

Kirin Group

Financial Results for the Third Quarter of 2015

October 30, 2015

Kirin Holdings Company, Limited

- **Sales and operating income increased year-on-year. While the Japan Integrated Beverages and the Pharmaceuticals and Bio-chemicals progressed steadily toward achievement of the full year plans, the Overseas Integrated Beverages Business fell short of the plan.**
- **Overall, the Japan Integrated Beverages progressed according to the plan.**
 - Kirin Brewery: Beer products sold steadily and cost reductions exceeded the plan.
 - Kirin Beverage: Despite overall sales volumes exceeding the plan, the product mix deteriorated and selling expenses increased over the plan.
- **Operating income for the Overseas Integrated Beverages fell short of the plan.**
 - Lion: Progressed steadily toward achieving the full year plan.
 - Brasil Kirin: Although sales volume has been recovering, it fell short of the plan and Brazilian Real depreciation also had an impact, so earnings fell considerably short of the plan.
- **Brasil Kirin's full year forecast has been revised downward and the full year consolidated forecast has also been revised, but the dividend will be maintained at the originally planned amount.**

Third Quarter Consolidated Results

KIRIN

- Year-on-year sales increased through increased sales volume in the Japan Integrated Beverages Business and increased sales in the Pharmaceuticals and Bio-chemicals Business.
- Excluding the impact of reduced goodwill amortization, operating income increased by about 6 percent through greatly increased income in the Pharmaceuticals and Bio-chemicals Business.

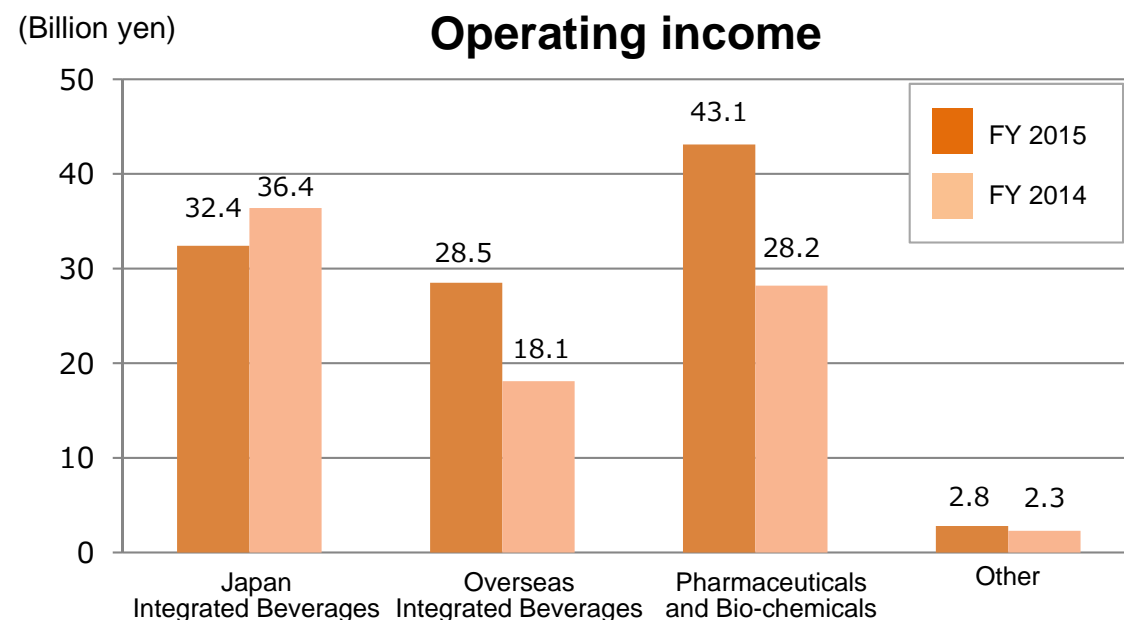
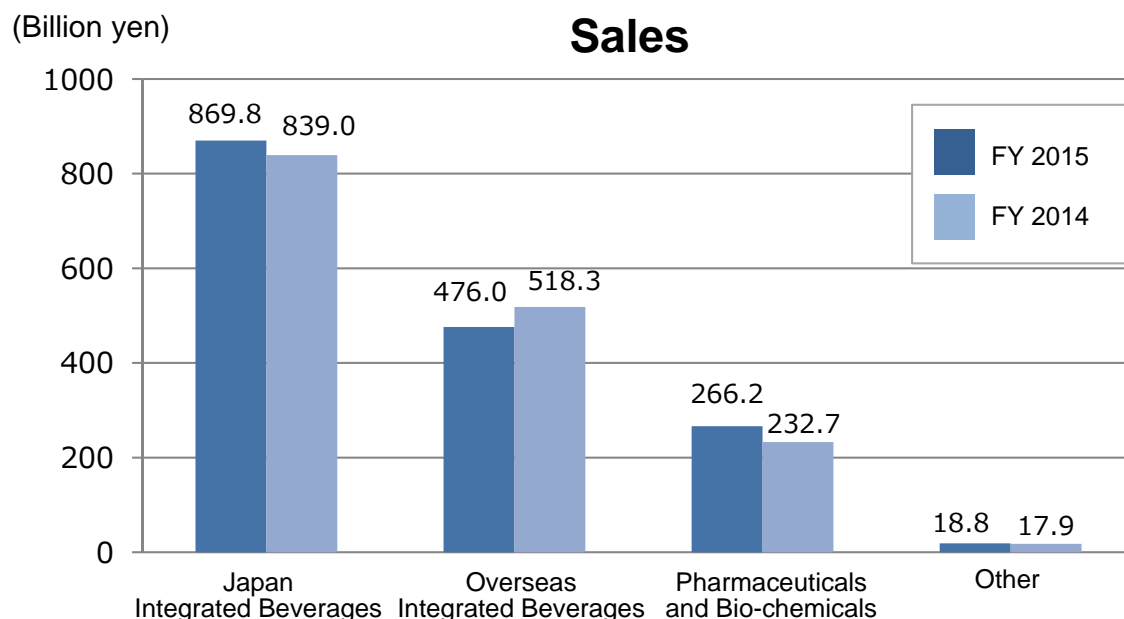
(Billion yen)	2015 3Q	2014 3Q	YoY change	
Sales	1,630.9	1,608.2	22.7	1.4%
Operating Income *	102.3	80.7	21.5	26.6%
Ordinary Income *	101.8	73.6	28.2	38.4%
Net Income *	54.9	22.0	32.9	149.5%

* FY2015 saw 16.6 billion yen reduction in goodwill amortization over FY2014 due to early application of the Revision of the Accounting Standards regarding Business Combinations(See page 12)

Normalized EBITDA **	202.4	197.8	4.5	2.3%
Normalized EPS (yen) **	88	83	5	6.0%

** See page 14 for details

Third Quarter Outlook by Segment



Japan Integrated Beverages Business

- While sales increased through increased sales volumes of RTD products and soft drinks, income decreased due mainly to increased selling expenses.
- At Kirin Brewery, beer product sales volume progressed according to the plan while cost reductions led to operating income exceeding the plan.
- At Kirin Beverage, sales volume exceeded the plan while a deteriorated product mix and increased selling expenses resulted in operating income falling short of the plan.

Overseas Integrated Beverages Business

Lion

- Income increased through reduced goodwill amortization due to application of the Revision of the Accounting Standards regarding Business Combinations, but sales reduced through reduced sales volumes and income decreased prior to amortization of goodwill, etc.
- Overall business progressed according to the plan.

Brasil Kirin

- Sales and operating income decreased as a result of decreased sales volume and increased raw materials expenses caused by Brazilian Real depreciation, so income also fell considerably short of the plan.

Pharmaceuticals and Bio-chemicals

- Sales of new drugs and other domestic pharmaceuticals grew steadily, so sales and operating income increased.
- Not spending part of the budget for R&D expenses and selling, general and administrative (SG&A) expenses led to third quarter operating income exceeding the plan and the full year going according to the plan.

Kirin Brewery

- **Beer products have maintained a positive momentum from the first half and exceeded the market.**
 - Continued to reinforce the *Ichiban Shibori* brand and increased year-on-year sales volume by approximately 4 percent.
 - Reinforced sales in the functional category and effective brand extensions led to the *Tanrei* and *Nodogoshi* brands increasing year-on-year.
- **RTD products sales volume increased year-on-year amidst intensifying competition.**
 - Gained popularity among consumers with increasingly more diversified preferences through a product portfolio of the core brands *Hyoketsu*, *Honshibori* and *Bitters*.
- **Cost reductions exceeded the plan.**
 - Repair costs, etc. were continuing to be reduced.



Kirin Beverage

- **Sales volume increased by 11 percent year-on-year, greatly exceeding the market and the plan.**
 - Revised upward the annual target for *Mets* brand due to its brisk sales
- **The product mix deteriorated and selling expenses increased above the plan, so operating income did not achieve the plan.**
 - Sales from vending machines fell below the plan.
 - Sales volume in mass retailers increased more, which led to the deteriorated product mix, and increased selling expenses above the plan.





LION

<Alcohol>

Sales of craft beer continued to perform well and sales volume progressed largely according to the plan.

<Soft Drinks>

While sales volume continued to decline, a continued focus on higher value product categories and the effect of cost reductions through the Turnaround Plan led to operating income being maintained largely at last year's level.



Brasil Kirin



- Although sales volume has been recovering year-on-year, it fell below the plan.
- In light of sales volume and competitive trends, some price revisions planned for the third quarter were put off.
- Further depreciation of the Brazilian Real led to raw material costs increasing above expectations.



In light of third quarter progress, the full year forecast has been revised downward.

Brasil Kirin: Full Year Forecast Revision

- Because of decrease in sales volume forecast, reduced price/mix effect, and increase in raw materials costs caused by the Brazilian Real depreciation, the full year EBITDA forecast has been revised downward from 505 million Real to 250 million Real.
- The exchange rate has been revised from 39 yen to the Brazilian Real down to 36 yen.

	Full year forecast revised at 3Q		Full year forecast at 2Q		Change	
	B JPY *	M BRL	B JPY **	M BRL	B JPY	M BRL
EBITDA	9.0	250	19.6	505	(10.6)	(255)
Operating Income	(9.8)	(273)	0.0	0	(9.8)	(274)

* Currency exchange rate: 36.00 yen

** Currency exchange rate: 39.00 yen

■ Factors in EBITDA downward revision

-\$R150MM	<ul style="list-style-type: none"> • Decreased sales volume forecast • Reduced price/mix effect
-\$R80MM	<ul style="list-style-type: none"> • Increased COGS (Increased raw material costs from further depreciation of the Real, etc.)
-\$R25MM	<ul style="list-style-type: none"> • Increased SG&A

➤ **Renewal of core beer brand *Schin***

- Aim to recover brand loyalty by renewal of package design, etc.



➤ **Tightening relationships with distributors including resellers**

- Communications with distributors had increased significantly both in quality and in quantity.
- Implemented WIN-WIN pricing with the distributors by weighing the tendencies in the market.



New CEO (fourth from left) holds face-to-face talks with major wholesalers

➤ **Channel and product strategies based on change of consumers' behavior**

- Responded to the growth in the off-premise market to reflect to the shift of consumers' behavior under the stagnation of economy.

➤ **Fundamental changes for management efficiency.**

- Launched the projects for lean management .



Full Year Consolidated Forecast Revision



- Based on full year plan progress for each business, the full year consolidated forecasts have been revised downward.
- Together with the downward revision, in case of excluding 22.0 billion yen reduction in amortization of goodwill, a year-on-year decrease of approximately 6 percent in operating income has been forecasted.
- Normalized EPS has also been revised downward but the annual dividend will be maintained at the originally planned amount.

(Billion yen)	FY2015 Full Year Consolidated Forecast		Change	Main cause for revision	FY2014 Full year result	YoY change
	Revised at 3Q	Forecast at 2Q				
Sales	2,200.0	2,220.0	(20.0)	Brasil Kirin: (23.4)	2,195.7	0.2%
Operating income	130.0	139.0	(9.0)	Brasil Kirin: (9.8)	114.5	13.5%
Ordinary Income	119.0	128.0	(9.0)	Decrease of consolidated operating income	94.2	26.3%
Net Income	58.0	67.0	(9.0)	Decrease of consolidated operating income	32.3	79.1%

(Quantitative targets)

	Revised at 3Q	Forecast at 2 Q	Change	YoY change	
Normalized EBITDA	264.0 billion yen	273.0 billion yen	(9.0 billion yen)	(9.1 billion yen)	(3.3%)
Normalized EPS	110 yen	120 yen	(10 yen)	(8 yen)	(6.8%)

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.**

Appendices

The Impact of Applying the Revision of the Accounting Standards Regarding Business Combinations on the Financial Results for 3Q 2015



- **Goodwill amortization reduction due to application of the Revision of the Accounting Standards regarding Business Combinations from this fiscal year**
- **Segment income, consolidated operating income, consolidated ordinary income and consolidated net income for the quarter were impacted, compared on a year-on-year basis**

(Million yen)	Decreased amortization of goodwill (Increased operating income)
Japan Integrated Beverages	1,674
Overseas Integrated Beverages	14,459
Lion	14,279
Brasil Kirin	35
Other	145
Pharmaceuticals and Bio-chemicals	552
Total	16,686

Full Year Forecast (Revised)

KIRIN

(Billion yen)	FY2015 Full year forecast (Revised at 3Q)	FY2014 Full year result	YoY change (%)		FY2015 Full year forecast at 2Q	change
Sales	2,200.0	2,195.7	4.2	0.2	2,220.0	(20.0)
Operating Income	130.0	114.5	15.4	13.5	139.0	(9.0)
Non-operating Income and Expenses	(11.0)	(20.3)	9.3	—	(11.0)	—
Financial Profit or Loss, Net	(14.0)	(17.9)	3.9	—	(14.0)	—
Equity in Earnings or Losses of Affiliates	4.5	2.9	1.5	53.8	4.5	—
Ordinary Income	119.0	94.2	24.7	26.3	128.0	(9.0)
Special Income and Expenses	3.0	(16.3)	19.3	—	3.0	—
Income Before Income Taxes and Minority Interests	122.0	77.8	44.1	56.7	131.0	(9.0)
Income Taxes	47.0	33.0	13.9	42.3	47.0	—
Minority Interests	17.0	12.4	4.5	36.7	17.0	—
Net Income	58.0	32.3	25.6	79.1	67.0	(9.0)
*In FY2015, a 22.0 billion yen reduction in goodwill amortization over FY2014 was forecasted due to early application of the Revision of the Accounting Standards regarding Business Combinations						
Normalized EBITDA	264.0	273.1	(9.1)	(3.4)	273.0	(9.0)
Normalized EPS (yen)	110	118	(0.8)	(6.8)	120	(10)

Quantitative targets (Revised)

Normalized EBITDA

(Billion yen)	FY2015 full year		2015 3Q (Result)	2014 3Q (Result)
	Revised forecast at 3Q	Forecast at 2Q		
Operating Income	130.0	139.0	102.3	80.7
Depreciation	95.0	95.0	70.0	73.0
Goodwill Amortization	27.7	27.7	21.0	36.7
Dividends Received from Equity Method Affiliated Companies	11.6	11.6	9.1	7.2
Normalized EBITDA	264.0	273.0	202.4	197.8

Normalized EPS

(Billion yen)	FY2015 full year		2015 3Q (Result)	2014 3Q (Result)
	Revised forecast at 3Q	Forecast at 2Q		
Net Income	58.0	67.0	54.9	22.0
Amortization of Goodwill, etc.	45.0	45.0	34.0	49.9
Special Income and Expenses After Income Taxes and Minority Interests	(2.8)	(2.8)	(8.7)	4.5
Normalized Net Income (A)	100.2	109.2	80.3	76.4
Average Number of Shares Outstanding During Period (thousand) (B)	912,538	912,540	912,539	920,423
Normalized EPS (yen) (A)/(B)	110	120	88	83

Third Quarter Results: Japan Integrated Beverages



(Billion yen)	2015 3Q	2014 3Q	YoY change	
Sales	869.8	839.0	30.7	3.7%
Kirin Brewery	513.9	508.3	5.6	1.1%
Kirin Beverage	276.3	254.8	21.5	8.4%
Mercian	48.2	47.2	1.0	2.3%
Others, Intersegment Elimination	31.2	28.6	2.5	8.9%
Operating Income	32.4	36.4	(3.9)	(10.9%)
Kirin Brewery*	47.0	50.1	(3.0)	(6.1%)
Kirin Beverage*	0.9	4.0	(3.0)	(75.6%)
Mercian*	0.1	0.0	0.0	95.5%
Other**	(15.6)	(16.2)	0.5	—
Total		37.9		
Goodwill amortization***	—	(1.4)	1.4	—

* From FY2015, shown excluding management fees paid to holding company (FY2014 results also shown reconfigured)

** Holding company expenses and other constituent company profits/losses included

*** From FY2015, goodwill amortization reduction due to early application of the Revision of the Accounting Standards regarding Business Combinations

■ Operating income breakdown

Kirin Brewery	Billion yen
Marginal profit	1.8
Raw material cost	(0.9)
Selling expenses	(9.5)
Others	5.6
Total	(3.0)

Kirin Beverage	Billion yen
Difference in volume of sales	16.2
Raw material cost, etc.	1.7
Difference in package composition, etc.	(3.8)
Selling expenses	(16.4)
Others	(0.7)
Total	(3.0)

	Beer + Hoppo-shu + New genre	R T D	Wine	Soft drinks
2015 3Q Sales volume compared with previous year	(0%)	+9%	(0%)	+11%

FY2015 Full Year Forecast: Japan Integrated Beverages



(Billion yen)	FY2015 Full year forecast (Revised at 2Q)	FY2014 Full year result	YoY change	
Sales	1,190.0	1,152.9	37.0	3.2%
Kirin Brewery	711.3	698.7	12.6	1.8%
Kirin Beverage	368.3	345.7	22.6	6.6%
Mercian	69.4	69.1	0.2	0.4%
Other and elimination	40.7	39.3	1.3	3.5%
Operating income	42.0	48.1	(6.1)	(12.8%)
Kirin Brewery*	58.9	66.4	(7.5)	(11.3%)
Kirin Beverage*	6.9	5.3	1.5	(29.7%)
Mercian*	1.4	1.4	(0.0)	(2.4%)
Others**	(25.2)	(23.0)	(2.2)	—
Total		50.1		
Goodwill amortization ***	—	(1.9)	1.9	—

■ Operating income breakdown

Kirin Brewery	Billion yen
Marginal profit	4.2
Raw material cost	(2.7)
Selling expenses	(9.7)
Other	0.7
Total	(7.5)

Kirin Beverage	Billion yen
Difference in volume of sales	13.6
Raw material cost, etc.	2.9
Difference in package composition, etc.	(0.6)
Selling expenses	(12.0)
Other	(2.3)
Total	1.5

* From FY2015, shown excluding management fees paid to holding company (FY2014 results also shown reconfigured)

** Holding company expenses and other constituent company profits/losses included

*** From FY2015, goodwill amortization reduction due to early application of the Revision of the Accounting Standards regarding Business Combinations

Third Quarter Results: Lion



	2015 3Q		2014 3Q		YoY change		YoY change (%)	
	B JPY	M AUD	B JPY	M AUD	B JPY	M AUD	Yen basis	AUD basis
Sales	339.4	3,565	359.5	3,839	(20.1)	(273)	(5.6)	(7.1)
Alcohol	191.6	2,013	195.2	2,084	(3.5)	(71)	(1.8)	(3.4)
Soft Drinks	147.7	1,552	164.2	1,754	(16.5)	(202)	(10.1)	(11.5)
Operating Income Before Goodwill Amortization, etc.*	48.5	509	49.9	533	(1.4)	(23)	(2.8)	(4.4)
Alcohol*	50.4	529	51.4	549	(1.0)	(20)	(2.1)	(3.7)
Soft Drinks*	0.6	6	0.6	7	(0.0)	(0)	(9.9)	(11.3)
Corporate*	(2.5)	(26)	(2.2)	(23)	(0.2)	(2)		
Goodwill Amortization**	(9.3)	(97)	(23.2)	(247)	13.9	150		
Brand Amortization	(2.8)	(30)	(3.0)	(32)	0.2	2		
Operating Income **	36.3	381	23.6	252	12.7	129	53.8	51.3

Consolidated period: Oct. 2014 – Jun. 2015; Currency exchange rate: 95.19 yen (Oct. 2013 – Jun. 2014: 93.64 yen)

* FY2014 result breakdown by business reflects FY2015 application of headquarters expense allocation rule

** In FY2015, reduction in goodwill amortization due to early application of the Revision of the Accounting Standards regarding Business Combinations over FY2014

Sales volume variance

	YoY change (%)
Alcohol	(3.8)
Soft Drinks	(20.4)

Details of operating income variance prior to goodwill amortization

M AUD	Alcohol	Soft Drinks
2014 3Q results	549	7
Sales volume variance	(46)	(30)
Others	26	29
2015 3Q results	529	6

FY2015 Full Year Forecast: Lion



	FY2015 Full year forecast (Revised at 2Q)		FY 2014 full year result		YoY change		YoY change (%)	
	B JPY	M AUD	B JPY	M AUD	B JPY	M AUD	Yen basis	AUD basis
Sales	442.5	4,758	470.2	4,989	(27.6)	(231)	(5.9)	(4.6)
Alcohol	247.1	2,657	255.8	2,715	(8.7)	(57)	(3.4)	(2.1)
Soft Drinks	195.4	2,101	214.3	2,274	(18.9)	(173)	(8.9)	(7.6)
Operating Income Before Goodwill Amortization, etc.*	63.8	686	62.9	667	0.9	18	1.5	2.8
Alcohol*	66.4	714	67.0	711	(0.6)	2	(0.9)	0.4
Soft Drinks*	2.8	30	0.2	2	2.5	27	922.7	944.4
Corporate*	(5.3)	(57)	(4.3)	(46)	(0.9)	(11)		
Goodwill Amortization**	(12.1)	(130)	(31.1)	(330)	19.0	200		
Brand Amortization	(3.7)	(39)	(4.1)	(44)	0.4	4		
Operating Income**	47.9	516	27.5	292	20.4	223	74.0	76.3

Consolidated period: Oct. 2014– Sep. 2015 Currency exchange rate: 93.00 yen (Oct. 2013 - Sep. 2014: 94.24 yen)

* FY2014 result breakdown by business reflects FY2015 application of headquarters expense allocation rule

** In FY2015, reduction in goodwill amortization due to early application of the Revision of the Accounting Standards regarding Business Combinations over FY2014

Third Quarter Results: Brasil Kirin



	2015 3Q		2014 3Q		YoY change		YoY change (%)	
	B JPY	M BRL	B JPY	M BRL	B JPY	M BRL	Yen basis	BRL basis
Sales	98.4	2,594	127.4	2,829	(28.9)	(234)	(22.7)	(8.3)
Operating Income Before Goodwill Amortization, etc.	(5.4)	(144)	(0.6)	(15)	(4.7)	(128)	—	—
Goodwill Amortization	(3.3)	(88)	(4.0)	(88)	0.6	0		
Brand Amortization	(1.9)	(52)	(2.3)	(52)	0.3	—		
Operating Income	(10.7)	(284)	(7.0)	(15.6)	(3.7)	(127)	—	—
EBITDA	3.6	95	8.8	19.5	(5.1)	(100)	(59.0)	(51.3)

Consolidated period: Jan.-Sep. 2015; Currency exchange rate: 37.94 yen (Jan.-Sep. 2014: 45.03 yen)

Sales volume variance

	YoY change (%)
Beer	(20.7)
Soft drinks	(22.2)
Total	(21.3)

Reference: Market (SICOBÉ)

- Beer: YoY change (3.3%)
- Soft drinks: YoY change (5.9%)

- **Decrease in gross income (-\$R38MM YoY)**
 - Decrease in sales volume
 - Rise in raw material costs due to Real depreciation
- **Increase in selling expenses and general and administrative expenses (-\$R90MM YoY)**

FY2015 Full Year Forecast: Brasil Kirin (Revised)

KIRIN

	FY2015 Full year forecast (Revised at 3Q)		FY 2014 full year result		YoY change		YoY change (%)		FY2015 Full year forecast at 2Q	
	B JPY	M BRL	B JPY	M BRL	B JPY	M BRL	Yen basis	BRL basis	B JPY	M BRL
Sales	138.7	3,854	179.9	3,987	(41.1)	(133)	(22.9)	(3.3)	162.2	4,159
Operating income Before Goodwill Amortization, etc.	(3.0)	(86)	9.9	220	(13.0)	(306)	—	—	7.3	188
Goodwill Amortization	(4.2)	(117)	(5.3)	(118)	1.1	1			(4.5)	(117)
Brand Amortization	(2.5)	(69)	(3.1)	(69)	0.6	—			(2.7)	(69)
Operating Income	(9.8)	(273)	1.4	31	(11.2)	(305)	—	—	0.0	0
EBITDA	9.0	250	22.7	503	(13.7)	(253)	(60.4)	(50.3)	19.6	505

Consolidated period: Jan. – Dec. 2015 Currency exchange rate: 36.00 yen (Jan. – Dec. 2014: 45.13 yen, forecast at 2Q 39.00 yen)

Third Quarter Results: Pharmaceuticals and Bio-chemicals

KIRIN

(Billion yen)	2015 3Q	2014 3Q	YoY change	
Sales	266.2	232.7	33.4	14.4%
Kyowa Hakko Kirin	272.9	238.9	34.0	14.2%
Pharmaceuticals	208.1	177.7	30.3	17.1%
Bio-chemicals	64.8	61.1	3.6	6.0%
Other and Elimination	(6.6)	(6.1)	(0.5)	—
Operating income	43.1	28.2	14.9	52.7%
Kyowa Hakko Kirin	43.1	28.2	14.9	52.7%
Pharmaceuticals	34.9	20.6	14.3	69.6%
Bio-chemicals	6.4	5.6	0.7	13.5%
Other, Elimination of Goodwill Amortization	6.4	6.6	(0.2)	(3.9%)
Goodwill Amortization	(4.6)	(4.6)	0.0	—

FY2015 Full Year Forecast: Pharmaceuticals and Bio-chemicals



(Billion yen)	FY2015 Full year forecast (Revised at 2Q)	FY2014 Full year result	YoY change	
Sales	351.0	325.1	25.8	8.0%
Kyowa Hakko Kirin	360.0	333.4	26.5	8.0%
Pharmaceuticals	275.0	251.8	23.1	9.2%
Bio-chemicals	85.0	81.5	3.4	4.2%
Other and Elimination	(9.0)	(8.2)	(0.7)	—
Operating income	50.0	38.8	11.1	28.6%
Kyowa Hakko Kirin	50.0	38.8	11.1	28.6%
Pharmaceuticals	38.5	29.0	9.4	32.5%
Bio-chemicals	8.5	7.2	1.2	16.8%
Other, Elimination of Goodwill Amortization	9.1	8.7	0.3	4.5%
Goodwill Amortization	(6.1)	(6.2)	0.0	—