

Kirin Group Financial Results for the First Quarter of 2016

April 28, 2016
Kirin Holdings Company, Limited

- Consolidated operating income exceeded 1Q target and is on the right track toward achieving the full-year targets
- Kirin Brewery: Sales volume of beer products overall was below projections although the sales volume of the flagship beer brand *Ichiban Shibori* kept up with the market trend, and sales of RTD and whiskey/spirits categories exceeded projections
- Kirin Beverage: Sales of *Nama-cha* were very strong; structural reform for improved profitability has made steady progress
- Brasil Kirin: Sales volume took a turn for the positive compared with the previous year; initiatives to improve operational efficiency have been being implemented
- Myanmar Brewery: Operating income exceeded the target, making a good start in the first quarter of the first year after consolidation

1Q Consolidated Results Summary

- Consolidated sales and profits decreased from the previous year despite positive factors such as the newly consolidated Myanmar Brewery

(Bn yen)	2016 actual	2015 actual	YonY change		2Q forecasts
Sales*1	483.8	515.2	(31.4)	(6.1%)	1,030.0
Operating income*2	25.3	26.2	(0.9)	(3.5%)	47.0
Ordinary income	23.5	25.6	(2.0)	(8.0%)	
Profit attributable to owners of parent	10.4	13.3	(2.9)	(22.1%)	

*1 Sales include sales of Myanmar Brewery from the fiscal year 2016

*2 Compared to the fiscal year 2015, profits in 2016 (operating income and below) reflect the following factors: 1) Myanmar Brewery is newly consolidated; 2) Depreciation cost decreased by approx. 2 billion yen due to the change in depreciation method; 3) Amortization of goodwill, etc. decreased by approx. 1.7 billion yen due to impairment of Brasil Kirin.

■ Quantitative target

	2016 actual	2015 actual	YonY change	
Normalized EPS (yen)*3	19	25	(6)	(24.0%)

*3 See the next slide for details

■ Financial indicators

	2016 actual	2015 actual	YonY change	
Operating income before amortization of goodwill, etc. (Bn yen)	32.6	35.1	(2.4)	(7.1%)
EPS (yen)	11.41	14.66	(3.25)	(22.2%)
EPS before amortization of goodwill, etc. (yen)	22	27	(5)	(18.2%)

(Reference) Normalized EPS Breakdown

(Bn yen)	2016 target	2016 1Q	2015 1Q
Profit attributable to owners of parent	60.0	10.4	13.3
Amortization of goodwill, etc.	39.6	10.0	11.6
Special income or expenses after income taxes and minority interests	4.9	(3.4)	(2.4)
Normalized net income ①	104.6	16.9	22.5
Average number of shares outstanding during period (000 shares) ②	912,528	912,527	912,544
Normalized EPS (yen) ①÷②	115	19	25

1Q Consolidated Sales

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- Consolidated sales decreased due to decrease in sales volume of domestic beer products, decrease in sales of overseas integrated beverages including negative impact of foreign exchange, etc.

(Bn yen)	2016 actual	2015 actual	YonY change	
Sales	483.8	515.2	(31.4)	(6.1%)
Japan Integrated Beverages	235.9	239.7	(3.7)	(1.6%)
Kirin Brewery	133.1	141.8	(8.7)	(6.2%)
Kirin Beverage	78.3	73.0	5.2	7.2%
Mercian	14.6	15.3	(0.6)	(4.4%)
Other and elimination	9.8	9.4	0.4	4.6%
Overseas Integrated Beverages	155.3	182.2	(26.9)	(14.8%)
Lion	113.3	132.8	(19.4)	(14.7%)
Brasil Kirin	24.9	39.0	(14.0)	(36.0%)
Myanmar Brewery	6.0	—	6.0	—
Other and elimination	10.9	10.3	0.5	5.3%
Pharmaceuticals and Bio-chemicals	86.9	87.4	(0.5)	(0.6%)
Other	5.6	5.8	(0.1)	(6.1%)

1Q Consolidated Operating Income

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- Consolidated operating income decreased due to decrease in marginal profit resulting from decrease in sales volume of domestic beer products, increase in imported raw material costs at Brasil Kirin, as well as increase in R&D cost in Pharmaceuticals and Bio-chemicals

(Bn yen)	2016 actual	2015 actual	YonY change	
Operating income	25.3	26.2	(0.9)	(3.5%)
Japan Integrated Beverages	1.1	(1.2)	2.4	—
Kirin Brewery	5.2	6.8	(1.6)	(23.3%)
Kirin Beverage	0.5	(2.8)	3.3	—
Mercian	0.3	(0.1)	0.5	—
Other	(5.0)	(5.2)	0.1	—
Overseas Integrated Beverages	15.3	17.7	(2.4)	(13.7%)
Lion (after amortization of goodwill, etc.)	17.0	17.5	(0.4)	(2.7%)
Goodwill amortization	(2.8)	(3.2)	0.3	—
Brand amortization	(0.8)	(0.9)	0.1	—
Brasil Kirin (after amortization of goodwill, etc.)	(4.1)	(0.1)	(3.9)	—
Goodwill amortization	—	(1.2)	1.2	—
Brand amortization	(0.1)	(0.7)	0.5	—
Myanmar Brewery (after amortization of goodwill, etc.)	1.8	—	1.8	—
Goodwill amortization	(0.4)	—	(0.4)	—
Brand amortization	(0.4)	—	(0.4)	—
Other	0.5	0.4	0.1	40.6%
Pharmaceuticals and Bio-chemicals	9.2	10.1	(0.8)	(8.0%)
Other	0.6	0.8	(0.2)	(24.2%)

1Q Results Japan Integrated Beverages Kirin Brewer



		2016	2015	YonY change
Sales (Bn yen)	Beer	50.1	51.1	(1.8%)
	<i>Happo-shu</i>	28.9	32.6	(11.5%)
	New genre	28.4	34.9	(18.5%)
	Sub-total	107.6	118.7	(9.4%)
	RTD	17.5	16.4	7.0%
	Whiskey and Spirits, etc.	7.9	6.6	18.3%
	Total sales	133.1	141.8	(6.2%)
	Sales excluding liquor tax	78.3	83.4	

2015 Operating income		6.8	Description
YonY change (Bn yen)	Decrease in marginal profit of alcohol beverages	(3.6)	Sales decrease in beer 3 thousand KL, (0.3), in <i>Happo-shu</i> 12 thousand KL, (1.3), and in New genre 24 thousand KL, (2.9), Sales increase in RTD 5 thousand KL, 0.4, Difference of change in products mix, etc.
	Decrease in raw material cost of alcohol beverages	0.6	Decrease in material cost 0.4, and in wrapping cost 0.2, etc.
	Increase in selling expenses	(0.5)	Increase in sales promotion and advertising (0.6), etc. (Beer, <i>Happo-shu</i> and new genre (0.5), RTD (0.1), etc.)
	Decrease in other expenses	1.9	Decrease in depreciation 1.4, Decrease in labor cost 0.7, etc.
2016 Operating income		5.2	* Including an influence of change in depreciation method 0.9

Bn yen	2016	2015
Operating expenses	22.7	22.1

Kirin Brewery: 1Q Update

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- Amid intensifying competition in the beer category, the sales volume of the flagship brand *Ichiban Shibori* kept up with the market*¹ trend, but that of *Happo-shu* and new genre categories did not reach the targets; the sales volume of the beer products overall was below the target
- Both sales volume of RTD and sales revenue of whiskey/spirits exceeded the targets

■ % change of sales volumes (by category)

Category	YonY change	Market* ¹
Beer products total	(11%)	(3.8%)
Beer	(2%)	(1.1%)
<i>Happo-shu</i>	(11%)	(11.1%)
New genre	(18%)	(4.2%)
RTD	+8%	
Whiskey/Spirits and others* ²	+17.3%	

■ % change of sales volume (by brand)

Brand	YonY change
<i>Ichiban Shibori</i> total	(1%)
<i>Tanrei</i> total	(11%)
<i>Nodogoshi</i> total	(16%)
<i>Hyoketsu</i> total	+14%

*1 Based on the taxed shipment volumes from January to March 2016

*2 The figure is % change in sales for Whiskey/Spirits and others



Ichiban Shibori
kept up with market trend



***Kirin Hyoketsu*®**
+14%



Products mix improvement due to sales increase in whiskey/spirits

1Q Results Japan Integrated Beverages Kirin Beverage



Sales volume (million cases)		2016	2015	YonY change
Category	Black tea	11.98	10.91	9.8%
	Japanese tea	4.37	3.43	27.4%
	Coffee	7.25	6.52	11.2%
	Fruit and vegetable juice	5.50	5.18	6.2%
	Carbonated beverages	4.41	4.04	9.2%
	Functional beverages	1.19	1.08	10.2%
	Water	8.64	7.28	18.7%
	Other	3.38	3.30	2.4%
Container type	Can	9.17	7.75	18.3%
	Large-sized PET bottles	14.85	13.03	14.0%
	Small-sized PET bottles	18.00	16.56	8.7%
	Other	4.70	4.40	6.8%
	Total	46.72	41.74	11.9%

Sales (Bn yen)	78.3	73.0	7.2%
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2015 Operating income		(2.8)	Description
YonY change (Bn yen)	Difference in volume of sales	5.2	Increase in sales volume 4.98 million cases
	Decrease in raw material cost, etc.	1.3	Decrease in material cost 0.3, in wrapping cost 0.3, and in processing cost 0.6
	Decrease due in change of composition ratio of containers, etc.	(1.1)	
	Increase in selling expenses	(2.3)	Increase in sales promotion and advertising (2.0) and in freight (0.3)
	Decrease in other expenses	0.3	
2016 Operating income		0.5	* Including an influence of change in depreciation method 0.9

Operating expenses (Bn yen)	30.0	28.0
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Kirin Beverage: 1Q Update

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- Sales of *Nama-cha* in the sugar-free tea category were very strong after brand renewal
- Existing products under the *Mets* brand were renewed and a new flavor was launched to make the brand “staple”
- Sales at vending machines increased; including the factors above , showing the success in improvement of category/container portfolio
- Structural reform for cost reduction has progressed steadily, achieving the operating income target for the first quarter

■ % change of sales volume

Soft drinks total	+12%
<i>Gogo-no-Kocha</i> total	+11%
<i>Mets</i> total	+26%
<i>FIRE</i> total	+12%
<i>Nama-cha</i> total	+27%



70% of the 1.4 million cases sold in 10 days were cans/small-sized PET bottles

■ Change of operating income (billion yen)

Major factors	Change in 1Q	Full-year plan
Difference in volume of sales	5.2	(6.9)
Decrease in raw material cost, etc.	1.3	3.2
Change of composition ratio of containers, etc.	(1.1)	4.6
Increase/Decrease in selling expenses	(2.3)	4.3
Decrease in other expenses	0.3	0.1
Total	3.3	5.4



Renewal of *Mets* Grapefruit and Grape, and launch of *Mets* Lemon

Increase in sales at vending machines which are critical in terms of the channel mix



	Yen base (Bn yen)				Real base (million R\$)			
	2016 actual	2015 actual	YonY change	YonY change (%)	2016 actual	2015 actual	YonY change	YonY Change (%)
Sales	24.9	39.0	(14.0)	(36.0)	831	949	(117)	(12.4)
Operating income before amortization of goodwill, etc.	(3.9)	1.7	(5.6)	—	(131)	42	(174)	—
Goodwill amortization	—	(1.2)	1.2	—	—	(29)	29	—
Brand amortization	(0.1)	(0.7)	0.5	—	(5)	(17)	11	—
Operating Income	(4.1)	(0.1)	(3.9)	—	(137)	(4)	(132)	—
EBITDA	(1.8)	4.6	(6.4)	—	(62)	112	(175)	—

Consolidation period: Jan to Mar 2016 Currency rate: ¥30.04 (previous year: ¥41.11)

■ Sales volume change

(%)	YonY change
Beer	(0.4)
Soft drinks	+12.9
Total	+4.5

Reference :Market trend(SICOBÉ)

- Beer : YonY change (6.7%)
- Soft drinks : YonY change (7.6%)

YonY change of operating income before amortization of goodwill, etc.

Gross profit decrease (-R\$179MM)

- Decrease in sales due to tax increase in 2015 and increase in amount deducted from sales by accounting change
- Increase in raw material costs due to the depreciation of the Real

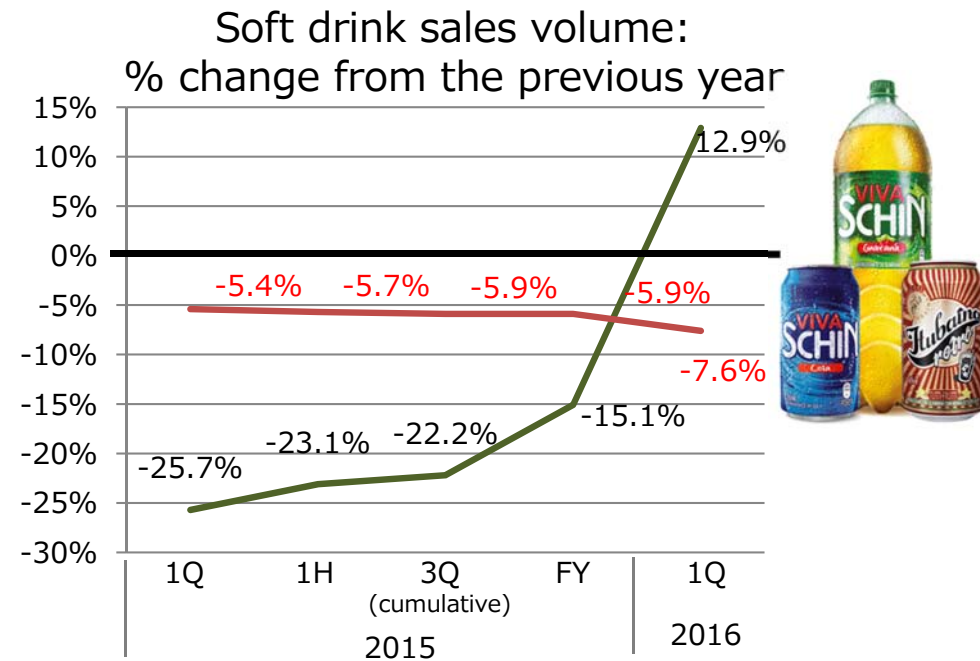
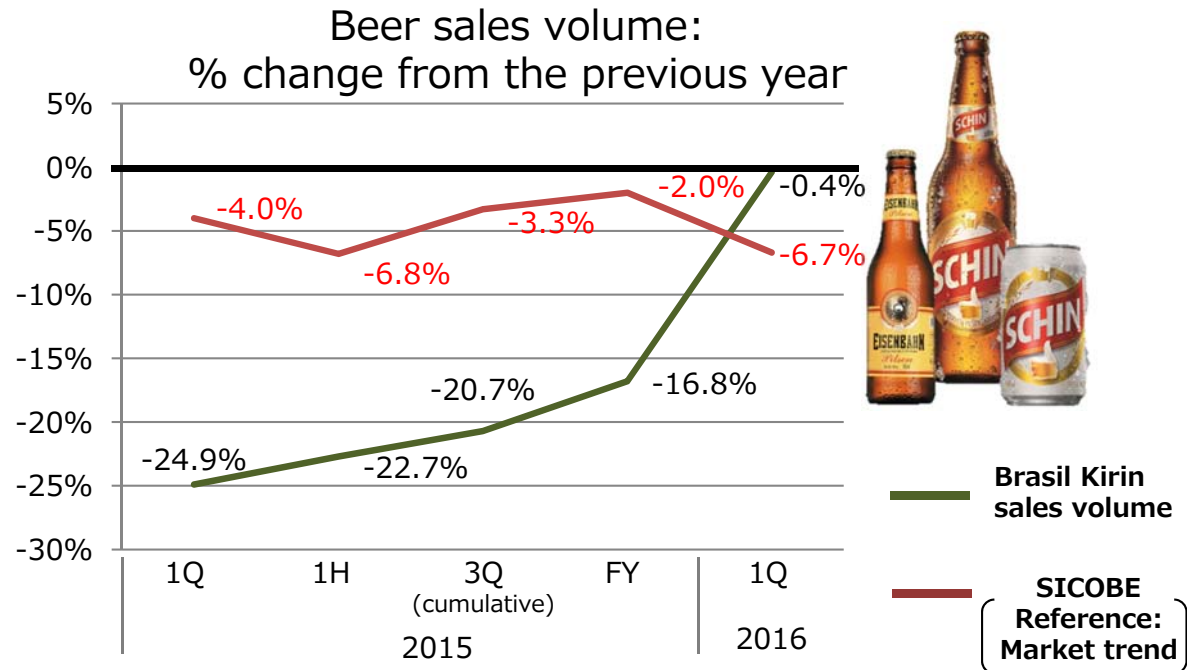
SG&A cost decrease R\$5MM

- Decrease in a part of sales expenses for off-premise outlets due to accounting change
- Decrease in administrative and general expenses

Brasil Kirin: 1Q Update

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- Decline in sales volume of beer appeared to stop; sales volume of soft drinks increased due to the last-year product renewal of *Viva Schin*, etc., outperforming the markets
- Initiatives to improve operational efficiency have been being implemented



(Note) SICOBE includes carbonated drinks only

Optimization of productions sites
and exploration of asset sales



Cost reduction in inventory, the
number of distribution center, and
logistics costs by transforming
supply chain mechanism



Myanmar Brewery: 1Q Results and Update

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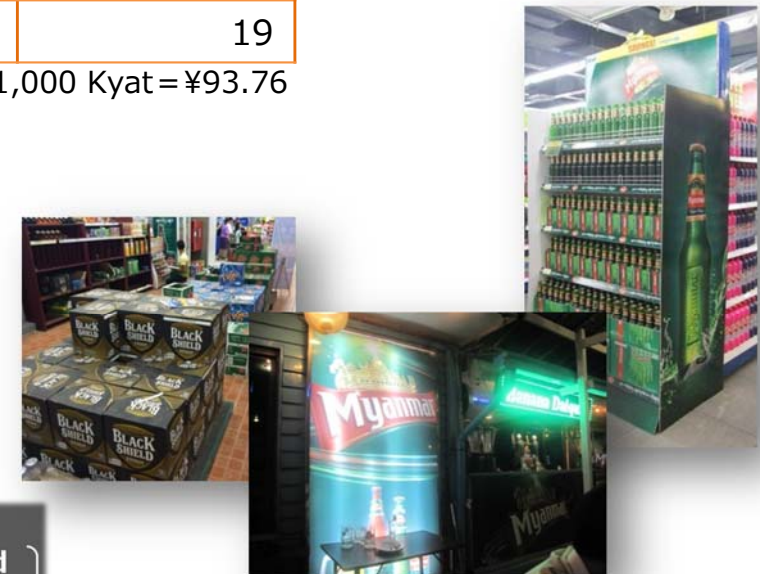
- P/L consolidation started when beer market growth slowed down temporarily due to the general election in November and the company transferred licensed brands
- In the situation above, sales volume remained at the same level as the previous year due to increased sales volume of the core brand *Myanmar Beer*, the launch of *Black Shield Stout*, etc.
- Sales volume and revenue were below the plan but operating profit exceeded the plan due to reduction of costs including sales and transportation expenses, making a good start

	Bn yen	Bn MMK
Sales	6.0	64
Operating income before amortization of goodwill, etc.	2.6	28
Goodwill amortization	(0.4)	(4)
Brand amortization	(0.4)	(4)
Operating income	1.8	19

Consolidation period : Oct to Dec 2015 Currency rate : 1,000 Kyat = ¥93.76



Black Shield Stout
 (keg beer launched in Sep, followed
 by cans and bottles in Nov)



1Q Results Overseas Integrated Beverages Lion

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	Yen base (Bn yen)				A\$ base(million A\$)			
	2016 actual	2015 actual	YonY change	YonY change(%)	2016 actual	2015 actual	YonY change	YonY change(%)
Sales	113.3	132.8	(19.4)	(14.7)	1,298	1,350	(51)	(3.8)
Beer, Spirits, and Wine	71.5	79.2	(7.7)	(9.8)	818	805	13	1.7
Dairy and Drinks	41.8	53.6	(11.7)	(21.9)	479	544	(65)	(12.0)
Operating Income before goodwill amortization, etc.	20.7	21.7	(1.0)	(4.6)	237	221	16	7.5
Beer, Spirits, and Wine	20.6	21.8	(1.1)	(5.3)	236	221	14	6.7
Dairy and Drinks	1.7	1.7	0.0	0.1	19	17	2	12.9
Corporate	(1.6)	(1.7)	0.1	—	(18)	(17)	(0)	—
Goodwill amortization	(2.8)	(3.2)	0.3	—	(32)	(32)	0	—
Brand amortization	(0.8)	(0.9)	0.1	—	(9)	(10)	0	—
Operating income	17.0	17.5	(0.4)	(2.7)	195	178	17	9.6

Consolidation period : Oct to Dec 2015 Currency Rate ¥ 87.34 (previous year : ¥98.42)

*2015 operating income breakdown by business reflects application of headquarters expense allocation rule

■ Changes in sales volume

(%)	YonY change
Beer, Spirits and Wine	(2.0)
Dairy and Drinks	(12.4)

■ Changes in operating income before goodwill amortization, etc.

A\$ m	Beer, Spirits, and Wine	Dairy and Drinks
2015	221	17
Sales volume change	(9)	(4)
other	24	6
2016	236	19

Bn yen	2016 actual	2015 actual	YonY change Bn yen %	
Sales	86.9	87.4	(0.5)	(0.6)
Kyowa Hakko Kirin	88.4	89.5	(1.1)	(1.3)
Pharmaceuticals	67.8	67.8	(0.0)	(0.1)
Bio-chemicals	20.6	21.7	(1.0)	(5.0)
Other and elimination	(1.5)	(2.1)	0.5	—
Operating income	9.2	10.1	(0.8)	(8.0)
Kyowa Hakko Kirin	9.2	10.1	(0.8)	(8.0)
Pharmaceuticals	5.9	7.7	(1.8)	(24.2)
Bio-chemicals	2.3	1.4	0.8	58.8
Other, elimination of goodwill amortization	2.6	2.4	0.2	8.9
Goodwill amortization	(1.5)	(1.5)	—	—

Kirin Brewery: 2Q Actions

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- Make consistent efforts to strengthen the *Ichiban Shibori* brand by launching *47 Todofuken-no-Ichiban Shibori* in May and June; further improve the product mix by launching *Ichiban Shibori Single Malt* and *Hyoketsu Premium*
- Aim to secure the market share of beer products in the first half of 2016 at the same level as last year via product renewal of *Tanrei Gokujo Nama* in the *Happo-shu* category, launch of seasonal offers under the *Nodogoshi* brand in the new genre category, etc., and to gain momentum for the third quarter (when the demand is highest) and beyond



Promotion of
47 Todofuken-no-Ichiban Shibori

Launch month	Prefectures
May July	Hokkaido, Miyagi, Ibaraki, Kanagawa, Aichi, Shiga, Hyogo, Okayama, Fukuoka
June	Aomori, Iwate, Akita, Chiba, Tokyo, Niigata, Nagano, Gifu, Shizuoka, Kyoto, Osaka, Tottori, Shimane, Hiroshima, Yamaguchi, Kumamoto, Kagoshima
August	Yamagata, Fukushima, Saitama, Yamanashi, Mie, Tokushima, Kagawa, Ehime, Kochi, Nagasaki, Oita, Miyazaki
October	Tochigi, Gunma, Toyama, Ishikawa, Fukui, Nara, Wakayama, Saga, Okinawa



Launch of premium products



*Ichiban Shibori
Single Malt*



Hyoketsu Premium

For increased market share of beer products



Packaging renewal of
Tanrei Gokujo Nama



Hare Nodogoshi

- Continue to focus on strengthening the main brands, while executing channel strategies such as a management of selling expenses for large-size PET bottle products and a partnership with DyDo Drinco to cross-sell core products in vending machines, in order to make steady progress in structural reform for improved profitability



Brasil Kirin

- Continue to execute region-based product/price/sales strategies; recover the beer sales volume in the north/north east regions, and achieve the “growth of profit domains”



Myanmar Brewery

- Expand the premium category in the brand portfolio



Myanmar Beer Premium
(keg beer launched in March)



Kirin Ichiban
(keg beer launched in March)



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