

## **Kirin Brewery Business Strategy for 2021**

**Adapting to major environmental changes through the “Creating Shared Value” Philosophy.**

**Maximize results by being in the business of solving societal issues.**

**TOKYO, Wednesday January 6, 2021** – This year, Kirin Brewery Company, Limited (Kirin Brewery) begins the final year of the Kirin Group’s [2019-2021 Medium-Term Management Plan](#) reinforcing its employees’ “CSV\*<sup>1</sup> mindset.” Reinforcing this mindset in all employees from all levels will further enable Kirin Brewery to implement the right strategies to adapt to major changes in the business and social environment. Through the “CSV mindset”, Kirin Brewery will act as one to expand growth by implementing the business of solving society’s issues, not just selling products for the sake of sales.

1: Creating Shared Value. Combined added value for consumers as well as for society at large.

### **1. 2020 Year in Review**

The year 2020 saw major environmental changes, including [liquor tax revisions](#) and a new coronavirus that is said to occur once a century. Each and every employee at Kirin Brewery demonstrated the ideal "CSV mindset" of staying close to and benefiting society and consumers in their work and using Kirin Brewery's products, technologies, and human resources to solve societal problems, and multiplied by "Focus investing brands" to achieve results that outperformed the market.

While sales volume in the beer market is estimated to be about 91% of the previous year's level due to the impact of the COVID-19 mainly in the on-premise (commercial market), Kirin Brewery’s sales volume in terms of large bottles (633 ml) greatly exceeded the market at 129.41 million cases (about 95% of the previous year's level).

In the beer category, the reduction in taxes in beer due to the liquor tax revision has increased customer interest, especially in canned products. In particular, after the liquor tax revision, canned *KIRIN ICHIBAN*, one of Kirin Brewery’s mainstay products, and *KIRIN ICHIBAN Zero Sugar*\*<sup>2</sup>, which was launched in October last year and combines the growing consumer needs such as health needs and quality taste, performed well.

As a result, sales of canned products under the *KIRIN ICHIBAN* brand grew by approximately 10% year on year. In the on-premise market, which continues to face a difficult environment due to COVID-19, Kirin Brewery improved the quality of its offerings and conducted tests of the new *TAPPY* mini-tap server for small-scale drinking establishments in six prefectures (Aichi, Ishikawa, Toyama, Fukui, Fukuoka, and Miyazaki) based on viability tests in these six prefectures. With *TAPPY*, customers can experience the deliciousness of draft beer at more places, including the *KIRIN ICHIBAN* brand.

2: According to food labeling standards.



**TAPPY mini-tap server**

In the happo-shu category, sales volume of *Kirin Tanrei Green Label* was strong, up approximately 102% from the previous year due to the rise in health consciousness caused by COVID-19, as well as sales of *Kirin Tanrei Platinum Double* increased for the sixth consecutive year.

In the new genre category, demand increased due to the uncertainty in people's lives caused by COVID-19, and support

for products with clear values such as good taste, good quality, and selling well, even at low prices, increased.

Although it is a [new genre product](#), *Honkirin* was highly acclaimed for its authentic taste with the powerful richness and drinkability expected of standard beer, and its sales volume increased significantly, up approximately 30% from the previous year. After the revision of the liquor tax, the new genre category saw a decline due to the impact of the tax hike on these products, and the market landed at about 103% of the previous year's level for the full year. However Kirin Brewery outperformed the market with a year-on-year increase of about 105%, achieving the highest sales volume in the new genre category in Kirin Brewery history.

In the non-alcoholic beverage category, the market has been growing for 12 consecutive years since 2009, with a year-on-year increase of approximately 102%~103%. *Kirin GREENS FREE*, a new product launched by Kirin Brewery, and *KIRIN KARADA FREE*, both world-first\*<sup>3</sup> [food with functional claims](#) for reducing belly fat\*<sup>4</sup> through bitter acid derived from aged hops, have contributed to their strong performance. In addition, other *KIRIN KARADA FREE*'s added value of a food with functional claims that reduces fat around the stomach\*<sup>4</sup> using flavored acid factored in to the increase.

In the RTD\*<sup>5</sup> category, Kirin Brewery flagship brand *Kirin Hyoketsu*® performed well, with total sales of the series reaching 15 billion units\*<sup>6</sup> as of November, and annual sales volume reaching a record high since its launch in 2001. *KIRIN The STRONG* was relaunched in April with a renewed flavor and package based on the concept of Kirin's high-quality sour with a focus on *umami* (unique taste), and has been supported by many customers, with sales exceeding 200 million units in the six months since its launch. *Kirin Honshibori*<sup>TM</sup> *Chuhai* has achieved double-digit year-on-year growth for the ninth consecutive year, thanks to the popularity of its feature of containing only fruit juice and alcohol. *Kirin Honshibori*<sup>TM</sup> *Chuhai* has also been well received. In addition, the annual sales target for *Kirin Koji Lemon Sour*, which was launched in October, was revised upward twice due to strong sales. The taste of lemon *umami* brought out by *koji* (malted rice), the attention to ingredients and the sense of quality of the product have been well received, and in just two months since its launch, the product has reached approximately 1 million cases, far exceeding the initial annual sales target of approximately 380,000 cases.



*Kirin Koji Lemon Sour*

- 3: The first product to be marketed with aged hop-derived bitter acid as a functional ingredient.
- 4: This product is suitable for people who tend to be obese. A well-balanced diet and moderate exercise are also recommended.
- 5: Abbreviation for Ready to Drink. Generally a canned cocktail.
- 6: Measured at 250ml conversion

The craft beer business performed well due to the growing need for enhanced staying at home caused by COVID-19, which polarized the market with the need to save money. Canned craft beer products sold by Kirin Brewery grew significantly, up approximately 30% from the previous year, helping to revitalize the beer market by allowing more customers to experience the true taste and diversity of beer. In the on-premise market, Kirin Brewery promoted the development of [Tap Marché](#), which can serve up to four types of craft beer in one unit. [Tap Marché](#) also helps on-premise (bars and other that serve draft beer) by reducing expenses through eliminating keg maintenance expenses.



*Tap Marché* compact tap server

## Sales results for 2020

Beer total	Beer	Happo-shu(Low-maltbeer)	New Genre	RTD (canned cocktails)	Whiskey, Spirits and Liqueur	Non-alcoholic beverage
129.41 million cases (-4.5%)	36.02 million cases (-18.6%)	30.33 million cases (-2.1%)	63.07 million cases (+4.6%)	71.52 million cases (+ 12.3%)	26.4Billions of yen (-10.8%)	3.49 million cases (+ 10.4%)

Unit: Beer and non-alcoholic beverages: 633 ml (large bottle) x 20 bottles; RTD: 250 ml x 24 bottles

Sales figures are calculated by converting KL (kiloliters) into 10,000 cases.

## 2. Initiatives for 2021

In 2021, Kirin Brewery will continue to demonstrate the Kirin Brewery CSV mindset mentioned above to adapt to major changes in the environment by building a strong brand system in addition to fostering a new growth engine through problem solving in order to become the best Kirin Brewery it can be to most loved by consumers.

### (1) Building a strong brand system

Kirin Brewery will firmly develop its main brands and build a strong brand system that will continue to be loved even after the liquor tax revision.

In October of last year, the first liquor tax revision was made towards unifying the liquor tax on beer and new genre products. Customers are highly interested in the beer category, which has seen a tax reduction, and the sales volume of the home-use market (canned products) has been expanding since October, and the same trend is expected to continue in 2021.

Kirin has renewed its flagship brand, *KIRIN ICHIBAN*, to evolve it into the ideal tasting beer that we aim for, which is easy to drink and never gets old. At the same time, Kirin Brewery will reinforce sales promotion of its *KIRIN ICHIBAN Zero Sugar* - which has both good taste and zero sugar content - in order to increase the number of occasions where customers can experience the taste and appeal of beer and revitalize the beer category.

In the new genre category, the overall market sales volume is expected to fall below the previous year's level in 2021 due to the impact of the tax hike caused by last year's liquor tax revision, but the need for products with clear value even at low prices, which was accelerated by the COVID-19, is expected to continue.

Despite the adversity of the liquor tax revision, *Honkirin* has been gaining support through 20 years with its authentic *umami* taste. This year, Kirin Brewery will further evolve the *umami* and sense of quality of *Honkirin* and aim to increase sales volume by approximately 1% compared to the previous year. *Kirin Nodogoshi Nama*, a Kirin Brewery core brand, will deliver its strength of refreshing *umami* that can be gulped down in a cheerful manner to meet the high expectations of the new genre category. *Kirin Nodogoshi Nama* will meet the high expectations of the new genre category for refreshment by delivering its strong point of refreshing *umami* that can be "gulped down with gusto" in a cheerful and energetic manner.

In the non-alcoholic beverage category, Kirin Brewery has substantially renewed *Kirin GREENS FREE*, a "naturally-made"<sup>37)</sup> tasty beverage, with the aim of attracting new users. We will cater to the diversifying needs of consumers for non-alcoholic

beverages with a variety of product lineups. These include *KIRIN KARADA FREE*, a food with functional claims for reducing belly fat, which was launched in 2019, and *Kirin Zero Ichi*, which uses the *Ichiban Shibori* brewing method\*<sup>8</sup> and features a delicious taste that carefully draws out the flavor of barley. *Kirin Zero Ichi*, which features a delicious taste that carefully brings out the flavor of barley.

7: Process that brings out the best of raw materials

8: The first-press process of using the first wort to flow through the wort filtration process.

In RTD, Kirin Brewery will aggressively invest in its core brands, *Kirin Hyoketsu*® and *KIRIN The STRONG*, to offer products that meet diverse customer needs.

In the whisky,spirits, and liqueur category, which has a wider range of drinking scenes (indoor, outdoor, at bars or restaurants, etc.), Kirin Brewery will continue to focus on whiskey, which accounts for the majority of In the whiskey,spirits and liqueur category this year.

## (2) Fostering new growth engines through problem solving

Through the products and services it provides, Kirin Brewery will solve the problems of its customers and society, and develop a new growth engine.

As COVID-19 has increased the amount of time people spend at home, there is a growing need for more fulfilling ways to spend time at home, and at the same time, the presence of high-value-added beer is increasing due to the polarization of consumption. By focusing more on the craft beer business and establishing a foundation for the development of [Home Tap](#), Kirin Brewery will deliver high-value-added beer to more customers and revitalize the beer category market.

At the same time, Kirin Brewery will also promote CSV-based management to solve social issues such as local communities and the environment, while fulfilling Kirin Brewery’s responsibility as an alcoholic beverage manufacturer and balancing its business.

### ● Sales targets for 2021

Beer total	Beer	Happo-shu(Low-maltbeer)	New Genre	RTD (canned cocktails)	Whiskey, Spirits and Liqueur	Non-alcoholic beverages
131.5million cases (+ 1.6%).	42.2 million cases (+ 17.2%)	28.4 million cases (-6.4%)	60.8 million cases (-3.6%)	75 million cases (+ 4.9%)	24.6Billions of yen (-6.8%)	4.3 million cases (+ 23.2%)

Unit: Beer and non-alcoholic beverages: 633 ml (large bottle) x 20 bottles; RTD: 250 ml x 24 bottles

Sales targets are calculated by converting KL (kiloliters) into 10,000 cases and rounding off the first digit.

KIRIN brings joy to society by crafting food and healthcare products inspired by the blessings of nature and the insights of Kirin Brewery customers.

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