

# **Kirin Group**

## **FY2015 Financial Results and FY2016 Business Plan**

**February 15, 2016**  
**Kirin Holdings Company, Limited**

**( 1 ) FY2015 Financial Results**

**( 2 ) FY2016 Business Plan**

**( 1 ) FY2015 Financial Results**

**( 2 ) FY2016 Business Plan**

# Results Summary

- Achieved sales growth. Excluding effects of reduced goodwill amortization, operating income declined
- Brasil Kirin ¥110.0bn impairment loss and other factors led to net loss of ¥47.3bn

¥bn	2015 actual	2014 actual	YonY change		Forecast as of (21/12/2015)
Sales	2,196.9	2,195.7	1.1	0.1%	2,200.0
Operating income* <sup>1</sup>	124.7	114.5	10.2	8.9%	122.0
Ordinary income * <sup>2</sup>	128.1	94.2	33.9	36.1%	119.0
Net income (loss)	(47.3)	32.3	(79.7)	—	(56.0)

\*<sup>1</sup> In FY2015, goodwill amortization declined by 21.8 billion yen over FY2014 due to the application of the Revision of the Accounting Standards regarding Business Combinations ( see slide 28)

\*<sup>2</sup> See slide 29 for non-operating income and expenses (gains and losses on equity method investments)

## ■ Quantitative targets

	2015 actual	2014 actual	YonY change		Forecast as of (21/12/2015)
Normalized EBITDA (¥bn) * <sup>3</sup>	258.9	273.1	(14.2)	(5.2%)	(256.0)
Normalized EPS (¥) * <sup>3</sup>	117	118	(1)	(0.8%)	110

\*<sup>3</sup> See slide 30

## ■ Financial indicators

	2015 actual	2014 actual	YonY change	
Operating income before amortization of goodwill etc. (¥bn)	158.5	171.5	(13.0)	(7.6%)
EPS (¥)	(51.87)	35.27	(87.13)	—
EPS before amortization of goodwill etc. (¥)	(3)	109	(111)	—

# Consolidated Sales

- Sales increased due to sales volume increase in domestic beers and soft drinks as well as sales increase in pharmaceuticals and bio-chemicals, offsetting the decline in Overseas Integrated Beverages sales
- Brasil Kirin sales volume for October-December was below forecast, resulting in below forecast sales

¥ bn	2015 actual	2014 actual	YonY change		2015 forecast
Sales	2,196.9	2,195.7	1.1	0.1%	2,200.0
Japan Integrated Beverages	1,191.5	1,152.9	38.5	3.3%	1,190.0
Kirin Brewery	707.2	698.7	8.5	1.2%	711.3
Kirin Beverage	372.0	345.7	26.3	7.6%	368.3
Mercian	69.3	69.1	0.2	0.4%	69.4
Others, Intersegment Elimination	42.8	39.3	3.4	8.7%	41.0
Overseas Integrated Beverages	624.1	693.1	(69.0)	(10.0%)	634.0
Lion	438.7	470.2	(31.5)	(6.7%)	442.5
Brasil Kirin	134.2	179.9	(45.6)	(25.4%)	140.2
Others, Intersegment Elimination	51.1	42.9	8.1	19.0%	51.3
Pharmaceuticals and Bio-chemicals	355.7	325.1	30.6	9.4%	351.0
Other	25.4	24.5	0.9	3.7%	25.0

# Consolidated Operating Income

- Excluding reduced goodwill amortization of ¥21.8bn due to application of the Revision of the Accounting Standards Regarding Business Combinations, operating income declined by 10.1%
- Overall forecasts were exceeded as Kirin Brewery and others exceeded targets. Overseas Integrated Beverages, Pharmaceuticals and Bio-chemicals, were below forecasts

¥ bn	2015 actual	2014 actual	YonY change		2015 forecast
Operating Income* <sup>1</sup>	124.7	114.5	10.2	8.9%	122.0
Japan integrated beverages* <sup>1</sup>	47.9	48.1	(0.1)	(0.4%)	42.0
Kirin Brewery* <sup>2</sup>	62.6	66.4	(3.8)	(5.8%)	58.9
Kirin Beverage* <sup>2</sup>	5.6	5.3	0.3	6.3%	6.9
Mercian* <sup>2</sup>	1.9	1.4	0.5	38.6%	1.4
Other	(22.2)	(23.0)	0.7	—	(25.2)
Total		50.1			
Goodwill amortization* <sup>1</sup>	—	(1.9)	1.9	—	—
Overseas Integrated Beverages* <sup>1</sup>	33.2	31.2	2.0	6.4%	33.9
Lion (after goodwill amortization)* <sup>1</sup>	48.0	27.5	20.4	74.3%	47.9
Goodwill amortization* <sup>1</sup>	(12.1)	(31.1)	19.0	—	(12.1)
Brand amortization	(3.7)	(4.1)	0.4	—	(3.7)
Brasil Kirin (after goodwill amortization)* <sup>1</sup>	(18.5)	1.4	(19.9)	—	(17.4)
Goodwill amortization* <sup>1</sup>	(4.2)	(5.3)	1.0	—	(4.2)
Brand amortization	(2.5)	(3.1)	0.6	—	(2.5)
Other* <sup>1</sup>	3.6	2.2	1.4	65.8%	3.3
Pharmaceuticals and Bio-chemicals* <sup>1</sup>	46.8	38.8	7.9	20.4%	50.0
Other	3.8	3.0	0.7	25.2%	3.5

\*1 From FY2015 goodwill amortization decreased due to application of the Revision of the Accounting Standards Regarding Business Combinations.

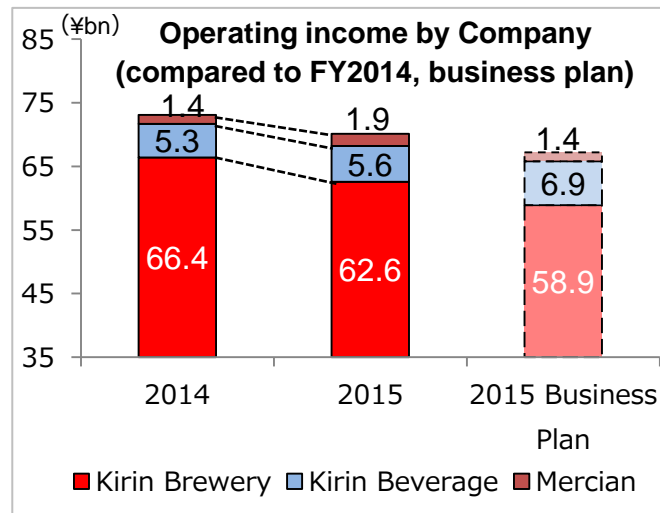
\*2 From FY2015, shown excluding management fees paid to holding company (FY2014 results also shown reconfigured)

# Japan Integrated Beverages

- While sales grew due to sales volume increases in beer, RTDs, and soft drinks, operating income decreased mainly due to increases in selling costs
- Although Kirin Beverage operating income was lower than anticipated, segment operating income achieved target due to contributions from Kirin Brewery, Mercian and others

## ■ Changes in Sales Volume

Category	Change
Beer products total	+0.1%
Beer	+1.0%
Happo-shu	(0.8%)
New genre	(0.0%)
RTD	+7.6%
Soft Drinks	+10.1%
Wine	(1%)



## ■ Changes in Operating Income (¥bn)

### Kirin Brewery

Cause	Change
Marginal profit increases	3.1
Raw materials expenses decreases	0.2
Selling expenses increases	(11.7)
Other expenses reductions	4.6
Total	(3.8)

### Kirin Beverage

Cause	Change
Difference in sales volume	20.5
Raw materials expenses decreases	4.1
Difference in container mix, etc.	(6.0)
Selling expenses increases	(17.9)
Other expenses increases	(0.4)
Total	0.3

## Kirin Brewery

- Sales volume and market share increased in the beer category and in beer products overall as a result of brand and sales strengthening centered on *Ichiban Shibori* and the functional products category
- Although selling expenses increase exceeded expectations, cost control resulted in operating income achieving plan target

## Kirin Beverage

- Mets* greatly improved its presence in the carbonated drinks category
- Large growth in sales volume led to sales and profit growth but higher-than-planned selling expenses increases and changes in mix of containers, etc. resulted in operating income below forecast

### Kirin Ichiban Shibori

+4.2%



**Mets**  
+147%



**Steady growth in market share of functional products category**

# Overseas Integrated Beverages: Lion

- Profits up driven by Dairy and Drinks Turnaround Plan, despite lower sales volume and sales for Alcohol and Dairy and Drinks
- Operating income achieved plan target. Dairy and Drinks Turnaround Plan and HQ cost reductions on target

	Yen base (¥ bn)					A\$ base (A\$ m)				
	2015 actual	2014 actual	YonY change	YonY change (%)	Full year forecast at Q2	2015 actual	2014 actual	YonY change	YonY change (%)	Full year forecast at Q2
Sales	438.7	470.2	(31.5)	(6.7)	442.5	4,709	4,989	(280)	(5.6)	4,758
Alcohol	248.6	255.8	(7.2)	(2.8)	247.1	2,669	2,715	(45)	(1.7)	2,657
Dairy and Drinks	190.0	214.3	(24.2)	(11.3)	195.4	2,040	2,274	(234)	(10.3)	2,101
Operating Income before goodwill amortization, etc.	63.9	62.9	1.0	1.7	63.8	686	667	18	2.8	686
Alcohol* <sup>1</sup>	65.4	67.0	(1.6)	(2.4)	66.4	702	711	(8)	(1.3)	714
Dairy and Drinks* <sup>1</sup>	2.6	0.2	2.4	880.5	2.8	28	2	25	891.8	30
Corporate* <sup>1</sup>	(4.1)	(4.3)	0.2	—	(5.3)	(44)	(46)	1	—	(57)
Goodwill amortization* <sup>2</sup>	(12.1)	(31.1)	19.0	—	(12.1)	(130)	(330)	200	—	(130)
Brand amortization	(3.7)	(4.1)	0.4	—	(3.7)	(39)	(44)	4	—	(39)
Operating income* <sup>2</sup>	48.0	27.5	20.4	74.3	47.9	516	292	223	76.3	516

Consolidation period : Oct 2014 to Sep 2015      Currency rate : ¥ 93.16 (previous year ¥ 94.24)

\*<sup>1</sup> FY2014 breakdown of results by segment and changes reflect change in FY2015 corporate expense levy rules

\*<sup>2</sup> FY2015 goodwill amortization lower than FY2014 reduced due to the adoption of business combination accounting

## Alcohol

- Sales forecasts revised at Q2 against the background of a greater than expected contraction of the Australian beer market were achieved. Despite cost cutting efforts aimed at meeting targets operating income below initial forecasts

## Dairy and Drinks

- Did not meet upwardly revised sales forecast, but due to cost cut benefits under the Turnaround Plan operating income was close to plan target

## ■ Changes in sales volume

(%)	YonY
Alcohol	(1.8)
Dairy and Drinks	(17.4)

## ■ Changes in operating income before goodwill amortization, etc.

A\$ m	Alcohol	Dairy and Drinks
FY2014	711	2
Sales volume change	(49)	(37)
Other	40	62
FY2015	702	28



## Overseas Integrated Beverages: Brasil Kirin

- Decreased Sales volume, soaring raw material cost due to Real depreciation, and increase in SG&A costs resulted in large sales and profit decline
- Sales volume fell below forecast between October – December, resulting in sales and operating income below revised December forecasts

	Yen base (¥ bn)				
	2015 actual	2014 actual	YonY change	YonY change (%)	12/21 forecast
Sales	134.2	179.9	(45.6)	(25.4)	140.2
Operating Income before goodwill amortization ,etc	(11.7)	9.9	(21.6)	—	(10.6)
Goodwill amortization	(4.2)	(5.3)	1.0	—	(4.2)
Brand amortization	(2.5)	(3.1)	0.6	—	(2.5)
Operating Income	(18.5)	1.4	(19.9)	—	(17.4)
EBITDA	0.2	22.7	(22.4)	99.1	1.1

	Real base (B R\$ m)				
	2015 actual	2014 actual	YonY change	YonY change (%)	12/21 forecast
Sales	3,698	3,987	(288)	(7.2)	3,854
Operating Income before goodwill amortization ,etc	(322)	220	(542)	—	(293)
Goodwill amortization	(117)	(118)	1	—	(117)
Brand amortization	(69)	(69)	—	—	(69)
Operating Income	(509)	31	(541)	—	(480)
EBITDA	5	503	(497)	(98.8)	31

Consolidation period: Jan 2015 to Dec 2015 Currency rate: ¥36.30 (previous year: ¥45.13)

### YonY change operating income before goodwill amortization etc.

#### Gross profit decrease 182 B R\$ m

- With some wholesale operation problems and a decrease in competitiveness due to 2014 year-end price revisions, sales volume decreased YonY by 16.2%
- The depreciation of the Real against the backdrop of a sluggish Brasil economy increased raw material costs

#### SG&A cost increase 360 B R\$ m

- Price revisions due to a policy shift from September and strengthened wholesale incentives led to increased sales expenses
- The renewal of leading beer *Schin*, one-off costs including initiatives for operational efficiency increased SG&A costs



### ■ Sales volume change

	YonY change
Beer	(16.8%)
Soft drinks	(15.1%)
Total	(16.2%)

Reference: Market trends (SICOBÉ)

- Beer: YoY change (2.0%)
- Soft drinks: YoY change (5.9%)

## Pharmaceuticals and Bio-chemicals

- In Japan, strong performance by core products, growth of new products, and overseas also strong. Sales and operating income substantially increased YonY.
- SG&A expenses increased due to introduction of products, operating income slightly below upwardly revised forecast

¥ bn	2015 actual	2014 actual	YonY change		Full year forecast at Q2
Sales	355.7	325.1	30.6	9.4%	351.0
Kyowa Hakko Kirin	364.3	333.4	30.8	9.3%	360.0
Pharmaceuticals	278.4	251.8	26.5	10.5%	275.0
Bio-chemicals	85.9	81.5	4.3	5.3%	85.0
Other and Elimination	(8.5)	(8.2)	(0.2)	—	(9.0)
Operating Income	46.8	38.8	7.9	20.4%	50.0
Kyowa Hakko Kirin	46.8	38.8	7.9	20.4%	50.0
Pharmaceuticals	36.2	29.0	7.1	24.6%	38.5
Bio-chemicals	8.1	7.2	0.8	11.7%	8.5
Other, Elimination of Goodwill Amortization	8.6	8.7	(0.1)	(1.4%)	9.1
Goodwill Amortization	(6.1)	(6.2)	0.0	—	(6.1)

### Pharmaceuticals

- Domestic sales remained strong for leading domestic pharmaceutical product *NESP*®, new product *G-Lasta*® sales exceeded target
- Overseas, ProStrakan products performed well, sales up YonY and ahead of target
- R&D costs were in line with plan, however SG&A costs increased due to introduction of new products, operating income did not reach forecast upwardly revised at Q2

### Bio-chemicals

- YonY sales and profit increase. Due to high costs associated with starting up overseas production facilities, operating income forecast was not reached



( 1 ) FY2015 Financial Results

**( 2 ) FY2016 Business Plan**

## 2016-2018 Medium-term Business Plan Quantitative Targets

**ROE before amortization of goodwill etc., Normalized EPS**

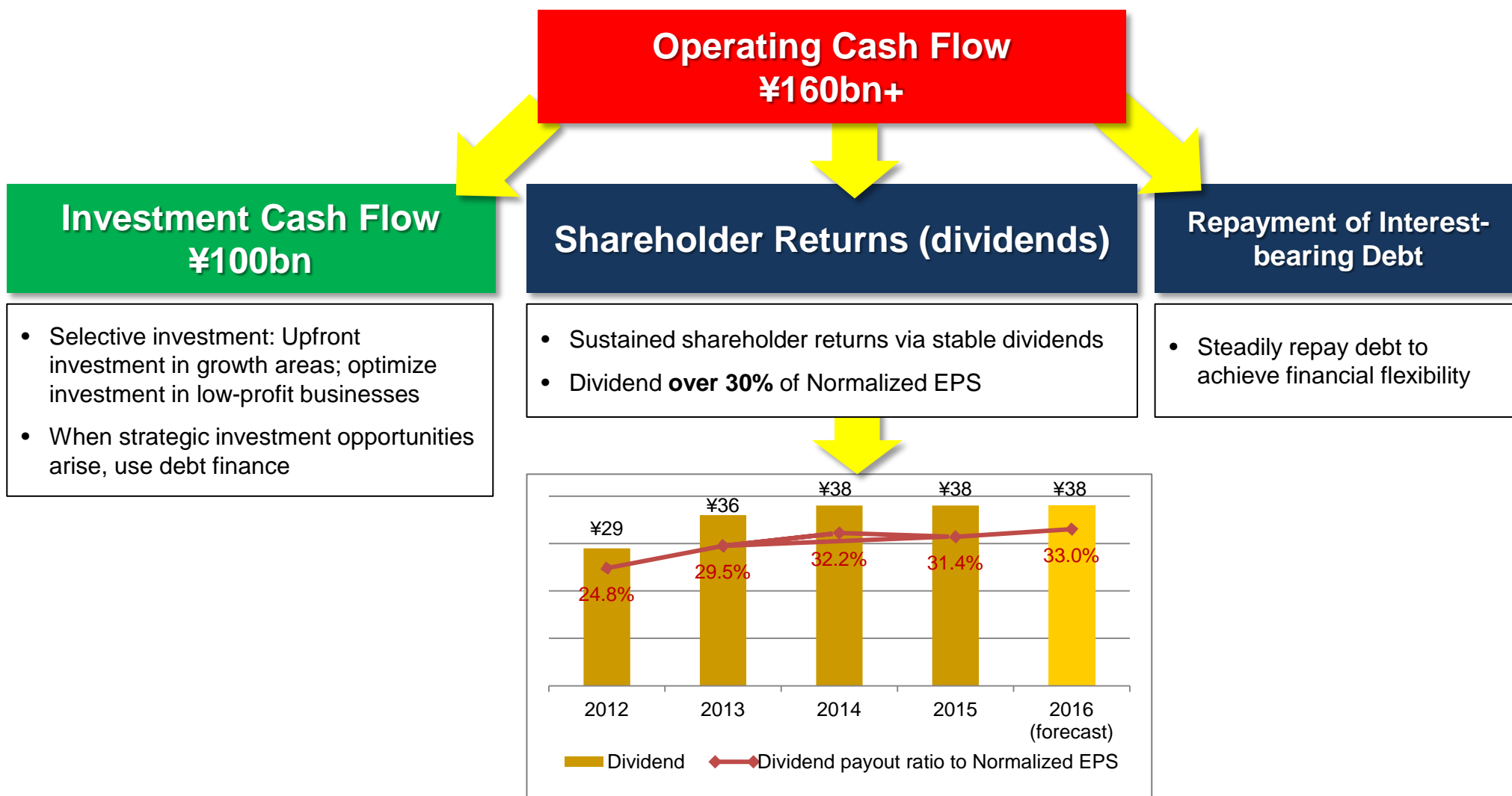
- In FY2015, Brasil Kirin ¥110.0bn impairment loss and other factors led to a consolidated net loss
- In the first year of the 2016-2018 Medium-term Business Plan, restore ROE before amortization of goodwill etc. to 14%
- Normalized EPS to decline temporarily to ¥115 as the drug price revision result in profit decrease in Pharmaceuticals and Bio-chemicals

	2015 actual	2016 plan	YonY change
ROE before amortization of goodwill etc. (%)	(0.3%)	14.0%	—
Normalized EPS (¥)	117	115	(1.7%)

		2015	2016
ROE before amortization of goodwill etc.	Net profit margin (before amortization of goodwill etc.)	(0.1%)	4.7%
	Asset turnover ratio	0.85	0.87
	Financial leverage	3.09	3.43

# FY2016 Financial Strategy

- In FY2016 generate over ¥160bn in operating cash flow and based on 2016 Medium-term Business Plan financial strategy forecast dividends of more than 30% of Normalized EPS



# Plan Summary

## • Decline in sales

1. In Overseas Integrated Beverages, sales on a local currency basis forecast to grow due to new consolidation of Myanmar Brewery and higher BRL-based sales at Brasil Kirin, however weak AUD and BRL relative to the yen will lead to an overall decrease in sales
2. In Pharmaceuticals and Bio-chemicals, reductions in drug price standards will result in a decrease in sales

## • Despite a decrease in sales, operating income is expected to remain in-line with FY2015 due to reduced depreciation expenses in Japan Integrated Beverages, lower goodwill amortization at Brasil Kirin, and new consolidation of Myanmar Brewery

¥ bn	2016 plan	2015 actual	YonY change	
Sales	2,140.0	2,196.9	(56.9)	(2.6%)
Japan Integrated Beverages	1,196.0	1,191.5	4.4	0.4%
Overseas Integrated Beverages	576.0	624.1	(48.1)	(7.7%)
Pharmaceuticals and Bio-chemicals	343.0	355.7	(12.7)	(3.6%)
Operating Income	125.0	124.7	0.2	0.2%
Japan Integrated Beverages	56.0	47.9	8.0	16.7%
Overseas Integrated Beverages	42.0	33.2	8.7	26.3%
Pharmaceuticals and Bio-chemicals	33.0	46.8	(13.8)	(29.5%)
Ordinary Income	129.0	128.1	0.8	0.6%
Net Income (Loss)	60.0	(47.3)	107.3	—
Operating income before amortization of goodwill etc.	153.8	158.5	(4.7)	(3.0%)
EPS (¥)	65.75	(51.87)	117.62	—
EPS before amortization of goodwill etc.(¥)	109	(3)	112	—

## Differences over FY2015

### ■ Change to straight-line method

Japan Integrated Beverages depreciation expenses will decrease approx. ¥8bn

### ■ Exchange rate

Currency vs JPY	2016	2015
AUD	83.00	93.16
BRL	30.00	36.30
MMK ('000)	90.00	—

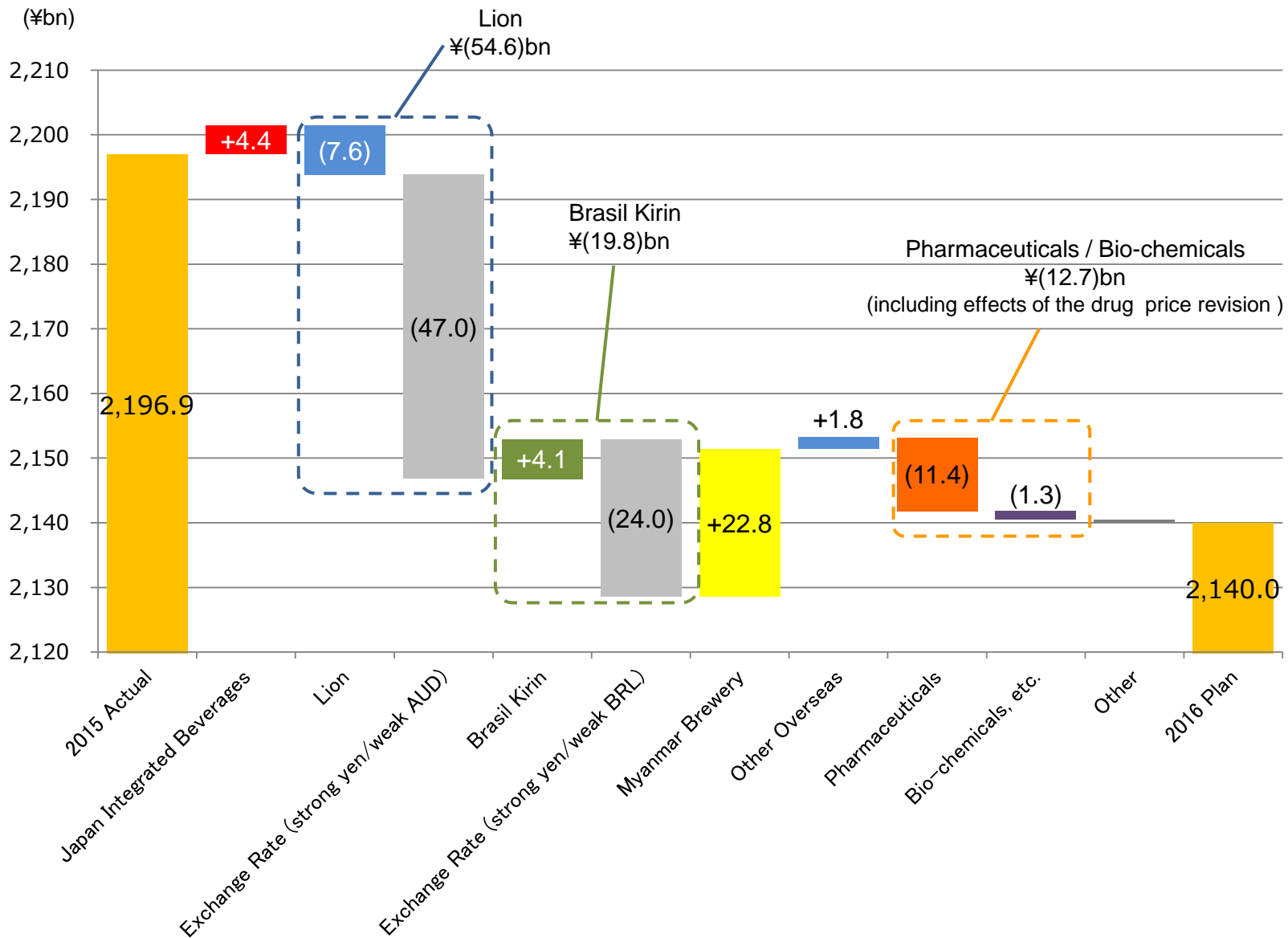
### ■ Brasil Kirin goodwill amortization

Approx. ¥6bn decrease due to impairment

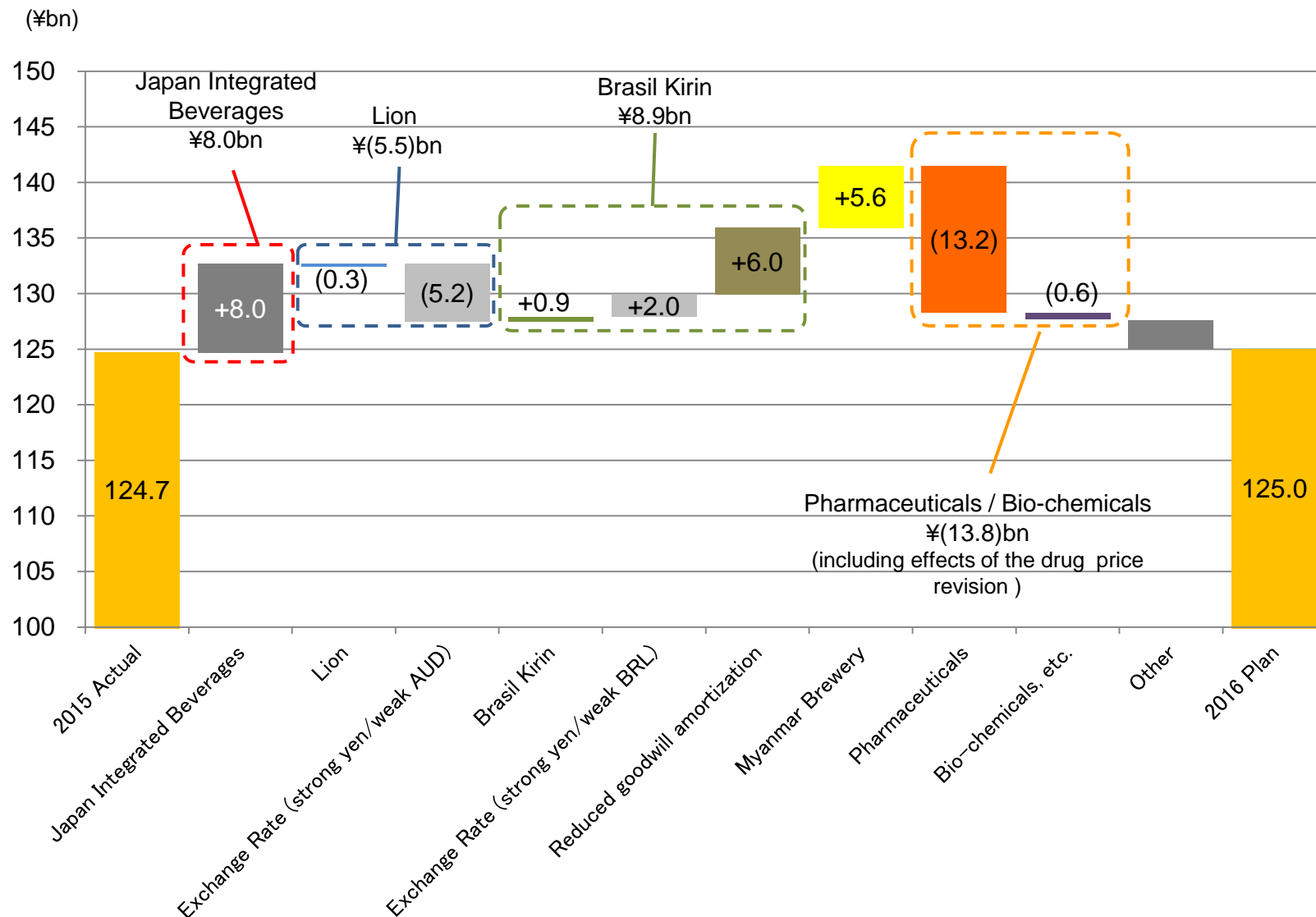
### ■ Myanmar Brewery new consolidation

Sales +¥22.8bn  
Operating Income +¥5.6bn

# (Reference) Change in Consolidated Sales



# (Reference) Change in Consolidated Operating Income





# Japan Integrated Beverages – Kirin Brewery

- Grow sales and operating income by achieving beer sales volume targets above market growth, increased composition of beer category, increase RTD sales volume and cost reductions

¥bn	2016 plan	2015 actual	YonY change	
Sales	711.0	707.2	3.8	0.5%
Operating income	70.8	62.6	8.1	13.1%

	2016 plan	2015 actual
Sales excluding liquor tax	¥418.6bn	¥415.3 bn
Operating profit margin*	16.9%	15.1%

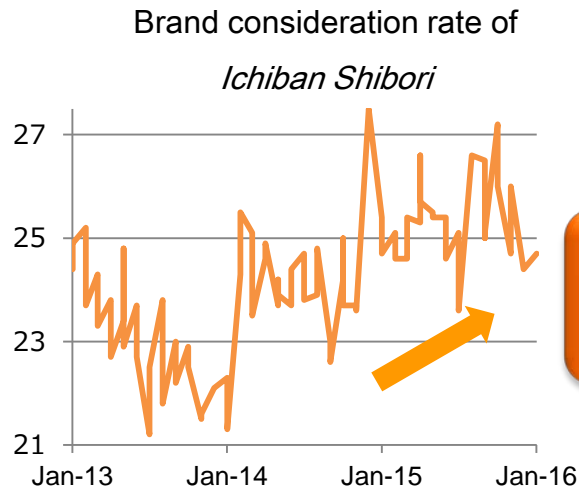
\* FY2016 figures use straight-line method. Fixed-rate method figure is 16.0%

## ■ Change in Operating Income (¥bn)

FY2015 Operating Income: Actual		62.6	
YonY change	Marginal profit increase	2.1	Beer ¥+2.0bn, Hoppo-shu ¥ (1.9) bn, New Genre ¥ (1.4) bn, RTD + ¥1.1bn, other
	Raw material expenses decrease	1.9	Decrease in raw material expenses, etc.
	Selling expenses decreases	0.0	
	Other expenses decrease	4.1	Decrease in depreciation costs, etc.
FY2016 Operating Income: Plan		70.8	*Including ¥4.0bn from change in depreciation method

	Sales Plan	YonY	Market forecast
Beer products Total	1,780 thousand KL	(0.9%)	Approx. (2%)
Beer	676 thousand KL	+2.3%	Approx. (1%)
Hoppo-shu	483 thousand KL	(3.7%)	Approx. (3%)
New genre	621 thousand KL	(2.0%)	Approx. (2%)
RTD Total	295 thousand KL	+ 4.5%	Approx. +3%
Non-alcoholic Drinks	30 thousand KL	+ 4.1%	
Spirits and Liqueur	¥22.2 bn	+9.2%	

# Kirin Brewery – Initiatives of beer category for boosting sales and profits

**KIRIN**


Source : Video Research Ltd.  
Mind-Top data 2013-2016



Homogenous  
“household”  
beers

Regionality  
Seasonality

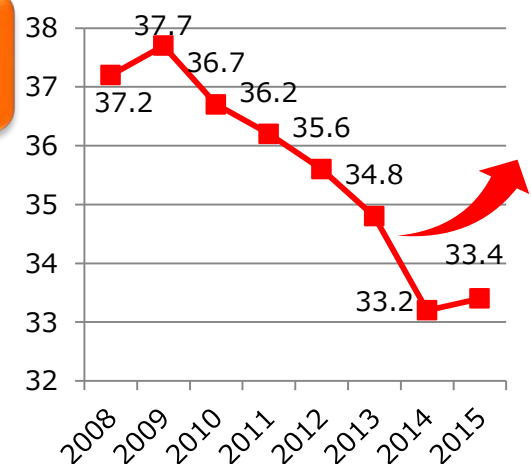
Evoke images of  
bonds,  
connections, and  
the craftsman

Wide range of  
tastes

## Craft Beer



Trend in market share of beer products (%)



(Note) Based on taxed shipment volumes

# Japan Integrated Beverages – Kirin Beverage

- Strengthen main brands, Improve mix and cut costs: Aiming for profitable growth through planned sales reduction and profit increases

¥ bn	2016 plan	2015 actual	YonY change	
Sales	368.0	372.0	(4.0)	(1.1%)
Operating income	11.1	5.6	5.4	96.0%

	2016 plan	2015 actual
Operating margin*	3.0%	1.5%

\*The 2016 plan is based on straight-line method.  
1.9% if using declining-balance method

## ■ Change in operating income (¥ bn)

FY2015 Operating Income: Actual		5.6	
YonY change	Difference in Sales Volume	(6.9)	Sales volume reduction of 6,680('000 )cases
	Raw material expenses decreases	3.2	Reduce raw materials, packaging materials, and processing costs by ¥1.0 bn, ¥0.5 bn, and ¥1.6 bn respectively
	Difference in container mix, etc.	4.6	
	Selling expenses decreases	4.3	Reduce sales promotion/advertising expenses and transportation costs by ¥3.3 bn and ¥1.0 bn respectively
	Other	0.1	
FY2016 Operating Income: Plan		11.1	*Including ¥4 .0bn from impact of change of depreciation method

	Sales plan	YonY change	Market forecast
Soft drinks	210,600 thousand cases	(3)%	(1) - 0%
Of which: cans + small PETs	127,300 thousand cases	+2%	—
<i>Gogo-no-Kocha</i>	48,100 thousand cases	+2%	(1%)
<i>Mets</i>	15,600 thousand cases	+5%	+ 1%
<i>FIRE</i>	28,600 thousand cases	+3%	±0%
<i>Nama-cha</i>	17,000 thousand cases	(6)%	+ 1%
Of which: small containers	—	+ 16%	—

# Kirin Beverage Create virtuous circle to achieve profitable growth

**KIRIN**

## Strengthen brands

Focus resources on core brands and brands of 3 main categories, transforming product portfolio

2015

**Carbonated drinks: *Mets***

***Gogo-no-Kocha, Sekai no Kitchen Kara series, etc.***

2016

**Sugar-free tea: *Nama-cha***



**Revitalize *Nama-cha* in the sugar-free tea category**

**Make *Mets* a “staple”, further boost presence**



**Strengthen core brands such as *Gogo-no-Kocha*, which celebrates 30<sup>th</sup> year on the market**

## Profit structure reform

Full-scale reform and upgrade of approach

### Sales strategy

Case volume sales targets

Cans/small PETs sales targets

### Vending machines strategy

Focus on growing number of vending machines

Focus on number of cases per machine

Shift online to raise efficiency

### Alliances

Partner with DyDo Drinco to cross-sell core products in vending machines

Look for potential alliances to improve profitability

### Cost cuts and cost control

Fixed/variable sales cost management

SCM cost structure reform  
Manufacturing cost, distribution efficiency, waste reduction

Labor productivity improvement

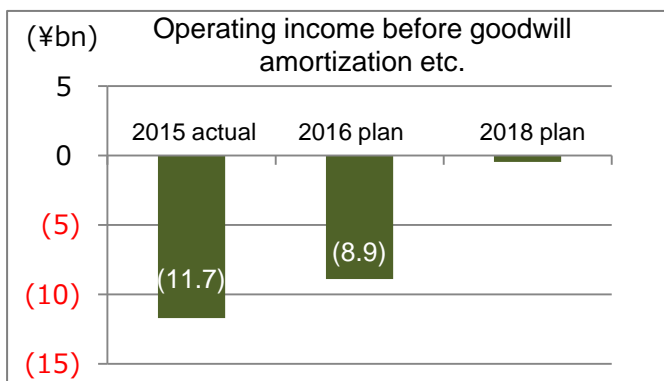
## Overseas Integrated Beverages – Brasil Kirin

- Costs are forecast to rise as raw material costs increase due to further BRL weakness
- Aim to achieve operating income before goodwill amortization broadly in line with the previous year through grow profit domains based on regional product strategy

	Yen base (¥bn)			
	2016 Planned	2015 Actual	YonY Change	YonY Change %
Sales	114.3	134.2	(19.8)	(14.8)
Operating income before goodwill amortization etc.	(8.9)	(11.7)	2.8	—
Goodwill amortization	—	(4.2)	4.2	—
Brand amortization	(0.6)	(2.5)	1.8	—
Operating income	(9.5)	(18.5)	8.9	—
EBITDA	1.5	0.2	1.2	613.8

Real base (B R\$ m)			
2016 Planned	2015 Actual	YonY Change	YonY Change %
3,813	3,698	114	3.1
(296)	(322)	25	—
—	(117)	117	—
(22)	(69)	47	—
(318)	(509)	191	—
50	5	44	763.7

Consolidation period : Jan 2016 to Dec 2016 Currency rate : ¥ 30.00 (previous year: ¥ 36.30)



### ■ Sales volume outlook

Overall: In-line with market growth

### ■ Cost reduction forecast: Approx. 200 Million Real

Reduction in:

- Fixed and indirect costs
- Manufacturing costs
- Sales and distribution costs

# Brasil Kirin – Regional strategy initiative for grow profit domains and operational efficiency

## Grow profit domains

## Operational efficiency

Match organization size and production to sales volume



### Fixed Costs Indirect Costs

- Optimize productions plants and explore asset sales
- Optimize staff numbers

### Manufacturing Costs

- Reduce product waste through inventory reduction
- lower procurement costs

### Sales Costs Distribution Costs

- Raise efficiency of in-house wholesaling
- Increase loading ratio and shipments per store, SKUs per store



## Overseas Integrated Beverages – Myanmar Brewery

- Maintain a strong leading position by building robust brand portfolio and capturing emerging market growth through a dominant market share and Kirin Group's technical strengths

	2016 Plan	
	¥bn	Billion K
Sales	22.8	253
Operating Income before goodwill etc. amortization *	8.8	99
Goodwill amortization	(1.6)	(17)
Brand amortization	(1.6)	(18)
Operating income	5.6	64

【Reference】 FY2015 actual (local basis)

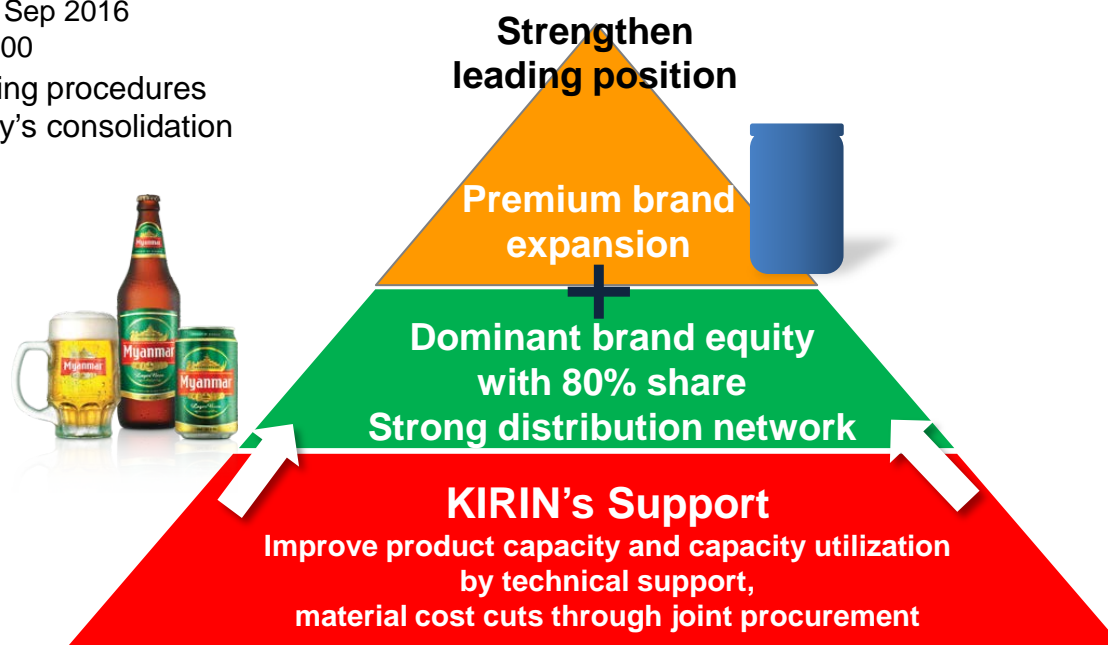
Sales 229 Billion Kyat  
Operating Income 112 Billion Kyat

\*Oct 2014 to Sep 2015 Not consolidated)

Consolidation period : Oct 2015 to Sep 2016

Currency rate : 1,000 Kyat = ¥ 90.00

\*Please see slide 31 for accounting procedures  
(PPA) used for Myanmar Brewery's consolidation



## Overseas Integrated Beverages – Lion

- 2016 operating income expected to be in line with 2015 as growth in Dairy and Drinks profits driven by Turnaround Plan is offset by decline in Alcohol profits
- Pursue sustained growth by activating Australia beer market + upfront investment to expand business in the growing Asia market

	Yen base (¥bn)				A\$ base (A\$ m)				■ Operating margin(A\$)		
	2016 Plan	2015 Actual	YonY change	YonY change(%)	2016 Plan	2015 Actual	YonY change	YonY change(%)	%	2016 Plan	2015 Actual
Sales	384.0	438.7	(54.6)	(12.5)	4,627	4,709	(81)	(1.7)			
Alcohol	221.8	248.6	(26.7)	(10.8)	2,673	2,669	3	0.2	Alcohol	26.1	27.0
Dairy and Drinks	162.2	190.0	(27.8)	(14.7)	1,954	2,040	(85)	(4.2)	Dairy and Drinks	4.0	2.3
Operating income before goodwill etc. amortization	56.5	63.9	(7.4)	(11.6)	681	686	(5)	(0.8)			
Alcohol*	57.9	67.2	(9.2)	(13.8)	698	721	(23)	(3.2)			
Dairy and Drinks*	6.4	4.3	2.1	49.1	77	46	31	67.3			
Corporate*	(7.8)	(7.6)	(0.2)	—	(94)	(81)	(12)	—			
Goodwill amortization	(10.8)	(12.1)	1.3	—	(130)	(130)	0	—			
Brand amortization	(3.1)	(3.7)	0.5	—	(38)	(39)	1	—			
Operating income	42.5	48.0	(5.5)	(11.5)	512	516	(3)	(0.7)			

Consolidation period: Oct 015 to Sep 2016 (Currency rate: ¥83/A\$ (previous year ¥93.16))

\*2015 operating income breakdown by business reflects application of headquarters expense allocation rule

### ■ Tackle key issues:

- ① Mature markets ⇒ Stimulate market, win new customer segments, develop overseas
- ② Import cost rise due to weak A\$ ⇒ focus on high value added categories, reduce costs



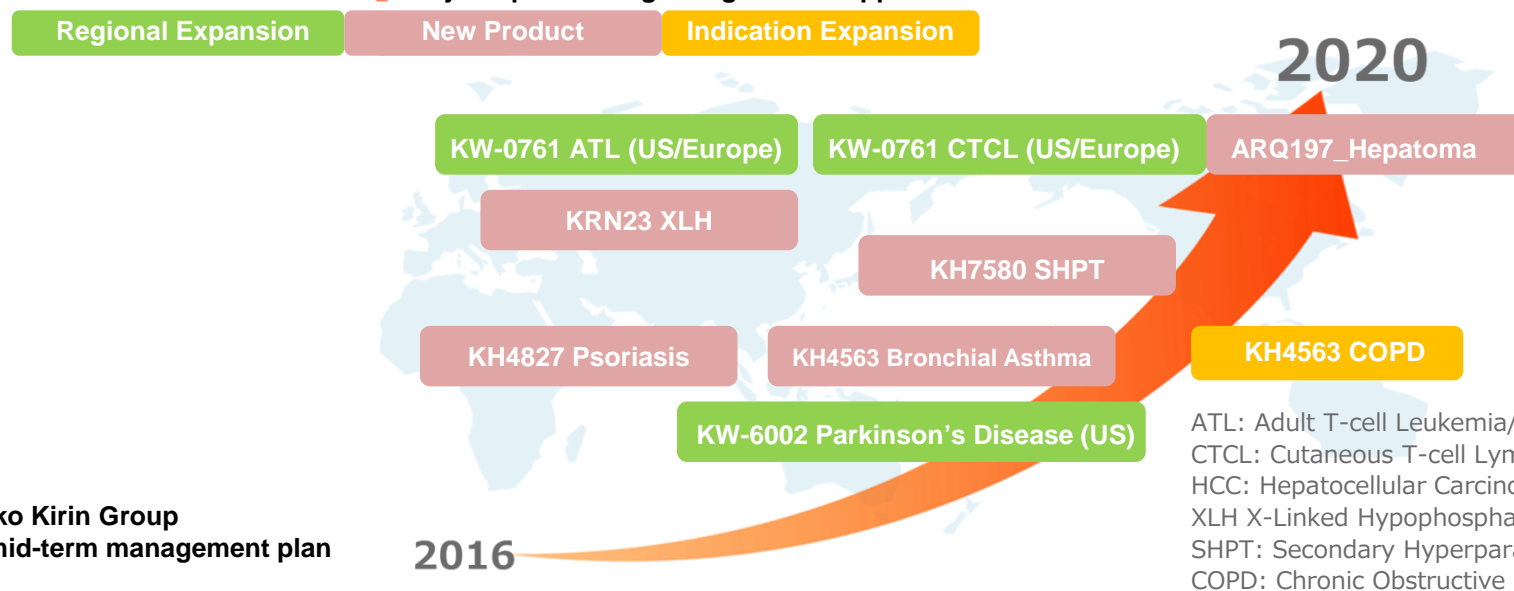


## Pharmaceuticals and Bio-chemicals

- Due to the the drug price revision and penetration of generics in the drug market, pharmaceutical sales and operating income expected to decline
- Despite a tough environment, R&D investment in rich and promising pipeline will be sustained

(¥bn)	2016 plan	2015 actual	YonY change	
Sales	343.0	355.7	(12.7)	(3.6%)
Pharmaceuticals	267.0	278.4	(11.4)	(4.1%)
Bio-chemicals	84.0	85.9	(1.9)	(2.2%)
Operating Income	33.0	46.8	(13.8)	(29.5%)
Pharmaceuticals	23.0	36.2	(13.2)	(36.5%)
Bio-chemicals	7.0	8.1	(1.1)	(13.9%)

### Major Pipeline Drugs Targeted for Approval



■ Source:  
 Kyowa Hakko Kirin Group  
 2016-2020 mid-term management plan

## Kirin Group cost cut measures

- Aim to achieve cost cuts ¥ 16bn in 2016 of ¥ 30bn planned during 3 years from 2016 to 2018
- Main groupwide cost cut measures/amounts:

	Cost cuts (¥bn)	Main cost cut measures
Kirin Brewery	5.0	Lower materials and ingredients procurement cost, raise production efficiency in factories,
Kirin Beverage	1.5	Lower materials and ingredients procurement cost, raise capacity utilization and optimize supply chain costs
Lion	3.5	Further cost reductions in line with Dairy and Drinks Turnaround Plan, optimize supply chain costs, the other cost reduction initiatives undertaken in F15 to be realized in F16
Brasil Kirin	6.0	Manufacturing productivity improvement, lower procurement costs, streamline logistics, optimize staff numbers
<b>Total</b>	16.0	

# Appendix

## The impact on FY2015 results of Applying the Revision of the Accounting Standards Regarding Business Combinations

**KIRIN**

- Reduction in goodwill amortization amount due to the Accounting Standards Regarding Business Combinations from FY2015
- Compared to FY2014, segmental profits, consolidated operating income, consolidated ordinary income and consolidated net income (loss) are affected

(Million yen)	Amount of reduction of goodwill amortization (Increase in operating income)
Japan Integrated Beverages	2,229
Overseas Integrated Beverages	18,871
Lion	18,632
Brasil Kirin	45
Other	193
Pharmaceuticals and Bio-chemicals	705
Total	21,806

# FY2015 results: Non-operating income and expenses (Equity in earnings/losses of affiliates) **KIRIN**

- Equity in earnings/losses of affiliates increased by ¥13.2 bn mainly due to good results from San Miguel Brewery and a decline in R&D expenses at Kirin Amgen. Relative to forecast were ¥3.6 bn ahead due to lower R&D expenses at Kyowa Hakko Kirin affiliates and strong results from China Resources Kirin Beverages.

¥bn	2015 actual	2014 actual	YonY change	Forecast as of 12/21/2015	2016 forecast
Sales	2,196.9	2,195.7	1.1	2,200.0	2,140.0
Operating income	124.7	114.5	10.2	122.0	125.0
Non-operating Income and Expenses	3.4	(20.3)	23.7	(3.0)	4.0
Financial profit/loss, net	(13.5)	(17.9)	4.4	(14.0)	(11.0)
Equity in earnings/losses of affiliates	16.1	2.9	13.2	12.5	14.5
San Miguel Brewery	9.2	6.2	3.0		
Other	6.8	(3.3)	10.1		
Forex gains/losses	(2.8)	1.0	(3.8)	0.0	
Other	3.6	(6.3)	9.9	(1.5)	
Ordinary income	128.1	94.2	33.9	119.0	129.0
Special Income and Expenses	(110.7)	(16.3)	(94.4)	(111.0)	(8.0)
Income taxes	(45.9)	(33.0)	(12.8)	(47.0)	(46.0)
Minority interests	(18.8)	(12.4)	(6.3)	(17.0)	(15.0)
Net income(loss)	(47.3)	32.3	(79.7)	(56.0)	60.0

## 2013-2015 Plan: Details of quantitative targets

### ■ Normalized EBITDA

¥bn	2015 actual	2014 actual	2012 actual	2013-2015 CAGR
Operating income	124.7	114.5	153.0	
Depreciation expenses	94.6	98.9	103.4	
Goodwill depreciation	27.3	49.6	42.9	
Dividends from equity-method-accounted affiliates	12.2	10.0	7.9	
Normalized EBITDA	<b>258.9</b>	<b>273.1</b>	<b>307.3</b>	<b>(5.6%)</b>

### ■ Normalized EPS

¥bn	2015 actual	2014 actual	2012 actual	2013-2015 CAGR
Net income	(47.3)	32.3	56.1	
Goodwill, etc. amortization	44.7	67.3	59.5	
Special income/ expenses after taxes and minority interests	109.6	9.0	(2.9)	
Normalized net income ①	107.0	108.7	112.8	
Average shares outstanding ('000 shares)②	912,537	918,517	961,665	
Normalized EPS (¥) ①/②	<b>117</b>	<b>118</b>	<b>117</b>	<b>0.0%</b>

- From the end of FY2015 the **Purchase Price Allocation (PPA)** is applied to consolidation

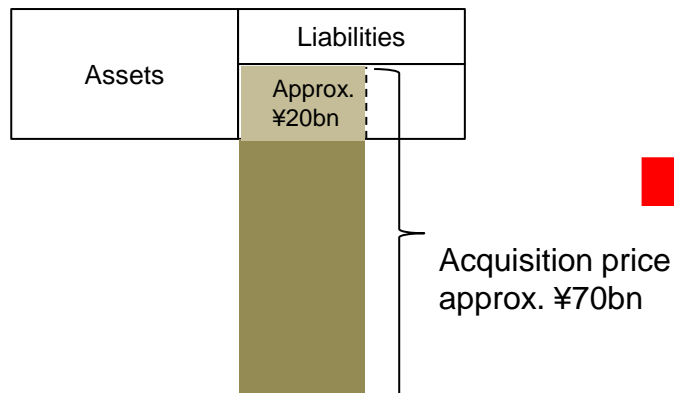
\* At end FY2015 only the balance sheet consolidated, from FY2016 the income statement will also be consolidated.

- PPA implemented on a provisional basis at end FY2015 to be confirmed at end FY2016

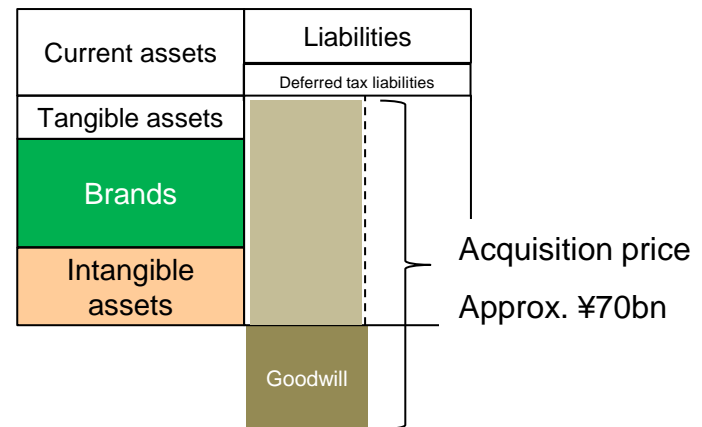
■ **PPA (Purchase Price Allocation)** : Procedure for allocating the acquisition cost of shares (acquisition price) to identifiable assets

- 55% of the book value net assets of Myanmar Brewery (approx. ¥20bn) acquired for approx. ¥70bn (left hand chart)
- As a result of market price valuation of the assets and liabilities 'Brands' and 'Other intangible assets' were newly recognized (right hand chart)
- Net assets increased, and the portion of the acquisition price exceeding 55% of the market value net assets is recognized as Goodwill.

## 55% of book value net assets acquired (At time of acquisition)



## Following PPA procedures (provisional)



# KIRIN

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