

Kirin Group Financial Results for the Third Quarter of 2012

November 2, 2012
Kirin Holdings Company, Limited

2012 Third-Quarter Highlights

YoY sales growth. Strong performance of Overseas Beverages Business contributed to increased profits

(Billion yen)	2012 3Q	YoY Change	
Domestic Alcohol Beverages	622.3	(13.9)	(2.2)%
Domestic Non-Alcohol Beverages	250.2	13.9	5.9%
Overseas Beverages	425.3	77.6	22.3%
Pharmaceuticals and Bio-chemicals	238.0	(16.0)	(6.3)%
Other	70.0	(4.6)	(6.3)%
Sales	1,606.1	56.9	3.7%
Domestic Alcohol Beverages	43.6	(13.3)	(23.4)%
Domestic Non-Alcohol Beverages	3.3	0.1	4.4%
Overseas Beverages	17.1	2.1	14.1%
Pharmaceuticals and Bio-chemicals	39.2	(1.3)	(3.4)%
Other	3.5	(1.3)	(27.3)%
Operating Income	105.2	(14.7)	(12.3)%
Equity in earning of affiliates	(1.6)	(9.5)	-
Ordinary Income	91.2	(24.3)	(21.1)%
Special income and expenses	(5.9)	24.5	-
Income before income taxes and minority interests	85.2	0.1	0.2%
Net Income	25.3	(1.5)	(5.8)%

<Major factors for YoY change>

➤ Sales

- Higher revenues for the Overseas Beverages Business, with incorporation of Brazilian business P&L
- Increased sales for Domestic Non-Alcohol Beverages Business

➤ Operating income

- Overseas Beverages Business performed in accordance with the plan in both Oceania and Brazil
- Exclusion of the chemicals business from Kyowa Hakko Kirin Co., Ltd. (March 2011)

➤ Ordinary income

- Equity in earnings of affiliates for Kirin Amgen decreased

Integrated Beverages Business (Japan) Kirin Brewery, Mercian, Kirin Beverage **KIRIN**

Strengthened core brands, creation of new value for customers, further improved cost efficiency

(Billion yen)		2012 3Q	YoY Change	
	Kirin Brewery* ²	555.5	(15.2)	(2.7)%
	Mercian	46.9	(3.5)	(7.0)%
	Kirin Beverage	251.2	12.9	5.4%
Sales* ¹		872.6	(0.0)	(0.0)%
	Kirin Brewery* ²	40.6	(14.1)	(25.8)%
	Mercian	0.4	0.2	126.5%
	Kirin Beverage	3.0	(0.1)	(4.4)%
Operating Income* ¹		46.9	(13.1)	(21.9)%

*1 Domestic alcohol beverages + Domestic non-alcohol beverages

*2 Kirin Brewery + Kirin Beer Marketing

➤ Kirin Brewery

- Beer sales robust, backed by demand of the on-premise market (success of *Ichiban-shibori frozen nama* etc.)
- RTD category performed well (+9.1% YoY)

➤ Mercian

- Continued strong sales of table wines

➤ Kirin Beverage

- Total sales of *Kirin Mets cola* topped 100 million bottles
- Products such as *Kirin Gogo-no-Kocha (Oishii-Muto)* and *Sekai-no-Kitchen-Kara* series also contributed to volume increase



Integrated Beverages Business (Oceania) Lion

Thanks to the strong performance of the Australian alcohol business, annual target is expected to be achieved as planned.

2012 3Q		Consolidated basis		Local basis	
		Billion yen	YoY	Million AUD	YoY
	Alcohol Beverages	141.0	(1.3)%	1,727	1.7%
	Soft drink Beverages	156.5	(12.6)%	1,917	(10.0)%
Sales		297.5	(7.6)%	3,645	(4.8)%
	Alcohol Beverages	36.6	3.1%	449	6.3%
	Soft drink Beverages	4.5	(40.7)%	56	(38.9)%
	Corporate expense	(5.2)	63.4%	(64)	68.3%
Operating income		35.9	(10.2)%	440	(7.5)%
Goodwill		(18.9)	(2.9)%	(231)	-
Brand amortization		(2.8)	(59.5)%	(35)	(58.2)%

Alcohol Beverages:

- Despite the decline of the total beer market, the business increased market share and grew revenue and profit.
- This reflects decisions by international brand owners to partner with Lion in the Australian market, with brands such as Corona Extra and Stella Artois, as well as strong performances from core trademarks and improved mix through premiumisation.

Soft drink Beverages:

- Conditions remain challenging, with sustained deep retailer discounting on private label white milk impacting profitability, as well as aggressive competitive activity in juice and everyday cheese and fresh dairy range deletions.
- Expected to achieve annual profit target in 4Q by resolving timing difference of costs.

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

Million AUD	2012 3Q	2011 3Q	YoY	Cause of change		
Alcohol Beverages	449	422	26	Volume	(4)	Sales volume +0.2%
				COGS	(8)	
				Other	38	
Soft drink Beverages	56	92	(35)	Volume	(91)	Sales volume (13.3)%
				COGS	(74)	
				Other	129	

1.Currency exchange rate : FY2012 : AUD1=JPY81.64, FY2011: AUD1=JPY84.11

2.Impact of currency exchange: Sales -9.0billion yen (Alcohol Beverages -4.2billion yen, Soft drink Beverages -4.7billion yen), Operating income -1.0billion yen (Alcohol Beverages -1.1billion yen, Soft drink Beverages -0.1billion yen, Corporate expense +0.1 billion yen) , Amortization (Goodwill +0.5billion yen, Brand +0.0billion yen)

Integrated Beverages Business (Brazil) Schincariol

Strong sales of both beer and soft drinks. On course to reach annual targets.

2012 3Q		Consolidated basis (Billion yen)	Local basis (Million BRL)
	Alcohol beverages	+5.3%	
	Soft drink beverages	+10.8%	
Sales volume (YoY change)		+7.2%	
Sales		102.0	2,467
	Total beverages	8.2	198
	Amortization of goodwill	(6.9)	(168)
Operating Income		1.2	30
EBITDA		14.4	350

Consolidation period : January-September ,2012

Currency exchange rate: BRL1=JPY41.38

➤ Quarterly progress

		1H	July – September	January - September
	Alcohol beverages	+2.3%	+11.4%	+5.3%
	Soft drink beverages	+8.1%	+16.4%	+10.8%
Sales volume (YoY change)		+4.4%	+13.1%	+7.2%
EBITDA (Million BRL)		172	178	350

➤ Post Merger Integration continues to run ahead of schedule.

- Drastic improvements in procurement process
- Consideration of joint procurement with Japan and Australia

➤ Sales of new “SCHIN NO GRAU” (released in June) grew in line with plans

➤ Core product ”NOVA SCHIN” maintained strong market presence in Northern and North-Eastern regions.

<Sales breakdown*>

	(Billion yen)	(Million BRL)
Alcohol beverages	71.0	1,716
Soft drink beverages	19.9	482

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



Pharmaceuticals and biochemicals

On track to meet annual targets thanks to strong sales of core pharmaceutical products

(Billion yen)		2012 3Q	YoY change	
	Pharmaceuticals	182.2	14.1	8.4%
	Bio-chemicals	56.1	(0.0)	(0.1)%
Sales*		244.6	(17.6)	(6.7)%
	Pharmaceuticals	34.8	1.7	5.2%
	Bio-chemicals	2.2	(0.8)	(26.7)%
Operating income*		39.2	(1.3)	(3.4)%

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

- **Pharmaceuticals (Operating income +1.7billion yen)**
 - Strong sales of core products including NESP, a treatment for renal anemia
- **Bio-chemicals Business (Operating income -0.8billion yen)**
 - Strong sales of pharmaceuticals and industrial ingredients, particularly high added value amino acid and nucleic acids related materials
 - Effects of the yen's appreciation triggered by the European credit uncertainty
- **New drug development**
 - Commenced Phase II clinical trials of KW-0761 for adult T-cell leukemia-lymphoma in Europe and the US (August)

Sales of main products

(Billion yen)		2012 3Q	YoY change
Nephrology	NESP	41.0	102%
	REGPARA	9.5	116%
Immunology/ allergology	Allelock	21.8	98%
	Patanol	8.5	87%
Oncology	GRAN	9.8	93%
Cardiovascular system	Coniel	12.5	88%
New products	Fentos	3.2	157%
	Asacol	2.8	145%

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