

## KIRIN COMMENTS ON INDEPENDENT FRANCHISE PARTNERS' COMMUNICATION

*Notes proposed governance changes to increase number of Non-executive Directors*

*Reaffirms investments in non-beer markets to create value for shareholders*

Kirin issued the following statement in response to Independent Franchise Partners' (FP) comments.

"Kirin welcomes a dialogue with all our shareholders and values their input. While it is the Company's policy not to comment on interactions with specific shareholders, it is important to note that members of Kirin's Board of Directors and management have endeavoured to engage in a constructive dialogue with Independent Franchise Partners (FP) over the past several years and have closely evaluated their shareholder proposal and recommendations concerning Kirin's strategy and other matters important to our business. Additionally, Kirin's Nomination and Remuneration Advisory Committee interviewed both of FP's director nominees as part of its regular board refreshment process.

"Kirin's Board of Directors and management team are committed to acting in the best interests of the Company and its shareholders, with a view towards strengthening corporate governance and enhancing long-term value creation. To that end, the Board recently nominated four Non-executive Directors who would bring the necessary mix of skills to oversee near and long-term strategy, including deep experience in health sciences, finance, marketing, and international markets. These nominations resulted from our regular board refreshment process and extensive deliberations among members of the Nomination and Remuneration Advisory Committee and the broader Board over the course of last year.

"Furthermore, with the appointment of Kirin's nominees and the announced resignation of a departing Non-executive Director, seven of Kirin's 12 directors will be independent, two will be non-Japanese, and two will be female.

"Given the deep expertise and diverse backgrounds of Kirin's directors and nominees, the Board of Directors believes that it is not necessary to appoint two candidates recommended by FP.

### **Our executive compensation changes incentivize strong performance.**

"The Board is committed to assessing all aspects of our corporate governance to ensure Kirin is best positioned to create value for our shareholders. Toward this end, Kirin is proposing new executive compensation guidelines at the upcoming AGM that incorporates greater performance-based pay. We believe these changes better align pay with performance and support long-term value creation.

"Under the proposed plan, 55% of the President & CEO's total compensation will be performance-based (32% bonuses and 23% stock remuneration) when performance targets are met.

"Kirin's Nominating and Remuneration Advisory Committee recommended this new system after extensively reviewing remuneration data provided by an external research institution. The Committee will continue to monitor industry best practices and Company performance to ensure Kirin's executive compensation is supporting shareholder value.

### **Investments in non-beer markets are necessary for Kirin's sustainable growth.**

"The Board strongly disagrees with FP's recommendation that Kirin divest from all non-beer assets, believing this action would forfeit considerable long-term growth opportunities and ultimately destroy shareholder value. Given the continued slowdown in the global beer market, and in particular our domestic market, compounded by Japan's ageing and shrinking population, sustainable growth cannot be achieved absent the investments in non-beer markets strategy the Company views as critical for Kirin's success.

"Despite these investments, our leadership remains focused on delivering results in Kirin Brewery, which continues to outperform the market. In FY2019, we achieved an operating profit margin of 21.4%, an increase of 0.6% from the year prior in the segment. We also improved revenue by 30 basis points, despite a 100-basis point decline in the beer market overall.

### **Kirin's non-beer investments are in sectors where the Company is leveraging its fermentation technology and biotechnology expertise.**

“The Company is pursuing growth opportunities in areas that utilize our deep roots and expertise. Leveraging core fermentation technologies and biotechnology that have been part of Kirin since its founding, the Company is unlocking significant product development in food and pharmaceutical business as planned in our KV2027. We also looking at further business growth in product development and channel synergies in partnership with FANCL, having completed over 200 workshops and meetings to date. We are also revitalizing Kyowa Hakko Bio.

“We anticipate that synergies from FANCL and Kyowa Hakko Bio will contribute ¥15 to ¥18 billion in operating profit through 2024. These synergies, in addition to our disciplined focus on capital allocation, will help Kirin achieve its targeted annual average growth rate of 5% or more for EPS and a ROIC of 10% or more in FY2021.

“We look forward to providing more detail on our business strategy and our path to further growth at our upcoming Investor Day, which will take place in Tokyo in March, 2020.

**Kirin remains committed to returning capital to shareholders.**

“Kirin has a strong track record of returning capital to shareholders, both through our consistent dividend and share repurchases. In November 2019, our Board authorized buybacks of up to ¥100 billion over the following year.

“While Kirin’s Board and management remain confident that the Company’s strategy is the best path forward for delivering long-term growth, we remain open to all value-enhancing opportunities and to maintaining an ongoing dialogue with our shareholders.”

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