2019

Transfer of all shares completed

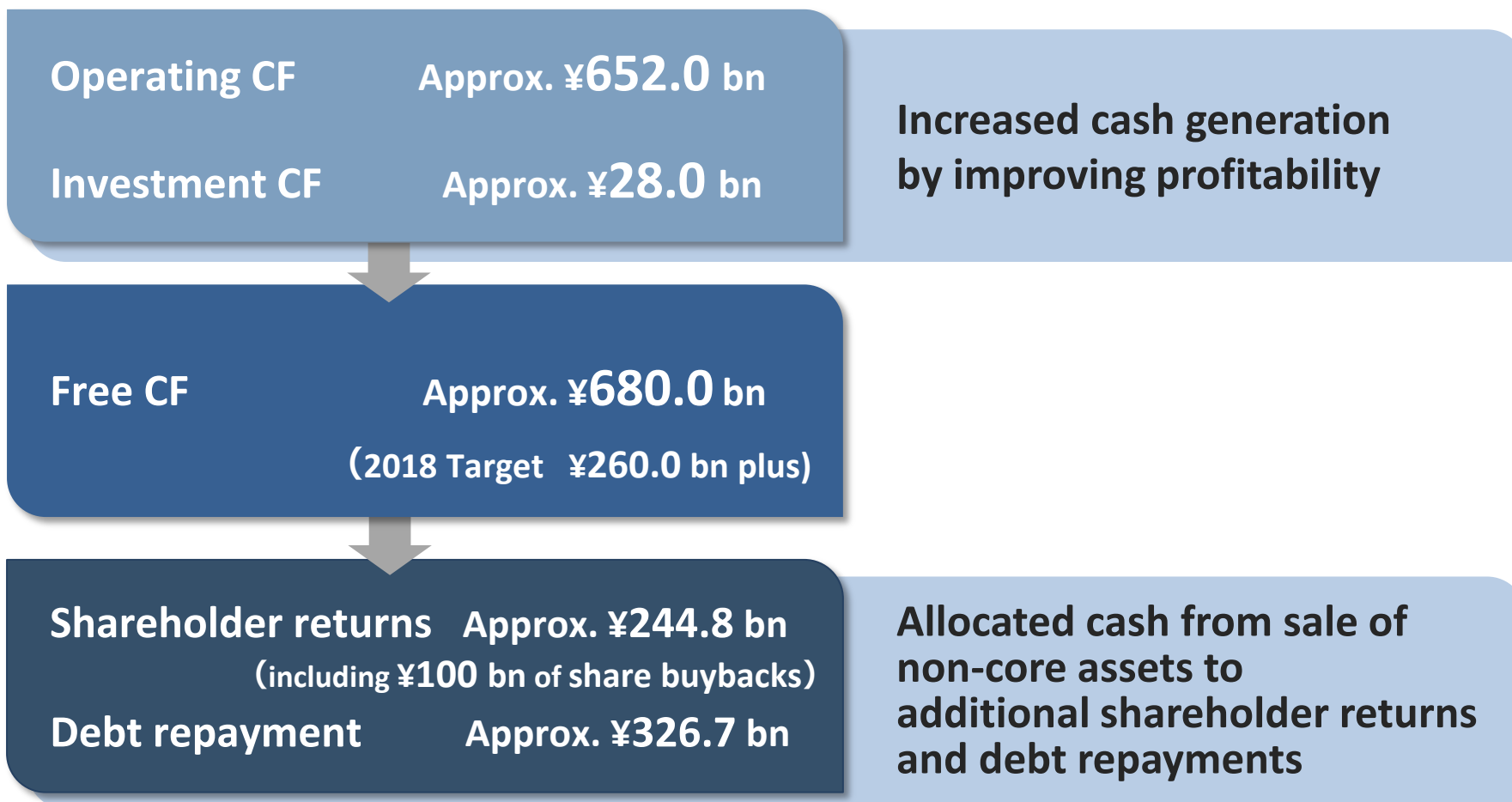
3. Pharmaceuticals & Bio-chemicals businesses: Invest to achieve outstanding growth

Kyowa Hakko Kirin

Launched global products, Crysvida in Europe and the US, POTELIGEO in the US

Revitalized Kirin Group through restructuring

- Used outstanding cash-generation abilities of existing businesses to maintain solid financial foundation
- Cash generation greatly exceeded targets, so additional share buybacks were carried out



- **Stronger existing core businesses are essential for growth**
- **Social issues such as QOL and preventative healthcare create growth opportunities bridging food and pharmaceuticals**

Changes in society

- ▶ Global increase in natural disasters
- ▶ Greater uncertainty caused by drastic changes in economic systems
- ▶ Corporations expected to contribute to resolving social issues

Changes in the market

- ▶ Maturation of beer market in developed countries; global shift towards craft beers and premium products
- ▶ Expansion of regulations for alcoholic beverages and mounting pressure to implement sugar tax
- ▶ Introduction of public policies to reduce healthcare costs

Establish and foster new businesses between Pharmaceuticals and Food & Beverages



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**

Shifting Gear from Revitalization to Growth

- ▶ **Further improve cash generation at existing businesses**
- ▶ **Maximize corporate value by enhancing shareholder returns**
- ▶ **Pursue sustainable growth by combining existing expertise to establish and foster new businesses bridging Pharmaceuticals and Food & Beverages**

Over the course of the next 3 years, more than ¥1 trillion will be allocated for investment in creation of intangible value, growth of existing businesses, and the establishment and promotion of new businesses bridging Pharmaceuticals and Food & Beverages

Shifting Gear from Revitalization to Growth

Achievement of Key Performance Indicators

Opportunities

Through the utilization of current assets and investment
Establish and foster new businesses bridging Pharma and Food & Beverages

Growth

Through efficient and disciplined investment
Profit growth of existing businesses

- Food: Further strengthen profitability
- Pharmaceuticals: Achieve outstanding growth

Foundation

Through continuous investment in the creation of intangible value (brand, R&D, digitalization, HR and organization)
Strengthen organizational capabilities for innovation

Total investment of more than ¥1 trillion

- ▶ **Aim to improve shareholder value by continuing to grow normalized EPS**
- ▶ **ROIC has been adopted as a new financial target due to prioritization of growth investment**

Financial Targets	▶ Normalized EPS	CAGR 5% plus
	▶ ROIC	10% plus by FY2021 (11.9% as of FY2018)

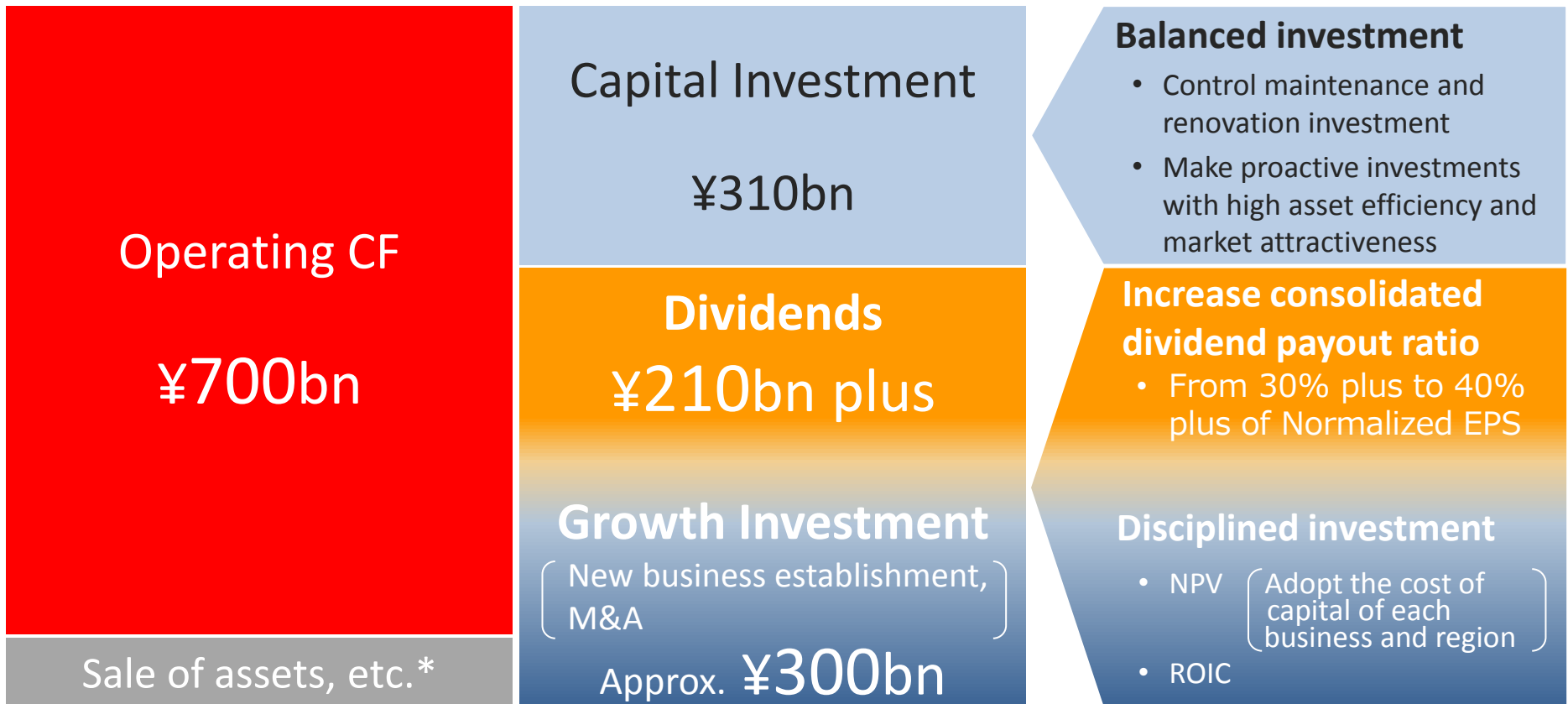
- Notes
1. ROIC = Earnings before interest and after tax / (Average interest bearing debt between the beginning and the end of the FY + average total equity between the beginning and the end of the FY)
 2. FY2018 ROIC is 9.4% if calculated excluding transient impacts such as income from sale of assets, etc.
 3. Normalized operating profit guidance: Assumes mid-single-digit CAGR
 4. Financial indicators are evaluated by excluding the impact of exchange rate fluctuations when overseas subsidiaries are consolidated, etc.

Non-Financial Targets

- ▶ **CSV Commitment**
- ▶ **Corporate Brand Value*** **US\$2.2bn plus by FY2021 (\$1.731bn as of FY2018)**
- ▶ **Employee Engagement Score** **72% by FY2021 (70% as of FY2018)**

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

Prioritize investment to further grow existing businesses while flexibly considering additional shareholder returns



* Total sum for sale of Lion Dairy and Drinks, other assets, etc. yet to be determined



- ▶ Achieve non-financial targets
- ▶ Link achievement ratio of Normalized OP with yearly bonus
- ▶ Continually improve ROA of operating companies
- ▶ Link achievement ratio of financial targets with restricted stock compensation
 - Normalized EPS growth
 - Group ROIC - 10% plus by FY 2021
 - Maintain rating through appropriate D/E ratio

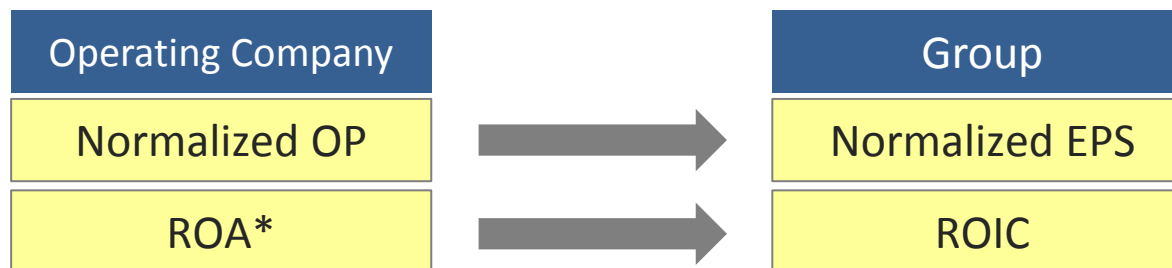
Maximization of corporate value

Performance evaluation for Executive Officer remuneration

Performance-linked remuneration	Performance evaluation indicators	
	2016 MTBP	2019 MTBP
Yearly bonus	<ul style="list-style-type: none"> Consolidated Normalized OP 	<ul style="list-style-type: none"> Consolidated Normalized OP
Restricted Stock Compensation (restriction period: in principle 3 years)	<ul style="list-style-type: none"> Normalized EPS ROE 	<ul style="list-style-type: none"> Normalized EPS ROIC

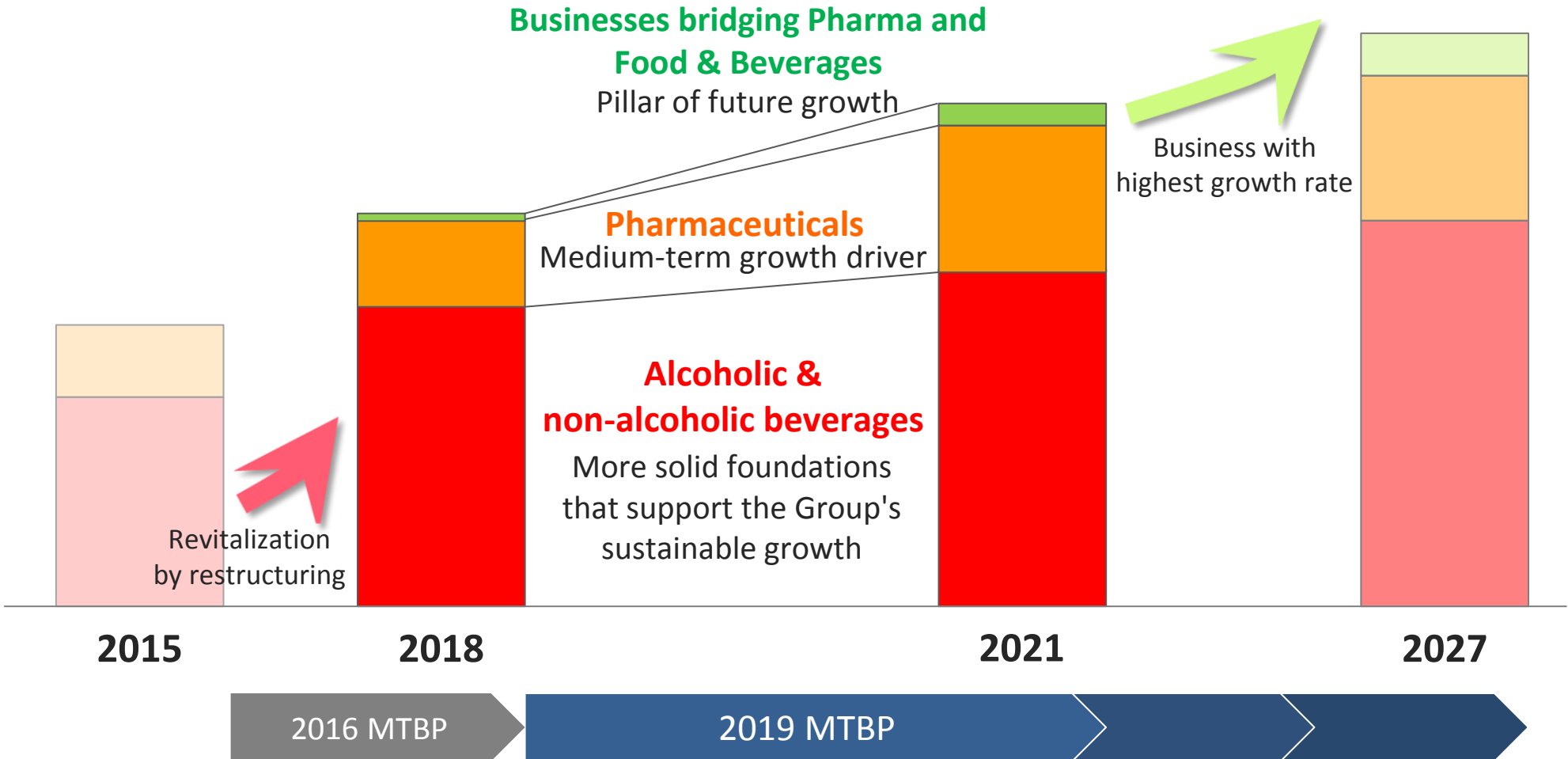
Performance evaluation of operating companies

Kirin Holdings manages its operating companies according to targets linked to key Group performance indicators



* Operating company ROA uses EBIT, and is linked to Group ROIC

Increase Group profit through existing businesses while also creating the drivers of future growth



Food

Alcoholic &
non-alcoholic
beverages

Further Strengthen profitability

- ▶ Establish strong brands and profit base in each country
- ▶ Develop overseas business with focus on high added value categories e.g. craft beer

Pharmaceuticals

Achieve outstanding growth

- ▶ Maximize value of global products
- ▶ Expand pipeline by developing new global products

Businesses bridging
Pharmaceuticals and
Food & Beverages

Establish and foster new pillar

- ▶ Strengthen business development of ingredients with health benefits
- ▶ Construct a unique Kirin business model

Kirin Brewery

Build model for increase in revenue and profit

1. Achieve top-line growth

- Concentrate investment in core beer, RTD, and non-alcoholic beverage brands to increase total sales volume
- Improve product mix by expanding Kirin's craft beer business through unique efforts such as Tap Marché and programs to support Japanese hop production

2. Further improve profitability

- Optimize brand management to improve marketing ROI
- Increase RTD marginal profit
- Lower costs by improving production efficiency

3. Create the next growth driver

- Work on establishing future growth drivers while also strengthening the business development of Tap Marché and Home Tap

Lion

Maintain high profit margins and acquire a foundation for new growth

1. Capitalize on the growing alcoholic beverage market in Oceania

- Improve product mix by increasing the proportion of products in the contemporary, craft, and premium categories, which are growing in Australia
- Maximize brand value through horizontal development in Australia and NZ

2. Invest for growth in highly profitable categories

- Reallocate resources towards high-profit categories after sale of Dairy and Drinks business
- Establish a competitive position in the overseas craft beer market
- Expand craft coffee, Kombucha, and other non-alcoholic beverage businesses

3. Build a stronger foundation

- Construct an ICT foundation capable of anticipating consumer behavior
- Improve supply chain efficiency to insulate profits from downward pressure due to changes in external environment

Kirin Beverage

Pursue high-profit business model

1. Build a robust brand portfolio

- Continue to focus investment on core brands, *Gogo-no-Kocha* (black tea), *Nama-cha* (green tea), and *FIRE* (coffee)
- Accelerate growth by strengthening sugar-free offerings, including those of core brand products
- Cultivate additional sugar-free and healthy brands as pillars of future growth

2. Further improve profitability

- Improve marketing ROI through integrated marketing that leverages the strengths of digitalization
- Increase cost competitiveness through supply chain optimization and SKU reduction
- Explore alliances with competitors as a means of further cost reduction

3. Create new business opportunities

- Search for additional opportunities for cooperation overseas; consider expanding exports

Myanmar Brewery

Expand customer acquisition through growth investment

1. Outperform the market

- Concentrate brand investment primarily on the mainstream category, and secondarily on the economy category
- Strengthen sales promotion activities to expand retail channels
- Use data generated from extensive customer touch points to improve marketing outcomes
- Rebuild corporate brand and raise corporate value by further contributing to the resolution of social issues in Myanmar

2. Further improve profitability

- Minimize manufacturing costs and the impact of personnel increases by optimizing product inventory, increasing the ratio of domestically procured raw materials, and investing in ICT
- Continue to construct a business model optimized for Myanmar as a whole, including Mandalay Brewery

Mercian

1. Create a high-growth and high-profitability portfolio

- Prioritize investment in products in each category that have a high profit margin and good brand positioning
- Expand Château Mercian to grow Japan wine and strengthen its positioning
- Develop diverse packaging and other innovations in order to expand the range of consumers in the domestic wine market

2. Improve productivity

- Continue cost reduction efforts through supply chain

CCNNE

1. Ensure robust PMI

- Raise marginal profit through increased sales volume in expanded territory and improvements to product mix and unit cost
- Minimize business costs through supply chain optimization and restructuring of operations with a focus on standardization

Kyowa Hakko Kirin

**Make a leap forward for Global Specialty
Pharmaceutical company**

1. Maximize the value of global products

- Achieve the launch, market penetration, and indication expansion of Crysvita, POTELIGEO, and KW-6002
- Establish a global organization encompassing Japan, the US, Europe and Asia, responding to the unique characteristics of each market to maximize product value, optimize functionality, and strengthen global compliance

2. Expand product pipeline through the development of new global products

- Continue steady development of existing pipeline
- Accompanying the transfer of shares in Kyowa Hakko Bio to Kirin Holdings, concentrate resources on new drug R&D to develop growth pipeline

- ▶ Prioritize investments to further **strengthen profitability of existing businesses**
- ▶ Maximize corporate value through **disciplined investment decisions and enhanced shareholder returns**
- ▶ Reach quantitative targets by continuing Kirin's committed, **results-focused management** approach



KIRIN

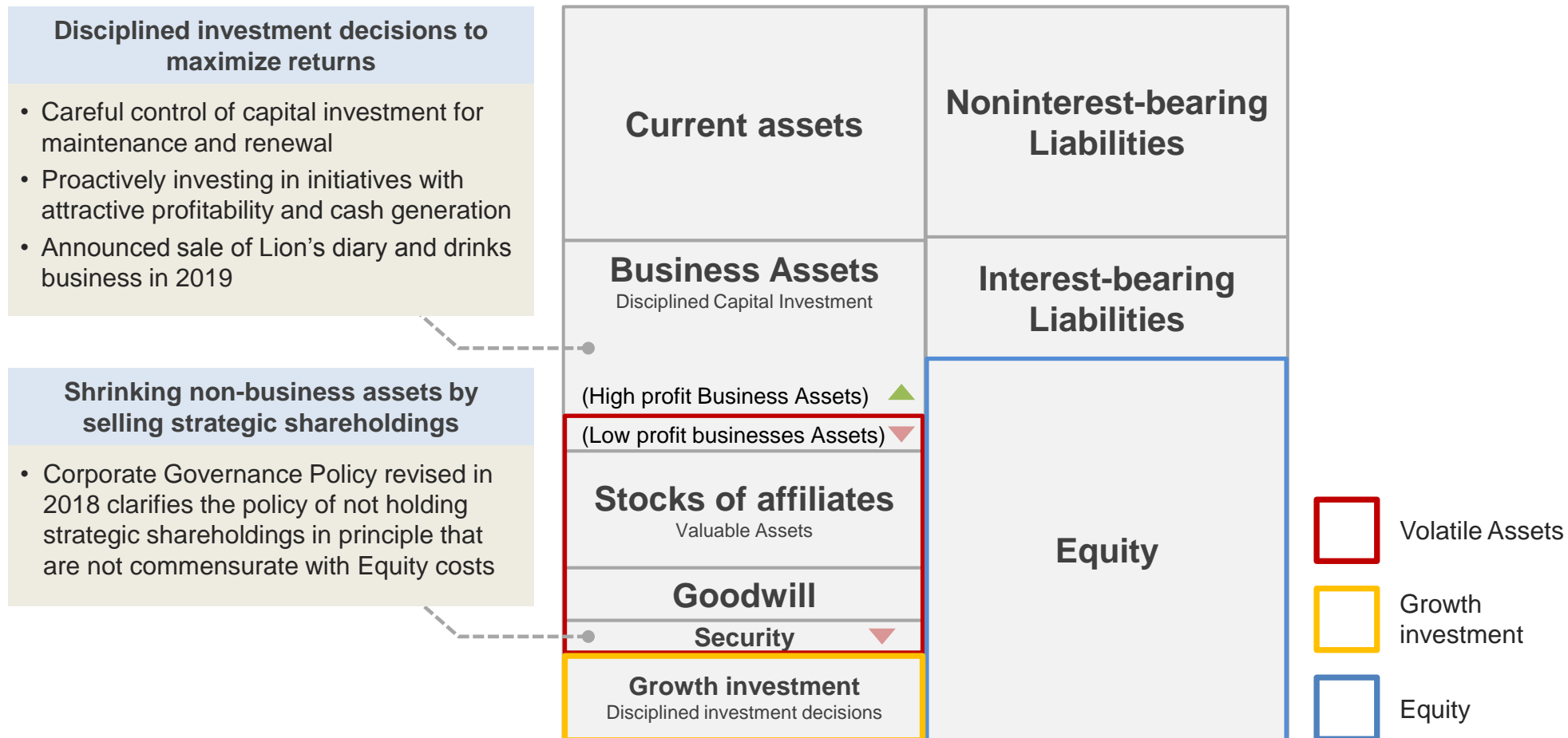
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Kirin Group
2019 Medium-Term Business Plan

Supplementary material:
Financial Strategy

Balance Sheet Targeted in FY2021

Growth Investments + Volatile Assets are controlled to a level that does not require reliance on interest-bearing liabilities.



※ Conceptual diagram

Balance Sheet Targeted in FY2021

Improve corporate value by investing in growth while maintaining a sound balance sheet

2015

Some volatile Assets depend on Interest-bearing Liabilities

Current assets	Noninterest-bearing Liabilities
Business Assets (High Profit Assets)	Interest-bearing Liabilities
(Low Profit Assets)	Equity
Stocks of affiliates	
Goodwill	
Security	

(JGAAP)

2018

Significant improvement in BS under the 2016 MTBP* by improving or selling low profit businesses

*Medium-Term Business Plan

Current assets	Noninterest-bearing Liabilities
Business Assets (High Profit Assets)	Interest-bearing Liabilities
(Low Profit Assets) ▼	Equity
Stocks of affiliates	
Goodwill	
Security ▼	

(IFRS)

2021e

Growth investment + Volatile assets are controlled to the level of Equity

Current assets	Noninterest-bearing Liabilities
Business Assets (High Profit Assets)	Interest-bearing Liabilities
(Low Profit Assets) ▼	Equity
Stocks of affiliates	
Goodwill	
Security ▼	
Growth investment	

(IFRS)

※ Conceptual diagram

<Reference> Review of the Previous MTBP

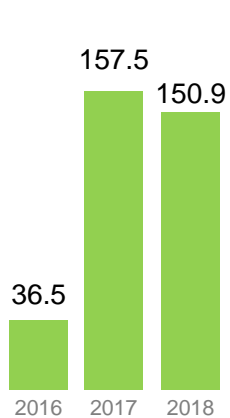


Strong balance sheet through liquidation of non-core assets and sale of strategic shareholdings

Sale of non-core assets

Gross debt-to-equity ratio in the 2016 MTBP:

Improvement from 1.14 to **0.45**



Assets sold over the past three years

Approximately 340 billion yen

※ Cash basis, Billion Yen

Liabilities repaid

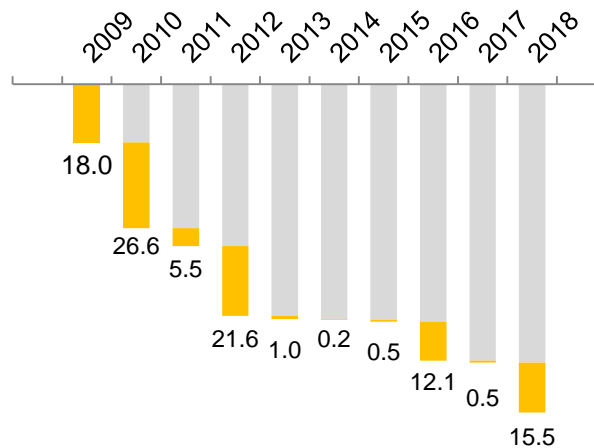
Approximately 330 billion yen

Reduction of strategic shareholdings

Sale of strategic shareholdings:

Approx. **¥100 billion** in 10 years

※ Cash basis

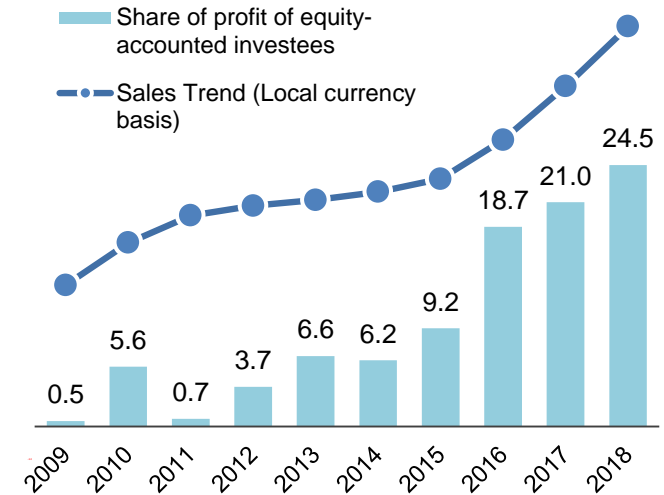


Contribution from equity-method investees

Consolidated net income from San Miguel Brewery

Approx. **¥100 billion** in 10 years

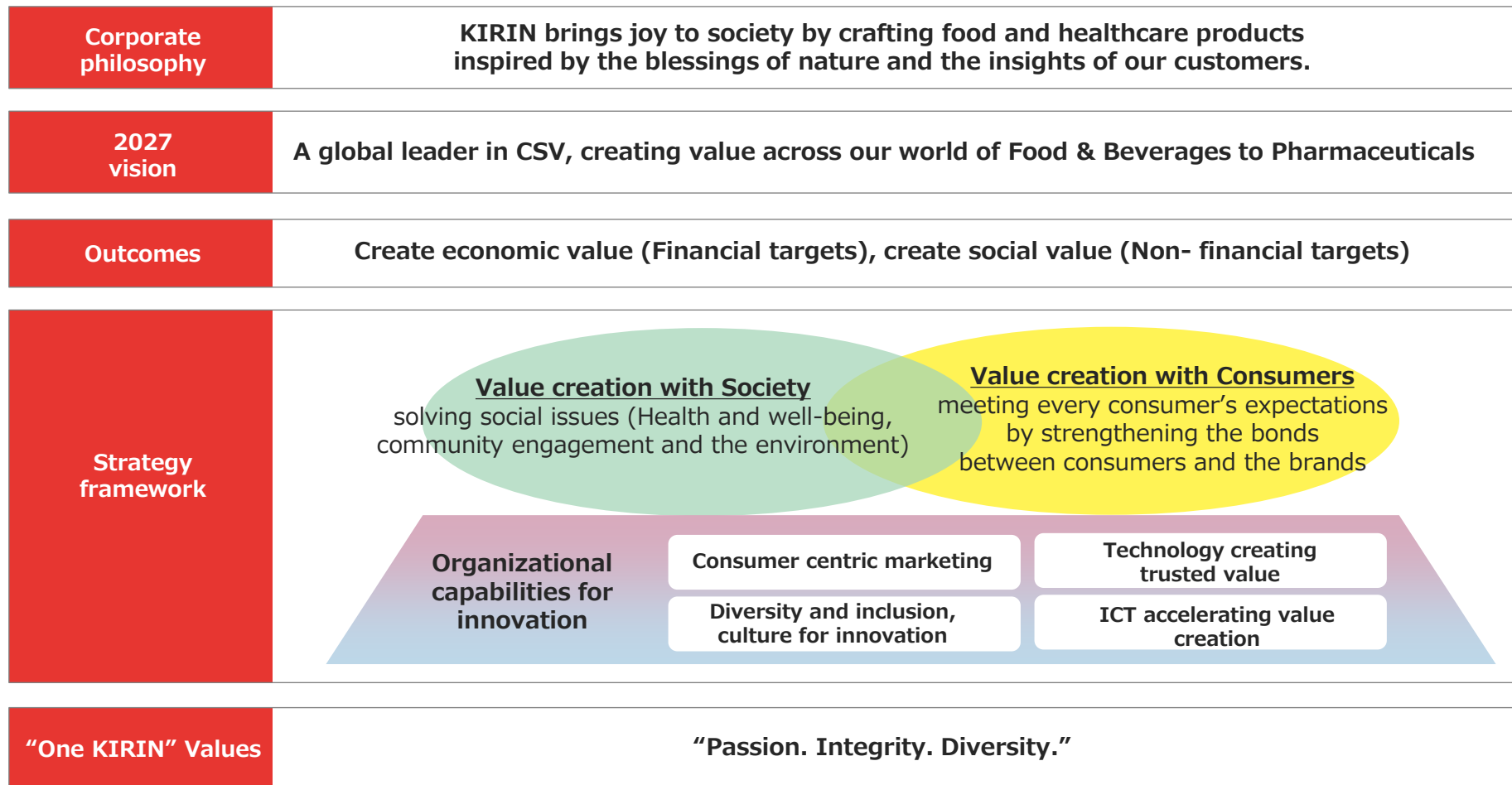
Equity-method investees



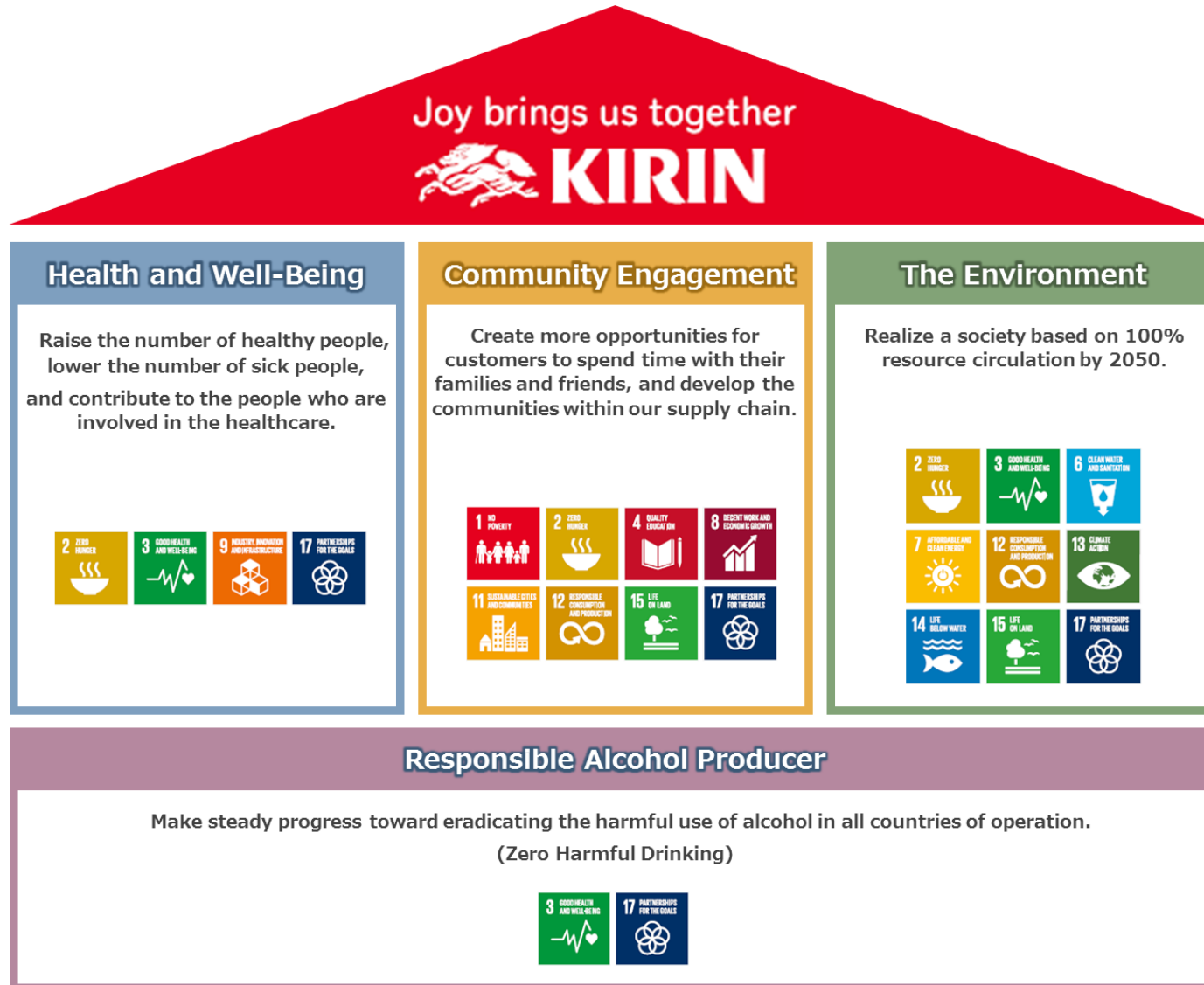
Figures for 2009-2015 are based on Japanese GAAP, and those for 2016-2015 are based on IFRS standards. Under Japanese GAAP, the impact of Goodwill depreciation is included.

Appendix

Overall structure of Long-Term Management Vision KV2027



CSV Long-term and Non-Financial Target - CSV Purpose -



CSV Commitment overview

	CSV Commitment	Operating companies	Our Approach	Performance Indicators
A Responsible Alcohol Producer	Responsible drinking and passing a culture of enjoying alcoholic beverages to the next generation <ul style="list-style-type: none"> Work toward eradicating harmful use of alcohol 	Kirin Brewery Mercian Lion Myanmar Brewer	<ol style="list-style-type: none"> Do an education program of appropriate drinking Label products with its alcohol to support responsible drinking habits Increase development of no-alcohol products to provide a greater breadth of options to customers 	<ol style="list-style-type: none"> Number of participants Products with alcohol content labels Rate of sales increase/distribution ratio of non-alcohol products
Health and Well-being	Supporting self-care for healthy people and people with pre-disease <ul style="list-style-type: none"> Help consumers manage their daily energy (calories) and nutrient take Create revolutionary products and services that contribute to enhancing customers' quality of life 	Kirin Holdings Kirin Beverage Koiwai Dairy Products	<ol style="list-style-type: none"> Develop and expand sales of no-sugar products and products with scientifically proven health benefits Continue to create new value in ingredients with health benefits (e.g. Lactococcus lactis strain Plasma) 	<ol style="list-style-type: none"> Rate of sales increase Number of countries capable of purchasing
	Evolution in medical treatment <ul style="list-style-type: none"> Continuously develop innovative new drugs 	Kyowa Hakko Kirin	Strengthen our drug discovery foundation to develop and provide new drugs globally based on the strengths of R&D and production capability acquired through developing and providing biologics	Number of new drugs released to market in multiple regions and number of countries
Community Engagement	Contributing to community vitalization <ul style="list-style-type: none"> Form bonds between people by creating opportunities to enjoy our products and services 	Kirin Brewery Kirin Beverage Mercian Myanmar Brewery	Create and increase opportunities that bring people together at dining tales, recreational activities, celebrations, and sports and music events with Kirin Group's products	Number of products and service that create opportunities to bring people together
	More sustainable production of raw materials <ul style="list-style-type: none"> Contribute to the revitalization of production areas and more sustainable production 	Kirin Brewery Mercian Myanmar Brewery	Take a long-term perspective to enhance the value of raw materials and support production area and contracted firming toward achieving sustainable procurement and revitalization of production areas	<ol style="list-style-type: none"> Amount of Japanese hops procured Volume of grapes produced for Japan wine Contracted firming ratio of procured rice for brewing
The Environment	Reflecting environmental activities in our business strategies <ul style="list-style-type: none"> Actions regarding climate change Improving sustainability of container and packaging 	Kirin Group	<ol style="list-style-type: none"> Introduce renewable energy and promote energy conservation Maintain 3Rs and resource circulation for containers and packaging 	<ol style="list-style-type: none"> Reduction ratio of GHG emission Usage ratio of recycled PET resin

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