おいしさを笑顔に

KIRIN

Kirin Group
Financial Results for the First Half of 2012

August 3, 2012

Kirin Holdings Company, Limited

Contents

Highlights of 2012 H1 Results

Aiming for top line growth, overseas operations contributed to increased revenue, while quarterly net income met our H1 target.

(billion yen)	2012 H1	YoY change	
Domestic alcohol beverages	388.6	(3.6)	(0.9)%
Domestic non-alcohol beverages	151.2	5.4	3.8%
Overseas Beverages	293.7	61.2	26.3%
Pharmaceuticals and Bio-chemicals	161.5	(19.6)	(10.8)%
Other	46.4	(3.2)	(6.5)%
Sales	1,041.6	40.2	4.0%
Domestic alcohol beverages	21.4	(7.4)	(25.9)%
Domestic non-alcohol beverages	(2.5)	(1.4)	—
Overseas Beverages	11.7	0.2	2.3%
Pharmaceuticals and Bio-chemicals	26.8	(4.4)	(14.2)%
Other	1.7	(1.4)	(44.2)%
Operating income	57.2	(15.6)	(21.4)%
Equity in earnings of affiliates	(0.1)	(5.8)	—
Ordinary income	49.4	(23.0)	(31.8)%
Special income and expenses	0.5	12.9	—
Income before income taxes and minority interests	50.0	(10.1)	(16.8)%
Net income	13.1	(4.8)	(26.9)%

- Sales
  - Increased sales for domestic non-alcohol beverages
  - Higher revenues for the overseas beverages business, with incorporation of Brazilian business P&L

  → Up 40.2 billion yen to 1,041.6 billion yen

- Operating income
  - Overseas beverages business performed in accordance with the plan
  - Operating income fell due to the lower sales volume for domestic alcohol drinks and higher selling expenses
  - Exclusion of the chemicals business from Kyowa Hakko Kirin (March 2011)

  → Down 15.6 billion yen to 57.2 billion yen

- Ordinary income
  - Equity in earnings of affiliates decreased

  → Down 23.0 billion yen to 49.4 billion yen

- Net income
  - Down 4.8 billion yen to 13.1 billion yen (H1 target achieved)

2012 Target (revised)

おいしさを笑顔に KIRIN

Increased revenue and profits are being sought through continued brand reinforcement and solid progress overseas. Net income is in accordance with the goal set at the beginning of the year.

(billion yen)		Full-year Forecast (Revised)	Difference to initial forecast	YoY change	
	Domestic alcohol beverages	868.0	(15.0)	(0.2)	(0.0)%
	Domestic non-alcohol beverages	336.0	(4.0)	21.4	6.8%
	Overseas Beverages	593.0	6.0	138.7	30.6%
	Pharmaceuticals and Bio-Chemicals	324.0	6.0	(8.8)	(2.7)%
	Other	99.0	(3.0)	(2.9)	(2.9)%
Sales		2,220.0	(10.0)	148.2	7.2%
	Domestic alcohol beverages	65.0	(8.5)	(5.5)	(7.9)%
	Domestic non-alcohol beverages	4.0	(2.0)	1.1	42.7%
	Overseas Beverages	27.5	—	12.1	78.7%
	Pharmaceuticals and Bio-Chemicals	55.0	4.0	5.5	11.2%
	Other	6.5	—	0.2	3.8%
Operating income		155.0	(7.0)	12.1	8.5%
	Equity in earnings of affiliates	(0.7)	(1.9)	(11.3)	—
Ordinary income		134.0	(6.0)	(2.8)	(2.1)
	Special income and expenses	(2.0)	10.0	49.8	—
Income before income taxes and minority interests		132.0	4.0	47.0	55.4%
Net income		48.0	-	40.5	548.0%

- Domestic alcohol/non-alcohol beverages
  - Consideration of H1 and current sales conditions
  - Investment for growth in core brands
    → Downward revisions to sales and operating income
- Overseas beverages
  - Targets set at the beginning of the year remain in place
    → Operating income is unchanged from the goal set at the beginning of the year.
- Pharmaceuticals and Bio-chemicals
  - Strong sales of major products
    → Upward revisions to sales and operating income
- Net income
  - Further focus on asset reduction
    → No change to the goal set at the beginning of the year

H1 Review and challanges facing achievement of 2012 Target

Favorable progress overseas. Achieving core brand growth in the domestic integrated beverages business is a challenge.

■ Toward strengthened profitability in the overseas integrated beverages business

Results

- Lion : Increased revenue and earnings in alcohol beverages business; a stronger product portfolio in growth categories
- Schincariol : Sales volume of H1 are in line with annual targets; favorable progress in PMI activities

Challenges

- Lion : Reinforcement of high value-added categories in soft drink beverages business; optimization of procurement costs
- Schincariol : Response to changes in the business environment; maintenance/expansion of market presence

■ Toward renewed growth in the domestic integrated beverages business

Results

Creation of new customer value:

- Kirin Beverage: *Kirin Mets cola*, the first-ever cola for specified health use, becomes a big hit
- Kirin Brewery: *Ichiban-shibori frozen nama*, a new taste experience, makes waves

Challenges

Realization of core brands growth

- Continued focus on brand reinforcement through selection and concentration, with further emphasis on cost efficiency
- Greater retail exposure through marketing activities that fully focus on brand appeal from the customer's perspective

Domestic integrated beverages business – H1 Results

Brand new concepts were proposed in existing categories. Proactive investments were made in core brands to accomplish top line growth.

(billion yen)		2012 H1	YoY change	
	Kirin Brewery*2	344.8	(2.2)	(0.6)%
	Mercian	32.3	(3.4)	(9.6)%
	Kirin Beverage	152.0	4.5	3.1%
Sales*1		539.8	1.8	0.3%
	Kirin Brewery*2	19.3	(7.8)	(28.8)%
	Mercian	0.5	(0.2)	(29.7)%
	Kirin Beverage	(2.5)	(1.6)	–
Operating income*1		18.8	(8.9)	(32.1)%

*1 Domestic alcohol beverages + Domestic non-alcohol beverages
*2 Kirin Brewery + Kirin Beer Marketing

- Kirin Brewery:
  - *Ichiban-shibori frozen nama* drove results for beer, while RTD continued to perform well.
  - *Nodogoshi-nama* and *Kirin free* were revamped.
- Mercian:
  - Strong wine sales: Achievement of the targeted operating income partly due to revenue structure reforms.
- Kirin Beverage:
  - The unit sales goal was largely achieved based on the strong performance of *Kirin Mets cola*.
  - Demand for water continued to be at a high level, resulting in increased sales of *Alkali-Ion-no-Mizu*.

Domestic integrated beverages – H2 Initiatives

Further emphasis on cost efficiency, with continued reinforcement of core brands extending to the next year and beyond

(billion yen)		Full-year Forecast (Revised)	Difference to initial forecast	YoY change		H2 Forecast	YoY change	
	Kirin Brewery*2	767.7	(22.0)	(7.5)	(1.0)%	422.9	(5.2)	(1.2)%
	Mercian	69.5	(0.7)	(2.3)	(3.3)%	37.1	1.0	3.0%
	Kirin Beverage	337.2	(5.0)	20.1	6.3%	185.1	15.5	9.2%
Sales*1		1,204.0	(19.0)	21.1	1.8%	664.1	19.3	3.0%
	Kirin Brewery*2	60.0	(10.0)	(6.6)	(10.0)%	40.6	1.1	3.0%
	Mercian	1.4	0.1	0.1	10.7%	0.8	0.3	72.7%
	Kirin Beverage	3.8	(2.0)	1.1	44.8%	6.3	2.8	81.1%
Operating income*1		69.0	(10.5)	(4.3)	(6.0)%	50.1	4.5	10.0%

*1 Domestic alcohol beverages + Domestic non-alcohol beverages
*2 Kirin Brewery + Kirin Beer Marketing

➢ Kirin Brewery

- Efforts to increase brand freshness of revamped *Nodogoshi-nama* by thorough retail exposure.
- Expansion of the domain with *Zero-hai* in addition to *Kirin free* in the growing non-alcohol market

➢ Kirin Beverage

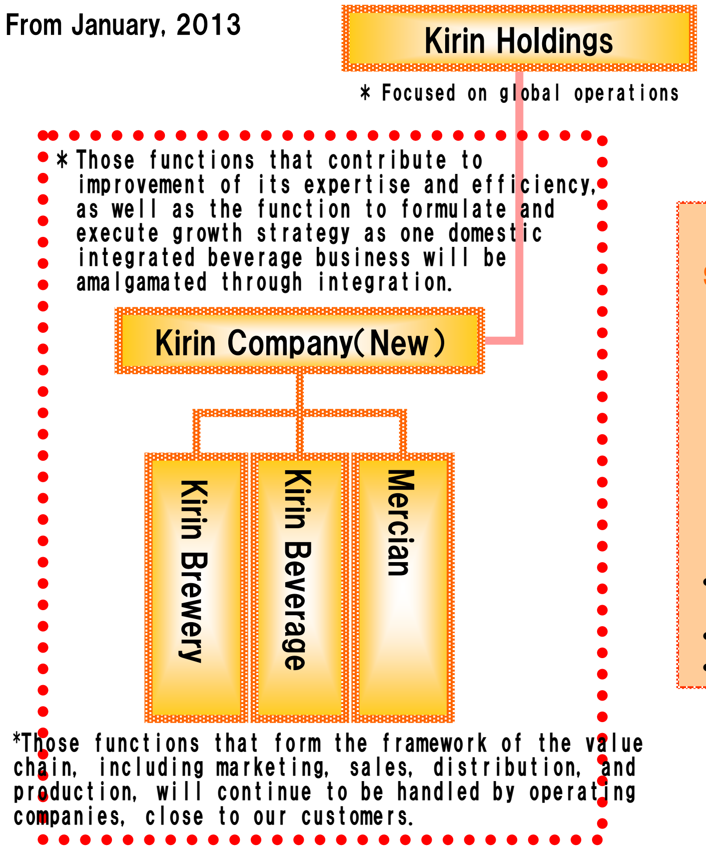
- *Kirin Mets cola* brand development and reinforcement of core brands

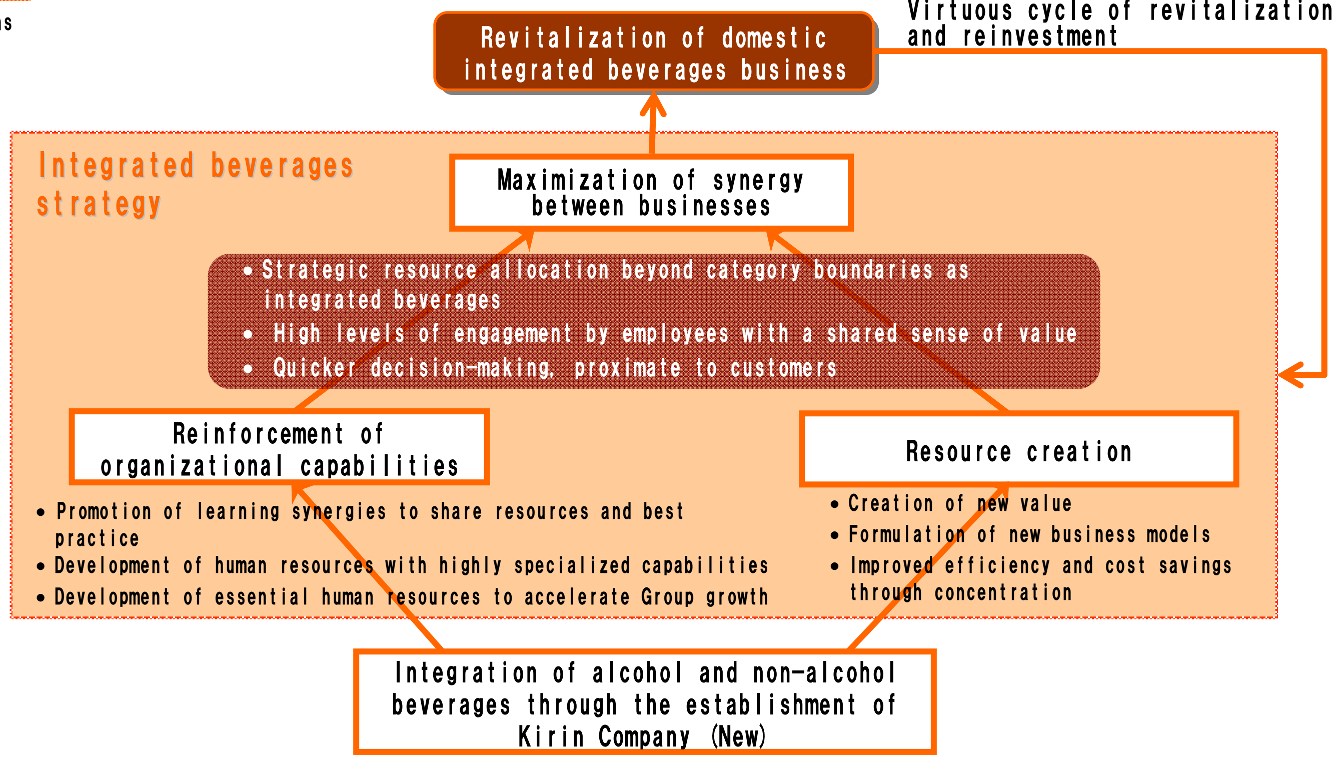
➢ Promotion of strategies mainly based on the brand-centered management – Initiatives for brand-building from a total perspective of integrated beverages

Toward medium-term growth for domestic integrated beverages

- In order to reinvigorate growth for domestic integrated beverages, some of the functions of Kirin Brewery, Kirin Beverage, Mercian, Kirin Group Office and Kirin Holdings will be amalgamated into Kirin Company (New), to be established in January 2013.
- The combination of Kirin Company, Kirin Brewery, Kirin Beverage and Mercian as one entity will formulate and execute growth strategy, as well as facilitate brand-centered management through strategic resources allocation transcending category boundaries.
- Kirin Holdings will play a specialized role as Global HQ, focusing on global operations.

From January, 2013





Overseas integrated beverages – Lion H1 Results

おいしさを笑顔に KIRIN

Realized group earnings as planned due a strong performance from the Australian alcohol business, while the soft drink business saw sales decline.

2012 H1	Consolidated basis		Local basis	
	billion yen	YoY	million AUD	YoY
Alcohol beverages	98.6	1.8%	1,197	1.7%
Soft drink beverages	108.4	(8.8)%	1,316	(8.9)%
Sales Revenue	207.1	(4.1)%	2,514	(4.2)%
Alcohol beverages	26.6	5.1%	323	5.0%
Soft drink beverages	4.0	(21.5)%	48	(21.5)%
Corporate expense	(3.4)	35.2%	(42)	35.1%
Operating Income	27.2	(2.5)%	330	(2.6)%
Goodwill	(12.7)	0.3%	(154)	0.2%
Brand amortisation	(1.9)	(58.1)%	(23)	(58.1)%

➢ **Alcohol Beverages**
- Despite the decline of the total beer market, the business grew revenue and profit, increasing volumes by 1.8%. This was realized through a strong performance from core trademarks and innovations.
- Lion strengthened its position in the growing international premium segment by adding "Corona Extra" and "Stella Artois" to its product portfolio and its proposed acquisition of Little World Beverages provides a further opportunity to grow in the craft segment.

➢ **Soft Drink Beverages**
- Conditions remain challenging, driven by the loss of private label contracts, fresh dairy range deletions, the juice category decline and deep discounting on private label white milk (which is the primary cause of the profit decline).

<Operating income breakdown(prior to amortisation of goodwill and brand> (million AUD)

	2010	2011	YoY change	Cause of change		
Alcohol beverages	323	308	15	Volume	6	Sales volume 1.8%
				COGS	(1)	
				Other	10	
Soft drink beverages	48	62	(13)	Volume	(60)	Sales volume (12.6)%
				COGS	(57)	
				Other	104	

*FY2012 1AUD= 82.38yen, FY2011 1AUD= 82.31yen

Lion Major challenges and initiatives for 2012 Target

Promoting the achievement of the original profit target by leveraging the momentum of the alcohol business in Australia and continued sustainable cost reduction in the soft drink business.

Full-year forecast (Revised)	Consolidated basis		Local basis	
	billion yen	YoY	million AUD	YoY
Alcohol beverages	194.0	4.0%	2,366	5.6%
Soft drink beverages	211.6	(9.8)%	2,581	(8.4)%
Sales Revenue	405.6	(3.7)%	4,947	(2.2)%
Alcohol beverages	49.6	4.0%	605	5.6%
Soft drink beverages	7.9	1.9%	96	3.5%
Corporate expense	(8.4)	32.3%	(103)	34.4%
Operating Income	49.1	(0.1)%	598	1.5%
Goodwill	(25.3)	(1.6)%	(308)	-
Brand amortisation	(4.0)	(57.5)%	(48)	(56.8)%

*FY2012 1AUD= 82.00yen, FY2011 1AUD= 83.30yen

➢ Alcohol Beverages

- In Australia, Lion seeks to attain its profit target by improving mix through premiumisation and innovation in growing categories, as well as strengthening its international premium portfolio with new additions such Corona Extra, Stella Artois, Hoegaarden.
- In NZ, despite low consumer confidence spurring an overall market contraction and a highly competitive beer market, Lion focuses on pursuing its integrated beverages business strategy by focusing on growth in craft beer, wine, cider, and spirits, as well as beer.
- By finalizing the acquisition of Little World Beverage, Lion will gain market share and enhance its portfolio offering in the fast-growing craft market. (5-year CAGR volume growth is Approx. 20%)

➢ Soft Drink Beverages

- Lion strives to attain its profit target through effective procurement, improving mix, and sustainable cost reduction.

Overseas integrated beverages business – Schincariol H1 Results

April-June made up for 1Q shortfall, bringing H1 results in line with the annual target. PMI activities are also proceeding apace.

2012 H1	Consolidated basis (billion yen)	Local basis (million BRL)
Alcohol beverages	+2.3%	
Soft drink beverages	+8.1%	
Sales volume (YoY change)	+4.4%	
Sales	69.8	1,627
Total beverages	3.0	71
Amortization of goodwill	(4.8)	(112)
Operating income	(1.7)	(41)
EBITDA	7.3	172

Consolidation period：January-June, 2012
Currency exchange rate: BRL1＝JPY42.91

<Sales breakdown*>

Alcohol beverages	46.6	1,088
Soft drinks beverages	13.3	312

* Calculated on a management accounting basis which excludes taxes, etc. that are included in institutional accounting

	January – March	April – June	1H
Alcohol beverages	(5.5)%	+12.0%	+2.3
Soft drink beverages	1.8%	+15.9%	+8.1
Sales volume (YoY change)	(3.0)%	+13.4%	+4.4

Results

- After becoming a wholly owned subsidiary of Kirin, the new management has exceeded plans in terms of PMI activities:
  - Dramatic improvements in procurement processes
  - Consideration of joint procurement with Japan and Australia
- Implementation of price revisions (end of May)
- New product launch (June): *SCHIN NO GRAU*

Schincariol- H2 Initiatives

Responding appropriately to changes in the business environment and working toward achievement of targets for sales and profits set at the beginning of the year through realization of sales plans.

Full-year forecast		Consolidated basis (billion yen)	Local basis (million BRL)
Sales volume	Alcohol beverages	On par with market (+2.8%)	
	Soft drink beverages	Greater than market (+3.8%)	
Sales		150.5	3,500
	Total beverages	15.2	355
	Amortization of goodwill	(9.6)	(225)
Operating income		5.5	129
EBITDA		23.6	550

Consolidation period：January-December, 2012

Currency exchange rate: BRL1＝JPY43.00

<Sales breakdown*>

Alcohol beverages	99.7	2,320
Soft drink beverages	31.8	740

* Calculated on a management accounting basis which excludes taxes, etc. that are included in institutional accounting

Initiatives/Expectations

➢ Increasing sales volume:

- Although the Brazilian economy has weakened slightly, this is not being reflected in the market for beer and soft drinks. A liquor tax increase planned for October is within the expected range of increase. There will be no change to our sales plan.
- Strategic roll-out of the new *SCHIN NO GRAU*, with reinforced sales in the Northeast.

➢ Cost reductions:

- Increasing cost of raw materials due to depreciation of the Brazilian real are anticipated to be absorbed by improvements in procurement processes.

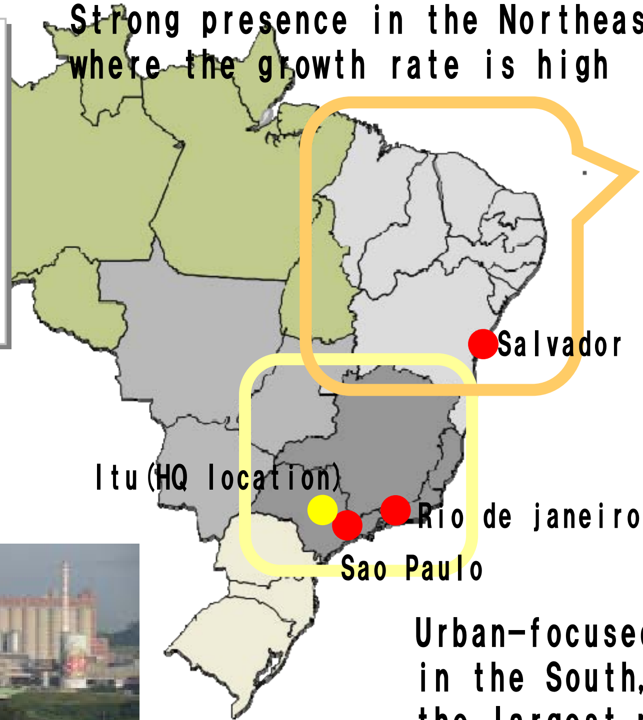
➢ Appropriate pricing:

- Price revision implemented in May.

(Reference) Schincariol's market presence and product lineup

Population distribution*1	
Northeast	27.8%
Southeast	42.1%
GDP growth rate*2	
Northeast	+4.7%
Southeast	+3.6%

Strong presence in the Northeast, where the growth rate is high



Urban-focused expansion in the South, which has the largest markets

SCHINCARIOL

Product lineup centered on *NOVA SCHIN*

Core brands

Premium	Standard	Economy

*1 2010; source: IBGE *2 2011-2008 CAGR in real terms; source: IBGE

おいしさを笑顔に

KIRIN

Pharmaceuticals and biochemicals – H1 Results and 2012 Target

Annual targets have been revised upwards based on the strong performance of major products including NESP®, a treatment for renal anemia.

(billion yen)		2012 H1	YoY change		Full-year forecast (Revised)	Difference to initial forecast	YoY change	
	Pharmaceuticals	122.7	10.3	9.2%	248.0	6.0	18.8	8.2%
	Bilchemicals	39.3	1.2	3.3%	79.0	1.0	4.6	6.2%
Sales*		161.5	(19.6)	(10.8)%	324.0	6.0	(8.8)	(2.7)%
	Pharmaceuticals	23.3	(1.7)	(7.1)%	48.7	3.0	7.3	17.9%
	Biochemicals	2.0	(0.4)	(19.0)%	3.0	1.0	0.1	3.6%
Operating income*		26.8	(4.4)	(14.2)%	55.0	4.0	5.5	11.2%

*impact of the exclusion of Kyowa Hakko Chemical from consolidation
(Sales -32.7billion yen, Operating income -2.1billion yen)

- In addition to continued strong performance by the core product NESP®, a treatment for renal anemia, exports and technology revenues are now anticipated to be higher than originally expected, and annual targets have thus been revised upward (sales +6.0 billion yen, operating income +4.0 billion yen).
- POTELIGEO® intravenous drip 20mg, a treatment for adult T-cell leukemia-lymphoma (ATL), was newly launched in late May.
- New pharmaceutical product development is progressing favorably.
  - In the kidney field, we began second-phase clinical tests on RTA 402 for chronic kidney disease combined with type 2 diabetes in February in Japan.
  - In the central nervous system field, we submitted an application for approval of KW-6002, a therapeutic agent for Parkinson's disease, in March in Japan.

おいしさを笑顔に
KIRIN

(Reference) Indicator list and CCT progress

(billion yen)		Full-year forecast (Revised)	2012 H1	2010 MTBP Target
Net sales excluding liquor tax		1,896.0	895.6	2,130.0
Operating income	Before goodwill amortization	206.7	83.1	231.0
	After goodwill amortization	155.0	57.2	188.0
Operating income ratio	Before goodwill amortization	10.9%	9.3%	10.8%
	After goodwill amortization	8.2%	6.4%	8.8%
EBITDA		303.0	129.0	341.0

ROE before goodwill amortization	11.6%	-	Over10%
EPS before goodwill amortization	115yen	-	115yen*
Overseas sales ratio	36%	38%	29%
D/E ratio	1.06	1.11	0.50

*Initial forecast for 2012

(Billion yen)		Full-year forecast	2012 H1	Progress
	Production / Distribution	3.8	1.7	44.7%
	Procurement	1.3	1.6	123.1%
	IT, etc.	2.5	1.3	52.0%
Total CCT cost synergies		7.6	4.5	59.2%
Asset liquidation		34.0	30.3	89.3%

おいしさを笑顔に

KIRIN