

**Kirin Group**  
**Financial Results for the Third Quarter of 2013**

**October 30, 2013**  
**Kirin Holdings Company, Limited**

## Executive Summary

- Increased sales and profits over previous year, with Jan-Sep consolidated performance progressing in line with plan.  
Aim at achieving annual operating income target
- Gradually introduced new products overseas that leverage Japan's knowledge and technologies
- Continued to implement initiatives for group strategy issues to achieve quantitative targets for FY2013

### *Progress towards targets*

|                                    | FY2013<br>Q3         | FY2013<br>Targets    |
|------------------------------------|----------------------|----------------------|
| Normalized EBITDA<br>(Billion yen) | 224.9<br>(YoY +2.9%) | 314.0<br>(YoY +2.2%) |
| Normalized EPS<br>(Yen)            | 91<br>(YoY +18.2%)   | 123<br>(YoY +5.1%)   |

## Third Quarter Performance Highlights

Increased sales and profits over previous year, with January-September consolidated performance progressing in line with plan

|   |  | FY2013<br>(Billion yen) | FY2012<br>(Billion yen) | YoY change<br>(Billion yen) (%) |              |
|---|--|-------------------------|-------------------------|---------------------------------|--------------|
| Sales   | Japan integrated beverages                               | 871.0                   | 874.7                   | (3.7)                           | (0.4)        |
|   | Overseas integrated beverages                            | 510.1                   | 423.6                   | 86.5                            | 20.4         |
|   | Pharmaceuticals and bio-chemicals                        | 245.0                   | 238.0                   | 7.0                             | 3.0          |
|   | Others   | 51.2                    | 69.6                    | (18.3)                          | (26.4)       |
|   | <b>Sales</b>   | <b>1,677.6</b>          | <b>1,606.1</b>          | <b>71.4</b>                     | <b>4.5</b>   |
| Operating income                                  | Japan integrated beverages                               | 48.1                    | 48.0                    | 0.1                             | 0.3          |
|   | Overseas integrated beverages                            | 18.4                    | 17.0                    | 1.4                             | 8.5          |
|   | Pharmaceuticals and bio-chemicals                        | 43.3                    | 39.2                    | 4.1                             | 10.5         |
|   | Others   | 2.9                     | 2.7                     | 0.2                             | 7.8          |
|   | <b>Operating income</b>                                  | <b>107.4</b>            | <b>105.2</b>            | <b>2.2</b>                      | <b>2.1</b>   |
| Ordinary income                                   | Equity in earnings of affiliates                         | 1.5                     | (1.6)                   | 3.1                             | -            |
|   | <b>Ordinary income</b>                                   | <b>99.6</b>             | <b>91.2</b>             | <b>8.4</b>                      | <b>9.3</b>   |
| Income before income taxes and minority interests | Special income and expenses                              | 46.7                    | (5.9)                   | 52.7                            | -            |
|   | <b>Income before income taxes and minority interests</b> | <b>146.4</b>            | <b>85.2</b>             | <b>61.2</b>                     | <b>71.8</b>  |
|   | <b>Net income</b>  | <b>83.6</b>             | <b>25.3</b>             | <b>58.2</b>                     | <b>229.7</b> |

- Overseas sales increased favorably, and sales of Kirin Beverage performed well to contribute to increase
  - Lion +20.1%
  - Brasil Kirin +21.5%
  - Kirin Beverage + 5.3%
- Overseas integrated beverages increased profits. Lion had a drastic increase through steady performance in alcohol beverage business and benefit of weaker yen (+8.9 billion yen)
- In the pharmaceuticals and bio-chemicals business, there were steady sales of pharmaceuticals domestically, and favorable performance of ProStrakan. Weaker yen also contributed to increased profits (+4.1 billion yen)

\* New reporting segments were created in FY2013.

# Japan Integrated Beverages

Operating income maintained same level as previous year. Will continue to aim to achieve annual forecast.

|                  |                         | FY2013<br>(Billion yen) | FY2012<br>(Billion yen) | YoY<br>change<br>(Billion yen) | YoY<br>change<br>(%) |
|------------------|-------------------------|-------------------------|-------------------------|--------------------------------|----------------------|
| Sales            | Kirin Brewery           | 538.3                   | 555.5                   | (17.2)                         | (3.1)                |
|                  | Kirin Beverage          | 264.4                   | 251.2                   | 13.1                           | 5.3                  |
|                  | Mercian                 | 45.7                    | 46.9                    | (1.2)                          | (2.6)                |
|                  | Others                  | 22.5                    | 20.9                    | 1.5                            | 7.4                  |
|                  | <b>Sales</b>            | <b>871.0</b>            | <b>874.7</b>            | <b>(3.7)</b>                   | <b>(0.4)</b>         |
| Operating income | Kirin Brewery           | 39.2                    | 40.6                    | (1.3)                          | (3.3)                |
|                  | Kirin Beverage          | 3.0                     | 4.5                     | (1.4)                          | (31.6)               |
|                  | Goodwill amortization   | (1.4)                   | (1.4)                   | (0.0)                          | -                    |
|                  | <b>Total</b>            | <b>1.5</b>              | <b>3.0</b>              | <b>(1.4)</b>                   | <b>(47.2)</b>        |
|                  | Mercian                 | (0.4)                   | 0.4                     | (0.9)                          | -                    |
|                  | Others                  | 7.7                     | 3.9                     | 3.8                            | 98.0                 |
|                  | <b>Operating income</b> | <b>48.1</b>             | <b>48.0</b>             | <b>0.1</b>                     | <b>0.3</b>           |

- Implemented initiatives for further reinforcement of key brands, and boosted new value proposition to customers

## TOPICS

- Kirin Beverage performed well (YoY +8%)
  - Salt & Litchee* was big hit due to the hot summer
  - Created new drinking styles for *Gogo-no-Kocha (Oishii-Muto)*
  - Pursued new potential of coffee products through *Café Deli*
- Wine sales, mainly imported daily wines, steadily expanded (YoY +3%)
- Upward revision of sales targets for new product *Sumikiri*
- Increased *Kirin Ichiban-Shibori Nama Beer* large keg sales over previous year



## Alcohol business led Lion's performance, and group earning increase realized

|                       |            | FY2013 |         | FY2012 |         | YoY change |         | YoY change (%) |           |
|-----------------------|------------|--------|---------|--------|---------|------------|---------|----------------|-----------|
|                       |            | Bn Yen | Mil AUD | Bn Yen | Mil AUD | Bn Yen     | Mil AUD | Yen basis      | AUD basis |
| Sales                 | Alcohol    | 186.9  | 2,011   | 141.0  | 1,727   | 45.9       | 284     | 32.6           | 16.5      |
|                       | Soft Drink | 170.4  | 1,833   | 156.5  | 1,917   | 13.8       | (83)    | 8.9            | (4.4)     |
|                       |            | 357.3  | 3,845   | 297.5  | 3,645   | 59.8       | 200     | 20.1           | 5.5       |
| Operating Income      | Alcohol    | 50.3   | 541     | 36.6   | 449     | 13.6       | 92      | 37.2           | 20.5      |
|                       | Soft Drink | 5.7    | 61      | 4.5    | 56      | 1.1        | 5       | 24.2           | 9.1       |
|                       | Corporate  | (6.6)  | (71)    | (5.2)  | (64)    | (1.3)      | (7)     |                |           |
| Operating Income      |            | 49.3   | 530     | 35.9   | 440     | 13.3       | 89      | 37.1           | 20.4      |
| Goodwill Amortization |            | (22.9) | (247)   | (18.9) | (231)   | (4.0)      | (15)    |                |           |
| Brand Amortization    |            | (3.1)  | (34)    | (2.8)  | (35)    | (0.3)      | 1       |                |           |
| OP after Amortization |            | 23.1   | 249     | 14.1   | 173     | 8.9        | 75      | 63.1           | 43.3      |

| Sales Volume | YoY change (%) |
|--------------|----------------|
| Alcohol      | +6.8%          |
| Soft Drink   | (4.4%)         |

| Alcohol | Change in Operating Income (Million AUD) | Soft Drink |
|---------|--|------------|
| 449     | FY2012                                   | 56         |
| 59      | Changing in Sales Volume                 | (23)       |
| 33      | Others                                   | 29         |
| 541     | FY2013                                   | 61         |

Consolidated period : Oct 2012-June 2013      Currency Exchange rate : 92.94 yen (Oct 2011- June 2012 : 81.64 yen)

### Alcohol

- Existing brands and growing categories lead to sales volume increase
- Increase in sales volume and improvement of sales mix realized

### Soft Drink

- Focused on transformational change to strengthen our value added brands and to improve efficiency



Australian NO.1 Beer  
XXXX Gold

Growing Categories  
International Premium (left side)  
Craft beer (right side)

Well performed brand  
Dare  
(NO.1 Dairy Beverage in Australia)

## Achieved YoY sales increase while market growth has slowed

|  | FY2013 |         | FY2012 |         | YoY change |         | YoY change (%) |           |
|--|--------|---------|--------|---------|------------|---------|----------------|-----------|
|  | Bn yen | Mil BRL | Bn yen | Mil BRL | Bn yen     | Mil BRL | Yen basis      | BRL basis |
| Sales  | 124.0  | 2,733   | 102.0  | 2,467   | 21.9       | 266     | 21.5           | 10.8      |
| Operating income                                     | 0.6    | 14      | 8.2    | 198     | (7.5)      | (184)   | (92.1)         | (92.8)    |
| Goodwill amortization                                | (4.0)  | (88)    | (6.9)  | (168)   | 2.9        | 79      |                |           |
| Brand amortization                                   | (2.3)  | (52)    | -      | -       | (2.3)      | (52)    |                |           |
| Operating income after amortization of goodwill etc. | (5.7)  | (127)   | 1.2    | 30      | (7.0)      | (157)   | (560.9)        | (520.3)   |
| EBITDA   | 10.0   | 221     | 14.4   | 350     | (4.4)      | (129)   | (30.6)         | (36.9)    |

| Sales Volume | YoY change (%) |
|--------------|----------------|
| Beer         | +2.2%          |
| Soft drinks  | (0.6%)         |
| Total        | +1.2%          |

Consolidated period: January – September 2013

Currency exchange rate: 45.38 yen  
(Jan – Sep 2012: 41.38 yen)

- In low presence areas, implemented initiatives to expand customer touch points, extended sales volume and contributed to increased sales
- Breakdown of Operating income (184mil BRL YoY decrease):
  - 52mil BRL decrease: Increased depreciation cost with re-evaluation of assets and liabilities based on Brazil's international accounting standard
  - 132mil BRL decrease: SG&A increased through strategic brand investment though gross profit increased through further optimization of supply chain.
- Consumer campaigns and other sales reinforcement measures already being implemented, so will continue to implement measures for maximizing market presence in peak period



Core Beer Brands (from left)  
DEVASSA  
NOVA SCHIN  
SCHIN NO GRAU



Core Soft Drink Brands  
SCHIN (Guaraná, Cola,  
Citrus, etc.)



# Topics: Leveraging Japan's Knowledge and Technologies Overseas

**KIRIN**



## *Dare Cold Pressed*



Kirin's packaging technologies leveraged in Lion's key soft drink brands. New drinking styles created through release of first bottle can in Australia.

## *Kirin Cider Kaori*



First Kirin brand cider launched amidst rapid growth of cider category in Australia.



## *Kirin fibz*



Leveraged know-how from development of Kirin Mets Cola to develop first fiber-infused Cola / Guaraná soft drink in Brazil.

## Reference: Quantitative Indices

### Normalized EBITDA

(Billion yen)

|  | FY2013 | FY2012 |
|--|--------|--------|
| Operating income   | 107.4  | 105.2  |
| Depreciation   | 73.9   | 71.8   |
| Goodwill amortization                                      | 36.2   | 35.6   |
| Dividends received from equity method affiliated companies | 7.2    | 5.8    |
| Normalized EBITDA  | 224.9  | 218.5  |

### Normalized EPS

(Billion yen)

|  | FY2013  | FY2012  |
|--|---------|---------|
| Net income   | 83.6    | 25.3    |
| Amortization of goodwill etc.                                      | 49.3    | 46.6    |
| Special incomes/expenses after income taxes and minority interests | (46.4)  | 1.5     |
| Normalized net income (A)  | 86.5    | 73.6    |
| Average number of shares outstanding during period (B) (Thousand)  | 948,512 | 961,710 |
| Normalized EPS (A) / (B)   | 91yen   | 77yen   |



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