

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

*¹ 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)

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

■ Quantitative targets

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

*³ See slide 30

■ Financial indicators

	2015 actual	2014 actual	YoY 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)	—

Please turn to page 4 of the presentation material with the title of Kirin Group FY2015 Financial Results and FY 2016 Business Plan.

Let me start with the summary of financial results.

We have achieved increase in sales and operating income from the previous year. Sales was 2 Trillion 196.9 B yen, and operating income was 124.7 B yen, increase of 0.1 % and 8.9 % from the previous year respectively.

However, as you can see from the asterisk 1, goodwill amortization declined 21.8 B yen from FY2014, due to the application of the Accounting Standards regarding Business Combinations. Therefore, excluding this special factor and compare apples to apples, operating income declined by 11.6 B yen.

When it comes to ordinary income, it increased 36.1 %, due to improvement in gains and losses on equity method investments, and finished with 128.1 B yen. Even taking out the effect of application of the Accounting Standards, ordinary income still increased by 12.1 B yen.

Net loss was 47.3 B yen, because of 110 B yen impairment we accounted for Brasil Kirin.

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	YoY 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

Japan Integrated Beverages sales grew 3.3 %, thanks to beer and soft drink sales volume increase.

Overseas Integrated Beverages saw 69 B yen decline in sales, because of the negative impact from the foreign exchange rate; 5 B yen for Lion and 32.6 B yen for Brasil Kirin.

Pharmaceuticals and Bio-chemicals performed well in both Japan and overseas. The segment's sales grew 9.4 %.

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	YoY change		2015 forecast
Operating Income* ¹	124.7	114.5	10.2	8.9%	122.0
Japan integrated beverages* ¹	47.9	48.1	(0.1)	(0.4%)	42.0
Kirin Brewery* ²	62.6	66.4	(3.8)	(5.8%)	58.9
Kirin Beverage* ²	5.6	5.3	0.3	6.3%	6.9
Mercian* ²	1.9	1.4	0.5	38.6%	1.4
Other	(22.2)	(23.0)	0.7	—	(25.2)
Total		50.1			
Goodwill amortization* ¹	—	(1.9)	1.9	—	—
Overseas Integrated Beverages* ¹	33.2	31.2	2.0	6.4%	33.9
Lion (after goodwill amortization)* ¹	48.0	27.5	20.4	74.3%	47.9
Goodwill amortization* ¹	(12.1)	(31.1)	19.0	—	(12.1)
Brand amortization	(3.7)	(4.1)	0.4	—	(3.7)
Brasil Kirin (after goodwill amortization)* ¹	(18.5)	1.4	(19.9)	—	(17.4)
Goodwill amortization* ¹	(4.2)	(5.3)	1.0	—	(4.2)
Brand amortization	(2.5)	(3.1)	0.6	—	(2.5)
Other* ¹	3.6	2.2	1.4	65.8%	3.3
Pharmaceuticals and Bio-chemicals* ¹	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 saw goodwill amortization decrease of 1.9 B yen, yet still the profit declined by 100 M yen from FY 2014. However, the segment's operating income was far better than the forecast.

Thanks to the decrease in goodwill amortization of 19 B yen, Lion's operating income grew by 20.4 B yen.

Brasil Kirin's operating income dropped by 19.9 B yen.

Pharmaceuticals and Bio-Chemicals segment's profit increased by 7.9 B yen, driven by the top line growth.

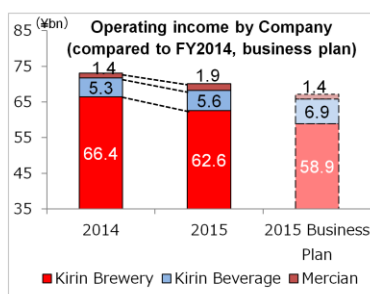
Japan Integrated Beverages

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- 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		Kirin Beverage	
Cause	Change	Cause	Change
Marginal profit increases	3.1	Difference in sales volume	20.5
Raw materials expenses decreases	0.2	Raw materials expenses decreases	4.1
Selling expenses increases	(11.7)	Difference in container mix, etc.	(6.0)
Other expenses reductions	4.6	Selling expenses increases	(17.9)
Total	(3.8)	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



Mets



Steady growth in market share of functional products category

Let me start with Kirin Brewery.

0.1% growth in beer products sales volume pushed up marginal profit by 3.1 B yen. Other expenses reduced by 4.6 B yen. On the other hand, selling expenses increased 11.7 B yen. In total, the operating income for Kirin Brewery declined by 3.8 B yen.

Nevertheless, helped by cost reduction measures, it was 3.7 B yen better than the forecast.

Kirin Beverages' operating income finished with 300 M yen increase from the previous year. Although its selling expense and difference in container mix pushed down operating income by 17.9 B yen and 6 B yen respectively, they were absorbed by increase in sales volume of 20.5 B yen and reduction in raw materials expenses of 4.1 B yen.

Overseas Integrated Beverages: Lion

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- 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	YoY change	YoY change (%)	Full year forecast at Q2	2015 actual	2014 actual	YoY change	YoY 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*1	65.4	67.0	(1.6)	(2.4)	66.4	702	711	(8)	(1.3)	714
Dairy and Drinks*1	2.6	0.2	2.4	880.5	2.8	28	2	25	891.8	30
Corporate*1	(4.1)	(4.3)	0.2	—	(5.3)	(44)	(46)	1	—	(57)
Goodwill amortization*2	(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*2	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)

*1 FY2014 breakdown of results by segment and changes reflect change in FY2015 corporate expense levy rules

*2 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

(%)	YoY
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

Its alcohol business saw decline in operating income of 8 M AUD, mainly due to 1.8 % decrease in sales volume.

Whereas Dairy and Drinks business' operating income grew 25 M AUD, since Turnaround Plan is progressing well.

Lion as a whole achieved 18 M AUD increase in operating income before goodwill amortization, which hit the forecast.

Overseas Integrated Beverages: Brasil Kirin

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- 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)					Real base (B R\$ m)				
	2015 actual	2014 actual	YoY change	YoY change (%)	12/21 forecast	2015 actual	2014 actual	YoY change	YoY change (%)	12/21 forecast
Sales	134.2	179.9	(45.6)	(25.4)	140.2	3,698	3,987	(288)	(7.2)	3,854
Operating Income before goodwill amortization ,etc	(11.7)	9.9	(21.6)	—	(10.6)	(322)	220	(542)	—	(293)
Goodwill amortization	(4.2)	(5.3)	1.0	—	(4.2)	(117)	(118)	1	—	(117)
Brand amortization	(2.5)	(3.1)	0.6	—	(2.5)	(69)	(69)	—	—	(69)
Operating Income	(18.5)	1.4	(19.9)	—	(17.4)	(509)	31	(541)	—	(480)
EBITDA	0.2	22.7	(22.4)	99.1	1.1	5	503	(497)	(98.8)	31

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

YoY 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 YoY 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

	YoY 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%)

16.2 % decrease in sales volume, driven by excessive selling price increase at the end of FY 2014 and increase in raw material costs due to depreciation of the Brazilian Real pushed down gross profit by 182 M Real.

Furthermore, selling expenses increase due to price revision started from September pushed up SG&A cost 360 M Real. Therefore, operating income declined by 541 M Real.

However, I would like to comment that sales volume has recovered to single digit % decline in the 4th quarter.

Pharmaceuticals and Bio-chemicals

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

¥ bn	2015 actual	2014 actual	YoY 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 YoY 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

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



Pharmaceuticals segment. Sales of NESP, the major product in domestic market was quite strong, and new product G-Lasta sales exceeded the target.

Overseas markets performed well, too, which led to increase in both sales and profit.

Operating income was about 3.2 B yen short from the full year forecast announced at Q2, because of the increase in selling expenses in relation to new product licensing at the end of the fiscal year.

(1) FY2015 Financial Results

(2) FY2016 Business Plan

FY2015 Financial Results

FY2016 Business Plan

2016-2018 Medium-term Business Plan Quantitative Targets

ROE before amortization of goodwill etc., Normalized EPS

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- 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%)

ROE before amortization of goodwill etc.

Net profit margin (before amortization of goodwill etc.)

Asset turnover ratio

Financial leverage

2015

2016

(0.1%)

4.7%

0.85

0.87

3.09

3.43

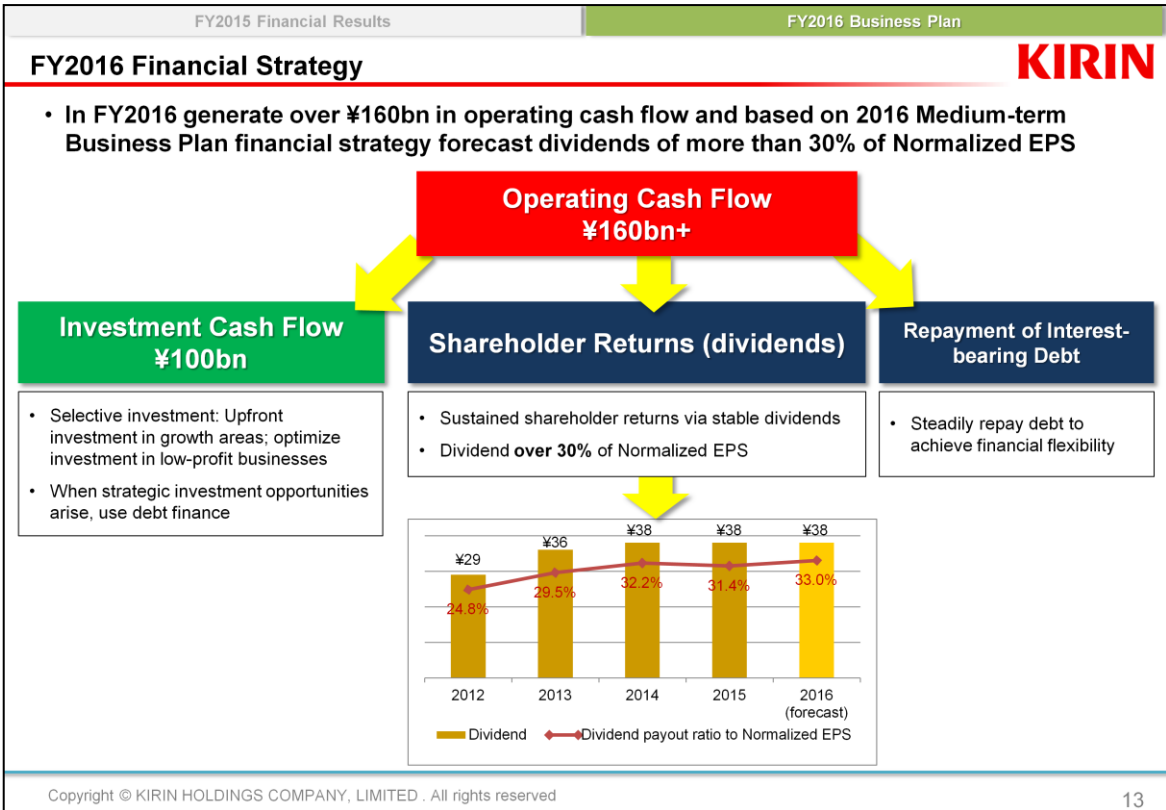
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FY 2016 is the first year of 2016-2018 Medium term Business Plan.

Our first objective is to bring back ROE before amortization of goodwill to 14 %.

We are aiming for normalized EPS average annual growth rate of 6% for the period of 2016 – 2018 Medium Term Business Plan. However, we are targeting for 115 yen for the FY 2016, because we are expecting Kyowa Hakko Kirin’s profit decrease.



Operating cash flow of more than 160 B yen is expected, of which 100 B yen is allocated to capital investment. With regards to shareholder return, stable dividend, with over 30 % of normalized EPS is planned.

At the same time, we will pay down debt in order to achieve financial flexibility.

FY2015 Financial Results

FY2016 Business Plan

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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	YoY 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

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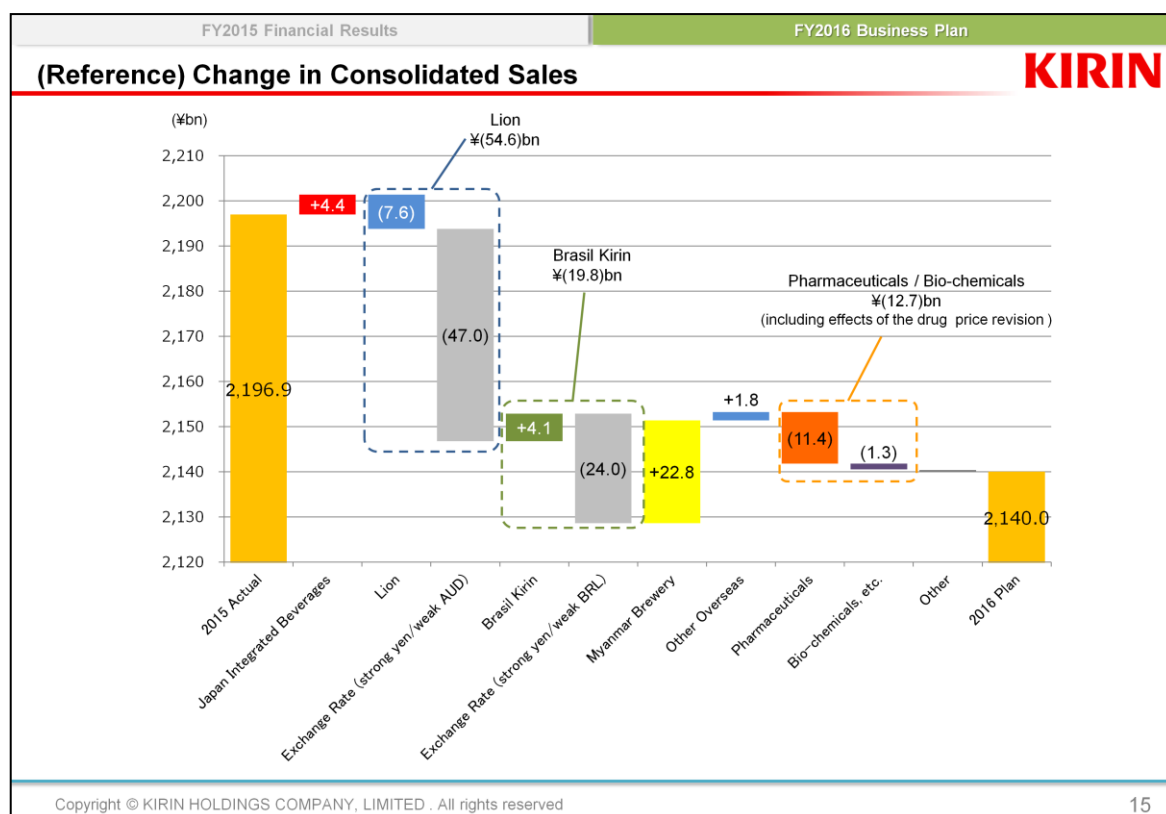
I would like to draw your attention to the right hand side of this slide with the title, “ Differences over FY 2015”.

Japan Integrated Beverages depreciation method is changed to straight line method, which makes about 8 B yen difference.

Yen is much higher than FY 2015, and it affects financial numbers significantly.

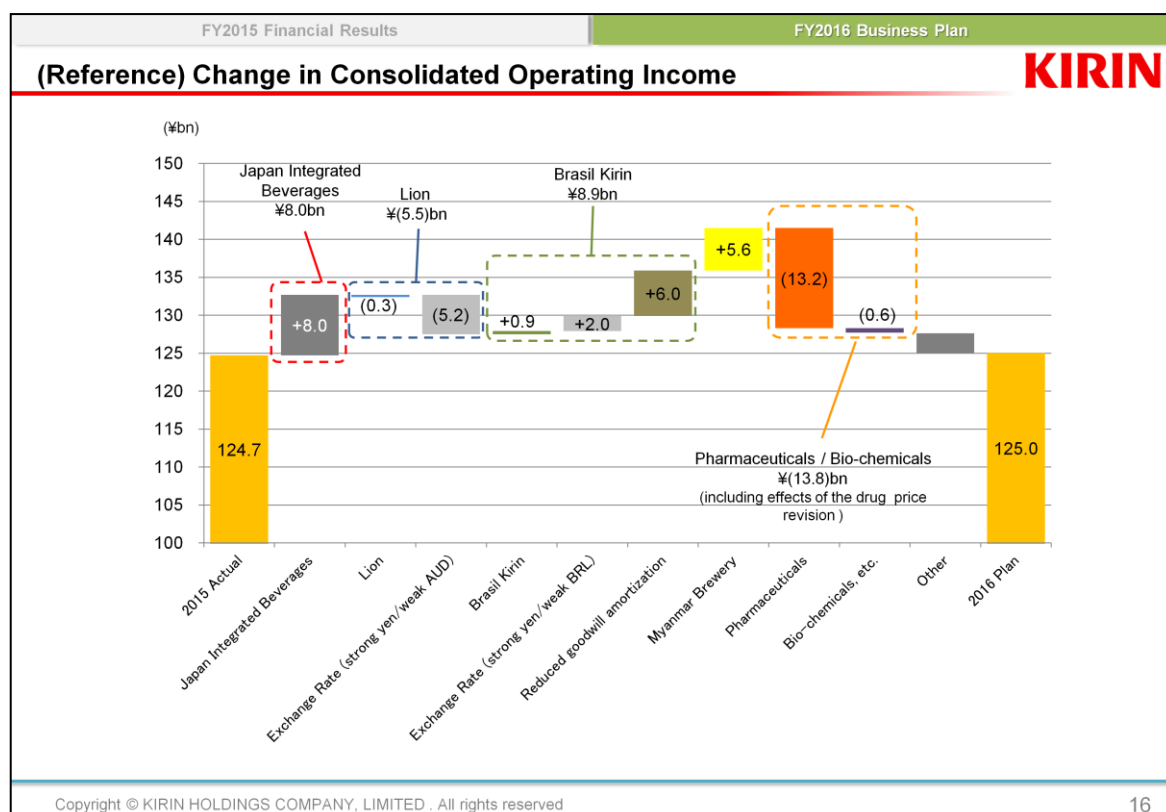
Brasil Kirin’s goodwill amortization decreases about 6 B yen, due to impairment.

And Myanmar Brewery is newly consolidated.



Sales for FY 2016 is planned to be 2 Trillion 140 B yen, decline of 56.9 B yen from FY 2015.

Impact of depreciation of Australian dollars and Brazilian real in total is expected to be 71 B yen. Nevertheless, newly consolidated Myanmar Brewery's sales contribution of 22.8 B yen is added, therefore, expecting to see increase in sales excluding forex impact.



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Myanmar Brewery's contribution to the profit is 5.6 B yen.

Special factor that is coming in to play is change of depreciation method to straight line method by Japan Integrated Beverages, which pushes up 8 B yen.

Brasil Kirin's reduction in goodwill amortization due to impairment adds 6 B yen.

Another point to note is reduction in Pharmaceuticals and Bio-chemicals profit of 13.8 B yen, due to drug price revision. Total operating income for FY 2016 is expected to be 125 B yen, a small increase of 300 m yen from FY 2015.

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

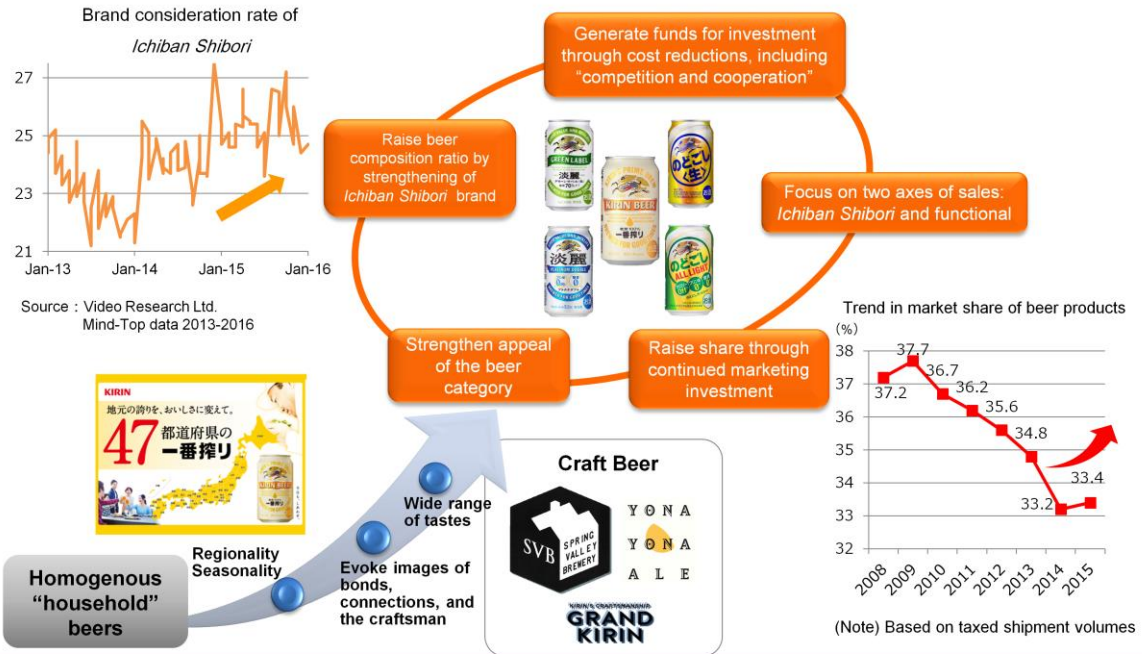
	Sales Plan	YonY	Market forecast
Beer products Total	1,780 thousand KL	(0.9%)	Approx. (2%)
Beer	676 thousand KL	+2.3%	Approx. (1%)
Hoppo-shu	483 thousand KL	(3.7%)	Approx. (3%)
New genre	621 thousand KL	(2.0%)	Approx. (2%)
RTD Total	295 thousand KL	+4.5%	Approx. +3%
Non-alcoholic Drinks	30 thousand KL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

Please take a look at change in operating income. Marginal profit is planned to increase 2.1 B yen, due to increase in RTD sales volume, as well as change in product composition. Coupled with decrease in raw material expenses of 1.9 B yen and other expenses of 4.1 B yen, FY 2016 operating income from Kirin Brewery is planned for 70.8 B yen, which is 8 B yen up from FY 2015.

We are aiming to further increase our market share from FY 2015, to make sure our recovery is here to stay.

We will try to improve our profitability, by improving operating profit excluding liquor tax from 15.1 % to 16.9 % in FY 2016.

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

KIRIN

FY2015 Financial Results

FY2016 Business Plan

Japan Integrated Beverages – Kirin Beverage

KIRIN

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%

■ 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%	—
Gogo-no-Kocha	48,100 thousand cases	+2%	(1%)
Mets	15,600 thousand cases	+ 5%	+ 1%
FIRE	28,600 thousand cases	+ 3%	±0%
Nama-cha	17,000 thousand cases	(6)%	+ 1%
Of which: small containers	—	+ 16%	—

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

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This is about Kirin Beverages. We are going to focus on smaller size PET and can products, which leads to decrease in operating income due to difference in sales volume from FY 2015 of 6.9 B yen.

Making sure to have more thorough target management by shifting from number of cases to number of smaller PET and can, container mix would be improved by 4.6 B yen. On top of that, reduction in raw material expenses of 3.2 B yen and decrease in selling expenses of 4.3 B yen more than offset the reduction of profit triggered by sale volume decline, which leads to operating income of 11.1 B yen, 5.5 B yen increase from FY 2015.

We are going to focus on improving profitability. Our aim is to bring operating profit margin from 1.5 % to 3.0 % in FY 2016.

At the same time, in sugar free tea category, which is one of the 3 major categories, we are going to take this market with revitalize Nama-cha.

Kirin Beverage Create virtuous circle to achieve profitable growth

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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 30th year on the market


Profit structure reform

Full-scale reform and upgrade of approach

Sales strategy	Vending machines strategy	Alliances	Cost cuts and cost control
Case volume sales targets	Focus on growing number of vending machines	Partner with DyDo Drinco to cross-sell core products in vending machines	Fixed/variable sales cost management
Cans/small PETs sales targets	Focus on number of cases per machine	Look for potential alliances to improve profitability	SCM cost structure reform Manufacturing cost, distribution efficiency, waste reduction
	Shift online to raise efficiency		Labor productivity improvement

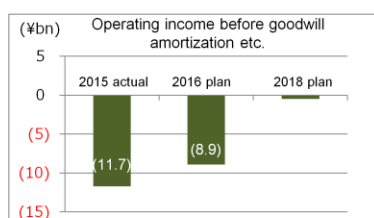
Overseas Integrated Beverages – Brasil Kirin



- 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 growth profit domains based on regional product strategy

	Yen base (¥bn)				Real base (B R\$ m)			
	2016 Planned	2015 Actual	YonY Change	YonY Change %	2016 Planned	2015 Actual	YonY Change	YonY Change %
Sales	114.3	134.2	(19.8)	(14.8)	3,813	3,698	114	3.1
Operating income before goodwill amortization etc.	(8.9)	(11.7)	2.8	—	(296)	(322)	25	—
Goodwill amortization	—	(4.2)	4.2	—	—	(117)	117	—
Brand amortization	(0.6)	(2.5)	1.8	—	(22)	(69)	47	—
Operating income	(9.5)	(18.5)	8.9	—	(318)	(509)	191	—
EBITDA	1.5	0.2	1.2	613.8	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

Brasilian Real is expected to weaken in FY 2016, which drives raw material costs up, and consequently reduces profit.

By bringing in 200 M real cost reduction effort, we are trying to aim for 25 M real increase in profit.

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

KIRIN**Grow profit domains****Operational efficiency**

Match organization size and production to sales volume

Fixed Costs Indirect Costs	<ul style="list-style-type: none"> • Optimize productions plants and explore asset sales • Optimize staff numbers
Manufacturing Costs	<ul style="list-style-type: none"> • Reduce product waste through inventory reduction • lower procurement costs
Sales Costs Distribution Costs	<ul style="list-style-type: none"> • Raise efficiency of in-house wholesaling • Increase loading ratio and shipments per store, SKUs per store

Overseas Integrated Beverages – Myanmar Brewery

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- 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

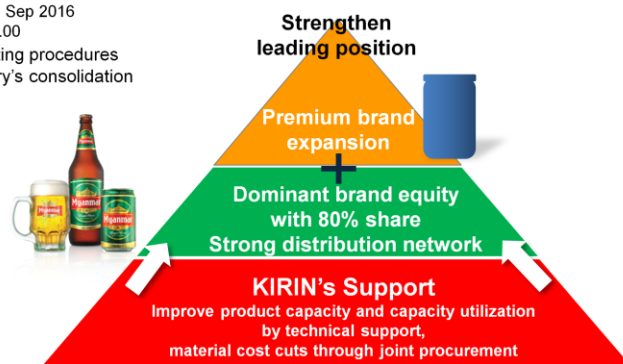
*Oct 2014 to Sep 2015 Not consolidated)

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



Myanmar Brewery is newly consolidated, and it is planning for 8.8 B yen operating income before goodwill amortization, and 5.6 B yen after amortization.

We are planning to expand premium brand to strengthen brand portfolio. In addition, start to increase production capacity.

Please be noted that, when we announced about the acquisition, we provided the sales number inclusive of commercial tax. However, we will show sales figure excluding commercial tax going forward.

FY2015 Financial Results

FY2016 Business Plan

Overseas Integrated Beverages – Lion

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- 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

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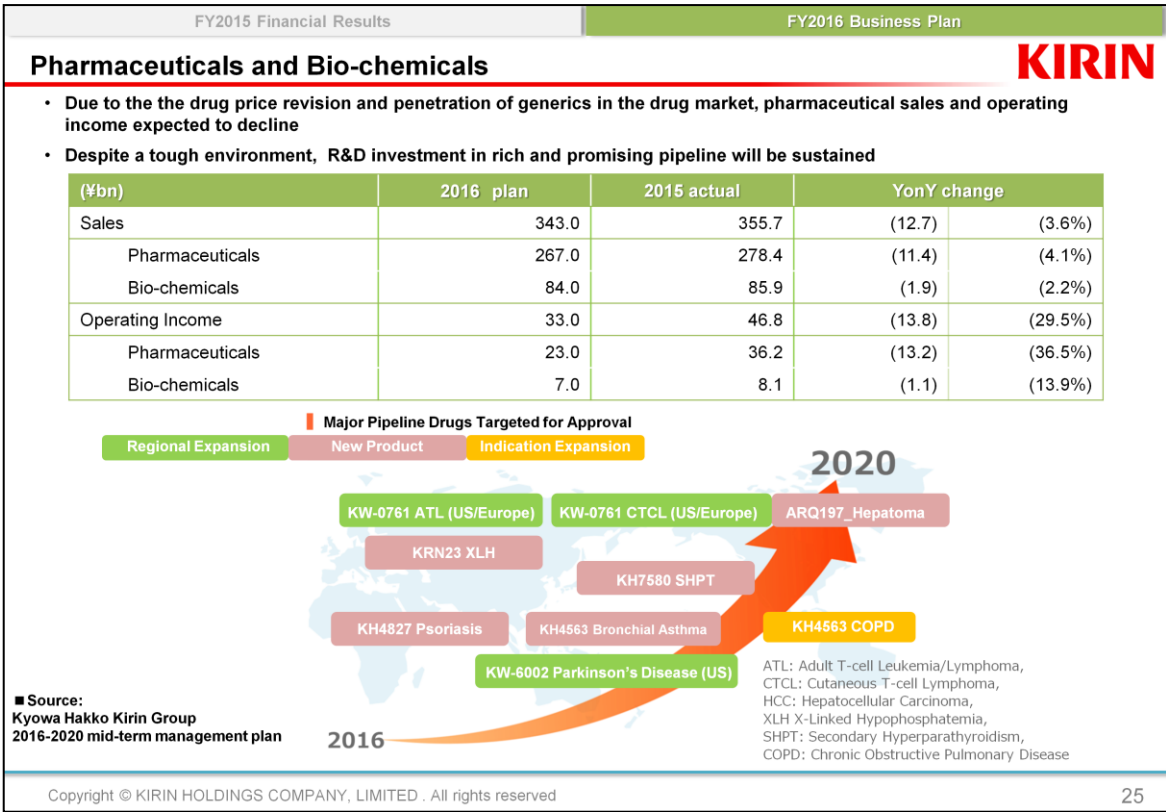
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Alcohol segment's sales in AUD is almost flat from the previous year.

Operating income is expected to decrease 23 M AUD, due to market activation initiatives and impact from weaker AUD on imported products, like Corona.

High operating profit margin of 26 % is expected to be maintained.

Dairy and Drinks segment is planned to enjoy increase of 31 M AUD in operating income, thanks to progress in Turnaround Plan. We are forecasting to see improvement in operating margin to around 4.0 %.



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
Total	16.0	

Appendix

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



- 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

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■ 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	258.9	273.1	307.3	(5.6%)

■ 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	117	118	117	0.0%

- 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)

Assets	Liabilities
	Approx. ¥20bn
Acquisition price approx. ¥70bn	



Following PPA procedures
(provisional)

Current assets	Liabilities
Tangible assets	Deferred tax liabilities
Brands	Acquisition price Approx. ¥70bn
Intangible assets	
Goodwill	

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