

Independent Franchise Partners: ISS and Glass Lewis Affirm the Need for More Independent Oversight at Kirin Holdings

- Call for strengthened governance
- Question the commercial logic of the current KV2027 strategy
- Support from ISS for improved share-based compensation

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LONDON--([BUSINESS WIRE](#))--Independent Franchise Partners, LLP (“Franchise Partners”) welcomes the support of Institutional Shareholder Services (“ISS”) and Glass Lewis (“Glass Lewis”) for some of its shareholder proposals at the upcoming Annual General Meeting (“AGM”) on 27 March 2020 at Kirin Holdings Company, Limited (“Kirin” or “the Company”) (TSE: 2503).

Having independently assessed the proposals made by Franchise Partners, the two leading global proxy advisors, ISS and Glass Lewis, clearly confirm that Kirin’s current strategic path is not convincing. As ISS puts it “after almost 40 years, the link between fermentation, pharma, and beer has not manifested itself in terms of returns or, margins, nor has prevented the company from losing half of its beer market share in Japan.” And as Glass Lewis further notes, “Kirin’s early struggles with portions of its new “health science” segment, taken together with clearly unfavorable trends in shareholder returns and a board seemingly lacking relevant expertise, appear to support the notion that shareholders would indeed benefit from an earnest and independent re-examination of the diversification initiatives underpinning the KV2027 tack.”

Franchise Partners strongly believes that focus and innovation in beer would be a better use of capital, less risky and deliver more attractive long-term returns for shareholders. As such, Franchise Partners urges fellow co-owners to support the advisory share buyback proposal to signal to Kirin’s Board that a much needed independent review of its long-term strategy be undertaken.

The proposed ¥600 billion buyback is drafted as the maximum amount to be bought back, which affords Kirin complete strategic discretion and financial flexibility. Franchise Partners does not expect the Board to enact the buyback proposal in full if it is considered to risk the Company’s financial position. The Kirin Board has the ultimate decision-making responsibility for the timing of any possible disposals of non-core assets and the distribution of the proceeds.

As ISS suggests, “the board’s credibility is key to convincing shareholders that its strategies are the product of healthy internal debate.” To this end, Franchise Partners welcomes ISS and Glass Lewis’s support for Nicholas Benes. The appointment of Kanako Kikuchi, who is supported by Glass Lewis and is viewed by ISS as “a well-qualified candidate who would be additive,” is key given that she would be the only director with direct prescription pharmaceutical experience. This is particularly important considering Kirin’s current motivation to diversify into the healthcare space.

Kirin has exhausted all available Board seats with its four new proposed directors who “largely have pre-existing ties to the company” according to ISS. ISS further adds that the “seemingly premature support (implicit or explicit) for the company’s stated strategy” by these directors demonstrates the need for independent oversight at Kirin. In order to create vacant seats on the Board for Kanako Kikuchi and Nicholas Benes, Franchise Partners encourages shareholders to vote FOR them and AGAINST three of Kirin’s candidates identified by Glass Lewis or ISS: Toshiya Miyoshi (proposal 2.3), Hiroyuki Yanagi (proposal 2.8), and Noriko Shiono (proposal 2.10).

Finally, Franchise Partners welcome ISS’s support for its proposal to increase the portion of performance-based equity compensation within the total pay package as well as improve Kirin’s disclosure of performance targets.

There are clear paths available to create a more valuable and sustainable Kirin, as detailed on Franchise Partners dedicated [website](#). Franchise Partners encourages fellow shareholders to support all of its shareholder proposals to strengthen Kirin’s board via the appointment of independent and qualified board candidates Nicholas Benes (item 9.1) and Kanako Kikuchi (item 9.2), better align management compensation with shareholder value creation (items 7 and 8), and unlock value via the advisory share buyback proposal (item 6).

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