Kirin Group
Financial Results for the First Quarter of 2012

May 2, 2012
Kirin Holdings Company, Limited

2012 first-quarter highlights

Record-high sales. We have made a favorable start to realizing the current goal of top line growth.

(billion yen)		2012 1Q	YoY change	
	Domestic alcohol beverages	170.9	1.5	0.9%
	Domestic non-alcohol beverages	66.0	0.8	1.4%
	Overseas Beverages	152.9	35.2	30.0%
	Pharmaceuticals and Biochemicals	84.8	(27.8)	(24.7)%
	Other	22.4	(1.5)	(6.4)%
Sales		497.2	8.3	1.7%
	Domestic alcohol beverages	4.3	(0.7)	(13.8)%
	Domestic non-alcohol beverages	(3.9)	(1.9)	-
	Overseas Beverages	6.5	0.3	5.2%
	Pharmaceuticals and Biochemicals	18.7	(3.9)	(17.4)%
	Other	0.4	(1.1)	(70.7)%
Operating income		25.3	(7.6)	(23.3)%
	Equity in earning of affiliates	(2.8)	(2.4)	-
Ordinary income		19.2	(10.1)	(34.6)%
	Special income and expenses	(1.2)	1.8	-
Income before income taxes and minority interests		17.9	(8.3)	(31.8)%
Net income		(3.0)	(0.9)	-

- Revenue increases in domestic integrated beverages (total of domestic alcohol beverages and non-alcohol beverages +2.4 billion yen) and consolidation of Schincariol (+38.2 billion yen) contributed to increase in sales.
- Increased profits in overseas beverages. Lion, which is proceeding with structural reform, had increased profits (+3.2 billion yen), offsetting the increase in amortization of goodwill (-2.5 billion yen) as a consequence of consolidating Schincariol.
- In pharmaceuticals and biochemicals, exclusion of chemicals business from consolidation had an effect (Sales -32.7 billion yen, operating income -2.1 billion yen).
- We continued to promote endeavors aimed at boosting profitability and efficiency, such as cost synergies through Cross Company Teams (CCTs).

Domestic integrated beverages

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Sales volumes have steadily exceeded figures for last year in both the alcohol beverages and non-alcohol beverages businesses, leading to growth for the entire domestic integrated beverages business.

(billion yen)		2012 1Q	YoY change	
	Kirin Brewery[2]	150.3	2.4	1.6%
	Mercian[3]	15.4	(1.0)	(6.2)%
	Kirin Beverage[4]	66.2	(0.1)	(0.2)%
Sales[1]		237.0	2.4	1.0%
	Kirin Brewery[2]	3.6	(1.3)	(26.6)%
	Mercian	0.1	0.2	-
	Kirin Beverage	(3.7)	(2.0)	-
Operating income[1]		0.4	(2.6)	(84.7)%

Note1: Domestic alcohol beverages + domestic soft drinks
2: Kirin Brewery + Kirin Beer Marketing
3: The -1.0 billion yen change in sales from last year consisted of alcohol beverages (+1.0 billion yen) and exclusion of businesses from consolidation (-1.8billion yen) : fish feed business (-0.4billion yen) and pharmaceuticals & chemicals business (-1.4billion yen)
4: The -0.1 billion yen change in sales from last year consisted of domestic (+1.2 billion yen) and impact of exclusion of overseas business (-1.4 billion yen)

[Major factors of increase/decrease of operating income]

- Kirin Brewery[2]:
  Marginal profit increased (+0.6 billion yen) due to increase in sales volume (beer, happo-shu and new genre +2.0%, RTD +9.3%). Meanwhile, compared to last year when sales promotions were restricted following the earthquake, increased selling expenses (-2.7 billion yen) also had an effect.

- Mercian:
  In addition to strong sales of wine (+24% YoY), the decrease in selling expenses due to revenue structure reform also contributed. 1Q operating income was positive for the first time in 3 years.

- Kirin Beverage:
  Despite the contribution (+2.2 billion yen) made by the increase in sales volume in Japan (+6% YoY), the change of composition ratio of containers (-1.0 billion yen) and, like Kirin Brewery, the increase in selling expenses compared to last year had an effect (-4.1billion yen).

Lion

Realized earnings growth as planned due to sales recovery in the alcohol beverage business and product mix improvement and cost reduction measures in the soft drink business.

2012 1Q		Consolidated basis		Local basis	
		Billion yen	YoY	Million AUD	YoY
	Alcohol beverages	52.7	2.1%	658	3.4%
	Soft drink beverages	54.2	(8.8)%	676	(7.7)%
Sales		107.0	(3.8)%	1,334	(2.6)%
	Alcohol beverages	14.5	14.0%	181	15.5%
	Soft drink beverages	3.5	26.9%	44	28.6%
	Corporate expense	(1.7)	60.3%	(21)	62.3%
Operating income		16.3	13.1%	204	14.5%
Goodwill		(6.1)	(1.4)%	(77)	(0.2)%
Brand amortization		(0.9)	(56.5)%	(11)	(55.9)%

● Alcohol Beverages :
Despite the total beer market in Australia declining, the alcohol beverages business grew revenue and profit, boosting sales volume +4.6%. This growth was spurred from strong performances by Lion's core trademarks and new innovations, as well as premiumisation and improvement in product mix off the back of the flourishing cider and craft segments.

● Soft Drink Beverages :
While conditions remain very challenging due to the loss of key private label contracts and a decline in branded milk sales due to heavy discounting on private label milk, the soft drink beverage business recorded moderate earnings growth . Sustainable cost reduction, alongside a strong performance in categories such as flavoured milk and speciality cheese, contributed to the earnings increase.

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

Million AUD	2012 1Q	2011 1Q	YoY	Cause of change		
Alcohol beverages	181	157	24	Volume COGS Other	10 2 12	Sales volume +4.6%
Soft drink beverages	44	34	9	Volume COGS Other	(32) (21) 63	Sales volume (12.5)%

*Currency exchange rate : FY2012：AUD1=JPY80.18, FY2011: AUD1=JPY81.20
**Impact of currency exchange: Sales -1.3billion yen (Alcohol beverages -0.6billion yen, Soft drink -0.6billion yen), Operating income -0.2billion yen (Alcohol beverages -0.1billion yen, Soft drink -0.04 billion yen, Corporate expense +0.02 billion yen) , Amortization (Goodwill +0.07billion yen, Brand +0.01billion yen)

Schincariol

Start of a new structure. Despite the impact of unseasonable weather, operating income and EBITDA progressed as planned.

2012 1Q		Consolidated basis (billion yen)	Local basis (million BRL)
	Alcohol beverages	(5.5)%	
	Soft drink beverages	1.8%	
Sales volume (YoY change)		(3.0)%	
	Alcohol beverages	24.7	544
	Soft drink beverages	7.2	159
Sales*		31.9	704
	Total beverages	(0.0)	(1)
	Amortization of goodwill	(2.5)	(56)
Operating income		(2.6)	(57)
EBITDA		2.2	49

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

(1) Consolidation period: January 2012 – March 2012
(2) Currency exchange rate: BRL1 = JPY45.42

SCHINCARIOL

- Promoted marketing and sales activities designed to strengthen core brands. Measures aimed at making value chains functionally stronger and more efficient were implemented as planned. Efforts aimed at drastically improving the procurement process are proceeding faster than expected.
- Schincariol's sales volume of beer and soft drinks fell below last year's figures due to the impact of unseasonable weather especially in southern Brazil and the termination of certain unprofitable business operations, but figures for March exceeded those for the same month last year and are showing steady signs of recovery.
- As a consequence of the decrease in sales volume, sales were slightly below plan, but as a result of appropriate pricing and proceeding to strengthen expense management, operating income and EBITDA progressed as planned.

Pharmaceuticals and biochemicals

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Sales remained strong for our core product, NESP®, a treatment for renal anemia,
and we acquired approval in March for domestic manufacture and sale of the antibody drug Poteligeo®,
which makes use of POTELLIGENT® technology.

(billion yen)		2012 1Q	YoY change	
	Pharmaceuticals	64.8	1.4	2.3%
	Biochemicals	20.1	2.3	13.4%
Sales*		84.8	(27.8)	(24.7)%
	Pharmaceuticals	16.6	(1.7)	(9.7%)
	Biochemicals	1.3	0.0	2.4%
Operating income*		18.7	(3.9)	(17.4)%

* Including impact of the exclusion of Kyowa Hakko Chemical from consolidation
(Sales -32.7 billion yen, operating income -2.1 billion yen)

Sales of main products

(billion yen)		2012 1Q	YoY change
Nephrology	NESP®	13.8	16%
	REGPARA®	2.8	12%
Immunology/ allergology	Allelock®	9.9	(28)%
	Patanol®	5.4	(26)%
Oncology	GRAN®	2.9	(11)%
Cardiovascular system	Coniel®	4.2	(10)%
New products	Fentos®	0.8	86%
	Asacol®	0.8	52%

- Pharmaceuticals business:

  Sales remained strong for our core product such as NESP®, a treatment for renal anemia. Lower amounts of airborne pollen helped push shipments of the antiallergic agent *ALLELOCK*, etc. below last year's figures.

- Fujifilm Kyowa Kirin Biologics Co., Ltd.

  Together with the Fujifilm Corporation, launched a joint venture company for the development, manufacture and sales of biosimilar pharmaceuticals (March). Revenue from technology licensing from the joint venture also contributed to earnings.

- Biochemicals business: Despite the effects of the stronger yen, sales of pharmaceuticals and industrial ingredients, centered on amino acid and nucleic acid related materials, exceeded the figures for the previous year, and revenue and profit increased.

Development of new drugs:

POTELIGEO® intravenous drip 20mg

Acquired approval for the domestic manufacture and sale of the pharmaceutical as a treatment for adult T-cell leukemia-lymphoma (ATL) (March).

Apokyn®

Acquired approval for the domestic manufacture and sale of the pharmaceutical for treatment of Parkinson's disease (March).

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