

**Kirin Group  
Financial Results for 2012 and  
Business Approach for 2013**

**February 14, 2013  
Kirin Holdings Company, Limited**

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## 2012 consolidated performance highlights

**Set a new record for operating income. Helped by strong results of overseas integrated beverages and in the pharmaceuticals business.**

		FY2012 (Billion yen)	YoY change (Billion yen) (%)	
	Domestic Alcohol Beverages	851.8	(16.4)	(1.9)
	Domestic Non-Alcohol Beverages	335.3	20.7	6.6
	Overseas Beverages	579.3	125.1	27.6
	Pharmaceuticals and Bio-chemicals	322.9	(9.8)	(3.0)
	Other	96.6	(5.2)	(5.2)
<b>Sales</b>		2,186.1	114.4	5.5
	Domestic Alcohol Beverages	63.3	(7.2)	(10.2)
	Domestic Non-Alcohol Beverages	4.4	1.6	58.8
	Overseas Beverages	27.6	12.2	79.4
	Pharmaceuticals and Bio-chemicals	55.5	6.0	12.2
	Other	4.8	(1.3)	(22.3)
<b>Operating Income</b>		153.0	10.1	7.1
	Equity in earnings of affiliates	(0.6)	(11.2)	—
<b>Ordinary Income</b>		138.4	1.6	1.2
	Special income and expenses	(4.8)	47.0	—
Income before income taxes and minority interests		133.5	48.6	57.3
<b>Net Income</b>		56.1	48.7	658.7

### ● Sales

- Increased revenue in the overseas beverages business following inclusion of Brasil Kirin's P&L
  - Increased sales at Kirin Beverages (+10% YoY)
- Up 114.4 billion yen to 2,186.1 billion yen

### ● Operating income

- Overseas beverages business achieved planned profit increase in both Australia and Brazil
  - In the pharmaceuticals and bio-chemicals business, sales of core pharmaceutical products remained steady despite the impact of the revision of drug prices
- Up 10.1 billion yen to 153.0 billion yen (new record)

### ● Ordinary income

→Up 1.6 billion yen to 138.4 billion yen

### ● Net income

- Decrease in special expenses
- Up 48.7 billion yen to 56.1 billion yen  
Planned annual dividend: 29 yen per share (up 2 yen from original plan)

## 2013 Forecasts

**Aim to increase revenue and profits for overall Group, expecting steady growth in overseas integrated beverages**

		FY2013 (Billion yen)	YoY change (Billion yen) (%)	
	Japan Integrated Beverages	1,188.0	(2.0)	(0.2)
	Overseas Integrated Beverages	677.0	99.9	17.3
	Pharmaceuticals and Bio-chemicals	329.0	6.0	1.9
	Other	96.0	(0.1)	(0.1)
<b>Sales</b>		2,290.0	103.8	4.7
	Japan Integrated Beverages	60.5	(8.4)	(12.3)
	Overseas Integrated Beverages	38.0	10.3	37.5
	Pharmaceuticals and Bio-chemicals	58.0	2.4	4.5
	Other	5.0	1.2	32.2
<b>Operating Income</b>		155.0	1.9	1.3
	Equity in earnings of affiliates	(4.3)	(3.6)	—
<b>Ordinary Income</b>		132.0	(6.4)	(4.7)
	Special income and expenses	41.0	45.8	—
Income before income taxes and minority interests		173.0	39.4	29.5
<b>Net Income</b>		90.0	33.8	60.1

### Japan integrated beverages

- Expect increased sales in RTD, wine and soft drinks
- Increase selling expenses aimed at strategically fostering strong brands

### Overseas integrated beverages

<Lion>

- Revitalize sales and accelerate profit growth through stronger sales in high-value-added products and growth categories

<Brasil Kirin>

- Increase profits through strategic investment in facilities and brand

### Pharmaceuticals and Bio-chemicals

- Expect increased sales volume, especially in core pharmaceutical products; foreign exchange (YoY depreciation of the yen) will also help to increase profit

### Net income

- Gain on sale of shares in Fraser & Neave (Special income: approx. 47.0 billion yen)

Overseas business achieved targets due to good start in Brazil and improved business results in Australia

## ■ Realized improved profitability in overseas integrated beverages business

### Achievements

- Lion: Built foundations for renewed growth, by means of strengthening the product portfolio in the alcohol beverages growth category, and as a result of structural changes in the soft drinks business
- Brasil Kirin: Steadily promoted post-merger integration (PMI) activities, and achieved both sales and profits targets

### Issues

- Lion: Enhance profitability by strengthening the high-value-added categories in the soft drinks business, and through ongoing structural changes
- Brasil Kirin: Further expand market presence through strengthening brands

## ■ Made start toward renewed growth in Japan integrated beverages business

### Achievements

- Creation of new value for customers
- Kirin Beverage: First-ever cola drink designated for specified health uses, *Kirin Mets Cola*, was a major hit
- Kirin Brewery: Received great response to *KIRIN Ichiban shibori Frozen Beer*, featuring a new tasting experience

### Issues

- Kirin Brewery: Achieve growth in new genre and non-alcohol categories

## 2013 basic policy: first year in shift to organic growth

### Improve overall Group profitability based on growth overseas

- Reliable delivery of results according to the business stage of each region, driven by a “federation” group management structure
- Switch to a trajectory of renewed growth in Japan, through fostering strong brands based on strategic investment
- Improvement in whole Group’s ability to create value, through the promotion of innovation based on collaboration that transcends organizational boundaries

#### < MTBP quantitative targets >

#### < 2013 Target >

Mid single-digit CAGR in normalized EBITDA\*



316.0 billion yen (up 2.8% YoY)

High single-digit CAGR in normalized EPS\*



121 yen (up 3.4% YoY)

(Guidance on Group consolidated results)

- Sales
- Operating income

FY2015

Over 2,300.0 billion yen  
Over 180.0 billion yen

FY2013

2,290.0 billion yen  
155.0 billion yen

#### < MTBP financial policy >

#### < 2013 Policy >

Increase dividend with 30% consolidated payout ratio of normalized\* EPS



Planned full-year return: 36 yen per share (up 7 yen)

Reduce interest-bearing debt

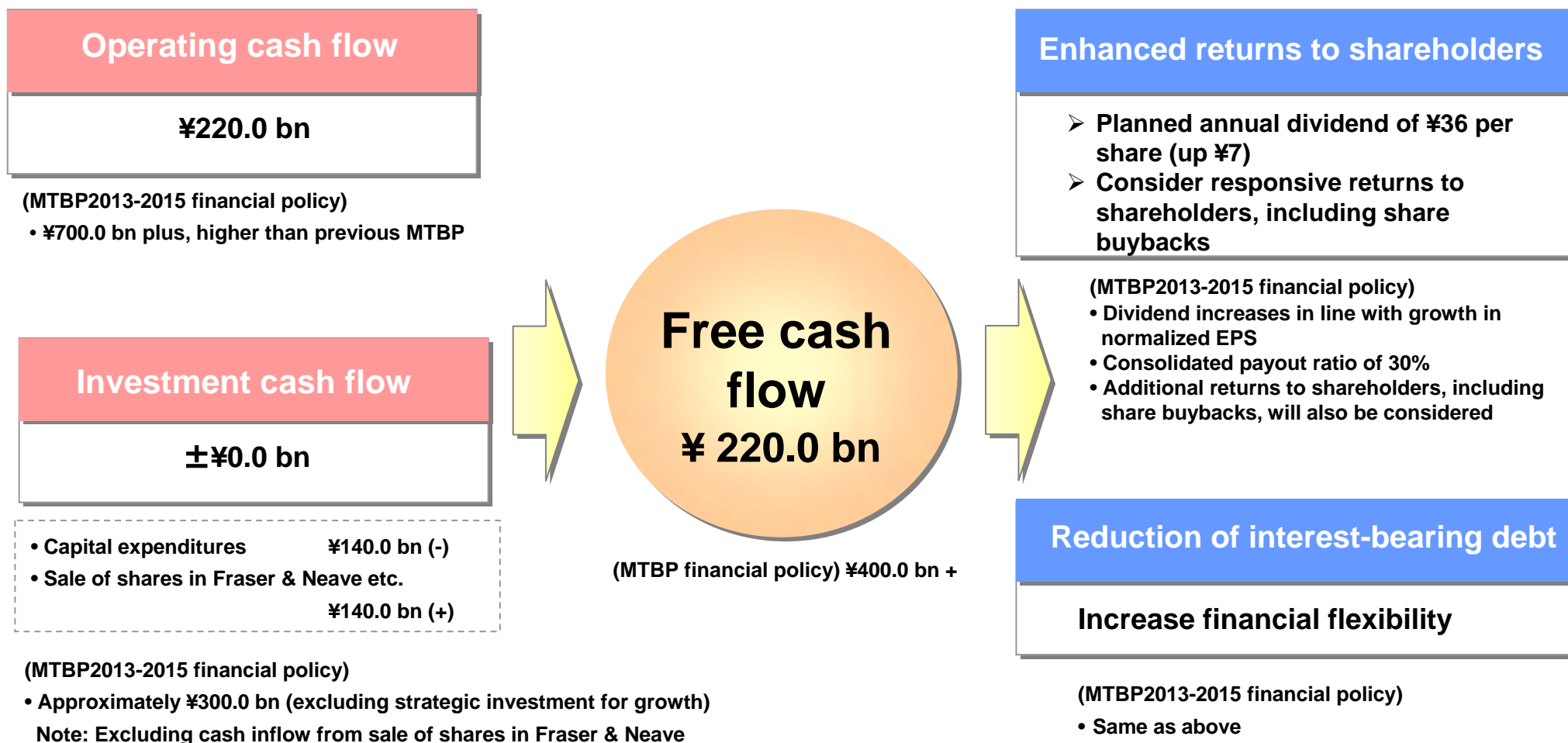


Increase financial flexibility

- Normalization: Removing special income and expenses and other extraordinary items to reflect actual earnings more accurately
- 2012 actuals: Normalized EBITDA was 307.3 billion yen, Normalized EPS was 117 yen

# FY2013 financial strategies

Determine use of free cash flow in accordance with MTBP 2013-2015 financial policy



# Japan integrated beverages (1) 2012 results

Strengthened core brands through selection and concentration, and created new value for customers

		FY2012 (Billion yen)	YoY change (Billion yen) (%)	
Sales*1	Kirin Brewery*2	752.4	(22.8)	(2.9)
	Mercian	69.7	(2.1)	(2.9)
	Kirin Beverage	336.8	19.7	6.2
		1,187.1	4.3	0.4
Operating income*1	Kirin Brewery*2	57.8	(8.7)	(13.2)
	Mercian	2.1	0.8	67.5
	Kirin Beverage	3.9	1.3	50.2
		67.8	(5.5)	(7.6)

\*1 Domestic alcohol beverages + Domestic non-alcohol beverages

\*2 Kirin Brewery + Kirin Beer Marketing

- Achieved results through efforts to create new forms of value that meets customer needs, both for alcoholic and non-alcoholic beverages



YoY increase in sales of kegs

*KIRIN Ichiban shibori Frozen Beer*



6,020,000 cases sold in first year

*Kirin Mets Cola, first-ever cola drink designed for specified health uses*

- Achieved sales target set at beginning of year
- Sales volume of Mercian wine +13% YoY
- Sales volume of Kirin Beverages +10% YoY  
Set a new sales record for *Kirin Gogo-no-Kocha* for the 3rd consecutive year



## Japan integrated beverages (2) 2013 forecast

Increase value of the KIRIN brand, through invigorating the market by co-creating value with consumers

		FY2013 (Billion yen)	YoY change (Billion yen) (%)	
Sales	Kirin Brewery*	743.1	(9.3)	(1.2)
	Mercian	68.2	(1.4)	(2.1)
	Kirin Beverage	351.3	14.4	4.3
		1,188.0	(2.0)	(0.2)
Operating income	Kirin Brewery*	51.7	(6.1)	(10.6)
	Mercian	1.8	(0.2)	(13.5)
	Kirin Beverage	1.6	(2.3)	(59.5)
		60.5	(8.4)	(12.3)

\* Kirin Brewery + Kirin Beer Marketing

- Implement new type of brand communication
  - New promotion for *Kirin Nodogoshi Nama*
  - Propose new drinking style for *Ichiban Shibori Two Tone Nama*



一番搾り  
ツートン(生)

- Expand two-way communication with consumers, using the web and SNSs



- Actively invest in leading brands
  - Actively inject resources into *Hyoketsu*
  - Increase focus on *Gogo-no-Kocha*
  - Nurture *Mets Cola* into a megabrand

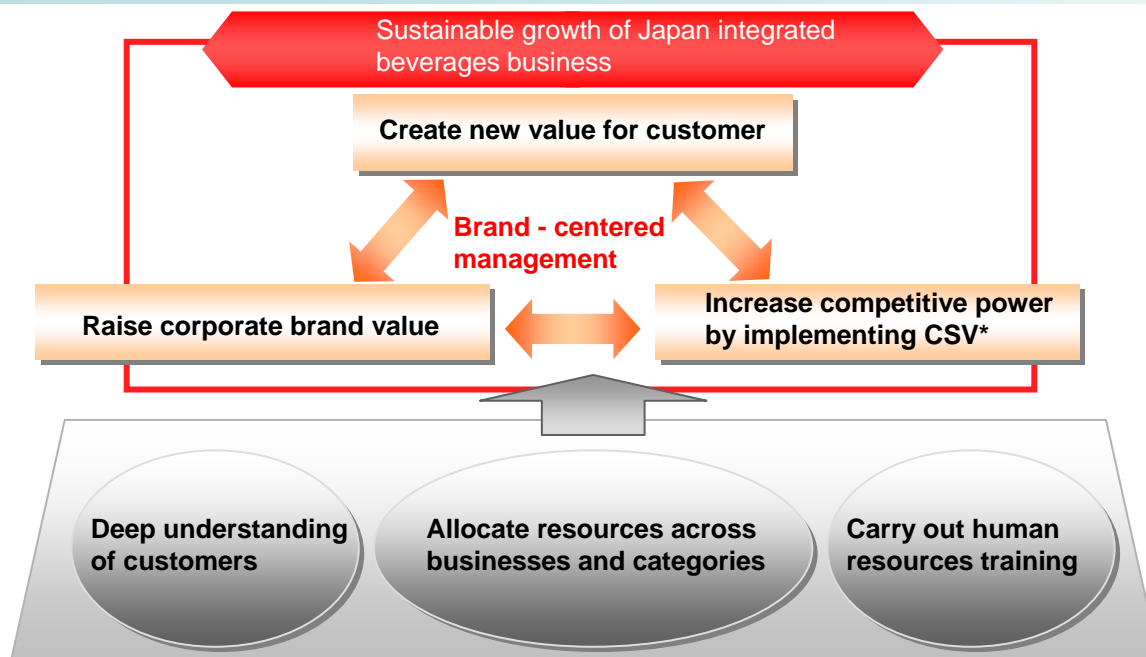


- Take up challenge for new business areas
  - Enter home delivery service for mineral water

Successively develop new types of brand communication based on ideas for integrated beverages that break the boundaries of beverage categories. (Announcement for new product proposals in new genres and RTD scheduled for late February)

## Japan integrated beverages (3) Renewed growth

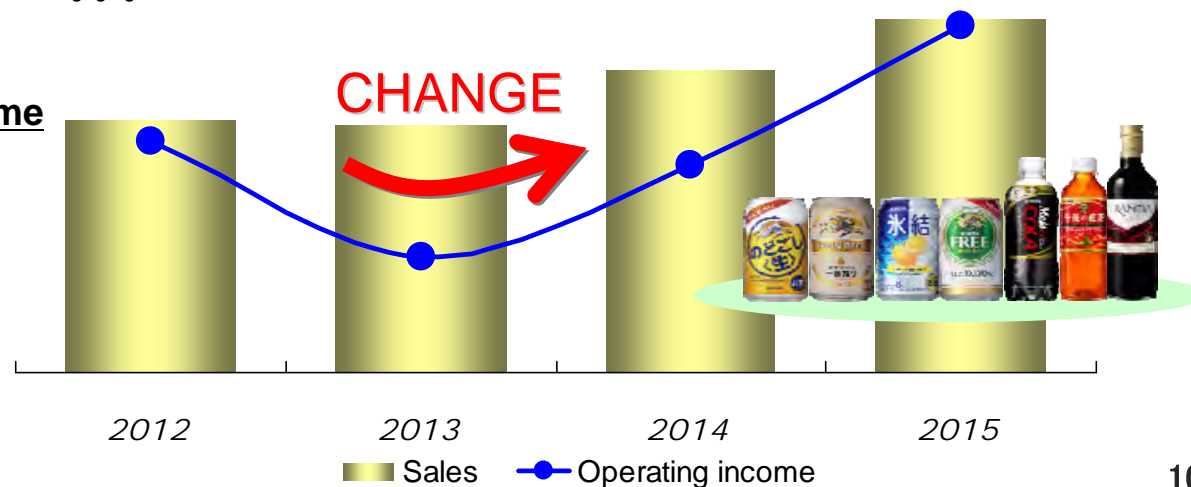
### Steadily shift to a trajectory of renewed growth in 2013



\*CSV (Creating Shared Value): CSV is a management concept that combines two ideas: engaging in societal issues to create social value, and improving a company's competitive position.

- Aim for renewed growth using “brand-centered management” with the Japan integrated beverages business acting as one unified whole
- Quickly increase specialist capabilities by bringing together the marketing research functions and R&D functions of each operating company
- Clarify points for reinforcement, and allocate resources intensively towards growing categories
- In 2013, steadily shift to a trajectory of renewed growth by focusing more on strengthening brands. Accelerate growth and deliver results in second half of MTBP

### Expected growth in sales and operating income



# Lion (1) 2012 Results

Thanks to the strong performance of the Australian alcohol business, which became the leading brewer in 2012, Lion achieved its earnings growth plan in a declining beer market.

		Consolidated basis		Local basis	
		(Billion yen)	YoY(%)	(Million AUD)	YoY (%)
Sales Volume	Alcohol Beverages			+ 0.2% YoY	
	Soft drinks Beverages			(13.3)% YoY	
Sales	Alcohol Beverages	189.8	1.7	2,326	3.9
	Soft drinks Beverages	206.8	(11.9)	2,535	(10.0)
		396.6	(5.8)	4,862	(3.9)
Operating income	Alcohol Beverages	50.0	4.8	613	7.0
	Soft drinks Beverages	7.4	(3.7)	91	(1.7)
	Corporate expense	(7.9)	23.5	(97)	26.1
Operating income		49.6	1.0	608	3.1
Goodwill		(25.2)		(308)	
Brand amortization		(3.8)		(47)	
Operating income after amortization of goodwill etc.		20.5	47.0	252	50.1

Consolidation period : October, 2011 – September, 2012 / Currency exchange rate: 81.58 yen

## Operating income breakdown (Prior to amortization of goodwill and brand)

Million AUD	FY2012	FY2011	YoY change	Cause of change	
Alcohol Beverages	613	573	40	(3) (34) 77	Volume COGS Other
Soft drink Beverages	91	93	(2)	(123) (51) 172	Volume COGS Other

## Alcohol Beverages

- Strong performance from core trademarks such as XXXX, with XXXX GOLD becoming the no.1 beer in the market, and improved mix through premiumisation as international premium brands such as Corona Extra and Stella Artois joined the portfolio.



## Soft Drink Beverages

- Improved profitability through innovation, including the launch of permeate free Dairy Farmers and PURA, and sustainable cost reduction.

# Lion (2) 2013 Forecast

Accelerating profit growth by focusing on the high-value-added and growing categories.

		Consolidated basis		Local basis	
		(Billion yen)	YoY(%)	(Million AUD)	YoY (%)
Sales	Alcohol Beverages	235.4	24.1	2,616	12.5
	Soft drinks Beverages	231.7	12.0	2,575	1.6
	<b>Sales</b>	467.2	17.8	5,191	6.8
Operating income	Alcohol Beverages	61.8	23.5	687	11.9
	Soft drinks Beverages	11.7	57.3	130	42.6
	Corporate expense	(10.8)	36.9	(120)	24.1
<b>Operating income</b>		62.7	26.5	697	14.6
Goodwill		(29.6)		(329)	
Brand amortization		(4.0)		(44)	
<b>Operating income after amortization of goodwill etc.</b>		29.0	41.4	323	28.2

Consolidation period : October, 2012 – September, 2013  
Currency exchange rate: 90.00 yen

## Alcohol Beverages

- Strengthening the thriving craft beer categories.
  - James Squire trademark (Aus.) driving overall craft category growth
  - Enhancing portfolio through newly acquired brands;

Little World Beverage: (Australia)  
Emerson's (New Zealand)



**+20%** average growth rate of Australian craft beer market ; 2007 -2011  
**No.1** in the Australian craft beer market

- Improving operational efficiency by the closure of Swan Brewery in Perth, Western Australia



## Soft Drink Beverages

- Premiumisation through innovative new products
- Manufacturing optimization to improve efficiency
- Innovation in NARTD category for future growth

# Brasil Kirin (1) 2012 results

**Achieved first-year targets for sales volume, sales revenue and profit, and made a good start for medium-term growth**

		Consolidated basis (Billion yen)		Local basis (Million BRL)	
		Results	FY2012 Plan	Results	FY2012 Plan
	Alcohol beverages			+ 5.5% YoY	
	Soft drink beverages			+ 11.0% YoY	
<b>Sales volume</b>				+ 7.4% YoY	
<b>Sales</b>		148.8	150.5	3,623	3,500
<b>Operating income (before PPA adjustment *)</b>		16.4	15.2	400	355
<b>Operating income (after PPA adjustment *)</b>		13.0	—	317	—
Goodwill *		(4.8)	(9.6)	(118)	(225)
Brand amortization *		(2.8)	—	(69)	—
<b>Operating income after amortization of goodwill, etc.</b>		5.2	5.5	128	129
<b>EBITDA</b>		24.0	23.6	602	550

Consolidated results period: January - December 2012 / Currency exchange rate: BRL 1 = JPY 41.08

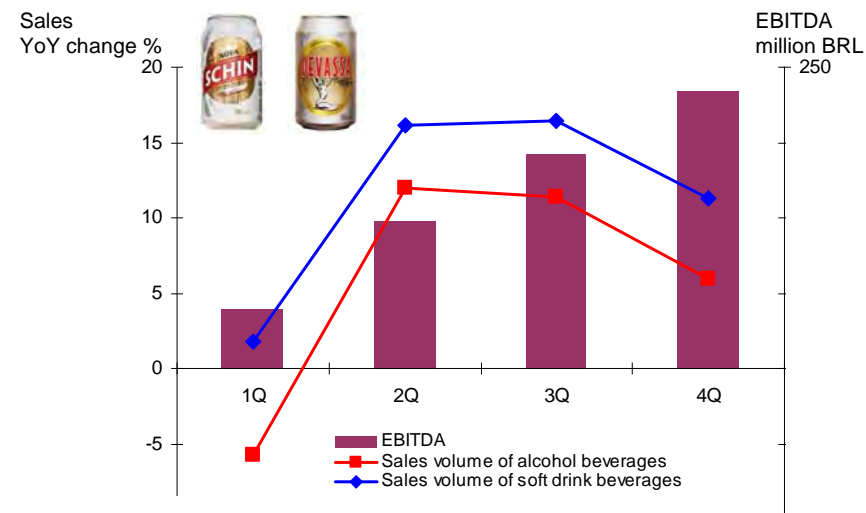
\* PPA (Purchase Price Allocation; allocation of the acquisition cost associated with a business combination)  
 Pursuant to Brazilian accounting standards, the assets and liabilities of Brasil Kirin on the date of the business combination were assessed at fair value. As a result of allocating the pre-PPA goodwill to tangible/intangible fixed assets, etc., while local amortization, etc. has increased(83 million BRL), amortization of goodwill, etc. on a consolidated basis has decreased in comparison to budget(38 million BRL in total).

## < Sales breakdown\*\* >

	Billion yen	Million BRL
Alcohol beverages	104.1	2,536
Soft drink beverages	28.5	706

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

## Quarterly results



## Completed PMI activities to plan

- Progressed better than planned in procurement process reforms

## Maintained strong market presence in Northern and North-Eastern regions



In-house event to mark the change of name to Brasil Kirin

# Brasil Kirin (2) 2013 forecast



## Move toward stage of increased profits through strategic investment in facilities and brands

	Consolidated basis		Local basis	
	(Billion yen)	YoY Change(%)	(Million BRL)	YoYChange(%)
Sales	176.8	18.8	4,112	13.5
Operating income	15.6	20.2	364	14.8
Goodwill	(5.1)		(118)	
Brand amortization	(2.9)		(69)	
Operating income after amortization of goodwill, etc.	7.5	42.8	175	36.4
EBITDA	28.8	20.0	670	11.3

Consolidated results period: January - December 2013  
Forecast currency exchange rate: BRL 1 = JPY 43.00

### < Sales breakdown\* >

	(Billion yen)	YoY change (%)	(Million BRL)	YoY change (%)
Alcohol beverages	125.0	20.0	2,909	14.7
Soft drink beverages	34.9	22.5	813	15.2

### Growth linked to the market

- Real GDP growth rate in 2013 is about 3.3% \*1
  - Inflation rate is around 5% \*1
  - Outlook for growth in the beer market is 4.9% \*2
  - Outlook for growth in soft drinks market is 5.9% \*2
- \*1: Kirin estimates based on reports published by the Central Bank of Brazil, etc.  
\*2: Kirin estimates

### Efforts aimed at achieving growth

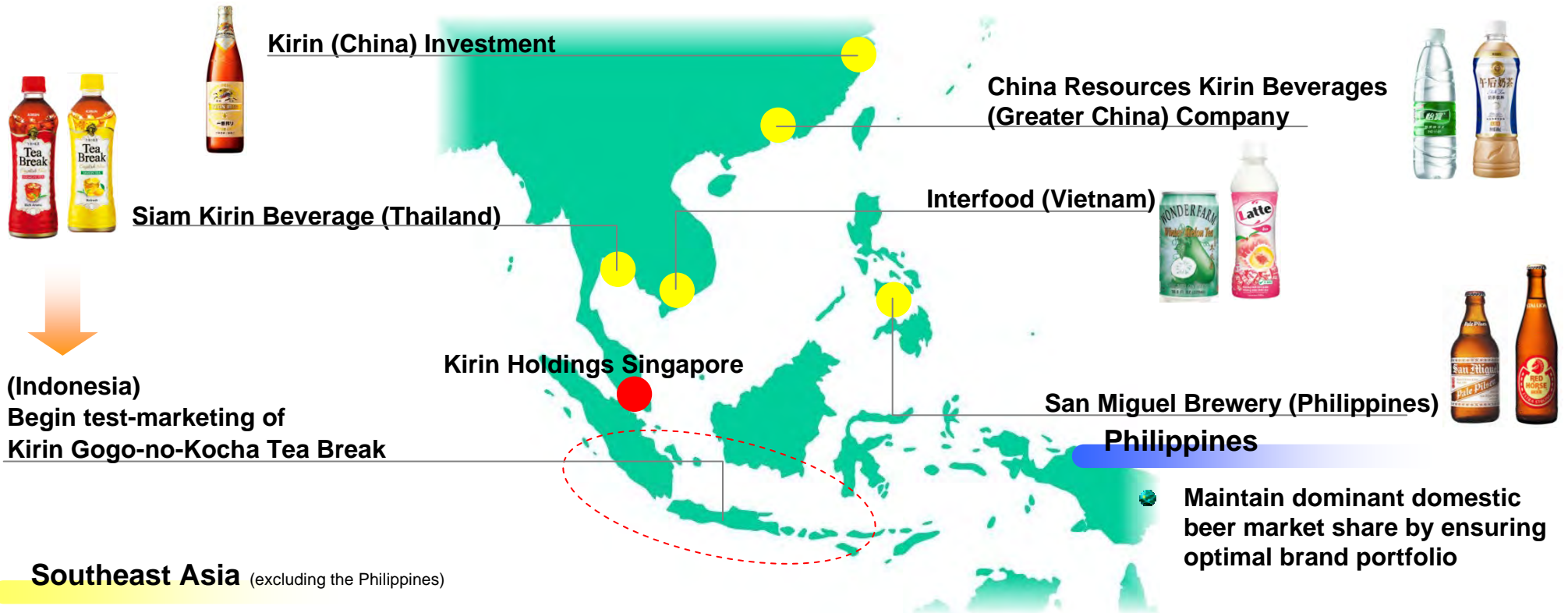
- Extend drink can lines, and respond to increase in household demand
- Strengthen reach to areas with weak presence
- Focus resources on core brands
- Strengthen brand through advertising, shop presence, and expanding the drinking experience via events, etc.

### Efforts aimed at increasing efficiency

- Improve gross margin ratio of non-alcoholic beverages (Raise gross margin ratio to over 40% for alcoholic and non-alcoholic beverages combined)

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

# Other overseas integrated beverages



(February 1, 2013:  
Decision made to sell shares in Fraser & Neave)

Aim to expand business in Southeast Asia by utilizing existing business bases in Vietnam and Thailand, centered on Kirin Holdings Singapore

## China

(Soft drinks)

Construct a countrywide soft drinks platform through China Resources Kirin Beverages (Greater China), aiming for dramatic growth

(Beer)

Stabilize revenue base and achieve continued growth in sales of KIRIN brand products

# Kyowa Hakko Kirin: Medium-term Business Plan 2013-2015

Leveraging Kyowa Hakko Kirin Group synergies to achieve sustainable growth by responding to environmental changes

## Basic strategy of MTBP2013-2015

- Further strengthen competitiveness in Japan through our category-based strategy
  - Implement product portfolio management in each category from R&D to S&M
  - Realize sustainable growth while enhancing productivity
- Expand our business base in the USA, Europe and Asia and aim to become a global specialty pharmaceutical company
- Strengthen the revenue base of our Bio-Chemicals business

## <Quantitative targets>

(Billion yen)	FY 2012 Results	FY2013 Planned	FY2015 Guidance <sup>1)</sup>	Compared to FY2012
Net sales	333.1	338.0	358.0	+24.9
Operating income <sup>2)</sup> *	52.9	55.0	60.0	+7.1
(operating income to sales ratio)	(15.9%)	(16.3%)	(16.8%)	
Ordinary income <sup>2)</sup>	49.0	49.0	53.0	+4.0
Net income <sup>2)</sup>	24.1	30.0	30.0	+5.9
EPS <sup>3)</sup> (¥)	61.0	71.7	71.7	+10.7

## Pharmaceuticals



## Bio-chemicals



1) To be updated annually , 2) Income after amortization of goodwill , 3) EPS calculated using net income before amortization of goodwill

\* Consolidated operating income at Kirin Holdings after adjustment of goodwill: FY2012 55.5bn yen / FY2013(Planned) 58.0bn yen

## From CSR to CSV

In support of Kirin's brand-centered management approach—through which Kirin aims to deepen engagement with stakeholders and take its CSR activities to the next level—Kirin is adopting a CSV approach to business. With CSV, Kirin aims to create value together with a wide range of stakeholders through its overall business activities along the value chain.

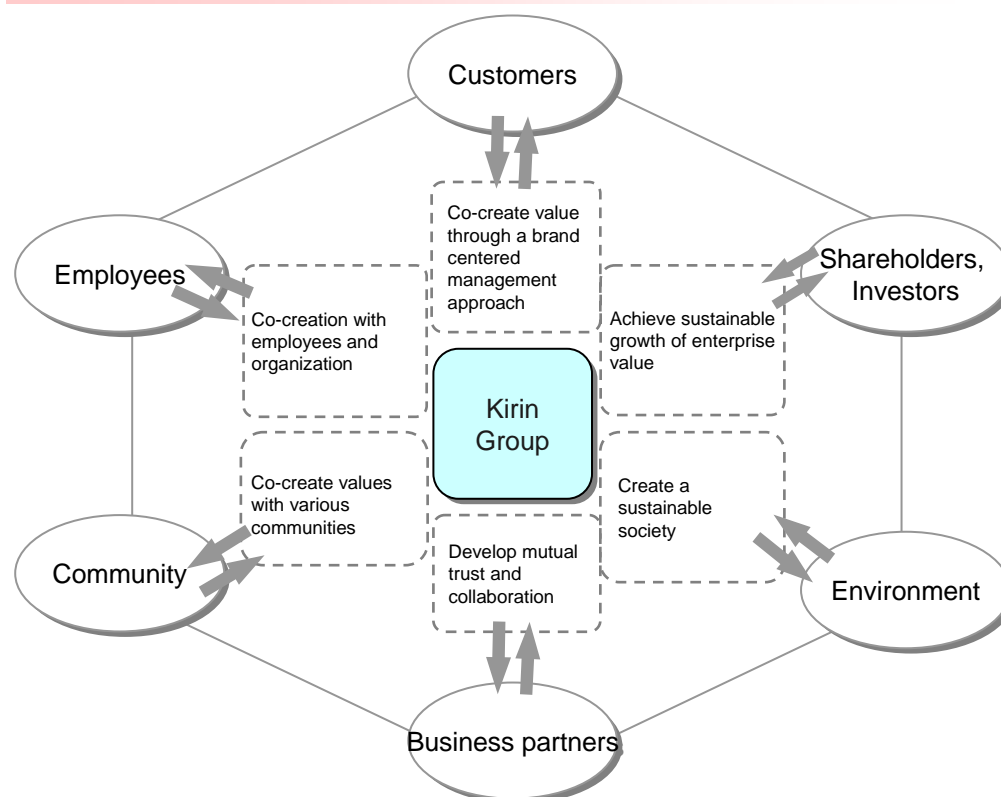
### Co-create value with a wide range of stakeholders



Starting lineup against UAE national football team in the Kirin Challenge Cup 2012, September 6, 2012



Starting lineup against the Australian women's national football team in the Kirin Challenge Cup 2012, July 11, 2012



# Appendix

## Appendix 1. Details of indices, etc.

### (Normalized EBITDA)

(Billion yen)	2013 Target
Operating income	155.0
Depreciation	106.0
Amortization of goodwill	46.7
Dividends received from equity-method affiliated companies	8.3
Normalized EBITDA	316.0

### (Normalized EPS)

(Billion yen)	2013 Target
Net income	90.0
Amortization of goodwill, etc.	62.1
Special income and expenses after income taxes and minority interests	(35.3)
Normalized net income (A)	116.7
Average number of shares outstanding during period (B)	961,497,936
Normalized EPS = A/B	121yen

## Appendix 2. Forex sensitivity

(Foreign exchange rate)

(Yen)

	AUD	BRL
Average rate for the period		
2012 Actual	81.58 (Oct 2011 - Sep 2012)	41.08
2013 Forecast	90.00 (Oct 2012 - Sep 2013)	43.00
Rate at end of period		
2012 Actual	81.12 (End of Sep 2012)	42.37

(Impact of 1-yen change in foreign exchange rate on consolidated business results)

(Billion yen)

	AUD (Lion)	BRL (Brasil Kirin)
Consolidated sales	5.1	4.1
Consolidated operating income	0.32	0.18
Foreign currency translation adjustments	Approx.6.0	Approx.6.0

## Appendix 3. Strengthening of the soft drinks production system aimed at renewed growth in the Japan integrated beverage business (plan outline)

**Strengthen in-house production of cost competitive PET bottle products for adopting to changes in the market environment**

*~ Aim for top productivity in the industry through strategic resource allocation~*

### Outline

#### ● Shift manufacture from canned products to PET bottle products

1. Retain production lines at Kirin Brewery Shiga Plant for manufacturing large and small PET bottle products
2. Within the same site, expand the production line for small PET bottle products

Limit initial investment, achieve a highly efficient production system and reduce energy consumption by transferring and integrating functions from Maizuru Plant.

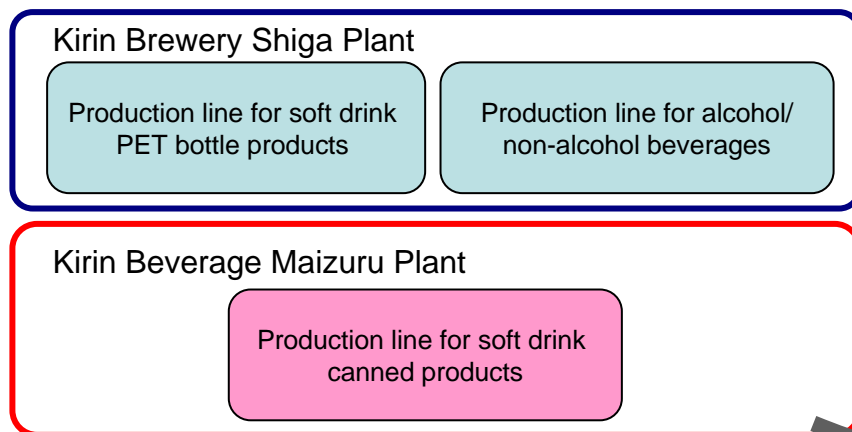
Improve ratio of small PET bottle products manufactured in-house

Improve small PET bottle self-sufficiency in western Japan

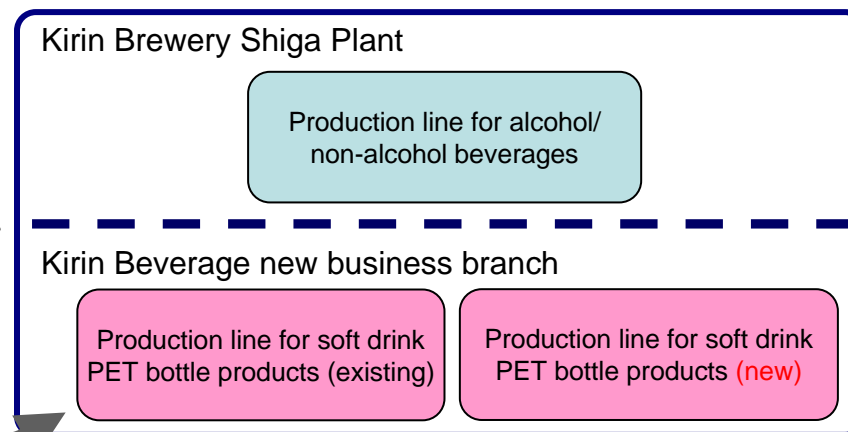
### Schedule

- Fall 2013: End production at the Maizuru Plant
- January 2014: Expand the production line for small PET bottle products within the Kirin Brewery Shiga Plant, and commence production positioning this site as a new branch of Kirin Beverage's business

### Current system



### System from January 2014



**Relocate production base**

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**KIRIN**