

Kirin Group Presentation of Financial Results for the Second Quarter of 2017

August 3, 2017
Kirin Holdings Company, Limited

Overview of 2Q Financial Results

Summary of 2Q Results and Revision of Full-year Forecast

First-half operating income exceeds the plan

- ▶ Increased profits in the Japan Integrated Beverages Business and the Pharmaceuticals and Bio-chemicals Businesses result in operating income target met
- ▶ Sales decrease eventuated from such factors as the Brasil Kirin deconsolidation※
- ▶ Quarterly net income attributable to owners of the parent increased significantly on recognition of gain on sale of non-current assets and following the impact of taxes associated with the Brasil Kirin share transfer



Revision of the full-year forecast (last revised on June 1, 2017)

- ▶ Revise full-year operating income forecasts for Kirin Beverage and Kyowa Hakko Kirin upwards
- ▶ Revise Kirin Brewery sales volume target for beer products downwards; with the aim, nonetheless, of meeting the year-beginning operating income target through increasing sales volume of RTD products etc
- ▶ Achieving the operating income target will enhance shareholder returns
(Expected normalized EPS: 137 yen)

※Brasil Kirin was deconsolidated from 2Q of 2017 onwards; only the 1Q results are consolidated

2 Q Financial Results Highlights

Sales decreased; however, operating income, ordinary income, and net income attributable to owners of the parent increased

(bn yen)	2017 2Q actual	2016 2Q actual	YoY change		Start-of-year 2Q forecast
Sales	961.7	1,008.1	(46.4)	(4.6)%	1,010.0
Operating income	79.7	58.8	20.9	35.7%	55.0
Ordinary income	79.2	58.1	21.0	36.3%	
Net income attributable to owners of the parent	83.4	33.8	49.5	146.6%	

■ Quantitative targets

	2017 2Q actual	2016 2Q actual	YoY change	
Normalized EPS (yen)*	75	53	22	41.5%

※ See page 19 for details

■ Financial indicators

	2017 2Q actual	2016 2Q actual	YoY change	
Operating income before amortization of goodwill, etc. (bn yen)	93.6	73.2	20.3	27.8%
EPS (yen)	91.40	37.07	54.33	146.6%
EPS before amortization of goodwill, etc. (yen)	112	59	53	89.8%

2Q Consolidated Operating Income: Key Factors for Change (YOY)

Beer businesses

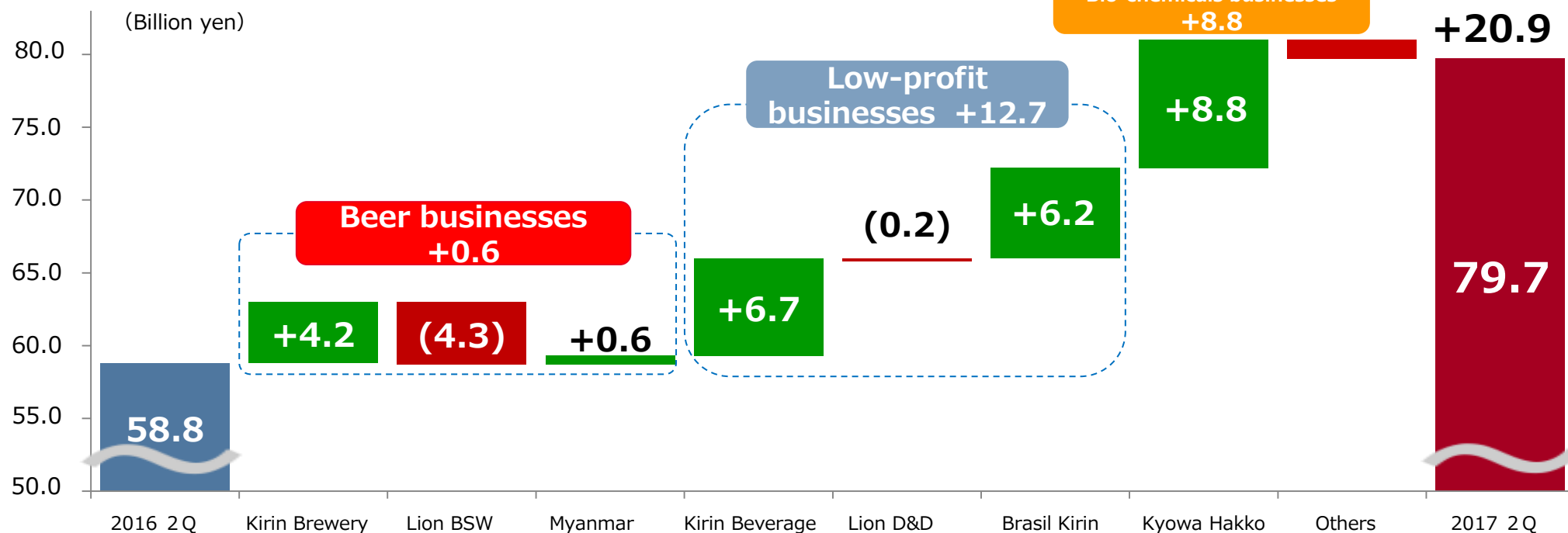
- <Kirin Brewery>
 - Profit increased due to strong performance of RTD/non-alcohol product (*ZERO Ichi*) and raw material cost cuts however a decrease in sales volume of beer products; change in timing of spending selling expenses
- <Lion Beer, Spirits, and Wine>
 - Profit decreased due to loss of licensed brands
- <Myanmar Brewery>
 - Profit increased resulting from significant increase in sales volume and upward revision of sales price conducted last year

Low-profit businesses

- <Kirin Beverage>
 - Profit increased significantly due to improved product mix achieved by strong performances of *Gogo-no-Kocha* and *Nama-cha* as well as further cost cuts; change in timing of spending selling expenses etc.
- <Lion Dairy & Drinks>
 - Profit decreased due to orange price rise, inventory revaluation based on standard cost system
- <Brasil Kirin>
 - Share transfer has been completed; deconsolidated from 2Q (operating loss before amortization of goodwill etc. of 7 billion yen in 2016)

Pharmaceuticals and Bio-chemicals businesses

- <Kyowa Hakko Kirin>
 - Domestic sales of pharmaceuticals decreased, but profit increased due to higher licensing revenue and lower research and development costs etc.



Revision of Full-year Consolidated Forecast

Revise forecasts for operating income, ordinary income, and net income attributable to owners of the parent upwards, due to the progress made toward achieving the operating income target for Kirin Beverages ahead of the plan, as well as revisions to the full-year consolidated earnings forecasts of the Pharmaceuticals and Bio-chemicals Businesses etc.

■ Full-year Consolidated Forecast

(bn yen)	2Q revision	Revised forecast as of 6/1	Change	Description by segment etc.	2016 actual	YonY change
Sales	1,970.0	1,980.0	(10.0)	Japan : (7.0) (Kirin Brewery (13.4)) Overseas : (2.0) (Lion (5.0)) Pharmaceuticals and bio-chemicals:3.0	2,075	(5.1)%
Operating income	152.0	146.0	6.0	Japan : 2.0 (Kirin Beverage 2.0) Overseas : 0.5 (Lion 0.8) Pharmaceuticals and bio-chemicals:4.0	141.8	7.1%
Ordinary income	156.0	155.0	1.0	Exchange loss etc.	140.6	10.9%
Net income attributable to owners of the parent	114.0	112.0	2.0	Business restructuring expense	118.1	(3.5)%

■ Quantitative target

	2Q revision	Beginning of 2017	Change	2016 actual	YonY change
ROE before amortization of goodwill, etc.	18.6%	13.9%	-	21.9%	-
Normalized EPS	137yen	126yen	11yen	125yen	9.6%

Kirin Brewery: Second-half initiatives

Intensive investment in focus brands based on market trend

Expectation of
attractive
beer/taste,
future beer tax
reductions

Enhance appeal
of the beer
category

Ongoing
demand for
more affordable
products

Recover market
share in the
Happoshu/new genre
categories

RTD category:
Expansion of the
consumer base/
popularity among
young people

Expectation of
alternative tastes
as a substitute for
beer

Strengthen brand
in the RTD/non-
alcoholic segments



一番搾り

Tap Marché



Craft beer



のどごし<生>



KIRIN
氷結 本搾り



キリン
零 ICHI
ゼロイチ

Invest, strengthen, and grow profits
in the beer businesses

Kirin Brewery: Second-half initiative

Full renewal; shipped
from late July



一番搾り

Make *Ichiban Shibori* the most iconic beer in Japan

Evolved taste

Improved Umami of malt

The best tasting beer

satisfying consumers with its delicate
taste by Japan

First Press
method

Origin of taste

Key features

Pure and elegant
goodness "Umami" +

Balance of
delicate flavor

Improved Umami of
malt

More purity, less
bitterness

Controlling acidity

Controlling sweet
aroma

Evolved package design

Sophisticated design with a
quality feeling



"Gold lid" for a
tasty feeling

"Bright" base
color

"3D droplet icon"
for carefully
pressed impression

Evolved communication

Expression of taste; massive TVCM release

Buzz-making

TVCM

15,000 GRPs (target)

Kirin Beverage: Second-half initiative

Achieve **profitable growth** through structural reform

Build robust brand framework

■ Marketing via selection and focus



- Strengthening of *Gogo-no-Kocha*, *FIRE*, and *Nama-cha*
 - ✓ Grow *Nama-cha*
 - ✓ Revitalize *FIRE*



- Take initiatives for creating new health drink brands
 - ✓ Reduce stress
 - ✓ Reduce fatigue
 - ✓ Support good sleep
 - ✓ *Lactococcus Plasma*

Reform profit structure

◆ Steady execution of initiatives for profit improvement

- Thorough implementation of target control focused on cans and small PET bottles
- Control of selling expenses and raise unite sales price
- Reduce supply chain costs
- SKU reduction/waste cost reduction
- Improve labor productivity



◆ Look for business alliance opportunities

FY2017 Financial Strategy: Update

Structural reform results in free cash flow ahead of schedule, leading to improved financial flexibility; to be used for stable shareholder returns and investment for growth



Future policy

① Investment for growth

Consider strategic investment/investment for improved efficiency

② Enhanced shareholder returns

Consider revision of payout ratio, share buyback etc.



Progress and future initiatives for the 2016 MTBP

Looking back on the first half of the 2016 MTBP

Quickly advanced structural reforms and made steady progress in achieving the MTBP

2016-18 Plan approach and aims

- ▶ Bold action groupwide to restructure and revitalize Kirin, focus on profitability
- ▶ Selective, focused allocation of resources, clear priorities
- ▶ Decisive implementation, full commitment to achieve targets

Excerpt from the Kirin Group's 2016-2018 Medium-Term Business Plan announced in February 2016

Looking back on the first half of the 2016 MTBP

1. Invest, strengthen, and grow profit in the beer business

► Kirin Brewery

- Consistently strove to enhance the appeal of beer category
- Worked to recover market share in the new genre category
- Promoted a healthy industry by preparing an environment for fair trade

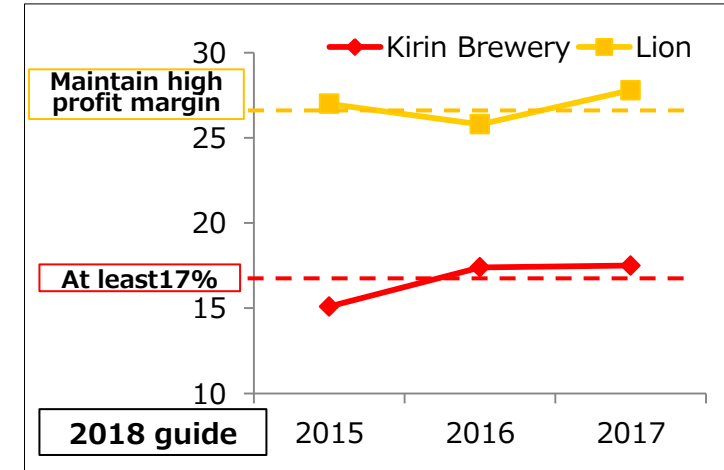
► Lion Beer, Spirits, and Wine

- Definitely executing the Post-ABI strategy

► Myanmar Brewery

- Quickly executed the PMI
- Increased production capacity, and maintained the current market position by definitely capturing the growth in the beer market

Operating margin on sales (excluding the liquor tax)



2. Restructure and revitalize low-profit businesses

► Kirin Beverage

- Definite progress in strengthening the focus brands & reforming the profit structure
- Realized higher profitability than the 2018 guide

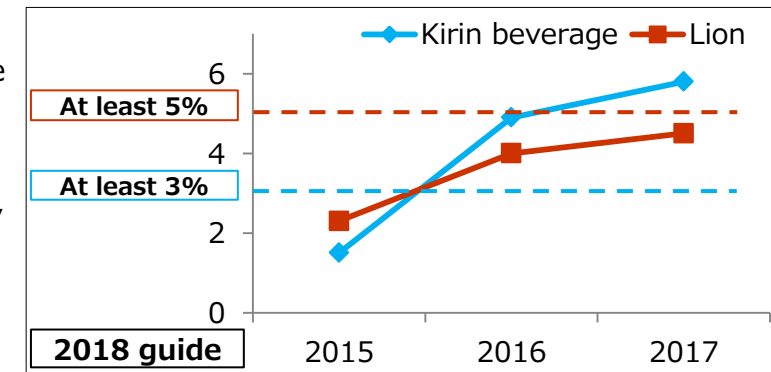
► Brasil Kirin

- Realized a performance recovery & completed the share transfer at the end of May

► Lion Dairy and Drinks

- With the aim of shifting to increased profits on increased sales, continued to cut costs and achieved sales in the focus categories

Operating margin on sales



3. Invest to realize outstanding growth in the Pharmaceuticals and Bio-chemicals businesses

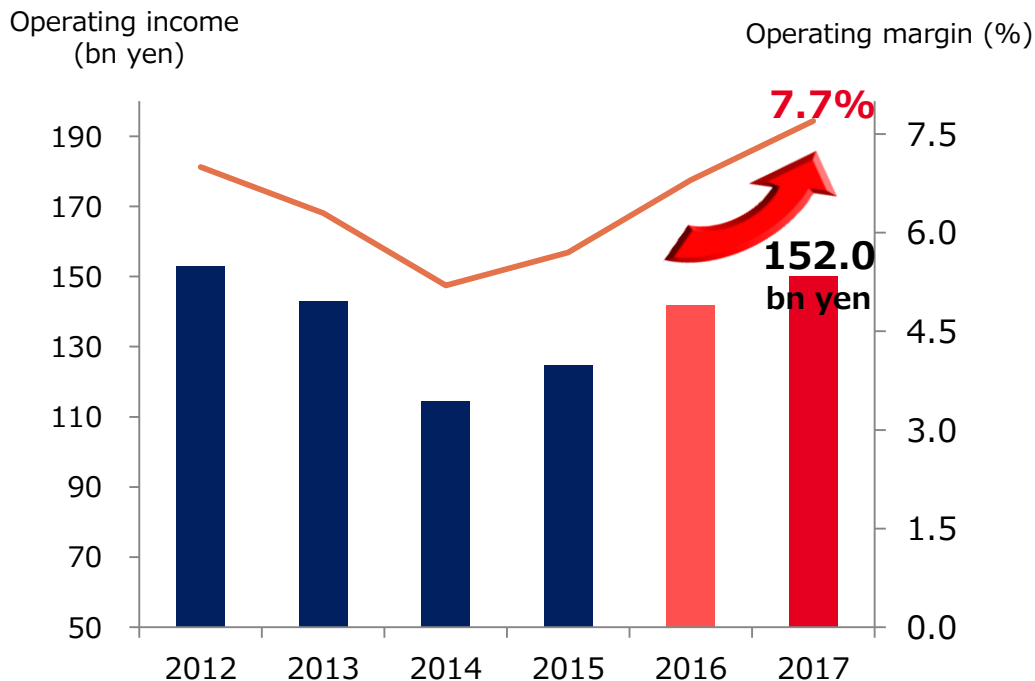
- Kyowa Hakko Kirin • Steady progress in the development of the global strategic product KRN23, and expectations have significantly increased for market launch in 2018

Looking back on the first half of the 2016 MTBP

Building a strong foundation directed towards sustainable growth

The Kirin Group consolidated results

Steady progress in improving profitability



Initiatives supporting improved results

Formulate CSV commitments

Set 3 priority social issues*, and realize a path to sustainable growth

Evolve corporate governance

Strengthen the management oversight function of the Board of Directors
Increase the transparency and fairness of business management
Revise the executive officer remuneration system

Hands-on management

Integrated management of the headquarter and domestic regional headquarter
Quick decisions by executive officers

※Set as "Health and well-being," "Community engagement" and "The environment," which are intrinsically related to the Group's business

Intensify focus on profit growth

Clearly prioritize the allocation of management resources, and aim for further profit growth

Given the room for profit growth over the medium term, focus on Kirin Brewery, Kirin Beverage & Kyowa Hakko Kirin and achieve the MTBP

1. Invest, strengthen, and grow profit base in the beer businesses

- **Prioritize Kirin Brewery, and restore growth**

2. Restructure and revitalize low-profit businesses

- **Kirin Beverage; aim for profitable growth and further improve profitability**

3. Invest to achieve outstanding growth in the pharmaceuticals and bio-chemicals businesses

- **Kyowa Hakko Kirin; achieve outstanding growth by bringing global strategic products to market**

Intensify focus on profit growth

Restore Kirin Brewery to growth

Transform the profit structure and strengthen the brands

Develop an environment
that encourages fair trade
Balance competition and
cooperation

Enhance the appeal of
the beer category
"Ichiban Shibori"
"Craft beer"

Foster the growth
categories
"RTD"

Excessive price
competition

Shift away
from beer
Diversifying
tastes

Shrinking
market due to
the aging
population

Revision to
the liquor tax
(Standardize
for all beer
types)

Intensify focus on profit growth

Fully utilize the unique business portfolio, and create new value

Strengthen the ability to compete globally, and achieve synergies in the area of health and well-being

Kyowa Hakko Kirin, the pharmaceuticals and bio-chemicals businesses

- Possess the complete value chain from research and development to manufacturing and sales
- Expected to be the driver of profit growth through outstanding growth as a core Group business
- Through synergies with alcohol and beverages businesses, work to create new businesses centered on “health and well-being”
 - Continue to possess the current equity (50.1%) in Kyowa Hakko Kirin

Toward sustainable growth

- ▶ During the 2nd half of the MTBP, without slowing the speed of the structural reforms, be results-oriented and achieve the plan
- ▶ Place maximum focus on restoring Kirin Brewery to growth
- ▶ Accelerate the initiatives aimed at resolving the issues facing society, and work to create new businesses centered on “health and well-being”

Appendices

(Reference) Normalized EPS Breakdown

(bn yen)	2017 Target 2Q Revised	2017 2Q actual	2016 2Q actual
Profit attributable to owners of parent	114.0	83.4	33.8
Amortization of goodwill, etc.	37.5	18.9	19.7
Special income or expenses after income taxes and minority interests	(26.3)	(34.1)	(5.4)
Normalized net income ①	125.1	68.2	48.1
Average number of shares outstanding during period (000 shares) ②	912,582	912,547	912,526
Normalized EPS (yen) ①÷②	137	75	53

2Q Actual Results by Segment

(bn yen)	2017 2Q actual	2016 2Q actual	Y on Y change	
				%
Sales	961.7	1,008.1	(46.4)	(4.6)%
Japan Integrated Beverages	525.9	533.0	(7.1)	(1.3)%
Overseas Integrated Beverages	253.4	292.7	(39.3)	(13.4)%
Pharmaceuticals and Bio-chemicals	172.2	170.6	1.5	0.9%
Other	10.2	11.6	(1.4)	(12.6)%
Operating income	79.7	58.8	20.9	35.7%
Japan Integrated Beverages	30.8	20.7	10.0	48.7%
Overseas Integrated Beverages	25.6	23.2	2.4	10.4%
Pharmaceuticals•Bio-chemicals	25.6	16.8	8.8	52.3%
Other	0.9	1.1	(0.2)	(21.7)%
Corporate expenses and elimination	(3.2)	(3.1)	(0.1)	
Ordinary income	79.2	58.1	21.0	36.3%
Net income attributable to owners of the parent	83.4	33.8	49.5	146.6%

Sales

- Sales decreased by 46.4 billion yen year-on-year due to Kirin Beverage's change in accounting process to deduct a part of variable selling expenses from sales (This effect is 1Q only), a decreased sales volume in Lion's Beer, Spirits, and Wine business, and the Brasil Kirin deconsolidation etc., Impact of the exchange rate on consolidation of the Overseas Integrated Beverages Business: +0.7 billion yen
- Sales did not meet the first-half target due to the Brasil Kirin deconsolidation etc.

Operating income

- Operating income increased overall by 20.9 billion yen year-on-year due to profit increase in both the Japan Integrated Beverages Business and the Pharmaceuticals and Bio-chemicals Businesses, Impact of the exchange rate on consolidation of the Overseas Integrated Beverages Business: (1.0) billion yen
- All segments overachieved targets

Ordinary income/Quarterly net income

- Ordinary income increased year-on-year by 21.0 billion yen due to an increase in operating income and increase in equity in earnings of affiliates owing to the strong performance of San Miguel Brewery etc.
- Quarterly net income increased year-on-year by 49.5 billion yen due to the tax impact of the Brasil Kirin share transfer (despite recognition of loss on the share transfer), an increase in ordinary income, and recognition of gain on sale of non-current assets

2Q Actual Results of Japan Integrated Beverages/ Overseas Integrated Beverages

(Bn yen)	2017 2Q actual	2016 2Q actual	Y on Y change	%	(Bn yen)	2017 2Q actual	2016 2Q actual	Y on Y change	%
Japan Integrated Sales	525.9	533.0	(7.1)	(1.3)%	Overseas Integrated Sales	253.4	292.7	(39.3)	(13.4)%
Kirin Brewery	312.1	312.5	(0.4)	(0.1)%	Lion	183.7	206.2	(22.5)	(10.9)%
Kirin Beverage	157.8	167.6	(9.8)	(5.9)%	Brasil Kirin※	31.5	50.7	(19.1)	(37.8)%
Mercian	30.7	31.0	(0.3)	(1.3)%	Myanmar Brewery	13.2	12.2	1.0	8.3%
Other & elimination	25.2	21.7	3.5	16.2%	Other & elimination	24.8	23.4	1.3	5.9%
Operating income	30.8	20.7	10.0	48.7%	Operating income	25.6	23.2	2.4	10.4%
Kirin Brewery	28.3	24.0	4.2	17.8%	Lion (after amortization of goodwill, etc)	20.7	25.2	(4.4)	(17.7)%
Kirin Beverage	12.6	5.9	6.7	113.4%	Brasil Kirin※ (after amortization of goodwill, etc)	(1.0)	(7.4)	6.4	-
Mercian	2.1	1.4	0.6	41.8%	Myanmar Brewery (after amortization of goodwill, etc)	4.3	3.5	0.7	21.7%
Other	(12.2)	(10.7)	(1.5)		Other	1.5	1.8	(0.2)	(15.2)%

※Brasil Kirin was deconsolidated from 2Q of 2017 onwards; only the 1Q results are consolidated

2Q Actual Results of Japan Integrated Beverages: Kirin Brewery

		2017 2Q actual	2016 2Q actual	Y on Y change
Sales volumes (1,000KL)	Beer	283	288	(1.6)%
	<i>Happo-shu</i>	216	219	(1.0)%
	New genre	257	269	(4.4)%
	Beer products total	758	777	(2.4)%
	RTD total	146	136	7.6%
	Non-alcohol	18	12	48.7%

Sales (bn yen)	312.1	312.5	(0.1)%
Sales excl. liquor tax (bn yen)	184.5	184.0	0.3%

Overall beer market

Overall market demand shrank by 1.3% (based on the first-half taxed shipment volume) due to the retail price increase resulting from revisions to the Liquor Tax Act etc. enforced in June against protracted sluggish consumer sentiment

Kirin Brewery sales volume

- Beer products decreased by 2.4% (approx. 19,000KL) due to the impact of changing the self-imposed guideline in January ahead of the revisions to the Liquor Tax Act etc.; sales in the RTD segment, however, increased by 7.6% (approx. 10,000 KL) and sales of non-alcoholic products increased by 48.7% (approx. 6,000KL), compensating for the negative growth in beer products
- *Ichiban Shibori* brand decreased by 1%, which was less than the decline rate of the overall beer market
- *Tanrei* brand decreased by 1%; *Nodogoshi* brand decreased by 3%
- Strong performance of *Hyoketsu* brand (increase of 9%) and *Honshibori* (increase of 18%)
- The new product in the non-alcoholic segment, *ZERO Ichi*, had achieved 60% of the annual target at the end of June; the forecast has been revised upwards by 50% to approx. 2.1 million cases

2016 2Q Operating income		24.0	Description
Y on Y change (bn yen)	Increase in marginal profit	0.7	Decrease in beer, down (5,000)kl / (0.6) bn yen; in <i>Happo-shu</i> , down (2,000kl)/ (0.2) bn yen; in new genre, down (12,000)kl / (1.3) bn yen, Increase in RTD, up 10,000kl / 1.1 bn yen
	Decrease in raw material costs, etc	1.6	Decrease in raw material expenses 0.9 bn yen; Decrease in packaging expenses 0.7 bn yen
	Decrease in selling expenses	2.8	Decrease in sales promotion expenses 2.5 bn yen; Decrease in advertising expenses 0.7 bn yen (Total: 48.3 → 45.0 bn yen), etc. (Beer, <i>Happo-shu</i> , new genre: 4.3 bn yen, etc.)
	Increase in other expenses	(0.9)	Increase depreciation cost (0.4) etc.
Total		4.2	
2017 2Q Operating income		28.3	

2Q Actual Results of Japan Integrated Beverages: Kirin Beverage

Sales volumes (million cases)		2017 2Q actual	2016 2Q actual	Y on Y change
Category	Black tea	24.94	24.18	3.1%
	Japanese tea	14.20	12.16	16.8%
	Coffee	14.68	15.06	(2.5)%
	Fruit and vegetable juice	11.83	12.82	(7.7)%
	Carbonated beverages	9.99	11.27	(11.4)%
	Health/Sport drinks	4.18	3.63	15.2%
	Water	18.72	20.02	(6.5)%
	Other	7.62	※ 7.86	(3.1)%
Container type	Can	18.96	19.56	(3.1)%
	Large PET bottle	34.95	34.98	(0.1)%
	Small PET bottle	42.39	42.37	0.0%
	Other	9.86	※ 10.09	(2.3)%
	Total	106.16	107.00	(0.8)%
Sales (bn yen)		15.78	16.76	(5.9)%

2016 2Q Operating income		5.9	Description
Y on Y change (bn yen)	Increase in marginal profit	3.2	Decrease in sales volume, down 0.83 million cases/ (0.4) bn yen; Difference due to product/ packaging mix 3.6 bn yen
	Decrease in raw material costs, etc	2.1	Decrease in raw material expenses 0.3 bn yen; Decrease in packaging expenses 1.1 bn yen; Decrease in processing expenses 0.6 bn yen
	Decrease in selling expenses	1.1	Decrease in sales promotion expenses 2.1 bn yen; Increase in advertising expenses (0.9) bn yen (Total 17.2→16.0 bn yen)
	Decrease in other expenses	0.2	
Total		6.7	
FY2017 2Q Operating income		12.6	

Overall soft drinks market

Overall market demand in the first half of 2017 appears to have decreased slightly due to the flip of the large demand in April 2016 associated with the Kumamoto Earthquake

Kirin Beverage sales volume

Soft drinks total: Decrease of 0.8%

- By category
Focus brands: *Gogo-no-Kocha* (+3%), *Nama-cha* (+16%), and *FIRE* ((6)%); Health/Sport drinks increased due to the impact of the new product launch (+15%)
- By packaging
Cans/small PET products ((1)%)
- By channel
Supermarket: *Nama-cha*, *Gogo-no-Kocha*, and *FIRE* increased but *Alkali Ion Water* decreased
CVS: *Gogo-no-Kocha* and *Nama-cha* increased but *FIRE* decreased
Vending machine: *Nama-cha* and *Mets* increased but *FIRE* decreased

2 Q Actual results of Overseas Integrated Beverages : Lion

	Yen base (bn yen)			
	2017 2Q actual	2016 2Q actual	YonY change	YonY change (%)
Sales	183.7	206.2	(22.5)	(10.9)%
Beer, Spirits, and Wine	105.7	126.1	(20.3)	(16.2)%
Dairy & Drinks	77.9	80.1	(2.2)	(2.8)%
Operating income before amortization of goodwill etc.	27.9	32.4	(4.5)	(14.1)%
Beer, Spirits, and Wine	28.8	33.1	(4.3)	(13.0)%
Dairy & Drinks	2.4	2.6	(0.2)	(8.0)%
Corporate	(3.4)	(3.3)	(0.0)	—
Goodwill Amortization	(5.5)	(5.5)	0.0	—
Brand amortization	(1.6)	(1.6)	0.0	—
Operating income	20.7	25.2	(4.4)	(17.7)%

A\$ base (million A\$)			
2017 2Q actual	2016 2Q actual	YonY change	YonY change (%)
2,176	2,404	(227)	(9.5)%
1,253	1,469	(216)	(14.8)%
923	934	(10)	(1.1)%
330	378	(47)	(12.6)%
341	386	(44)	(11.6)%
29	31	(2)	(6.5)%
(40)	(39)	(1)	—
(65)	(65)	(0)	—
(19)	(19)	0	—
246	294	(47)	(16.3)%

Consolidation period : Oct 2016 to Mar 2017

Currency Rate : ¥ 84.40 (previous year : ¥ 85.81)

	Beer, Spirits and Wine	Dairy & Drinks
Changes in sales volume	(15.5)%	(1.2)%

Changes in operating income before amortization of goodwill etc. (A\$ m)	2016	386	31
	Sales volume change	(88)	(3)
	Other	43	1
	2017	341	29

Sales

Beer, Spirits, and Wine: Sales decreased due to lower sales volume in Australia (impact of ABI-licensed brands, etc.) The underlying Sales(excluding the impact of the ABI brands) is line with the prior year. Impact of the exchange rate on consolidation: (1.7) bn yen

Dairy & Drinks: Despite the strong sales in the focus categories, overall sales decreased slightly due to lower sales volume in the juice category caused by orange juice supply shortages and the resulting higher raw material prices. Impact of the exchange rate on consolidation: (1.3) bn yen

Operating
income
before
amortization
of goodwill etc.

Beer, Spirits, and Wine: Profit decreased mainly due to lower sales volume in Australia. The underlying Operating income(excluding the impact of the ABI brands) is line with the prior year. Impact of the exchange rate on consolidation: (0.4) bn yen

Dairy & Drinks: Profit decreased due to higher raw material prices in the juice category by orange supply shortages and increased commodity prices for concentrate, and the loss resulting from inventory revaluation at the beginning of the year reflecting lower milk prices. Impact of the exchange rate on consolidation: (0.0) bn yen

2Q Actual Results of Overseas Integrated Beverages : Myanmar Brewery

	Yen base (bn yen)			
	2017 2Q actual	2016 2Q actual	Y on Y change	Y on Y change(%)
Sales	13.2	12.2	1.0	8.3%
Operating income before goodwill amortization	5.9	5.2	0.6	12.6%
Goodwill amortization	(0.8)	(0.8)	0.0	-
Brand amortization	(0.7)	(0.8)	0.0	-
Operating income	4.3	3.5	0.7	21.7%

Kyat base (bn MMK)			
2017 2Q actual	2016 2Q actual	Y on Y change	Y on Y change(%)
158	131	27	20.6%
70	56	14	25.4%
(9)	(8)	(0)	-
(9)	(9)	-	-
51	38	13	35.5%

Consolidation period: Oct 2016 to Mar 2017

Currency rate: 1,000 kyat = ¥83.72 (previous year: ¥93.20)

■ Changes in sales volume

(%)	Y on Y
Beer	+16.0

- The main brand *Myanmar Beer* recorded a year-on-year increase due to the effects of sales promotion etc. (+4%)
- *Andaman Gold* in the economy category continued to experience a significant increase (+95%)
- By packaging, sales volumes of cans and barrel products increased

Sales

- Sales increased due to a significantly higher sales volume and the impact of price increases executed during the last fiscal year
- The product mix had a negative impact due to a higher percentage of products in the economy category
- Impact of the exchange rate on consolidation: (1.5) billion yen

Operating income before amortization of goodwill etc.

- Profit increased due to a significantly higher sales volume and the impact of the price increases, which compensated for the negative impact of increased personnel costs and higher raw material costs resulting from the weak currency
- Some selling expenses are to be recognized in the second half due to the change in timing of spending
- The product mix had a negative impact due to a higher percentage of products in the economy category
- Cost-cutting efforts have been made in cooperation with the Kirin Group in order to address the impact of the weak kyat on the US dollar
- Impact of the exchange rate on consolidation: (0.6) billion yen

2Q Actual Results of Pharmaceuticals/Bio-chemicals

(Bn yen)	2017 2Q actual	2016 2Q actual	Y on Y change	
Sales	172.2	170.6	1.5	0.9%
Kyowa Hakko Kirin	175.6	174.0	1.6	0.9%
Pharmaceuticals	135.2	131.8	3.4	2.6%
Bio-chemicals	40.4	42.2	(1.7)	(4.2)%
Other and elimination	(3.4)	(3.4)	(0.0)	-
Operating income	25.6	16.8	8.8	52.3%
Kyowa Hakko Kirin	25.6	16.8	8.8	52.3%
Pharmaceuticals	20.7	11.6	9.0	77.7%
Bio-chemicals	3.3	3.4	(0.1)	(5.0)%
Other, elimination of amortization of goodwill	4.7	4.7	(0.0)	(1.6)%
Amortization of goodwill	(3.0)	(3.0)	-	-

Sales

Pharmaceuticals: Despite a domestic sales decrease because of drug price revisions and increased penetration of generic drugs, sales increased due to the significant contribution of higher technology revenue related to KHK4563 in the overseas market

Bio-chemicals: Despite an increase in domestic sales led by the strong mail-order business etc., overall sales decreased due to a decrease in overseas sales

Operating income

Pharmaceuticals: Operating income increased due to an increase in technology revenue in the overseas market as well as a decrease in general and administrative expenses, including R&D expenses

Bio-chemicals: Operating income decreased due to decreased sales

Kirin Group: Cost-cuts initiatives

Cost-cutting initiatives made steady progress in each business;
Revise the FY2017 target upwards

Goal: Realize the cost-cutting target of 30.0 billion yen from the 3-year medium-term business plan (2016-2018) ahead of schedule

(bn yen)	FY2016 actual cost reduction	FY2017 start-of- year target	FY2017 2Q actual results	FY2017 2Q revision	2016-17 full-year	Key initiatives in FY2017
Kirin Brewery	7.2	1.5	1.2	2.7	9.9	Reduction in raw materials, procurement, and supply chain costs
Kirin Beverage	6.1	0.9	1.0	1.5	7.6	Reduction in raw materials, procurement, and supply chain costs
Brasil Kirin	7.2	1.3	1.2	1.2	8.4	Sale of Macacu Plant (completed in FY2016)
Others	4.5	0.3	0.4	1.1	5.6	Mercian, Myanmar Brewery etc.
Total	25.0	4.0	3.8	6.5	31.5	

Full-year Forecast Revision for Japan Integrated Beverages/ Overseas Integrated Beverages

Bn yen	2017 (2Q revision)	2016 actual	Y on Y change		2017 (June 1 st , revision)	Change from 2Q to revision
Japan Integrated Beverages Sales	1,163.0	1,153.2	9.7	0.8%	1,170.0	(7.0)
Kirin Brewery	692.7	684.5	8.1	1.2%	706.1	(13.4)
Kirin Beverage	345.8	354.6	(8.8)	(2.5)%	349.7	(3.9)
Mercian	65.4	66.3	(0.9)	(1.4)%	66.1	(0.7)
Other and elimination	59.0	47.7	11.3	23.8%	47.9	11.0
Japan Integrated Beverages Operating income	69.5	67.2	2.2	3.4%	67.5	2.0
Kirin Brewery	72.1	69.8	2.2	3.2%	72.1	-
Kirin Beverage	20.0	17.2	2.7	15.7%	18.0	2.0
Mercian	3.2	3.6	(0.3)	(9.9)%	2.2	1.0
Other	(25.9)	(23.5)	(2.3)	—	(24.9)	(1.0)
Overseas Integrated Beverages Sales	448.0	561.4	(113.4)	(20.2)%	450.0	(2.0)
Lion	344.7	372.6	(27.9)	(7.5)%	349.8	(5.0)
Brasil Kirin	31.5	117.9	(86.3)	(73.2)%	31.5	—
Myanmar Brewery	24.3	22.4	1.8	8.5%	24.3	—
Other and elimination	47.3	48.3	(1.0)	(2.1)%	44.2	3.0
Overseas Integrated Beverages Operating income	46.5	48.3	3.1	7.4%	46.0	0.5
Lion※	38.3	42.8	(4.4)	(10.5)%	37.4	0.8
Brasil Kirin※	(1.0)	(9.0)	8.0	—	(1.0)	—
Myanmar Brewery※	5.6	5.4	0.2	3.8%	5.6	—
Other	3.5	4.1	(0.5)	(13.7)%	3.9	(0.3)

※Operating income after amortization of goodwill, etc

Notice; Brasil Kirin was deconsolidated from 2Q of 2017 onwards; only the 1Q results are consolidated

Full-year Forecast Revision for Japan Integrated Beverages: Kirin Brewery

	(1,000KL)	2017 (2Q revision)	2016 actual	Y on Y change	2017 Initial target
Sales volume	Beer	638	648	(1.6)%	680
	Happo-shu	461	470	(2.0)%	462
	New genre	585	578	1.2%	588
	Beer products total	1,685	1,698	(0.8)%	1,730
	RTD total	322	292	9.9%	311
	Non-alcohol	45	26	71.6%	35

Sales/Sales volume

- Revise the beer products sales volume downwards based on the first-half performance; Aim to achieve the same level as last year for the second half
- Revise the sales volume for the RTD/non-alcoholic ZERO Ichi upwards
- Revise Sales downwards but we aim to achieve a profit increase

Operating income/Profit changes

- Increase marginal profit by 5.9 billion yen year-on-year through compensating for the decrease in beer products with an increase in RTD/non-alcoholic products
- Keep sales promotion costs and advertising costs at the same level as last year to strengthen the second-half activities
- The results of raw material cost reduction efforts and current market raw material costs are included in raw material costs
- Estimate increases in depreciation costs, electricity/fuel costs, and repair costs are included in other expenses

Sales (bn yen)	692.7	684.5	1.2%	706.1
Sales excl. liquor tax (bn yen)	411.1	402.2	2.2%	416.6

2016 Operating income		69.8	Description	2017 (Start of year)	
Y on Y change (bn yen)	Increase in marginal profit	5.9	Decrease in beer, down (11,000)kl / (1.4) bn yen; in Happo-shu, down (9,000kl)/ (1.0) bn yen, Increase in new genre, up 7,000kl / 0.8 bn yen; in RTD, up 28,000kl / 3.0 bn yen	Increase in marginal profit	7.2
	Decrease in raw material costs	2.6	Decrease in raw material expenses, etc.	Decrease in raw material costs	0.8
	Increase in selling expenses	(0.7)	Sales promotion expenses and advertising expenses (Total: 96.3 → 96.3 bn yen), etc.	Selling expenses	0.0
	Increase in other expenses	(5.6)	Increase in depreciation expenses; Increase in electricity/fuel expenses, etc.	Decrease in other expenses	(5.8)
Total		2.2		Total	2.2
2017 Operating income		72.1		Operating income	72.1

Full-year Forecast Revision for Japan Integrated Beverages: Kirin Beverage

Sales volumes (million cases)		2017 (2Q revision)	2016 actual	Y on Y change	2017 (Initial)
category	Black tea	53.50	52.64	1.6%	53.00
	Japanese tea	32.30	28.77	12.3%	31.00
	Coffee	32.40	32.34	0.2%	33.30
	Fruit and vegetables juice	23.80	27.31	(12.9)%	26.20
	Carbonated beverages	18.90	23.12	(18.3)%	20.40
	Health/sport drinks	10.90	9.02	20.8%	10.80
	Water	40.70	41.68	(2.4)%	40.40
	Other	19.50	※ 18.44	5.7%	18.40
Container type	Can	41.32	41.69	(0.9)%	41.58
	Large PET bottle	73.68	76.17	(3.3)%	72.85
	Small PET bottle	94.65	93.20	1.6%	96.29
	Other	22.35	※ 22.26	0.4%	22.78
	Total	232.00	233.32	(0.6)%	233.50
Sales (bn yen)		345.8	354.6	(2.5)%	

Sales/Sales volume

- Revise the sales volume for soft drinks as a whole downwards by 1.5 million cases based on such factors as underperformance in terms of sales volume of *FIRE* and *Alkali Ion Water*; however, revise sales targets for *Gogo-no-Kocha* and *Nama-cha* upwards
- Aim to achieve the same full-year sales volume of *FIRE* as last year by increasing sales volume in the second half
- Continue to focus on sales of cans and small PET products

Operating income/Profit changes

- Compensate the decrease in sales volume for by improving the product/packaging mix etc. to realize the marginal profit
- An increase in selling expenses is expected in the second half as a result of revising the timing of spending selling expenses in order to strengthen focus brand sales in the second half
- Shift part of fixed sales promotion costs to variable costs based on the market trend
- Cost cuts efforts have achieved steady results; however, raw material costs etc. are expected to increase in the second half due to raw material market deterioration etc.
- Revise operating income upwards by 2 billion yen from the start-of-year target based on the status of other expenses

2016 Operating income		17.2	2017 (Start-of-year)	
Y on Y change (bn yen)	Increase in marginal profit	3.5	Decrease in sales volume, down (1.32) million cases/ (0.6) bn yen; Difference due to product/ packaging mix 4.1 bn yen	
	Decrease in raw material costs, etc	0.7	Increase in raw material expenses (0.8) bn yen; Decrease in packaging expenses 1.0 bn yen; Decrease in processing expenses 0.5 bn yen	
	Increase in selling expenses	(1.3)	Increase in sales promotion expenses (0.7) bn yen; Increase in advertising expenses (0.6) bn yen (Total 39.6→40.9 bn yen)	
	Increase in other expenses	(0.1)		
	Total	2.7		
2017 Operating income		20.0		

Increase in marginal profit	3.2
Decrease in raw material costs, etc	0.5
Increase in selling expenses	(1.6)
Increase in other expenses	(1.3)
Total	0.7
Operating income	18.0

Revision of Full-year Consolidated Forecast: Lion

	Yen base (bn yen)				2017 Initial forecast	A\$ base (million A\$)				2017 Initial forecast
	2017 2Qrevised	2016 actual	YonY change	(%)		2017 2Qrevised	2016 actual	YonY change	(%)	
Sales	344.7	372.6	(27.9)	(7.5)%	349.8	4,104	4,526	(422)	(9.3)%	4,266
Beer, Spirits, and Wine	192.4	222.8	(30.4)	(13.7)%	197.6	2,290	2,706	(415)	(15.4)%	2,409
Dairy & Drinks	152.3	149.8	2.4	1.7%	152.2	1,813	1,820	(6)	(0.4)%	1,856
Operating income before amortization of goodwill etc.	52.5	56.7	(4.1)	(7.4)%	51.2	625	688	(63)	(9.2)%	625
Beer, Spirits, and Wine	53.5	57.4	(3.9)	(6.8)%	52.2	637	698	(60)	(8.7)%	637
Dairy & Drinks	6.9	5.9	0.9	15.2%	7.5	82	72	9	12.9%	91
Corporate	(7.9)	(6.7)	(1.1)	—	(8.5)	(94)	(82)	(12)	—	(104)
Goodwill Amortization	(10.9)	(10.7)	(0.2)	—	(10.6)	(130)	(130)	(0)	—	(130)
Brand amortization	(3.2)	(3.1)	(0.0)	—	(3.1)	(38)	(38)	0	—	(37)
Operating income	38.3	42.8	(4.4)	(10.5)%	37.4	456	520	(63)	(12.3)%	456

Consolidation period : Oct 2016 to Sep 2017

Currency Rate : ¥ 84.00 (initial assumed rate : ¥ 82.00 previous year : ¥ 82.33)

Sales

Beer, Spirits, and Wine:

Reflected the lower sales resulting from the sale of the wine business
Impact of the exchange rate on consolidation: 3.8 bn yen

Dairy & Drinks:

Revised downward due to the lower sales volume in the juice category
caused by orange juice supply shortages and the resulting higher raw
material prices.
Impact of the exchange rate on consolidation: 3.0 bn yen

Operating Income

Beer, Spirits, and Wine:

In line with the initial plan for the year
Impact of the exchange rate on consolidation: 1.0 bn yen

Dairy & Drinks:

Revised downward due to the lower sales volume in the juice category
caused by orange juice supply shortages and the resulting higher raw
material prices.
Impact of the exchange rate on consolidation: 0.1 bn yen

(No change) Full-year Consolidated Forecast: Myanmar Brewery

	Yen base (bn yen)				Kyat base (Bn MMK)			
	2017 plan	2016 actual	YonY change	%	2017 plan	2016 actual	YonY change	%
Sales	24.3	22.4	1.8	8.5%	286	247	38	15.6%
Operating income before goodwill amortization	8.8	8.8	(0.0)	(0.1)%	104	97	6	6.5%
Goodwill amortization	(1.6)	(1.7)	0.1	—	(19)	(19)	—	—
Brand amortization	(1.5)	(1.6)	0.1	—	(18)	(18)	—	—
Operating income	5.6	5.4	0.2	3.8%	66	59	6	10.6%

Consolidation period: October 2016 – September 2017

Currency rate : 1,000 kyat = 85.00 yen (YonY : 90.62 yen)

Initiatives for the 2nd half: Lion and Myanmar Brewery

Lion Beer, Spirits, and Wine

Continue the post-ABI recovery plan

- Strengthen the brands in the key growth categories

Contemporary

Craft

International
Premium



1st half
results

+18%

+306%

+13%

+152%

Roll out measures to further
strengthen the brands

Creating new tastes and choice
in the beer category



- Support Master brands via new partnerships



Myanmar Brewery

Definite response in line with the market changes

- Solidify the leader position through sales promotions

Mainstream



Economy



- Strengthen the business foundation

Revise the prices

Realize both manufacturing
capacity expansion and
stable operations

Cut costs

Lion Dairy and Drinks

Continue to strengthen the focus categories and reform the profit structure

- Continue the Turn Around Plan



Strengthen sales in the focus categories

Increase productivity of Milk Based Beverages

- Initiatives aimed at sustainable growth



Respond to the trends toward health and wellness

Support improved farm sustainability for Dairy suppliers

Full-year Forecast Revision for Pharmaceuticals/Bio-chemicals

Bn yen	2017 (2Q revision)	2016 actual	Y on Y change		2017 (Start of year)
Sales	339.0	335.7	3.2	1.0%	336.0
Kyowa Hakko Kirin	347.0	343.0	3.9	1.2%	344.0
Pharmaceuticals	266.0	262.5	3.4	1.3%	263.0
Bio-chemicals	81.0	80.5	0.4	0.6%	81.0
Other and elimination	(8.0)	(7.2)	(0.7)	—	(8.0)
Operating income	42.0	34.7	7.2	20.9%	38.0
Kyowa Hakko Kirin	42.0	34.7	7.2	20.9%	38.0
Pharmaceuticals	33.0	26.3	6.6	25.4%	29.0
Bio-chemicals	6.0	5.3	0.6	13.0%	6.0
Other, elimination of amortization of goodwill	9.1	9.2	(0.1)	(1.2)%	9.1
Amortization of goodwill	(6.1)	(6.1)	(0.0)	—	(6.1)

Sales

Pharmaceuticals: Reflect the strong sales in domestic market, overachieving the start-of-year target
Bio-chemicals: No change

Operating income

Pharmaceuticals: Expect decrease in R&D costs as well as the upward revision of sales are included
Bio-chemicals: No change

<Reference>Quarterly performance of San Miguel Brewery (an affiliate consolidated under the equity method)

■ San Miguel Brewery local-based consolidated results (from January 2016 to March 2017)

(million pesos)	Jan-Mar 2016		Apr-Jun 2016		Jul-Sep 2016		Oct-Dec 2016		2016 total		Jan-Mar 2017	
	Actual	Change	Actual	Change	Actual	Change	Actual	Change	Actual	Change	Actual	Change
Sales	23,267	23%	24,129	15%	21,902	15%	27,862	18%	97,160	18%	25,364	9%
Operating income	6,050	17%	6,524	14%	6,140	26%	8,474	23%	27,188	20%	6,677	10%
Operating income to sales	26.0%		27.0%		28.0%		30.4%		28.0%		26.3%	

Source: San Miguel Brewery Inc. Financial Highlights

Periods consolidated to 2Q

■ San Miguel Brewery dividend data (Jan 2016-Dec 2016)

(million pesos)	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Oct-Dec 2016	2016 total
Net income	4,018	4,234	3,952	5,454	17,658
Dividend	2,458	2,612	2,612	2,765	10,446
Dividend/share	0.16	0.17	0.17	0.18	0.68

Source: San Miguel Brewery Inc. Financial Highlights

■ 2Q consolidated results under the equity method (consolidation period: Oct 2016-Mar 2017)

(bn yen)	2017 2Q	2016 2Q
Sales	120.2	118.0
Operating income	34.0	32.3
Consolidated net income (included in the consolidated results)	6.5	4.8

Currency rate: 1 peso = ¥2.26 (previous year: ¥2.52)

KIRIN

**この資料は投資判断の参考となる情報の提供を目的としたものであり、投資勧誘を目的としたものではありません。
銘柄の選択、投資の最終決定は、ご自身の判断でなさるようお願いいたします。**

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