

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

**August 1, 2013**  
**Kirin Holdings Company, Limited**

# Executive Summary

- ✓ Increased sales and profits in the first half over previous year, and the highest sales ever
- ✓ Company performance driven by overseas top-line growth, and initiatives for renewed growth in Japan steadily implemented
- ✓ Net income targets set at the start of year unchanged.  
Operating income revised through the fiscal year due to the downward revision in pharmaceuticals business and subsidiary's share transfer
- ✓ Implementation of shareholder returns in line with medium-term policy  
~ Increase dividends in line with growth in normalized EPS and share buyback ~

## Progress towards targets

	FY2013 Q2	YoY change (%)	FY2013 Revised forecast	YoY change (%)	FY2013 Initial forecast	YoY change (%)
<b>Normalized EBITDA (Billion yen)</b>	138.8	4.9%	314.0	2.2%	316.0	2.8%
<b>Normalized EPS (Yen)</b>	51	13.3%	123	5.1%	121	3.4%

## Second Quarter Performance Highlights

YoY increased sales and profits driven by overseas top-line growth

		FY2013 (Billion yen)	FY2012 (Billion yen)	YoY change (Billion yen) (%)	
Sales	Japan integrated beverages	538.6	541.1	(2.4)	(0.5)
	Overseas integrated beverages	347.2	292.7	54.4	18.6
	Pharmaceuticals and bio-chemicals	165.1	161.5	3.6	2.2
	Others	45.1	46.2	(1.0)	(2.3)
	<b>Sales</b>	<b>1,096.2</b>	<b>1,041.6</b>	<b>54.5</b>	<b>5.2</b>
Operating income	Japan integrated beverages	16.9	19.5	(2.5)	(13.0)
	Overseas integrated beverages	16.3	11.7	4.6	39.7
	Pharmaceuticals and bio-chemicals	28.4	26.8	1.5	5.9
	Others	1.9	1.1	0.7	65.1
	<b>Operating income</b>	<b>60.4</b>	<b>57.2</b>	<b>3.2</b>	<b>5.6</b>
Ordinary income	Equity in earnings of affiliates	0.9	(0.1)	1.0	-
	<b>Ordinary income</b>	<b>55.7</b>	<b>49.4</b>	<b>6.2</b>	<b>12.6</b>
	Special income and expenses	45.2	0.5	44.6	7479.9
	<b>Income before income taxes and minority interests</b>	<b>100.9</b>	<b>50.0</b>	<b>50.8</b>	<b>101.6</b>
	<b>Net income</b>	<b>59.6</b>	<b>13.1</b>	<b>46.5</b>	<b>355.2</b>

\* New reporting segments were created in FY2013.

### Sales and Operating Income

- ✓ Lion drastically increased sales and profits. Increased sales volumes and improved product mix in the Australian alcohol beverage business
- ✓ Brasil Kirin increased sales volume
- ✓ Kirin Beverage increased sales volume

### Non-operating and Special incomes/expenses

- ✓ Gains from sale of shares in Fraser and Neave (special income of 46.2 billion yen)

# Annual Sales Forecast (revised on August 1, 2013)

## Net income targets unchanged despite downward revision in pharmaceuticals and subsidiary's share transfer

		FY2013 Revised forecast (Billion yen)	Difference to Initial forecast (Billion yen)	YoY change (Billion yen) (%)	
Sales	Japan integrated beverages	1,190.0	2.0	(0.0)	(0.0)
	Overseas integrated beverages	704.0	27.0	126.9	22.0
	Pharmaceuticals and bio-chemicals	330.0	1.0	7.0	2.2
	Other	56.0	(40.0)	(40.1)	(41.8)
	<b>Sales</b>	<b>2,280.0</b>	<b>(10.0)</b>	<b>93.8</b>	<b>4.3</b>
Operating income	Japan integrated beverages	59.5	(1.0)	(9.4)	(13.7)
	Overseas integrated beverages	39.5	1.5	11.8	42.9
	Pharmaceuticals and bio-chemicals	54.0	(4.0)	(1.5)	(2.7)
	Other	4.0	(1.0)	0.2	5.8
	<b>Operating income</b>	<b>150.0</b>	<b>(5.0)</b>	<b>(3.0)</b>	<b>(2.0)</b>
Equity in earnings of affiliates		0.4	4.8	1.1	-
<b>Ordinary income</b>		<b>132.0</b>	<b>-</b>	<b>(6.4)</b>	<b>(4.7)</b>
Special income and expenses		36.0	(5.0)	40.8	-
<b>Income before income taxes and minority interests</b>		<b>168.0</b>	<b>(5.0)</b>	<b>34.4</b>	<b>25.8</b>
<b>Net income</b>		<b>90.0</b>	<b>-</b>	<b>33.8</b>	<b>60.1</b>

<Major differences to initial forecast>

### ✓ Sales

- 1) Overseas integrated beverages:
  - Impact of exchange rates (Lion +15.5 billion yen, Brasil Kirin +11.9 billion yen)
- 2) Others:
  - Exclusion of Kirin Kyowa Foods from Q3, etc. (40.0) billion yen

### ✓ Operating income

- 1) Pharmaceuticals and Bio-chemicals:
  - Kyowa Hakko Kirin (4.0) billion yen (Impact of some initially planned revenue from technology licensing shifting to the next FY, etc.)
- 2) Others:
  - Exclusion of Kirin Kyowa Foods from Q3, etc. (1.5) billion yen

\* New reporting segments were created in FY2013.

## Reference: Updated Quantitative Targets

### (Normalized EBITDA)

(Billion yen)

	FY2013 Q2	FY2013 Revised forecast	FY2013 Initial forecast
Operating income	60.4	150.0	155.0
Depreciation	49.5	106.0	106.0
Goodwill amortization	24.0	48.4	46.7
Dividends received from equity method affiliated companies	4.8	9.7	8.3
Normalized EBITDA	138.8	314.0	316.0

### (Normalized EPS)

(Billion yen)

	FY2013 Q2	FY2013 Revised forecast	FY2013 Initial forecast
Net income	59.6	90.0	90.0
Goodwill amortization	32.6	65.8	62.1
Special incomes/expenses after income taxes and minority interests	(43.2)	(38.8)	(35.3)
Normalized net income (A)	49.0	117.0	116.7
Average number of shares outstanding during period (thousand) (B)	956,063	950,748	961,497
Normalized EPS (A) / (B)	51 yen	123 yen	121 yen

# First-Half Review and Issues for the Achievement of Annual Targets

**Favorable overseas growth and steady implementation of measures for renewed growth in Japan**

## ■ Japan: Increasing brand value

### **Achievements**

Steady development of new measures for a stronger brands from a medium-term perspective

### **Issues**

Achievement of top-line goals and minimization of cost increases due to changes in circumstances

## ■ Oceania: Accelerating sales increase and income growth

### **Achievements**

Increased sales and profits driven by favourable sales in Australian alcohol business

### **Issues**

Continuing implementation of high value-added strategy in Australian beverage business and company-wide cost-reduction

## ■ Brazil: Moving toward stage of increased profits through strategic investment

### **Achievements**

Growth exceeding market by steadily expanding customer touch points focusing on key brands

### **Issues**

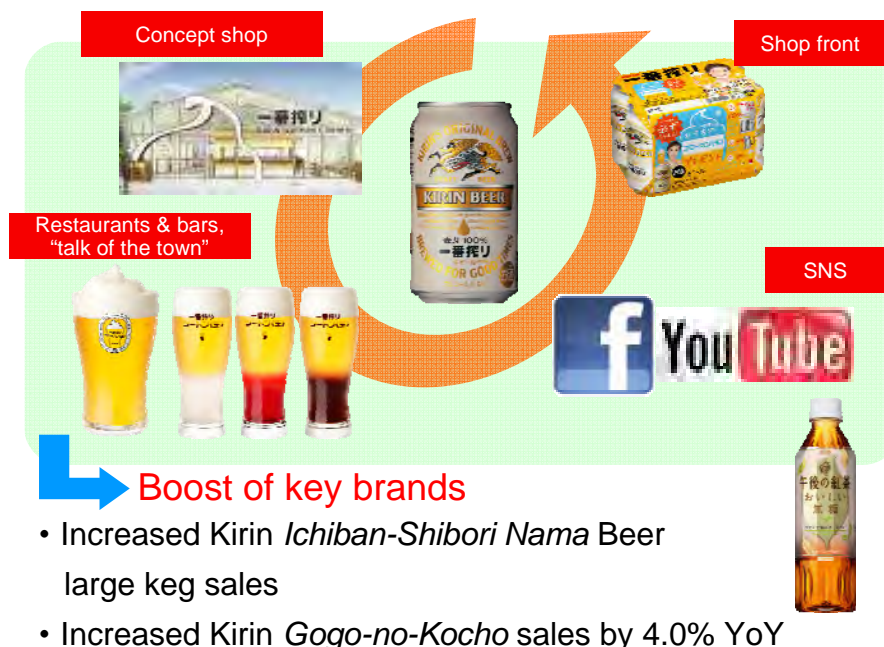
Maximizing presence in the peak period, and implementing thorough cost control

# Japan Integrated Beverages: First Half Results

## Steady development of new measures for stronger brands

		FY2013 (Billion yen)	FY2012 (Billion yen)	YoY change (Billion yen)	YoY change (%)
Sales	Kirin Brewery	333.6	344.8	(11.1)	(3.2)
	Kirin Beverage	159.7	152.0	7.6	5.0
	Mercian	31.2	32.3	(1.0)	(3.3)
	Other	14.0	11.9	2.1	18.0
	<b>Sales</b>	<b>538.6</b>	<b>541.1</b>	<b>(2.4)</b>	<b>(0.5)</b>
Operating income	Kirin Brewery	16.8	19.3	(2.4)	(12.7)
	Kirin Beverage	(4.7)	(2.5)	(2.1)	-
	Mercian	0.0	0.5	(0.4)	(90.4)
	Other	4.7	2.2	2.5	112.5
	<b>Operating income</b>	<b>16.9</b>	<b>19.5</b>	<b>(2.5)</b>	<b>(13.0)</b>

### ✓ Created drinking styles with new brand communication



## TOPICS!!



### Strong launch of *Sumikiri*!

Representing a new standard within new genre beverages. Sold 2.4 million cartons in just over 2 months since the launch, reaching half the annual target. The turnaround in sales for new genre products overall.

### ✓ Created new customer value in growing categories

- *Kirin Mets Cola*  
Ranked No. 1\* in the FOSHU carbonated drink category
- *Sekai-no-Kitchen-Kara Salty Litchi*  
Approx. double sales volume over previous year
- RTD sales volume +5.3% over previous year



\*FOSHU carbonated drinks: MBI Index Food for Specified Health Uses carbonated drinks market June 2012 to May 2013 total sales figures (target businesses: supermarkets, convenience stores and drug stores)

# Japan Integrated Beverages: Annual Forecast

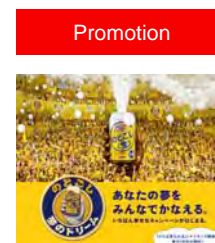
**Achieve top-line goals by boosting key brands. Minimize cost increases due to changes in circumstances.**

		FY2013 Revised Forecast (Billion yen)	Difference to initial forecast (Billion yen)	YoY change (Billion yen)	YoY change (%)
Sales	Kirin Brewery	744.7	1.6	(7.6)	(1.0)
	Kirin Beverage	351.4	0.1	14.5	4.3
	Mercian	67.7	(0.5)	(2.0)	(2.9)
	Other	26.1	0.9	(4.8)	(15.5)
	<b>Sales</b>	<b>1,190.0</b>	<b>2.0</b>	<b>(0.0)</b>	<b>(0.0)</b>
Operating income	Kirin Brewery	51.7	0.0	(6.1)	(10.7)
	Kirin Beverage	0.8	(0.8)	(3.1)	(79.7)
	Mercian	0.1	(1.7)	(2.0)	(95.3)
	Other	6.8	1.5	1.9	38.1
	<b>Operating income</b>	<b>59.5</b>	<b>(1.0)</b>	<b>(9.4)</b>	<b>(13.7)</b>

✓ Improve trend in *Nodogoshi Nama* sales



- Maximize impact of new brand communication by boost ties between advertising and promotions



Promotion



Shop front



✓ Boost promotion of new value to customers



✓ Manage ingredient costs increases caused by weaker yen

- Continually review procurement methods
- Review production costs and company-wide costs
- Revise price of wine (in September)

✓ Further reinforcement of key brands





# Lion: First Half Results

**Good progress in the Australian alcohol business boosts Lion's performance, and group earnings increase realized**

		F2013		F2012		YoY change		Y o Y change (%)	
		Bn Yen	Mil AUD	Bn Yen	Mil AUD	Bn Yen	Mil AUD	Yen basis	AUD basis
Sales	Alcohol	131.5	1,445	98.6	1,197	32.8	247	33.3	20.7
	Soft Drink	113.2	1,243	108.4	1,316	4.7	(72)	4.4	(5.5)
		244.7	2,689	207.1	2,514	37.6	175	18.2	7.0
	Alcohol	37.3	409	26.6	323	10.6	86	40.0	26.7
	Soft Drink	4.1	45	4.0	48	0.1	(3)	3.0	(6.8)
	Corporate	(4.3)	(48)	(3.4)	(42)	(0.9)	(6)		
Operating Income		37.0	407	27.2	330	9.8	76	36.2	23.2
Goodwill Amortization		(15.0)	(164)	(12.7)	(154)	(2.2)	(10)		
Brand Amortization		(2.0)	(22)	(1.9)	(23)	(0.1)	0		
OP after amortization		19.9	219	12.5	152	7.4	67	59.0	44.0

Consolidated period : Oct 2012 - Mar 2013

Currency exchange rate : 91.01 yen (Oct 2012 – Mar 2013 : 82.38 yen)



*Leading market in Craft Beer*



**No. 1**  
*Dairy Beverage*

Alcohol	Change in Operating Income (Million AUD)	Soft Drink
323	FY2012	48
50	Change in sales volume	(21)
36	Other	18
409	FY2013	45

	Sales Volume (YoY)
Alcohol	+ 9.0%
Soft Drink	(5.8)%

- ✓ **Alcohol Business :**  
Realised volume increase and premiumisation through addition of new international premium and craft brands
- ✓ **Soft Drink Beverage Business :**  
Efficiency focus, and growth in value-added categories, such as impressive growth of "Dare"

# Lion: Annual Forecast

## Aiming for the achievement of the original profit target

		FY2013 Revised Forecast		Difference to initial forecast		YoY change		YoY change (%)	
		Bn yen	Mil AUD	Bn yen	Mil AUD	Bn yen	Mil AUD	Yen basis	AUD basis
Sales	Alcohol	248.9	2,677	13.5	61	59.1	350	31.2	15.1
	Soft Drink	234.3	2,519	2.5	(55)	27.4	(16)	13.3	(0.6)
		483.3	5,197	16.1	5	86.6	334	21.9	6.9
	Alcohol	65.2	702	3.4	14	15.2	88	30.4	14.4
	Soft Drink	9.7	104	(2.0)	(26)	2.2	12	30.0	14.0
	Corporate	(10.0)	(107)	0.8	12	(2.1)	(10)		
Operating Income		64.9	698	2.2	1	15.3	90	30.9	14.9
Goodwill Amortization		(30.6)	(329)	(1.0)	(0)	(5.4)	(20)		
Brand Amortization		(4.2)	(45)	(0.2)	(1)	(0.4)	1		
OP after amortization		30.0	323	0.9	(0)	9.4	70	46.1	28.1

Consolidated period : Oct 2012 - Sep 2013

Currency rate : 93.00 yen (Oct 2012 – Sep 2013 : 81.58 yen)

- ✓ **Alcohol Business :**
  - Strengthen profitability by focusing on major brands and growing categories such as international premium and craft
  - Innovation to reignite interest in the beer category
- ✓ **Soft Drink Beverage Business :**
  - Pursue profitability through growth of high value segments and further improvement of efficiency



A new home draught beer "TAP KING"



Dairy Beverage performs well

# Brasil Kirin: First Half Results



**Achieved growth exceeding market by further boosting brand strengths through strategic investment**

	FY2013		FY2012		YoY change		YoY change (%)	
	Bn yen	Mil BRL	Bn yen	Mil BRL	Bn yen	Mil BRL	Yen basis	BRL basis
Sales	84.0	1,798	69.8	1,627	14.1	170	20.3	10.5
Operating income	0.1	3	3.0	71	(2.9)	(68)	(95.2)	(95.6)
Goodwill amortization	(2.7)	(59)	(4.8)	(112)	2.0	52		
Brand amortization	(1.6)	(34)	-	-	(1.6)	(34)		
Operating income after amortization of goodwill etc.	(4.2)	(91)	(1.7)	(41)	(2.4)	(49)	-	-
EBITDA	7.8	167	73	172	0.5	(5)	6.8	(2.9)

- Consolidation period: January-June 2013 / Currency exchange rate: 46.72 yen (January-June 2012: 42.91 yen)
- Operating income (before goodwill and brand amortization): affected by Increased depreciation cost, approximately 40 million BRL, with reevaluation of assets and liabilities based on Brazil's accounting standard

## (Ref.) Details of sales

(Million BRL)	FY2013	FY2012	YoY change	
Alcohol beverages*	1,096	1,088	8	+ 0.7%
Soft drinks*	317	312	5	+ 1.6%

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

\* Calculation method has changed as of January 2013. Sales growth (%) compared to 2012 sales based on new method is approximately the same financial accounting.

## Sales volumes

Beer: Middle single digit (%) increase YoY

Soft drinks: Low single digit (%) increase YoY

- ✓ Expansion of customer touch points for core brands (NOVA SCHIN, DEVASSA, SCHIN NO GRAU, SCHIN, Skinka)
- ✓ Further optimization of supply chain



(Managing growing demand for canned products through establishment of new production lines)



# Brasil Kirin: Annual Forecast



**Achieve the year goal of income by further reinforcement of sales and thorough cost control**

	FY2013 Revised forecast		Difference to initial forecast		YoY change		YoY change (%)	
	Bn yen	Mil BRL	Bn yen	Mil BRL	Bn yen	Mil BRL	Yen basis	BRL basis
Sales	183.5	3,990	6.6	(122)	34.7	366	23.3	10.1
Operating income	16.7	364	1.0	-	3.7	46	28.5	14.8
Goodwill amortizaion	(5.4)	(118)	(0.3)	-	(0.5)	-		
Brand amortization	(3.2)	(69)	(0.2)	-	(0.3)	-		
Operating income after amortization of goodwill etc.	8.0	175	0.5	-	2.7	46	52.8	36.4
EBITDA	30.8	670	2.0	-	6.8	69	28.3	11.3

Consolidation period: January-December 2013 / Currency exchange rate: 46.00 yen (January-December 2012: 41.08 yen)

(Ref.) Details of sales

(Million BRL)	FY2013	FY2012	YoY change	
Alcohol beverages*	2,586	2,536	50	+ 2.0%
Soft drinks*	728	706	22	+ 3.1%

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

\* Calculation method has changed as of January 2013. Sales growth (%) compared to 2012 sales based on new method is approximately the same financial accounting.

- ✓ Further boost sales activities which communicate the product value to maximize presence in peak period (December: summer)
- ✓ Cover decreased gross profit accompanying revision of sales targets through cost control
- ✓ Continue to implement medium-term initiatives to decrease manufacturing cost, and increased effectiveness of supply chain in line with plan

## Pharmaceuticals and Bio-chemicals

Increased sales and profits Steady sales of pharmaceuticals domestically, and extensional growth of core products overseas.

		FY2013 Q2			FY2013 revised forecast			
		Billion yen	YoY change (Billion yen)	YoY change (%)	Billion yen	Difference to initial forecast (Billion yen)	YoY change (Billion yen)	YoY change (%)
Sales	Pharmaceuticals	129.2	2.2	1.8	256.8	(1.9)	(1.2)	(0.5)
	Bio-chemicals	40.5	1.1	3.0	82.2	2.9	7.0	9.4
		165.1	3.6	2.2	330.0	1.0	7.0	2.2
Operating income	Pharmaceuticals	24.1	0.5	2.5	45.0	(4.2)	(5.7)	(11.3)
	Bio-chemicals	3.1	1.0	52.1	6.0	0.2	3.8	182.0
		28.4	1.5	5.9	54.0	(4.0)	(1.5)	(2.7)

- ✓ Favorable expansion of ProStrakan core products overseas
- ✓ R&D on track. New Parkinson's disease drug *NOURIAST* was released in May. In the second half, *Onglyza*, for type-2 diabetes, was released in July.
- ✓ Sales and profits in the bio-chemicals business increase as weaker yen
- ✓ Revise annual forecast for operating income as revenue from technical licensing etc. is expected to be partially shifted to the next FY.

おいしさを笑顔に

**KIRIN**

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