IMPORTANT INFORMATION

The views expressed in this document represent the opinions of Independent Franchise Partners, LLP and the investment vehicles it manages (collectively, "Franchise Partners") that hold shares in Kirin Holdings Company, Limited ("Kirin" or the "Company"). Those views are based on publicly available information. Franchise Partners reserves the right to change its opinions at any time. It assumes no obligation to notify any other party of any such changes, whether by updating this website or otherwise, or to update the other information or opinions contained in this website.

Franchise Partners currently has an economic interest in the securities of the Company. It is possible that there will be developments in the future that cause Franchise Partners to modify this economic interest, at any time or from time to time. This may include a decision to sell or dispose of its interest in all or a portion of its holdings of Company securities in open market transactions or otherwise, or purchase additional Company securities in open market or privately-negotiated transactions. Franchise Partners also reserves the right to take any actions with respect to its investment in the Company as it may deem appropriate, without further notice to any person and without updating or modifying this website.

Franchise Partners has reviewed and analysed the information that has informed the opinions expressed here, and believes that it is reliable, but it has not verified that information and cannot guarantee its accuracy or completeness. Franchise Partners makes no representation or warranty, express or implied, and accepts no duty or responsibility, as to the accuracy or completeness of its statements or any other written or oral communication it makes with respect to the Company and any other companies mentioned. Franchise Partners expressly disclaims any liability relating to those statements or communications (or any inaccuracies or omissions therein).

Nothing in this document is intended to be, nor should it be construed or used as, investment, tax, legal or financial advice or any other kind of recommendation, an opinion of the appropriateness of any security or investment, or an offer, or the solicitation of any offer, to buy or sell any security or investment. Franchise Partners is not soliciting any action based upon this document and will not be responsible for any decision by any shareholder or other person based on or by reference to any information given or opinions expressed in this document.

Franchise Partners is not soliciting or requesting shareholders to jointly exercise their voting rights together with it. Shareholders that have an agreement to jointly exercise their voting rights are regarded as Joint Holders under the Japanese large shareholding disclosure rules, and they must file notification of their aggregate share ownership with the relevant Japanese authority for public disclosure. Franchise Partners disclaims any intention to be treated as a Joint Holder with other shareholders under the Japanese Financial Instruments and Exchange Act ("FIEA) by virtue of its decision to express its views or opinions or its other activities, including by engaging in dialogue with other shareholders.

More generally, Franchise Partners has no intention to, and will not, take steps to obtain or consolidate control of the Company. Franchise Partners also does not wish to, and will not, adopt a lasting common policy with any other shareholder towards the management of the Company. In publishing this information, Franchise Partners is motivated in good faith to stimulate discussions between shareholders in relation to the Company's strategic direction and to encourage engagement by *shareholders with the Company in relation to the matters discussed in this document, with a view to maximising value for the Company's shareholders.*

Franchise Partners does not wish to be informed of any non-public price sensitive information relating to the Company that may be in the possession of any person viewing this document.

What follows is a list of questions we have been asked as we have discussed our views on Kirin with fellow shareholders and other interested parties, and our responses to those questions. We hope you find them useful. If you have any questions yourself, please feel free to submit them by clicking on the "contact" button at the top of the webpage and we will do our best to respond to them and add to the list below. Please note your question will be anonymised so as not to reveal your personal details nor the organisation you represent.

---

1. ***How do your proposals create long-term value for Kirin shareholders?***

Our proposal aims to create long-term shareholder value for Kirin shareholders in two ways: first, by unlocking substantial value, and second, by positioning the core beer business as an attractive long-term compounding vehicle.

We calculate that Kirin suffers from a substantial discount of c.50% to our assessment of fair value. By disposing of its stakes in separately listed non-core assets such as Kyowa Kirin Co Ltd ("Kyowa Kirin") pharmaceuticals and FANCL Corporation ("FANCL") skincare, Kirin could significantly close the twin conglomerate and capital allocation discounts that currently afflict the shares. This should unlock substantial unrealised value for the Company and all its stakeholders.

The core business, focused on beer in the key markets of Japan, Australia, Myanmar and the Philippines, would then be an attractive vehicle that should compound profits and cashflow to deliver attractive total shareholder returns over the long term. Such focus has allowed many of Kirin's global peers, such as Asahi, Heineken, Carlsberg and Anheuser-Busch InBev, to deliver healthy shareholder returns over time.

2. ***If your presentation and analysis is correct, there certainly seems to be a significant opportunity to create value for shareholders. How will your proposals create value for other stakeholders?***

"Simply being excellent at one's core business is a major way in which companies create value for society[1]." A listed company exists to serve many stakeholders – customers, employees, suppliers, government and social constituents, as well as shareholders/owners of the firm as the providers of capital. We believe all stakeholders benefit from the efficient running of a firm, and that all will suffer if a company follows a non-commercial strategy or allocates capital poorly.

If a firm is poorly run, it risks not generating optimal revenues and profits, thereby denying governments/society from maximising tax receipts in the form of excise and corporation taxes. If

[1] Pr. Alex Edmans, Purposeful Business: The Evidence and the Implementation, presentation at the Gresham College, Oct. 3, 2018.

retailers do not have enough innovation, product price points or efficient working capital management from their suppliers (in this case, Kirin), then they risk not fulfilling the needs of their customers, the end consumer.

Lastly, if a corporation is run in a sub-optimal manner, it will result in a depressed share price. This could encourage speculative investors, such as short-term activists and/or trade buyers, to swoop in on the company and attempt to acquire it on the cheap. In turn, this can then result in widespread job losses for employees if cost savings plans are implemented to maximise returns for these types of speculators.

Improving the business and the share price in a considered, sustainable way serves not only long-term, buy-and-hold investors such as ourselves, but all other stakeholders in a company as well.

3. ***Management has pointed out on a number of occasions that beer volumes in Japan are declining, that the Japanese population is aging, and that they anticipate stricter regulation of alcoholic drinks in the future given prevailing health and wellness trends. With that as a backdrop, they have indicated that they seek to diversify the business into areas that are likely to offer better growth opportunities, particularly pharmaceuticals, healthcare, skincare through a food/beverage/healthcare "bridging strategy". How do you respond to these claims?***

First, we note that if Kirin were to dispose of its stakes in Kyowa Kirin and FANCL as we suggest, Japanese beer would only account for c.50% of operating profits – the remaining 50% would be from regions where there are better volume, profit and cashflow compounding prospects, such as Australia and Myanmar, as well as the significant stake in San Miguel in the Philippines.

Secondly, whilst it is true that beer volumes in Japan have been on a gently declining trend over the last couple of decades, Japanese beer volumes are only one part of the value creation equation for Kirin. To focus very narrowly on this one metric obscures many other ways the company can create value.

The biggest contributor to declining domestic beer profits for Kirin over the last 20-30 years has been the loss of market share in the beer category to its key domestic rival, Asahi. Kirin's domestic beer market share was above 60% in the early 1980s. This has nearly halved to the current level in the low 30% range. We think a better focus on operational excellence within Japan is the biggest antidote to declining profits in the domestic beer business.

Improved price/mix, through persistent and gradual price increases, higher priced innovative products, and a premiumisation strategy, would all help to drive revenue growth above volume growth. A relentless focus on cost efficiency, and reduced wasteful spend on discounting and price promotion, can also help to improve operating margins above current below-peer levels. Such operational improvements could also drive an acceptable profit compounding algorithm from the Japanese beer business. In fact, this is exactly what Kirin's domestic beer business has achieved in recent years – the chart in our presentation shows how Kirin has compounded EBITA in its domestic beer business by nearly 9% p.a. over the last 4 years.

One does not have to look far for evidence of successful execution of such a beer focused strategy. The comparative share price return chart in our presentation shows how global peers such as Asahi, Heineken, Carlsberg and Anheuser-Busch InBev have managed to do exactly that over the last decade. By contrast, Kirin's share price returns have languished following poor operational execution and a muddled, conglomerate strategy over the same period.

Further, we caution against an obsession with top-line growth as the primary driver of corporate value. As the Credit Suisse HOLT charts in our presentation show, the market tends to reward high ROIC companies with higher multiples than it assigns to high growth companies. Given Kirin's beer businesses have a ROIC more than double that of its healthcare businesses, we believe Kirin would be well served by focusing on these higher return assets.

Finally, there is little evidence to support management's claims that pharma offers higher growth prospects than beer. As the chart in our presentation illustrates, Kirin's pharma business has not shown any compounding of profits over the last 7 years, dispelling the notion that this is a high growth business to which Kirin should be turning to resolve its perceived "growth challenge".

4. ***Kirin, like many Japanese companies, is guided by a medium-term business plan. The most recent plan, outlined in February 2019, envisages health and wellness as a core element. How likely do you think management and the Board are to change their minds when the current plan has only just been implemented?***

We appreciate that many Japanese companies are guided by mid-term plans. Ultimately, however, these plans need to create value for shareholders. If, as we believe, they do not, the plan should be adjusted accordingly, even if this happens mid-course. The statement often attributed to the famous British economist and investor John Maynard Keynes is apt in this regard: "When the facts change, I change my mind." In our view, if Kirin altered its course and refocused on its core beer business, it would be seen as a sign of a strong management team and board, and not be perceived as a weakness.

5. ***Kirin reported quarter 4 and fiscal year 2019 results last week. What is your opinion on the results and do they in any way change your view on the company?***

We are long-term investors and caution against reading too much into short-term results.

That said, there were some pleasing aspects to Kirin's results for their core beer business. There was a 3% increase in Japanese beer operating profit and market share gains in the Japanese beer and beer-like category. Australian beer performed reasonably well given tough market conditions, with flat revenues in local currency compared to the prior year. Myanmar continues to grow strongly, with revenue and operating profit up 33% and 36% respectively in local currency, whilst San Miguel in the Philippines similarly continues to grow at attractive rates (revenue up 11%, operating profit up 5% in local currency). In our view, Kirin's core beer business performed well.

Turning to the non-core businesses, what was most concerning was the 71% decline in operating profit at Kyowa Hakko Bio after quality control issues were exposed in August 2019, leading the company to discontinue manufacturing and shipment of products in Q4. Kyowa Hakko Bio was only acquired in February of 2019 from Kyowa Kirin, a related party. This raises serious questions about the integrity of the due diligence process conducted by Kirin's board and management and prior to the acquisition.

In addition, given that Kyowa Hakko Bio is one of the cornerstones of Kirin's "bridging strategy", this result raises serious questions about Kirin management's claim that they have the expertise to succeed with this strategy. Many larger and better resourced FMCG companies such as P&G and Nestle have already tried and failed at similar strategies.

Japanese soft drinks (Kirin Beverage) showed good margin progression. However, with margins still in the single digits, we continue to believe that this asset would benefit from a merger or alliance with another soft drinks peer.

Kyowa Kirin pharma's results were better than expectations, and the pipeline of new drugs bodes well for future revenue and profit growth. However, it is clear that Kirin Holding's stake in Kyowa Kirin makes limited strategic sense given the lack of synergy between beer and pharmaceuticals. This substantial non-core investment it is a major factor in the conglomerate discount from which Kirin suffers. This is very evident when we compare the multiples of the two businesses – Kyowa Kirin is on a FY20 P/E ratio of 33x, whilst Kirin Holdings is on 15.6x (Source: FactSet consensus). When we exclude Kyowa Kirin's contribution to Kirin Holdings' earnings, the implied residual valuation of Kirin Holdings is a P/E of only 12.5x. This is a significant discount to global beer peers.

This substantial conglomerate discount is exacerbated by a capital allocation discount because of the high prices Kirin Holdings repeatedly pays to purchase non-core assets. All the evidence on conglomerates and capital misallocation shows that these discounts cannot be closed by the current strategy. Kirin's recent results do nothing to disprove our conclusion that Kirin would create substantial value for its shareholders if it disposed of its stakes in the separately listed Kyowa Kirin and FANCL.

6. ***Have you observed or do you know of any companies that have successfully executed on the strategy that Kirin is embarking on?***

No, and neither can management nor the Board point to any successful conglomerate companies or "bridging strategies" on which they are modelling their strategy and capital allocation.

As we outline in our presentation, even vastly experienced and well-resourced consumer companies like Procter & Gamble and Nestlé have attempted to expand into areas of health and wellness that offer theoretically attractive growth opportunities. It has proven extremely difficult for even these companies to succeed. These diversification efforts were in categories much closer to those companies' core businesses than Kirin's diversifying investments are to its core beer businesses. Shareholders should be extremely sceptical that Kirin will be able to successfully diversify away from beer and into the pharmaceutical, healthcare and skincare categories.

Kirin should focus on what it does well. Investors could make the decision themselves to diversify into other sectors if they see opportunity. If anything, as investors we trust a management team and board with sector expertise and credentials to succeed, which isn't the case here.

7. ***If Kirin disposes of its stakes in Kyowa Kirin (pharmaceuticals) and FANCL (skincare), doesn't it place the remaining businesses, being mainly beer, at higher risk given Environmental, Social, and Governance (ESG) concerns?***

The best way for Kirin to operate its business in an ESG-responsible way is to manage its beverage business sustainably and to allocate capital in an appropriate manner. The fact that Kirin owns stakes in two listed companies that may be considered in a more positive ESG light than beer does not make Kirin itself any more ESG-worthy. These companies exist and operate entirely separately from Kirin. Any halo effect by Kirin's ownership stake in them is highly questionable.

It is true that Kirin's core business is beer, but that is a highly regulated, highly taxed industry with a generally responsible approach to marketing; it is not, in our view, inherently "bad" from an ESG perspective. There will be some investors that screen out alcohol companies. But those investors will continue to screen out companies like Kirin regardless of how much it tries to diversify its portfolio, unless it completely moves away from beer.

Kirin has strong environmental and social credentials. However, independent research firms highlight that there is room for improvement within its core business when it comes to issues such as the oversight of human rights within its operations, water stress/management and sustainable packaging.

We also believe shareholder attention should also focus on the "G" at Kirin and hold the Board accountable for operating to a high standard of corporate governance. This is of paramount importance with respect to capital allocation – spending shareholders' money that is generated by the business – and business strategy.

8. ***What is your view on companies such as Kirin holding stakes in listed subsidiaries?***

We are fundamentally opposed to companies holding stakes in other listed companies, particularly when those stakes are in unrelated industries and where the parent company adds little value to the successful operation of such subsidiaries.

If investors are attracted to the prospects and valuation of any listed company, they are free to go into the market and buy a stake in that listed company directly – they do not need a holding company to make those investments on their behalf.

Moreover, the fact that conglomerates and listed investment trusts throughout the world almost always trade at discounts to the sum of their stakes in listed companies is evidence that that this is not the most efficient way to invest or structure a company.

9. ***You make the case that conglomerates tend to trade at a discount – why do you think the discount for Kirin is so large?***

The academic paper co-authored by well-regarded consulting firm Boston Consulting Group, referenced in our presentation, suggests that conglomerates trade at an average discount of c.15%. Kirin's share price is currently trading at a discount of c.50% compared to the fair value implied by our sum-of-the-parts analysis. We can only surmise that this much higher discount results from the radical change in strategy upon which the Company embarked on in 2019, combined with a (related) capital allocation discount.

10. You claim that you are not an activist firm – why have you decided to go public with your grievances on Kirin?

We are speaking publicly on Kirin as we are convinced by the strategic and financial merits of our arguments and the discount to our assessment of fair value is so substantial.

We are constructive owners of the companies in which we invest and engage regularly with our portfolio companies behind closed doors. More often than not, that quiet diplomacy allows us to achieve mutually agreeable outcomes that enhance shareholder value creation for all. In this instance, Kirin's management has clearly indicated they are not willing to act to unlock this significant discount. By adopting a more public campaign, we hope to encourage fellow shareholders to voice their concerns to the Company.

11. What precipitated your actions and what alternatives did you consider?

Kirin's share price reacted negatively to the events that have unfolded during 2019 – the acquisition of Kyowa Hakko Bio in Feb-19, the new "bridging strategy" in Mar-19, and the acquisition of the stake in FANCL in Aug-19. We were faced with a decision tree that had 3 options. First, we could sell the shares; second, we could continue to engage in private with management; or third, we could make our concerns around Kirin's corporate governance and capital allocation more public.

We quickly rejected the first option, as the size of the discount to fair value was so large that it would not have been in the best interests of our clients to sell the shares. We would not have made a substantial investment in Kirin if we did not see a bright future for the company and its employees. We also dismissed the option of continuing engagement with Kirin's management behind closed doors. We have met with management in private 11 times over the past c.5 years. It has become clear from the actions the company has taken in 2019 that the Board were not only disregarding our suggestions and ideas, but also they were taking the company in a diametrically opposite direction to what we have been advocating. We felt that continued private engagement was unlikely to prove productive. That left us with our last resort option of taking our issues and concerns public.

As co-owners of Kirin, we believe strongly that it is the Board's fiduciary duty to steward the company to maximise returns for shareholders, and to allocate capital in a responsible manner. Our conversations with other significant shareholders have confirmed that they share many of our concerns. We believe the Board is failing in its fiduciary duties with its current strategy and capital allocation policy. We think it is in the best interests of all shareholders to make our concerns public in an attempt to persuade the Board to close the conglomerate and capital allocation discounts that currently afflict the share price.

12. How has the management and Board of Kirin responded to your actions and suggestions?

We continue to have cordial relations with both management and the Board of Kirin and remain appreciative of their willingness to listen to our concerns. As mentioned previously, we met with management in private 11 times over the past c.5 years and presented our latest recommendations – essentially the presentation on this website – to a representation of half of the Board at the Company's Head Office in Tokyo in mid-December 2019. Despite the fact that the attendees from the Board seemed well engaged and acknowledged many of the points we made, we are yet to see evidence that they are willing to consider any real changes to their current strategy.

13. What is your view on the current Kirin Board?

We believe Kirin's current governance practices and disclosures can be strengthened and make the following general observations about the Board:

- Per Principle 4.1 and 3.1 of Japan's Corporate Governance Code ("JCGC"), the Board is ultimately responsible for setting the strategic direction of the Company as well as effectively communicating it to shareholders. Questions remain as to how well the Board has fulfilled such roles and responsibilities in recent years.
- Only one-third of the Board is currently comprised of independent outsiders. Whilst this perhaps meets Japanese market practice, it falls short of global best practice as well as the average of Kirin's Beverage peers in the MSCI ACWI Index. We believe the Board will benefit from further independent judgement.
- One of the Outsiders serving on the Board is also a Senior Advisor of MUFG Bank Ltd., itself a large shareholder in Kirin that has a transactional relationship with the Company. As such, he cannot be deemed to be independent. Furthermore, certain shareholders have repeatedly voiced concern with his re-election to Kirin's Board (in 2019 receiving nearly 25% opposition despite global proxy advisors recommending in favour) with no clear response from the Board. This lack of response falls short of Principle 1.1.1. of the JCGC.
- Outside of the Executive team members, there are no Board members with experience in the sectors in which the company operates or invests – beer, beverages, pharmaceuticals, healthcare or skincare. This observation is shared by global research firms such as MSCI ESG Research and Glass Lewis.
- There is no gender diversity on the Board – the entire Board is male – while c.66% of TOPIX 100 companies have women serving on their boards[2].
- There are no foreign directors on the Board, despite the fact that more than a third of Kirin's revenues are earned overseas, and that the company has significant assets in Australia, Myanmar and the Philippines. Contrast this with the broader group of Nikkei 225 companies, where more than 20% of companies have foreign directors on their Boards[3].

We encourage the company to strengthen the Board by appointing new Board members that can help eliminate some of the deficiencies highlighted above.

14. If the Board fails to respond to any of your suggestions or requests, will you make a Shareholder Proposal (or Proposals) at the upcoming AGM?

Yes, we have already lodged shareholder proposals with the company to be presented at the AGM scheduled for the end of March 2020. We are not ruling out any actions in pursuing improved shareholder returns from our investment in Kirin.

[2] 2018 Japan Board Index, Spencer Stuart (https://www.spencerstuart.com/-/media/2019/march/jpn-bi-2018_eng.pdf?la=en&hash=5291463DA769724A94E395F34A55C00384B601D8))

[3] Ibid 1

15. What is your view of the substantial board changes that Kirin is proposing at the upcoming AGM?

We are encouraged that Kirin appears to appreciate the need to overhaul and revitalize its board. The existing board has approved several unsuccessful shifts in strategy and a mis-allocation of substantial amounts of capital so we agree that an upgrade is called for.

On the surface, proposing four new directors – including two women and two non-Japanese – appears to bring more independent oversight at Kirin. However, we think there are reasons to be sceptical. While these four candidates appear to meet the technical standard for independence, three of them currently earn income from their existing affiliations with Kirin.

We think shareholders have reason to question whether these new board candidates will be allowed to offer genuine oversight of Kirin management or ask fundamental questions about the current strategy and capital allocation priorities.

16. Are there any other sources that you would highlight that give support to your suggestions?

Our presentation provides evidence that conglomerates tend to trade at discounts and that diversifying beyond a core business can often mean a company attracts activist and/or takeover activity. We encourage you to read the full studies by searching for the documents that we reference online.

As to why ROIC matters and why, in most cases, it matters more than growth, we steer readers to explore the vast trove of analytical data and supporting research published by Credit Suisse HOLT (https://www.credit-suisse.com/microsites/holt/en.html).

Lastly, Will Thorndike's masterful book, "The Outsiders" (2012, Harvard Business Review Press) is well worth a read. The book discusses in great detail why capital allocation is such an important element of value creation for astute CEOs.

17. What questions should shareholders of Kirin be asking the Kirin board and management?

We think shareholders have every right to ask Kirin's management and Board the following key questions:

- Can you please explain which successful conglomerate companies you are basing your strategy on?
- What do you believe is so toxic about your beer businesses – particularly your domestic Japanese beer business – that makes you want to run towards other sectors in which you lack strategic insight, in-depth industry knowledge and operational expertise?
- Why have so many other global beer companies such as Asahi, Heineken, Carlsberg and Anheuser-Bush InBev been able to successfully focus on their core beer markets, and deliver attractive returns for shareholders, and yet Kirin has not?
- When you made the recent, large scale investments – Kyowa Hakko Kirin Bio and FANCL – what level of due diligence was undertaken by the Board before agreeing these deals? What financial targets have been set to ensure an adequate return on the capital invested is earned? In what timeframe should investors expect these targets to be reached?

- How is this new KV 2027 strategy different to the other changes and shifts that have occurred in the last 20 years? Why should shareholders have any more confidence that the current "bridging strategy" will generate superior returns?
- What more evidence would the board and the management team need to see to adjust course from the existing strategy?