



August 6 2019

To Whom It May Concern:

Company Name: KIRIN HOLDINGS COMPANY, LIMITED
Representative: Yoshinori Isozaki, President & CEO
Code Number: 2503 (TSE 1st Section)
Head Office:
4-10-2, Nakano, Nakano-ku, Tokyo 164-0001, Japan
Name and Title of Contact Person:
Nobuhiko Hori
General Manager of Corporate Communications Department
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Company Name: FANCL CORPORATION
Representative: Kazuyuki Shimada, President & CEO, Representative
Director
Code Number: 4921 (TSE 1st Section)
Head Office:
89-1, Yamashita-cho, Naka-ku, Yokohama, Kanagawa 231-8528, Japan
Name and Title of Contact Person:
Yukihiro Ishigami
CFO, Executive Director, General Manager, Corporate Planning Division
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Notice Regarding Capital and Business Alliance Between Kirin Holdings Company Limited and FANCL Corporation

Kirin Holdings Company Limited (President and CEO: Yoshinori Isozaki, hereinafter “KIRIN”) and FANCL Corporation (President & CEO, Representative Director: Kazuyuki Shimada, hereinafter “FANCL”) today jointly announced that the Board of Directors of each company passed a resolution to enter into a capital and business alliance agreement between KIRIN and FANCL (hereinafter such capital and business alliance will be referred as the “Capital and Business Alliance”).

1. Purpose of and Reasons for the Capital and Business Alliance

On February 2019, KIRIN announced its Long-Term Management Vision, Kirin Group Vision 2027 (hereinafter “KV2027”) to create value across Food & Beverages to Pharmaceuticals and to become a global leader in CSV^{*1}. Within “Kirin Group CSV Purpose”, a guideline of long-term and non-financial goals formulated to achieve KV2027, KIRIN has identified “Health and Well-being”, “Community engagement” and “the Environment” as the three key CSV issues to be addressed while playing its role as “A Responsible Alcohol Producer”.

KIRIN has a long history of involvement with the promotion of “Health and Well-being”. Since KIRIN’s entrance into the life science field with the introduction of the Long-Term Management Vision in 1981, KIRIN has been addressing social issues surrounding “Health and Well-being” with expertise from both “Food & Beverages domain” and “Pharmaceuticals domain”. KIRIN will address the social issues surrounding “Health and Well-being” such as the rise in life-induced disease and medical expenses resulting from increase in life expectancy with enhancement of customers’ quality of life and promotion of preventive healthcare. At the same time, KIRIN believes addressing these social issues will provide opportunities for growth and promote innovation.

Therefore, KIRIN established its strategy to create the “Businesses bridging Pharmaceuticals and Food

& Beverages” in KV2027, and grow them into another core business of KIRIN by leveraging the organizational excellence and assets that KIRIN has amassed over the years.

On April 2019, KIRIN completed its reorganization process to position the Kyowa Hakko Bio Co., Ltd. in its group as the core company for the “Businesses bridging Pharmaceuticals and Food & Beverages” to fully utilize KIRIN group’s assets on high functioning amino acid, immune system, brain health and intestinal environment enhancing functional materials.

FANCL announced “VISION2030” as the long-term vision in 2018 to support customer lifestyles full of beauty and health globally in “Beauty” and “Health” business domain, as a corporate group that customers can trust and rely upon.

Since established in 1980, FANCL has achieved its growth by providing the world’s first *Mutenka*^{*2} cosmetics and cosmetic products for women who have sensitive skin and scientifically proven nutritional products as “supplements” with reasonable price in 1994 to resolve negative social issues. Despite the increase in life expectancy, the increase in “healthy life expectancy”, a measure of how long a person will live in good health, still stagnates in the Japanese society. FANCL has set its mission to contribute to the extension of “healthy life expectancy” and reduction of medical expenses by providing high-quality functional foods.

KIRIN and FANCL believes its vision and mission to resolve social issues related to “Health and Well-being” and the extension of “healthy life expectancy” to achieve future growth are in line with each other. The Capital and Business Alliance will provide benefit to both companies to accelerate its business development by mutually utilizing its strength in its overall value chain from research and development for materials and ingredients, production, marketing to distribution.

Furthermore, KIRIN and FANCL believes that the realization of the various synergies between them will enable them to resolve far more health related social issues than on their own.

*1 Creating Shared Value. It is all about creating value that can be shared with customers and society

*2 FANCL’s *Mutenka* cosmetics: Safe and assured products with zero additives that cause stress to the skin such as preservatives, petroleum surfactants, fragrances, ultraviolet absorbents and artificial coloring

2. Details of the Capital and Business Alliance

(1) Details of Business Alliance

KIRIN and FANCL will utilize both business resources and create synergies to expand and develop its businesses. KIRIN and FANCL are planning to determine the details of the business alliance with further discussions. Key collaboration topics are as follows;

A. Development of Material, Product, Brand

- Integration of “Brand” and “Technology”:
Development of new products and brands with new concepts utilizing both “Brand” and “Technology”
- Development of products utilizing unique materials:
- Development of supplement for healthy lifestyle and anti-aging skincare products

B. Co-development of products and business

- Co-development in areas such as “life-induced disease”, “brain function”, “frail”, “physical therapy”, “immune system” and “intestinal environment”
- Co-development of cosmetic products utilizing yeast and fermentation technology
- Co-development of new business model

C. Mutual utilization of business platform

- Mutual utilization of production capacity
- Cross-selling utilizing both channels
- Utilization of each distribution platform such as KIRIN’s vending machine and FANCL’s online and catalogue sales and direct stores

(2) Details of Capital Alliance

KIRIN agreed with Mr. Kenji Ikemori who is the founder of FANCL, his relatives (5 individuals) and their asset management companies that KIRIN acquires the outstanding shares from each shareholder respectively through off-auction trading. This transaction will be executed on September 6, 2019. The total number of shares to be acquired by Kirin upon this transaction totaled 39,540,400 shares, and the transaction amount will be JPY 129.3 billion. KIRIN’s shareholding ratio after this transaction will be 30.3%^{*3} of all outstanding shares (130,353,200) / 33.0%^{*3} of total voting rights (1,198,195) in FANCL as of the end of

March 2019.

*3 round off to one decimal places

(3) Dispatch of executives

KIRIN and FANCL agreed in the Capital and Business Alliance Agreement that KIRIN has the right to appoint 1 full-time director, 1 part-time director and 1 full-time auditor.

Furthermore, FANCL is planning to submit a proposal at its annual general shareholder meeting scheduled for June 2020 for election of directors and auditors including candidates appointed by KIRIN

3. Overview of the Parties Involved in Strengthening the Capital and Business Alliance

A) KIRIN HOLDINGS (As of December 31, 2018)

(1)	Company Name	KIRIN HOLDINGS COMPANY, LIMITED		
(2)	Head Office	4-10-2, Nakano, Nakano-ku, Tokyo 164-0001, Japan		
(3)	Representative	Yoshinori Isozaki, President & CEO		
(4)	Description of Business	Developing group-wide management strategies and overseeing their implementation		
(5)	Capital	102,046 million yen		
(6)	Founded	February 23, 1907		
(7)	Major Shareholders and Shareholding Ratio (Percentage of owned shares in the total number of issued shares excluding treasury shares)	· The Master Trust Bank of Japan, Ltd. (Trust Account)		8.25%
		· Japan Trustee Services Bank, Ltd. (Trust Account)		5.15%
		· Meiji Yasuda Life Insurance Company		3.75%
		· JP MORGAN CHASE BANK 380055		3.43%
		· Japan Trustee Services Bank, Ltd. (Trust Account #5)		2.02%
		· Japan Trustee Services Bank, Ltd. (Trust Account #4)		1.96%
		· SSBTC CLIENT OMNIBUS ACCOUNT		1.78%
		· STATE STREET BANK WEST CLIENT - TREATY 505234		1.66%
		· Japan Trustee Services Bank Ltd. (Trust Account #7)		1.56%
· STATE STREET BANK AND TRUST COMPANY 505001		1.49%		
(8)	Relationship with FANCL	Capital Relationship	None	
		Personal Relationship	None	
		Trade Relationship	None	
		Related Party Status	None	
(9)	Financial Position and Performance in the Past 3 Fiscal Years			
	Consolidated fiscal year ended	December 31, 2016	December 31, 2017	December 31, 2018
	Total equity	959,188	1,229,139	1,200,920
	Total assets	2,422,825	2,398,572	2,303,624
	Total equity attributable to owners of the parent company per share (yen)	773.82	1049.55	1043.37
	Consolidated revenue	1,853,937	1,863,730	1,930,522
	Consolidated normalized operating profit	181,982	194,609	199,327
	Consolidated operating profit	196,590	211,000	198,322
	Consolidated profit before tax	208,151	233,711	246,852
	Consolidated profit attributable	148,918	241,991	164,202

to owners of parent			
Consolidated basic earnings per share (yen)	163.19	265.17	183.57
Dividend per share (yen)	39.00	46.00	51.00

(Note) In millions of yen unless specified otherwise

B) FANCL (As of March 31, 2019)

(1)	Company Name	FANCL Corporation		
(2)	Head Office	89-1 Yamashita-cho, Naka-ku, Yokohama, Kanagawa 231-8528, Japan		
(3)	Representative	Kazuyuki Shimada, President & CEO, Representative Director		
(4)	Description of Business	Research, development, manufacture, and sale of cosmetics and health foods		
(5)	Capital	10,795		
(6)	Founded	August 18, 1981		
(7)	Major Shareholders and Shareholding Ratio (Percentage of owned shares in the total number of issued shares excluding treasury shares)	• Kenji Ikemori		9.53%
		• Keiai Corporation		6.64%
		• The Master Trust Bank of Japan, Ltd. (Trust Account)		6.56%
		• Japan Trustee Services Bank, Ltd. (Trust Account)		5.13%
		• PILLOWS Co., Ltd		4.04%
		• Masaharu Ikemori		3.21%
		• Akiko Miyajima		3.07%
		• Hiromitsu Miyajima		3.00%
		• Yukio Ikemori		2.25%
• Japan Trustee Services Bank, Ltd. (Trust Account #9)		1.91%		
(8)	Relationship with KIRIN	Capital Relationship	None	
		Personal Relationship	None	
		Trade Relationship	None	
		Related Party Status	None	
(9)	Financial Position and Performance in the Past 3 Fiscal Years			
	Consolidated fiscal year ended	March 31, 2017	March 31, 2018	March 31, 2019
	Consolidated net assets	72,402	75,597	60,916
	Consolidated total assets	85,677	92,380	80,307
	Consolidated net assets per share (yen) *	568.57	588.40	500.59
	Consolidated net sales	96,305	109,019	122,496
	Consolidated operating income	2,244	8,448	12,387
	Consolidated ordinary income	2,385	8,650	12,348
	Net income attributable to owners of parent	5,146	6,191	8,649
	Consolidated basic earnings per share (yen) *	40.96	48.83	68.82
	Dividend per share (yen) *	29.00	29.00	30.00

(Note)

In millions of yen unless specified otherwise

FANCL conducted a 2-for-1 stock split on December 1, 2018. Accordingly, consolidated net assets per share, consolidated basic earnings per share and dividends per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2017.

4. Schedule

(1) Date of Board of Directors resolution (FANCL)	August 6, 2019
(2) Date of Board of Directors resolution (KIRIN)	August 6, 2019
(3) Conclusion date of Capital and Business Alliance agreement	August 6, 2019
(4) Conclusion date of share purchase agreement	August 6, 2019
(5) Date of Share Transfer	September 6, 2019 (planned)

5. Outlook

At present, the effects of the Capital and Business Alliance on KIRIN and FANCL's consolidated results are expected to be minor for the foreseeable future, but due to the development and strengthening of the partnership between the two companies in the future, we believe that it contributes to improvement of its performance and corporate value. We will promptly announce it any matters that require disclosure in the future.

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