Franchise Partners Seeks Clarification on Kirin Holdings' Position that KV2027 "Bridging" Strategy is Irreversible

- ***Kirin Holdings management has taken the apparent position that KV2027 "bridging" strategy is irreversible and unreviewable even by supposed new "independent" Board***

- ***Kirin Holdings management has avoided addressing significant questions on logic and viability of KV2027 "bridging" strategy***

LONDON--(BUSINESS WIRE)-- Independent Franchise Partners, LLP ("Franchise Partners") today asks the management of Kirin Holdings Company, Limited ("Kirin" or "the Company") (TSE: 2503) for clarification on its KV2027 "bridging" strategy at Kirin's Investor Day to be held in Tokyo on Tuesday 03 March.

Despite accepting Franchise Partners' proposal that the Kirin board consist, for the first time in its history, of a majority of independent directors, the incumbent non-independent Kirin board on February 14 pre-emptively rejected Franchise Partners call for a review of KV 2027 by the independent board after it is established.

Franchise Partners had offered to withdraw all of its shareholder proposals if the Company agreed to accept its two candidates as truly independent directors and if Kirin's KV2027 business plan were submitted to the new board for a "thorough and independent review." The incumbent Kirin board rejected that offer without explanation, emphasizing that it remains firmly committed to KV2027's diversification strategy.

Franchise Partners urgently requests clarification from Kirin management whether the new board will be given an opportunity to perform a "thorough and independent review" once elected. Such a review would be consistent with principle 4.1. of Japan's Corporate Governance Code which states that the primary role of a board is to set the strategic direction of a company.

Franchise Partners also requests that Kirin management forthrightly address the following unanswered questions at the 3 March 2020 Investor Day:

- Please cite specific examples of other consumer brand companies like Kirin that have successfully implemented "bridging" strategies contemplated by KV2027?
- What specific factors give Kirin management confidence that the KV2027 "bridging" strategy will succeed despite notable failures by well-known consumer brand companies such Proctor & Gamble and Nestle to branch into pharmaceuticals and skin care?

- Why have other global beer companies such as Asahi, Heineken, Carlsberg and Anheuser-Bush InBev that have focused with discipline on their core beer markets consistently outperformed Kirin in terms of total shareholder return?
- When the FANCL acquisition was announced President Isozaki stated, *“I believe potential synergy, but I cannot talk big at this point before FANCL and Kirin calculate in detail.”* What was the justification for paying an acquisition price equal to a 35x multiple of FANCL earnings without calculating synergies as part of the due diligence?
- Despite a 70% fall in operating profit at Kyowa Hakko Bio in 2019, after only 10 months of ownership following purchase from a related party in Kyowa Kirin, it appears that Kyowa Hakko Bio is still the growth engine in the KV2027 strategy. Given the substantial and early setback Kyowa Hakko Bio suffered, what comfort can you provide that Kirin’s financial projections for this division are not overly optimistic?
- Even if there are synergies in the common fermentation technology between beverages, pharmaceuticals and skincare, why could these synergies not be accessed via exclusive cross-licensing agreements that would not require the significant amounts of capital that are currently tied up in the listed subsidiaries Kyowa Kirin and FANCL?
- KV2027’s predecessor, KV2015, ended in repeated failure to meet quantitative goals, Kirin’s first net operating loss and a disastrous acquisition in Brazil. Given this track record, why is Kirin management resisting independent review of KV2027?

Franchise Partners continues to believe that there are clear paths available to create a more valuable and sustainable Kirin that will serve the long-term interests of all of its stakeholders, most notably the divestment of its stakes in non-core, listed subsidiaries in the pharmaceutical (Kyowa Kirin) and skincare (FANCL) segments. Franchise Partners encourages fellow shareholders to present their concerns about the Company’s conglomerate “bridging strategy” directly to Kirin management at the investor day

Franchise Partners has created a website which can be found on the following link: www.abetterkirin.com. The website has a detailed presentation deck covering a range of topics including an introduction to Franchise Partners, detailing the challenges that face conglomerates, why Franchise Partners believe the stock market has reacted negatively to Kirin’s increased conglomerate status and what can be done to improve corporate governance and rectify the current substantial discount to fair value that currently afflicts the share price. Franchise Partners encourages all shareholders of Kirin to visit the website ahead of the company’s Annual General Meeting on 27 March 2020 in order to be fully informed of the background to the proposals that Franchise Partners has made at the upcoming AGM.

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