

Kirin Group Presentation of Financial Results for the Second Quarter of 2016

August 5, 2016
Kirin Holdings Company, Limited

(1) Overview of 2Q Financial Results

**(2) Progress and Challenges
for the 2016 MTBP**

2Q Consolidated Financial Results

Decrease in sales /increase in operating income

- **Sales decreased by 62.1 billion yen** due to a decrease in the domestic beer product sales volume, impact of a change within Kirin Beverage starting from 2Q to deduct part of its sales promotion expenses from sales, and negative impact of foreign exchange fluctuations in the Overseas Integrated Beverages Business, etc.
- **Operating income increased by 0.8 billion yen** due to significant profit growth at Kirin Beverage, and new consolidation of Myanmar Brewery, etc.

Operating income significantly exceeding the target

- **Operating income exceeded the target by 11.8 billion yen**, led by Kirin Beverage, Brasil Kirin, and Kyowa Hakko Kirin.

Revision of Full-Year Forecast

Downward revision of sales

- **Sales forecast has been revised downwards by 60 billion yen** due to such factors as a downward revision of the domestic beer product sales volume, a change within Kirin Beverage to deduct part of its sales promotion expenses from sales, etc.

Upward revision of operating income

- **Operating income forecast has been revised upwards by 2 billion yen to 127 billion yen** by reflecting an upward revision of Kyowa Hakko Kirin.

Significant upward revision of net income attributable to owners of parent

- **The forecast has been revised upwards by 20 billion yen to 80 billion yen**, anticipating such as a special income due to termination of the distribution contract to import and sell beer in Australia.

2 Q Consolidated Results Summary

KIRIN

- Although sales decreased from the previous year, operating income, ordinary income, and net income attributable to owners of parent increased
- In comparison with the forecast, sales were slightly below the target but substantially almost achieved it, and operating income was significantly above the target.

(bn yen)	2016 actual	2015 actual	YonY change		Forecast
Sales*1	1,008.1	1,070.2	(62.1)	(5.8%)	1,030.0
Operating income*2	58.8	57.9	0.8	1.5%	47.0
Ordinary income	58.1	57.2	0.8	1.5%	
Net income attributable to owners of parent	33.8	33.1	0.6	2.1%	

* 1 From FY2016: Parts of the selling expenses has been deducted from sales at Kirin Beverage, Mercian, and Brasil Kirin; Myanmar Brewery has been newly consolidated.

* 2 Compared to FY 2015, profits in FY2016 (operating income and below) reflect the following factors: (1) Myanmar Brewery had been newly consolidated; (2) depreciation costs decreased by approx. 4.1 billion yen due to the change in depreciation method; (3) goodwill amortization costs decreased by approx. 2.3 billion yen due to impairment of Brasil Kirin in FY2015, etc.

■ Quantitative target

	2016 actual	2015 actual	YonY change	
Normalized EPS (yen)*3	53	57	(4)	(7.0%)

* 3 See Appendix 1 for details.

■ Financial indicators

	2016 actual	2015 actual	YonY change	
Operating income before amortization of goodwill etc. (bn yen)	73.2	75.4	(2.1)	(2.8%)
EPS (yen)	37.07	36.30	0.76	2.1%
EPS before amortization of goodwill etc. (yen)	59	61	(2)	(3.9%)

2 Q Consolidated Sales

KIRIN

- Sales decreased due to a decrease in the domestic beer products sales volume and in overseas integrated beverages sales including the negative impact of foreign exchange fluctuations, etc.

(bn yen)	2016 actual	2015 actual	YonY change	
Sales	1,008.1	1,070.2	(62.1)	(5.8%)
Japan Integrated Beverages	533.0	547.6	(14.5)	(2.7%)
Kirin Brewery	312.5	325.0	(12.4)	(3.8%)
Kirin Beverage	167.6	169.9	(2.2)	(1.3%)
Mercian	31.0	32.5	(1.4)	(4.4%)
Other and elimination	21.7	20.1	1.5	7.7%
Overseas Integrated Beverages	292.7	335.9	(43.1)	(12.8%)
Lion	206.2	239.9	(33.6)	(14.0%)
Brasil Kirin	50.7	71.8	(21.0)	(29.3%)
Myanmar Brewery	12.2	—	12.2	—
Other and elimination	23.4	24.1	(0.7)	(2.9%)
Pharmaceuticals and Bio-chemicals	170.6	174.3	(3.7)	(2.1%)
Other	11.6	12.3	(0.6)	(5.1%)

2 Q Consolidated Operating Income



- Operating income increased due to a significant increase at Kirin Beverage and new consolidation of Myanmar Brewery, etc.

(bn yen)	2016 actual	2015 actual	YonY change	
Operating income	58.8	57.9	0.8	1.5%
Japan Integrated Beverages	20.7	9.5	11.1	116.1%
Kirin Brewery	24.0	23.1	0.9	3.9%
Kirin Beverage	5.9	(3.4)	9.3	—
Mercian	1.4	0.2	1.2	566.0%
Other	(10.7)	(10.3)	(0.3)	—
Overseas Integrated Beverages	23.2	25.8	(2.5)	(9.9%)
Lion (after amortization of goodwill etc.)	25.2	28.6	(3.4)	(11.9%)
Amortization of goodwill	(5.5)	(6.2)	0.6	—
Brand amortization	(1.6)	(1.9)	0.2	—
Brasil Kirin (after amortization of goodwill etc.)	(7.4)	(4.4)	(2.9)	—
Amortization of goodwill	—	(2.3)	2.3	—
Brand amortization	(0.3)	(1.4)	1.0	—
Myanmar Brewery (after amortization of goodwill etc.)	3.5	—	3.5	—
Amortization of goodwill	(0.8)	—	(0.8)	—
Brand amortization	(0.8)	—	(0.8)	—
Other	1.8	1.5	0.2	17.2%
Pharmaceuticals and Bio-chemicals	16.8	23.9	(7.1)	(29.7%)
Other	1.1	1.8	(0.7)	(37.7%)

Kirin Brewery: 2Q Update

KIRIN

- Rolled out *47 Todofuken no Ichiban Shibori*, which focuses on a tie-in with local customers, to bolster the beer category
- Achieved increases in sales volume, sales in the growing RTD category, whiskey category, respectively
- Product launches and sales promotions during the first half-year were so insufficient in the *happo-shu* and new genre categories that *Tanrei* and *Nodogoshi* recorded negative results

Strengthening of beer category

47 Todofuken no Ichiban Shibori

Ichiban Shibori brand sales volume

1Q
-1% → +1% 2Q



In-store display with *Ichiban Shibori*

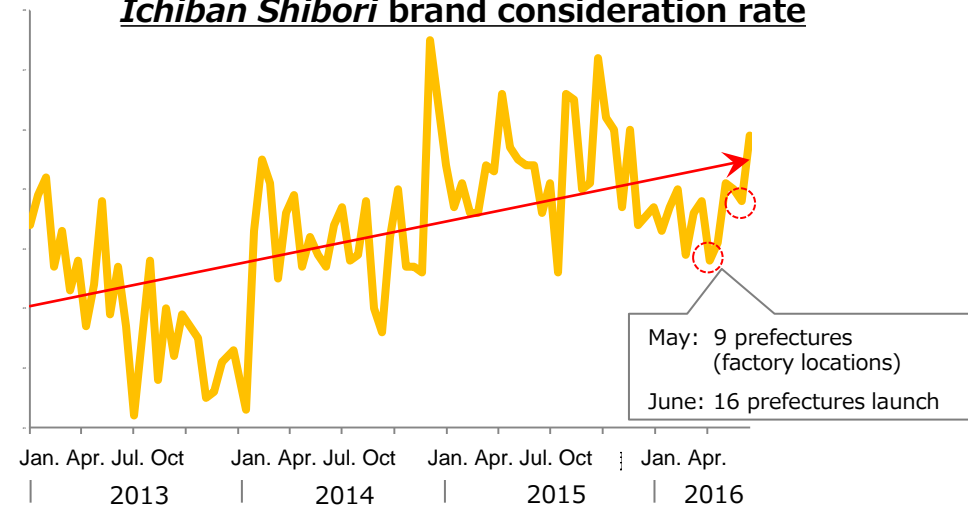


Bottled product for on-premise sales



Solid gift sales

Ichiban Shibori brand consideration rate



Strengthening of growing categories

RTD



Kirin Hyoketsu®

+10%

Whiskey, etc.

+16%



Kirin Brewery: 2Q Update (*47 Todofuken no Ichiban Shibori*) **KIRIN**

- *47 Todofuken no Ichiban Shibori*, developed in collaboration with stakeholders, attracted consumers across the age groups, contributing to “enhance appeal of the beer category” included in the 2016 MTBP and raised the brand value of *Ichiban Shibori*

Product concept created with local **consumers**



Enhanced brand value of *Ichiban Shibori*



Promotion in cooperation with local **community**



Development of flavor reflecting unique local characteristics



Co-creation of value with stakeholders

Roll-out by **business partners** (e.g. logistics companies, sales channels)



2Q Results of Japan Integrated Beverages: Kirin Brewery



		2016	2015	YonY change
Sales volume (000 KL)	Beer	288	292	(1.4%)
	<i>Happo-shu</i>	219	239	(8.4%)
	New genre	269	301	(10.7%)
	Beer products total	777	833	(6.8%)
	RTD total	136	130	4.5%
	Non-alcoholic drinks	12	12	(0.7%)

Sales (bn yen)	312.5	325.0	(3.8%)
Sales excl. liquor tax (bn yen)	184.0	191.2	

2015 Operating income		23.1	Description
YonY change (bn yen)	Decrease in marginal profit for alcoholic beverages	(4.5)	Decrease in beer (0.4), down 4,000 kl; decrease in <i>Happo-shu</i> (2.1), down 20,000 kl; decrease in New genre (3.8), down 32,000 kl; increase in RTD +0.6, up 6,000 kl; difference due to product mix, etc.
	Decrease in raw material costs, etc.	1.4	Decrease in material costs +1.1; decrease in packaging costs +0.4, etc.
	Increase in selling expenses	(1.0)	Increase in sales promotion costs (2.6); decrease in advertising costs +1.6 (total 47.3 bn yen→48.3 bn yen, etc.) <Beer/ <i>Happo-shu</i> /New genre (0.5); RTD (0.1), etc.>
	Decrease in other expenses	5.0	Decrease in depreciation costs +2.9; decrease in personnel costs +1.0; decrease in electricity/fuel costs +0.7, etc.
Total		0.9	※Including the impact due to change in depreciation method +2.0
2016 Operating income		24.0	

- Foundation building to “achieve profitable growth” has progressed steadily through focusing on “strengthen brands” and “reform profit structure”

Strengthen brands



Gogo-no-Kocha

+10%



Mets

+15%



Nama-cha

+32%



FIRE

+5%

Reform profit structure

Sales strategy

Cans/small PETs sales targets

Control of special promotional costs for large PETs

Vending machine strategy

Sales volume increase via products exclusive to vending machine sales

Space sharing of vending machines with DyDo DRINCO

Cost cuts

Cost cut due to improved production efficiency, etc. exceeding target

Cost cut of raw material and packaging

2Q Results of Japan Integrated Beverages: Kirin Beverage



Sales volume (million cases)		2016	2015	YonY change
Category	Black tea	24.18	21.98	10.0%
	Japanese tea	12.16	9.42	29.1%
	Coffee	15.06	14.15	6.4%
	Fruit and vegetable juice	12.82	12.72	0.8%
	Carbonated beverages	11.27	10.89	3.5%
	Functional beverages	3.63	3.39	7.1%
	Water	20.02	17.66	13.4%
	Other	8.71	8.89	(2.0%)
Container type	Can	19.56	17.54	11.5%
	Large PET bottle	34.98	31.65	10.5%
	Small PET bottle	42.37	39.47	7.3%
	Other	10.94	10.44	4.8%
	Total	107.85	99.10	8.8%

Sales (bn yen)	167.6	169.9	(1.3%)
----------------	-------	-------	--------

*Sales promotion expenses (11.2 bn yen) are deducted from sales in 2016

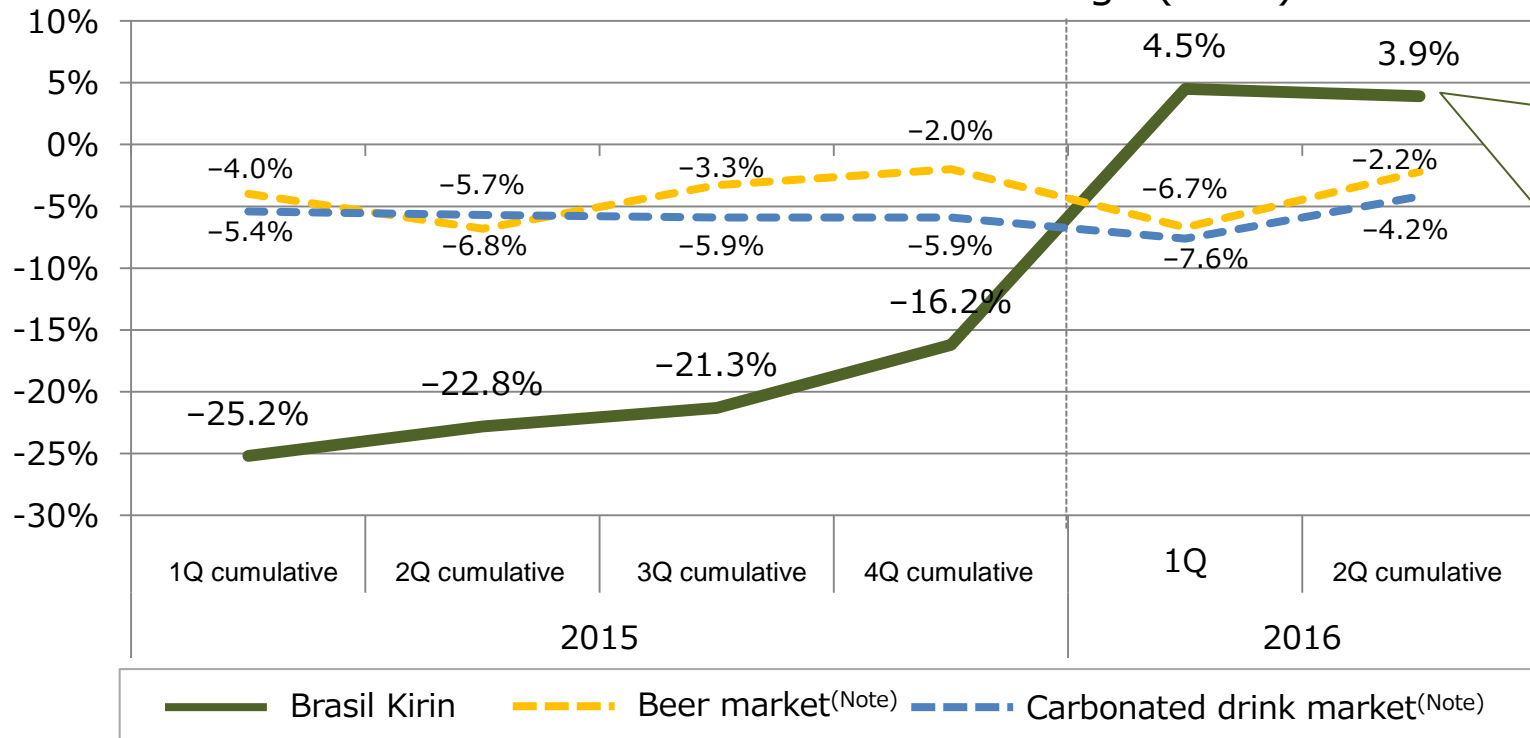
2015 Operating income (loss)		(3.4)	Description
YonY change (bn yen)	Increase in marginal profit of non-alcoholic beverages	1.7	Increase in sales volume +3.8, up 8.74 million cases; difference due to product/packaging mix, etc. (2.1)
	Decrease in raw material costs, etc.	3.3	Decrease in material costs +1.0; decrease in packaging costs +0.6; decrease in processing costs +1.5
	Decrease in selling expenses	2.5	Decrease in sales promotion expenses +0.3; decrease in advertising expenses +2.2 (total 19.7 bn yen→17.2 bn yen)
	Decrease in other expenses	1.7	Decrease in sales equipment costs, etc.
Total		9.3	※Including the impact due to change in depreciation method +2.1
2016 Operating income		5.9	※YonY change is based on marginal profit from 2Q (See Appendix 9 for details)

Brasil Kirin: 2Q Update

KIRIN

- Sales volumes kept positive compared to the corresponding period last year due partly to significant growth of premium beer and *Viva Schin*, a carbonated drink

Sales volumes: % change (YonY)



Beer + Soft drinks



(Note) SICOBE
<Ref: Market trend>

Premium beer +390%



EISENBAHN



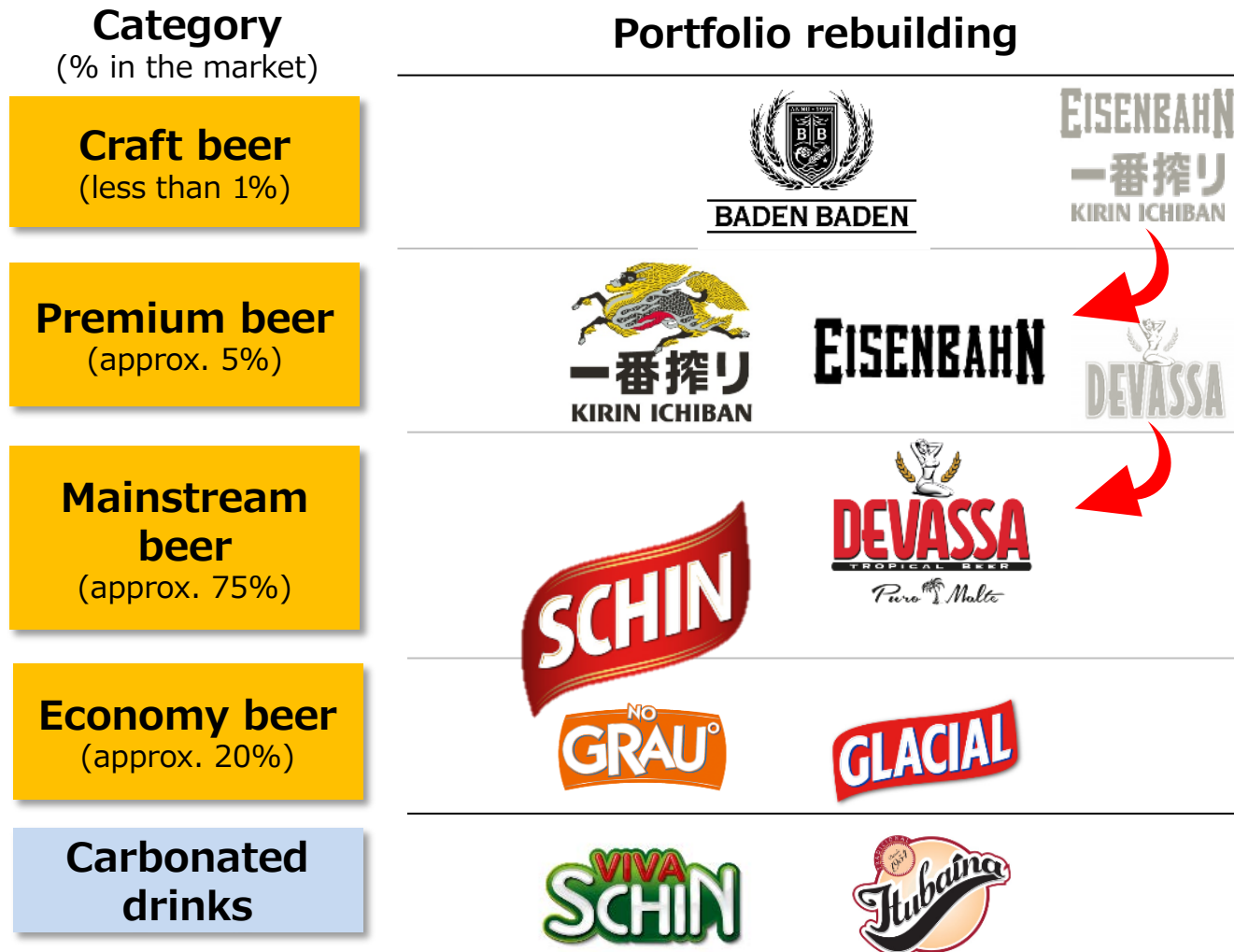
BADEN BADEN

Soft drinks



+14%

- Repositioned *Eisenbahn* and *Kirin Ichiban* to the premium segment at the end of 2015, and *Devassa*, while revamping the brand, to the upper mainstream segment during 2Q 2016, in order to build a strong brand portfolio in all market segments



2Q Results of Overseas Integrated Beverages: Brasil Kirin



	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	50.7	71.8	(21.0)	(29.3)	1,647	1,784	(136)	(7.7)
Operating income before amortization of goodwill, etc.	(7.0)	(0.6)	(6.4)	—	(229)	(16)	(213)	—
Goodwill amortization	—	(2.3)	2.3	—	—	(58)	58	—
Brand amortization	(0.3)	(1.4)	1.0	—	(11)	(34)	23	—
Operating income	(7.4)	(4.4)	(2.9)	—	(240)	(110)	(130)	—
EBITDA	(2.7)	5.4	(8.1)	—	(88)	135	(223)	—

Consolidation period: Jan to Jun 2016

Currency rate: 30.81 yen (previous year: 40.25 yen)

■ Sales volume change

(%)	YonY change
Beer	(0.9%)
Soft drinks	+12.6%
Total	+3.9%

<Reference> Market trend (SICOBÉ)

- Beer: down 2.2% (YonY)
- Carbonated drinks: down 4.2% (YonY)

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

Gross profit decrease (down R\$265MM)

- Decrease in sales due to the increase in deduction from gross sales because of the sales tax increase in 2015, as well as changes on accounting process
- Increase in raw material costs due to depreciation of the Brazilian real

SG&A cost decrease (down R\$52MM)

- Decrease of some parts of selling expenses for off-premise outlets due to the shift to deduction from gross sales

2Q Results and Update of Overseas Integrated Beverages: Myanmar Brewery **KIRIN**

	bn yen	bn MMK
Sales	12.2	131
Operating income before amortization of goodwill etc.	5.2	56
Amortization of goodwill	(0.8)	(8)
Brand amortization	(0.8)	(9)
Operating income	3.5	38

Consolidation period: October 2015 to March 2016 Currency rate: 1,000 Kyat = 93.20 yen

International premium brands



March (2Q): Keg beer launch

June (3Q): Canned/bottled beer launch

Domestic premium brands



November (1Q):
Canned/bottled beer launch
Keg beer was launched in
September (last fiscal year)



March (2Q): Keg beer launch

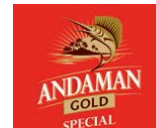
June (3Q): Canned/bottled
beer launch

**Portfolio
expansion in
premium
category
completed**

Mainstream brands



Economy brands



Myanmar Premium and Kirin Ichiban

2Q Results Overseas Integrated Beverages: Lion

KIRIN

	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	206.2	239.9	(33.6)	(14.0)	2,404	2,514	(110)	(4.4)
Beer, Spirits, and Wine	126.1	138.0	(11.9)	(8.6)	1,469	1,446	23	1.6
Dairy and Drinks	80.1	101.8	(21.7)	(21.3)	934	1,067	(133)	(12.5)
Operating Income before goodwill amortization, etc.	32.4	36.8	(4.3)	(11.8)	378	385	(7)	(1.9)
Beer, Spirits, and Wine	33.1	38.1	(5.0)	(13.1)	386	400	(13)	(3.4)
Dairy and Drinks	2.6	2.2	0.4	18.2	31	23	7	31.4
Corporate	(3.3)	(3.6)	0.2	—	(39)	(38)	(1)	—
Goodwill amortization	(5.5)	(6.2)	0.6	—	(65)	(65)	0	—
Brand amortization	(1.6)	(1.9)	0.2	—	(19)	(20)	1	—
Operating income	25.2	28.6	(3.4)	(11.9)	294	300	(6)	(2.0)

Consolidation period : Oct 2015 to Mar 2016 Currency Rate : 85.81 yen (previous year : 95.42 yen)

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

■ Changes in sales volume

(%)	YonY change
Beer, Spirits and Wine	(2.1%)
Dairy and Drinks	(12.7%)

■ Changes in operating income before goodwill amortization, etc.

A\$ m	Beer, Spirits, and Wine	Dairy and Drinks
2015	400	23
Sales volume change	(20)	(36)
other	7	43
2016	386	31

(bn yen)	2016 actual	2015 actual	YonY change	
Sales	170.6	174.3	(3.7)	(2.1%)
Kyowa Hakko Kirin	174.0	178.8	(4.7)	(2.7%)
Pharmaceuticals	131.8	134.9	(3.0)	(2.3%)
Bio-chemicals	42.2	43.9	(1.7)	(3.9%)
Other and elimination	(3.4)	(4.4)	1.0	—
Operating income	16.8	23.9	(7.1)	(29.7%)
Kyowa Hakko Kirin	16.8	23.9	(7.1)	(29.7%)
Pharmaceuticals	11.6	18.5	(6.8)	(37.2%)
Bio-chemicals	3.4	3.9	(0.5)	(12.9%)
Other, elimination of amortization of goodwill	4.7	4.5	0.2	6.3%
Amortization of goodwill	(3.0)	(3.0)	—	—

Action Plan to Achieve Full-year Target: Kirin Brewery



- Make downward revision of sales volume targets for beer products based on 2Q results
- Accelerate the momenta of well-performing *Ichiban Shibori* and *Tanrei Green Label*, and continuously implement sales measures to achieve the revised sales volume target for beer products
- **Expand *GRAND KIRIN* sales channels** to increase customer touch points with craft beer in order to “enhance the appeal of the beer category”
- Exceeded the cost reduction plan in 2Q, and continue efforts to achieve the operating income target set at the beginning of the year

Strengthen sales measures to accelerate the momentum



Strengthen sales measures by brand ranges



Enhance appeal of the beer category

Brand extension with distinctive taste



Akiaji Tanno

Launch in August

Entry craft beer



GRAND KIRIN

Sales channel expansion to volume retailer (e.g. supermarkets) and EC in September

Core craft beer



Action Plan to Achieve Full-year Target: Kirin Beverage



- Continue focusing on **increasing sales volume** of products in small containers through “**strengthen brands**” and “**reform profit structure**”
- **Increase investment in core brands**
- **Revise sales volume target upwards** but maintain the operating income target set at the beginning of the year considering the increased investment in brand products so as to **strengthen brands** from the mid- and long-term perspective

Strengthen brands



Maximize fall/winter peak demands utilizing the 30th anniversary of the product launch

生茶



Emphasize the high quality of *Nama-cha* and expand repeat sales



Ensure seasonal demand for hydration/salt supplementation is captured during summer

Reform profit structure

Sales activities with can/small PET bottle products centered

Control of sales promotion costs for large PET bottles

Efficient product replenishment via introducing an online vending machine system



- Continue to execute regional strategy for **strengthening beer sales volume and improved profitability**, while simultaneously **developing optimal and efficient organizations and supply chains**



Northern/north-eastern regions

- Increase channel coverage and customer contacts of highly profitable containers and channels by leveraging the brand portfolio centered on *Schin*
- Improve profitability through expanded sales of *Devassa*

South-eastern region

- Strengthen sales activities and branding of *Devassa* which has been repositioned in the upper mainstream segment in May

Southern/south-eastern regions

- Accelerate sales of high-value beer brands through launching cans of *Eisenbahn*, etc.

Revision of Full-year Consolidated Forecast

- Sales have been revised downwards mainly due to the following factors: a downward revision of the domestic beer products sales volume; deducting part of sales promotion expenses from sales at Kirin Beverage; a downward revision of the sales volume for the Lion dairy and drinks; impact of exchange rate fluctuations at Other Overseas Integrated Beverages, and a downward revision at Kyowa Hakko Kirin.
- Operating income has been revised upwards by 2.0 bn yen, reflecting an upward revision for Kyowa Hakko Kirin only; operating income targets of other businesses were not revised.
- The net income attributable to owners of parent has been revised upwards by 20.0 bn yen, acknowledging the special income anticipated due to termination of the distribution contract of imported beer in Australia.
- Forecast of normalized EPS has been down by 2 yen to 113 yen, but the annual dividend will remain at 38 yen.

(bn yen)	Full-year Consolidated Forecast		Change	Description	2015 actual	YoY change (%)
	2 Q revised	Initial forecast				
Sales	2,080.0	2,140.0	(60.0)	Japan Integrated Beverages (32.0); Overseas Integrated Beverages (21.0); Pharmaceuticals and Bio-chemicals (7.0)	2,196.9	(5.3%)
Operating income	127.0	125.0	2.0	Pharmaceuticals and Bio-chemicals +2.0	124.7	1.8%
Ordinary income	125.0	129.0	(4.0)	Foreign exchange impact and relevant equity in earnings of affiliates, etc. (4.5)	128.1	(2.5%)
Net income attributable to owners of parent	80.0	60.0	20.0	Special income due to termination of the distribution contract to import and sell beer in Australia, etc. approx. +20.0	(47.3)	—

Quantitative targets	2Q revised	Initial forecast	Change	2015 actual	YoY change (%)
ROE before amortization of goodwill etc.	16.4%	14.0%	—	(0.3%)	—
Normalized EPS	113 yen	115 yen	(2 yen)	117 yen	(3.4%)

- By reflecting a forecast of each operating company as of 2Q, a feasible amount of cost cuts in 2016 has been revised to 19 billion yen, while 2016-2018 Medium-term Business Plan aims at cutting cost by 30.0 billion yen in 3 years.
- The amount of cost cuts and key initiatives of each operating company are as follows:

(bn yen)	Cost cuts		Main cost cut measures
	2 Q revised	Initial forecast	
Kirin Brewery	7.0	5.0	Lower materials and ingredients procurement cost, raise production efficiency in factories
Kirin Beverage	2.5	1.5	Lower materials and ingredients procurement cost, raise capacity utilization and optimize supply chain costs
Lion	3.5	3.5	Further cost cuts in line with Dairy and Drinks Turnaround Plan, optimize supply chain costs, the other cost cuts initiatives undertaken in FY15 to be realized in FY16
Brasil Kirin	6.0	6.0	Manufacturing productivity improvement, lower procurement costs, streamline logistics, optimize staff numbers
Total	19.0	16.0	

(1) Overview of 2Q Financial Results

**(2) Progress and Challenges
for the 2016 MTBP**

- **2016 Medium-term Business Plan (2016 MTBP) has been on track**
- **Progress has been made as planned on some but not all challenges; further challenges have also been identified**
- **We will take actions quickly to address them**
- **Taking into consideration all of the above, the 2016 operating income target is achievable**

1. Beer businesses

Kirin Brewery	Lion (Beer, Spirits & Wine)	Myanmar Brewery	▶ Invest, strengthen and grow profit base
---------------	-----------------------------	-----------------	---

2. Low-profit businesses

Brasil Kirin	Kirin Beverage	Lion (Dairy & Drinks)	▶ Restructure, revitalize
--------------	----------------	-----------------------	---------------------------

3. Pharmaceuticals & Bio-chemicals businesses

Kyowa Hakko Kirin		▶ Invest to achieve outstanding growth
-------------------	--	--

Source Feb 2016 Kirin Group 2016-2018 Medium-term Business Plan

Progress

- ✓ Positive signs of *Ichiban Shibori* brand enhancement
- ✓ Progress in cost cuts has exceeded the plan

Challenge

- ✓ The *happo-shu* and new genre categories fell short of the sales volume target

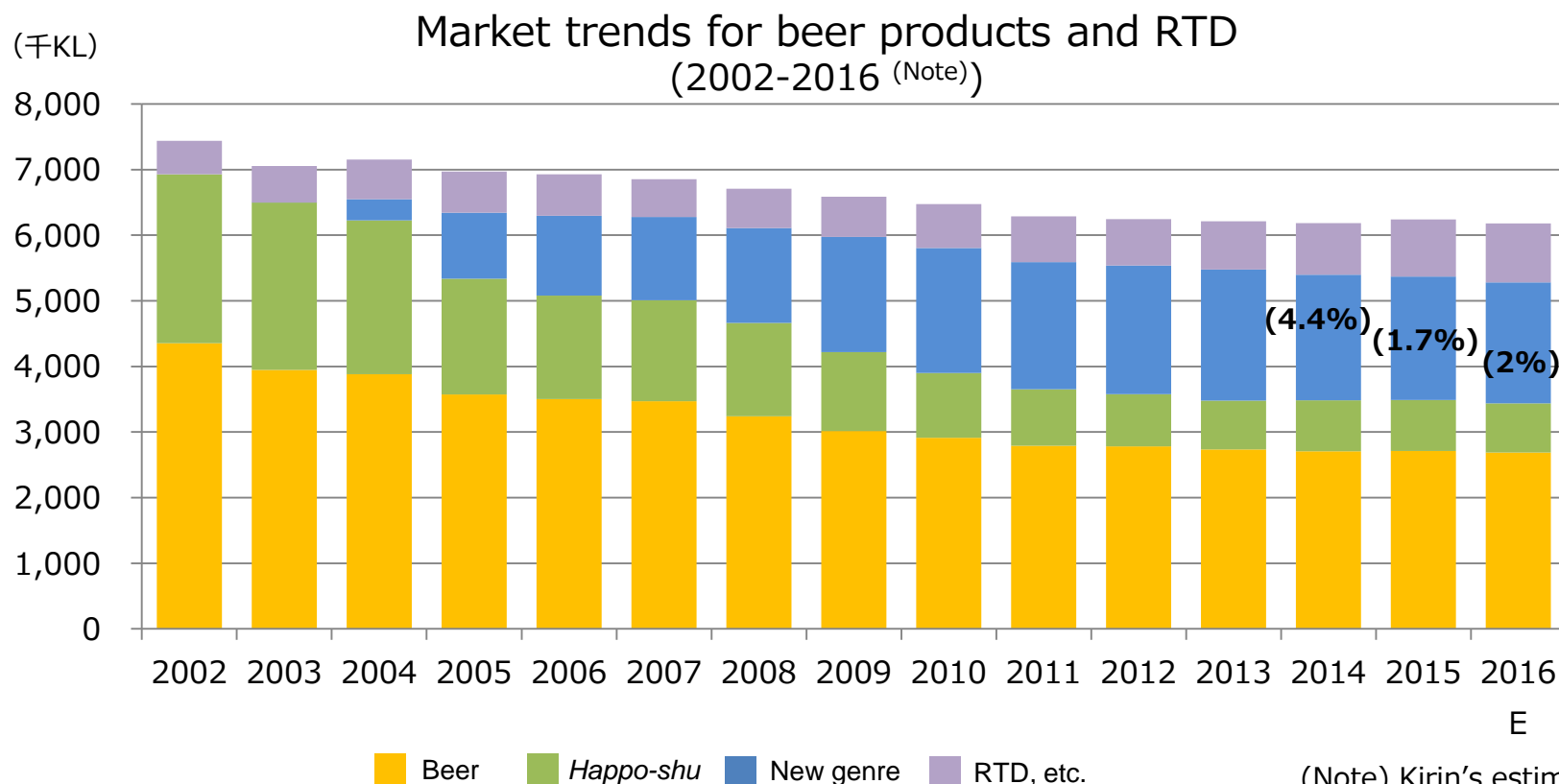
Kirin Brewery

► Target a V-Shaped recovery, growth in sales and profits

2018 Guidance	Measures to improve profitability
2018 OPM: 17%+* (2015: 15.1%) *Excluding liquor tax, before deduction of management fees	<ul style="list-style-type: none">• Enhance appeal of the beer category<ul style="list-style-type: none">- Grow beer category volume by sustained support for <i>Ichiban shibori</i>- Foster and grow craft beer brands• Strengthen functional categories<ul style="list-style-type: none">- Lead market growth with a diverse lineup leveraging Kirin's technical strengths• Strengthen business base; sustain brand investment<ul style="list-style-type: none">- Launch high value added RTDs and whiskies- Efficiently utilize advertising and sales promotion expenses- Achieve high productivity right across the supply chain

Source Feb 2016 Kirin Group 2016-2018 Medium-term Business Plan

- ✓ *The happo-shu segment has shrunk alongside expansion of the new genre segment*
- ✓ *The new genre segment has been shrinking recently due to demand shift to RTD, etc. against the backdrop of diversification of consumer tastes, which has been intensifying competition within the sector*

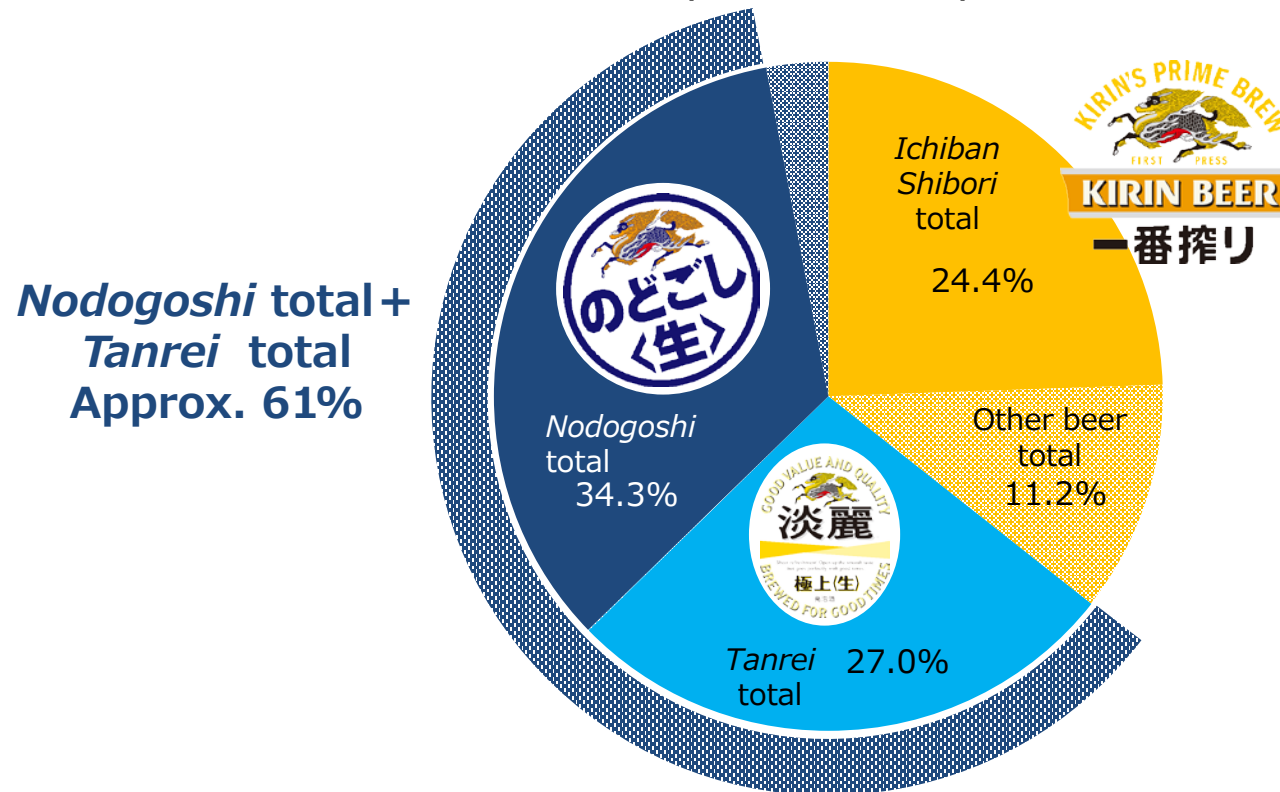


(Note) Kirin's estimate for 2016

(Source) Kirin survey

- ✓ Increase in the percentage of the beer category centering on *Ichiban Shibori* is critical
- ✓ However, that alone would not achieve a growth in sales and profits for Kirin Brewery; increase in consumer loyalty to *Nodogoshi* and *Tanrei* brands, which together account for approx. 60% of the total, is indispensable

Kirin Brewery: Sales volume of beer products
(2016 first-half)



Challenge

✓ Termination of Sale of the Imported Beer Products in Australia

Lion (Beer, Spirits & Wine)

























► Revitalize and grow the ANZ beer market

2018 Guidance	Measures to improve profitability
<ul style="list-style-type: none">• Maintain market position• Maintain high OPM (2015 OPM: 27.0%)	<ul style="list-style-type: none">• Revitalize the market<ul style="list-style-type: none">-Beer the Beautiful Truth campaign to revitalize the market• Strengthen growth categories<ul style="list-style-type: none">-Further strengthen our growing craft beer business-Develop growing cider category• Reduce indirect costs<ul style="list-style-type: none">-Reduced costs, gained operational efficiencies, other cost reduction initiatives undertaken in FY15 to be realized in FY16

Source Feb 2016 Kirin Group 2016-2018 Medium-term Business Plan

- ✓ Aim to recover profit level by rebuilding brand portfolio, optimal allocation of resources and so on

Major brands of each category

	FY 2016 (Until end of Sep 2016)	FY 2017 (From beginning of Oct 2016)
Craft	  	  
Premium	    <div>     etc. </div>	    <div> Strengthen brand portfolio through focus and possible expansion </div>
Classic (Standard)	  	  
Contemporary (Functional etc.)	 	 
Cider		

Progress

- ✓ *Gogo-no-Kocha* and *Nama-cha* drove the percentage increase of core brands
- ✓ Implemented initiatives to control sales promotion expenses for large PET products
- ✓ Cost cuts in supply chain exceeded the plan
- ✓ Implemented alliance with DyDo DRINCO (space sharing of vending machines)

Challenge

- ✓ Achieve to make *Mets* one of the standard brands in carbonated drink market, and to revitalize the *FIRE* brand in coffee drink market

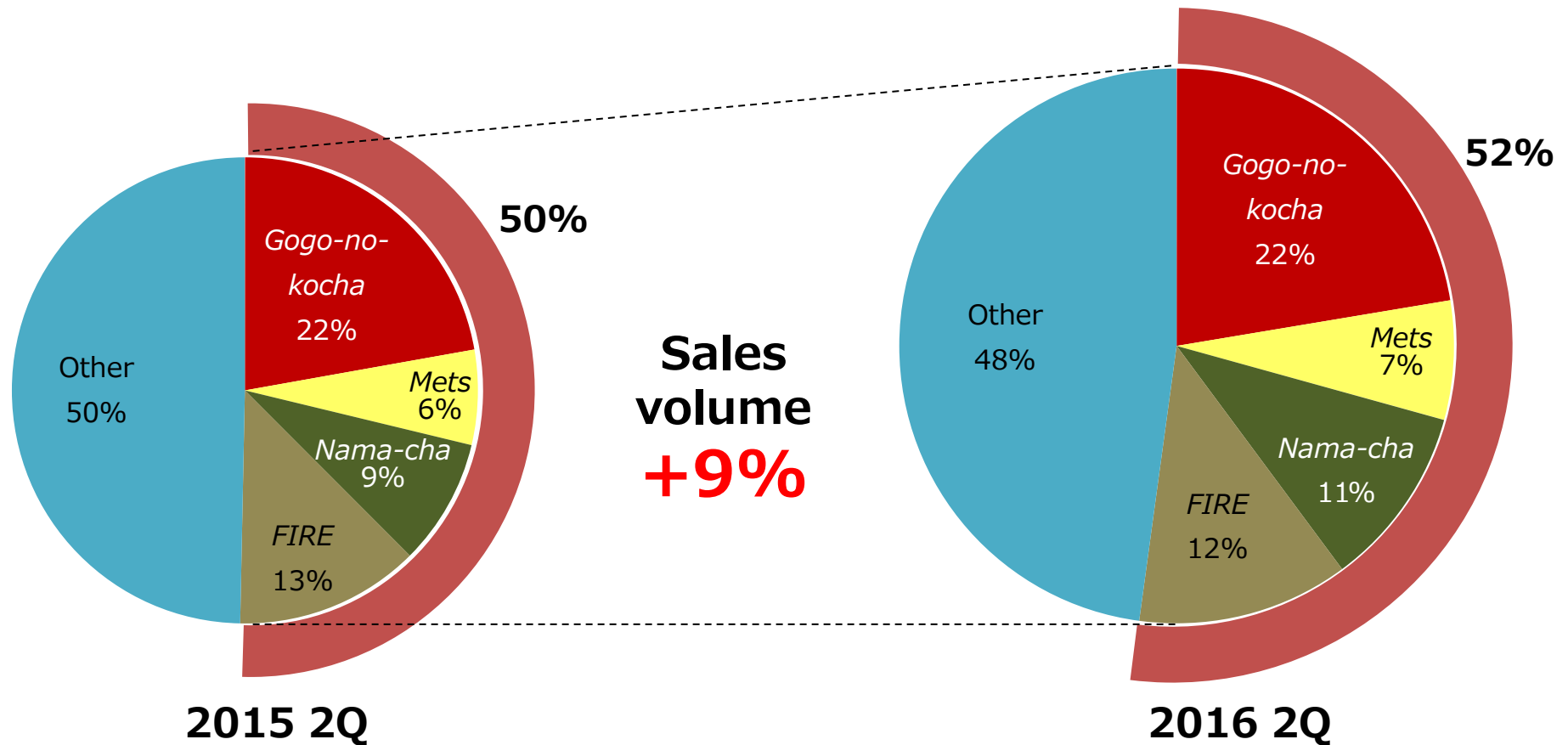
Kirin Beverage

► Achieve profitable growth through structural reform

2018 Guidance	Measures to improve profitability
OPM* above 3% (2015:1.5%) <small>*Operating income before deduction of management fee</small>	<ul style="list-style-type: none"> • Build robust brand framework <ul style="list-style-type: none"> - Focus on the 3 major categories • Reform profit structure <ul style="list-style-type: none"> - Switch to sales force evaluation based on brand profitability, focus on canned/small PET bottled beverages - Reform supply chain cost structure - Raise labor productivity • Use alliances to solve structural issues

Source Feb 2016 Kirin Group 2016-2018 Medium-term Business Plan

- ✓ As overall sales volume of non-alcoholic beverages significantly increased by 9%, percentage of core brands increased led by *Gogo-no-kocha* and *Nama-cha*
- ✓ Next steps are continued focus on strengthening the *Nama-cha* brand, along with solid sales of *Mets* as a standard product and revitalization of the *FIRE* brand



Progress

- ✓ *Gogo-no-Kocha* and *Nama-cha* drove the percentage increase of core brands
- ✓ Implemented initiatives to control sales promotion expenses for large PET products
- ✓ Cost cuts in supply chain exceeded the plan
- ✓ Implemented alliance with DyDo DRINCO (space sharing of vending machines)

Challenge

- ✓ Achieve to make *Mets* one of the standard brands in carbonated drink market, and to revitalize the *FIRE* brand in coffee drink market

Kirin Beverage

► Achieve profitable growth through structural reform

2018 Guidance	Measures to improve profitability
OPM* above 3% (2015:1.5%) <small>*Operating income before deduction of management fee</small>	<ul style="list-style-type: none"> • Build robust brand framework <ul style="list-style-type: none"> - Focus on the 3 major categories • Reform profit structure <ul style="list-style-type: none"> - Switch to sales force evaluation based on brand profitability, focus on canned/small PET bottled beverages - Reform supply chain cost structure - Raise labor productivity • Use alliances to solve structural issues

Source Feb 2016 Kirin Group 2016-2018 Medium-term Business Plan

- ✓ Adopting a strategy to address the issues, creating initiatives for implementation, and sharing information across the organization through close communication led to actual implementation of the strategy

【Strategy addressing the issues】

Enhancing Brands
rather than
pursuing sales volume



Promoting Small Containers
rather than large containers



Improving Profitability
rather than expanding scale

【Relevant initiatives】

Strengthen/revitalize existing brands
rather than new product launch

Retail channel

Target management centering on small containers

Management system for variable sales promotion costs

Control of sales promotion expenses for large PET products

Vending machine

Expansion of products exclusive to vending machines

Alliance for vending machine space sharing

Close communication between HQs and branches, sharing the sense of crisis

Company-wide execution of strategy

Progress

- ✓ Increase in sales volume of high-value products in the southern/south-eastern regions
- ✓ Steady cost cuts throughout the supply chain
- ✓ Steps taken towards optimization of production sites

Challenge

- ✓ Recovery of sales volume in the northern and north-eastern regions behind anticipation

Brasil Kirin

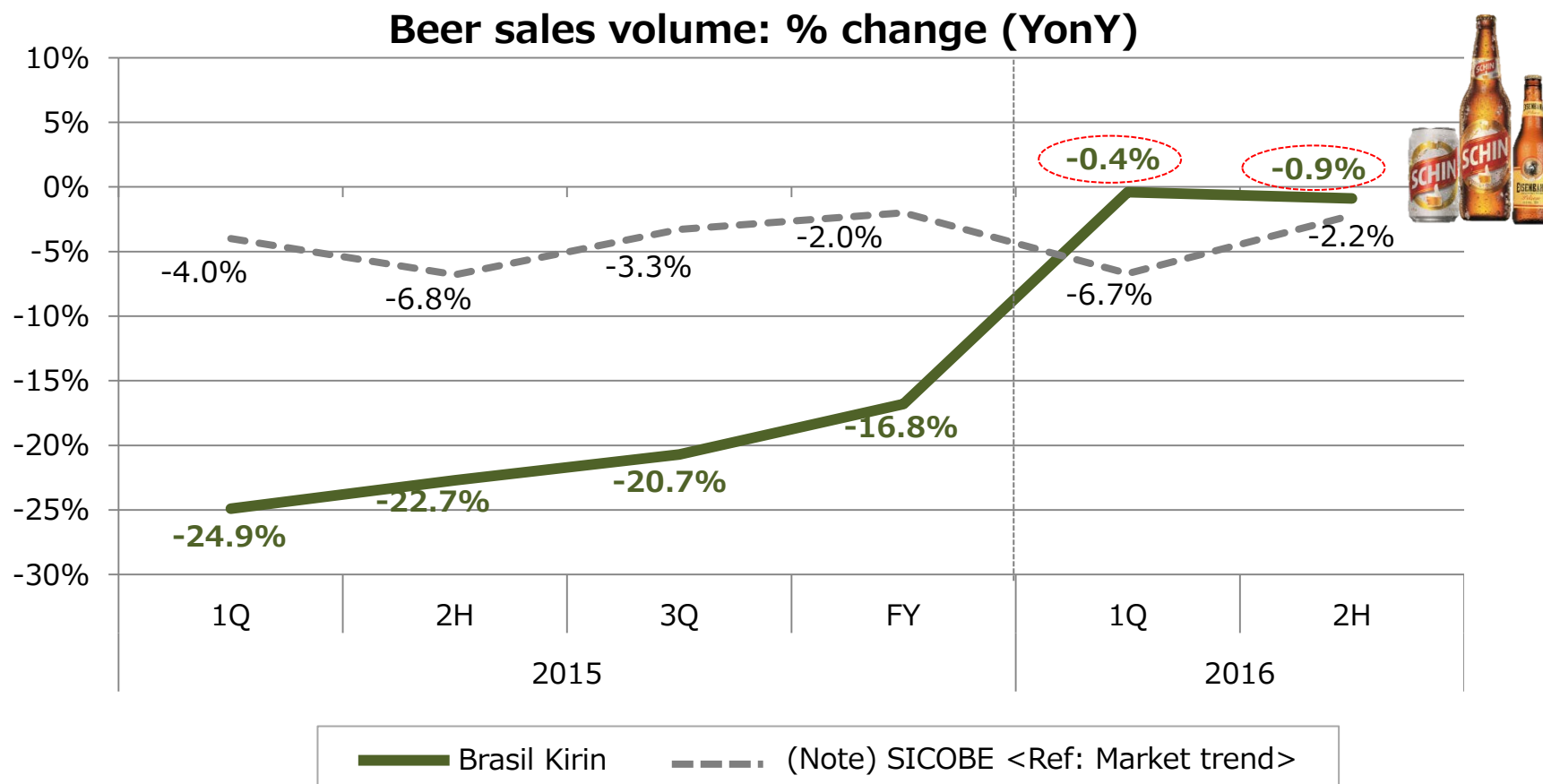
► Achieve profitability through full restructuring

Guidance	Measures to improve profitability
Achieve profit in 2019 (2015: ¥18.5bn loss*) *Operating income before amortization of goodwill etc.	<ul style="list-style-type: none">• Grow profit domains based on regional product strategy<ul style="list-style-type: none">-Focus on core Schin brand in North and Northeast-Focus on high value added products in South and Southeast• Shift to cost structure and organization matched to sales volume<ul style="list-style-type: none">-Cut supply chain costs by improving efficiency of own distribution etc.-Right-size production base, explore asset sales-Optimize employee numbers and cut other indirect costs-Cut low-profit business-Cut SKUs• Consider business alliances and reorganization

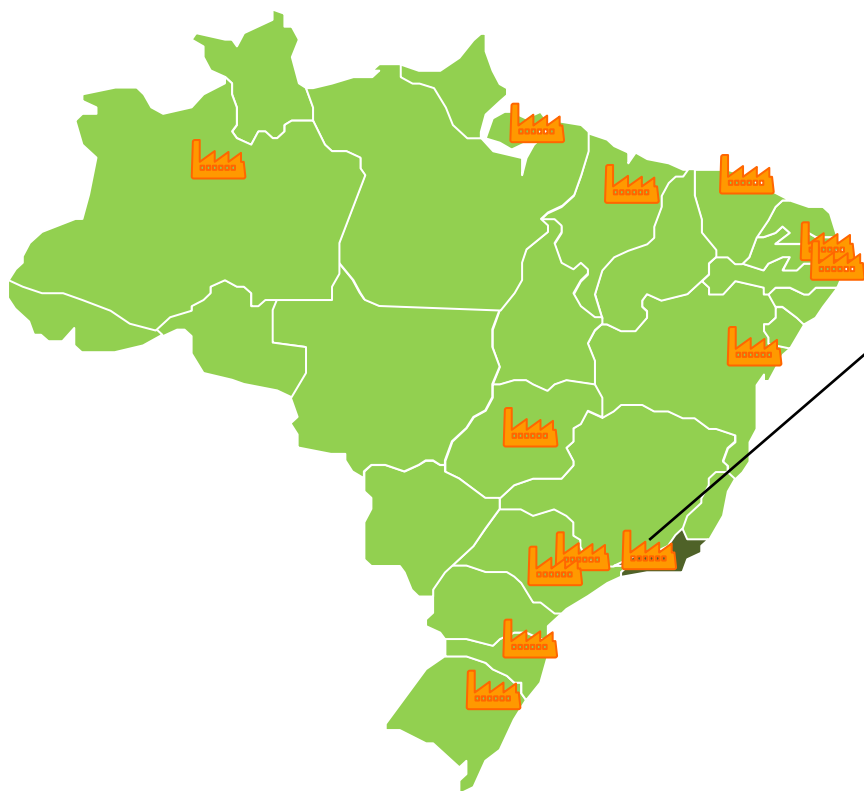
Source: Reference materials for Kirin Group Medium-Term Business Plan (announced in Feb 2016)

Brasil Kirin: Growth of Profitable Domain through Regional Strategy **KIRIN**

- ✓ Against the backdrop of a sluggish economy in the northern and north-eastern regions, recovery of beer sales volume in the regions has not been achieved as planned
- ✓ As a result, the overall beer sales volume was down 0.9% from last year although it exceeded the market average



- ✓ Along with steady progress in the initiatives to achieve a cost reduction of R\$200MM, sale of the Macacu plant to optimize production sites has been officially approved




Macacu plant

Apr 2016: Filed an application with CADE, the competition regulator in Brazil, to sell the plant

Jun 2016: CADE officially announced there was no issue posed to fair competition regarding the sale

July 2016: No objection regarding the sale was lodged and CADE officially approved the sale

 Negotiations are underway to reach a final agreement

Progress

✓ Development of three global strategic products well on track

Kyowa Hakko Kirin

► Realize a major uplift in growth as a global specialty pharmaceutical company

2020 Guidance

Invest to achieve outstanding growth

Core operating income* of ¥100bn+
*(Pre-consolidation)

- **Improve global competitiveness**
 - Launch three global products in Europe and the U.S
 - Build a global sales framework and organization

* Operating Income + Amortization of goodwill + Profits/Losses of equity accounted affiliates

Source Feb 2016 Kirin Group 2016-2018 Medium-term Business Plan

Three global strategic products expected to be approved by 2020

Development No.	Indication/Target disease
KW-6002	Parkinson's disease
KRN23	X-linked hypophosphatemic rickets
KW-0761	ATL (Adult T-cell Leukemia-Lymphoma) and CTCL (Cutaneous T-Cell Lymphoma)



Food and Drug Administration (FDA) granted **Breakthrough Therapy Destination** to KRN23

Examples of preferential treatment under the destination:

- FDA will ensure timely advice to help develop the drug as efficiently as possible
- FDA will involve experienced senior managers in a proactive and collaborative review

Product approved for manufacturing and marketing in Japan (Date of approval: July 4)

Product name	Indication/Target disease
LUMICEF® Subcutaneous Injection 210mg Syringe	The following diseases that respond inadequately to existing therapies: Psoriasis vulgaris, psoriatic arthritis, pustular psoriasis, and psoriatic erythroderma

- ▶ **Bold action groupwide to restructure and revitalize Kirin, focus on profitability**
- ▶ **Selective, focused allocation of resources, clear priorities**
- ▶ **Decisive implementation, full commitment to achieve targets**

KIRIN

**この資料は投資判断の参考となる情報の提供を目的としたものであり、投資勧誘を目的としたものではありません。
銘柄の選択、投資の最終決定は、ご自身の判断でなさるようお願いいたします。**

This material is intended for informational purposes only and is not a solicitation or offer to buy or sell securities or related financial instruments.

Appendix

Normalized EPS Breakdown

KIRIN

(bn yen)	2016 target (2Q revised)	2016 2Q	2015 2Q
Net income attributable to owners of parent	80.0	33.8	33.1
Amortization of goodwill etc.	38.6	19.7	22.9
Special income or expenses after income taxes and minority interests	(15.1)	(5.4)	(4.3)
Normalized net income (1)	103.5	48.1	51.7
Average number of shares outstanding during period (000 shares) (2)	912,524	912,526	912,542
Normalized EPS (yen) (1)÷(2)	113	53	57

Revision of Full-year Consolidated Forecast: Japan Integrated Beverages



(bn yen)	2016 (2Q revised)	2015 actual	YoY change (%)		2016 (Initial forecast)	YoY change (%)
Sales	1,164.0	1,191.5	(27.5)	(2.3%)	1,196.0	0.4%
Kirin Brewery	705.1	707.2	(2.1)	(0.3%)	711.0	0.5%
Kirin Beverage*	342.7	372.0	(29.3)	(7.9%)	368.0	(1.1%)
Mercian	67.4	69.3	(1.9)	(2.9%)	70.2	1.3%
Other and elimination	48.7	42.8	5.9	13.9%	46.6	9.0%
Operating income	56.0	47.9	8.0	16.7%	56.0	16.7%
Kirin Brewery	70.8	62.6	8.1	13.1%	70.8	13.1%
Kirin Beverage	11.1	5.6	5.4	96.0%	11.1	96.0%
Mercian	1.7	1.9	(0.2)	(10.5%)	1.7	(10.5%)
Others	(27.6)	(22.2)	(5.3)	—	(27.6)	—

* 2016 (2Q revised): Sales promotion expenses (32.3 bn yen) are deducted from sales (no such deduction at 2016 (initial forecast))

Revision of Full-year Consolidated Forecast: Kirin Brewery



		2016 (2Q revised)	2015 actual	YonY change (%)	2016 (Initial forecast)	YonY change (%)
Sales volume (000 KL)	Beer	687	660	4.1	676	2.3
	<i>Happo-shu</i>	475	501	(5.3)	483	(3.7)
	New genre	587	633	(7.3)	621	(2.0)
	Beer products total	1,750	1,796	(2.6)	1,780	(0.9)
	RTD total	298	282	5.7	295	4.5
	Non-alcoholic drinks	26	28	(9.8)	30	4.1
Sales (bn yen)		705.1	707.2	(0.3)	711.0	0.5
Sales excl. liquor tax (bn yen)		413.3	415.3	(0.5)	418.6	

2015 Operating income		62.6	Description	2016 (Initial forecast)	
YonY change (bn yen)	Decrease in marginal profit for alcoholic beverages	(1.9)	Increase in beer +3.6; up 27,000kl, decrease in <i>happo-shu</i> (2.8); down 26,000kl, decrease in new genre (5.3); down 46,000kl, increase in RTD +1.2; up 16,000kl, difference of change in products mix, etc.	Increase in marginal profit for alcoholic beverages	2.1
	Decrease in raw material costs, etc.	2.9	Decrease in raw material costs etc.	Decrease in raw material costs, etc.	1.9
	Selling expenses	0.0	Flat in sales promotion and advertising expenses 0.0 (Total 98.3 bn yen → 98.3 bn yen)	Selling expenses	0.0
	Decrease in other expenses	7.1	Decrease in depreciation costs, decrease in personnel costs, etc.	Decrease in other expenses	4.1
Total		8.1	* Including an influence of change in depreciation method 4.0	Total	8.1
2016 Operating income		70.8		Operating income	70.8

Revision of Full-year Consolidated Forecast: Kirin Beverage



Sales volume (million cases)		2016 (2Q revised)	2015 actual	YonY change (%)	2016 (Initial forecast)	YonY change (%)
Category	Black tea	51.90	48.08	7.9	48.20	0.2
	Japanese tea	23.00	20.53	12.0	19.10	(7.0)
	Coffee	31.60	31.29	1.0	31.50	0.7
	Fruit and vegetable juice	27.00	26.39	2.3	26.50	0.4
	Carbonated beverages	23.20	24.18	(4.1)	23.10	(4.5)
	Functional beverages	7.90	7.61	3.8	7.30	(4.1)
	Water	38.90	39.02	(0.3)	35.40	(9.3)
	Other	18.80	20.18	(6.8)	19.50	(3.4)
Container type	Can	40.93	39.20	4.4	38.93	(0.7)
	Large-sized PET bottles	66.66	69.70	(4.4)	60.81	(12.8)
	Small-sized PET bottles	91.76	85.70	7.1	88.45	3.2
	Other	22.95	22.68	1.2	22.41	(1.2)
	Total	222.30	217.28	2.3	210.60	(3.1)
Sales (bn yen)		34.27	37.20	(7.9)	368.0	(1.1)

2015 Operating income		5.6	Description
YonY change (bn yen)	Increase in marginal profit for non-alcoholic beverages	3.4	Increase in sales volume +2.2; up 5.01 million cases, Difference due to products and container mix, etc. +1.2
	Decrease in raw material costs, etc.	4.7	Decrease in material cost +1.6, in wrapping cost +0.8, and in processing cost +2.2
	Increase in selling expenses	(3.7)	Increase in sales promotion and advertising expenses (3.7) (Total 37.4 bn yen → 41.1 bn yen)
	Decrease in other expenses	1.0	Decrease in sales equipment cost, etc
Total		5.4	* Including an influence of change in depreciation method 4.0
2016 Operating income		11.1	

2016 (Initial forecast)	
Increase in marginal profit (Difference in mix +6.3)	3.3
Decrease in raw material costs, etc.	3.2
Increase in selling expenses	(1.2)
Decrease in other expenses	0.1
Total	5.4
Operating income	11.1

Revision of Full-year Consolidated Forecast: Lion



	Yen base (bn yen)				2016 Initial forecast	A\$ base (million A\$)				2016 Initial forecast
	2016 (2Q revised)	2015 actual	YonY change	YonY change(%)		2016 (2Q revised)	2015 actual	YonY change	YonY change(%)	
Sales	374.5	438.7	(64.1)	(14.6)	384.0	4,513	4,709	(196)	(4.2)	4,627
Alcohol	220.5	248.6	(28.1)	(11.3)	221.8	2,657	2,669	(12)	(0.5)	2,673
Dairy and Drinks	154.0	190.0	(36.0)	(19.0)	162.2	1,856	2,040	(184)	(9.0)	1,954
Operating income before amortization of goodwill etc.	56.5	63.9	(7.4)	(11.6)	56.5	681	686	(5)	(0.8)	681
Alcohol*	57.9	67.2	(9.2)	(13.8)	57.9	698	721	(23)	(3.2)	698
Dairy and Drinks*	6.4	4.3	2.1	49.1	6.4	77	46	31	67.3	77
Corporate*	(7.8)	(7.6)	(0.2)	—	(7.8)	(94)	(81)	(12)	—	(94)
Goodwill amortization	(10.8)	(12.1)	1.3	—	(10.8)	(130)	(130)	0	—	(130)
Brand amortization	(3.1)	(3.7)	0.5	—	(3.1)	(38)	(39)	1	—	(38)
Operating income	(42.5)	48.0	(5.5)	(11.5)	42.5	512	516	(3)	(0.7)	512

Consolidation period: Oct 015 to Sep 2016 (Currency rate: ¥83/A\$ (previous year ¥93.16))

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

Revision of Full-year Consolidated Forecast: Brasil Kirin



	Yen base (bn yen)				2016 Initial forecast	Real base (million R\$)				2016 Initial forecast
	2016 (2Q revised)	2015 Actual	YonY change	YonY Change(%)		2016 (2Q revised)	2015 actual	YonY change	YonY change(%)	
Sales	112.9	134.2	(21.3)	(15.9)	114.3	3,765	3,698	66	1.8	3,813
Operating income before amortization of goodwill etc.	(8.9)	(11.7)	2.8	—	(8.9)	(296)	(322)	25	—	(296)
Goodwill amortization	—	(4.2)	4.2	—	—	—	(117)	117	—	—
Brand amortization	(0.6)	(2.5)	1.8	—	(0.6)	(22)	(69)	47	—	(22)
Operating income	(9.5)	(18.5)	8.9	—	(9.5)	(318)	(509)	191	—	(318)
EBITDA	1.5	0.2	1.2	613.8	1.5	50	5	44	763.7	50

Consolidation period : Jan 2016 to Dec 2016 Currency rate : ¥ 30.00 (previous year: ¥ 36.30)

(No change) Full-year Consolidated Forecast: Myanmar Brewery

KIRIN

	2016 Plan	
	bn yen	b MMK
Sales	22.8	253
Operating Income before goodwill etc. amortization	8.8	99
Goodwill amortization	(1.6)	(17)
Brand amortization	(1.6)	(18)
Operating income	5.6	64

Consolidation period : Oct 2015 to Sep 2016

Currency rate : 1,000 Kyat = ￥ 90.00

Revision of Full-year Consolidated Forecast: Kyowa Hakko Kirin



bn yen	2016 (2Q revised)	2015 actual	YonY change		2016 (Initial forecast)
Sales	336.0	355.7	(19.7)	(5.6%)	343.0
Kyowa Hakko Kirin	344.0	364.3	(20.3)	(5.6%)	351.0
Pharmaceuticals	263.0	278.4	(15.4)	(5.5%)	267.0
Bio-chemicals	81.0	85.9	(4.9)	(5.7%)	84.0
Other and elimination	(8.0)	(8.5)	0.5	—	(8.0)
Operating income	35.0	46.8	(11.8)	(25.2%)	33.0
Kyowa Hakko Kirin	35.0	46.8	(11.8)	(25.2%)	33.0
Pharmaceuticals	27.5	36.2	(8.7)	(24.0%)	23.0
Bio-chemicals	4.5	8.1	(3.6)	(44.6%)	7.0
Other, elimination of goodwill amortization	9.1	8.6	0.5	5.9%	9.1
Goodwill amortization	(6.1)	(6.1)	—	—	(6.1)

Kirin Beverage: Change of Description for “Operating income breakdown”



- Along with the change starting from 2Q to deduct part of the sales promotion expenses from sales, the base of calculations for “Operating income breakdown” in the supplementary document to the quarterly financial results has been changed from gross profit to **marginal profit**.
- The total amount of variable sales promotion expenses that vary according to the sales volume and transportation expenses are included in “Changes in marginal profit of non-alcoholic beverages” instead of in “Changes in selling expenses”.
- As a result, “Changes in selling expenses” shows the change in sales promotion expenses other than the variable sales promotion expenses described in the above, as well as the change in advertising expenses; and the actual amount of selling expenses is included in the description.

Company name	Factor	YonY change (bn yen)	Description	
Kirin Beverage	Increase in marginal profit for non-alcoholic beverages	1.7	Increase in sales volume +3.8, up 8.74 million cases Difference due to product/packaging mix, etc. (2.1)	Changes in marginal profit reflect the total amount of variable sales promotion expenses that vary according to the sales volume and transportation expenses
	Decrease in raw material expenses, etc.	3.3	Decrease in material expenses +1.0; decrease in packaging expenses +0.6; decrease in processing expenses +1.5	Changes in marginal profit due to differences in product/packaging mix are listed in the description as included number
	Decrease in selling expenses	2.5	Decrease in sales promotion cost +0.3; decrease in advertising cost +2.2 (total 19.7 bn yen → 17.2 bn yen)	Changes in fixed sales promotion expenses that are not dependent on the sales volume and changes in advertising expenses are listed separately
	Decrease in other expenses	1.7	Decrease in sales equipment expenses, etc.	Actual amount of selling expenses
Total		9.3	*Including the impact of 2.1 bn yen due to change in depreciation method	