

Kirin Group

Financial Results for the First Quarter of 2015

April 30, 2015

Kirin Holdings Company, Limited

- **Steady progress toward achievement of full year plans**
- **Beer in Japan, which is the highest priority, is selling better than planned, and making good progress at improving market share**
- **Brasil Kirin sales volume has fallen but unit price has risen, and along with improved cost effectiveness, profit has risen over the previous year**
- **Early application of the Revision of the Accounting Standards regarding Business Combinations and accompanying goodwill amortization reduction leading to revision of earnings projections for the full year**

First Quarter Consolidated Results

KIRIN

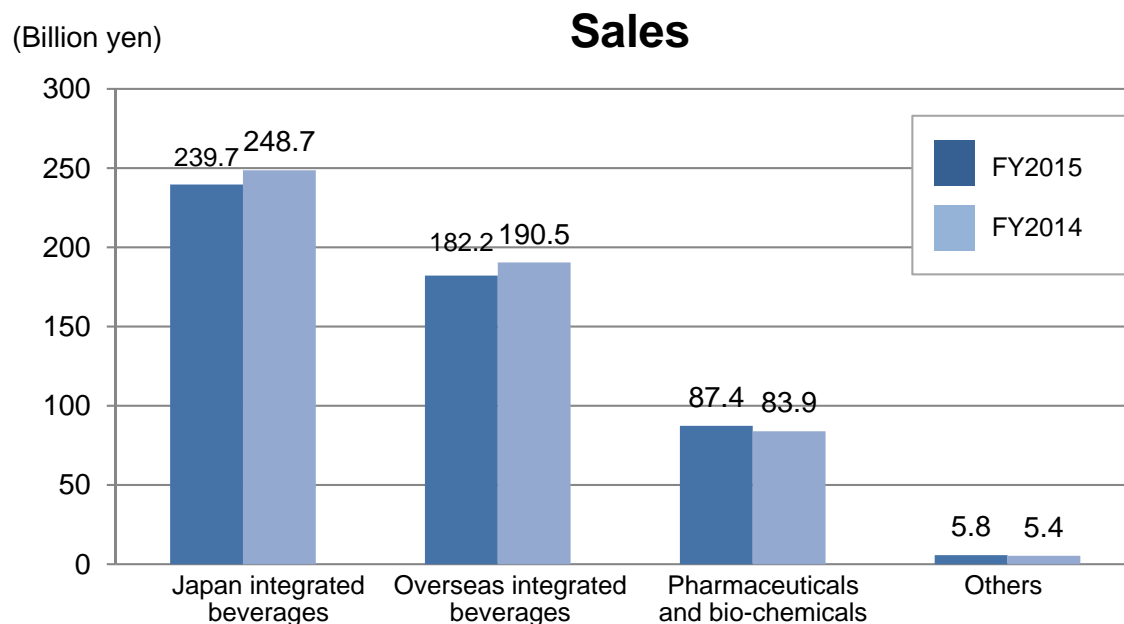
Sales, operating income and ordinary income fell over the previous year, however steady progress is being made toward achievement of the full year plan

(Billion yen)	2015	2014	YoY change	
Sales	515.2	528.7	(13.4)	(2.5%)
Operating income [*]	26.2	30.0	(3.7)	(12.6%)
Ordinary income [*]	25.6	28.5	(2.9)	(10.4%)
Net income [*]	13.3	11.1	2.2	20.5%

^{*} FY2015 saw 5.7 billion yen reduction in goodwill amortization over FY2014 due to early application of the Revision of the Accounting Standards regarding Business Combinations (see page 16)

Normalized EBITDA ^{**}	56.0	66.4	(10.4)	(15.7%)
Normalized EPS (yen) ^{**}	25	30	(5)	(16.7%)

^{**} See page 10 for details



Japan integrated beverages

- Reduced income in comparison with the previous year, when we captured the rush in demand prior to the consumption tax increase
- Kirin Beer has enhanced key brands and bolstered sales in functional categories to achieve progress mostly in line with plans
- Kirin Beverage has expanded its carbonated beverages category and thus achieved increased sales

Overseas integrated beverages

Lion

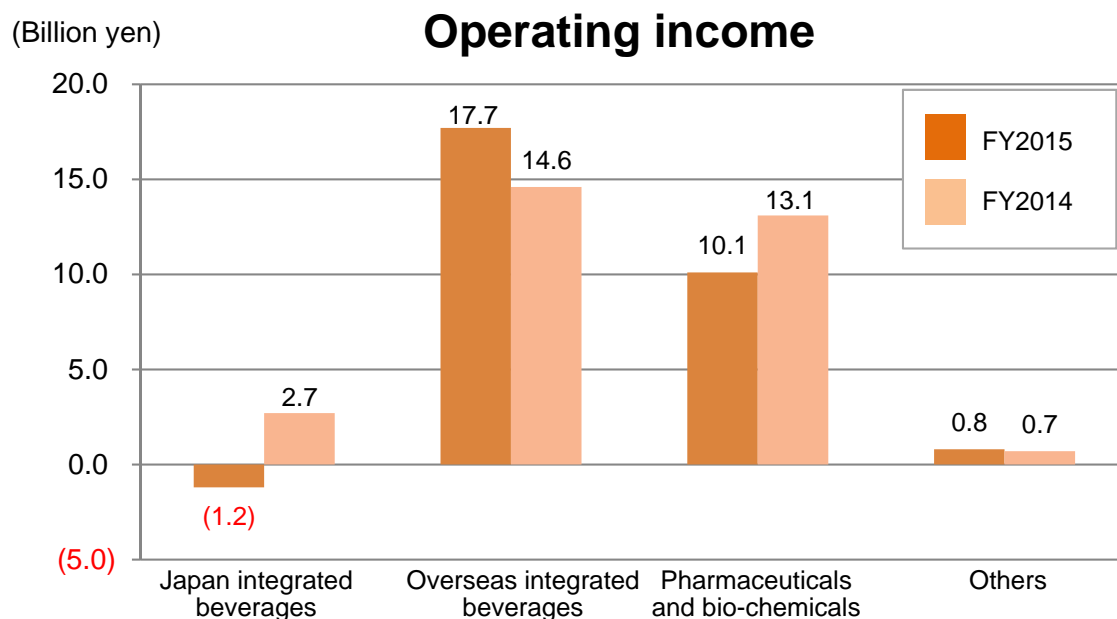
- Although income fell from the previous year, the soft drink business saw increased profit resulting from the Turnaround Plan and operating income after amortization of goodwill growth was achieved
- Overall mostly go according to plan

Brasil Kirin

- Although income decreased due to lower sales volumes, profit increased due to price rises and effective use of sales expenses
- Steady progress in relation to the full year profit plans

Pharmaceuticals and bio-chemicals

- New drugs saw steady sales growth and increased income
- Profits declines due to increased research and development expenses, etc. however it otherwise proceeded as planned



For Achievement of Full Year Plans (1): Japan Integrated Beverages Business Sales Plan Progress

Beer category

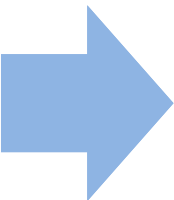
Speedy response to the expansion of the functional category
Beers in total have achieved sales volumes in excess of plans (8% decreased compared with the previous year)

* 5 companies' volume of taxable beer moved: 9% decreased



Soft drinks

Success in boosting presence in the carbonated beverages category
Market is now shrinking following the rush in demand prior to the consumption tax increase, however over soft drink results are on a par with the previous year (+0% compared with previous year)



Initiatives from the second quarter onwards

- Enhancement of key beer brands through expansion of customer touch point
- Enhancement of key soft drink brands, establishment of strong position of Mets in carbonated beverages category



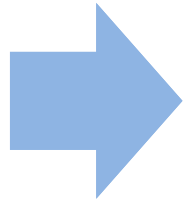
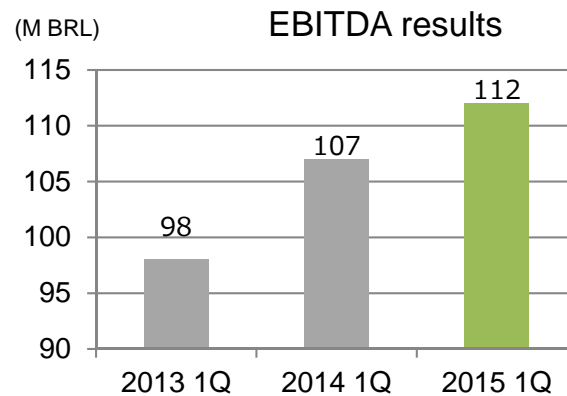
Launch of Nodogoshi "Aozora Komugi"



New Mets flavors and 400 ml PET bottle for vending machines

Delivered EBITDA as planned due to increases in price and cost effectiveness

- Reinforced sales of channels/products with high profitability
- Ceased unprofitable trading conditions
- Used sales expenditures efficiently



Initiatives from the second quarter onwards

- Continue to enhance sales activities of profitable sales channels and products to increase profitability and recover the trend in sales volume
- Continue to implement price increase and effective use of sales expenses
- Promote measures to boost sales skills of sales staff, strengthen distribution network, etc. from medium-term perspective



Revision of Full Year Forecast

- Early application of the Revision of the Accounting Standards regarding Business Combinations and accompanying goodwill amortization reduction leading to revision of earnings projections for the full year
- No impact on sales, normalized EBITDA, normalized EPS

(Billion yen)	Full year forecast		Variance	YoY change	
	1Q Revised forecast	Initial forecast			
Sales	2,270.0	2,270.0	—	74.2	3.4%
Operating income	139.0	117.0	22.0	24.4	21.3%
Japan integrated beverages	40.0	38.0	2.0	(8.1)	(17.0%)
Overseas integrated beverages	58.0	38.5	19.5	26.7	85.6%
Pharmaceuticals and bio-chemicals	45.0	44.5	0.5	6.1	15.7%
Ordinary income	122.0	100.0	22.0	27.7	29.5%
Net income	62.0	40.0	22.0	29.6	91.4%

(Quantitative targets)

Normalized EBITDA	276.0	276.0	—	2.8	1.0%
Normalized EPS (yen)	121	121	—	3	2.5%

KIRIN

This material is intended for informational purposes only and is not a solicitation or offer to buy or sell securities or related financial instruments.

Appendix

Quantitative Targets

(Normalized EBITDA)

(Billion yen)	FY 2015		2015 1Q (actual)	2014 1Q (actual)
	(1Q Revised forecast)	(Initial forecast)		
Operating income	139.0	117.0	26.2	30.0
Depreciation	97.0	97.0	22.6	21.9
Goodwill amortization	29.0	51.0	7.1	12.1
Dividends received from equity method affiliated companies	11.2	11.2	—	2.3
Normalized EBITDA	276.0	276.0	56.0	66.4

(Normalized EPS)

(Billion yen)	FY 2015		2015 1Q (actual)	2014 1Q (actual)
	(1Q Revised forecast)	(Initial forecast)		
Quarterly net income	62.0	40.0	13.3	11.1
Amortization of goodwill etc.	46.9	68.9	11.6	16.5
Special income and expenses after income taxes and minority Interests	1.4	1.4	(2.4)	0.5
Normalized net income (A)	110.3	110.3	22.5	28.1
Average number of shares outstanding during period (thousand) (B)	912,543	912,547	912,544	929,321
Normalized EPS (yen) (A)/(B)	121	121	25	30

Japan Integrated Beverages First Quarter Results



(Billion yen)	2015	2014	YoY change	
Sales	239.7	248.7	(9.0)	(3.6%)
Kirin Brewery	141.8	151.9	(10.0)	(6.6%)
Kirin Beverage	73.0	72.2	0.8	1.2%
Mercian	15.3	15.8	(0.5)	(3.3%)
Other- Intersegment elimination	9.4	8.7	0.6	7.6%
Operating income	(1.2)	2.7	(4.0)	—
Kirin Brewery*	6.8	9.8	(2.9)	(30.2%)
Kirin Beverage*	(2.8)	(1.9)	(0.8)	—
Mercian*	(0.1)	0.1	(0.2)	—
Other**	(5.2)	(4.7)	(0.4)	—
Total		3.2		
Goodwill***	—	(0.4)	0.4	—

■ Operating income breakdown

Kirin Brewery	Billion yen
Marginal profit	(3.7)
Raw material cost	0.1
Selling expenses	(1.1)
Others	1.8
Total	(2.9)

Kirin Beverage	Billion yen
Difference in volume of sales	0.0
Raw material cost	0.4
Difference in package composition, etc.	0.3
Selling expenses	(1.4)
Others	0.0
Total	(0.8)

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

** Holding company expenses and other constituent company profits/losses included

*** From FY2015, goodwill amortization reduction due to early application of the Revision of the Accounting Standards regarding Business Combinations

	Beer category	RTD	Wine	Soft drinks
2015 1Q Sales volume compared with previous year	(8%)	+10%	(5%)	+0%

Lion First Quarter Results

KIRIN

	2015		2014		YoY change		YoY change (%)	
	B JPY	M AUD	B JPY	M AUD	B JPY	M AUD	Yen basis	AUD basis
Sales	132.8	1,350	134.6	1,443	(1.8)	(93)	(1.4)	(6.5)
Alcohol	79.2	805	78.3	839	0.9	(34)	1.2	(4.1)
Soft Drinks	53.6	544	56.3	604	(2.7)	(59)	(4.9)	(9.9)
Operating Income before goodwill amortization etc.*	21.7	221	23.6	253	(1.8)	(32)	(8.0)	(12.8)
Alcohol*	21.2	216	23.6	253	(2.3)	(37)	(9.9)	(14.6)
Soft Drinks*	1.2	13	0.7	8	0.5	4	70.4	61.6
Corporate*	(0.8)	(8)	(0.7)	(7)	(0.0)	(0)		
Goodwill Amortization**	(3.2)	(32)	(7.7)	(82)	4.4	50		
Brand Amortization	(0.9)	(10)	(1.0)	(10)	0.0	0		
OP After Amortization**	17.5	178	14.9	159	2.6	18	17.6	11.5

Consolidated period: Oct.–Dec. 2014; Currency exchange rate: 98.42 yen (Oct.–Dec. 2013: 93.31 yen)

* FY2014 result breakdown by business reflects FY2015 application of headquarters expense allocation rule

** In FY2015, reduction in goodwill amortization due to early application of the Revision of the Accounting Standards regarding Business Combinations over FY2014

■ Sales volume variance

	YoY change (%)
Alcohol	(4.8)
Soft Drinks	(18.7)

■ Details of operating income variance prior to goodwill amortization

M AUD	Alcohol	Soft drinks
2014 results	253	8
Sales volume variance	(21)	(9)
Others	(15)	14
2015 results	216	13

Brasil Kirin First Quarter Results



	2015		2014		YoY change		YoY change (%)	
	B JPY	M BRL	B JPY	M BRL	B JPY	M BRL	Yen basis	BRL basis
Sales	39.0	949	46.8	1,068	(7.8)	(119)	(16.8)	(11.2)
Operating Income Prior to amortization of goodwill	1.7	42	1.6	38	0.0	3	3.3	10.2
Goodwill Amortization	(1.2)	(29)	(1.3)	(29)	0.0	0		
Brand Amortization	(0.7)	(17)	(0.7)	(17)	0.0	—		
Operating Income	(0.1)	(4)	(0.3)	(8)	0.1	4	—	—
EBITDA	4.6	112	4.6	107	0.0	4	0.0	4.5

Consolidated period: Jan.–Mar. 2015; Currency exchange rate: 41.11 yen (Jan.–Mar. 2014: 43.86 yen)

■ Sales volume variance

	YoY change (%)
Beer	(24.9)
Soft drinks	(25.7)
Total	(25.2)

Reference: Market (SICOBÉ)

- Beer: YoY change (4.0%)
- Soft drinks: YoY change (5.4%)

- Increase in gross income (\$R11 MM increased):
 - (1) Unit price up due to price rise
 - (2) Reduction in manufacturing cost due to supply chain rationalization
- Increase in selling expenses and general and administrative expenses (\$R7 MM decreased):
 - (1) Decrease in selling expenses due to effective use
 - (2) Increase in other general and administrative expenses

Pharmaceuticals and Bio-Chemicals First Quarter Results

KIRIN

Billion yen	2015	2014	YoY change	
Sales	87.4	83.9	3.4	4.2%
Kyowa Hakko Kirin	89.5	86.0	3.5	4.1%
Pharmaceuticals	67.8	62.8	4.9	7.9%
Bio-chemicals	21.7	23.1	(1.4)	(6.2%)
Other and elimination	(2.1)	(2.0)	(0.0)	—
Operating income	10.1	13.1	(2.9)	(22.8%)
Kyowa Hakko Kirin	10.1	13.1	(2.9)	(22.8%)
Pharmaceuticals	7.7	9.4	(1.6)	(17.5%)
Bio-chemicals	1.4	3.0	(1.5)	(52.2%)
Other/Elimination of goodwill amortization	2.4	2.1	0.2	10.6%
Goodwill amortization	(1.5)	(1.5)	0.0	—

Accounting Policy Changes

As a result of early application of the Revision of the Accounting Standard regarding Business Combinations, a portion of unamortized balances decreases

(Overview)

	Before application of accounting standards	After application of accounting standards
Difference in price of acquired stock if acquisition cost and associated expenses are totaled when additional stock is acquired in an existing subsidiary	Goodwill (added to assets)	Capital surplus (deducted from net assets)

(Forecast full-year revision from goodwill amortization)

(Billion yen)		Goodwill amortization			Unamortized balances		
		Initial forecast	Revised forecast	Variance	Initial	Revised	Variance
Consolidated subsidiary	Lion	32.0	12.6	(19.4)	354.4	140.2	(214.2)
	Kirin Beverage	1.9	—	(1.9)	21.0	—	(21.0)
	Kyowa Hakko Kirin	6.2	5.7	(0.5)	76.1	75.2	(0.9)
	Brasil Kirin	5.4	5.3	(0.0)	87.3	86.3	(1.0)
	Others	5.3	5.3	(0.0)	—	—	—
	Consolidated subsidiary total	51.0	29.0	(22.0)			

*No impact on brand amortization

Impact on First Quarter Results and Full Year Forecast



Reduction in goodwill amortization will impact quarterly and full-year operating, ordinary and net income

(Goodwill amortization by segment)

(Billion yen)	1Q (results)			Full year (forecast)		
	Before application	After application	Variance	Before application	After application	Variance
Japan integrated beverages	0.6	0.0	(0.5)	2.4	0.4	(2.0)
Overseas integrated beverages	9.5	4.5	(4.9)	38.1	18.6	(19.5)
Lion	8.1	3.2	(4.9)	32.0	12.6	(19.4)
Brasil Kirin	1.2	1.2	(0.0)	5.4	5.3	(0.0)
Other	0.1	0.1	(0.0)	0.6	0.5	(0.0)
Pharmaceuticals and bio-chemicals	2.7	2.5	(0.1)	10.4	9.9	(0.5)
Total	12.8	7.1	(5.7)	51.0	29.0	(22.0)