

M e r c i a n G r o u p
P r o f i l e

President's Message



鈴木 徹

Toru Suzuki
President and CEO
Mercian Corporation

Utilizing nature's gifts to enhance lifestyles, promoting the spirit of gratitude in our corporate operations

The Mercian Group is dedicated to utilizing our extensive experience and expertise in brewing and fermentation technology in delivering value to our customers in the form of food and health, predicated on our corporate philosophy of utilizing nature's gifts to enhance lifestyles. The company name Mercian, derived from the French merci (thanks) and the English an (person), expresses gratitude towards our customers and other stakeholders as well as our thanks for the bountiful gifts of nature and society.

Mercian Corporation sees itself as a leading wine company. The entire company is committed to a customer-oriented approach predicated on working closely with customers and listening to their feedback. In this way, we will continue to provide safe and appealing wines that are tailored to the lifestyles and values of our customers.

As a member of the Kirin Group, the Mercian Group seeks to promote the ideals of harmony and co-existence with the environment in society and is actively involved in a range of CSR programs. We aim to pursue meaningful and worthwhile corporate activities that contribute to the development of a sustainable society.

I look forward to your continued patronage and support of Mercian Corporation in the future.

Management Philosophy

Just as our name describes, we constantly maintain our gratitude to our customers, striving to “utilize nature's gifts to enhance lifestyles” through our business operations.

Wine Business



Bringing more good wines and rich times to Japan

Mercian offers a variety of attractive wines designed to deliver “creating good times with good wines,” which is the philosophy of our Wine Business, to as many customers as possible.

Our domestic wines include the representative Japanese wine Château Mercian as well as popular daily wines such as “Mercian Bon Rouge”, “Mercian Oishii-sankaboshizai-mutenka wine”, “a delicious and additive-free wine high in antioxidants, and “Mercian Bistro”. Imported wines include “Frontera” and “Sunrise” from the Concha y Toro winery in Chile and the Californian wine Franzia. In this way, we offer an extensive range of wines with a good balance between price and quality. We also stock leading brand wines from around the world that are at the mid-range and high end of the price range.

We were quick to introduce imported wines with screw caps as a means of promoting the “easy” appeal of wine to customers.

We continue to pursue a range of activities designed to make wine even easier for customers in Japan to enjoy. For instance, we have developed a PET bottle for wine that is both highly convenient, being lighter, less prone to breakage and easier to dispose of, etc., as well as kinder to the environment, with lower CO₂ emissions associated with bottle manufacturing and transportation.

Through our association with the Kirin Group, Mercian will continue to utilize the strength of the Group to deliver an extensive range of products designed to anticipate changes in customer preferences, value systems and lifestyles, in order to expand and deeply cultivate a healthy wine market and establish ourselves as the No. 1 in terms of customer support.

Philosophy of the Wine Business

Creating good times with good wines

At Mercian, we utilize our technology cultivated over many years as a forerunner in the wine-making industry in Japan to provide high-quality, delicious domestic and imported wines together with optimum proposals. We delight in bringing the enjoyment of the happy time of richness and warmth of wine to as many customers as possible.

Château Mercian winery : the origin of the history of wine in Japan

The first wine-making private company in Japan was Dai-Nihon Yamanashi Budoushu-Gaisha, founded in 1877. In that year, two young men were sent to France, the home of wine, to study viticulture and wine-making techniques. This marked the birth of wine-making in Japan.

Dai-Nihon Yamanashi Budoushu-Gaisha was the predecessor of Mercian, which today has grown into a leading presence in the domestic wine industry. Château Mercian is the embodiment of this history.



The two students of wine-making:
Masanari Takano and
Ryuken Tsuchiya

The Château Mercian series : wines of this country that speak of this country

Château Mercian pursues a uniqueness that can only be expressed by Japanese wine, based on the conviction that “good wines faithfully express the grape characteristics nurtured by the climate, weather and producers of the region” and heralding the concept of “Growing Differences in the World.” What has been reached is a style of finesse and elegances.

Through Château Mercian, we will continue our daily efforts to produce better wines in our quest to gain global recognition of Japan as an excellent and unique wine producing region and to have Japanese wines loved and enjoyed by Japan the producer country.

Launched in 1970, the Château Mercian series has a proud history of taking out prestigious prizes at a number of wine contests around the world. Also, with the development of brewing technology specifically for the unique Japanese grape variety known as *koshu*, we have created a new style of *koshu* wine exemplified by “Château Mercian Koshu Kiiroka”.



“A base for the dissemination of information about Japanese wines”

Refurbishment of Château Mercian winery

September 2010 saw an extensive refurbishment of Mercian Katsunuma Winery, the symbol of Mercian in Japan, including a change of name to Château Mercian. The aim is for the winery to play the role of a base for the dissemination of information about Japanese wines where visitors can both learn about and enjoy wines in a specialist manner. In addition, the winery has undergone refurbishment and additional installation of brewing, storage and manufacturing equipment to further improve the quality of our wines.



Domestic daily wines designed to suit a diverse range of customer needs.

The Mercian Fujisawa plant melds brewing techniques cultivated by tradition and history together with advanced equipment and nature’s gifts to continue creating reasonable wines that can be enjoyed safely.

We also provide wines to suit a variety of different customer preferences and needs, such as wines that can be enjoyed in combination with everyday meals and wines with specialized functionalities. We enjoy considerable support from customers for products such as Mercian Bon Rouge, a red wine with twice as much polyphenol as Mercian’s standard wine, “Mercian Oishii-sankaboshizai-mutenka wine”, a delicious and additive-free wine high in antioxidants, a fresh-tasting wine that is brewed painstakingly without antioxidant additives, and Mercian Bistro, a reasonably-priced wine for the everyday dinner table.

We also import bulk wines such as “Franzia” from California and “St Hallett Tatiara”, an Australian wine developed by Mercian together with Lion, a member of the Kirin Group. The bulk wine is brought by container ship to Japan in special 24-kl bags (equivalent to 32,000 750-ml bottles) made from materials with low oxygen permeability, then bottled at the Mercian Fujisawa Plant. This approach improves the quality consistency of the wine and also delivers environmental benefits by enabling use of Japanese bottles and packaging materials helps to reduce the environmental impact while reducing by approximately 60% the level of CO₂ emissions per bottle (750 ml) associated with marine transportation (based on Mercian calculations).



PET bottles for wines



Bottling at Mercian Fujisawa Plant

Leading wineries around the world nominate Mercian.

We supply Japan with an extensive range of wines, including wines at the mid-range and high end of the price range from around the world, from the traditional wine-making countries of France, Italy, Germany and Spain to the so-called New World including the United States, Chile and Australia. We also offer wines that provide a good balance between price and quality.

We currently have affiliations with more than 70 companies in over ten different countries.

At Mercian, we see it as our mission to continue providing delicious wines to the Japanese market and to lead the wine world.

Our importing and retail alliances are built on secure trust relationships.

Because Mercian has a global reputation we are able to establish partnerships with the world's leading wineries. Under the common objective of making excellent wines, Mercian has formed secure trust relationships with famous wineries around the world and set up importing and retail alliances.

Our first alliance with an overseas company was an importing and retail agreement concluded in 1972 with the Spanish company Gonzalez Byass for Tio Pepe sherry. This was followed by alliances with a number of eminent wineries around the world including Chile's leading winery⁽¹⁾ Concha y Toro; Robert Mondavi, hailed as the father of Californian wine; and The Wine Group, maker of Franzia, the highest-selling stand-alone brand in the world⁽²⁾. In sparkling wines, which have been selling strongly in recent years, we have introduced Japan to products from Champagne Pommery, the pioneer of dry (Brut) champagne, and from Codorniu in Spain. By introducing wines from around the world in this way, we have widened the circle of wine consumption in Japan and helped to make wine more familiar.



Concha y Toro (Chile)



Robert Mondavi (USA)

(1) Based on Jan-Dec 2010 shipments; figures supplied by Statistics of Chilean Wine Exportation

(2) From Impact Databank 2010 Edition

Three wineries in the world owned by Mercian.

We own Château Mercian, located at Koshu in Yamanashi. In addition, we acquired Markham Vineyards in the Napa Valley in California, in the United States, as an affiliate in 1987, followed by Château Reysson, in Haut-Medoc in the Bordeaux region of France, in 1988. We have been installing additional equipment and making all manner of efforts to improve quality.

Since its acquisition by Mercian, Markham Vineyards has transplanted vineyards and upgraded various types of brewing equipment. These major reforms have produced a spectacular improvement in the quality of the wines, to the point where Markham wines are now highly valued as representative of Californian wines and are even served at diplomatic functions hosted by the federal government of the United States.

We likewise dispatched technical staff to Château Reysson to improve the quality of the wines. Consequently Château Reysson took out the gold medal at the prestigious Le Concours des Grands Vins de France de Mâcon in 1998, the world's largest wine-appraisal event. This achievement has steadily borne fruit, and today, it attracts attention as a preeminent Cru Bourgeois wine among the many that exist.



Markham Vineyards (USA)



Château Reysson (France)

Joint development with a prestigious winery. Our bonds with the world have become even stronger.

Lion, which is part of the Kirin Group, owns the winery St Hallett, which is located in South Australia, in Australia. Together with St Hallett, Mercian has jointly developed an Australian wine designed to suit Japanese customers. It is a special wine that has been made to suit Japanese customers. For example, representatives from Mercian travelled to Australia to attend the final wine blending, which determines the flavor, in order to extract the flavor sought by Japanese customers from among the unique flavors of Australian wines.



St. Hallett Tatiara

Introduction to Group Companies

Top brand wines from carefully selected leading wine-producing regions around the world.



Nippon Liquor Ltd.

Founded in 1963, Nippon Liquor has spent almost 40 years as a pioneering importer of leading wines from around the world, introducing good wines from all over the world to wine lovers in Japan.



In line with our motto of providing brands that are highly praised by luxury hotels, restaurants and wine shops throughout the world and loved by many customers, and under our company philosophy of “Offer Better Life with Fine Wines from the World,” we are exacting about quality in importing and retailing top brand wines from the leading wine-producing regions of the world.



We continue to make the utmost corporate effort to deliver wines produced by discerning winemakers to our customers in the best possible condition.

We are linked to the top brand makers that we call partners through firm relationships of trust predicated on an uncompromising stance on quality. We see ourselves as earnest brand ambassadors conveying their lofty ambitions.



We deliver the deep appeal and rich flavors of fine wines together with the mindset of the winemakers. We provide times brimming with the richness and warmth of fine wines to as many customers as possible.

Introduction to Group Companies

Supplying base alcohols for alcoholic beverage production as well as industrial alcohols.



Daiichi Alcohol is a joint investment between Mercian, whose motto is to contribute to customer food and health and provide happiness and emotion as a leading company of wine, and Kyowa Hakko Bio, which contributes to people's health through advanced fermentation technology. Daiichi Alcohol was founded in July 2010 and started as a company responsible for alcohol sales.



Our alcohol business dates back to 1935, while Kyowa Hakko Bio commenced operations in 1943. Since then, the companies have gained high praise and trust from customers and have built up solid foundations in the marketplace by responding to the wide-ranging technical demands of alcoholic beverage manufacturing through in-depth tie-ups with sales personnel, factories, research institutes and distribution.

Our alcohol business (Daiichi Alcohol) continues this history by providing the base alcohols used to make alcoholic products such as *sake*, *shochu* (Japanese spirits), liqueurs and *mirin* (used in cooking) as well as industrial alcohols used extensively in food production and other industries.

As a member of the Kirin Group, we are working to maximize Group synergies, to harness the benefits of scale, to improve our ability to adapt to changes in the external environment, and to ensure stable business operations in the medium to long term.



Products handled

Base alcohols for alcoholic beverage production

Ethyl alcohol refined from sugar cane and other sources is retailed as a base alcohol for use in manufacturing alcoholic beverages such as sake, liqueurs and low-alcohol drinks. It is delivered from alcohol storage facilities around the country to alcoholic beverage manufacturers.

Industrial alcohols

The abolition of the alcohol monopoly in April 2001 saw a substantial relaxation of the regulations on the sale and usage of industrial alcohols. Subsequently the importing, manufacture, sale and usage of industrial alcohols was fully liberalized in April 2006.

Daiichi Alcohol sells industrial alcohol mainly to the food-stuffs, cosmetics and pharmaceutical industries.



Introduction to Group Companies

“Making products that are kinder to people and animals” as the motto.



Mercian Feed Corporation

The new Mercian Feed treats customers’ voices as important.

Founded in 1993 as a livestock feed retailer, Mercian Feed was transformed in September 2009 when it succeeded the livestock feed arm of Mercian.



The merger of business operations enabled closer and speedier relationships, from procurement of production materials through manufacturing, retail and delivery of products to customers, and allowed us to achieve the strengthening of the business platform.

We listen earnestly to customers’ voices, share them throughout the company and respond promptly. Our business activities are predicated on the perspective of the customer.

We aim to support the dietary habits of Japan as a company that can speak of the future.

At Mercian Feed, our business philosophy is “We aim to make products that are kinder to people and animals.” Precisely because the feed is for livestock that we put into our mouths, we are dedicated to ensuring that products are more safe and secure, and we practice thorough quality control from product development through to procurement of production materials and manufacturing.



Our primary goal is to provide safe and secure products, called “Kind Products,” that represent a concentration of wisdom in the trinity of development, manufacturing and retail pertaining to food. Each and every employee has a thorough understanding of the notion of supporting the dietary habits of Japan through dairy farmers and contributing to society, and they have pride and confidence in their own company and products. In this way, we will continue to provide safe and kind products for the children of the future and for the children yet to be born.

Research and Development and Production / SCM

Research and Development

We conduct research for the purpose of providing customers with rich times and healthy lifestyles.



Product Development Research Laboratory

At the Product Development Research Laboratory at Fujisawa in Kanagawa, we extract the potential of fruits such as grapes in areas such as deliciousness and health functions, and conduct research and development into wines that enhance the enjoyment of the customer's dinner table and products that contribute to healthy lifestyles.

Grape quality is influenced by the local climate. Mercian is developing manufacturing technologies designed to bring out the characteristic aroma and hidden flavor components of every variety. These technologies are utilized in products such as Château Mercian Koshu Kiiroka and Château Mercian Koshu Gris de Gris.

We also develop products designed to meet customer demands for safety and security, such as wines made from grapes with a high content of components such as resveratrol and GABA and wines with antioxidant additives that have been carefully selected so as not to compromise flavor.

In the future we will continue to aim for research and development of ingredients and manufacturing technologies for the purpose of providing products that enable as many people as possible to develop an affinity for wine.

Production and SCM

We provide safe and secure products via an integrated management approach predicated on the principle of quality as number one priority.

Production Department

The Production Department employs a comprehensive hygiene management system predicated on the principle of quality as number one priority to deliver safe and secure products to customers.



Mercian Fujisawa Plant

We have alcohol production facilities at the Mercian Fujisawa plant, which is equipped to produce a variety of product lines tailored to the needs of the marketplace through small-lot-high-frequency production and fresh rotation maintenance, and at the fine wine production facility Château Mercian at Katsunuma, which was refurbished and reopened in September 2010.

At these facilities we are actively pursuing production of high added value products and developing environmentally responsible production systems designed to minimize energy consumption and CO₂ emission volumes.

In July 2007, retailing of ume liqueur, whiskey and shochu was transferred to Kirin Brewery. These products are now produced by Mercian on commission to Kirin Brewery as a member of the Kirin Group.

SCM Department

The SCM Department aims to carefully manage inventory levels by monitoring sales trends for products and using a supply chain management system.

With respect to deliveries, we have taken the lead ahead of other companies in setting up a freight tracking system where data is shared with cooperating distribution partners. Given the high proportion of delicate products such as wine, we are setting up a temperature management structure applicable through to storage and delivery, in order to improve quality standards.



Mercian Fujisawa Plant

CSR Initiatives

We will contribute to society, always appreciating the importance of a feeling of thanks.

Quality, food safety and environmental efforts

We contribute to the customers' rich food culture and health through products and services of value, believing the pursuit of the required quality to be of primary importance. In order to provide customers with safe and secure products, we have obtained ISO 9001 accreditation throughout the company and we have an integrated quality assurance structure that encompasses product development through to retail. In accordance with our quality principles, we use only input ingredients of known derivation and history that can be confirmed to be safe.

We give thanks for nature's gifts that support our lives and we strive to achieve both conservation of the environment and richness of society at the same time. To this end, Mercian has set out medium-term environmental targets in line with our environmental philosophy and environmental principles.

Enhancing the enjoyment of wine

We are continuing a variety of initiatives to bring the enjoyment of a life brimming with the richness and warmth of wine to as many customers as possible, even one more.

(1) Communication

We launched a website called WINESUKI that provides suggestions of wines that readers might like to drink.



(2) Product development

Precious opinions and requests from our customers are incorporated into product development. Examples include using screw caps for greater convenience, providing tasting charts that indicate wine characteristics, Bag in Box improvements, and the development of PET bottles for wines.



(3) Research into matching wines with meals

Certain combinations of wine and seafood dishes that bring out the unique characteristics of the ingredients can occasionally produce an unpleasant fishy smell. In 2008, we commenced research on preventing this fishy smell. The research was presented at the FY2009 conference of ASEV Japan (the local chapter of the American Society for Enology and Viticulture (ASEV)).

(4) Responsible drinking

We communicate responsible drinking principles to our customers via the website and other means.

Creating a workplace where work is satisfying and fulfilling

We are creating a workplace that allows a diverse range of employees to work together with ambitions for growth.

For example, the Mercian Prize, introduced in 2009, is an internal awards scheme that is not based on performance results but rather aims to share knowledge and enhance mutual understanding of perceptions of work.

CSR activities at Château Mercian

We are putting into practice the concept of winemaking that brings satisfaction to customers while valuing the importance of ties between producer regions, growers and local people in the region.

(1) Refurbishment of Château Mercian

The refurbished Mercian Katsunuma Winery, reopened under its new name Château Mercian in September 2010, is a facility where customers can learn about and enjoy Japanese wines.

(2) Towards higher quality viticulture

In 2003, Mercian opened Mariko Vineyard at Ueda in Nagano, which boasts weather and climate ideally suited to growing grapes.

(3) Initiatives involving grape growers

Through direct contracts with grape growers, Mercian is able to purchase grapes, the raw ingredients for production, on an ongoing basis. In this way, Mercian aims to improve quality and conserve and maintain regional agriculture on a long-term basis.

We also aim to cultivate stronger points of contact with growing regions in order to nurture the brand as one that is loved and regarded with pride by local people.



(4) Technology disclosure

Mercian makes wine brewing technology available to other wineries, aiming to improve the quality of Japanese wine overall.



Regional exchange and environmental activities

Mercian Feed as well as Mercian Fujisawa plant and Mercian Yatsushiro plant are involved in exchanges and events and environmental activities as a way of expressing our gratitude to regions.



Initiatives involving affiliates and partners

We have set up a compliance hotline to promote fair dealings with partners and affiliates.

Company Overview



Trade name	MERCIAN CORPORATION
Date of incorporation	December 4, 1934
Paid-in capital	¥20,972,930,000
President and CEO	Toru Suzuki
Head office	1-5-8 Kyobashi, Chuo-ku, Tokyo 104-8305, Japan
Business	Production and retail of wine and other alcoholic beverages Livestock feed business

Facilities

Business offices

Kitanihon office	27-21 tachimachi, Aoba-ku, Sendai, Miyagi
Kanshinetsu office	2-81 Miya-cho, Oomiya-ku, Saitama, Saitama
Shuto-ken Regional Sales & Marketing Head Office	2-5 Koami-cho, Nihonbashi, Chuo-ku, Tokyo
Chubu-ken Regional Sales & Marketing Head Office	3-28-12 Meieki, Nakamura-ku, Nagoya, Aichi
Kinki-ken Regional Sales & Marketing Head Office	2-1-1 Edobori, Nishi-ku, Osaka, Osaka
Chugoku and Shikoku office	2-1-1 Osu, Fuchu-cho, Aki-gun, Hiroshima
Kyushu office	2-14-8 Tenjin, Chuo-ku, Fukuoka, Fukuoka
National Off-Premise Sales&Marketing Division	2-5 Koami-cho, Nihonbashi, Chuo-ku, Tokyo

Plants

Mercian Fujisawa plant	4-9-1 Jyonan, Fujisawa, Kanagawa
Château Mercian	1425-1 Shimoiwasaki, Katsunuma-cho, Kosu, Yamanashi
Karuizawa Distillery	1795-2 Ooaza-maseguchi Miyota-machi, Kitasaku-gun, Nagano
Mercian Yatsushiro plant	3-1 Sanraku-cho, Yatsushiro, Kumamoto

Research laboratories

Product Development Research Laboratory	4-9-1 Jyonan, Fujisawa, Kanagawa
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Parent company

Kirin Holdings Company, Limited (100%)

Consolidated subsidiaries

Daiichi Alcohol Co., Ltd.
Mercian Feed Corporation
Mercom Corporation
Nippon Liquor Ltd.
Markham Vineyards
Château Reysson

Nonconsolidated subsidiaries

Kyobashi Wine Liquor Shop
Everwine
Mercian Salon
La Vigne

Affiliate

China Shaoxing Yellow Wine Group Co.

Equity method affiliate

Japan Synthetic Alcohol Co., Ltd.

Company History

1930's – 1960's



View of Yatsushiro plant in 1949

- December 4 1934 Showa Brewery established in Tokyo
- April 1935 Alcohol production begins at newly completed Kawasaki plant
- March 1946 Shochu production begins at Yatsushiro plant; launch of Sanraku shochu
- May 1961 Showa Brewery acquires Nisshin Brewery and adopts the Mercian brand
- July 1962 Showa Brewery acquires Ocean Co. and the Ocean brand and changes name to Sanraku Ocean

1970's – 1980's



Mercian wine at time of launch

- March 1970 Château Mercian launched
- September 1973 Japan's oldest surviving wooden brewery, at Katsunuma in Yamanashi, is refurbished and reopened as the Wine Museum
- February 1978 Importing and retail agreement with Spanish winemaker Codorniu for Codorniu sparkling wine
- April 1985 Sanraku Ocean changes name to Sanraku
- October 1987 Sanraku acquires Markham Vineyards winery in United States
- September 1988 Sanraku acquires Château Reysson winery in the Bordeaux region of France
- June 1989 Launch of Château Mercian Shinshu Kikyogahara Merlot

1990's



Mercian Karuizawa Museum of Art

- September 1990 Sanraku changes name to Mercian
- February 1993 Mercian begins importing and retailing of Concha y Toro wines from Chile
- June 1994 Launch of "Mercian Bon Marche", the first domestically produced full-bottle ¥500 wine
- July 1995 Mercian Karuizawa Museum of Art opens
- October 1995 Launch of "Mercian Bistro"
- October 1996 Launch of Mercian "Bon Rouge"
- December 1997 ISO 9002 accreditation obtained at all plants
- September 1998 Mercian begins importing and retailing of Robert Mondavi wines from the United States

2000's



Mariko Vineyard

- March 2003 Launch of "Oishii-sankaboshizai-mutenka wine", a delicious and additive-free wine high in antioxidants
- June 2003 Mercian commences growing grapes in-house at Mariko Vineyard
- March 2005 Launch of Château Mercian Koshu Kiiroka
- March 2006 Mercian acquires 51% of Nippon Liquor
- November 2006 Mercian signs business tie-up agreement with Kirin Brewery for alcoholic beverage operations
- July 2007 Mercian becomes an operating company under Kirin Holdings
- March 2008 Mercian Fujisawa plant commences bottling of Californian wine "Franzia"
- September 2009 ISO 9001 acquired company-wide

2010's

- December 2010 Mercian becomes a fully-owned subsidiary of Kirin Holdings
- March 2011 Launch of "St Hallett Tatiara", jointly developed with Lion