

Kirin announces Kirin Group Vision 2021 and Kirin Group Medium-term Business Plan 2013-2015

Kirin Holdings Company, Limited (President & CEO Senji Miyake, hereafter, “Kirin”) today announced its new long-term business outlook, Kirin Group Vision 2021 (“KV2021”), along with the Kirin Group Medium-term Business Plan 2013-2015, Kirin’s first medium-term business plan under KV2021.

Kirin Group Vision 2021

Since 2007, Kirin has been pursuing business development under Kirin Group Vision 2015 (“KV2015”), with the aim of putting the Group on a new trajectory of growth. As part of this, Kirin has been expanding its business foundation—primarily outside of Japan—and pursuing a domestic and international integrated beverages group strategy, while supporting higher corporate value by improving efficiency and profitability through group synergies and lean management.

Kirin’s business and the associated operating environment have changed greatly since KV2015 was formulated, and it has now become necessary to develop a new roadmap for progress. Accordingly, Kirin has created a vision that reflects the new business scope and applies the learning gained from implementing KV2015.

The axis of KV2021 is brand-centered management, with the aim of ensuring that Kirin is the best partner for consumers in their special life moments while pursuing organic growth and applying world-class management excellence to increase corporate value.

Kirin will support this vision for growth with a stronger management structure. With Kirin Holdings as global headquarters and core regional headquarters in Japan, Oceania, Brazil and Southeast Asia, the Group’s organization will facilitate to take control of their businesses and making speedy decisions while enabling optimization of the Group performance.

Core Kirin values, known as “One Kirin” Values, will be shared throughout the Group, and by building stronger links within and between Kirin’s diverse businesses and operating regions, Kirin will pursue growth as a global corporate citizen.

KV2021

- Help people foster stronger bonds by offering customer-oriented and quality-focused value.
- Build a corporate group where a diversity of people enjoy working and businesses grow with local communities, protecting the environment.
- Develop businesses globally in the field of “Food and Well-being”, with each region pursuing self-sustained growth in a locally optimized way.

Management goals

Achieve sustainable increases in corporate value through organic growth and world-class management excellence.

Key management indices

Average growth rates of normalized EBITDA and EPS

Basic policy

Pursue brand-centered management, leveraging a diversity of “people& organizations”, “businesses & brands” and “operating regions & markets” to co-create value and grow together with customers and society.

- Use deep insight into customers and communities and innovate for new value
- Shift to a regionally driven ‘global federation’ management structure, enabling autonomous management while optimizing the Group performance
- Create a constructive organizational culture through dialogue and efforts for harmonization as a foundation for new value

Kirin Group Mid-term Business Plan 2013-2015

The 2013 MTBP is the start of initiatives under KV2021. Kirin positions this plan as “three years to shift to organic growth”, and using brand-centered management seeks to increase corporate value by establishing and maintaining superior competitive positions.

Basic Policy

- Establish and deploy Kirin Group’s Brand-Centered Management
- Deliver results according to the business stage at which each region is positioned
- Foster competitiveness and powerful brands that help us promote the further growth of Japanese Integrated Beverages Business.

Quantitative targets

- Mid single-digit CAGR in normalized EBITDA
- High single-digit CAGR in normalized EPS

Quantitative guidance*

- 2015 Group consolidated sales ¥2,300 billion plus; operating income ¥180 billion plus
- Starting from the 2013 MTBP, MTBP guidance on sales and operating income will be updated every year.

* Normalization: Removing extraordinary gains and losses and other non-operating items to reflect actual earnings more accurately

Normalized EBITDA = operating income + depreciation + goodwill amortization + dividends received from equity method affiliated companies

Normalized EPS = adjusted net income / average number of shares outstanding during period

Adjusted net income = net income + depreciation of goodwill etc. ± extraordinary gains or losses after income taxes and minority interests

Policy by business and region

1. Integrated beverages business

(1) Japan

Under a new structure arising from the establishment of Kirin Company in January 2013, initiatives will be directed at putting Kirin’s core domestic integrated beverages business on a sustainable growth trajectory, with the aim of achieving higher sales and earnings over the

coming three years. Through a wide range of business activities, Kirin aims to create shared value with customers and communities, strengthening core brands and pursuing innovation by selectively allocating strategic resources within and across alcohol and soft drink businesses. Kirin will also support a strong competitive position through structural measures such as improving the efficiency of overlapping functions and reducing costs. Kirin will also apply the knowledge and experience gained in both alcohol and soft drink operations to develop new categories and business models that can drive growth.

(2) Oceania

Kirin will pursue further sustainable growth at Lion by increasing sales and reducing costs. In alcohol beverages, Lion will enhance and strengthen its brand portfolio, making use of newly acquired international brands, craft beer brands and other growth categories. In soft drinks, the strategic focus will be on reforming the cost structure to improve profitability while allocating appropriate resources to establish NARTD brand as source of future growth.

(3) Brazil

At Schincariol, Kirin's strategy is to build a strong brand portfolio in both beer and soft drink operations. Kirin seeks to establish a strong No. 2 position in the beer business, and to increase brand presence in the growing premium category. In soft drinks, the strategy is to boost earnings through the launch of high added value products. Operationally, Kirin will work to ensure low cost operations by improving value chain processes, aiming to significantly increase overall profitability at Schincariol.

(4) Southeast Asia

Under the management of Kirin Holdings Singapore, Kirin will work to build a business foundation in each market, centered on Vietnam and Thailand. In soft drinks, initiatives will be taken to create growth by strengthening the sales foundation, reinvesting in existing brands, introducing new brands, and offering products in new categories. In beer, the KIRIN brand will be actively developed as a premium product experience.

2. Pharmaceuticals and Bio-chemical

At Kyowa Hakko Kirin, strategy will be focused on enhancing the product line-up and pipeline in its core therapeutic areas and accelerating the development of strong competitive positions in these areas. Global development will continue to be advanced by strengthening operations in the US and Europe and implementing strategies in Asia that reflect the prevailing environment in each country. In R&D, Kyowa Hakko Kirin will continue efforts to create innovative therapeutic agents to address unmet medical needs.

At Kyowa Hakko Bio, strategy will be focused on achieving further technical developments and enhancing the supply structure, centered on the expanding global market for high added value amino acids.

3. Foods and other businesses

At Kirin Kyowa Foods, the business will be extended from its current core of processed foods to encompass retail and restaurant food and business development in China. At the same time, continuous measures will be taken to reduce manufacturing costs and improve earnings.

Overall Group policy

1. Global management structure

Kirin will take a number of steps to strengthen its management structure in pursuit of long-term global growth. This includes restructuring the Group internally to create Kirin Company as the headquarters in Japan for domestic integrated beverage business. Along with the existing regional headquarters in Oceania, Brazil and Southeast Asia, this will facilitate autonomous development and fast-moving management of companies in close alignment with their local consumers. Kirin Holdings will function as global headquarters to promote synergies by allocating resources and sharing functions across businesses and borders.

A further initiative is the establishment of an International Advisory Board (IAB) to provide advice and recommendations on strategy and governance in respect of the Kirin Group outside Japan, reporting in to Kirin Holdings President and CEO. This board comprises non-executive directors from Lion and Schincariol, and will draw on their broad global business experience to propose ideas and advise on global development.

2. Financial strategy

Kirin aims to enhance returns to shareholders, increasing dividends in accordance with growth in EPS using a target consolidated payout ratio of 30% of normalized EPS. By adopting the concept of normalized EPS, Kirin aims to ensure closer alignment between cash flow generation and dividends, using EPS growth as a management index and as a basis for assessing dividends.

Debt repayment will be balanced with enhancement of shareholder returns and undertaken progressively to improve financial flexibility.

Dividend payments and debt repayment will be prioritized, and additional shareholder returns, including share buybacks, will also be considered.

3. CSR policy

In support of Kirin's brand-centered management approach, through which Kirin aims to deepen engagement with stakeholders and take its CSR activities to the next level, Kirin is adopting a "CSV" (Creating Shared Value) approach to business. CSV is a management concept that combines two ideas: engaging in societal issues to create social value, and improving a company's competitive position. With CSV, Kirin aims to co-create value with a wide range of stakeholders, primarily through its overall business activities along the value chain. Kirin's defined stakeholder groups are the same throughout the organization: customers, employees, shareholders and investors, business partners, communities, and the environment. From among the issues pertinent to each stakeholder group, Kirin will address four core themes (protecting the environment, improving food safety and security, protecting human rights and working conditions, and prevention of corruption in all its forms) and two additional themes associated specifically with Kirin (promoting health, and strengthening bonds between people and society).

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Attached materials

Independent International Advisory Board Members:

-Gavin Walker, Chairman of Independent Advisory Board, Lion Independent Non-Executive Director

Gavin Walker has had a long career in investment banking, having previously held the roles of Chief Executive of Bankers Trust Australia Investment Bank and member of the Business Council of Bankers Trust Company in New York.

-Vinicius Prianti, Schincariol Non-Executive Director

Vinicius Prianti has extensive experience in the FMCG industry, holding the role of President of Unilever Brazil for seven years and currently acting as an independent business consultant and non-executive director to three major FMCG businesses in Brazil, including Kirin subsidiary Schincariol.

-Sir Rod Eddington, Lion Chairman

Sir Rod had a long career in the aviation industry and was awarded a Knighthood by the British Government for services to civil aviation. Along with a number of non-executive directorships, Sir Rod also serves as President of the Australia Japan Business Cooperation Committee.

-Paula Dwyer, Lion Independent Non-Executive Director

Ms Dwyer had an executive career in finance, and is currently Chairman of Tabcorp Holdings Limited; Independent Non-Executive Director of ANZ; Director of Leighton Holdings Limited; Chairman of the Board Audit Committee; and a Member of the Australian Takeovers Panel.

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