

## Main Financial Data over the Past 11 Years

Fiscal Year	2006	2007	2008	2009	2010
Sales	¥1,665,946	¥1,801,164	¥2,303,569	¥2,278,473	¥2,177,802
Less: Japanese liquor taxes	402,321	400,555	380,691	359,743	342,527
Net sales	1,263,625	1,400,608	1,922,877	1,918,730	1,835,274
Japan Integrated Beverages Business	—	—	—	—	934,765
Overseas Integrated Beverages Business	—	—	—	—	403,977
Pharmaceuticals and Bio-chemicals Businesses	—	—	—	—	404,714
Other businesses	—	—	—	—	91,818
Operating income	116,358	120,608	145,977	128,435	151,612
Operating income (before amortization of goodwill, etc.)	—	—	—	157,769	193,600
EBITDA* <sup>1</sup>	191,161	213,129	264,620	212,838	269,392
Normalized EBITDA* <sup>2</sup>	—	—	—	—	—
Ordinary income	120,865	123,389	103,065	144,614	140,969
Net income (loss)	53,512	66,713	80,182	49,172	11,394
Normalized net income* <sup>3</sup>	—	—	—	—	—
Cash flows from operating activities	123,685	114,585	131,281	189,907	218,025
Cash flows from investing activities	(153,239)	(269,621)	(169,330)	(321,654)	(140,917)
Cash flows from financing activities	(50,012)	121,555	26,684	174,208	(140,197)

### Fiscal year-end

Total assets	¥1,963,586	¥2,469,667	¥2,619,623	¥2,861,194	¥2,649,197
Interest-bearing debt	302,762	673,872	723,703	963,209	859,376
Shareholders' equity* <sup>4</sup>	993,989	1,054,811	927,812	981,322	962,476

### Per share data

Net income (loss) per share (EPS) (Yen)	¥ 55.98	¥ 69.86	¥ 84.01	¥ 51.54	¥ 11.95
Normalized EPS (Yen)* <sup>5</sup>	—	—	—	—	—
EPS (before amortization of goodwill, etc.) (Yen)	66.18	79.72	34.72	81.92	94.31
Dividends per share (Yen)	17.00	21.00	23.00	23.00	25.00

### Financial indicators

ROE (%)* <sup>6</sup>	5.4	6.5	8.1	8.3	8.8
Operating income (before amortization of goodwill, etc.) / Net sales (%)	—	—	—	—	10.5
Net debt / Normalized EBITDA (Times)	—	—	—	—	—
Consolidated dividend payout ratio (%)* <sup>7</sup>	30.4	30.1	27.4	44.6	26.5

Note: Figures are rounded down to the nearest million yen.

\*1 For fiscal 2007 and before:

EBITDA = Income before income taxes and minority interests + Interest expense – Interest income – Dividend income + Depreciation + Amortization of goodwill, etc.

For fiscal 2008 and thereafter:

EBITDA = Operating income + Equity in earnings or losses of affiliates + Depreciation + Amortization of goodwill, etc. ± Special income and expenses

(Losses on impairment regarding goodwill, etc., are excluded.)

\*2 Normalized EBITDA = Operating income + Depreciation + Amortization of goodwill, etc. + Dividends received from entities accounted for by the equity method

\*3 Normalized net income = Net income + Amortization of goodwill, etc. ± Special income or expenses after income taxes and minority interests

\*4 Shareholders' equity = Total net assets – Non-controlling assets – Subscription rights to shares (as recorded on the balance sheet)

\*5 Normalized EPS = Normalized net income / Average number of shares outstanding during period

						¥ Million	Change (%)
2011	2012	2013	2014	2015	2016	2016 / 2015	
¥2,071,774	¥2,186,177	¥2,254,585	¥2,195,795	¥2,196,925	¥2,075,070	-5.5	
323,375	315,549	310,798	301,365	305,697	296,028	-3.2	
1,748,398	1,870,627	1,943,786	1,894,429	1,891,227	1,779,041	-5.9	
859,672	871,842	869,377	851,591	885,856	857,225	-3.2	
454,216	579,391	685,254	693,175	624,169	561,439	-10.1	
332,843	322,976	331,377	325,149	355,777	335,733	-5.6	
101,665	96,417	57,778	24,513	25,424	24,642	-3.1	
142,864	153,022	142,818	114,549	124,751	141,889	13.7	
189,812	202,675	198,086	171,542	158,537	169,915	7.2	
247,602	297,185	—	—	—	—	—	
—	307,339	301,486	273,183	258,922	253,006	-2.3	
136,818	138,452	132,134	94,211	128,199	140,676	9.7	
7,407	56,198	85,656	32,392	(47,329)	118,158	—	
—	112,868	115,426	108,779	107,063	113,880	6.4	
196,792	212,061	205,517	155,247	171,011	226,468	32.4	
(361,658)	(48,379)	85,526	(139,397)	(70,659)	(77,520)	—	
193,214	(160,008)	(272,357)	(80,701)	(78,221)	(145,184)	—	
¥2,854,254	¥2,951,061	¥2,896,456	¥2,965,868	¥2,443,773	¥2,348,166	-3.9	
1,144,786	1,037,188	858,911	873,003	821,478	711,762	-13.4	
852,922	948,943	1,075,861	1,101,833	663,842	680,662	2.5	
¥ 7.70	¥ 58.44	¥ 90.76	¥ 35.27	¥ (51.87)	¥ 129.49	—	
—	117	122	118	117	125	6.8	
70.58	124.87	159.92	108.57	(2.83)	172.00	—	
27.00	29.00	36.00	38.00	38.00	39.00	2.6	
6.9	12.4	14.0	8.6	(0.3)	21.9		
10.9	10.8	10.2	9.1	8.4	9.6		
—	2.86	2.25	2.76	2.67	2.33		
38.3	24.8	29.5	32.2	32.5	31.2		

\*6 ROE = Net income / Average shareholders' equity

For fiscal 2009 and thereafter: ROE calculated before amortization of goodwill, etc., and these figures exclude losses with no effect on cash outflow

\*7 For fiscal 2010 and 2011: Figures for consolidated dividend payout ratio use EPS (before amortization of goodwill, etc.), and these figures exclude losses with no effect on cash outflow  
For fiscal 2012 and thereafter: Figures for dividend payout ratio use normalized EPS

## Management's Discussion and Analysis

Note: Unless otherwise stated, all comparisons are with the previous fiscal year (fiscal 2015). Under the pure holding company structure adopted in July 2007, consolidated financial disclosures by Kirin Holdings Company, Limited ("the Company"), relate to the worldwide operations of the group of companies operating under this organizational structure ("the Kirin Group," or "the Group") and are in accordance with Japanese GAAP. As of December 31, 2016, the Kirin Group comprised 188 consolidated subsidiaries and 18 equity-method affiliates.

### Overview of Operations and Business Environment

In the fiscal year under review, looking at the global economy, a modest recovery was seen in China and other emerging Asian countries as well as in resource-producing countries. However, a sense of uncertainty persisted in the global economy due to fluctuations in international financial and capital markets coupled with changes in the political environment and concerns regarding geopolitical risks in several countries.

The Japanese economy experienced a modest recovery trend overall. Consumer spending was generally stable against a back-drop of steady improvement in the job market and wages, although sluggish consumption was seen in certain sectors.

In this environment, we positioned raising Group profitability as our top priority in our quest to restructure and revitalize Kirin on a Groupwide basis. We thus proceeded to reinforce business competitiveness through clearly prioritized investments. Looking at key initiatives of the medium-term business plan, efforts to "restructure and revitalize low-profit businesses" progressed better than planned, largely due to the recovery of performance at Kirin Beverage and Brasil Kirin. Also, progress was in line with plans regarding efforts to "invest to achieve outstanding growth in the Pharmaceuticals and Bio-chemicals Businesses." Attempts to "invest, strengthen, and grow the profit base in beer businesses," meanwhile, were stifled by a year-on-year decline in overall beer sales volumes at Kirin Brewery.

### Consolidated Statements of Income

#### ◆ Consolidated sales and gross profit

Consolidated sales (including liquor taxes) decreased 5.5% year on year, to ¥2,075.0 billion. This decrease can be attributed in part to lower beer sales volumes at Kirin Brewery and the impacts of deducting sales promotion expenses from second-quarter sales at Kirin Beverage in the Japan Integrated Beverages Business. Other factors leading to this decrease included the influence of foreign exchange rates on the Overseas Integrated Beverages Business.

Excluding liquor taxes, consolidated net sales declined 5.9%, to ¥1,779.0 billion.

The cost of sales (excluding liquor taxes) was down 6.7%, to ¥861.6 billion, while gross profit declined 5.2%, to ¥917.3 billion. The gross profit margin (excluding liquor taxes) increased by 0.4 percentage point, from 51.2% to 51.6%.

#### ◆ SG&A expenses and operating income

Selling, general and administrative (SG&A) expenses declined 8.0% year on year, to ¥775.4 billion. Although R&D expenses rose in the Pharmaceuticals and Bio-chemicals Businesses, this increase was offset by a decrease in sales expenses at Kirin Brewery and a decrease in SG&A expenses at Brasil Kirin. The ratio of SG&A expenses to net sales (excluding liquor taxes) decreased by 1.0 percentage point, to 43.6%.

R&D expenses included in SG&A expenses rose 2.7%, to ¥62.8 billion (¥62.9 billion including R&D expenses that are

included in manufacturing expenses), and accounted for 3.5% of consolidated net sales (excluding liquor taxes). Of these expenses, the R&D expenses for Kyowa Hakko Kirin, which handles the Pharmaceuticals and Bio-chemicals Businesses, were ¥53.5 billion, accounting for 84.7% of consolidated R&D expenses.

Consolidated operating income (after amortization of goodwill, etc.) increased 13.7%, to ¥141.8 billion, following progress in measures to improve profitability, which resulted in a significant improvement in income at Kirin Beverage as well as a ¥25.0 billion decrease in costs at Group companies. Accordingly, the ratio of operating income before amortization of goodwill, etc., to net sales (excluding liquor taxes), increased by 1.2 percentage points, to 9.6%, and the ratio of operating income after amortization of goodwill, etc., increased by 1.4 percentage points, to 8.0%.

#### ◆ Non-operating income and expenses, ordinary income

Overall, non-operating income and expenses resulted in a net non-operating loss of ¥1.2 billion. Factors behind this net loss included a ¥4.3 billion decrease in equity in earnings of affiliates as well as lower gains on investment in subsidiaries primarily associated with the Pharmaceuticals and Bio-chemicals Businesses. These factors offset the strong performance of San Miguel Brewery Inc. Ordinary income, the sum of operating income and net non-operating gain or loss, was up 9.7% year on year, to ¥140.6 billion.

#### ◆ Special income and expenses

Major items included in special income were a ¥24.6 billion cancellation fee from the termination of the beer distribution license with Anheuser-Busch InBev N.V. in Australia and a ¥15.4 billion gain on sales accompanying the conclusion of an agreement to transfer shares of a subsidiary of Brasil Kirin (the Macacu Plant). Special expenses amounted to ¥27.2 billion and primarily included the business restructuring expense recorded by Lion. However, this amount was significantly lower than the massive amount of special expenses posted in the previous fiscal year. As a result, net special gain of ¥40.0 billion was recorded, an increase of ¥150.8 billion from the previous fiscal year.

#### ◆ Net income attributable to owners of the parent

Following the increase in operating income and the recording of a substantial special gain, net income attributable to owners of the parent reached a record high of ¥118.1 billion, a significant increase of ¥165.4 billion from the previous fiscal year. Earnings per share (EPS) were ¥129.49, and EPS before amortization of goodwill, etc., was ¥172. Normalized EPS\* increased ¥8 from the previous fiscal year, to ¥125. ROE before amortization of goodwill, etc., was 21.9%.

\* Normalized EPS = Normalized net income/Average number of shares outstanding during period

Normalized net income = Net income + Amortization of goodwill, etc. ± Special income or Expenses after income taxes and minority interests

## Summary of Consolidated Statements of Income

¥ Billion

	Fiscal 2015	Fiscal 2016	Change (%)
Sales	2,196.9	2,075.0	-5.5%
Less: Japanese liquor taxes	305.6	296.0	-3.2%
Net sales	1,891.2	1,779.0	-5.9%
Cost of sales	923.1	861.6	-6.7%
Gross profit	968.0	917.3	-5.2%
Selling, general and administrative expenses	843.3	775.4	-8.0%
Operating income	124.7	141.8	13.7%
Operating income (before amortization of goodwill, etc.)	158.5	169.9	7.2%
Non-operating income	29.8	20.8	-30.0%
Non-operating expenses	26.4	22.1	-16.3%
Ordinary income	128.1	140.6	9.7%
Special income	29.1	67.3	130.6%
Special expenses	139.9	27.2	-80.5%
Income before income taxes and minority interests	17.4	180.7	938.5%
Income taxes	45.9	47.0	2.6%
Net income attributable to non-controlling interests	18.8	15.5	-17.7%
Net income (loss) attributable to owners of the parent	(47.3)	118.1	—

## Financial Indicators

	Fiscal 2015	Fiscal 2016	Change (%)
Net income (loss) per share (EPS) (Yen)	(51.87)	129.49	—
EPS (before amortization of goodwill, etc.) (Yen)	(2.83)	172.00	—
Normalized EPS (Yen)	117	125	6.8%
Normalized net income (Billions of yen)	107.0	113.8	6.4%
ROE (before amortization of goodwill, etc.) (%)	(0.3)	21.9	—

## Analysis of Change in Consolidated Sales

¥ Billion

	Year-on-year change
Japan Integrated Beverages Business	-38.3
Decrease in sales at Kirin Brewery	-22.6
Decrease in sales at Kirin Beverage	-17.4
Decrease in sales at Mercian	-3.0
Overseas Integrated Beverages Business	-62.7
Decrease in sales at Lion	-66.0 <sup>*1</sup>
Decrease in sales at Brasil Kirin	-16.3 <sup>*2</sup>
New consolidation of Myanmar Brewery	22.4 <sup>*3</sup>
Pharmaceuticals and Bio-chemicals Businesses	-20.0
Decrease in sales at Kyowa Hakko Kirin	-21.2
Other	-0.7
Total	-121.8

\*1 Fiscal 2016 exchange rate: 1 Australian dollar = ¥82.33 (Fiscal 2015: ¥93.16)

\*2 Fiscal 2016 exchange rate: 1 Brazilian real = ¥31.83 (Fiscal 2015: ¥36.30)

\*3 Fiscal 2016 exchange rate: 1,000 Burmese kyat = ¥90.62

## Analysis of Change in Consolidated Operating Income

¥ Billion

	Year-on-year change
Japan Integrated Beverages Business	19.2
Increase in profits at Kirin Brewery	7.2
Increase in profits at Kirin Beverage	11.6
Increase in profits at Mercian	1.6
Overseas Integrated Beverages Business <sup>*4</sup>	10.0
Decrease in profits at Lion	-7.2 <sup>*1</sup>
Increase in profits at Brasil Kirin	3.3 <sup>*2</sup>
New consolidation of Myanmar Brewery	8.8 <sup>*3</sup>
Pharmaceuticals and Bio-chemicals Businesses	-12.0
Decrease in profits at Kyowa Hakko Kirin	-12.0
Other	-0.5
Total	17.1

\*4 Change in operating income (before amortization of goodwill, etc.)

## Management's Discussion and Analysis

### Consolidated Balance Sheets

#### Assets

Total assets as of December 31, 2016, were ¥2,348.1 billion, a decrease of ¥95.6 billion, or 3.9%, compared with the previous fiscal year-end. Current assets were down ¥33.7 billion, to ¥748.1 billion. Non-current assets declined ¥61.8 billion, to ¥1,600.0 billion, following the amortization of intangible assets and a reduction in assets stemming from the influence of foreign exchange rates on overseas subsidiaries.

#### Liabilities

Total liabilities as of December 31, 2016, amounted to ¥1,402.0 billion, a year-on-year decrease of ¥103.6 billion, or 6.9%. Current liabilities fell ¥15.5 billion, to ¥650.3 billion. Non-current liabilities declined ¥88.0 billion, to ¥751.7 billion, as a result of lower interest-bearing debt.

#### Net assets

Net assets as of December 31, 2016, stood at ¥946.0 billion, up ¥8.0 billion, or 0.9%, compared with the previous fiscal year-end.

As a result, the shareholders' equity ratio was 29.0% at the end of the fiscal year, compared with 27.2% at the end of the previous fiscal year, and net assets per share were up ¥18.44 from the end of the previous fiscal year, to ¥745.92.

### Summary of Consolidated Balance Sheets

¥ Billion

	End of Fiscal 2015	End of Fiscal 2016	Change
Current assets	781.9	748.1	-33.7
Cash and time deposits	66.4	58.9	-7.4
Notes and accounts receivable, trade	397.6	393.5	-4.1
Inventory	227.7	207.6	-20.1
Other	90.0	88.0	-2.0
Non-current assets	1,661.8	1,600.0	-61.8
Property, plant and equipment	711.7	705.2	-6.5
Intangible assets	458.5	401.9	-56.6
Goodwill	269.2	228.9	-40.2
Other	189.3	172.9	-16.4
Investment and other assets	491.5	492.9	1.3
Total assets	2,443.7	2,348.1	-95.6
Current liabilities	665.9	650.3	-15.5
Notes and accounts payable, trade	142.0	135.8	-6.2
Interest-bearing debt	158.1	134.9	-23.2
Other	365.7	379.6	13.9
Non-current liabilities	839.7	751.7	-88.0
Interest-bearing debt	598.9	513.7	-85.2
Other	240.8	237.9	-2.8
Total liabilities	1,505.6	1,402.0	-103.6
Shareholders' equity	645.6	728.9	83.2
Total accumulated other comprehensive income	18.1	(48.2)	-66.4
Share options	0.4	0.5	0.1
Non-controlling interests	273.8	264.8	-8.9
Total net assets	938.0	946.0	8.0
Total liabilities and net assets	2,443.7	2,348.1	-95.6

## Consolidated Statements of Cash Flows

The balance of consolidated cash and cash equivalents as of December 31, 2016, was down ¥2.6 billion from the previous fiscal year-end, to ¥57.7 billion.

### ▶ Cash flows from operating activities

Net cash provided by operating activities was ¥226.4 billion, an increase of ¥55.4 billion compared with the previous fiscal year. Cash-decreasing factors included a ¥15.4 billion increase in gain on sale of shares of subsidiaries and affiliates and a ¥122.9 billion decrease in loss on impairment. However, these factors were outweighed by cash-increasing factors including a ¥163.3 billion increase in income before income taxes and minority interests and a ¥29.6 billion decrease in working capital outflows resulting from changes in such items as trade notes and accounts receivable, inventories, trade notes and accounts payable, liquor taxes payable, and consumption taxes payable.

### ▶ Cash flows from investing activities

Net cash used in investing activities increased ¥6.8 billion, to ¥77.5 billion. Major cash outflows included payment for purchases of property, plant and equipment and intangible assets of ¥95.0 billion (up ¥17.9 billion from the previous fiscal year) and payment for acquisition of marketable securities and investment securities of ¥20.7 billion. These outflows exceeded major cash inflows including proceeds from sale of property, plant and equipment and intangible assets of ¥20.1 billion and proceeds from sale and redemption of marketable securities and investment securities of ¥16.1 billion.

### ▶ Cash flows from financing activities

Net cash used in financing activities increased ¥66.9 billion, to ¥145.1 billion. Proceeds from long-term debt of ¥38.3 billion and increase in commercial paper of ¥45.0 billion were outweighed by repayment of long-term debt of ¥129.2 billion, payment for redemption of bonds of ¥30.0 billion, and ¥43.1 billion in cash dividends paid.

As a result, the cash flow-related indicators were as follows:

	Fiscal 2015	Fiscal 2016
Equity ratio (%)	27.2	29.0
Equity ratio based on market capitalization (%)	61.5	73.9
Debt service coverage ratio (%)	480.4	314.3
Interest coverage ratio (Times)	13.0	22.9

Notes:

1. Equity ratio = Equity/Total assets

2. Equity ratio based on market capitalization = Market capitalization\*/Total assets

\* Market capitalization equals market price on last trading day of period × Total shares outstanding at end of period (excluding treasury stock).

3. Debt service coverage ratio = Interest-bearing liabilities\*/Operating cash flow

\* Interest-bearing liabilities refers to all liabilities with interest payable recorded in the liabilities section of the Consolidated Balance Sheets.

4. Interest coverage ratio = Operating cash flow/Interest expense\*

\* Interest expense refers to the amount of interest paid recorded in the Consolidated Statements of Cash Flows.

## Summary of Consolidated Statements of Cash Flows

¥ Billion

	Fiscal 2015	Fiscal 2016	Change
Cash flows from operating activities	171.0	226.4	55.4
Income before income taxes and minority interests	17.4	180.7	163.3
Depreciation and amortization	94.6	77.4	-17.1
Amortization of goodwill	27.3	22.3	-5.0
Other	31.6	(54.0)	-85.6
Cash flows from investing activities	(70.6)	(77.5)	-6.8
Acquisition of non-current assets	(77.1)	(95.0)	-17.9
Other	6.4	17.5	11.0
Cash flows from financing activities	(78.2)	(145.1)	-66.9
Increase (decrease) in interest-bearing debt	(33.9)	(99.6)	-65.6
Cash dividends paid	(41.1)	(43.1)	-2.0
Other	(3.1)	(2.4)	0.7
Translation adjustments	(2.3)	(6.3)	-4.0
Net increase (decrease) in cash and cash equivalents	19.8	(2.6)	-22.4